



**CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008

Notice to Reader

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, notice is hereby given that the accompanying comparative interim consolidated financial statements of Vaaldiam Resources Ltd. ("the Company" or "Vaaldiam") for the three months ended March 31, 2009 and 2008 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. The accompanying interim consolidated financial statements are the responsibility of the Company's management and include the selection of appropriate accounting principles, judgments and estimates that management considers necessary for a fair presentation of the consolidated financial position, results of operations and cash flows.

VAALDIAM RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS

[See nature of operations and going concern uncertainty (Note 1)]

	Notes	March 31, 2009 (Unaudited)	December 31, 2008
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 12,675	\$ 480,197
Restricted cash	19	473,282	650,299
Sundry receivables and prepayments		117,767	188,864
Inventories	4	82,148	122,034
Brazilian taxes and contributions recoverable	5	48,261	59,262
Discontinued operations	8	242,960	255,424
		977,093	1,756,080
Property, plant and equipment	6	6,559,193	7,016,182
Assets under construction		1,351,168	1,312,304
Mineral properties	7	21,991,075	21,692,871
Brazilian taxes and contributions recoverable	5	428,012	394,953
Other assets		13,962	13,680
Discontinued operations	8	10,422,529	10,422,514
		\$ 41,743,032	\$ 42,608,584
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Line of credit	9	\$ 3,150,500	\$ 3,061,500
Accounts payable and accrued liabilities		4,571,318	4,167,574
Discontinued operations:			
Payable in respect of RST acquisition	3, 8	10,711,700	10,409,100
Accounts payable and accrued liabilities	8	770,456	791,124
		19,203,974	18,429,298
Asset retirement obligations	10	433,589	410,298
Future income tax liabilities		150,303	147,271
Shareholders' Equity			
Common shares	11(a)	127,059,075	127,059,075
Common share purchase warrants	11(b)	68,180	3,180,053
Stock options	11(c)	4,509,813	4,975,888
Contributed surplus	11(d)	5,605,624	1,883,176
Deficit		(115,287,526)	(113,476,475)
		21,955,166	23,621,717
		\$ 41,743,032	\$ 42,608,584

Subsequent Events (Note 21)

Commitments and contingencies (Note 20)

See accompanying notes to consolidated financial statements.

VAALDIAM RESOURCES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31

	Notes	2009	2008
Net sales		\$ 38,120	\$ 3,510,861
Cost of sales		38,147	3,396,080
Mine infrastructure and administration		495,204	851,259
Mine operating loss	17	(495,231)	(736,478)
Corporate and general		575,978	1,206,473
Stock-based compensation	11(c)	124,100	1,351,628
Amortization		99,567	88,177
		(1,294,876)	(3,382,756)
Foreign exchange (loss) gain		(488,154)	(1,764,782)
Interest income		1,930	59,904
Interest expense		(43,021)	-
Provision for Brazilian taxes and contributions recoverable	5	5,646	-
Gain on disposal of property, plant and equipment		237,988	-
Write-down of properties		-	(188,414)
Loss before income taxes		(1,580,487)	(5,276,048)
Income tax recovery		-	-
Loss from continuing operations		(1,580,487)	(5,276,048)
Loss from discontinued operations	8	(230,564)	-
Net loss		(1,811,051)	(5,276,048)
Deficit, beginning of period		(113,476,475)	(10,852,143)
Deficit, end of period		\$ (115,287,526)	\$ (16,128,191)
Basic and diluted loss per common share:			
From continuing operations	16	\$ (0.01)	\$ (0.03)
From discontinued operations	16	-	-
		\$ (0.01)	\$ (0.03)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31

	Notes	2009	2008
Net loss		\$ (1,811,051)	\$ (5,276,048)
Other comprehensive income:			
Unrealized loss on investments		-	-
Reversal of unrealized loss on investments		-	250,000
Other comprehensive income (loss)		-	250,000
Comprehensive loss		\$ (1,811,051)	\$ (5,026,048)

See accompanying notes to consolidated financial statements.

