



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2010**

All dollar figures are quoted in Canadian dollars unless otherwise specified

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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This Management's Discussion and Analysis ("MD&A") provides a review of the results of operations of Vaaldiam Mining Inc. ("Vaaldiam" or the "Company") and should be read in conjunction with the unaudited comparative consolidated financial statements and related notes for the three months ended March 31, 2010. Those financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The following MD&A is prepared as of May 14, 2010. Additional information relevant to the Company's activities, including the Company's Annual Information Form, can be found on SEDAR at www.sedar.com.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table provides selected audited consolidated financial information that should be read in conjunction with the consolidated financial statements of the Company.

(\$000's except per share)	Year ended Dec.31, 2009	Year ended Dec.31, 2008 (Restated)	Year ended Dec.31, 2007
Loss before interest, equity loss, amortization, income taxes, and other	37,255	10,508	8,807
Loss before income tax	35,369	10,260	7,930
Net loss per share	0.74	0.22	0.20
Working capital	17,736	19,964	29,135
Total assets	22,719	61,268	68,184
Long-term liabilities	-	386	636

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

When used in this document, words such as 'estimate', 'expect', 'anticipate', 'believe' and similar expressions are intended to identify forward-looking statements. Such statements are used to describe management's future plans, objects, and goals for Vaaldiam and therefore involve inherent risks and uncertainties.

Shareholders and prospective investors should be aware that the financial statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risk and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Vaaldiam undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or such factors which affect this information, except as required by law.

INTERNAL CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining internal controls over financial reporting. The internal controls are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. The accounting staff is small in number and it is not practical or cost effective to increase the number of accounting personnel to enable the segregation of all accounting and financial reporting duties in a company of this size. Should a complex transaction present itself, the Company would plan to consult with independent specialists.

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The Chief Executive Officer and Chief Financial Officer have reviewed the process and have concluded that the controls in place give reasonable assurance that relevant and reliable financial information is available for reporting and for the preparation of interim and annual consolidated financial statements in accordance with Canadian GAAP. There were no changes in the Company's internal controls over financial reporting during the most recent annual period that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

COMPANY HIGHLIGHTS

- On March 15, 2010, at special meetings of shareholders held by both Vaaldiam Resources Ltd. ("Vaaldiam Resources") and Tiomin Resources Inc. ("Tiomin"), shareholders overwhelmingly approved the previously announced arrangement agreement whereby Tiomin acquired all of the outstanding common shares of Vaaldiam that it did not already own in an all-share transaction on the basis of 0.80 of a Tiomin common share for each Vaaldiam Resources common share. Previously by way of private placements of 5,000,000 common shares on December 11, 2009 and 20,000,000 common shares on January 15, 2010, both of which were acquired at a price of C\$0.03, Tiomin acquired 25,000,000 common shares, or approximately 9% of the then outstanding common shares in Vaaldiam Resources. In addition Tiomin shareholders approved the name change of Tiomin to Vaaldiam Mining Inc. At the Tiomin shareholders' meeting, the shareholders also approved a share consolidation on the basis of one new Vaaldiam common share for ten existing common shares. On March 18, 2010, the Company received final court approval from the Ontario Superior Court of Justice and the arrangement became effective on March 23, 2010. Vaaldiam Resources was delisted on March 26, 2010. On the same day, Vaaldiam commenced trading on the Toronto Stock Exchange ("TSX") under the symbol 'VAA'. Vaaldiam plans on resuming diamond production in Brazil by the third quarter of 2010.
- On February 19, 2010, the Company entered into an agreement to sell its 49% contributing equity interest in the Pukaqaqa copper-gold project in Peru to Compañía Minera Milpo S.A.A. ("Milpo") for US\$7,000,000 in cash, received during the quarter. The Company will also receive US\$4,000,000 if the project begins commercial production, a second payment of US\$4,000,000 one year later and a variable Net Smelter Return royalty ("NSR"). The NSR is 1% on all mineral production if the quarterly LME copper price averages US\$3/lb or less and 2% above US\$3/lb. The NSR applies to the existing property package and to any properties subsequently acquired by Milpo within 15 kilometres of the boundaries of the existing property package.
- On February 24, 2010 the Company and Base Iron Limited ('BIL') (ASX: BSE) signed a binding Heads of Agreement ('HoA') for a transaction in which BIL will acquire the Kwale Mineral Sands Project ('Kwale'), all the intellectual property associated with Vaaldiam's mineral sands projects in Africa and an option to acquire 100% of Tiomin Kenya Limited ('TKL') for \$3 million in cash on closing and a cash royalty of 1.5% of all product revenue from Kwale. On May 5, 2010, BIL announced that it had completed its due diligence and had received Government of Kenya approval for the transaction.
- As at March 31, 2010, the Company has a cash position of \$15.1 million and working capital of \$10.4 million. In addition to its cash position, the Company now owns marketable securities valued at \$1.8 million on March 31, 2010.
- As at March 31, 2010, the Company holds 27.75% of Kivu Gold Corporation ("Kivu"), a private corporation under the Canada Business Corporation Act focusing on precious metals exploration in sub-Saharan Africa.
- The Company also holds 20% of Lipari Mineração Ltda., a company incorporated in Brazil which holds the mineral rights to the Braúna project where work is underway to develop the Braúna 3 pipe and a 5,000 tonne bulk sampling program is being designed to confirm the diamond content of the pipe and its associated dike systems, and to produce a parcel of diamonds for valuation purposes.

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COMPANY'S FUTURE

With the acquisition of Vaaldiam Resources, the Company is a well-capitalized, Brazil-focused diamond producer with the following attributes:

- **Immediate Production:** Diamond and gold production to resume at the 100%-owned Duas Barras mine during Q3-2010.
- **Strong Balance Sheet:** The Company has approximately \$15.1 million in cash to fund exploration and development and settle Vaaldiam Resources' outstanding liabilities.
- **Production Growth:** Vaaldiam's production is projected to grow through the staged resumption of production at its two 100% owned diamond mines and the expansion of resources through exploration and development of the mines' exploration properties.

Production is projected to be:

- 20,000 carats in 2010
- 40,000 carats in 2011

The anticipated development of the Braúna kimberlite project, which is currently conducting a bulk-sampling program, is expected to significantly add to this production in the coming years.

- **Advanced development pipeline:** In addition to becoming South America's largest diamond producer, Vaaldiam will hold interests in two advanced-stage kimberlite deposits in Brazil and also own a large exploration database of kimberlite occurrences in Brazil.
- **Experienced in-country teams:** The Company will benefit from highly-skilled and experienced in-country operational and exploration teams in Brazil and Canada, in addition to a strengthened management team with significant industry experience.

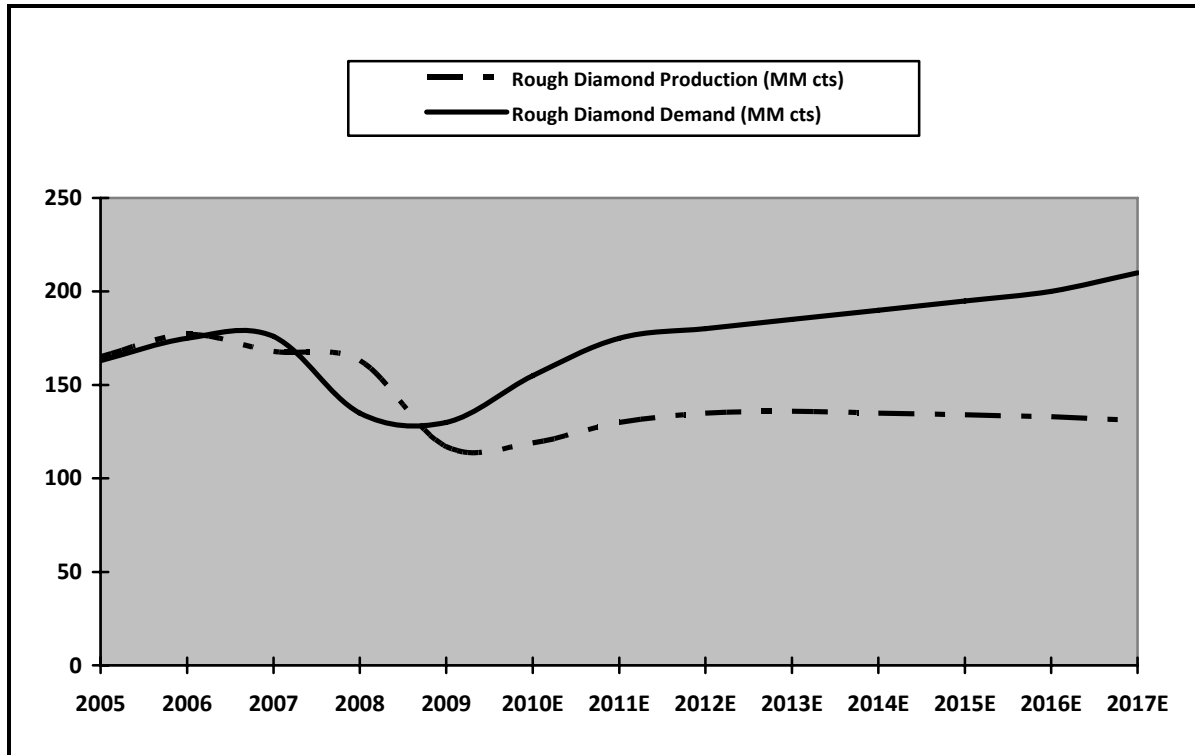
THE ROUGH DIAMOND MARKET

Diamond prices have experienced a remarkable rebound from the global economic crisis of 2008/2009, when rough diamond prices experienced a substantial decline due to restricted access to credit in the rough diamond trading centres of Belgium, Israel and India, and a similar but less dramatic decline in polished diamond demand. During the 2008-2009 recession, it is speculated that De Beers' Diamond Trading Company ("DTC") dropped their average price for rough diamonds by approximately 20%. Already during 2010, the DTC has increased their prices for rough diamonds approximately 17%, bringing rough prices almost back to pre-crisis levels.

