



**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2007**

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VAALDIAM RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	<u>June 30, 2007</u>	<u>As at</u> <u>December 31, 2006</u>
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 2,669,799	\$ 12,318,783
Restricted cash (Note 12)	184,606	429,300
Sundry receivables and prepayments	242,349	224,963
	3,096,754	12,973,046
Property and equipment	1,312,013	819,202
Assets under construction (Note 10)	1,702,778	601,834
Exploration properties (Note 11)	18,010,072	10,468,100
Investment (Note 4)	444,445	-
Brazilian sales tax recoverable (Note 5)	114,760	-
	\$ 24,680,822	\$ 24,862,182
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 669,033	\$ 1,517,336
LONG TERM LIABILITIES		
Future income taxes (Note 3)	1,880,714	-
TOTAL LIABILITIES	2,549,747	1,517,336
MINORITY INTEREST IN EQUITY (Note 3)	-	168,778
SHAREHOLDERS' EQUITY		
Common shares (Notes 3 and 8(a))	28,100,302	26,437,578
Common share purchase warrants (Note 8(b))	-	277,333
Contributed surplus (Note 8(c))	277,333	-
Stock options (Note 8(d))	3,364,235	1,868,910
Deficit	(9,555,240)	(5,407,753)
Accumulated other comprehensive loss (Note 4)	(55,555)	-
TOTAL SHAREHOLDERS' EQUITY	22,131,075	23,176,068
	\$ 24,680,822	\$ 24,862,182

Basis of Presentation (Note 2)

Subsequent Events (Note 13)

See accompanying notes to financial statements.

VAALDIAM RESOURCES LTD.

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
(UNAUDITED)

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Expenses				
Corporate and general	\$ 582,995	\$ 388,536	\$ 1,005,794	\$ 805,289
Capital tax	5,160	998	22,410	10,098
Stock-based compensation (Note 8 (d))	29,165	92,350	1,495,325	1,277,465
Amortization	64,025	33,481	117,458	72,262
Foreign exchange (gain)/loss	(12,072)	23,627	2,959	22,555
Total expenses (Note 6)	669,273	538,992	2,643,946	2,187,669
Less: Interest income	42,776	158,685	137,082	246,211
	626,497	380,307	2,506,864	1,941,458
Net loss before the following	(626,497)	(380,307)	(2,506,864)	(1,941,458)
Write-off of exploration properties (Note 11)	(125,272)	(2,683)	(1,640,025)	(456,343)
Net loss before minority interest	(751,769)	(382,990)	(4,146,889)	(2,397,801)
Minority interest	-	-	(598)	-
Net loss for the period	(751,769)	(382,990)	(4,147,487)	(2,397,801)
Deficit, beginning of period	(8,803,471)	(3,905,059)	(5,407,753)	(1,890,248)
Deficit, end of period	\$ (9,555,240)	\$ (4,288,049)	\$ (9,555,240)	\$ (4,288,049)
Basic and diluted loss per share	\$ (0.01)	\$ (0.00)	\$ (0.05)	\$ (0.03)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net loss	\$ (751,769)	\$ (382,990)	\$ (4,147,487)	\$ (2,397,801)
Other comprehensive loss:				
Unrealized loss on investment	(55,555)	-	(55,555)	-
Other comprehensive loss	(55,555)	-	(55,555)	-
Comprehensive loss	\$ (807,324)	\$ (382,990)	\$ (4,203,042)	\$ (2,397,801)

See accompanying notes to financial statements.

VAALDIAM RESOURCES LTD.

**CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)**

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Operating Activities				
Net loss for the period	\$ (751,769)	\$ (382,990)	\$ (4,147,487)	\$ (2,397,801)
Amortization	64,025	33,481	117,458	72,262
Write-off of exploration properties (Note 11)	125,272	2,683	1,640,025	456,343
Stock-based compensation (Note 8(d))	29,165	92,350	1,495,325	1,277,465
Unrealized foreign exchange loss (gain)	(3,112)	-	(3,112)	-
Minority interest	-	-	598	-
	<u>(536,419)</u>	<u>(254,476)</u>	<u>(897,193)</u>	<u>(591,731)</u>
Change in non-cash components of working capital				
Sundry receivables and prepayments	(10,438)	29,524	(17,386)	(164,672)
Accounts payable and accrued liabilities	52,874	(191,681)	(124,218)	149,526
	<u>42,436</u>	<u>(162,157)</u>	<u>(141,604)</u>	<u>(15,146)</u>
	<u>(493,983)</u>	<u>(416,633)</u>	<u>(1,038,797)</u>	<u>(606,877)</u>
Investing Activities				
Purchase of property and equipment	(659,154)	(93,724)	(1,711,213)	(124,687)
Mineral exploration expenditures (Note 11)	(3,177,058)	(1,621,232)	(4,365,415)	(2,426,939)
Mineral property acquisitions	(595)	-	(2,266,425)	-
Purchase of investment	-	-	(500,000)	-
Other assets	15,742	-	(114,760)	-
Restricted cash	124,908	22,470	244,694	(489,267)
	<u>(3,696,157)</u>	<u>(1,692,486)</u>	<u>(8,713,119)</u>	<u>(3,040,893)</u>
Financing Activities				
Net proceeds from issue of capital stock and repayment of notes receivable (Note 8(a))	5,438	1,373,759	102,932	12,144,166
Changes in cash and cash equivalents	<u>(4,184,702)</u>	<u>(735,360)</u>	<u>(9,648,984)</u>	<u>8,496,396</u>
Cash and cash equivalents, beginning of period	<u>6,854,501</u>	<u>16,049,299</u>	<u>12,318,783</u>	<u>6,817,542</u>
Cash and cash equivalents, end of period	<u>\$ 2,669,799</u>	<u>\$ 15,313,939</u>	<u>\$ 2,669,799</u>	<u>\$ 15,313,938</u>
Cash and cash equivalents are comprised of the following:				
Cash	\$ 900,790	\$ 510,800	\$ 900,790	\$ 510,800
Short-term investments	1,769,009	14,803,139	1,769,009	14,803,139
	<u>\$ 2,669,799</u>	<u>\$ 15,313,939</u>	<u>\$ 2,669,799</u>	<u>\$ 15,313,939</u>

See accompanying notes to financial statements.

VAALDIAM RESOURCES LTD.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 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 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 consolidated financial statements for the three and six months ended June 30, 2007 have been prepared using the same accounting policies as those used to prepare the most recent annual audited consolidated financial statements, except as follows:

During the six months ended June 30, 2007, the Company purchased an equity investment that is classified as available for sale for accounting purposes. To the extent that the equity investment has a quoted market price, it is recorded on the consolidated balance sheet at fair value with unrealized gains and losses recorded in other comprehensive income or loss, otherwise it is recorded at cost. Realized gains and losses are recorded in the consolidated statement of loss and deficit when the investment is sold. If the fair value of the investment declines below its carrying amount, an amount is recorded in earnings to the extent that any unrealized declines in fair value are judged to be other than temporary.

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for interim financial statements and do not contain all of the disclosures required for annual financial statements. As a result, these consolidated financial statements should be read in conjunction with the Company’s annual audited consolidated financial statements as at and for the year ended December 31, 2006.

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

- Vaaldiam’s 100% owned Vaaldiam do Brasil Mineração Ltda. (“VBM”), formerly Mineração Paraguaçu Indústria e Comércio Ltda.;
- VBM’s 100% owned Mineração Montes Claros Ltda.; 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. PROPERTY 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 100% of Cajueiro, 40% directly, and the remaining through its subsidiary, VBM. The purchase consideration for this transaction was \$3,766,425, comprised of \$2,000,000 cash, \$1,559,792 in common shares in the Company, and \$266,425 of transaction costs. A 1% royalty would be payable to Majescor on the proceeds from sale of diamonds mined from the Braúna property, net of diamond marketing costs.

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2007**

The property acquisition was accounted for using the purchase method, whereby identifiable assets and liabilities were recorded at their fair market values as of the date of acquisition.

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.