VAALDIAM RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31

	Notes	2009	2008
Operating Activities			
Net loss from continuing operations		\$ (1,580,487)	\$ (5,276,048)
Amortization and depreciation		110,731	776,235
Accretion expense	10	9,006	7,489
Provision for Brazilian taxes and contributions recoverable	5	(5,646)	-
Gain on disposal of property, plant and equipment		(237,988)	-
Write-down of properties		-	188,414
Stock-based compensation	11(c)	124,100	1,351,628
Unrealized foreign exchange loss		408,917	1,868,798
		(1,171,367)	(1,083,484)
Change in non-cash components of working capital:			
Increase in accounts receivable		-	(725,165)
Decrease in sundry receivables and prepayments		71,097	14,983
Increase in sales taxes recoverable		(16,412)	(218,226)
Decrease in inventories		29,578	147,646
Increase (decrease) in accounts payable and accrued liabilities		387,612	(782,038)
Cash used in operating activities		(699,492)	(2,646,284)
Investing Activities			
Purchase of property, plant and equipment		(35,467)	(792,479)
Proceeds on disposal of property, plant and equipment		617,044	-
Mineral exploration expenditures		(287,559)	(3,389,633)
Restricted cash		177,017	1,265,328
Acquisition of Elkedra	3	-	(62,636)
Acquisition of Great Western	3	-	(550,974)
Increase in other assets		(282)	(214,092)
Cash provided by (used in) investing activities		470,753	(3,744,486)
Financing Activities			
Proceeds from issuance of common shares (net of share issue costs)		-	(75,694)
Repurchase of common shares		-	(20,857)
Cash provided by (used in) financing activities		-	(96,551)
Cash used in continuing operations		(228,739)	(6,487,321)
Cash used in discontinued operations	8	(238,783)	-
Net change in cash and cash equivalents		(467,522)	(6,487,321)
Cash and cash equivalents, beginning of period		480,197	10,928,569
Cash and cash equivalents, end of period		\$ 12,675	\$ 4,441,248
Cash and cash equivalents are comprised of the following:			
Cash		\$ 12,675	\$ 1,342,866
Short-term investments		-	3,098,382
		\$ 12,675	\$ 4,441,248

See accompanying notes to consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

Vaaldiam Resources Ltd. (the “Company” or “Vaaldiam”) is a publicly held company incorporated under the Canada Business Corporations Act. The Company is engaged in mining operations and in the investigation, acquisition, exploration and development of mineral properties. The Company operates in Brazil through its Duas Barras mine in the state of Minas Gerais and its Chapada mine in the state of Mato Grosso. Substantially all of the efforts of the Company are devoted to these business activities.

These unaudited interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at March 31, 2009 the Company had no sources of operating cash flows as a result of its decision to place its Duas Barras and Chapada mines on care and maintenance until such time as diamond prices recover or costs are reduced to a level that would allow for positive cash flows from operations. The Company will therefore require additional funding which, if not raised, would result in the further curtailment of activities and project delays. As at March 31, 2009, Vaaldiam had a working capital deficit of \$18,226,881 and had incurred losses since inception resulting in an accumulated deficit of \$115,287,526. The Company’s ability to continue as a going concern is uncertain and is dependent upon its ability to continue to raise adequate financing and to achieve profitable operations in the future. There can be no assurances that the Company will be successful in this regard, and therefore, there is substantial doubt regarding the Company’s ability to continue as a going concern, and accordingly, the use of accounting principles applicable to a going concern. These unaudited interim consolidated financial statements do not reflect adjustments that would be necessary if the “going concern” assumption were not appropriate. If the “going concern” assumption were not appropriate for these unaudited interim consolidated financial statements, then adjustments to the carrying values of the assets and liabilities, the reported revenues and expenses and the balance sheet classifications, which could be material, would be necessary.

2. BASIS OF PRESENTATION

The unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (“CGAAP”) for interim financial statements on a going concern basis and do not contain all of the disclosures required for annual financial statements. As a result, these unaudited interim consolidated financial statements should be read in conjunction with the Company’s annual audited consolidated financial statements as at and for the years ended December 31, 2008 and 2007.

