

# JOINT NEWS RELEASE



## **ETRUSCAN AND MOUNTAIN LAKE FORMING NEW COMPANY TO DEVELOP SOUTH AFRICAN DIAMOND ASSETS**

**Halifax, Nova Scotia, January 30, 2007 – Etruscan Resources Inc. (EET.TSX) and Mountain Lake Resources Inc. (MOA.TSX-V)** announced today that they are forming a new company to be named Etruscan Diamonds Limited (“Etruscan Diamonds”) to hold their respective interests in their diamond assets in South Africa. The diamond assets are presently held through a South African company, Etruscan Diamonds (Pty) Limited (“Etruscan South Africa”) in which Etruscan has a 51% effective ownership, Mountain Lake has a 25% ownership and various other third parties have a 24% ownership. Each of Etruscan and Mountain Lake will transfer their interests in Etruscan South Africa (both equity and debt) to Etruscan Diamonds in exchange for shares of Etruscan Diamonds. Upon completion of the restructuring, Etruscan and Mountain Lake will own 62% and 21% respectively of Etruscan Diamonds with the balance being held by various third parties.

In addition, a proposed CDN\$10 million private placement financing is being undertaken by Etruscan Diamonds in conjunction with the restructuring. The parties are targeting to complete the restructuring and private placement financing by the middle of March. The proceeds of the private placement will be primarily used to continue the exploration program and undertake a feasibility study on the Hartbeestlaagte property described below. A recently completed 43-101 compliant independent technical report estimates the in situ inferred diamond resources on the Hartbeestlaagte property to be 16.2 million cubic meters at an average grade of 3.18 carats per hundred cubic meters (approximately 500,000 carats). Upon successful completion of the feasibility study on the Hartbeestlaagte property, Etruscan Diamonds intends to undertake a public offering and apply for a listing on the Toronto Stock Exchange and the Johannesburg Stock Exchange to bring the Hartbeestlaagte property into production. CIBC World Markets Inc. is acting as the private placement agent in relation to the financing.

The restructuring and financing are being undertaken to realize the value of the diamond assets and will allow the new company to more aggressively pursue the exploration and development of the diamond assets while Etruscan Resources Inc. focuses on the exploration and development of its gold properties in West Africa and Mountain Lake focuses on exploration of its gold and base metals properties in Eastern Canada.

Over the last year, Etruscan South Africa has assembled a well qualified management team to oversee the next phase of development of the diamond assets. Recent senior appointments to this team include Percy Khoza as Manager of Operations and Simon Netshiozwi as Manager of Exploration. Mr. Khoza was Mine Manager at the Baken alluvial diamond mine operated by Trans Hex Group Limited and Mr. Netshiozwi was Divisional Geologist in Mineral Resource Management with DeBeers at the Namaqualand diamond mining operation. Etruscan Diamonds will be directed by a Board consisting of representatives of Etruscan and Mountain Lake as well as independent representatives and the operations will be supported by the head office management team of Etruscan Resources Inc.

### **Diamond Assets**

Over the last five years, Etruscan South Africa has been acquiring strategic properties in the Ventersdorp Alluvial Diamond District, located approximately 150 kilometers west of Johannesburg, South Africa. The Ventersdorp District covers approximately 5,000 km<sup>2</sup> and mining of alluvial diamonds has been carried out in the district since 1904. Total reported production from the Ventersdorp District during the period 1926 to 1984 is estimated at 667,000 carats. Etruscan South Africa holds the dominant land position in the Ventersdorp District with two mining permits and 16 prospecting permits with applications for 5 additional prospecting permits pending. Etruscan South Africa's efforts to prioritize its land holdings in the Ventersdorp District have been assisted by the results of an airborne gravity survey conducted over an area of approximately 4,000 km<sup>2</sup>. The survey was conducted by Bell Geospace Ltd. of Aberdeen, Scotland and identified a number of prospective sinkhole features. Large sinkhole features in the Ventersdorp District are known to be associated with diamondiferous gravels. Most recently, Etruscan South Africa has focused its exploration on a large sinkhole feature on the Hartbeestlaagte property.

### *Hartbeestlaagte Property*

The Hartbeestlaagte property covers approximately 4,000 hectares and is located approximately 35 kilometers due north of the town of Ventersdorp.

Etruscan South Africa has completed three bulk samples on the Hartbeestlaagte property, processing over 78,000 cubic meters of Lower Gravel Package ("LGP") gravels and recovering approximately 2,500 carats at a global grade of 3.18 carats per hundred cubic meters with a bottom cut-off size of 1.6 millimeters. A limited amount of Upper Gravel Package ("UGP") was also processed (approximately 12,000 cubic meters) to recover 187.7 carats at an average grade of 1.53 carats per hundred cubic meters. The treatment of the bulk samples was by a process of scrubbing and screening followed by pan concentration and x-ray sorting. This process has proved feasible for the treatment of the various gravel packages and will form the basis of the commercial plant flow sheet.

The results from the bulk sampling program have indicated that a deep karst system exists on the Hartbeestlaagte property trending from the northwest down to the southeast which appears to comprise a number of deep sink holes connected by incised channels. The gravel stratigraphy comprises an upper gravel horizon and a lower gravel unit that are both economically diamondiferous, separated by a sub-economic finer grained pebble clay unit. Gravity surveys and drilling have indicated that the gravel filled sink holes extend over 100 meters in depth and may be up to 200 meters in the deeper parts of the karst system.

An independent 43-101 resource estimate for the Hartbeestlaagte property was recently completed by Dr. Tania R. Marshall, Pr.Sci.Nat. of Exploration Unlimited. Dr. Marshall has worked as a geologist for 16 years and has been involved in the exploration and exploitation of alluvial diamond deposits throughout Africa, including the evaluation and valuation of a number of such deposits for both public and private companies. The in situ inferred diamond resources are estimated in the 43-101 report to be 16.2 million cubic meters of LGP gravels at an average grade of 3.18 carats per hundred cubic meters (approximately 500,000 carats) at an average sales value of USD\$400 per carat. The 43-101 report confirms that, in addition to the inferred resource, a large area of exploration potential exists in both the lower gravel package and the upper gravel package including an indefinable volume of material that is located below the present drilling level in the sink holes. Drilling to date has been limited to a vertical depth of 117 meters in these areas. Geophysical modeling is unable to identify the base of the bedrock in these structures with any accuracy nor has the drill program penetrated the thick gravels. As a result, it has not been possible to estimate what volume of gravel might exist, though it is expected to be substantial. The report recommends that the prospecting phases be completed to upgrade the inferred resource to indicated resource and converted to probable reserves through a preliminary feasibility study as a precursor to the commencement of full mining production.

Etruscan South Africa will undertake additional drilling and sampling to upgrade the currently identified inferred resources to the indicated category. Further drilling and bulk sampling will also be undertaken to identify additional inferred resources and further exploration potential. Concurrently with the indicated resource study, a preliminary feasibility study will be completed to convert the indicated resources into probable reserves. As part of this exploration program, an upgrade of the exploration processing plant will be completed to allow the processing of approximately 50,000 cubic meters per month. This activity will be funded by the proceeds of the private placement referred to above.

Robert Harris P. Eng and Vice President of Operations of Etruscan Resources Inc. is the Qualified Person overseeing Etruscan's diamond projects in South Africa.

The common shares of Etruscan are traded on The TSX Exchange under the symbol "EET". The common shares of Mountain Lake are traded on the TSX Venture Exchange under the symbol "MOA". More extensive information on Etruscan and Mountain Lake can be found on their respective websites at <http://www.etruscan.com> and <http://www.mountain-lake.com>.

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