The supply-demand fundamentals for diamonds look extremely positive for longer term increases in diamond prices. Industry consensus is that rough diamond supply is expected to peak in 2013, with new production expected in Canada, Southern Africa and Russia, and resumption of production in Central Africa and Brazil. On the demand side, strong retail demand is expected from China and India during the coming years, given the strong growth of the middle class populations in these countries.

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COMPILED BY COMPANY FROM VARIOUS INDUSTRY SOURCES; DATA CURRENT AS OF MARCH 2010

OVERVIEW

Vaaldiam is incorporated under the laws of the Canada Business Corporations Act and its registered and executive office is at 55 University Avenue, Suite 1105, Toronto, Ontario, Canada M5J 2H7.

Vaaldiam is engaged in diamond production, mine development and exploration in Brazil as well as in the exploration and development of industrial mineral and base metal projects.

Vaaldiam currently owns two alluvial diamond mines in Brazil, the Duas Barras Mine (100% ownership) in the State of Minas Gerais, Brazil, and the Chapada Mine (100% ownership) in the State of Mato Grosso, Brazil. Operations at both mines had been suspended and placed on care and maintenance since late 2008 due to weak rough diamond markets related to the global economic crisis. With the gradual recovery of the rough diamond markets in 2009, the Company is focused on restarting the Duas Barras Mine in the third quarter of 2010.

Vaaldiam also operates two development stage diamond projects in Brazil, namely the Braúna project (20% interest, with option to increase to 49%) and the Catalão project (100% interest). The Braúna project is currently entering the feasibility stage of development, where a 5,000 tonne bulk sampling program is underway to define the economic potential of the project. A new 10 tonne per hour capacity diamond recovery plant is being installed and completion of the bulk sampling program is expected by the second quarter of 2010.

The Catalão project is also an advanced staged development project which has excellent logistics and can be advanced quickly to a production decision. Nine kimberlites have been discovered on the property. Bulk sampling of the Catalão 1 pipe by Rio Tinto during the mid 1990s indicated diamond grades in the order of 32 carats per hundred tonne (“cpht”). The property also hosts a number of untested geophysical targets that suggests potential for additional kimberlite discoveries.

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Until February 2010, Vaaldiam had a 49% contributing equity interest in the Pukaqaqa copper-gold project in Peru, with Milpo owning 51%. On February 19, 2010, the Vaaldiam entered into an agreement to sell its interest to Milpo.

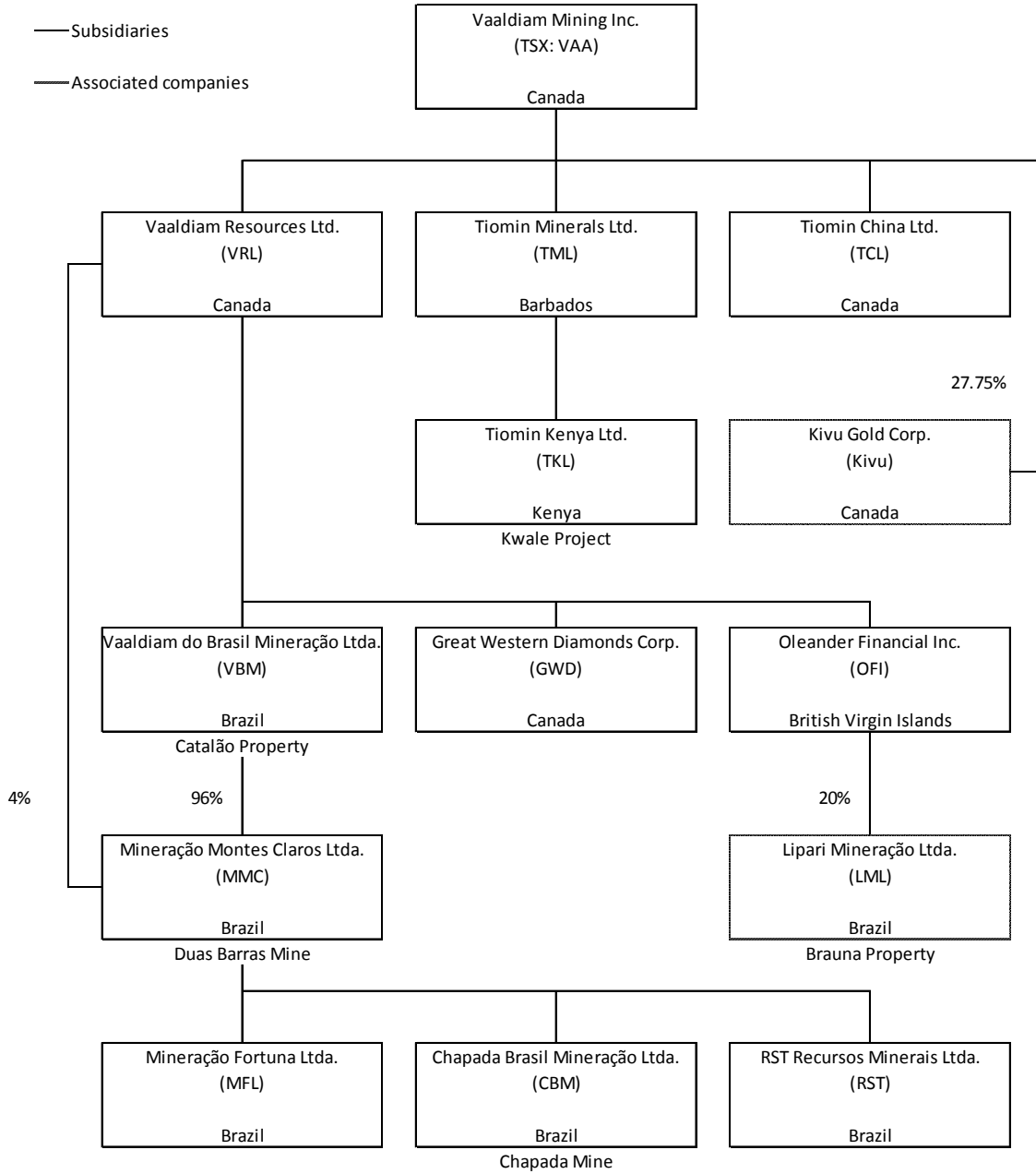
Since 2008, Vaaldiam had been actively seeking alternative project financing sources or partners in its development of its Kwale Mineral Sands ("Kwale") project. On February 24, 2010, Vaaldiam signed a HoA to sell its interest to BIL.

Vaaldiam owns 27.75% of the common shares of Kivu, which owns various gold properties located in South Sudan, Uganda, Rwanda and Burundi.

Vaaldiam's operations are conducted directly and through its subsidiaries whose relationship to Vaaldiam is reflected in the chart on the following page.

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The Company has other subsidiaries which are both dormant and immaterial with nominal assets and liabilities.

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OPERATIONS

PRODUCTION

Vaaldiam owns two alluvial diamond mines in Brazil, namely the Duas Barras Mine (100% ownership) in the State of Minas Gerais, Brazil, and the Chapada Mine (100% ownership) in the State of Mato Grosso, Brazil. Mining operations at the Chapada Mine were suspended at the end of June 2008, being the end of the contract mining term, to allow the Company to finance the conversion of the mining operation from contract mining to a lower-cost company-owned mining operation, and has remained suspended due to weak rough diamond markets. Mining operations were suspended at the Duas Barras Mine in October 2008 due to weak rough diamond markets, however, with the rebound of the market, work is currently underway in preparation of restarting production during the third quarter of 2010. Group production during 2008 amounted to 20,193 carats ("cts") of diamonds and 439 ounces of gold.

Duas Barras Mine, Minas Gerais, Brazil

Since commercial diamond production commenced on September 1, 2007, to October 31, 2008 a total of 261,611 bank cubic metres ("bcm") of gravel was treated at the Duas Barras mine resulting in the recovery of 34,445 carats of diamonds with an average weight per stone of 0.19 carats. In light of the much improved rough diamond markets, Vaaldiam plans on restarting production at Duas Barras in the third quarter of 2010.