The purchase price was calculated as follows:

Cash	\$ 2,000,000
Common shares issued (1,733,102 common shares at \$0.90 per share)	1,559,792
Transaction costs	266,425
Purchase Price	\$ 3,826,217

The purchase price was allocated as follows:

Net working capital acquired	\$ 13,123
Property, plant and equipment	1,390
Mineral properties	5,704,192
Long-term liabilities	(8,663)
Future income taxes	(1,883,825)
Net identifiable assets	\$ 3,826,217

4. INVESTMENT

During the six months ended June 30, 2007, the Company acquired 1,111,112 Units of Great Western Diamonds Corp. ("Great Western") at \$0.45 per Unit, for a total consideration of \$500,000. Each Unit consisted of one common share (allocated at \$0.445 per share) and a half-warrant (allocated at \$0.005 per half warrant) to acquire one Great Western common share at an exercise price of \$0.60 at any time until March 30, 2009. On June 30, 2007, the closing price of Great Western's common shares on the TSX Venture Exchange was \$0.395, giving rise to an other comprehensive loss of \$55,555.

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's Duas Barras mine is nearing production and is expected to become an ICMS taxpayer in the near future, the amounts recoverable are recorded.

6. ANALYSIS OF EXPENSES

During the six months ended June 30, 2007, the Company's expenses amounted to \$2,643,946 compared to \$2,187,669 for the comparative six month period.

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2007**

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Stock based compensation	\$ 29,165	\$ 92,350	\$ 1,495,325	\$ 1,277,465
TSX initial listing expenses	-	-	-	120,322
Administration	102,757	119,137	186,624	216,309
Investor relations	58,758	70,086	138,044	143,763
Business development	195,393	-	316,794	-
Project development	-	6,688	-	6,688
General travel	2,999	3,590	2,999	6,651
Audit related fees	42,193	15,880	60,193	27,080
Group health insurance	15,096	10,251	29,700	18,670
General legal fees	6,384	11,440	14,889	20,806
Stationery and printing	3,801	3,210	6,805	9,971
Telephone and fax	8,677	7,096	14,842	12,154
IT support	8,384	2,403	9,522	2,403
Sundry expenses	6,258	8,102	17,152	24,451
Annual meeting expenses	70,775	53,107	70,775	53,107
Directors' fees	16,200	13,500	32,400	27,000
Registrar's fees	2,280	4,194	3,940	10,958
Office rent	25,735	15,735	51,470	30,618
Filing fees	3,950	17,124	23,030	31,704
General insurance	9,507	7,175	18,665	11,773
Amortization	64,025	33,481	117,458	72,262
Capital tax	5,160	998	22,410	10,098
Foreign exchange loss	(12,072)	23,627	2,959	22,555
Tax on unspent flow-through funds	3,848	19,818	7,950	30,861
	\$ 669,273	\$ 538,992	\$ 2,643,946	\$ 2,187,669

7. RELATED PARTY TRANSACTIONS

Transactions with related parties were as follows for the six months ended June 30, 2007:

During the six months ended June 30, 2007, VBM paid \$20,419 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 June 30, 2007.

During the six months ended June 30, 2007, by means of a private placement, the Company invested \$500,000 in units of Great Western, which has amongst its major shareholders a subsidiary of Vaaldiam's major shareholder.

VAALDIAM RESOURCES LTD.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2007

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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	1,555,536
Exercise of options	18,750	5,438
Repayment of share purchase loan to director	-	100,000
Interest received on share purchase loan	-	1,750
Balance, June 30, 2007	83,201,204	\$ 28,100,302

(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)
Balance, June 30, 2007	-	\$ -

(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	(18,750)	(0.29)
Options outstanding June 30, 2007	7,055,000	\$ 0.72

<u>Exercise Price</u>	<u>Outstanding June 30, 2007</u>	<u>Weighted Av. Life (Years)</u>
\$ 0.40	40,000	0.01
0.45	525,000	0.17
0.50	1,330,000	0.26
0.50	100,000	0.02

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
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0.50	55,000	0.02
0.75	2,105,000	1.06
0.85	100,000	0.04
0.85	2,675,000	1.74
0.97	50,000	0.03
1.37	75,000	0.04
	<hr/>	
	7,055,000	3.39
	<hr/> <hr/>	

During the six months ended June 30, 2007, the Company recognized a stock based compensation expense of \$1,495,325 utilizing the Black-Scholes Option Pricing Model based on the following assumptions:

	<u>June 30, 2007</u>
Risk-free interest rate	3.94%
Expected dividend yield	0.00%
Expected share price volatility	80.74%
Expected life of options	5 years

The fair value of options outstanding as at June 30, 2007 is as follows:

