



**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2007**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, Vaaldiam Resources Ltd. discloses that the interim consolidated financial statements for the quarter ended March 31, 2007 have been prepared by management in accordance with generally accepted accounting principles in Canada and have not been audited or reviewed by the Company's auditors.

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VAALDIAM RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	<u>March 31, 2007</u>	<u>December 31, 2006</u>
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 6,854,501	\$ 12,318,783
Restricted cash (Note 12)	309,513	429,300
Sundry receivables and prepayments	231,911	224,963
	7,395,925	12,973,046
Property and equipment	1,123,181	819,202
Assets under construction (Note 10)	1,296,481	601,834
Exploration properties (Note 11)	14,366,908	10,468,100
Portfolio investment (Note 4)	500,000	-
Brazilian sales tax recoverable (Note 5)	130,502	-
	\$ 24,812,997	\$ 24,862,182
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,968,994	\$ 1,517,336
SHAREHOLDERS' EQUITY		
Minority interest in equity	\$ -	\$ 168,778
Common shares (Notes 3 and 8(a))	\$ 28,035,072	\$ 26,437,578
Common share purchase warrants (Note 8(b))	-	277,333
Contributed surplus (Note 8(c))	277,333	-
Stock options (Note 8(d))	3,335,070	1,868,910
Deficit	(8,803,472)	(5,407,753)
	22,844,003	23,176,068
	22,844,003	23,344,846
	\$ 24,812,997	\$ 24,862,182

Basis of Presentation (Note 2)

See accompanying notes to financial statements.

VAALDIAM RESOURCES LTD.

**CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
FOR THE QUARTERS ENDED MARCH 31 (UNAUDITED)**

	<u>2007</u>	<u>2006</u>
Expenses		
Corporate and general	\$ (440,050)	\$ (425,853)
Stock-based compensation (Note 8 (d))	(1,466,160)	(1,185,115)
Write-off of exploration properties (Note 11)	(1,514,753)	(453,660)
Amortization	(53,433)	(38,781)
Foreign exchange gain/(loss)	(15,031)	1,072
Total expenses (Note 6)	(3,489,427)	(2,102,337)
Less: Interest income	94,306	87,526
Net loss before minority interest	\$ (3,395,121)	\$ (2,014,811)
Minority interest	(598)	-
Net loss for the period	\$ (3,395,719)	\$ (2,014,811)
Deficit, beginning of period	(5,407,753)	(1,890,247)
Deficit, end of period	\$ (8,803,472)	\$ (3,905,058)
Basic and diluted loss per share	\$ (0.04)	\$ (0.03)

See accompanying notes to financial statements.

VAALDIAM RESOURCES LTD.

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31 (UNAUDITED)**

	<u>2007</u>	<u>2006</u>
Operating Activities		
Net loss for the period	\$ (3,395,719)	\$ (2,014,811)
Amortization	53,433	38,781
Write-off of exploration properties (Note 11)	1,514,753	453,660
Stock-based compensation (Note 8(d))	1,466,160	1,185,115
Minority interest	598	-
	(360,775)	(337,255)
Change in non-cash components of working capital		
Sundry receivables and prepayments	(6,948)	(194,196)
Accounts payable and accrued liabilities	(177,091)	341,209
	(184,039)	147,013
	(544,814)	(190,242)
Investing Activities		
Purchase of property and equipment	(1,052,059)	(30,964)
Mineral exploration expenditures (Note 11)	(1,188,357)	(805,707)
Business acquisitions	(2,265,830)	-
Portfolio investment	(500,000)	-
Other assets	(130,502)	-
Restricted cash	119,786	(511,737)
	(5,016,962)	(1,348,408)
Financing Activities		
Net proceeds from issue of capital stock and repayment of notes receivable (Note 8(a))	97,494	10,770,407
Changes in cash and cash equivalents	(5,464,282)	9,231,757
Cash and cash equivalents, beginning of period	12,318,783	6,817,542
Cash and cash equivalents, end of period	\$ 6,854,501	\$ 16,049,299
Cash and cash equivalents are comprised of the following:		
Cash	\$ 2,069,818	\$ 3,241,887
Short-term investments	4,784,683	12,807,412
	\$ 6,854,501	\$ 16,049,299

See accompanying notes to financial statements.

VAALDIAM RESOURCES LTD.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2007

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1. NATURE OF OPERATIONS

Vaaldiam Resources Ltd. (a development stage entity) (the “Company” or “Vaaldiam”) is a publicly held company, which is incorporated under the Canada Business Corporations Act. The Company is engaged in the investigation, acquisition, exploration and development of mineral properties. Substantially, all of the efforts of the Company are devoted to these business activities. To date, the Company has not earned revenue and is considered to be in the development stage.

