



**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements and all of the data included in this report have been prepared by and are the responsibility of management of the Company. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgments based on currently available information. The Company has developed and maintains systems of internal accounting control in order to assure, on a reasonable and cost-effective basis, the reliability of its financial information and that assets are safeguarded from loss.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee of the Board, comprised of non-management directors, which meets with the external auditors to satisfy itself that management's responsibilities are properly discharged and to review the consolidated financial statements before they are presented to the Board of Directors for approval.

The consolidated financial statements have been audited by Ernst & Young LLP, Chartered Accountants. Their report outlines the scope of their examination and opinion on the consolidated financial statements.



Robert Jackson
Chief Executive Officer



Bruce Ramsden
*Vice President Finance
and Chief Financial Officer*

March 9, 2010, except for note 25(a)
as to which the date is March 15, 2010.

AUDITORS' REPORT

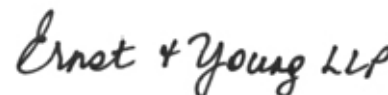
To the Shareholders of **Tiomin Resources Inc.**

We have audited the consolidated balance sheets of **Tiomin Resources Inc.** (the "Company") as at December 31, 2009 and 2008 and the consolidated statements of operations, comprehensive loss and deficit, shareholders' equity and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
March 9, 2010, except for note 25(a)
as to which the date is March 15, 2010.



Chartered Accountants
Licensed Public Accountants


TIOMIN RESOURCES INC.
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of Canadian dollars)
As at December 31

	December 31, 2009 \$	December 31, 2008 \$ (Restated – note 6)
ASSETS		
Current		
Cash and cash equivalents (note 15)	1,262	19,300
Short-term investments	10,057	-
Receivables (note 22)	56	431
Short-term loan, net of allowance for loan impairment (note 16)	-	2,483
Current portion of long-term loan	71	-
Prepaid expenses and other	182	362
Assets held for sale (note 25)	6,679	-
	18,307	22,576
Long-term loan (note 16)	681	-
Fixed assets, net of accumulated amortization (note 3)	89	314
Long-term lease prepayment (note 4)	-	792
Mineral properties (note 5)	-	9,680
Deferred exploration and development (note 5)	-	27,046
Investments (note 6(a))	1,969	-
Investments in associated company (note 6(b))	1,673	860
	4,412	38,692
	22,719	61,268
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 23)	571	2,312
Due to related party (note 18)	-	264
Current portion of capital lease obligations (note 12)	-	36
	571	2,612
Long-term liabilities (note 7)	-	386
	-	386
SHAREHOLDERS' EQUITY		
Capital stock (note 8(a))	187,210	187,075
Contributed surplus (note 8(f))	3,702	3,811
Deficit	(167,985)	(132,616)
Accumulated other comprehensive loss (note 9)	(779)	-
	22,148	58,270
	22,719	61,268

See accompanying notes

Approved on behalf of the Board:



Jean-Charles Potvin
Chairman



Roland Bertin
Director

TIOMIN RESOURCES INC.**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND DEFICIT**

(Expressed in thousands of Canadian dollars)

For the years ended December 31

	December 31, 2009	December 31, 2008
	\$	\$ (Restated – note 6)
Capital stock		
Balance at beginning of year	187,075	185,005
Issued through share bonus scheme	135	47
Radiant acquisition	-	2,023
Balance at end of year	187,210	187,075
Contributed surplus		
Balance at beginning of year	3,811	3,812
Issued through share bonus scheme	(84)	84
Stock option market price adjustment (note 8(e))	(25)	(85)
Balance at end of year	3,702	3,811
Deficit		
Balance at beginning of year	(132,616)	(122,557)
Share issue costs	-	(13)
Net loss for the year	(35,369)	(10,046)
Balance at end of year	(167,985)	(132,616)
Accumulated other comprehensive loss		
Balance at beginning of year	-	-
Unrealized loss on available-for-sale securities	(779)	-
Balance at end of year	(779)	-
Total shareholders' equity at end of year	22,148	58,270

See accompanying notes

TIOMIN RESOURCES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS,
COMPREHENSIVE LOSS AND DEFICIT

(Expressed in thousands of Canadian dollars except share and per share data)

For the years ended December 31

	December 31, 2009 \$	December 31, 2008 \$ (Restated – note 6)
EXPENSES		
Kwale project (note 13)	818	1,124
Salaries and other compensation	1,163	1,534
Severance costs	109	797
Stock-based compensation	26	46
Mineral properties written off (note 5)	5,869	1,922
Deferred exploration and development written off (note 5)	24,178	3,085
Long-term lease prepayment and land written off (notes 3 and 4)	797	-
Bad debts	394	-
Impairment of investment in associated company (note 6(b))	130	745
Office costs	253	289
Foreign exchange loss (gain)	277	(274)
Travel	192	255
Shareholders' information	114	96
Promotion	-	20
Professional fees	2,744	724
Loss (gain) on disposal of fixed assets (note 3)	35	(34)
General exploration and write-off	145	172
Leasehold expenses (note 4)	11	7
Loss before the following	37,255	10,508
Interest and other income	(647)	(821)
Miscellaneous income (note 18(d))	(849)	-
Long-term liabilities forgiven (note 7)	(386)	-
Gain on extinguishment of loan (note 16)	(665)	-
Commission income	-	(84)
Equity loss of associated company (note 6(b))	481	395
Interest expense	3	6
Amortization	177	256
Loss before income taxes	35,369	10,260
Current income tax provision (recovery) (note 10)	-	(214)
Net loss for the year	35,369	10,046
Unrealized loss (gain) on available-for-sale securities	779	-
Comprehensive loss for the year	36,148	10,046
Share issue costs	-	13
Comprehensive loss and deficit, beginning of year	132,616	122,557
Comprehensive loss and deficit, end of year	168,764	132,616
Basic and diluted loss per share	\$0.07	\$0.02
Weighted average number of common shares outstanding	481,185,858	453,144,998

See accompanying notes

TIOMIN RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of Canadian dollars)

For the years ended December 31

	December 31, 2009 \$	December 31, 2008 \$ (Restated – note 6)
OPERATING ACTIVITIES		
Net loss for the year	(35,369)	(10,046)
<i>Add (deduct) non-cash items</i>		
Foreign exchange loss (gain)	275	(583)
Mineral properties written off	5,869	1,922
Deferred exploration and development written off	24,178	3,085
Equity loss of associated company	481	395
Commission income on Freegold loan	(213)	-
Interest income on Freegold loan	(253)	-
Amortization	177	256
Stock-based compensation	26	46
Long-term lease prepayment and land written off	797	-
Leasehold expenses	11	7
Loss (gain) on disposal of fixed assets	35	(34)
Miscellaneous income	(386)	-
Long-term income taxes payable	-	(214)
Impairment of investment in associated company	130	745
Gain on extinguishment of loan	(665)	-
<i>Changes in non-cash working capital</i>		
Decrease in receivables	375	472
Decrease (increase) in prepaid expenses and other	180	(237)
Decrease in accounts payable and accrued liabilities	(1,741)	(1,092)
(Decrease) increase in due to related party	(264)	264
	(6,357)	(5,014)
INVESTING ACTIVITIES		
Mineral properties acquired	-	(901)
Deferred exploration and development expenditures	-	(375)
Net fixed assets acquisitions	(2)	(60)
Investments (note 6)	(1,574)	(2,000)
Short-term investment	(10,057)	-
Short-term loan	-	(2,148)
Proceeds on disposal of fixed assets	-	179
Acquisition of Radiant (note 19)	-	175
	(11,633)	(5,130)
FINANCING ACTIVITIES		
Payment on capital lease obligations	(36)	(63)
Share issue costs	-	(13)
	(36)	(76)
Foreign exchange gain (loss) on cash	(12)	75
Net decrease in cash and cash equivalents	(18,038)	(10,145)
Cash and cash equivalents, beginning of year	19,300	29,445
Cash and cash equivalents, end of year	1,262	19,300
<u>Supplemental cash flow information</u>		
Interest received	66	821
Other income	-	84
Interest paid	3	6

See accompanying notes

TIOMIN RESOURCES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts expressed in Canadian dollars unless stated otherwise)

December 31, 2009

1. NATURE OF OPERATIONS

Tiomin Resources Inc. (the "Company" or "Tiomin") (TSX:TIO) is a mining company traded on The Toronto Stock Exchange ("TSX") with a focus on the exploration and development of base metals, precious metals, and titanium mineral sands projects. The Company is a development stage enterprise and currently has no significant revenue from operations. The exploration and development of mineral properties involves significant financial risk. The recoverability of the amounts shown for the mineral properties and the related deferred expenditures is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves, confirmation of the Company's and its subsidiaries' interest in the underlying mineral claims, and 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.