The unaudited interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries:

- Vaaldiam do Brasil Mineração Ltda. (“VBM”);
- Mineração Montes Claros Ltda. (“Montes Claros” or “MMC”);
- Elkedra Diamonds Pty Ltd. (formerly Elkedra Diamonds N.L.) (“Elkedra”);
- Chapada Diamonds Limited (“CDL”);
- Chapada Brasil Mineração Ltda. (“CBM”);
- Great Western Diamonds Corp. (“Great Western”);
- Oleander Financial Inc. (“Oleander”);
- Mineração Fortuna Ltda. (“Fortuna”); and
- RST Recursos Mineraiis Ltda. (“RST”).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**

2. BASIS OF PRESENTATION (CONTINUED)

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

(a) New Accounting Pronouncements:

(i) International Financial Reporting Standards

On February 13, 2008, the Accounting Standards Board announced that publicly accountable entities will be required to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company is assessing the impact of the conversion from CGAAP to IFRS on the consolidated financial statements and will develop a conversion implementation plan.

(ii) Goodwill and Intangible Assets ("Section 3064")

Effective January 1, 2009, the Company adopted Section 3064. This section provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition, clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or are developed internally. The adoption of this section did not have a material effect on the Company's financial position or results of operations.

(iii) Credit Risk and the Fair Value of Financial Assets and Liabilities ("EIC-173")

In January 2009 the Emerging Issues Committee ("EIC") issued EIC-173. In this EIC the Committee reached a consensus that in determining the fair value of financial assets and financial liabilities an entity should take into account the credit risk of the entity and the counterparty. The adoption of this EIC did not have a material effect on the Company's financial position or results of operations.

(iv) Mining Exploration Costs ("EIC-174")

In March 2009 the EIC issued EIC-174. In this EIC the Committee reached a consensus that a mining enterprise that has not established mineral reserves objectively and, therefore, may not have a basis for preparing a projection of the estimated future net cash flow from the property, is not precluded from considering exploration costs to have the characteristics of property, plant and equipment. The EIC also provides guidance on when impairment should be assessed and what conditions indicate impairment for capitalized exploration costs. This EIC is consistent with the Company's existing accounting policy for capitalization of exploration costs and did not result in any changes to the Company's financial position or results of operations.

3. ACQUISITIONS

Acquisitions are accounted for using the purchase method, whereby identifiable assets and liabilities are recorded at their fair market values as of the date of acquisition.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**

3. ACQUISITIONS (CONTINUED)

GREAT WESTERN DIAMONDS CORP.

On January 2, 2008, pursuant to a takeover bid to acquire all of the outstanding shares of diamond explorer Great Western, a company then listed on the TSX Venture Exchange, the Company took up 82,535,960 Great Western shares in exchange for 37,141,180 Vaaldiam shares at the takeover bid exchange ratio of 0.45 of a Vaaldiam common share per Great Western common share. The Company then proceeded to effect a subsequent acquisition transaction to acquire Great Western shares not tendered to the offer.

A Great Western Shareholder Special Meeting was held on February 27, 2008 and a resolution passed approving the arrangement whereby Vaaldiam will acquire the issued share capital of Great Western which it did not already own, and an additional 8,553,657 shares were issued. A final order was obtained from the Court of Queen's Bench for Saskatchewan on March 6, 2008, the arrangement became effective on March 10, 2008 and Great Western was delisted on March 11, 2008.

On February 27, 2008, Great Western closed a private placement consisting of 8,000,000 flow-through shares priced at \$0.25 for aggregate gross proceeds of \$2,000,000. The agent received a cash commission of 7.5% of the gross proceeds as well as 600,000 broker warrants, each entitling the agent to acquire one common share of Great Western at a price of \$0.25 until February 27, 2009.

The purchase price was calculated as follows:

Common shares issued (45,694,837 common shares at average cost of \$0.5306 per share)	\$ 24,247,529
Fair value of 14,949,030 warrants and options issued	461,930
Cash paid for 1,111,112 Great Western shares	500,000
Transaction costs	885,792
Purchase price	\$ 26,095,251

The fair values of the warrants and options were estimated using the Black-Scholes option pricing model based on the following assumptions:

Risk-free interest rate	3.1%-3.35%
Expected dividend yield	0.00%
Expected share price volatility	44.3%-63.0%
Expected life of warrants and options	0.3-4.1 years

The purchase price was allocated as follows:

Restricted cash acquired	\$ 3,111,489
Non-cash working capital deficit	(876,346)
Property, plant and equipment	204,878
Mineral properties	29,588,048
Future income taxes	(5,932,818)
Net identifiable assets	\$ 26,095,251

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**

3. ACQUISITIONS (CONTINUED)

RST RECURSOS MINERAIS LTDA.