2. BASIS OF PRESENTATION

The results for three months ended March 31, 2007 are stated utilizing the same accounting policies as those used to prepare the most recent annual audited consolidated financial statements.

These financial statements should be read in conjunction with the Company’s annual audited consolidated financial statements dated December 31, 2006.

The consolidated financial statements include the accounts of the Company and its subsidiaries, all incorporated in Brazil:

- Vaaldiam’s 99.9995% owned subsidiary Vaaldiam do Brasil Mineração Ltda. (“VBM”), formerly Mineração Paraguaçu Indústria e Comércio Ltda.;
- VBM’s 99.9983% owned Mineração Montes Claros Ltda. (“Montes Claros”); and
- Cajueiro Mineração S.A. (“Cajueiro”), owned 60% by VBM and 40% by Vaaldiam.

All inter-company balances and transactions have been eliminated on consolidation.

3. BUSINESS ACQUISITION

Acquisition of Cajueiro

On March 1, 2007, the Company acquired the 40% share of Cajueiro that was owned by Majescor Resources Inc. As a result of the acquisition, the Company owns 99.9997% of Cajueiro, 40% directly, and the remaining through its subsidiary, VBM. The purchase consideration of this transaction was approximately \$3.77 million, comprised of \$2.0 million cash, \$1.5 million in common shares in the Company, and approximately \$0.27 million transaction costs. A 1% royalty would be payable to Majescor on the proceeds from sale of diamonds mined from the Brauna property, net of diamond marketing costs.

The business combination was accounted for as a purchase transaction, whereby identifiable assets and liabilities were recorded at their fair market values as of the date of acquisition.

The number of common shares issued was determined by dividing \$1.5 million by the simple average closing price of the common shares of the Company on the Toronto Stock Exchange for the 20 trading days preceding the Closing Date.

The purchase price and preliminary allocation of the purchase price was calculated as follows and is subject to adjustment. A detailed valuation is expected to be carried out over the remainder of the year. The excess of purchase price over carrying value of the assets acquired was allocated to mineral properties.

VAALDIAM RESOURCES LTD.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
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The purchase price was calculated as follows:

Cash	\$ 2,000,000
Common Shares issued (1,733,102 common shares at \$0.8655 per share)	1,500,000
Estimated transaction costs	265,830
Purchase Price	\$ 3,765,830

The purchase price was allocated as follows:

Net working capital acquired	\$ 13,123
Property, plant and equipment	1,533
Mineral properties	3,759,837
Long-term liabilities	(8,663)
Net identifiable assets	\$ 3,765,830

4. PORTFOLIO INVESTMENT

During the quarter ended March 31, 2007, the Company acquired 1,111,112 Units of Great Western Diamonds Corp. ("Great Western") at \$0.45 per Unit. Each Unit consisted of one common share and a half-warrant to acquire one Great Western common share at an exercise price of \$0.60 at any time until March 30, 2009. On March 30, 2007, the closing price of Great Western's common shares on the TSX Venture Exchange was \$0.425.

5. BRAZILIAN SALES TAX RECOVERABLE

ICMS is the State Value Added Tax imposed by the individual states in Brazil. An ICMS taxpayer may recover input tax charged on goods and services supplied to it for the purpose of manufacturing or production of supplies as a deduction from output tax charged on the goods sold. As the Company is nearing production and will become an ICMS taxpayer in the near future, the amounts recoverable are recorded.

6. ANALYSIS OF EXPENSES

During the quarter ended March 31, 2007, the Company's expenses amounted to \$3,489,427 compared to \$2,102,337 for the prior year.

	Quarters Ended March 31	
	<u>2007</u>	<u>2006</u>
Stock based compensation	\$ 1,466,160	\$ 1,185,115
TSX listing expenses	-	120,322
Administration	83,867	97,172
Investor relations	79,286	73,677
Business development	121,402	-
General travel	-	3,061
Audit related fees	18,000	11,200
Group health insurance	14,604	8,419
General legal fees	8,505	9,366

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Stationery and printing	3,004	6,761
Telephone and fax	6,165	5,058
Sundry expenses	12,032	16,349
Directors' fees	16,200	13,500
Registrar's fees	1,660	6,764
Office rent	25,735	14,883
Filing fees	19,080	14,580
General insurance	9,158	4,598
Amortization	53,433	38,781
Capital tax	17,250	9,100
Foreign exchange (gain) loss	15,031	(1,072)
Tax on unspent flow-through funds	4,102	11,043
Property write down	1,514,753	453,660
	\$ 3,489,427	\$ 2,102,337

7. RELATED PARTY TRANSACTIONS

Transactions with related parties were as follows for the three months ended March 31, 2007:

During the quarter ended March 31, 2007, VBM paid \$10,266 for accounting and administration services to a major shareholder.