These audited consolidated financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at December 31, 2009, the Company had no source of operating cash flows and may not have sufficient cash to fund the development of its properties. It may require additional financing which, if not raised, would result in the curtailment of activities.

There can be no assurances that the Company's activities will be successful or sufficient funds can be raised in a timely manner. As a result, there is significant doubt regarding the going concern assumption and accordingly, the use of accounting principles applicable to a going concern. These consolidated financial statements do not include any adjustments related to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. If the going concern assumption was not appropriate for these consolidated financial statements, then adjustments to the carrying values of the assets and liabilities, expenses and balance sheet classifications, which could be material, would be necessary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are in accordance with Canadian generally accepted accounting principles ("GAAP") and their basis of application is consistent with prior periods, except as disclosed below. Outlined below are those policies considered particularly significant.

Revenue Recognition:

The Company currently has no source of income and no immediate cash flow from its operations.

Mineral Properties and Deferred Exploration and Development:

Acquisition, project development costs and exploration expenses relating to mineral properties with proven resource potential are deferred until the properties are brought into production, at which time exploration and development costs will be depleted on a unit-of-production basis. If it is determined that capitalized acquisition, exploration and development costs are not recoverable over the economic life of the property, or the project is abandoned, the project is written down to its fair value. All general exploration expenses are expensed in the period that they occur. The Company does not accrue the future cost of maintaining the properties in good standing.

Fixed Assets and Amortization:

Fixed assets are stated at acquisition cost. Amortization is provided on the straight-line basis over the following periods:

Computers	3 years
Vehicles	3 years
Furniture and fixtures	5 years
Mining equipment	3 years
Software	3 years
Leasehold improvements	5 years

Investments:

The Company holds investments as described in note 6. The investments have been classified as available-for-sale and, accordingly, the investments will be measured at fair value with revaluation gains and losses included in other comprehensive income (loss) ("OCI"), a component of shareholders' equity, until the investments are disposed of or permanently impaired.

Investments in marketable securities are recorded at fair value with changes in fair value being recognized in OCI. Where an active market does not exist, the investment is carried at cost.

Investments in Associated Companies:

Investments in companies through which the Company exerts significant influence over the investee are accounted for under the equity method. Under this method, the investment is initially recorded at cost and the carrying value is adjusted thereafter to include the following:

- the Company's pro-rata share of income or loss (including the Company's proportionate share of discontinued operations and extraordinary items) relating to the investee. Such amounts are included when determining the Company's net income (loss) in the period being reported;
- the Company's proportionate share of a change in an accounting policy, a correction of an error relating to prior period financial statements and capital transactions (including amounts recognized in OCI) of the investee; and
- the Company's proportion of dividends paid by the investee.

Any excess paid for net assets will first be assigned to specific assets and liabilities. The unassigned portion is considered goodwill, which is subject to an annual impairment test.

Foreign Currency Translation:

Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the year-end exchange rates. Non-monetary assets are translated at the rates prevailing at the dates of acquisition. Revenue and expense items other than amortization are translated at the average rates of exchange for the period. Any exchange gain or loss that arises on translation is included in the determination of net loss for the year.

Cash and Cash Equivalents:

Cash and cash equivalents comprise cash on hand and short-term investments with maturity dates of 90 days or less at the time of acquisition.

Long-Lived Asset Impairment:

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability is assessed based on the carrying amount of the long-lived asset compared to the sum of the future undiscounted cash flows expected to result from the use and the eventual disposal of the asset. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value. The amount of the impairment loss, if any, which is the excess of the net carrying value over fair value, is charged to income (loss) in the year. Fair value is generally measured equal to the estimated future discounted net cash flows from the asset.

Income Taxes:

Current income taxes are recognized for the estimated income and mining taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized. Future income taxes are measured using the tax rates and laws that will be in effect when the differences are expected to reverse or the losses to be realized.

If, on the basis of available evidence, it is more likely than not that all or a portion of the future income tax asset will not be realized, the future income tax asset is reduced by a valuation allowance.

Stock-Based Compensation:

The Company has a stock-based compensation plan that is described in note 8(e). The Company accounts for all stock-based awards to employees and non-employees using the fair value method.

Effective June 11, 2007, the Company amended its stock option plan whereby the value of the options at the time of exercise is settled by the surrendering of the options for substituted rights and the immediate conversion of these rights into common shares ("cashless settlement"). The number of substituted rights is determined based on the exercise price and the market price of the Company's common shares at the date of exercise.

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 ongoing remeasurement of the outstanding contributed surplus. At the time of exercise, capital stock is credited with the amount, if any, of the outstanding contributed surplus.

For options granted after June 11, 2007, compensation expense is calculated at the amount by which the quoted market price exceeds the exercise price with ongoing remeasurement of the outstanding contributed surplus. At the time of exercise, capital stock is credited with the amount, if any, of the outstanding contributed surplus.

Comprehensive Income:

The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 1530, *Comprehensive Income*, introduces comprehensive income, which includes net income and OCI. OCI represents changes in shareholders' equity during a period arising from such items as unrealized foreign currency translation gains or losses arising from self-sustaining foreign operations, unrealized gains and losses on available-for-sale investments, and changes in the fair value of the effective portion of cash flow hedging instruments.

Financial Instruments:

Financial instruments are classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. Initial and subsequent recognition and measurement of changes in the value of financial instruments depends on their initial classification:

- Financial assets and liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net income (loss). Management assesses the intention and purpose of each investment made at the time of acquisition to determine the appropriate financial instrument classification.

- Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in OCI until the asset is removed from the consolidated balance sheets.
- Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost.
- Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization.
- Transaction costs are recognized in net income (loss).

Joint Venture Accounting:

Joint ventures are accounted for under the proportionate consolidation method.

Disposal of Long-Lived Assets and Discontinued Operations:

The CICA Handbook Section 3475, *Disposal of Long-lived Assets and Discontinued Operations*, requires that long-lived assets be classified as an asset held for sale in the period during which all required criteria have been met. Long-lived assets to be disposed of by sale are measured at the lower of their carrying amount or fair value less selling costs and are not amortized as long as they are classified as assets to be disposed of by sale.

Changes in Accounting Policies:

Goodwill and Intangible Assets

In October 2007, the CICA approved Handbook Section 3064, *Goodwill and Intangible Assets*, which replaces the existing Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009, with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets. For the year ended December 31, 2009, this standard had no impact on the Company's consolidated financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the Emerging Issues Committee ("EIC") of the CICA issued EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*, which applies to interim and annual financial statements for periods ending on or after January 20, 2009. The Company has assessed the impact of adopting this standard and the effects have been reflected in the Company's consolidated financial statements in note 14.