On July 1, 2008, the Company entered into an agreement with Thanda Vantu – Investimentos E Participações SGPS, S.A. (“Thanda”), Redburn Investments Inc. (“Redburn”), Marrakwene Holding, Investimentos E Participações, Ltda. (“Marrakwene”) and Geraldo Antonio Kulaif (“Geraldo”) to acquire 100% ownership of RST and to acquire the outstanding RST loans from Marrakwene and Redburn. RST owns the Peçanha mine and concessions adjacent to the Duas Barras mine in the state of Minas Gerais, Brazil.

The purchase price for the acquisition was as follows:

- US\$1,500,000 less US\$330,000 representing agreed liabilities of RST at July 1, 2008 paid in common shares of the Company; and
- US\$9,000,000 less approximately US\$1,400,000 representing certain payables of RST at July 1, 2008.

On July 1, 2008, the Company made a payment consisting of 3,374,185 common shares and cash of US\$500,000. A balance of approximately US\$8,500,000 consisting of the remaining US\$7,100,000 of cash due to Marrakwene and Redburn and approximately US\$1,400,000 due to an RST supplier remains unpaid at March 31, 2009.

In January 2009, the Company entered into a settlement agreement with respect to the unpaid balance of US\$8,500,000 (see Note 8). The settlement agreement is still in the process of being finalized.

The acquisition was recorded as a business combination. The purchase price was calculated as follows:

Common shares issued (3,374,185 common shares at cost of \$0.32 per share)	\$	1,079,739
Cash		509,300
Payable		8,658,100
Transaction costs		56,280
Purchase price	\$	10,303,419

The allocation of the purchase price is as follows:

Cash	\$	37,431
Non-cash working capital deficit		(231,342)
Property, plant and equipment		7,189,542
Mineral properties		3,307,788
Net identifiable assets	\$	10,303,419

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**

4. INVENTORIES

Inventories as at March 31, 2009 included rough diamonds and supplies inventory.

As at March 31	March 31, 2009		December 31, 2008	
Rough diamonds	\$	5,542	\$	43,689
Supplies inventory		76,606		78,345
	\$	82,148	\$	122,034

5. BRAZILIAN TAXES AND CONTRIBUTIONS RECOVERABLE

Brazilian taxes and contributions recoverable consist of recoverable credits for ICMS, PIS and COFINS. ICMS is the State Value Added Tax imposed by the individual states in Brazil. PIS and COFINS are Federal Contributions for the purposes of social financing. An ICMS taxpayer may recover input tax charged on certain goods and services and PIS and COFINS taxpayers may recover input contributions charged on certain good and services. The charges that are recoverable are in respect of purchases made for the purpose of manufacturing or production of supplies, and can be recovered, amongst other methods, as a deduction from output tax charged on the goods sold, and in the case of PIS and COFINS, can be set off against federal withholding taxes and income taxes. At March 31, 2009, a provision of \$1,718,097 had been made against these taxes and contributions, as it is not certain that these amounts will be recovered due to the cessation of the Company's production activity.

6. PROPERTY, PLANT AND EQUIPMENT

As at March 31, 2009	Cost		Accumulated Depreciation		Net Book Value	
Plant and mining equipment	\$	5,940,228	\$	630,877	\$	5,309,351
Leasehold improvements		367,714		114,035		253,679
Exploration and other equipment		1,241,977		581,647		660,330
Vehicles		172,834		79,831		93,003
Furniture and fixtures		182,776		66,882		115,894
Computers		251,502		124,566		126,936
	\$	8,157,031	\$	1,597,838	\$	6,559,193