During September 2004, the Company granted initially interest free loans totalling \$212,790 to four directors, which loans were used to acquire 531,975 units of the Company as part of a private placement. Of these loans, \$112,790 were repaid during the quarter ended March 31, 2006 including interest thereon calculated at the Canadian prime rate plus 3% from January 1, 2006. The remaining loan of \$100,000, together with interest thereon, was repaid on March 16, 2007.

In May 2006, a loan, repayable on demand in the amount of \$40,000 and bearing interest at the Canadian prime rate plus 3%, was granted to an officer and director, and was still outstanding as at March 31, 2007.

During the quarter ended March 31, 2007, by means of a private placement, the Company invested \$500,000 in units of Great Western Diamonds Corp., which has amongst its major shareholders a subsidiary of Vaaldiam's major shareholder.

8. CAPITAL STOCK

(a) Common Shares Issued

	<u>Shares</u>	<u>Amount</u>
Balance, January 1, 2007	81,449,352	\$ 26,437,578
Shares issued for the purchase of Cajueiro (net of expenses for share issue of \$4,256) (Note 3)	1,733,102	1,495,744
Repayment of share purchase loan to director	-	100,000
Interest received and accrued on share purchase loan	-	1,750
Balance, March 31, 2007	83,182,454	\$ 28,035,072

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(b) Common Share Purchase Warrants

	<u>Warrants</u>	<u>Amounts</u>
Balance, January 1, 2007	495,238	\$ 277,333
Expired in period	(495,238)	(277,333)
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Balance, March 31, 2007	-	\$ -
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(c) Contributed Surplus

Contributed surplus relates to the value of expired warrants previously issued pursuant to private placements. During the first quarter, a total of \$277,333, being the fair value of 495,238 warrants that expired, was reallocated from warrants to contributed surplus.

(d) Stock Options

	<u>Number</u>	<u>Weighted Av. Price</u>
Options outstanding January 1, 2007	4,398,750	\$ 0.64
Issued	2,675,000	0.85
Exercised	-	-
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Options outstanding March 31, 2007	7,073,750	\$ 0.72
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<u>Exercise Price</u>	<u>Outstanding March 31, 2007</u>	<u>Weighted Av. Life (Years)</u>
\$ 0.29	18,750	0.00
0.40	40,000	0.02
0.45	525,000	0.18
0.50	1,330,000	0.31
0.50	100,000	0.03
0.50	55,000	0.02
0.75	2,105,000	1.13
0.85	100,000	0.05
0.85	2,675,000	1.82
0.97	50,000	0.03
1.37	75,000	0.04
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	7,073,750	3.63
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During the three months ended March 31, 2007, the Company recognized a stock based compensation expense of \$1,466,160 utilizing the Black-Scholes Option Pricing Model based on the following assumptions:

	<u>March 31, 2007</u>
Risk-free interest rate	3.94%
Expected dividend yield	0.00%
Expected share price volatility	79.74%
Expected life of options	5 years

9. SUMMARY OF SECURITIES AS AT MARCH 31, 2007

Common shares outstanding	83,182,454
Unexercised options to acquire common shares	7,073,750
Unexercised warrants to acquire common shares	-
	-
Fully diluted shares outstanding	90,256,204

10. ASSETS UNDER CONSTRUCTION

Construction of the Duas Barras mine began in 2006, with a diamond recovery plant and infrastructure being built. Commissioning is scheduled for the second quarter of 2007.

11. EXPLORATION PROPERTIES

<u>Property</u>	<u>Balance</u> <u>Jan. 1, 2007</u>	<u>Additions</u>	<u>Balance</u> <u>March 31, 2007</u>
Pimenta Bueno - Brazil	\$ 3,775,694	\$ 274,291	\$ 4,049,985
Brauna - Brazil	1,783,934	3,845,299	5,629,233
Duas Barras - Brazil	3,400,302	1,175,678	4,575,980
Aroeira Area - Brazil	111,710	-	111,710
Coronation Gulf - Canada ⁽¹⁾	1,396,460	(1,396,460)	-
	\$ 10,468,100	\$ 3,898,808	\$ 14,366,908

⁽¹⁾ Property written off includes an additional \$118,293 of exploration expenditures incurred during the three months ended March 31, 2007.

In April 2007, following the analysis of sampling results, the decision was made to terminate the option on the Coronation Gulf property and all expenditures incurred up to March 2007 were written off.

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12. FLOW-THROUGH SHARES AND COMMITMENTS

As at March 31, 2007, the Company was obligated to incur approximately \$300,000 in eligible Canadian Exploration Expenses prior to December 31, 2007. Restricted cash represents cash held in a separate bank account which is to be spent on eligible flow-through activities.