The following table presents the diamond sales conducted since the start of commercial production on September 1, 2007 to March 31, 2010.

Period	Total Stones	Total Carats	Gross Total Value (US\$)	Average Value/ct (US\$)	Average Stone Size (ct)
2007	24,730	6,421.77	\$1,054,228	\$ 164.16	0.26
2008	186,831	32,008.28	4,654,634	145.42	0.17
2009	11,960	854.98	35,658	41.74	0.07
Mar. 31, 2010	-	-	-	-	-
Total	223,521	39,285.03	\$5,744,520	\$146.23	0.18

In addition to the diamond sales, a total of 1,116 ounces of gold had been sold for US\$942,699 or US\$844 per ounce in the same period.

Chapada Mine, Mato Grosso, Brazil

Mining operations at the Chapada Mine remained suspended during the first three months of 2010. Operations were suspended at the end of June 2008, the end of the contract mining term, in order to finance and convert the mining operation from contract mining to a company owned mining operation. These initiatives were expected to result in a reduction of operating costs, the improvement of diamond recovery and increased production. One of the key initiatives to reduce operating costs was the proposed installation of an in-pit screening plant in the mining area to reduce the cost of ore transport. Such initiatives have been deferred pending the completion of a detailed drilling program designed to expand resources in the area surrounding the processing facility. In the meantime the mine has been placed on a care and maintenance basis with a minimum of staff and security personnel.

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The following table presents the diamond sales conducted during the period January 1, 2008 to March 31, 2010.

Period	Total Stones	Total Carats	Gross Total Value	Average Value/ct (US\$)	Average Stone Size (ct)
2008	10,544	5,261.60	\$2,516,563	\$478.29	0.50
2009	-	-	-	-	-
Mar. 31, 2010	-	-	-	-	-
Total	10,544	5,261.60	\$2,516,563	\$478.29	0.50

EXPLORATION - BRAZIL

While Brazil is a significant producer of diamonds, all diamonds recovered in Brazil over the past some three hundred years of diamond mining history have been recovered from alluvial deposits. Vaaldiam's kimberlite exploration efforts are directed at the exploration for and development of Brazil's first kimberlite diamond deposit.

Braúna Project, Bahia, Brazil

Vaaldiam holds a 20% interest in the Braúna project with an option to increase its interest in the project to up to 49% following the completion of the next phase of development by reimbursing all costs incurred to date to the joint venture partners, including the acquisition cost. The mineral rights are comprised of 13 exploration licences, four of which are held in Mineração Montes Claros Ltda (on behalf of the joint venture) with the remaining nine registered in the name of Lipari Mineração Ltda. ("LML"), a Brazilian-registered company owned by the joint venture partners in proportion to their respective interest in the project. Application for a mining permit has been submitted for three of the exploration licences held by Mineração Montes Claros Ltda (on behalf of the joint venture), and are subject to a 1% gross sales royalty (net of selling costs), payable to Majescor Resources Inc., on the sale of diamonds produced from these claims. Four exploration licences that were acquired by the Company from Mineração Montes Alegre Ltda. are subject to a 5% gross sales royalty (net of selling costs).

The Braúna project is located in the state of Bahia in Brazil near the town of Nordestina. Four diamond bearing kimberlite pipes have been discovered on the property to date. The pipes are known to be associated with an extensive diamond bearing kimberlite dike system which has been traced over a distance of 15 kilometres. Attention is currently focused on the development of the Braúna 3 pipe and the completion of a bulk sampling program and feasibility study.

The Braúna 3 pipe encompasses about 1.85 hectares and was the focus of a drilling program in 2007 and early 2008 designed to delineate the pipe in sufficient detail to support a resource calculation. A total of 56 holes were drilled on the Braúna 3 pipe utilizing 25 metre drill spacing, delineating the pipe to a depth of approximately 200 metres. The pipe continues below 200 metres and is open at depth. In addition, 39.84 dry tonnes of kimberlite were extracted from the Braúna 3 pipe yielding 59 diamonds weighing a total of 8.26 carats, inferring a recovered grade of 21 cpht. Wardrop Engineering Inc., an independent geological and engineering consulting firm, was engaged to complete an initial tonnage estimate for the Braúna 3 pipe based on drill results to date.

A 5,000 tonne bulk sampling program is currently underway and is designed to confirm the diamond content of the Braúna 3 pipe and its associated dike systems, and to produce a parcel of diamonds for valuation purposes. A new 10 tonne per hour dense media recovery plant has recently been installed on the site and is currently undergoing commissioning. Information generated during this program, coupled with the information from the previously completed delineation drilling program, will provide the basis for a National Instrument 43-101 compliant reserve and resource estimation and the completion of a preliminary feasibility study.

Approximately five kilometres to the north of the Braúna 3 pipe lies the Braúna 8 kimberlite dike. Mini-bulk samples extracted from the Braúna 8 dike weighing 45.75 dry tonnes yielded 167 macro diamonds weighing 19.21 carats in

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total, inferring a recovered grade of 42 cpht. Included in the diamonds recovered was a 7.97 carat white octahedron stone, the largest recovered to date by Vaaldiam from the Braúna kimberlite. The second largest diamond recovered from the Braúna 8 kimberlite was a 0.92 carat stone pink in color, while another pink diamond was recovered, which appeared to have been broken during processing. The Braúna 8 occurrence is a 4.5 metres wide, vertically oriented kimberlite dike forming a 1,000 metre long section of the northwest trending dike system. Recent exploration conducted in the vicinity of the Braúna 8 dike has confirmed that this dike is linked to the Braúna 21 pipe.

The following table presents the sampling results to date on the Braúna project:

Kimberlite	Dry Weight (Tonnes)	Number of Diamonds Recovered	Weight of Diamonds (carats)	Inferred Diamond Grade (cpht)	Average Carat Size of Diamonds
Braúna 3 pipe	39.84	59	8.26	21	0.14
Braúna 7 pipe	86.65	28	3.76	4	0.13
Braúna 8 dike	45.70	167	19.21	42	0.12
Braúna 11	28.18	40	5.31	19	0.13
Braúna 21	22.59	19	1.58	7	0.08
Total	222.96	313	38.12	17	0.12

In addition to having the potential of becoming South America's first kimberlite diamond mine, prospecting, trench sampling and reviews of geological data have revealed significant gold potential. The Braúna claims are located within the important gold-producing Rio Itapicuru Greenstone Belt, which hosts Yamana Gold's Fazenda Brasileiro Mine and several advanced exploration projects where both open pit and underground gold reserves and resources have been delineated. Vaaldiam has a 100% interest in any gold deposit discovered and developed on the Braúna property (with the exception of any by-product gold produced as a result of diamond mining activities).

During the third quarter of 2009, Vaaldiam started an exploration program designed to test the potential of the gold occurrence situated on the Braúna property. Geological mapping of the area encompassing the gold occurrence has traced a quartz vein system over a strike length of 800 metres. The quartz vein system exhibits widths ranging from 0.5 to 3.0 metres. The Company also collected a total of 66 soil samples on a grid pattern (100 metre by 25 metre spacing) covering the strike extension of the vein system. In addition to the soil sampling survey, geologists also collected rock samples across the width of the vein system at regular intervals along the strike length of the vein system. Two vertical shafts, located 125 metres apart along strike and excavated to a depth of up to 30 metres were sampled by Vaaldiam (as reported on June 12, 2009), returning gold assays of 21.28 grams per tonne (0.68 ounces per tonne) and 5.98 grams per tonne (0.19 ounces per tonne) respectively.

Gold was first discovered on the Braúna property in the mid-1930s by garimpeiro miners who had been recovering alluvial gold from gravel deposits found in the Itapicuru River. Around the mid-1990s, mining of the alluvial deposits in the river eventually led the miners to a northeast trending quartz-vein system that lies adjacent to the river. Miners have manually excavated a series of open trenches and shafts along the strike length of the vein system, which has been traced on surface over a distance of approximately 800 metres. Surface and shallow underground exposures excavated by the garimpeiro miners along a strike length of approximately 350 metres, suggests the vein system ranges from 0.50 metres to 2 metres in width.

As at March 31, 2010, the carrying value of Vaaldiam's investment in LML is \$1,588,000 which represents the 20% interest in the Braúna properties. During the quarter ended March 31, 2010, equity income of \$56,000 was recorded on the investment in LML.

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Catalão Property, Goiás, Brazil

In August 2007, the Company acquired the diamond-bearing Catalão kimberlite pipes from Rio Tinto. The Catalão kimberlites are located in the state of Goiás, approximately 280 kilometres south of Brazil's capital city, Brasilia. The property encompasses nine possible kimberlite pipes, including the one hectare Catalão 1 pipe, which appears to be the largest of the nine pipes discovered to date. Sampling completed by Rio Tinto in 1998 resulted in the recovery of 52 diamonds with a total weight of 0.85 carats from a 3.6 tonne mini-bulk sample, inferring a diamond grade of 24 cpht. During 2008, Vaaldiam completed some initial prospecting on the property, which has included limited surface magnetics to define the locations of the kimberlite pipes. A program of drilling and mini-bulk sampling proposed has been deferred until financing is available.