As at December 31, 2008	Cost		Accumulated Depreciation		Net Book Value	
Plant and mining equipment	\$	6,064,004	\$	630,877	\$	5,433,127
Leasehold improvements		367,714		103,677		264,037
Exploration and other equipment		1,495,957		577,715		918,242
Vehicles		390,224		261,919		128,305
Furniture and fixtures		182,776		59,699		123,077
Computers		271,569		122,175		149,394
	\$	8,772,244	\$	1,756,062	\$	7,016,182

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**

7. MINERAL PROPERTIES

	January 1, 2009	Activity	March 31, 2009
Production properties			
Brazil			
Duas Barras			
Cost	\$ 3,203,525	\$ -	\$ 3,203,525
Amortization	(1,172,994)	-	(1,172,994)
	2,030,531	-	2,030,531
Chapada			
Cost	-	-	-
Amortization	-	-	-
	-	-	-
Exploration properties			
Brazil			
Chapada Exploration Area	2,871,912	-	2,871,912
Braúna	11,076,074	32,332	11,108,406
Other	9,265	-	9,265
	13,957,251	32,332	13,989,583
Canada			
Candle Lake	5,013,617	118,166	5,131,783
Centennial	186,174	68,827	255,001
Snowden	225,284	7,806	233,090
Alberta Area Properties	280,014	71,073	351,087
	5,705,089	265,872	5,970,961
Total Production Properties	2,030,531	-	2,030,531
Total Exploration Properties	19,662,340	298,204	19,960,544
Total Mineral Properties	\$ 21,692,871	\$ 298,204	\$ 21,991,075

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**

7. MINERAL PROPERTIES (CONTINUED)

In light of the deteriorating market conditions and the results of operations during 2008, the Company placed the Duas Barras mine and the Chapada mine on care and maintenance until such time as diamond prices recover and costs are reduced to a level that will allow for positive cash flows from operations.

The carrying amounts of all projects were assessed for impairment based on management's assessment of potential indicators of impairment and best estimates of likely courses of action by the Company. The fair values were determined using a variety of valuation methods, the selection of which was based on the method considered most applicable to each project. These methods included discounted cash flows over the life of the asset, reviewing comparable transactions and assessing value per unit of area. The assessment of the carrying value and the determination of these fair values is subject to significant measurement uncertainty and further material write-downs of these assets could occur if actual results differed from the estimates and assumptions used and/or if alternative valuation methods were applied.

8. DISCONTINUED OPERATIONS

In January 2008, the Company reached a settlement agreement in principle with Thanda, Redburn, Marrakwene and Geraldo whereby all of the real property, fixed assets, equipment, concessions, mineral rights and licences of RST would be transferred to Marrakwene. In exchange, the remaining US\$8.5 million due on the RST acquisition, made up of the loans payable to Marrakwene and Redburn, and the amount due to an RST supplier, would be transferred to Marrakwene. Vaaldiam and RST would be released of any obligation to pay additional amounts under the original acquisition agreement.

The results of operations of RST have been reported separately as "Discontinued operations" for the three months ended March 31, 2009.

Discontinued operations include the following amounts:

	As at March 31, 2009	As at December 31, 2008
Current assets		
Sundry receivables and prepayments	\$ 2,474	\$ 2,157
Inventories	240,486	253,267
	242,960	255,424
Property, plant and equipment	7,095,595	7,095,595
Mineral properties	3,326,461	3,326,461
Brazilian taxes and contributions recoverable	473	458
Total assets	10,665,489	10,677,938
Accounts payable and accrued liabilities	(770,456)	(791,124)
Net assets	\$ 9,895,033	\$ 9,886,814

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**

8. DISCONTINUED OPERATIONS (CONTINUED)

Three months ended March 31	2009	2008¹
Net sales	\$ 13,203	\$ -
Cost of sales	4,585	-
Mine operating income	8,618	-
Corporate and general	149,387	-
	(140,769)	-
Foreign exchange loss	(89,795)	-
Net loss from discontinued operations	\$ (230,564)	\$ -

¹ The results of operations of RST for 2008 were included in the Company's results beginning July 1, 2008.

9. LINE OF CREDIT

In June 2008, the Company obtained an unsecured revolving line of credit of US\$2,500,000. Interest for this line of credit is payable quarterly and is determined based on the three-month US\$ LIBOR rate plus 2.75% on the date of each drawdown. Under the terms of the agreement, the creditor may demand repayment at any time by providing 90 days written notice. As at March 31, 2009, the Company had drawn down a total of US\$2,500,000.