Mining Exploration Costs

On March 27, 2009, the EIC approved an abstract EIC-174, *Mining Exploration Costs*, which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The adoption of this abstract had no impact on the Company's presentation of its financial position or results of operations as at December 31, 2009.

Future Accounting Changes:

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 entities 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 is in the process of assessing 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.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-Controlling Interests*. These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, *Business Combinations*. Sections 1601 and 1602 together replace Section 1600, *Consolidated Financial Statements*. Section 1601 establishes standards for 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 is in the process of evaluating the requirements of the new standards.

Measurement Uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements. Significant balances and transactions affected by management's estimates include mineral properties, deferred exploration and development, and the long-term loan. Actual results could differ from those estimates. The recoverability of mineral property expenditures and deferred exploration and development costs (note 5) are considered as indicated in the "Mineral Properties and Deferred Exploration and Development" section of this significant accounting policies note. The recoverability of the long-term loan (note 16) is dependent primarily on the financial position of the borrower. In the event of a default, the recoverability of the loan amount will be based on the ability to liquidate the assets of the borrower and derive full value from its productive assets. By their nature, these estimates are subject to measurement uncertainty and the effects of changes in such estimates on the consolidated financial statements could be significant.

3. FIXED ASSETS

The following table provides a breakdown of the Company's fixed assets:

	December 31, 2009 (\$000's)			December 31, 2008 (\$000's)		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Computers	\$121	\$107	\$ 14	\$170	\$140	\$ 30
Furniture and fixtures	101	82	19	146	89	57
Software	159	153	6	159	100	59
Mining equipment	218	173	45	220	119	101
Vehicles	157	152	5	157	114	43
Leasehold improvements	-	-	-	31	23	8
Land	-	-	-	16	-	16
Total	\$756	\$667	\$89	\$899	\$585	\$314

During the year ended December 31, 2009, the Company disposed of or wrote off fixed assets totalling \$130,295, resulting in a loss on disposal of \$34,519. This includes a \$16,000 write-off for land as described in note 20. During the year ended December 31, 2009, the Company acquired fixed assets totalling \$2,000. Please refer to note 20, which will describe the \$16,000 write-off for land.

4. LONG-TERM LEASE PREPAYMENT

Cost as at December 31, 2008	<u>\$ 792</u>
Amortization for the year ended December 31, 2009	(11)
Written off at December 31, 2009	<u>(781)</u>
Net book value as at December 31, 2009	\$ -

This relates to leasehold property, Mombasa/Mainland South/Block 1/1980, which the Company has prepaid for in full. The land was leased for the construction of the Likoni Port Facility in Mombasa. The remaining term of the lease is 83 years. Please refer to note 20, which will describe the write-off of \$781,000.

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION AND DEVELOPMENT

The interests in mineral properties and respective deferred exploration and development costs are as follows:

MINERAL PROPERTIES (cost – (\$000's))							
	Opening balance January 1, 2009	Additions	Acquired	Written off	Reclassified to assets held for sale	Cost December 31, 2009	Cost December 31, 2008
Kenya	\$5,828	\$-	\$-	\$5,828	\$-	\$-	\$5,828
Peru	3,811	-	-	-	3,811	-	3,811
Tanzania	41	-	-	41	-	-	41
Total	\$9,680	\$-	\$-	\$5,869	\$3,811	\$-	\$9,680

DEFERRED EXPLORATION AND DEVELOPMENT (cost – (\$000's))							
	Opening balance January 1, 2009	Additions	Acquired	Written off	Reclassified to assets held for sale	Cost December 31, 2009	Cost December 31, 2008
Kenya	\$23,986	\$-	\$-	\$23,986	\$-	\$-	\$23,986
Peru	2,868	-	-	-	2,868	-	2,868
Tanzania	192	-	-	192	-	-	192
Total	\$27,046	\$-	\$-	\$24,178	\$2,868	\$-	\$27,046

Kenya

In June 1996, the Company acquired from Pangea Goldfields Inc. ("Pangea"), subsequently purchased by Barrick Gold Corp. ("Barrick"), a 100% interest, subject to a 20% net profit interest royalty ("NPI"), in the exploration rights of three Special Licences along the Kenyan coast. Under the terms of the agreement, the Company was required to spend a minimum of US\$200,000 on exploration on the properties during the first year and complete a feasibility study within five years. If the properties are placed into production, Pangea will receive 20% of the net profits from any mining operation following payback of Tiomin's capital investment in the mine and processing operation. In 2000, the Company completed a positive feasibility study and made a decision to proceed with production, thus satisfying the terms of the agreement with Pangea. The three Special Licences require the Company to spend a minimum of 14,000,000 Kenyan shillings (\$185,500 at the December 31, 2009 exchange rate) per annum on exploration. The Special Licences were renewed in April 2004 and in 2006.

In April 1997, the Company acquired a fourth licence in Kenya known as Kwale, which subsequently became the Kwale Mineral Sands Project ("Kwale" or "the project"). The licence was for an initial term of two years and required the Company to spend a minimum of 500,000 Kenyan shillings (\$6,625 at the December 31, 2009 exchange rate) per annum on exploration. This licence was added to the initial agreement with Pangea whereby Pangea retains a 20% NPI in the Kenyan properties. On July 6, 2004, the Company received a 21-year renewable Special Mining Lease for the Kwale property. On February 2, 2005, the Government of Kenya ("GoK") and the Company executed the Fiscal Investment Agreement pertaining to the Kwale project. According to the agreement, the Company committed to invest in the Kwale project not less than US\$150 million during the first five years of the term granted under the Special Mining Lease, inclusive of development capital invested to date. The fiscal terms of the agreement include a 50% reduction in the corporate tax rate for 10 years from the start of commercial production of the mine. The agreement is also subject to a 2.5% gross revenue ("FOB") royalty to the GoK.

In April 2006, the Company entered into an agreement with Barrick to buy back the 20% NPI from Barrick's subsidiary Pangea.

Pursuant to the terms of the buy-back, on August 8, 2006, Tiomin made a cash payment of US\$2.0 million to Barrick and issued five million common shares to Pangea at a deemed value of \$0.27 per common share, being the closing price of the previous day. Tiomin also agreed to make a cash payment of US\$1.0 million, only if and when commercial production is reached, for each of the other properties (Kilifi, Vipingo and Mambui), or if Tiomin sells an interest in any such property to a third party, Pangea will have the right of first refusal on any sale of interest in the four properties mentioned above.

The reader should refer to note 20 of the consolidated financial statements, which explains the proposed transaction announced by Tiomin and Jinchuan Group Limited ("Jinchuan") on July 28, 2008, the signing of the Investment Agreement ("IA") on August 27, 2009, and the cancellation of the IA on October 27, 2009. The project

has suffered a permanent impairment due to the cancellation, which is described in note 20. Charges for impairment in value of mineral property and the deferred exploration costs totalling \$5,828,000 and \$23,986,000, respectively, were recorded during the year ended December 31, 2009.

Peru

In October 2004, the Company entered into a 49/51% joint venture agreement with Compania Minera Milpo S.A.A. ("Milpo") for the exploration of the Pukaqaqa copper-gold deposit located on a 3,150 hectare land package in Peru. The Pukaqaqa deposit was discovered by Rio Tinto Mining and Exploration Ltd. ("RTZ") in 1996. The property was subsequently optioned to Milpo in October 2001 for cash payments of US\$500,000 in 2005, US\$1.5 million on October 1, 2006 and US\$2.0 million on October 1, 2007. RTZ retains a net smelting return royalty of up to 1%.