Under the terms of the acquisition agreement for the Catalão Property, Vaaldiam holds 100% ownership of the property, subject to Rio Tinto retaining an option to acquire a 60% interest in any kimberlite pipe that has been bulk sampled, resulting in the recovery of at least 200 carats of commercial sized diamonds. Rio Tinto would exercise this option by fully funding a feasibility study relating to the kimberlite and, should the feasibility study be successful, by providing Vaaldiam with a non-recourse project loan to finance Vaaldiam's share of mine development costs, thereby allowing Vaaldiam to retain a 40% equity interest in operating cash flow from the mine without the need to raise development equity funding. This non-recourse loan would be repaid to Rio Tinto from a portion of Vaaldiam's share of cash flow from the deposit. Should Rio Tinto not exercise its option then Vaaldiam would continue to own 100% of that kimberlite deposit to be dealt with at Vaaldiam's sole discretion. Any alluvial deposits developed on the property would be 100% owned by Vaaldiam.

The Catalão Property is carried on Vaaldiam's books at a cost of \$9,265 representing the expenditures incurred up to March 31, 2010.

OTHER**Kwale, Kenya**

On February 24, 2010 the Company and BIL signed a binding HoA for a transaction in which BIL acquires the Kwale project, all the intellectual property associated with Vaaldiam's mineral sands projects in Africa and an option to acquire 100% of TKL.

In exchange for these assets, Vaaldiam will receive US\$3 million in cash at closing and, if the project reaches commercial production, a cash royalty of 1.5% of all product revenue (FOB Mombasa) from Kwale paid monthly in arrears. Pangea Goldfields, a 100% owned subsidiary of Barrick Gold Corporation will receive an additional 0.5% royalty on the same terms and conditions as Vaaldiam in exchange for waiving various rights that it acquired in prior transactions with Vaaldiam. BIL has paid Vaaldiam a US\$60,000 deposit that is deductible from the US\$3 million cash closing payment and is paying a non-refundable US\$60,000 per month to sustain TKL until the proposed transaction closes or is terminated.

The HoA contains certain Conditions Precedent ("CPs"): BIL must complete satisfactory due diligence, BIL shareholders and the Government of Kenya ("GoK") must approve the transaction and BIL must raise minimum capital of A\$7 million. If the CPs are not met within 90 days of signing the HoA either party may terminate the transaction. To date, BIL has completed its due diligence and has received GoK approval for the transaction.

Pukaqaqa, Peru

The Pukaqaqa copper-gold deposit is located on a 31.5 square kilometre land package situated about 10 kilometre northwest of Huancavelica and 230 kilometre southeast of Lima, Peru. On October 2, 2004, the Company had entered

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into a heads of agreement (the "Milpo HOA") with Milpo and pursuant to the agreement, the Company earned a 49% interest in the property.

On February 19, 2010, the Company entered into an agreement to sell its 49% contributing equity interest in the Pukaqaqa copper-gold project in Peru to Milpo for US\$7,000,000 in cash, received during the quarter. The Company will also receive US\$4,000,000 if the project begins commercial production, a second payment of US\$4,000,000 one year later and a variable Net Smelter Return royalty ("NSR"). The NSR is 1% on all mineral production if the quarterly LME copper price averages US\$3/lb or less and 2% above US\$3/lb. The NSR applies to the existing property package and to any properties subsequently acquired by Milpo within 15 kilometres of the boundaries of the existing property package.

INVESTMENTS**Kivu Gold Corp.**

Kivu Gold Corp. ('Kivu') is an exploration company focusing on sub-Saharan Africa. On February 14, 2008, Vaaldiam completed its first investment in Kivu, when it acquired 4,000,000 common shares of Kivu ("Kivu shares") at \$0.50 per common share, representing 16.9% of the then 23,630,000 issued and outstanding common shares of Kivu.

On February 20, 2009, the Company acquired by way of private placement, 6,625,000 Kivu shares at a price of \$0.215 per Kivu common share (the 'Investment'), thereby increasing its ownership from approximately 16.9% to approximately 33.5% of the outstanding common shares of Kivu. With subsequent private placements by Kivu at \$0.50 per share and \$0.25 per share, Vaaldiam's interest has been reduced to 27.75% as at March 31, 2010.

As there were common directors on both Kivu and Vaaldiam, non-related directors of the Company approved the initial and subsequent investment based on their review and analysis, which included receiving an independent fairness opinion. Although the Investment was a related party transaction, the completion thereof was not subject to the shareholders' meeting and valuation requirements of Multilateral Instrument 61-101 as the fair market value of the Investment did not exceed 25% of the market capitalization of the Company.

Scott Wilson Roscoe Postle Associates Inc. completed a report entitled 'Valuation of the Exploration Properties of Kivu Gold Corporation' dated December 31, 2008 and an independent fairness opinion was obtained from Fraser Mackenzie Limited that the Investment is fair from a financial point of view to the shareholders of the Company.

At December 31, 2008, the Investment was accounted for under the cost method. However, effective February 20, 2009, the Company has accounted for the Kivu Investment retroactively under the equity method, which has resulted in equity losses being realized from February 14, 2008. During the quarter ended March 31, 2010, \$161,000 was recorded as equity losses and Vaaldiam has also recognized a gain on dilution of \$429,000 and increased the carrying value of the investment by this amount.

Freegold Ventures Ltd.

On August 22, 2008, the Company announced that it would provide a bridge loan of US\$2 million to Freegold Ventures Ltd. ("Freegold") (TSX: ITF, OTCBB: FGOVF, Frankfurt: FR4), a company in which the President and CEO was a director. The President and CEO resigned as a director of Freegold in January 2009. The US\$2 million loan was part of a US\$4 million bridge loan facility obtained by Freegold.

The bridge loan facility was to mature on January 15, 2009. Terms for this facility included an annual interest rate of 12.5%, a cash closing fee, and 350,000 purchase warrants exercisable at \$0.55 each to purchase common shares of

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Freegold valid for a two-year period. An amount of \$105,000 in interest was received and recorded at December 31, 2008.

On January 15, 2009, the Company agreed to extend the bridge loan facility until February 10, 2009. In consideration, it received an additional 250,000 common shares in Freegold and its 350,000 purchase warrants were repriced.

On February 24, 2009, the Company and the other bridge lender reached an agreement with Freegold to further extend the maturity date of the combined US\$4.1 million in bridge loans, including accrued interest and commission, to July 15, 2009. A further extension was granted until August 15, 2009. As consideration for these extensions, the interest rate on the loans was increased from 12.5% to 15.0% and the Company and the other lender each received extension fees consisting of 360,000 common shares of Freegold, 500,000 purchase warrants to purchase common shares of Freegold for a two-year period, and US\$62,000, payable upon the earlier of the receipt of new financing or March 31, 2009.

On April 1, 2009, Freegold announced that it was not able to pay the US\$62,000 loan extension fee due on March 31, 2009. Freegold then reached an agreement with its senior bridge loan lender and the Company for a further restructuring that provided an additional US\$200,000 of funding to Freegold, which was provided by the senior lender. Under the revised documents, all interest and extension fee payments due under the previous agreements were capitalized and added to the principal amounts due on the new maturity date of July 15, 2009.

Freegold required a further extension to the July 15, 2009 maturity date and on September 8, 2009, the Company announced that it had reached an agreement with Freegold to increase its equity interest in Freegold to 19.99%, by converting approximately 66% of the US\$2,329,032 bridge loan owed by Freegold to the Company at August 31, 2009, including accrued interest and commission fees, into 16,714,773 common shares of Freegold. The Company holds a total of 17,324,773 common shares as a result of this transaction.

In addition, Freegold also agreed to transfer to the Company 1,000,000 of the 5,000,000 common shares of Western Standard received by Freegold in exchange for Freegold's Almaden Gold Project in Idaho. Western Standard will also assume the approximate US\$3 million of debt owed by Freegold to the senior bridge lender, relieving Freegold of this debt obligation. The Company also agreed to cancel all the warrants held in order to get the maximum number of shares permitted.

This transaction was completed on October 1, 2009 and the Company recognized interest income and commission income totalling \$226,000 and \$112,000, respectively, on the accumulated interest and commission fees added to the original principal. Under the revised agreement, the remaining debt of approximately US\$783,000 or C\$855,000 owed by Freegold will be repayable over a two-year term and will bear an annual interest rate of 6% payable quarterly. The debt will be held in Canadian dollars and no longer in US dollars. The Company will continue to be secured under the existing security agreements and will have collateral, being a first priority pledge of the shares in Freegold's remaining wholly owned US subsidiaries and a general security agreement against the personal property of Freegold (including a second charge against the processing and private property assets currently collateralizing an equipment loan at Golden Summit).

