

January 11, 2006
Montréal, Québec

TSX Venture Exchange - DGM
No. 1

**Diagem Discovers a New Cluster of Kimberlite Pipes Believed to be a
Primary Source of the Historical Juina Alluvial Diamonds.**

Diagem is pleased to announce the recent discovery of a new cluster of kimberlite pipes on its wholly-owned Property 370/98. Diagem believes them to be an important primary source for the prolific alluvial diamond production in the Juina area. The identification of a diamondiferous layer, identified as primary kimberlitic ash-fall or tuffitic material blanketing the area was the triggering factor. In addition to the potential represented by the kimberlite, this tuffitic layer is also attractive as it, together with the top weathered portion of the kimberlites, are easily accessible and can be mined as an alluvial deposit with a relatively low extraction cost.

Paulo Andreazza, Diagem's chief geologist in Brazil, stated: "This new discovery, still in its early stages, is the culmination of decades of exploration by De Beers, Rio Tinto and, particularly, Diagem's successful "Broad-Front" Exploration Program".

Thirteen preliminary regional bulk samples totaling 235 cubic metres of the ash-fall kimberlitic layer have confirmed higher than normal diamond grades averaging 0.66 carats per cubic metre using a 1.7 millimetre diamond size cutoff (see Table 1). A total of 849 diamonds coarser than 1.7 millimetre weighing 155 carats have been recovered including a 4.67 carat diamond and 8 diamonds ranging between 1.20 and 1.34 carats. The layer averages 0.52 metre in thickness.

Dr. Mousseau Tremblay, a recognized diamond explorationist and Diagem's Qualified Person, visited the area in October 2006 and commented: "since the layer has suffered no apparent dilution or transport, this suggests that the grade of the layer should be equivalent to the grade of the potential source kimberlite pipe(s)".

In late November 2006, a limited program (74 line kilometres) of ground geophysics was commenced which has resulted in outlining 11 discrete electromagnetic geophysical targets which may represent single or multiple kimberlite pipes within a larger cluster of kimberlite pipes covering an area of 620 hectares. Preliminary field observations have since led to the identification of crater facies kimberlitic rocks at six separate anomalous sites. See Figures 1, 2 and 3 attached. Several of the targets have not yet been investigated. In some areas, it is becoming apparent that the tuff ring deposits peripheral to these kimberlite pipes are overlapping each other thus complicating the geological picture.

Pending the granting of the necessary permits, Diagem plans to further bulk sample the diamondiferous layer for delineation of additional resources amenable to surface mining methods. A program of surface mapping and trenching is contemplated to better define the kimberlite pipes on surface. Geophysical surveying will be extended beyond the limits of the current survey area on the regional elevated plateau and its flanks to investigate other areas where auger drilling has outlined a layer rich in kimberlite indicator minerals. Good correlation was found between the latter and the recent geophysical results.

The technical content of this news release has been approved by Dr. Mousseau Tremblay, of Williamstown, Ontario, a Qualified Person and Chairman of the Board of Directors of Diagem Inc.

Table 1: Bulk Sampling Results – Diamondiferous Kimberlitic Ash-fall Layer

Bulk Samples	In situ Volume (m³)	Diamonds ≥ 1.7 mm				
		Diamonds Recovered	Weight (carats)	Grade (ct/m³)	Diamonds > 1 carat	
					number	carats
04	32.2	165	24.28	0.75	1	1.21
06-TEST	5.5	32	6.89	1.25		
06	20.8	22	4.74	0.23		
07	8.57	7	0.97	0.11		
08	8.35	38	5.21	0.62		
09b	16.47	12	1.80	0.11		
10	5.35	35	6.59	1.23		
11	11.62	4	0.55	0.05		
12	15.68	6	1.87	0.12		
13	21.84	62	13.34	0.61	2	1.20
						1.28
14	51.36	243	42.3	0.82	4	1.22
						1.30
						1.34
						1.04
16	21.70	141	27.38	1.26		
17	15.17	82	19.06	1.26	2	4.67
						1.10
Total	234.61	849	154.95		9	
Average			0.182	0.66		