According to the joint venture agreement, the Company can earn 49% of Milpo's option interest in the property by contributing a total of US\$2.0 million, consisting of:

- US\$1.0 million in exploration expenditures of which US\$300,000 is to be contributed before October 2005, and an additional US\$735,000 on September 27, 2006.
- US\$1.0 million in cash payments consisting of US\$100,000 in January 2005 and US\$400,000 in July 2005, as per the agreement between Milpo and RTZ, and US\$300,000 towards the purchase of the Jupiter claim on behalf of the joint venture. The remaining US\$200,000 will be applied towards either the balance of property payments to RTZ or on further exploration work at the Company's discretion.

On May 12, 2008, the Company announced that it has acquired a 49% interest in the 5,000 hectare (12,400 acre) Pukaqaqa Sur property, which is contiguous to Tiomin's existing resource at the Pukaqaqa Norte copper-gold project, located in central Peru. Tiomin and its 51% partner, Milpo, planned to explore the new property in 2008/2009. During June 2008, the Company paid Milpo US\$882,000, being its 49% share of the acquisition cost.

No exploration activity has taken place during the year ended December 31, 2009.

As of December 31, 2009, all mineral properties and deferred exploration costs related to the Pukaqaqa project have been reclassified as assets held for sale as described in note 25.

Tanzania

On May 2, 2006, the Company announced that it had acquired a new reconnaissance exploration licence for mineral sands along the coastline of Tanzania. The licence was acquired under an option agreement with Karoo Exploration Services Company Limited of Dar es Salaam ("Karoo"). Tiomin has agreed to pay Karoo US\$1,000 upon completion of filing and issuance of the reconnaissance exploration licence and make annual payments of US\$2,000 until the mineral interest expires or is surrendered. Tiomin can acquire a 100% interest in this exploration licence upon the payment of US\$20,000 at any time. During 2007, the Company, through its subsidiary Tiomin Minerals Limited, incorporated Tiomin Tanzania Limited and paid US\$20,000 for the exploration licence as described above. The licences are in good standing; however, no activity has occurred on these properties during 2008 and 2009.

During the year ended December 31, 2009, the Company took a decision to abandon the project in Tanzania and has written off the mineral property and the deferred exploration costs totalling \$41,000 and \$192,000, respectively.

Xinjiang Project - The People's Republic of China

Through the acquisition of Radiant Resources Inc. ("Radiant"), as described in note 19, Tiomin effectively entered into an agreement on July 16, 2002 with the Xinjiang Bureau of Geology, Mineral Resources Exploration and Development, The People's Republic of China ("XB"). The term of the agreement was 50 years, subject to extension or reduction upon approval by both parties and registration with the Xinjiang Uygur Autonomous Regional Administration for Industry and Commerce. Pursuant to the agreement, exploration, development and production rights were acquired from the Xinjiang provincial government to a 4,500 square kilometre co-operation area in western China.

On January 12, 2005, a joint venture agreement was entered into by Radiant (51%) and Xinjiang Baodi Mining Co., Ltd. (49%), a wholly owned subsidiary of XB, stating that the parties will establish a jointly controlled entity named Xinjiang Pacific Resources Corporation ("XPRC") under the Law of The People's Republic of China on Chinese-Foreign Co-operative Joint Ventures. The purpose of XPRC is to conduct venture exploration for deposits of gold and other mineral areas in the area; to develop and produce in respect to existing and newly found deposits

such minerals and to sell such minerals and by-products from the processing of such minerals in markets and on the terms permitted by applicable Chinese laws and regulations. This agreement updated a previous agreement dated July 16, 2002. Pursuant to this updated agreement, the term continues to be 50 years and the Joint Venture Cooperation Area remains at 4,500 square kilometres.

The contributions to XPRC will occur in two phases. During 2008, phase one was completed at a cost of US\$1,500,000, earning Radiant a 70% interest in XPRC.

Phase two, the mining and production phase, was to occur after a resource is found and proven to be suitable for mining, and is proved by a feasibility study to be commercially suitable for mining. During this phase, the parties to the joint venture were required to make their contributions based on their respective equity percentage.

The maximum equity interest the Company may obtain is 90%.

On February 18, 2009, management decided to suspend further exploration activities in the area after a previous Board of Directors' decision on January 19, 2009 to abandon and write off the Radiant exploration properties in China. As a result, charges for impairment in value of mineral properties and deferred exploration of \$2,144,000 and \$3,085,000, respectively, were recorded, effective December 31, 2008. During the year ended December 31, 2009, an amount of \$97,000 was expensed to general exploration. The Company has been unable to find another joint venture partner or other investor in order to obtain future value from the XPRC investment and has abandoned the project.

6(a) INVESTMENTS

i. Freegold Ventures Limited ("Freegold")

On January 15, 2009, the Company agreed to extend the bridge loan facility as described in note 16 and received 250,000 common shares as a commission for the extension of the loan.

On July 15, 2009, the Company agreed to extend the bridge loan facility as described in note 16 and received 360,000 common shares as a commission for the extension of the loan.

On October 1, 2009, the Company received 16,714,773 additional common shares of Freegold as described in note 16.

At December 31, 2009, the Company held 17,324,773 common shares, which are held as an available-for-sale security, and has recognized an unrealized loss in the amount of \$643,621 being recorded in OCI due to the change in the market value (note 9).

ii. Western Standard Metals Limited

On October 1, 2009, the Company received 1,000,000 common shares of Western Standard Metals Limited ("Western Standard") (TSX-V: WSM) as part of the Freegold transaction as described in note 16.

At December 31, 2009, the Company held 1,000,000 common shares, which are held as an available-for-sale security, and has recognized an unrealized loss in the amount of \$135,000 being recorded in OCI due to the change in the market value (note 9).

iii. Vaaldiam Resources Ltd.

On December 11, 2009, the Company by way of a private placement subscribed for 5,000,000 common shares of Vaaldiam Resources Ltd. ("Vaaldiam") (TSX:VAA) at a deemed price of \$0.03 as part of the transaction as described in note 25. The shares are subject to a four-month hold period.

At December 31, 2009, the Company held 5,000,000 common shares, which are held as an available-for-sale security, and has recognized an unrealized gain in the amount of nil being recorded in OCI due to the change in the market value (note 9).

6(b) INVESTMENT IN ASSOCIATED COMPANY

Kivu Gold Corp.

Kivu Gold Corp. ("Kivu") is an exploration company focusing on sub-Saharan Africa. On February 14, 2008, the Company completed its first investment in Kivu, when it acquired 4,000,000 common shares of Kivu at \$0.50 per common share, or approximately 16.9% of the then 23,630,000 issued and outstanding common shares of Kivu. During February 2009, the Company increased its holding to 10.6 million shares. Non-related directors of Tiomin approved the initial investment based on their review and analysis, which included receiving an independent fairness opinion.

The prior period amounts have been restated as discussed below.

The Company's carrying value of its investment in Kivu is as follows:

	December 31, 2009 (\$000's)	December 31, 2008 (\$000's) Restated
Balance, beginning of year	\$ 860	\$ -
Acquisition cost:		
Private placement	1,424	2,000
	2,284	2,000
Equity loss at 16.9%	(9)	(395)
Combined equity loss at 33.35%	(472)	-
Other than temporary impairment	(130)	(745)
Balance, end of year	\$1,673	\$ 860

As at December 31, 2008, the Company carried its investment at \$860,000 after an amount of \$1,140,000 was recognized in OCI to reflect a change in its fair value. On February 20, 2009, the Company completed by way of private placement, \$1,424,375 worth of common shares of Kivu at a price of \$0.215 per Kivu common share, thereby increasing its ownership from approximately 16.9% to approximately 33.5% of the outstanding common shares of Kivu.