Western Standard Metals

On October 1, 2009, Vaaldiam received 1,000,000 common shares of Western Standard Metals Limited ('Western Standard') (TSX-V: WSM) at a deemed contract price of \$0.184 as part of the Freegold transaction.

As at March 31, 2010, Vaaldiam held 1,000,000 common shares, which are held as an available-for-sale security, and has recognized a cumulative unrealized loss in the amount of \$145,000 in other comprehensive loss in the financial statements at March 31, 2010 due to the change in the market value.

MANAGEMENT'S DISCUSSION AND ANALYSIS

All dollar figures are quoted in Canadian dollars unless otherwise specified

SUMMARY OF QUARTERLY RESULTS

(\$'000s except for per share and capitalization)	Mar-31 2010	Dec-31 2009	Sep-30 2009	Jun-30 2009	Mar-31 2009	Dec-31 2008 Restated	Sep-30 2008	Jun-30 2008
Loss before interest, equity loss and amortization	2,550	709	32,879	2,143	1,524	7,318	1,078	1,034
Loss before income tax	2,254	30	31,347	2,345	1,647	7,283	959	1,045
Loss per share	0.04	0.00	0.65	0.05	0.03	0.15	0.02	0.02
Total assets	33,764	22,719	23,659	56,272	58,400	61,268	68,092	64,679
Compensation expense relating to stock options	(824)	(157)	131	-	-	-	-	(55)
Working capital	10,358	17,736	13,572	15,005	17,034	19,964	21,597	24,398
Mineral properties	5,298	-	3,811	9,680	9,680	9,680	11,812	9,680
Deferred exploration and development	-	-	2,868	27,046	27,046	27,046	29,739	27,046
Share Capital:								
Outstanding (000's)	71,388	48,226	48,226	48,081	48,081	47,661	47,426	44,536
Warrants (000's)	9,935	10,329	10,329	10,329	10,338	10,338	10,764	9,843
Options (000's)	4,617	4,245	4,315	3,977	4,357	4,476	4,044	4,044

FINANCIAL REVIEW

During the quarter ended March 31, 2010, a loss of \$2,254,000 or \$0.04 per share was recorded compared to a loss of \$1,647,000 or \$0.03 per share in the corresponding period of the prior year.

Corporate and general

During the quarter ended March 31, 2010, the Company incurred \$644,000 in corporate and general compared to \$1,044,000 in 2009.

- a) **Salaries and other compensation** – During the quarter ended March 31, 2010, salaries and other compensation totalled \$338,000 compared to \$308,000 for the same period during 2009. This was mainly as a result of Vaaldiam Resources personnel being incorporated into the Company's payroll for the second half of March 2010 and retention bonuses of \$100,000 paid to two senior executives of Vaaldiam Resources. Salaries and other compensation expenses are expected to be reduced during the third quarter of 2010 when transition staff have completed their notice periods and are no longer employees of the Company.
- b) **Travel** – During the quarter ended March 31, 2010, the Company incurred \$85,000 of travel costs compared to \$52,000 for the same period during 2009. The increase in travel costs during 2010 is as a result of increased activity and is related to the acquisition of Vaaldiam Resources and the sale of the Company's Kenyan assets. It is expected that travel will increase during 2010 with production resuming at the Company's Duas Barras mine.
- c) **Professional fees** – During the quarter ended March 31, 2010, the Company spent \$96,000 on professional costs compared to \$555,000 for the same period during 2009. During the first quarter of 2009 professional fees were extremely high mainly as a result of the Jaguar lawsuit, which was settled on July 22, 2009. With the introduction of IFRS and the preparation and review of the 2010 comparative quarterly financial statements it is not expected that professional fees will be substantially reduced during the course of 2010. The Company will continue to invest in training and resources throughout the transition period to facilitate a timely conversion.

MANAGEMENT'S DISCUSSION AND ANALYSIS

All dollar figures are quoted in Canadian dollars unless otherwise specified

- d) **Shareholder and promotion** – During the quarter ended March 31, 2010, the Company spent \$64,000 on shareholder and promotion compared to \$59,000. This is expected to increase during 2010 as the Company will be spending more money on investor relations and promotion.
- e) **Leasehold expense** – During the quarter ended March 31, 2010, the Company incurred no leasehold expenses compared to \$6,000 for the same period during 2009. The leasehold expenses during 2009 related to leasehold property held by the Company's wholly owned subsidiary in Kenya, which was written off during 2009.
- f) **Office costs** – During the quarter ended March 31, 2010, the Company spent \$54,000 compared to \$64,000 for the same period in 2009, which is expected to increase due to the merger with Vaaldiam Resources.

Stock based compensation

Stock based compensation expense for the three months ended March 31, 2010 was \$824,000 compared to \$35,000 for the same period in 2009. Of this amount \$700,000 was as a result of two million bonus shares being issued to directors and officers of the Company at a deemed value of \$0.35 per share. In addition \$121,000 was charged to stock based compensation as a result of certain stock options exceeding the quoted price as described below. Cashless options of \$3,000 were exercised during the quarter ended March 31, 2010

For options granted prior to June 11, 2007, compensation expense was first measured at fair value at the grant date using the Black-Scholes option pricing model and recognized over the vesting period with a corresponding increase in contributed surplus. If, prior to the exercise of the options, the quoted market price of the common shares exceeds the total of the fair value of the options as determined at the grant date plus the exercise price, additional compensation expense will be recorded equal to the excess with on-going re-measurement of the outstanding contributed surplus. At the time of exercise, share capital is credited with the amount, if any, of the outstanding contributed surplus.

At the Annual Special Meeting held on June 11, 2007, the shareholders approved the cashless settlement alternative in connection with the exercise of options. Under this method, the Company has the option to issue to the option holder substituted rights which are immediately converted into an equal number of common shares.

For options granted after June 11, 2007, compensation expense is calculated as the amount by which the quoted market price exceeds the exercise price with ongoing remeasurement of the outstanding contributed surplus.

General exploration and write-off

During the quarter ended March 31, 2010, the Company did not spend any money on general exploration, while in 2009, it spent \$58,000. The Company does not expect to spend significant amounts on general exploration during 2010.

Foreign exchange loss (gain)

Foreign exchange losses (gains) were \$121,000 for the quarter ended March 31, 2010 and (\$64,000) for the same period in 2009. These gains and losses are a result of fluctuations in the various currencies, and any exchange gain or loss that arises on translation is included in the determination of net loss for the period. As at March 31, 2010, the Company holds its cash and cash equivalents in Canadian dollars, United States dollars and Kenyan shillings, representing the near term operating costs to be incurred in Kenya. With the acquisition of Vaaldiam Resources the Brazilian real has been added to the mix, which might result in further foreign exchange fluctuations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

All dollar figures are quoted in Canadian dollars unless otherwise specified

Interest income and other income

Interest income and other income received for the quarter ended March 31, 2010 and 2009 were \$45,000 and \$49,000 respectively. The amount received during the three months ended March 31, 2010 was attributable to the interest accrued from the Freegold loan and from GIC's and short term investments. During the three months ended March 31, 2009, interest was mainly attributable to GIC's and short term investments. Interest will vary from year to year and with the nominal interest being received on short term investments and the declining cash on hand one will expect to see this income amount reduced during 2010.

Interest

Interest charges for the three months ended March 31, 2010 was \$Nil compared to \$2,000 for the same period in 2009. The amounts incurred during 2009 were for leased vehicles through the Company's wholly-owned subsidiary TKL, which were acquired in the last quarter of 2005 and 2006 respectively. During 2009 these leases were settled. The Company may lease additional vehicles or equipment during 2010, which would then result in interest charges.

Amortization

Amortization charges for the three months ended March 31, 2010 were \$17,000 compared to \$49,000 for the same period during 2009. Over the last several years the Company has reduced spending on fixed assets and has also been disposing of fixed assets at its wholly-owned subsidiary TKL resulting in the decrease in amortization charges. During the quarter ended March 31, 2010, the Company did not acquire any additional fixed assets other than through the acquisition of Vaaldiam Resources as discussed above.

Gain on disposal of mineral property

During the quarter ended March 31, 2010, the Company realized a net gain after legal and other transaction related costs of \$572,000 (2009 - \$Nil) on the disposal of its 49% share in the Pukaqaqa project, which it sold to Milpo for US\$7 million.

Impairment of loan receivable

During the quarter ended March 31, 2009, \$227,000 was provided for as a result of Freegold being unable to pay the interest and defaulting on a loan provided by the Company.

Equity loss of associated company

Equity loss for the three months ended March 31, 2010 was \$161,000 compared to \$121,000 for the same period in 2009. This loss relates to the 27.75% interest the Company currently holding in Kivu.

