



# DIADEM RESOURCES LTD.

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## NEWS RELEASE

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### DIADEM TO FORM DIAMOND EXPLORATION JOINT VENTURE WITH DARNLEY BAY RESOURCES LTD.

**TORONTO, ONTARIO, November 26, 2003 - Diadem Resources Ltd. (TSX Venture Exchange: "DIR")** announced today that it had entered into an agreement to form a joint venture with Darnley Bay Resources Ltd. for diamond exploration in an area near Paulatuk in the Northwest Territories. The transaction will result from an acquisition from Carnarvon Capital Corporation of that company's right to enter into the joint venture. To acquire the rights to form the joint venture, Diadem will issue to Carnarvon Capital six million Diadem treasury shares, subject to regulatory approval.

Darnley Bay Resources' originally was attracted to the area by the discovery of the strongest isolated gravity anomaly in North America. This was interpreted to be caused by an intrusive body, host for most major base metal deposits of nickel/copper and platinum group elements in the world. In exploring for the intrusive, an aeromagnetic survey revealed numerous kimberlite targets similar to those at Lac de Gras, NWT, where two of the richest diamond deposits in the world are now being mined. This led to a diamond exploration program in a corridor covering some 8 million acres, 195 by 152 miles, in which diamonds have been found in till and drill core samples, many of which contain abundant kimberlite indicator minerals.

In 1999 and 2000, 625 till samples were collected, many containing kimberlite indicator minerals and three carrying diamonds. Ground geophysical surveys were completed on 41 of the targets and 28 were selected as priority drill targets. Only two were under lakes. A total of 12 targets were drilled, with kimberlite intersected in 10. Samples of kimberlite from 9 pipes were analyzed and 6 contain diamonds. This is a remarkable record as only 14% of the worlds' total known kimberlites are diamondiferous. The samples were processed by De Beers Geo Science Centre in Johannesburg with a small number of duplicate control samples processed by SGS Lakefield Research in Ontario.

A mini bulk sample of about 2.5 tonnes was collected from magnetic target MT 101. The sample was analyzed by De Beers and 157 micro diamonds were recovered. One of the kimberlite pipes has been dated at 270 million years (Permian), older than the majority of Lac de Gras pipes (65 million years) and closer in age to the Jericho pipe (172 million years) of Tahera Corporation in Nunavut and the pipes in the Attawapiskat area (136 to 190 million years) in the Hudson's Bay lowlands of Ontario.

The 10 pipes that were drilled by Darnley Bay Resources are located in an area of outcropping Cambro/Ordovician rocks. However, there are additional magnetic anomalies of interest within areas underlain by Cretaceous rocks. Indicator minerals presumed to be unrelated to the known

kimberlites are also abundant in areas of Cretaceous cover. Hence, kimberlites may have intruded over an extended period of time and there may be potential for kimberlites ranging in age from the Permian to the Cretaceous or younger.

Prior to Darnley Bay Resources' involvement, some \$4.5 million had been expended on the project area for base metals, mainly by the Geological Survey of Canada (GSC). Until 1959, the project area was considered extremely remote. In the intervening years, as a result of installation of early warning radar stations and oil and gas exploration in the Beaufort Sea, the area has developed a multi-million dollar infrastructure. Much current activity in the area is focused on the proposed construction of the McKenzie Valley gas pipeline. Since 1993, Darnley Bay Resources has expended over \$12 million on direct exploration in the area, of which \$8.3 million was for base metals and \$4.4 million was for diamonds. Under agreements with Darnley Bay Resources, Falconbridge Limited has carried out exploration activities for base metals and De Beers has assisted in diamond exploration and diamond analysis. Darnley Bay Resources estimates that this assistance from GSC, Falconbridge and De Beers has raised the effective total exploration expenditure on the project area to over \$20 million.

Further information on the diamond exploration project can be accessed on the website of Darnley Bay Resources at [www.darnleybay.com](http://www.darnleybay.com).

Under the joint venture, Diadem will expend \$5 million on further diamond exploration during the period to December 31, 2006. When that level of expenditure is completed, Diadem will be entitled to select up to 2.5 million acres of the project area for further exploration, and Diadem will have earned an undivided 50% participating interest in the selected lands, with Darnley Bay Resources holding the other 50%. The Inuvialuit Development Corporation has the right to back into the project for a 10% working interest (with dilution to be shared equally by Diadem and Darnley Bay Resources) when a decision is made to place a diamond mine into production.