10. ASSET RETIREMENT OBLIGATIONS

Any restoration, rehabilitation and environmental costs incurred at the Duas Barras and Chapada mines during the life of the mines are expensed immediately as rehabilitation is incurred on an ongoing basis. The asset retirement obligations relate to the closure and reclamation costs associated with the Duas Barras and Chapada mines and associated processing facilities. The Company has estimated the net present value of the obligations using discount rates between 8.2% and 10%. The total closure and reclamation costs are estimated at R\$1,156,000 to be incurred between 2012 and 2014.

Changes to the asset retirement obligation during the year are as follows:

Balance, January 1, 2009	\$ 410,298
Accretion expense	9,006
Foreign exchange	14,285
Balance, March 31, 2009	\$ 433,589

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**

11. SHARE CAPITAL

Authorized – Unlimited number of common shares, no par value

(a) Common Shares

	Notes	Shares	Amount
Balance, January 1, 2009 and March 31, 2009		245,052,668	\$ 127,059,075

(b) Common Share Purchase Warrants

	Notes	Warrants	Amount
Balance, January 1, 2009		28,666,069	\$ 3,180,053
Repricing of outstanding warrants	(i)	-	(3,080,197)
Expired		(12,765,174)	(31,676)
Balance, March 31, 2009		15,900,895	\$ 68,180

- (i) On January 9, 2009, the Company reduced the exercise prices of unexercised, outstanding warrants to \$0.08. All other terms and conditions of the warrants remain unchanged. Exercise prices were not amended for any warrants held by insiders of the Company.

The following is a summary of the unexercised warrants as at March 31, 2009:

Date of Issue	Expiry Date	Number Outstanding	Exercise Price
August 15, 2007	August 15, 2009	14,625,000	\$ 0.08
November 20, 2007	May 31, 2010	1,144,000	0.08
March 10, 2008	August 16, 2009	131,895	0.08
		15,900,895	

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**

11. SHARE CAPITAL (CONTINUED)

(c) Stock Options

The Company maintains a stock option plan for directors, officers, employees and consultants of the Company. This plan was amended in June 2005, and under the amended plan, which requires approval by the shareholders on an annual basis, the maximum number of shares which may be issued under the plan cannot exceed 10% of the issued and outstanding common shares of the Company at the time of grant of any option. All options normally vest immediately upon issue or three months after commencement of employment or contract, whichever is later.

	Options	Weighted Average Exercise Price	Fair Value
Options outstanding as at January 1, 2009	14,724,500	\$ 0.62	\$ 4,975,888
Granted	8,500,000	0.05	144,500
Expired and forfeited	(1,975,000)	0.48	(610,575)
Options outstanding as at March 31, 2009	21,249,500	\$ 0.41	\$ 4,509,813

Stock options outstanding and exercisable as at March 31, 2009 are as follows:

Exercise Price	Outstanding	Weighted Average Life (Years)
\$ 0.05	8,500,000	4.79
0.17	200,000	4.27
0.40	40,000	0.71
0.45	5,870,000	3.69
0.50	263,000	0.76
0.58	650,000	0.67
0.75	1,580,000	1.80
0.84	180,000	1.61
0.85	2,125,000	2.75
0.91	650,000	0.67
0.95	506,250	2.95
0.97	50,000	2.19
0.99	234,000	0.75
1.02	180,000	2.90
1.37	75,000	2.05
1.44	146,250	2.40
	21,249,500	3.58

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**

11. SHARE CAPITAL (CONTINUED)

During the three months ended March 31, 2009, the Company recognized stock based compensation expense of \$124,100 (2008: \$1,351,628) and capitalized \$20,400 (2008: \$328,194) to mineral properties. The weighted average fair value of the options granted during the year was \$0.02 per option based on the Black-Scholes option pricing model using the following assumptions:

	2009	2008
Risk-free interest rate	1.96%	3.45%
Expected dividend yield	0.00%	0.00%
Expected share price volatility	84.27%	65.6%
Expected life of options	5 years	5 years

As at March 31, 2009, the remaining number of common shares available for issuance under the stock option plan was 3,255,766.