Gain on dilution of associated company

During the quarter ended March 31, 2010, the Company realized a gain of \$429,000 (2009 -\$Nil) on dilution in its associated company Kivu Gold Corp. This is as a result of private placements undertaken by Kivu during the three months ended March 31, 2010 at \$0.25 and \$0.50 respectively, reducing Vaaldiam's equity stake from 30.81% at December 31, 2009 to 27.75% at March 31, 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS

All dollar figures are quoted in Canadian dollars unless otherwise specified

Kwale project

The Company incurred Kwale project related expenses in Kenya for the quarter ended March 31, 2010 of \$88,000 compared to \$224,000 in the same quarter last year. These are expensed as incurred. As mentioned above, on February 24, 2010, the Company and BIL signed a binding HoA for a transaction in which BIL acquires the Kwale project, all the intellectual property associated with the Company's mineral sands projects in Africa and an option to acquire 100% of TKL. BIL is currently funding the Kenyan operation and Vaaldiam does not expect to incur any additional or significant costs associated with the project.

Transaction costs

As mentioned above, the Company's shareholders on March 15, 2010 at a special meeting overwhelmingly approved the acquisition of Vaaldiam Resources. Transaction costs incurred by the Company at March 31, 2010 amounted to \$704,000 (2009 - \$Nil).

Severance costs

For the three months ended March 31, 2010 the Company incurred or accrued severance costs totalling \$741,000 (2009 - \$Nil) as a result of the Vaaldiam transaction described above. With the combination of the two businesses there were obvious synergies, which resulted in certain staff and executives being offered severance packages. The Company will further assess the business of the next several months, which may result in additional severance costs.

FINANCIAL, LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the Company's consolidated cash flows and cash on hand in thousands of dollars:

(\$000's)	Three months: March 31, 2010	Fiscal Year 2009
Cash and cash equivalents, end of the period	15,062	1,262
Working capital, end of the period	10,358	17,736
Cash provided by (used in) operating activities	(2,690)	(6,357)
Cash provided by (used in) investing activities	16,596	(11,633)
Cash provided by (used in) financing activities	-	(36)

Liquidity

As at March 31, 2010, Vaaldiam had a working capital surplus of \$10,358,000, compared with \$17,034,000 at March 31, 2009. For the quarter ended March 31, 2010, Vaaldiam generated cash flow of \$13,800,000 compared with the use of \$4,005,000 of cash flow for the same period in 2009. Cash decreased during the quarter ended March 31, 2010 from operating activities, primarily from an increase in inventories of \$210,000 (2009 - \$Nil), a decrease in accounts payable of \$409,000 (2009 - decrease of \$1,453,000), and an increase in receivables of \$60,000 (2009 - increase of \$124,000). During the quarter ended March 31, 2010, cash was provided by investing activities with \$7,250,000 received as proceeds from the disposal of interest in the Pukaqaqa project in Peru, and \$10,057,000 received as a short-term investment in GIC matured, while the Company used \$711,000 in investment in Vaaldiam Resources.

Vaaldiam has never invested in asset backed commercial paper.

On February 3, 2010, Vaaldiam issued 2,000,000 common shares as bonuses at a deemed price of \$0.35 per share.

MANAGEMENT'S DISCUSSION AND ANALYSIS

All dollar figures are quoted in Canadian dollars unless otherwise specified

On March 9, 2010, 8,571 cashless stock options were exercised with a deemed value of \$3,000. During the quarter ended March 31, 2010, 333,752 options expired unexercised or were forfeited.

On March 15, 2010, at the respective special meetings of shareholders held by Tiomin and Vaaldiam Resources, shareholders approved the plan of arrangement ("Arrangement") whereby Tiomin would acquire all of the outstanding common shares of Vaaldiam Resources in an all-share transaction pursuant to which each common share of Vaaldiam Resources was exchanged for 0.08 of a post-Consolidation common share of Vaaldiam, which became effective on March 23, 2010. On the same date, the shareholders of Tiomin also approved a 10 for 1 share consolidation ("Consolidation").

On March 23, 2010, pursuant to the Arrangement, 21,153,226 common shares were issued to shareholders of Vaaldiam Resources; 713,724 options were issued in replacement of Vaaldiam Resources options; and 91,520 warrants were issued in replacement of Vaaldiam Resources warrants.

Capital Resources

As at March 31, 2010, Vaaldiam had cash of \$15,062,000. Vaaldiam currently has no source of income and no immediate cash flow from its operations. Vaaldiam receives cash for use in operations from issuing common shares, investment income and occasional sales of selected assets. Vaaldiam has been successful in accessing the equity markets in the past and while there is no guarantee that this will continue to be available, management has no reason to expect that this will diminish in the near future.

A potential source of additional capital would be the exercise of options. As at May 14, 2010, Vaaldiam has issued and outstanding options as follows:

No. of Options	Expiry Date	Exercise Price	Potential Proceeds
10,000	June 30, 2010	\$3.60	\$ 36,000
20,000	March 24, 2011	\$4.05	81,000
900,000	February 22, 2012	\$0.90	810,000
301,398	May 22, 2012	\$1.25	376,747
694,333	December 27, 2012	\$0.75	520,750
633,250	May 29, 2013	\$0.65	411,612
424,500	December 3, 2013	\$0.25	106,125
100,000	January 1, 2014	\$0.25	25,000
620,000	February 18, 2014	\$0.50	310,000
819,334	September 10, 2014	\$0.35	286,767
93,724	March 23, 2015	\$0.39	36,552
4,616,539			\$3,000,553

An additional potential source of capital could be the exercise of warrants. As at May 14, 2010, the Company has issued and outstanding warrants as follows:

No. of Warrants	Expiry Date	Exercise Price	Potential Proceeds
6,093,769	July 31, 2016	\$6.50	\$39,609,499
3,750,000	December 31, 2010	\$3.60	13,500,000
91,520	May 31, 2010	\$1.00	91,520
9,935,289			\$53,201,019

MANAGEMENT'S DISCUSSION AND ANALYSIS

All dollar figures are quoted in Canadian dollars unless otherwise specified

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

TKL has leased office premises for five years for approximately 90,000 Kenyan Shillings per month. At March 31, 2010 the Company owes 360,000 Kenyan shillings or \$4,741 using the closing exchange rate of 75.9359 Kenyan shillings for one Canadian dollar.

On February 2, 2006, Vaaldiam entered into an office lease at 40 King Street East for approximately 3,100 square feet of space for five years commencing on July 1, 2006 and ending on August 31, 2011. As at March 31, 2010, the Company has future cash commitments totalling approximately \$61,540 (December 31, 2009 - \$72,400) until August 31, 2011.

On July 2, 2009, Vaaldiam Resources entered into an office lease at 55 University Avenue for approximately 2,900 square feet of space for a period five years and one month commencing on December 1, 2009. As at March 31, 2010, the Company has future cash commitments totalling approximately \$540,960 until December 31, 2014.

In April 2010, Vaaldiam relocated its office to 55 University Avenue and is currently in the process of subletting a portion of the 18 King Street East to Kivu, a related party, at \$2,500 per month until August 31, 2011. The Company is also in the process of negotiating a sublease agreement with an arm's length party for \$2,200 per month.

OFF-BALANCE SHEET ARRANGEMENTS

Vaaldiam has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Transactions with related parties are recorded at the exchange amount, which is the amount of consideration agreed upon between the parties.

- a) As discussed, the Company holds a 27.75% ownership interest in Kivu. Certain directors, officers and employees of the Company currently hold 14,120,000 (36.87%) common shares of Kivu. The main holders of the common shares are Jean-Charles Potvin, the Executive Chairman of Vaaldiam, and his family, who hold 11,000,000 common shares, and Robert Jackson, the President and CEO of Vaaldiam, who holds 1,300,000 common shares. The Chairman, effective February 1, 2010 will receive an annual salary of \$125,000. The CEO is also a director of Kivu and receives no compensation from Kivu. The Chairman and the CEO respectively hold 900,000 and 400,000 stock options, respectively, at an exercise price of \$0.50 per option.
- b) The Company currently charges Kivu \$5,000 per annum, for office space, and at March 31, 2010 an amount of \$1,250 was charged to Kivu. Additional amounts totalling \$1,975 were charged to Kivu for expenses incurred by Kivu and Jean-Charles Potvin. At March 31, 2010, Kivu owed the Company \$3,225, which was subsequently repaid to Vaaldiam. No other services are provided and charged for by the Company.
- c) The Company also rents office space at fair market value to Rukwa Uranium Inc. ("Rukwa"), a company in which certain directors and officers of the Company hold common shares. The Company charges Rukwa \$5,000 per annum for office space and at March 31, 2010, an amount of \$1,250 was charged to Rukwa. No services are provided and charged for by the Company. At March 31, 2010, the Company is owed \$1,317 by Rukwa, which was repaid in April 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS

All dollar figures are quoted in Canadian dollars unless otherwise specified

SUBSEQUENT EVENTS

On May 11, 2010, the Company repaid in full the Line of Credit of US\$700,000 or C\$711,000 including all interest owing thereon.

MANAGEMENT REPORTING**Management's Responsibility for Consolidated Financial Statements**

The accompanying unaudited interim consolidated financial statements of the Company are the responsibility of management. The unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect management's best judgments. Financial information reflected in this Management's Discussion and Analysis is consistent with these financial statements.