If a decision is made to carry out a feasibility study on the lands selected by Diadem, it will have the right to fund a feasibility study, and if the property is placed into commercial production Diadem's interest will increase to 75% and the Darnley Bay Resources' interest will decrease to 25%.

When Diadem has selected the area to which the 50/50 joint venture will apply, the parties will allocate at least \$2.5 million of the \$5 million to the selected lands. Diadem will be entitled to convert the balance of the \$5 million into treasury common shares of Darnley Bay Resources at the then market price, subject to regulatory approval, or to convert that amount (in increments of at least \$1 million) into a diamond royalty equal to 1% for each full \$1 million spent and not allocated to the selected lands, with the balance to be taken in shares. Darnley Bay Resources will have the right to purchase any such royalty for \$1.5 million for each 1% of the royalty if the purchase is made within 90 days of a bankable feasibility study, or thereafter for \$2.5 million if the purchase is within 90 days of the start of commercial production.

The agreement with Darnley Bay Resources will be subject to certain conditions including the approval of the Inuvialuit Development Corporation, the acquisition of certain prospecting permits in the corridor, and the completion of a definitive agreement between the parties.

Carnarvon Capital is a Toronto-based corporate advisory and management company dedicated to the exploration and development of mineral resource properties. Paul Carroll, President and CEO of Diadem, also is President of Carnarvon Capital and all of its share capital is owned by members of his immediate family. As part of the transfer to Diadem of the Darnley Bay Resources transaction, Carnarvon Capital and Mr. Carroll have agreed that during the period

until December 31, 2008 neither Carnarvon Capital nor Mr. Carroll would acquire a controlling interest in any diamond exploration or development project in Canada (or in California) other than through Diadem or with the consent of Diadem. This agreement would end if there is a change of control of Diadem or if Mr. Carroll is dismissed as President without cause or involuntarily ceases to be a director of Diadem. Darnley Bay Resources has agreed with Carnarvon Capital that at such time as the first \$2 million of the \$5 million funding for the joint venture is arranged, Darnley Bay Resources will issue 500,000 common treasury shares to Carnarvon Capital, subject to regulatory approval.

Diadem also announced that John M. Potwin had been appointed Vice-President, Government Affairs and granted an option under the Company's share option plan to purchase 100,000 common shares at \$0.10 per share for a term of five years. Mr. Potwin is a lawyer and from 1985 to 1998 he held senior legal and executive positions with Browning Ferris Industries Inc., including seven years as a senior executive of its European operations. In 1998 he joined Paris-based Suez, one of the world's largest companies, where he was responsible for developing new markets for its environmental business. In all of those positions, he gained considerable experience with environmental issues and government and community relations in North America, Europe, the Middle East and East Asia. Mr. Potwin now lives in Toronto.

Diadem is a diamond exploration and development company based in Toronto. In addition to the new joint venture with Darnley Bay Resources, Diadem holds 2,064 claims (267,000 acres) in the Otish Mountains area of north-central Quebec. In 2003 a summer field program was conducted, mapping was completed and 518 till samples were taken and are being analyzed for kimberlite indicator minerals. Diadem expects to begin receiving the results of the analysis of the till samples during December, 2003. Based on the results of this work, a priority rating of the various claim areas will be developed and further work planned. Follow-up work will depend on results of the analysis of the initial sampling and plans are for the testing of 10 anomalous targets in 2004. This work initially would include detailed airborne magnetometer surveys whereby priority target areas would be evaluated further by additional ground work including Quaternary mapping, anomaly mapping, further till sampling, ground geophysics and diamond drilling and core sampling of potential kimberlite targets, with analysis for diamonds by caustic fusion. In the meantime, Diadem is in discussions for the acquisition of additional claims in the Otish Mountains, in areas deemed favourable. Diadem also owns a 40% interest (with the right to increase that interest to 55%) in the Leek Springs diamond project in the Sierra Nevada Mountains of northern California. Diadem is in continuing discussions with its partner in the Leek Springs project to develop a procedure to further explore the project.

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