

Vaaldiam Mining Inc. Reports 2011 Financial Results

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[Vaaldiam Mining Inc.](#) ('Vaaldiam' or the 'Company') (TSX: VAA) reports that, for the year ended December 31, 2011, it has recorded a net loss of \$13,247,000 or \$0.18 per share compared to a net loss of \$6,973,000 or \$0.10 per share for the same period in 2010.

Vaaldiam ended the period with a cash position of \$4.5 million and working capital of \$3.2 million. Vaaldiam also holds 10.6 million shares in Flemish Gold Corp. ('Flemish'), which is focused on gold exploration in sub-Saharan Africa, 2.8 million shares in [Freegold Ventures Ltd.](#) (TSX: FVL) and royalty interests in the Kwale mineral sands project in Kenya, the Pukaqaqa copper-gold project in Peru, the Brauna kimberlite project in Brazil, and the Crypto zinc-copper-indium project in the United States. Vaaldiam owns the patent for the TSR process, which can be used to upgrade ilmenite into synthetic rutile. Vaaldiam also owns a 100% interest in the gold deposit at Brauna and a kimberlite project in Brazil. Vaaldiam decided not to renew their licenses at the Chapada diamond mine in Mato Grosso, Brazil.

The Company has retained Raymond James Ltd., an investment bank, as its financial advisor to identify and analyse the strategic alternatives available to the Company with respect to its portfolio of royalty assets with a view to undertaking one or more transactions that will recognize the full value of the Company and/or its assets.

2011 Transactions

Brauna Project

On March 4, 2011, Vaaldiam entered into an arrangement the ("March Agreement") with the joint venture partners of the Brauna diamond project to restructure the existing arrangement and to increase the ownership interest of the Company in the Brauna diamond project from 20% to 51%. On September 30, 2011, the Company negotiated a new agreement with the joint venture partners (the "September Agreement"). Under the terms of the September Agreement, the Company agreed with its joint venture partners to terminate the March Agreement and to recover approximately US\$800,000 held in escrow by its joint venture partners. In exchange for terminating its liability for financing and developing the Brauna diamond project, the Company converted its 51% equity interest in the Brauna diamond project to a 1% Gross Sales Royalty on all diamond production from the property. The Company also maintained its right to explore the Brauna property for gold.

Duas Barras Mine

On November 1, 2011, the Company entered into an agreement to sell the Duas Barras mineral rights and its plant and equipment for R\$1.33 million. Pre-production activities at Duas Barras had been suspended in April 2011.

Chapada Mine

In December 2011, the Company decided to dismantle the Chapada processing plant and sell the remaining equipment. Mining operations at Chapada had been suspended since Vaaldiam acquired the mine through its acquisition of Vaaldiam Resources Ltd. in March 2010.

Selected Financial Information

(Expressed in thousands of Canadian dollars, except share capital amounts):

| | December 31, 2011 | December 31, 2010 |
|-----------------------|----------------------|----------------------|
| Net loss for the year | 13,247 | 6,973 |
| Loss per share | 0.18 | 0.10 |
| Total assets | 10,100 | 25,868 |
| Working capital | 3,210 | 7,619 |
| Mineral properties | 9 | 4,828 |
| Share Capital: | | |
| Common shares (000s) | 71,635 | 71,635 |
| Warrants (000s) | 6,094 | 6,094 |
| Options (000s) | 4,996 | 4,807 |

Cash Flow and Liquidity

As at December 31, 2011, Vaaldiam had working capital of \$3.2 million, compared with \$7.6 million at December 31, 2010. For the year ended December 31, 2011, Vaaldiam used cash of \$3.9 million, which included cash used in operations of \$4.1 million, expenditures on plant and equipment and mine development of \$0.7 million, a payment of \$0.9 million with respect to the March Agreement and other expenditures of \$0.2 million. This was partially offset by proceeds on disposal of investments and equipment of \$0.3 million, proceeds on the sale of Duas Barras of \$0.8 million and proceeds on the maturity of the Freegold loan of \$0.9 million.

International Financial Reporting Standards ("IFRS")

The Company adopted IFRS on January 1, 2011, with a transition date of January 1, 2010. Under IFRS 1 First-time Adoption of IFRS, the IFRS are applied retrospectively at the transition date of January 1, 2010. The effect of the transition from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS is not material and the explanation of how the transition from Canadian GAAP to IFRS has affected Vaaldiam's financial position, financial performance and cash flows are set out in the financial statements.

The information above should be reviewed in conjunction with the Company's consolidated financial statements, which were prepared in accordance with IFRS, and management discussion and analysis for the year ended December 31, 2011, which are available on www.sedar.com and rjackson@vaaldiam.com.

Certain of the information contained in this news release constitutes 'forward-looking statements' within the meaning of securities laws. Such forward-looking statements, including but not limited to those with respect to the prices of metals and minerals, purchase payments, royalty payments, estimated future production and estimated costs of future production involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any forecast results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the actual prices of metals and minerals, the actual results of current exploration, development and mining activities, changes in project parameters as plans continue to be evaluated, as well as those factors disclosed in the documents of the Company filed from time to time with the Ontario Securities Commission.

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