The Company's Board of Directors has approved the information contained in the unaudited interim consolidated financial statements and this Management's Discussion and Analysis. The Board of Directors fills its responsibility regarding the financial statements mainly through its Audit Committee, which has a written mandate which complies with the current requirements of Canadian securities legislation. The Audit Committee meets at least on a quarterly basis.

Internal Control over Financial Reporting

Internal control over financial reporting ("ICFR") is designed by, or under the supervision of, the Company's certifying officers, being the Chief Executive Officer and the Chief Financial Officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The control framework Vaaldiam's certifying officers and senior managers used to design Vaaldiam's ICFR is the COSO Framework.

Disclosure Controls and Procedure

Disclosure controls and procedures ("DC&P") are designed to provide assurance that all relevant information is gathered and reported to the senior management, which includes the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As of March 31, 2010, the Company's certifying officers evaluated the effectiveness of the Company's disclosure controls and procedures and have concluded that, as of March 31, 2010, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's interim filings and reports filed or submitted under Canadian securities laws were recorded, processed, summarized and reported within the time periods specified by those laws and that material information was accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. There were no changes in the Company's internal control over financial reporting during the most recent interim period that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Certification of Disclosure in Issuers' Annual and Interim Filings

The Company's certifying officers are responsible for establishing and maintaining DC&P and ICFR as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, for Vaaldiam. The Company is committed to following established and/or best practices for governing, controlling and reporting its activities and performance. The certifying officers utilized the support and expertise of the Board of Directors; the

MANAGEMENT'S DISCUSSION AND ANALYSIS

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executive management team; the Company's legal counsel; external auditors; and other consultants to facilitate the design and operation of DC&P and ICFR.

The design of Vaaldiam's DC&P and ICFR has evolved over time to adapt to changing business needs and legislated requirements. The present designs incorporate the following:

- Corporate Governance and Nominating Committee Charter;
- Audit Committee Charter;
- Compensation Committee Charter;
- Ongoing communication amongst the Company executives and senior executives in Kenya;
- Utilization of external legal counsel experienced in Vaaldiam's business;
- ICFR based on the COSO Framework;
- Investment in qualified staff and their professional development;
- Utilization of MS Dynamics SL (Solomon) for multi-company, multi-currency accounting, project tracking and reporting which benefit from built-in audit trails and controls that facilitate accurate and timely financial reporting
- Utilization of software tools, such as Compliance Partner® (by Thompson Carswell) and IFRS Partner® (by Issues Central), to identify best practices, document existing controls and procedures, identify opportunities for improvements and scope and support compliance testing and evaluation;
- Consideration of control risks inherent in operations with a small number of staff where the lack of segregation of duties must be offset by other compensating controls such as expenditure variance analysis
- Consideration of inherent risks associated with a greater volume of cash transactions in Kenya
- Regular visits by Canada-based executives to subsidiaries in Kenya, and the joint venture partner in Peru to review exploration plans, operations and financial records, as appropriate.

Limitation on scope of design:

The Company has limited the scope of the design of DC&P and ICFR to exclude controls, policies and procedures of the business that Vaaldiam acquired in March 2010, or less than 365 days prior to March 31, 2010. Vaaldiam Resources and its subsidiaries were acquired on March 23, 2010. The scope limitation is primarily based on the time required to document and assess the DC&P and ICFR in a manner consistent with the Company's other operations.

Conclusion regarding Design:

Subject to the limitations on the scope of design of DC&P and ICFR directly related to Vaaldiam Resources and its subsidiaries, as noted above, the CEO and CFO have, as at March 31, 2010

- (a) designed DC&P, or caused it to be designed under their supervision, to provide reasonable assurance that
 - (i) material information relating to Vaaldiam is made known to the CEO and CFO by others, particularly during the period in which the interim filings are being prepared; and
 - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (b) designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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The design of ICFR for the Company has appropriately considered the risks that may affect the completeness, accuracy, timeliness and usefulness of its financial reporting. In particular the inherent risks associated with difficulties segregating certain duties in a small organization and the higher volume of payroll and other transactions paid by cash in Kenya and China were considered when implementing approval policies and procedures, accounting transaction processes and expenditure variance analysis. Consequently, the Company concludes that there are NO material weaknesses in the design of its ICFR existing at the financial year end.

Changes in ICFR:

During the period beginning on January 1, 2010 and ended on March 31, 2010 there were no changes in Vaaldiam's ICFR that has materially affected, or is reasonably likely to materially affect Vaaldiam's ICFR.

Evaluation of DC&P:

The Company's evaluation of its DC&P utilized Compliance Partner® to provide guidance to scope and execute the required testing and evaluation of DC&P. The evaluation included a review of all press releases and corporate filings submitted to SEDAR to ensure there was evidence of appropriate authorization by the Board of Directors, either directly or indirectly via the Audit Committee or CEO based approvals of draft documents as applicable. Certain disclosures related to transactions or proposed transactions that required TSX approval were reviewed by legal counsel to ensure compliance with applicable regulations. Informal correspondence amongst executives and/or senior staff was reviewed to evaluate and confirm that the Company's communication practice ensured appropriate material issues were presented to the CEO and/or CFO to be considered for potential disclosure.

The Company concluded that the CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the issuer's DC&P at the financial year end and that the DC&P were operating effectively at the year to ensure compliance with applicable laws and regulations.

Evaluation of ICFR:

The Company's evaluation of its ICFR utilized Compliance Partner® to provide guidance to scope and execute the required testing and evaluation of ICFR. Testing and evaluation of items such as the completeness, accuracy and timeliness of monthly account reconciliations and financial statements; transaction approvals in accordance with the delegation of authority policy; and dual authorization of bank transactions were conducted throughout the year. Increased review and approval of accounting records was documented at each quarter and at year end. Detailed reviews of account reconciliations and related processes at March 31, 2010 indicated complete and accurate record keeping with no changes, nor material weaknesses in Vaaldiam's ICFR. This was done in conjunction with the quarterly review and year end audit performed by the Company's auditors.

Although the testing and evaluation revealed minor omissions and errors in estimates, as well as opportunities to improve the format or readability of certain internal reports, there were NO material weaknesses in the operation of Vaaldiam's ICFR at the period end, March 31, 2010. Additional substantive testing and analysis of the financial results of those subsidiaries not included in the scope of design of ICFR (i.e. Vaaldiam Resources) provided assurance that there were no material errors that would affect the consolidated financial statements of the Company.

The Company concluded that the CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the issuer's ICFR at the three month period end date, March 31, 2010 and that the ICFR were operating effectively during the period to ensure compliance with applicable laws and regulations.

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Reporting to the issuer's auditors and board of directors or audit committee:

The CEO and CFO have disclosed, based on their most recent evaluation of ICFR, to the issuer's auditors, and the board of directors and the audit committee of the board of directors that there has been NO fraud that involves management or other employees who have a significant role in the issuer's ICFR.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates used in the preparation of the consolidated financial statements include the Company's estimate of recoverable value of its mineral properties and related deferred expenditures, the value of stock-based compensation and the allocation of purchase prices for business acquisitions. All of these estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The factors affecting stock-based compensation include estimates of when stock options and compensation warrants might be exercised and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend upon a variety of factors including the market value of the Company's share and financial objectives of the stock-based instrument holders. The Company used historical data to determine volatility in accordance with the Black-Scholes model; however, the future volatility is uncertain and the model has its limitations.

The Company's recoverability of the carrying value of its mineral properties and property, plant and equipment is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by disposition of the properties. The fair value of these items is subjective and is based on management's best estimate incorporating the use of internal and external expertise.

Vaaldiam is in an industry that is dependent on a number of factors, including environmental, legal and political risks, the existence of economically recoverable reserves, the ability of the Company and its subsidiaries to obtain necessary financing to complete the development and future profitable production or the proceeds of disposition thereof.

The preliminary allocation of the purchase prices for business acquisitions were based on internal management valuations and anticipated tax basis elections. The purchase prices allocation may change upon final determination of the fair value of assets acquired and liabilities assumed. The impact of any final adjustments may be material and will be recorded on a prospective basis.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Vaaldiam's accounts are stated using Canadian GAAP. The Company's accounting policies have changed during 2010 as outlined below and no future changes are contemplated except as may be required to conform to future changes in Canadian GAAP.

Initial adoption:***Business Combinations, Consolidations, and Non-Controlling Interests***

In January 2009, the Accounting Standards Board ("AcSB") issued the following new standards: 1582 – *Business Combinations*, 1601 – *Consolidations*, and 1602- *Non-Controlling Interests*. These standards will be effective for fiscal years beginning on or after January 1, 2011, and early application is encouraged. Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent of International Financial Reporting Standards ("IFRS") 3, *Business Combinations*. Sections 1601 and 1602 together replace Section 1600, *Consolidated Financial Statements*. Section 1601 establishes standards for

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the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS-27, *Consolidated and Separate Financial Statements*. The Company has early adopted these new standards effective January 1, 2010 and has applied this to the business combination that occurred effective March 23, 2010. As a result of early adoption of these new standards, all costs associated with the March 23, 2010 business combination have been expensed as transaction costs. Early adoption of these sections 1601 and 1602 did not have any other impact on these consolidated financial statements.