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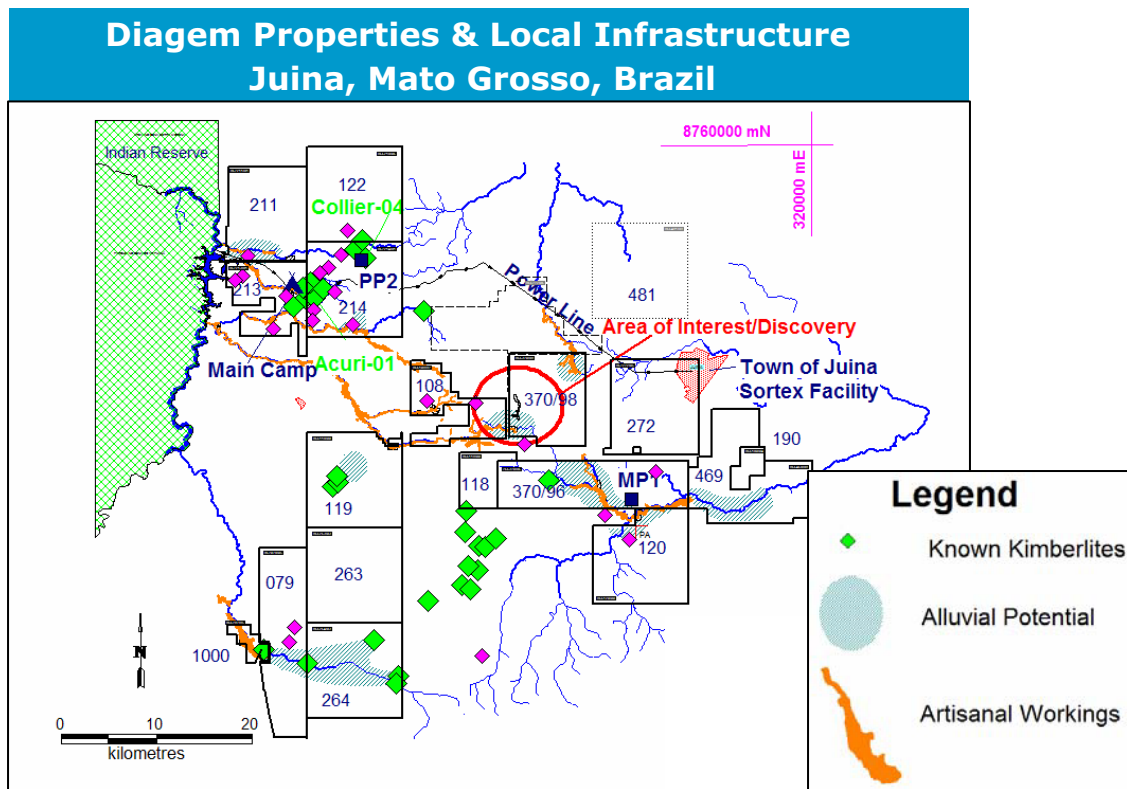


Figure 1 - The discovery area is located on an elevated plateau, at the head of the drainage system which has produced the majority of the historical alluvial diamonds in the Juina Diamond Province in Brazil – these areas are highlighted by the artisanal workings shown in orange on map. This new discovery, still in its early stages, is the culmination of decades of exploration by DeBeers, Rio Tinto and particularly Diagem's successful "Broad-Front" Exploration Program.

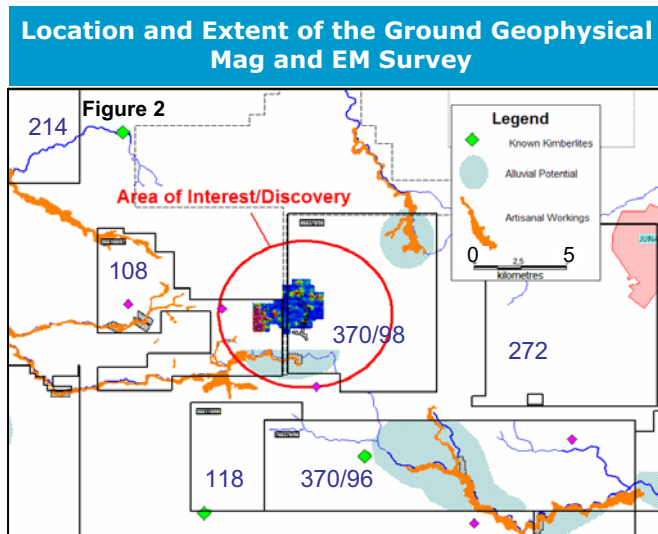


Figure 2 – The geophysical survey results suggest the existence of a cluster of kimberlite pipes, on an elevated plateau, which may be the source of the historical Juina Province diamond production.

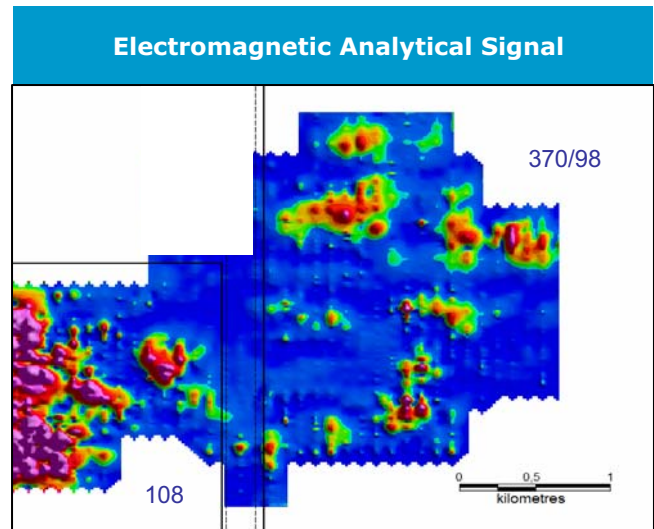


Figure 3 – The EM analytical signal defines discrete targets believed to be single or multiple kimberlite pipes within a larger cluster of kimberlite pipes. Tuff rings deposits and crater facies kimberlitic rocks have been confirmed at six separate sites already. Several other targets have yet to be investigated.