On completion of the private placement, the Company determined that it has significant influence over Kivu and is thus required to adopt the equity method of accounting retroactively back to the initial private placement on February 14, 2008. In addition, the carrying balance of the investment, results of operations (current period and prior periods presented), and retained earnings have been restated retroactively to apply the equity method. The retroactive equity loss for the year ended December 31, 2008 totalled \$395,000 and the OCI was adjusted from \$1,140,000 to \$745,000, which did not affect the carrying balance of Kivu at December 31, 2008. The remaining balance of \$745,000 in OCI has been determined to be an other than temporary decline and has been recognized in the consolidated statements of operations, comprehensive loss and deficit as part of the restatement.

During the year ended December 31, 2009, the Company recorded \$481,000 as equity losses and \$130,000 as a write-down in the carrying value of the investment as an other than temporary decline. The effect of the restatement has no impact on earnings per share at December 31, 2008.

The purchase price discrepancy represents the excess of the cost over the net of the amounts assigned to the assets acquired and the liabilities assumed. However, when unable to relate the difference to the specific accounts of the investee, the difference should be recognized as goodwill. In this case, the purchase price discrepancy was assigned to mineral properties. The purchase price discrepancy at December 31, 2009 was \$2,034,454 and was reduced by impairments of \$130,462 recognized in 2009 to a total of \$1,903,992. At each balance sheet date, the Company assesses for any impairment in investment that is considered to be other than temporary, and records such impairment in income. The Company's ownership percentage in Kivu increased to 33.35% effective February 2009 and during October 2009 decreased to 30.81%.

7. LONG-TERM LIABILITIES

Development Loan:

On April 22, 1999, the Canadian International Development Agency ("CIDA") and the Company entered into a loan agreement under the Industrial Overseas Development Program. The proceeds of the loan were to be used to offset the cost of certain environmental work incorporated in the Kwale feasibility study. Under the terms of the agreement, Tiomin had to spend a minimum of \$1,480,000 on the feasibility study prior to June 30, 2000 in order

to be entitled to the maximum loan amount of \$391,000. The loan is non-interest bearing and is repayable once the Company's cumulative product sales from the project exceed \$5.0 million. In the event that the Kwale project is not put into production or fails to achieve the sales threshold, the loan will be treated as a grant and the Company will not be required to repay the loan. The Company received \$386,000 of the maximum loan amount.

The Company's Kwale project has suffered an other than temporary impairment as described in note 20. The result is that the probability of constructing the project and bringing it into production is almost zero and the liability has thus been reversed to nil and recognized in income.

8. CAPITAL STOCK

a) COMMON SHARES

The Company is authorized to issue an unlimited number of common shares at no par value.

	<u>Shares</u> #	<u>Amount</u> (\$000's)
Total common shares, January 1, 2008	445,365,168	\$185,005
Radiant Resources Inc. acquisition	28,898,635	2,023
Share bonus scheme	<u>2,350,000</u>	<u>47</u>
Total common shares, December 31, 2008	476,613,803	187,075
Share bonus scheme	<u>5,650,000</u>	<u>135</u>
Total common shares, December 31, 2009	<u>482,263,803</u>	<u>\$187,210</u>

On December 3, 2008, the Board of Directors of Tiomin approved "share bonuses" as described in note 8(e) totalling 6,750,000 common shares at a deemed price of \$0.02 per share. These shares may be issued up to February 28, 2009. At December 31, 2008, 2,350,000 common shares had been issued and during January 2009 another 4,200,000 common shares were issued with the balance of 200,000 being forfeited. On September 11, 2009, the Board of Directors of Tiomin approved "share bonuses" totalling 1,450,000 common shares at a deemed price of \$0.035 per share.

On February 3, 2010 subsequent to year end, the Board of Directors of Tiomin approved "share bonuses" totalling 20,000,000 common shares at a deemed price of \$0.035 per share.

b) SHAREHOLDER RIGHTS PLAN

On December 10, 2008, the Board of Directors of the Company approved a shareholder rights plan (the "Rights Plan"). Under the Rights Plan, one right ("Right") will be issued in respect of each voting share held on December 10, 2008. No consideration is payable by a shareholder upon issuance of the Rights. The Rights Plan will terminate at the close of the annual meeting of shareholders in 2012, if not terminated earlier.

The Rights Plan is intended to ensure that, in the event of a bid for control of the Company, shareholders will receive full and fair value for their shares and will not be subject to abusive or coercive take-over strategies and that the Board of Directors will have sufficient time to evaluate the bid, negotiate with the bidder, seek alternative bidders and explore other ways of maximizing shareholder value.

Rights are not exercisable until certain events occur. If anyone (an "Acquiring Person") wishes to acquire 20% or more of the Company's voting shares, this Acquiring Person may (i) negotiate terms which the Board of Directors of the Company approves as being fair to all shareholders or, alternatively (ii) without the Board of Directors approval, make a "permitted bid" which must contain provisions specified in the Rights Plan and be accepted by independent shareholders holding more than 50% of the then outstanding shares. If the Acquiring Person acquires 20% or more of the Company's voting shares other than as described above (subject to certain exemptions), the Rights will become exercisable, automatically allowing holders (other than the Acquiring Person) to purchase that number of common shares which have an aggregate market price equal to twice the exercise price of the Rights for a price equal to the exercise price. Effectively, this means a shareholder of the Company (other than the Acquiring Person) can acquire additional common shares from treasury at half their market price.

c) SHARE BUYBACK PLAN

On January 14, 2009, the Company announced that the TSX has accepted the Company's notice of its intention to purchase common shares pursuant to a normal course issuer bid.

Under this normal course issuer bid, Tiomin will be permitted to repurchase up to 5% of the common shares outstanding over a one-year period or an aggregate of up to 24,040,690 common shares. The purchases by the Company will be effected through the facilities of the TSX and will be made at the market price of the common shares at the time of purchase. All shares purchased by the Company will be subsequently cancelled. As at December 31, 2009, no common shares have been purchased.

d) WARRANTS

The following warrants were outstanding as at December 31, 2009.

Type	Total Outstanding	Exercise Price	Expiry Date
Jinchuan warrants	60,937,692	\$0.65	July 31, 2016
Nederlandse Financierings Maatschappijvoor Ontwikkelingslanden N.V	37,500,000	\$0.36	December 31, 2010
Radiant B warrants	4,451,287	\$0.50	January 1, 2010
Radiant compensation options	404,602	\$0.40	January 1, 2010
Total	103,293,581	\$0.54	

During the year ended December 31, 2009, 91,704 warrants with an exercise price of \$0.40 expired. None of the Radiant warrants which expired January 1, 2010 were exercised during the year ended December 31, 2009.

e) STOCK OPTIONS AND STOCK INCENTIVE PLANS

Under the Company's Stock Option Plan (the "Plan") established in 1996 and approved by shareholders in 1996, 2000, 2004, 2006 and 2007, the Company may grant to directors, officers, employees and consultants options to purchase common shares of the Company.

The maximum number of common shares reserved for issuance is 10% of the number of issued and outstanding common shares of the Company at the time of any option grant being reserved. The total number of common shares which may be reserved for issuance to any one individual under the Plan shall not exceed 5% of the total number of issued and outstanding common shares (on a non-diluted basis) under the Plan. Options granted since 1995 have a five-year term and are priced at the closing price of the Company's common shares on the day immediately prior to the date of granting. Vesting provisions vary according to the terms of the individual granting.