Future accounting change:***International Financial Reporting Standards ('IFRS')***

In January 2006, the CICA's Accounting Standards Board ('AcSB') formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will assess the impact of the transition to IFRS and will continue to invest in training and resources throughout the transition period to facilitate a timely conversion.

Impact of International Financial Reporting Standards

For reporting periods beginning on or after January 1, 2011, the Company must comply with the AcSB that have been revised to satisfy the requirements of IFRS as issued by the International Accounting Standards Board.

Management of IFRS implementation

Vaaldiam is a junior company with a small accounting staff. The VP Finance and Chief Financial Officer and the Corporate Controller will manage the conversion and report regularly to the Audit Committee. The implementation of IFRS consists of three phases:

- (i) *Scoping and impact analysis*- Project scoping and impact analysis was completed as at December 31, 2008 and produced a high level view of potential differences to existing accounting and reporting policies and consequential changes to information systems and business processes.
- (ii) *Evaluation and design phase*- This phase involves specification of changes required to existing accounting policies, information systems and business processes, together with an analysis of policy alternatives allowed under IFRS and development of draft IFRS financial statement content. The evaluation phase commenced in 2009 and the Company will continue to evaluate the impact of IFRS through to implementation.
- (iii) *Implementation and review phase*- The implementation and review phase has commenced and includes training programs for all finance staff, execution of changes to information systems and business processes, and completing formal authorization processes to approve recommended accounting policy changes. It will culminate in the collection of financial information necessary to compile IFRS compliant financial statements, embedding of IFRS in business processes, elimination of unnecessary data collection processes and Board approval of IFRS financial statements. Implementation also involves delivery of further training to staff as systems begin to take effect.

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Key differences in accounting policies

This financial report has been prepared in accordance with Canadian GAAP. The differences between Canadian GAAP and IFRS identified to date as potentially having a significant effect on Vaaldiam's financial performance and financial position are in the process of being reviewed.

During the quarter ended March 31, 2010, the Company has not quantified the effects of the differences between Canadian GAAP and IFRS, but has established that there will be differences related to stock-based compensation, and long term liabilities. The Company notes that its subsidiary Tiomin Kenya Limited currently prepares additional financial statements for Kenya statutory reporting purposes in accordance with IFRS. The Company will continue to assess the impact and will provide more detail during the coming quarters.

The regulatory bodies that promulgate Canadian GAAP and IFRS have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's financial reports in future years. The future impact of IFRS will also depend on the particular circumstances prevailing in those years.

UNCERTAINTIES AND RISK FACTORS

The mining business is inherently risky in nature. Exploration activities rely on professional judgments and statistically based tests and calculations and often yield few rewarding results. Mineral properties are often non-productive for reasons that cannot be anticipated in advance and operations may be subject to risks including labour disputes, environmental hazards, safety issues, geological issues, weather conditions, and changing regulatory requirements as examples. Vaaldiam is subject to competitive risk as its ability to finance its activities and generate profitable operations or proceeds from disposal of assets are subject to the world price for the precious metals and the economic forces that influence capital markets. As a result the securities of Vaaldiam must be considered speculative. A prospective investor in Vaaldiam should carefully consider the following factors:

Exploration and Development

Exploration for diamond, gold, copper and other minerals is highly speculative in nature, involves many risks and frequently is unsuccessful. There can be no assurance that exploration efforts will result in the discovery of mineralization or that any mineralization discovered will result in the definition reserves. If reserves are developed, it may take a number of years and substantial expenditures from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. No assurance can be given that exploration programs will result in the definition of reserves or that reserves may be economically mined.

The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors, which are beyond the control of the Company.

All exploration and development evaluation expenditures incurred in Vaaldiam, prior to establishing that a property has economically recoverable reserves are capitalized.

Operating Hazards and Risks

Mineral exploration and mining involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The work that the Company proposes to undertake will be subject to all the hazards and risks normally incidental to exploration, development and production, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labour disruptions, flooding, explosions and cave-ins, are all the risks involved in the operation of mines and the conduct of exploration programs. Although the Company has secured liability insurance and will,

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when appropriate, secure property insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs or uninsured losses that could have a material adverse effect upon its financial condition.

Regulations and Mining Law

Mining operations and exploration activities are subject to extensive local and overseas' laws and regulations governing exploration, development, production, taxes, labour standards, occupational health, waste disposal, protection and remediation of the environment, reclamation, mine safety, toxic substances and other matters. Compliance with such laws and regulations increases the costs of planning, designing, developing, constructing, operating and closing mines and other facilities. It is possible that the costs and delays associated with compliance with such laws and regulations could become such that the Company would not proceed with or would postpone the development and operation of a mine or mines.

Environmental Factors

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which they operate. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Vaaldiam's operations or result in substantial costs and liabilities in the future.

Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. Obtaining the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions. There can be no assurance that Vaaldiam will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

Title to Assets

Although the Company believes that it holds valid title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned.

Financing Risks

Vaaldiam has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development work or to fulfill its obligations under any applicable agreements. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development plans.

Commodity Prices

The Company's future revenues, if any, are expected to be in large part derived from the mining and sale of diamonds, mineral sands and other metals or interests related thereto. The price of those commodities has fluctuated in recent years, and is affected by numerous factors beyond the Company's control including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional

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consumption patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods. The effect of these factors on commodity prices makes it difficult to predict the economic viability of the Company's operations.

Foreign Currency Risks

The Company's future revenues, if any, may be denominated in United States dollars, while 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 the Canadian dollar. As a result, the Company is exposed to the currency fluctuations relative to these two currencies.

Governmental Regulation

Exploration, development and mining of the properties will be affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) mining law; (iii) restrictions on production; price controls; and tax increases; (iv) maintenance of claims; (v) tenure; and (vi) expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are required in connection with the exploration activities proposed for the properties. To the extent such approvals are required and not obtained, the Company's planned exploration, development and production activities may be delayed, curtailed, or cancelled entirely.

Failure to comply with applicable laws, regulations and requirements may result in enforcement action against the Company, including orders calling for the curtailment or termination of operations on the properties, or calling for corrective or remedial measures requiring considerable capital investment. Parties engaged in mineral exploration and mining activities may be subject to civil and criminal liability as a result of failure to comply with applicable laws and regulations.

Amendments to current laws, regulations and permitting requirements affecting mineral exploration and mining activities could have a material adverse impact on the Company's operations and prospects.

No Dividends

Vaaldiam has not paid any dividends on its Common Shares during the past five years. Any decision to pay dividends on its shares in the future will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company and other factors which the board of directors of the Company may consider appropriate in the circumstances.

Dependence on Key Employees

Vaaldiam's future growth and its ability to develop depend, to a significant extent, on its ability to attract and retain highly qualified personnel. Vaaldiam is highly dependent on the principal members of its senior management group and the loss of their services might impede Vaaldiam's business strategy and growth. The loss of one or more key employees could have an adverse effect on the growth and profitability of Vaaldiam.

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Joint Ventures

The Company holds, and expects to hold in the future, interests in joint ventures. Joint ventures may involve special risks associated with the possibility that the joint venture partners may;

- have economic or business interests or targets that are inconsistent with those of the Company;
- be unwilling or unable to fulfill their obligations under the joint venture or other agreements;
- take action contrary to the Company's policies or objectives; or
- experience financial or other difficulties.

Any of the foregoing may have a material adverse effect on the results of operations or financial condition of the Company

Conflicts Of Interest

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other reporting companies or may have significant shareholdings in other reporting companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms.

Competition

The mineral industry is intensely competitive in all its phases. Vaaldiam competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees.

Share Price Fluctuations

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies, have experienced wide fluctuations in price which would have not necessarily been related to the operating performance, underlying asset values or prospect of such companies. There can be no assurance that continual fluctuation in share price will not occur.

OUTSTANDING SHARE DATA

As at May 14, 2010, the following were the undiluted and fully diluted common shares outstanding:

Common shares outstanding as at May 14, 2010	71,388,177
Shares issuable on exercise of options	9,935,289
Shares issuable on exercise of warrants	4,616,539
Fully diluted shares outstanding as at May 14, 2010	85,940,005

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GENERAL

The Company also discloses information related to its activities in the Annual Information Form ('AIF'). The AIF and other pertinent information on the Company are available on SEDAR at www.sedar.com.

INDEMNITIES

No director or officer of the Company shall be held responsible for any losses or damages sustained by the Company while in the execution of the duties of his office save if such resulted from his gross negligence or wilful omission, or if he has not acted with honesty and in good faith. The Company shall fully indemnify and save harmless all directors and officers from any and all losses or damages they may sustain while in the execution of the duties of their office save if such resulted from their gross negligence or wilful omission or if they did not act with honesty and in good faith. The Company maintains insurance policies that may provide coverage against certain claims.