



September 2, 2008  
Toronto, Ontario

VAA-TSX  
vaapr2008-28

## **PRESS RELEASE**

### **VAALDIAM TO FOCUS ON CASH FLOW AND ADVANCED PROJECTS IN BRAZIL**

**Vaalldiam Resources Ltd. (VAA – TSX)** today provided an update on the Company's activities with respect to the ongoing development of its Braúna kimberlites, operations at the Duas Barras and Chapada Mines and the acquisition of RST Recursos Mineração Ltda.

#### **Braúna Kimberlite Project**

*Management believes, based on results to date, that the Braúna project has the potential to be South America's first kimberlite diamond mine.*

Vaalldiam's 100% owned Braúna Kimberlite Project is progressing through a feasibility study which includes the collection and processing of a 5,000 tonne bulk sample from the Braúna 3 kimberlite pipe and associated dike systems. The purpose of this program is to produce a parcel of commercial sized diamonds for valuation purposes. The current bulk sampling program follows an exploration program consisting of mini-bulk sampling and delineation drilling, which produced very encouraging results including:

- 223 tonnes of kimberlite collected and processed from five kimberlite occurrences returning diamond grades ranging from 42.04 cpht to 4.34 cpht. A summary of the results is presented in the following table:

<b>Kimberlite</b>	<b>Dry Weight (Tonnes)</b>	<b># of Diamonds Recovered</b>	<b>Weight of Diamonds (carats)</b>	<b>Inferred Diamond Grade (cpht)</b>	<b>Average Carat Size of Diamonds</b>
Braúna 3 Pipe	39.84	59	8.26	20.73	0.14
Braúna 7 Pipe	86.65	28	3.76	4.34	0.13
Braúna 8 Dike	45.70	167	19.21	42.04	0.12
Braúna 11	28.18	40	5.31	18.84	0.13
Braúna 21	22.59	19	1.58	6.99	0.08
<b>Total</b>	<b>222.96</b>	<b>313</b>	<b>38.12</b>	<b>17.10</b>	<b>0.12</b>

- 4.7 million tonnes to 5.6 million tonnes of kimberlite estimated to a depth of 200 metres for the Braúna 3 pipe by Wardrop Engineering Inc. based on 56 drill holes completed at 25 metre drill spacings. This tonnage estimate does not yet constitute a mineral resource as defined by National Instrument 43-101, and is simply an order-of-magnitude estimate of the potential tonnage for this kimberlite body;
- Diamonds recovered include a 7.97 carat white octahedron diamond (Braúna 8). The average size of the diamonds recovered during the mini-bulk sample program is 0.12 carats per stone; and
- A 0.92 carat pink diamond has also been recovered from the Braúna 8 dike.

Environmental permitting to allow the installation of a new 10 tonne per hour dense media plant is in process and is expected to be completed by the end of September. The construction of the new diamond recovery plant is nearing completion and installation of the plant is expected to commence in October. It is expected that the bulk sampling program will be completed in its entirety by the end of the year, with the feasibility study completed during the first quarter of 2009.

## **Duas Barras Mine**

*Management has implemented several initiatives to improve performance at the Duas Barras Mine.*

Vaaldiam's 100% owned Duas Barras Mine commenced production in September 2007 and during the first 11 months produced 33,385 carats of diamonds at an average sales value of US\$165 per carat, together with 1,036 ounces of gold, for gross sales revenues of approximately US\$6,300,000. Recent activities at the Duas Barras Mine have been focused on improving diamond grade control during mining, increasing diamond and gold recoveries in the processing plant, and the further reduction of operating costs. These activities involve the following initiatives which are either completed or in progress:

- Installed two X-Ray diamond recovery units to improve diamond recovery and security;
- Reduced the primary screen size in the feed preparation circuit to 1.6 mm from 2.0 mm to increase diamond recovery;
- Currently installing two "Ouro-cone" gold recovery units to increase the recovery of fine gold previously lost to waste;
- Completing detailed percussion drilling in the mining area to better define the diamond bearing gravels and improve diamond grade control in the open pit;
- Continue to purchase a Company-owned mining fleet to reduce reliance on contract mining and reduce mining costs; and
- Added new senior management at the Duas Barras Mine.

Vaaldiam recently reported an updated National Instrument 43-101 compliant Mineral Resource Estimate of 1.639 million m<sup>3</sup> of Indicated Mineral Resource grading 0.16 ct/m<sup>3</sup> of diamonds and 182 mg/m<sup>3</sup> of gold, representing an in-situ Indicated Mineral Resource of over 260,000 carats of diamonds and over 9,500 ounces of gold. In addition, 0.811 million m<sup>3</sup> of Inferred Mineral Resource is estimated with the same grades containing an additional 130,000 carats of diamonds and 4,700 ounces of gold. Projected production for 2008 at Duas Barras is 35,500 carats and 850 troy ounces of gold contributing projected gross sales revenues of over US\$6,500,000 for 2008 excluding any production generated from the RST acquisition.

## **Chapada Mine**

*Several initiatives to reduce operating costs have been introduced or await introduction at the Chapada Mine.*

Vaaldiam's 100% owned Chapada Mine has produced 4,803 carats of diamonds at an average sales value of US\$497 per carat during the first six months of 2008. Diamond grades were 35% lower than target during the first six months of 2007 as a result of mining the remaining high level terrace gravels associated with the Quilombo deposit. Production will now focus on the adjacent Pebas deposit where more consistent diamond grades are expected. Production operations were suspended at the end of June 2008, the end of the contract mining period, to allow for the conversion of the mining operation from contract mining to a Company-owned mining operation. This initiative is expected to result in a significant reduction in direct mining costs and in total operating costs at Chapada. Other initiatives underway to improve production and lower operating costs include:

- Installation of an in-pit screening unit to reduce the volume of gravel to be transported to the processing plant. The installation of an in-pit screening unit is expected to result in a 60% reduction in the amount of material transported to the processing plant with significant saving in diesel costs and reduced reclamation costs in the mining areas;
- Reduction of the primary screen size in the feed preparation circuit to 1.6 mm from 2.0 mm to increase diamond recovery;

- Improved diamond recovery to total “hands off” status at the processing plant; and
- Reduced staffing at the Chapada Mine.

