

FOR IMMEDIATE RELEASE

**DIADEM COMPLETES \$1,133,200 FLOW THROUGH SHARE FINANCING
OTISH SPECIAL SHARES BECOME EXCHANGEABLE**

TORONTO, January 6, 2005 - Diadem Resources Ltd. (TSX-V: "DIR") announced that on December 22 and 30, 2004 it completed a previously-announced non-brokered private placement of 7,554,670 Units at \$0.15 per Unit to raise \$1,133,200. Each Unit consisted of one flow through common share and one-half of one flow through common share purchase warrant. Each warrant entitles the holder to purchase one additional flow through common share at a price of \$0.20 per share for a period of nine months after the closing of the private placement. Although the placement was non-brokered, Diadem agreed to protect offers received from registered investment dealers. In those cases Diadem paid a cash commission of 8% of the purchase price of such Units and issued nine month (non flow-through) broker share purchase warrants equal to 8% of the purchase price of such Units. A total of \$46,396 in cash commissions was paid and 309,307 broker warrants were issued. The Units and shares issued on exercise of the warrants have a hold period of four months from closing.

In 2003, a wholly owned subsidiary of the Company acquired from 14 companies a 100% interest in staked diamond claims in the Otish Mountains area of northern Quebec. The acquisition was 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, when a diamond mine is put into commercial production on any claim, Diadem will pay a 2% gross diamond royalty to the vendor company. The special shares have now become exchangeable, at any time up to December 31, 2006, into Diadem common shares at the option of either Diadem or the vendor company. The exchange price is \$0.118 per share, which was the weighted average price of the Diadem common shares during the three month period ended December 31, 2004. The special shares were issued for an aggregate of \$384,248 resulting in a total of 3,256,338 Diadem common shares being subject to issue on exchange of the special shares.

After giving effect to the private placement, Diadem has outstanding 121,872,727 common shares. On a fully diluted basis, giving effect to exercise of all outstanding share purchase warrants and incentive stock options granted under its stock option plan, and the exchange of the subsidiary special shares, Diadem would have 175,303,793 common shares outstanding. All share issuances have received the approval of the TSX Venture Exchange.

Diadem is a Toronto-based diamond exploration and development company. Currently Diadem is focused on its substantial land holdings in the Franklin Bay area in the Inuvialuit settlement region of the Northwest Territories. Diadem is also exploring for diamonds on the mineral claims in the Otish Mountains region of Quebec, has an option to acquire a 51% interest in diamond claims in the Attawapiskat area of the James Bay Lowlands in northern Ontario and has a minority interest in a bedrock diamond prospect in northeast California.

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