(d) Contributed Surplus

Balance, January 1, 2009	\$	1,883,176
Options expired and forfeited		610,575
Warrants expired		31,676
Repricing of outstanding warrants		3,080,197
Balance, March 31, 2009	\$	5,605,624

12. SUMMARY OF SECURITIES AS AT MARCH 31, 2009

Common shares outstanding	245,052,668
Unexercised options to acquire common shares	21,249,500
Unexercised warrants to acquire common shares	15,900,895
Fully diluted shares outstanding	282,203,063

13. MANAGEMENT OF CAPITAL

The Company considers its management of capital to include all components of debt and shareholders' equity. Its objectives are to ensure that the Company continues to operate as a going concern, if possible, in order to pursue the operation of its mines and the development of its mineral properties, to sustain future development and growth as well as to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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13. MANAGEMENT OF CAPITAL (CONTINUED)

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, seek debt financing, or acquire or dispose of assets. The Company, upon approval from its Board of Directors, makes changes to its capital structure as deemed appropriate under the specific circumstances.

As at March 31, 2009, the Company has drawn down a total amount of US\$2,500,000 of a revolving line of credit (see Note 9), and is in of the process of seeking alternative financing and disposing of certain assets.

14. FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and price risk.

(a) Currency risk

The Company's sales are denominated in United States dollars. The Company operates primarily in Brazil and a significant portion of the Company's operating costs and capital expenditures are denominated in the Brazilian real and Canadian dollar. As a result, the Company is also exposed to the currency fluctuations relative to these two currencies. A significant change in the currency exchange rates between the Brazilian real and United States dollar relative to the Canadian dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At March 31, 2009, a 10 percent change in the exchange rate between the Canadian dollar and the US dollar with all other variables held constant would result in a change of \$1.3 million in net income. Similarly, a 10 percent change in the exchange rate between the Canadian dollar and the Brazilian real with all other variables held constant would result in a change of \$0.3 million in net income.

(b) Credit risk

Credit risk is the risk of unexpected financial loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations.

As the sales of the Company are predominantly through uptake agreements with two customers, the Company is exposed to the concentration of credit risk on the accounts receivable from its customers. However, the uptake agreements provide for a relatively short credit period and thus reduce any credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as outlined in Note 13 and continuously monitors its forecast and actual cash flows from operations. To the extent that the Company expects it does not have sufficient liquidity to meet these obligations, management will endeavour to secure additional funds through debt or equity transactions. There can be no guarantee that management's efforts to secure additional funds will be successful.

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14. FINANCIAL INSTRUMENTS (CONTINUED)**(d) Price risk**

The Company is exposed to price risk with respect to commodity prices through the price of diamonds and gold and also through various input prices such as electricity and fuel. The Company monitors the price of commodities continuously as well as major input prices and considers the risk exposure to fluctuating prices.

15. RELATED PARTY TRANSACTIONS

Transactions with related parties, all of which are recorded at the exchange amount which is the amount of consideration agreed upon by the related parties, are as follows:

Three months ended March 31	2009	2008
Management and consulting fees paid or payable to a company controlled by the:		
Former Vice President, Business Development ^{1,2}	\$ -	\$ 55,692
Former Vice President, Technical Services ¹	-	55,692
	\$ -	\$ 111,384

¹ Effective November 2008, the former Vice President, Business Development and former Vice President, Technical services are no longer officers of the Company.

² The former Vice President, Business Development continues to serve as a member of the Board of Directors.

16. LOSS PER SHARE

For the purpose of the determination of net loss per share, the basic and diluted weighted average number of common shares outstanding for the three months ended March 31, 2009 was 245,052,668 (2008: 206,365,658). The determination of the weighted average number of common shares outstanding for the calculation of diluted loss per share does not include the effect of outstanding warrants and options since to do so would reduce the loss per share and would therefore be anti-dilutive.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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17. SEGMENTED INFORMATION

The Company operates in the diamond exploration and mining industry in Brazil, Canada and Australia. The Company has three reportable segments: the Duas Barras mine, the Chapada mine, and corporate and other. The corporate segment includes the Company's administrative, business development and exploration activities. The Company considers each mine as a separate business unit because the recovered diamond grade and the quality and size of the diamonds recovered varies significantly between the two mines.