	<u>Number</u>	<u>Stock Option Value</u>
Options outstanding January 1, 2007	4,398,750	\$ 1,868,910
Issued	2,675,000	1,495,325
Exercised	(18,750)	-
	<hr/>	<hr/>
Options outstanding June 30, 2007	7,055,000	\$ 3,364,235
	<hr/> <hr/>	<hr/> <hr/>

9. SUMMARY OF SECURITIES AS AT JUNE 30, 2007

Common shares outstanding	83,201,204
Unexercised options to acquire common shares	7,055,000
Unexercised warrants to acquire common shares	<hr/> -
Fully diluted shares outstanding	<hr/> <u>90,256,204</u>

10. ASSETS UNDER CONSTRUCTION

Construction of the Duas Barras mine began in 2006, with a diamond recovery plant and infrastructure being built. Commissioning commenced in May 2007.

VAALDIAM RESOURCES LTD.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
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11. EXPLORATION PROPERTIES

<u>Property</u>	<u>Balance</u> <u>Jan. 1, 2007</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2007</u>
Pimenta Bueno - Brazil	\$ 3,775,694	\$ 156,826	\$ 3,932,520
Braúna - Brazil	1,783,934	6,092,935	7,876,869
Duas Barras - Brazil	3,400,302	2,598,077	5,998,379
Aroeira Area - Brazil	111,710	-	111,710
Coronation Gulf - Canada ⁽¹⁾	1,396,460	(1,396,460)	-
	<u>\$ 10,468,100</u>	<u>\$ 7,451,378</u>	<u>\$ 17,919,478</u>

⁽¹⁾ Property written off includes an additional \$243,565 of exploration expenditures incurred during the six months ended June 30, 2007.

In June 2007, the Company restructured its joint venture agreement with Rio Tinto regarding the Pimenta Bueno property, whereby Rio Tinto transferred operatorship and 100% ownership of the Southern Block of the project to the Company, subject to Rio Tinto's back-in rights to a 60% interest in any kimberlite pipe that meets Rio Tinto's development criteria, at which point Rio Tinto would complete and fully fund a feasibility study. Should Rio Tinto then decide to develop a mine, it would fully fund the construction of the mine on a non-recourse basis and the Company would retain a 40% equity interest in cash flow from the mine after repayment of the Company's share of construction funding.

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 in the amount of \$1,514,753 were written off. In the quarter ended June 30, 2007, an additional \$125,272 was expended and written off, giving rise to a total of \$1,640,025 being written off in the 6 months ended June 30, 2007.

12. FLOW-THROUGH SHARES AND COMMITMENTS

As at June 30, 2007, the Company was obligated to incur \$184,606 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.

13. SUBSEQUENT EVENTS

On July 3, 2007, the Company announced its intention to acquire all of the outstanding shares of diamond producer Elkedra Diamonds NL ("Elkedra"), a company listed on Australia's ASX and London's AIM (the "Elkedra Transaction"), and diamond explorer Great Western, a TSX-Venture Exchange company. Under the terms of the planned scheme of arrangement, each Elkedra shareholder will be entitled to receive 0.52 of a Vaaldiam common share for each Elkedra common share, and each Great Western shareholder will be entitled to receive 0.45 of a Vaaldiam common share per Great Western common share.

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
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On July 19, 2007, the Company entered into an underwriting agreement with Canaccord Capital Corporation (“Canaccord”) which has agreed to purchase, on an underwritten private placement basis (the “Offering”), 29,500,000 subscription receipts of the Company (the “Subscription Receipts”) at a price of \$0.90 per Subscription Receipt for aggregate gross proceeds of \$26,550,000. The terms of the underwriting agreement were subsequently revised on August 8, 2007 to reflect an offering of 29,250,000 Subscription Receipts for aggregate gross proceeds of \$26,325,000. The Offering is scheduled to close on or about August 15, 2007. Upon the closing of the Offering, 25% of the gross proceeds of the Offering will be released to the Company, and the remaining 75% will be deposited in escrow to be released to the Company following the closing of the Elkedra Transaction. Each Subscription Receipt will be comprised of one common share of the Company and one-half of one common share purchase warrant (each an “Underlying Warrant”). Each Underlying Warrant can be exchanged for one additional common share of the company at an exercise price of \$1.20 per share within 24 months from the Closing Date of the Offering.