Financing of the purchase of Company-owned mining equipment is included in the projected proceeds of the Rights Issue underway. Contemporaneous with the purchase of the company-owned mining equipment, the Chapada Mine would recommence operations.

#### **Acquisition of RST Recursos Mineração Ltda.**

*Management believes that the acquisition of RST would provide a compelling strategic fit with its Duas Barras Mine.*

Vaaldiam recently announced (July 2, 2008) the proposed acquisition of RST Recursos Mineração Ltda (RST) and its Peçanha Mine and exploration concessions. RST holds 23 exploration and mining claims and 9 claims under application adjacent to Vaaldiam’s Duas Barras mine encompassing approximately 110 kilometres of the Jequitinhonha River. The acquisition would provide Vaaldiam with a second 2,000 tonne per day diamond recovery plant and would significantly expand the Company’s operations in the historic Diamantina diamond district.

- RST Peçanha Mine – Based on RST’s bulk sampling program and mining activity, a gravel volume ranging from 1.2 million m<sup>3</sup> to 2.2 million m<sup>3</sup> and diamond grades ranging from 0.08 ct/m<sup>3</sup> to 0.16 ct/m<sup>3</sup> is estimated. Note that the potential quantity and grade is conceptual in nature, as there has been insufficient exploration to define a mineral resource and that it is uncertain if further exploration will result in the target being delineated as a mineral resource;
- An estimated 124 million m<sup>3</sup> of gravel may exist in areas that are held or under application by RST. These areas exhibit some geological characteristics similar to those of the Duas Barras deposit and further exploration is planned for these areas; and
- Under the terms of the agreement, Vaaldiam has paid the original shareholders of RST US\$500,000 and US\$1.5 million of Vaaldiam common shares (as reported on July 2, 2008) as a first instalment of the purchase price. Vaaldiam is currently negotiating an extension of the payment terms for the balance of US\$8.5 million that was originally due on August 15, 2008.

#### **Pimenta Bueno and Ariquemes Kimberlite Projects**

*Processing of mini-bulk samples from the Cosmos 1 and 2 pipes is continuing.*

Vaaldiam recently released mini-bulk sampling results for the Cosmos 1 pipe, indicating an average grade of 2.50 cpht for the 3 hectare pipe. The Cosmos pipe is one of 38 kimberlite pipes discovered to date on the Pimenta Bueno property, while an additional 5 pipes have been discovered on the Ariquemes property. An additional 73 tonnes of kimberlite from Cosmos 1 is awaiting processing at the Company’s facility in Bahia, Brazil, while a further 52 tonnes awaits processing from the Cosmos 2 pipe. Vaaldiam is currently entertaining joint venture proposals regarding the ongoing development of the Pimenta Bueno and Ariquemes projects.

#### **Corporate Initiatives**

##### **Canadian Assets**

*An interest in Vaaldiam’s Canadian properties will be transferred to Vaaldiam’s shareholders.*

On August 20, 2008 Vaaldiam announced the proposed transfer of an interest in its Canadian diamond projects to Vaaldiam's shareholders, subject to shareholder and regulatory approval. Vaaldiam's decision to proceed with this transaction is based on the following:

- Vaaldiam's primary focus is the exploration and production of diamonds in Brazil. The formation of a separately listed exploration company, initially 51% owned by Vaaldiam and 49% by its shareholders, whose assets will include Vaaldiam's Canadian properties, will allow Vaaldiam's management to focus entirely on growing diamond production and cash flow from its Duas Barras and Chapada mines, and advancing development of the Braúna kimberlite deposits;
- The underlying value of its Canadian assets may not be reflected in the current Vaaldiam share price and the separate listing of a company holding the Canadian assets will highlight the underlying value of these Canadian assets; and
- The formation of the new publicly listed company, owned by Vaaldiam and its shareholders, will provide Vaaldiam's shareholders with a direct interest in an aggressive exploration company focused on development of its current Canadian properties as well as the acquisition of new properties in Canada.

## Financing

Vaaldiam recently arranged a U.S.\$2.5 million revolving line of credit to supplement working capital.

Vaaldiam recently announced a Rights Offering which provides shareholders with one right for each share held as of the Record Date of August 21, 2008. Each two rights entitles the holder to purchase one common share of Vaaldiam at a price of \$0.15 per share. Rights may be exercised until 5:00 pm on September 17, 2008. It is anticipated that proceeds from the Rights Offering will be used to complete the previously announced acquisition of RST, to purchase additional mining equipment, to complete recommended exploration on the RST and Duas Barras properties and for general working capital.

This release has been reviewed by Katya Masun, Senior Resource Geologist, who is a qualified person under National Instrument 43-101. For additional information regarding Vaaldiam please visit [www.vaaldiam.com](http://www.vaaldiam.com), or contact Ken Johnson, President & Chief Executive Officer or Janet Reid, Manager, Investor Relations at (416) 363-6927.

*This press release contains certain forward-looking statements. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to international operations; risks related to joint venture operations; actual results of current exploration activities; changes in project parameters as plans continue to be refined, future prices of resources; possible variations in reserves, grade or recovery rates, accidents, labour disputes and other risks of the mining industry; and delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.*