



DIADEM RESOURCES LTD.

NEWS RELEASE

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DIADEM ACQUIRES OTISH MOUNTAIN DIAMOND CLAIMS

TORONTO, ONTARIO, July 31, 2003 - Diadem Resources Ltd. (TSX – Venture: “DIR”) announced today that it has entered into agreements with 13 companies to acquire a 100% interest in 1,552 previously staked diamond claims in the Otish Mountains area of northern Quebec. The claims encompass an area of approximately 200,000 acres.

The Otish Mountains area is part of the Superior Craton which has become one of the most active diamond exploration areas in the world. The vendor companies initially acquired the claims because of the area's potential to host primary diamond deposits in kimberlitic rocks. The world's largest diamond mining companies have indicated their interest in the area through joint venture projects and independent work programs. The acquired claims cover a number of discrete magnetic targets, a number of which are associated with diabase dike structures favourable for hosting kimberlite intrusions.

Exploration activity in the Otish Mountains was sporadic in 2002 and early 2003. Recent positive reports by other mining companies active in the area, notably Ashton Mining Canada Ltd. in joint venture with SOQUEM, has confirmed that the Otish Mountains region has very good potential to host commercial primary diamond deposits. Results released by Ashton/SOQUEM on their *Renard* kimberlite clusters have been very encouraging, including the recent discovery of a 4 carat diamond in drill core at the *Renard* 65 kimberlite. De Beers Canada Exploration Inc. recently optioned claims in the area in order to be an active participant in diamond exploration in the region.

In acquiring the claims, Diadem also has acquired all of the geophysical and other technical data derived from work carried out to date on the claims by the vendor companies. In most cases, these claims were staked by the vendor companies to cover discrete aeromagnetic anomalies observed on reprocessed data developed by the Governments of Quebec and Canada. After a review of the technical data by Diadem's consultants, all anomalies will be plotted on topographical maps and targets will be developed, ranked and prioritized for field examination and possible helicopter-supported till sampling, commencing in August, 2003. It is proposed that the program will be managed by Roscoe Postle Associates Inc. under the supervision of Lee Barker P.Eng. Mr. Barker has over 35 years experience in the mining industry. He was heavily involved in exploration and development of significant diamond deposits in Canada, including in the Northwest Territories and the Otish Mountain region, Africa and parts of South America. He supervised the initial exploration program on the *Diavik* diamond project near Lac de Gras in the Northwest Territories which led to the discovery of over 60 kimberlite bodies, two of which came into commercial production this month as Canada's second diamond mine.

Diadem has established a wholly-owned subsidiary that will acquire the claims from the vendor companies and will operate the project. The acquisition will be made using special shares of the

subsidiary having a value equal to the staking costs and work carried out on the claims by the vendor companies. In addition, if a diamond mine is put into commercial production on any claim, Diadem will pay a 2% gross diamond royalty to the company that vended in that claim. Diadem will have the right to acquire the royalty for C\$1.5 million, if acquired within 90 days after completion of a bankable feasibility study, or thereafter for C\$2.5 million, if acquired within 12 months after commencement of commercial production. The special shares will be exchangeable, at any time after December 31, 2004 and up to December 31, 2006, into Diadem common shares at the option of either Diadem or the vendor company. The exchange price would be based upon the weighted average price of the Diadem common shares during the three month period ended December 31, 2004. Because the acquisition of the claims would involve the potential issue in the future of Diadem common shares it is subject to the approval of the TSX Venture Exchange, which approval is being sought at this time.

The vendor companies with which agreements have been made to date are Poplar Resources Ltd., International Royalties Corp., Otish Resources Inc., Kermode Resources Ltd., Fancamp Exploration Ltd., Freewest Resources Canada Inc., Murgor Resources Inc., Golden Hope Mines Limited, Exploration Esbec Inc., Fairstar Exploration Inc., Sparton Resources Inc., Skeena Resources Ltd. and Beaufield Consolidated Resources Inc. Agreements are pending signature by several additional vendor companies and, when those agreements are completed, Diadem would hold a 100% interest in claims having a total area of approximately 375,000 acres.

Diadem is a Toronto-based diamond exploration and development company. In addition to the acquisition and exploration of the claims in the Otish Mountain region of Quebec, Diadem proposes to reactivate its *Leek Springs* diamond discovery in California. Diadem owns a 40% interest in the property with the right to increase that interest to 55%. A limited drilling and ground geophysics program is planned for 2003. Diadem has commenced negotiations with its partner to permit it to increase its interest to 100%. Historically, since 1849, diamonds were recovered in the streams in the vicinity of the *Leek Springs* property, and elsewhere in California, as a by-product of alluvial gold mining. Despite the recovery of actual diamonds in the area, no organized search for diamonds was undertaken until Diadem and its partner commenced such a search in 1993 with the first discovery of diamonds in bedrock occurring in 1995. Drilling on the property in 1995 and 1996 confirmed the existence of diamond-bearing host rock with the largest macro diamond recovered having a maximum dimension of 0.68 mm. In late 1997, an airborne magnetic survey was undertaken which revealed multiple circular anomalies with diamond potential, three primary anomalies and 17 secondary anomalies. While the initial search was for kimberlites and lamproites, the typical host rocks for diamonds, it was determined that the diamond-bearing rocks in California are not typical of lithologies elsewhere in the world. For example, Rio Tinto's *Argyle* mine in Western Australia mines diamonds from a lamproite source and is the largest single producer of diamonds in the world. With the recent intense activity in the Wawa, Ontario area involving non-typical diamond host rocks, Diadem believes that a renewed program on the *Leek Springs* property is warranted.

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