Three months ended March 31, 2009	Duas Barras		Chapada		Corporate and Other		Total
Net sales	\$	38,120	\$	-	\$	-	\$ 38,120
Cost of sales (including cost of production)		38,147		-		-	38,147
Mine infrastructure and administration		282,739		212,465		-	495,204
Mine operating loss		(282,766)		(212,465)		-	(495,231)
Corporate and general		-		-		575,978	575,978
Stock-based compensation		-		-		124,100	124,100
Amortization		36,707		13,750		49,110	99,567
Operating loss before property write-downs, interest income and foreign exchange	\$	(319,473)	\$	(226,215)	\$	(749,188)	\$ (1,294,876)
Additions to property, plant and equipment	\$	-	\$	-	\$	22,489	\$ 22,489
Total assets, excluding assets of discontinued operations	\$	5,302,087	\$	3,999,559	\$	21,775,897	\$ 31,077,543

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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17. SEGMENTED INFORMATION (CONTINUED)

Three months ended March 31, 2008			Corporate and Other		
	Duas Barras	Chapada			Total
Net sales	\$ 2,618,524	\$ 892,337	\$ -		\$ 3,510,861
Cost of sales (including cost of production)	2,049,734	1,346,346	-		3,396,080
Mine infrastructure and administration	385,339	465,920	-		851,259
Mine operating profit (loss)	183,451	(919,929)	-		(736,478)
Corporate and general	-	-	1,206,473		1,206,473
Stock-based compensation	-	-	1,351,628		1,351,628
Amortization	9,183	18,732	60,262		88,177
Operating loss before property write-downs, interest income and foreign exchange	\$ 174,268	\$ (938,661)	\$ (2,618,363)		\$ (3,382,756)
Additions to property, plant and equipment	\$ 222,586	\$ 550,375	\$ 19,518		\$ 792,479
Total assets, excluding assets of discontinued operations	\$ 13,452,019	\$ 84,288,842	\$ 54,724,519		\$ 152,465,380

18. SUPPLEMENTARY CASH FLOW INFORMATION

The following non-cash transactions are not reflected in the consolidated statements of cash flows:

Three months ended March 31			2009	2008
Common shares issued in respect of acquisitions		\$ -		\$ 25,404,496
Warrants issued in respect of acquisitions		-		95,990
Options issued in respect of acquisitions		-		365,940

19. FLOW-THROUGH COMMON SHARES

Restricted cash represents cash proceeds from the issuance of flow-through common shares which is required to be spent on eligible Canadian Exploration Expenditures. As at March 31, 2009, the Company was obligated to spend \$473,282 in eligible Canadian Exploration Expenditures before December 31, 2009.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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20. COMMITMENTS AND CONTINGENCIES

Lease Commitments

Under the terms of the Company's operating lease agreements, the Company is committed to pay the following minimum amounts in Brazil and Canada:

Twelve months ended	
March 31, 2010	\$ 199,621
March 31, 2011	46,086
Thereafter	-
Total	\$ 245,707

Contingencies

Subsidiaries of the Company have been served claims by former employees in Brazil in relation to wrongful dismissal, lost wages, overtime and reimbursement of expenses. Some of these claims are still subject to court judgment, while others are in the process of being appealed. In the opinion of management and on advice of legal counsel, these matters are without merit; however, based on the expected outcome of these claims, a provision has been made for the claims in the unaudited interim consolidated financial statements. In addition, a lien was made by a former employee on an asset of the subsidiary to the amount of approximately \$265,000.

21. SUBSEQUENT EVENTS

On May 13, 2009, the Company received a loan of US\$58,192 from Zoneplan Ltd. ("Zoneplan"). Zoneplan is a wholly-owned subsidiary of Santa Elina Mines Corporation, which indirectly beneficially owns approximately 16.8% of Vaaldiam's issued and outstanding shares and is Vaaldiam's largest shareholder. The loan is interest-free and is due and payable in 90 days upon demand.