The Company also has a Stock Incentive Plan, which includes a Share Bonus Plan and a Share Purchase Plan for the benefit of directors, officers, employees and consultants of the Company. The maximum number of common shares issuable under the Stock Incentive Plan was 16,000,000 common shares, with no more than 8,000,000 common shares being issued under the Share Bonus Plan and the number of common shares issuable to any one person shall not exceed 20% of the aggregate number reserved. At a Special Meeting of Shareholders held on October 29, 2009, the shareholders approved increasing the Stock Incentive Plan common shares from 16,000,000 to 36,000,000, with 28,000,000 being the maximum number of shares issued under the Share Bonus Plan. The Share Purchase Plan would allow participants to contribute up to 10% of their base annual salary and the Company would match each participant's contribution and the aggregate funds would be used to purchase common shares of the Company.

At the Annual and Special Meeting of Shareholders held on June 11, 2007, the shareholders approved the cashless settlement alternative in connection with the exercise of options under the Plan and the addition of a provision whereby, if the expiry date of an option granted under the Plan would otherwise occur during or within 10 days following a Black-Out Period, the expiry date of such option shall be extended to the first business day which is at least 10 days after the end of the Black-Out Period. Under the cashless settlement option as described above, the Company has the option to issue to the option holder substituted rights which are immediately converted into an equal number of common shares.

A summary of the outstanding stock options is presented below:

	December 31, 2009		December 31, 2008	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
	#	\$	#	\$
Outstanding, beginning of year	44,764,000	\$0.110	35,995,000	\$0.140
Granted	9,391,576	0.034	13,014,000	0.050
Cancelled/expired	(11,704,196)	0.200	(4,245,000)	0.180
Outstanding, end of year	42,451,380	0.068	44,764,000	0.110
Options exercisable, end of year	42,451,380	\$0.068	44,764,000	\$0.110

The following table summarizes information about the stock options outstanding as at December 31, 2009:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
Range of Exercise Prices	Number Outstanding as at December 31, 2009	Weighted Average Remaining Life (years)	Weighted Average Exercise Price \$	Number Exercisable as at December 31, 2009	Weighted Average Exercise Price \$
\$0.025	5,745,000	3.94	\$0.025	5,745,000	\$0.025
\$0.035	8,391,576	4.70	0.035	8,391,576	0.035
\$0.065	7,257,500	3.41	0.065	7,257,500	0.065
\$0.075	7,443,331	2.99	0.075	7,443,331	0.075
\$0.09	10,000,000	2.15	0.090	10,000,000	0.090
\$0.125	3,313,973	2.39	0.125	3,313,973	0.125
\$0.30 - 0.39	100,000	0.50	0.360	100,000	0.360
\$0.40 - 0.50	200,000	1.23	0.410	200,000	0.410
	42,451,380	3.27	\$0.068	42,451,380	\$0.068

f) CONTRIBUTED SURPLUS

	December 31, 2009 (\$000's)	December 31, 2008 (\$000's)
Balance, beginning of year	\$3,811	\$3,812
Market price adjustment	(25)	(85)
Share bonus accrued/(exercised)	(84)	84
Balance, end of year	\$3,702	\$3,811

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. At December 31, 2009, the quoted market price of \$0.025 did not exceed the exercise price of any outstanding stock options, and resulted in an adjustment to contributed surplus of (\$25,000) to bring the total balance related to the stock options to nil. At the time of exercise, capital stock is credited with the amount, if any, of the outstanding contributed surplus. Under the Share Bonus Plan (note 8(e)), \$84,000 in shares were issued during the year ended December 31, 2009, which were declared but outstanding at December 31, 2008. Upon issuance, the amount was credited to capital stock and the balance removed from contributed surplus.

9. **ACCUMULATED OTHER COMPREHENSIVE LOSS**

	December 31, 2009 (\$000's) Restated	December 31, 2008 (\$000's) Restated
Accumulated other comprehensive loss, beginning of year	\$ -	\$ -
Unrealized loss on investment in available-for-sale securities	779	1,140
Accumulated other comprehensive loss, end of year	779	1,140
Restated (as below)		(1,140)
Accumulated other comprehensive loss, end of year - Restated for 2008		\$ -

As described in note 6(b), the change in ownership of the Kivu investment in 2009 resulted in restatement of OCI for the year ended December 31, 2008. The retroactive equity losses for the year ended December 31, 2008 totalled \$395,000 and the OCI was adjusted from \$1,140,000 to \$745,000 which did not affect the carrying balance of Kivu at December 31, 2008. The remaining balance of \$745,000 in OCI has been determined to be an other than temporary decline and has been recognized in the consolidated statements of operations, comprehensive loss and deficit as part of the restatement.

During the year ended December 31, 2009, an amount of \$643,621 was charged to accumulated other comprehensive loss relating to 17,324,773 common shares of Freegold as described in note 6(a).

During the year ended December 31, 2009 an amount of \$135,000 was charged to accumulated other comprehensive loss relating to 1,000,000 common shares of Western Standard as described in note 6(a).

Amounts in accumulated other comprehensive loss relating to Kivu have been restated.

10. **INCOME TAXES**

The components of the Company's future income tax assets are as follows for the years ended December 31, 2009 and 2008, respectively:

	December 31, 2009 (\$000's)	December 31, 2008 (\$000's)
Non-capital losses carried forward	\$ 6,546	\$ 7,011
Resource-related deductions	2,771	3,214
Share issue costs	328	672
Fixed assets	311	348
Investments	219	165
Investments - other (OCI)	97	-
Future income tax assets	10,272	11,410
Investments - Freegold	(14)	-
Valuation allowance	(10,258)	(11,410)
Net future income tax assets	\$ -	\$ -

As at December 31, 2009, the Company had non-capital losses to be carried forward and applied against taxable income of future years. The non-capital losses have expiry dates as follows:

	<u>(\$000's)</u>
2010	1,176
2013	657
2014	3,587
2015	2,021
2025	838
2026	5,542
2027	4,925
2028	3,931
2029	3,508
	<u>\$26,185</u>

11. LEASE COMMITMENTS

On February 2, 2006, the Company entered into an office lease for approximately 3,103 square feet of space for five years commencing on July 1, 2006 and ending on August 31, 2011. During the period from July 1, 2006 through August 31, 2011, a fixed minimum annual rent of \$43,440 or \$14 per square foot per annum of the rentable area is payable in equal monthly instalments of \$3,620, payable in advance on the first day of each month. Additional rent will be charged for a proportionate share of the costs of the operation, local taxes, utility costs and any special services provided to the tenant.

The Company, through its subsidiary Tiomin Kenya Limited ("TKL"), entered into a lease for its premises in Ukunda, Kenya for five years, which commenced August 1, 2005. The monthly rental payable quarterly in advance is 90,000 Kenyan shillings or approximately Cdn.\$1,250 at an exchange rate of 71.9834 Kenyan shillings to one Canadian dollar.

12. CAPITAL LEASE OBLIGATIONS

	December 31, 2009 (\$000's)	December 31, 2008 (\$000's)
Total minimum lease payments	\$ -	\$38
Less amount representing interest at 11%	-	2
Present value of net minimum capital lease payments	-	36
Current portion of obligations under capital leases	-	36
	<u>\$ -</u>	<u>\$ -</u>

During the year ended December 31, 2009, the Company, through its subsidiary TKL, paid \$36,000 (2008 - \$63,000) relating to the capital lease obligations, of which \$3,000 (2008 - \$6,000) was interest.

13. KWALE PROJECT

As a result of the suspension of the Kwale project, the following has been charged to operations:

	December 31, 2009 (\$000's)	December 31, 2008 (\$000's)
Construction	<u>\$818</u>	<u>\$1,124</u>
	<u>\$818</u>	<u>\$1,124</u>

A decision was made by the Company during December 2007 to reduce costs at TKL. On January 7, 2008, notice was given to all the staff that effective March 31, 2008, their services would no longer be required. A skeleton staff has been maintained and the Company continues to have security staff patrol the mineral properties.

14. FINANCIAL INSTRUMENTS

Categories of Financial Assets and Liabilities:

Financial instruments are classified into one of the following five categories under Canadian GAAP: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets, and other financial liabilities. The carrying value of the Company's financial instruments is classified into the following categories:

	December 31, 2009	December 31, 2008
	(\$000's)	(\$000's)
Held-for-trading ⁽¹⁾	\$11,319	\$19,300
Available-for-sale ⁽²⁾	1,969	860
Loans and receivables ⁽³⁾	808	2,914
Other financial liabilities ⁽⁴⁾	571	2,998

(1) Includes cash and cash equivalents and short-term investments.

(2) Includes the Company's investments in the common shares of Kivu, Freegold, Western Standard and Vaaldiam. At December 31, 2008, available-for-sale investments included the investment in Kivu in the amount of \$860,000. During 2009, the investment in Kivu was reclassified as an equity investment, and is no longer included in available-for-sale investments according to CICA Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, for the year ended December 31, 2009.

(3) Includes receivables (Freegold and other receivables), but excludes prepaid share issuance costs, other prepaid expenses and deferred interest.

(4) Includes accounts payable and accrued liabilities, due to related party, capital lease obligations and long-term liabilities.

CICA Handbook Section 3862, *Financial Instruments - Disclosures*, requires expanded disclosures about fair value measurements. The three levels of the fair value hierarchy under the Handbook Section are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets and liabilities measured at fair value within the fair value hierarchy.

	Total	Level 1	Level 2	Level 3
	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Financial Assets:				
Cash, cash equivalents and short-term investments ⁽²⁾	\$ 11,319	\$ 11,319	\$ -	\$ -
Trade receivables ⁽¹⁾	\$ 56	\$ -	\$ 56	\$ -
Available-for-sale securities ⁽²⁾	\$ 1,969	\$ 1,969	\$ -	\$ -
Loans receivable ⁽³⁾	\$ 752	\$ -	\$ -	\$ 752
	<u>\$ 14,096</u>	<u>\$ 13,288</u>	<u>\$ 56</u>	<u>\$ 752</u>
Financial Liabilities:				
Accounts payable	\$ 571	\$ -	\$ 571	\$ -

(1) Fair value approximates the carrying amounts due to the short-term nature.

(2) Recorded at fair value using quoted market prices.

(3) Recorded at amortized cost at effective interest rate. This line item also includes accrued interest.

Both the Company's cash equivalents and short-term investments are classified within Level 1 of the fair value hierarchy because they are held-for-trading and valued using quoted prices in active market for identical assets or liabilities.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk:

On October 1, 2009, the Company agreed to convert approximately US\$1,377,591 of the US\$2,329,032 short-term loan into 16,714,773 Freegold common shares as described in note 16, leaving an amount of \$854,974 secured by a first priority pledge of the shares in Freegold's wholly owned US subsidiaries and a general security agreement against the personal property of the Company. Without taking into account the fair value of any collateral, the amount that represents the maximum credit risk exposure for this loan is \$854,974 at December 31, 2009. The credit quality of the loan is considered adequate by management considering the collateral held.

Liquidity risk:

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they become due. As at December 31, 2009, the Company had cash and cash equivalents of \$1,262,000 (2008 - \$19,300,000) and short-term investments of \$10,057,000 (2008 - nil) to settle current liabilities of \$571,000 (2008 - \$2,612,000). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk:

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and gold and base metal prices.

(a) Interest rate risk

The Company is exposed to interest rate risk as bank accounts earn interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company has cash balances as discussed above and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The income earned on these bank accounts is subject to the movements in interest rates. Assuming the \$11,319,000 held in cash and cash equivalents and short-term investments at December 31, 2009 had a +/- 1% change in interest rates, this would have an effect on loss before income taxes of approximately +/- \$113,000. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at December 31, 2009, the Company had investments in investment-grade short-term deposit certificates.

(b) Foreign currency risk

As at December 31, 2009, the Company holds its cash and cash equivalents in Canadian dollars, US dollars and Kenyan shillings as discussed above, to settle the current liabilities. The Company's cash and cash equivalents, receivables, and accounts payable and accrued liabilities that are held in the various currencies are then translated into Canadian dollars. Foreign exchange fluctuations occur against the various currencies. A +/- 1% change in the exchange rates between the Canadian and the various currencies would, based on the Company's consolidated financial statements at December 31, 2009, have an effect on loss before income taxes of approximately +/- \$750.

(c) Price risk

The Company is exposed to price risk with respect to gold and base metal prices. Gold and base metal price risk is defined as the potential adverse impact on earnings and economic value due to gold and base metal price movements and volatilities. The Company closely monitors prices of gold and other base metals to determine the appropriate course of action to be taken by the Company.

Fair Value:

Canadian GAAP requires that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the consolidated balance sheet dates, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The Company has designated its cash and cash equivalents as held-for-trading, which is measured at fair value. Goods and Services Tax and Value Added Tax receivable and advances are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

As at December 31, 2009, both the carrying and fair value amounts of the Company's financial instruments are equal.

Based on management's knowledge and experience of the financial markets, the Company believes that it does not have significant exposure to foreign currency risk as it does not hold significant balances in foreign currencies. As the Company is not a producing entity, gold and base metal price movement does not pose a risk.

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	December 31, 2009 (\$000's)	December 31, 2008 (\$000's)
Cash on hand and balances with banks	\$1,262	\$ 3,300
Short-term fixed income deposits	-	16,000
	\$1,262	\$19,300

The short-term fixed income deposit in the amount of \$14,000,000 matured on March 18, 2009 and \$2,000,000 matured on January 9, 2009. The Company has reinvested \$10,000,000 into a cashable annual GIC, which matures on March 29, 2010. The Company has presented this amount, plus interest of \$57,329, under short-term investments at December 31, 2009. It is cashable at any time without penalty.

16. FREGOLD LONG-TERM LOAN

On August 22, 2008, the Company announced that it would provide a bridge loan of US\$2 million to 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.

This US\$2 million loan completed a US\$4 million bridge loan financing obtained by Freegold, which closed the first US\$2 million tranche on July 31, 2008.

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 warrants exercisable at \$0.55 each to purchase common shares of the Company valid for a two-year period. An amount of \$105,365 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, Freegold issued Tiomin an additional 250,000 common shares and repriced the 350,000 warrants.

On February 24, 2009, Tiomin 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 to July 15, 2009. A further extension was granted until August 15, 2009. As consideration for this extension, the interest rate on the two loans was increased from 12.5% to 15.0%, and Tiomin and the other lender each received extension fees consisting of 360,000 common shares of Freegold, 500,000 warrants to purchase common shares of Freegold for a two-year period, and US\$61,750, 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\$61,750 loan extension fee due on March 31, 2009. Freegold then reached an agreement with its senior bridge loan lender and Tiomin 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 or Cdn.\$2,543,303 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 \$226,008 and \$111,911, respectively, on the accumulated interest and commission fees added to the original principal. Under the revised agreement, the remaining debt of approximately US\$782,943 or Cdn.\$854,974 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).

In accordance with CICA Handbook Section 3855 and EIC-88, *Debtor's Accounting for a Modification or Exchange of Debt Instruments*, the transaction resulted in the extinguishment of the existing loan and the establishment of a new loan receivable on October 1, 2009. The fair value of the new loan receivable at December 31, 2009 was determined to be Cdn.\$751,259 based on an effective interest rate of 15%. A gain on extinguishment of the original debt of \$665,148 was recognized, plus interest income of \$27,154 recognized on the new debt agreement.

17. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties. The capital structure of the Company at December 31, 2009 consists of common shares and was \$187,210,000 as at December 31, 2009 (2008 - \$187,075,000). The Company has issued common shares, warrants and agents' options from time to time to advance its projects through various stages of exploration; however, debt may be required to further the exploration and bring the projects into production. In order to meet the Company's objectives for managing capital, new common shares, warrants, agents' options and/or debt may be issued. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

At December 31, 2009, the Company had an interest in an exploration stage property in Peru through a joint venture and was dependent on external financing to fund its share of the joint venture activity. This project has been sold on February 19, 2010 as described in note 25. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2009. Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

18. 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 in note 6, the Company holds a 30.81% ownership interest in Kivu. Certain directors, officers and employees of the Company currently hold 13,150,000 (38.13%) common shares of Kivu. The main holders of the common shares are Jean-Charles Potvin, the Executive Chairman of Tiomin, and his family, who hold 10,400,000 common shares, and Robert Jackson, the President and CEO of Tiomin, who indirectly holds 1,250,000 common shares. The Chairman and the President and CEO are also directors of Kivu and receive no compensation from Kivu but have 700,000 and 400,000 stock options, respectively, at an exercise price of \$0.50 per option.
- b) The Company charges Kivu \$5,000 per annum, for office space, and at December 31, 2009 an amount of \$5,000 was charged to Kivu. Additional amounts totalling \$24,988 were charged to Kivu for expenses incurred by Kivu and Jean-Charles Potvin. At December 31, 2009, Kivu owed the Company \$1,342, which was subsequently repaid to Tiomin. No other services are provided and charged for by the Company. This transaction has been recorded at the exchange amount.

- 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 December 31, 2009, an amount of \$5,000 was charged to Rukwa. No services are provided and charged for by the Company. At December 31, 2009, the Company is owed \$1,342 by Rukwa, which was repaid in January 2010. This transaction has been recorded at the exchange amount.
- d) Jinchuan owns approximately 18.5% of Tiomin and has board representation. Tiomin and Jinchuan were in negotiations for Jinchuan to acquire 70% of TKL, a wholly owned subsidiary of Tiomin as discussed in note 20. Jinchuan has advanced \$849,000 to TKL, which is now not repayable as a result of the cancelled transaction. The balance has been reversed according to the terms of the IA and recognized as miscellaneous income.

19. RADIANT PURCHASE

At a special meeting of Radiant shareholders held on September 23, 2008, the shareholders approved the proposed transaction, whereby holders of securities of Radiant received one common share, common share purchase warrant or option, as appropriate, of Tiomin in exchange for each common share, common share purchase warrant or option, as the case may be, of Radiant. The transaction was effected by way of a three-cornered amalgamation, whereby a newly incorporated wholly owned subsidiary of Tiomin amalgamated with Radiant and the resulting corporation, being Tiomin China Limited, will continue to carry on the business of Radiant. The transaction will be accounted for as a purchase for accounting purposes. The common shares of Radiant have been de-listed from the TSX-V.

The Company issued 28,898,635 shares to the shareholders of Radiant in exchange for all of the outstanding shares of Radiant. The value of the common shares issued was determined based on the closing market price of the Company's shares at September 26, 2008, being \$0.07 per common share. The acquisition was accounted for as a purchase and the Company has allocated the purchase price of the acquisition based upon the preliminary estimate of the fair values of the assets acquired and liabilities assumed. These amounts would be refined as information relating to the valuation of the fair value of net assets and the determination of certain tax values of those assets were finalized, but this is no longer necessary as the project has been abandoned. This finalized allocation is summarized as follows:

	<u>(\$000's)</u>
Cash	\$ 392
Receivables and prepaid expenses	50
Fixed assets (cost)	97
Less: Accumulated depreciation	(63)
Mineral properties and deferred exploration and development	4,837
Accounts payable and accrued liabilities	(2,351)
Future income tax liabilities	(222)
Total	<u>\$2,740</u>
Purchase price	
Initial investment	\$ 500
Shares issued	2,023
Transaction costs	217
Total	<u>\$2,740</u>

The future income tax liabilities of \$222,000 are calculated on the excess of the purchase price over the fair market value of the net assets acquired at an appropriate tax rate in China for foreign enterprises.

On January 19, 2009, the Board of Directors made the decision that management may, in its best determination, abandon and write off the Radiant exploration properties in China. This resulted in \$1,922,000 and \$3,085,000 being written off for mineral properties and deferred exploration and development, respectively, after netting related future income tax recoveries. The future income tax liability related to this property was consequently reversed. The Company was unable to recover the fixed assets in China and has written off \$31,832 during the second quarter of 2009.

20. WRITE-DOWN OF TIOMIN KENYA LIMITED

On July 28, 2008, Tiomin and Jinchuan entered into a Memorandum of Understanding ("MOU"), whereby Jinchuan was to acquire 70% of TKL by investing US\$25 million into TKL, a wholly owned subsidiary of Tiomin that owns 100% of the Kwale project. Jinchuan's investment would have entitled it to a 70% interest in TKL and through its shareholding, the Kwale project. Under the terms of the MOU, Jinchuan was to procure all financing, on normal commercial terms, to develop the Kwale project.

On August 31, 2009, the Company signed an IA with Jinchuan. The IA concluded, and had the same terms as, the transaction described in the July 28, 2008 MOU whereby Jinchuan was to finance, develop and operate the Kwale project. The transaction was expected to close on October 29, 2009.

On October 27, 2009, Jinchuan terminated the IA, which has resulted in an other than temporary impairment to the Kwale project. The Company has written off all the costs associated with the Kwale project as shown below and reversed related party amounts owing to Jinchuan and to the CIDA.

	<u>(\$000's)</u>
Mineral properties	\$ 5,828
Deferred exploration and development	23,986
Leasehold properties	781
Land	16
Value Added Tax	394
Prepaid share issuance costs	497
Jinchuan payable	(849)
CIDA loan	(386)
Total	<u>\$30,267</u>

21. CONTINGENCIES

Lawsuit

As of the date that the consolidated financial statements are issued, certain conditions may exist which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. When the Company assesses loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company and its legal counsel evaluate the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought.

If a contingent loss is probable based on the assessment and the amount can be reasonably estimated, then a loss is recorded. If a contingent loss is not probable based on the assessment but is reasonably possible, or is probable but the amount of the loss cannot be reasonably estimated, then the details of the contingent loss are disclosed. If the contingent loss is considered remote, it is generally not disclosed unless it involves guarantees, in which case the nature of the guarantee is disclosed. Legal fees incurred in connection with pending legal proceedings are expensed as incurred.

At December 31, 2008, Tiomin had an ongoing litigation with an exposure amount of £88,000. This amount was settled for a lesser amount during the year ended December 31, 2009.

Development Loan

As described in note 7 and note 20, management has written off the full balance of the loan from the CIDA of \$386,000 as a result of the cancellation of the IA with Jinchuan. However, should the Company change its intentions and decide to develop the Kwale project in the future, the CIDA loan will be repayable against the revenues earned on production.

22. **RECEIVABLES**

	December 31, 2009 (\$000's)	December 31, 2008 (\$000's)
Goods and Services Tax and Value Added Tax	\$16	\$382
Other	40	49
	<u>\$56</u>	<u>\$431</u>

Goods and Services Tax of \$16,332 is owed to the Company by the Canada Revenue Agency. Of the other receivables amount, \$11,000 is attributable to staff advances in Kenya.

23. **ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	December 31, 2009 (\$000's)	December 31, 2008 (\$000's)
Severance pay accrual	\$ 98	\$ 626
Other	473	1,686
	<u>\$571</u>	<u>\$2,312</u>

At December 31, 2008, the compensation committee recommended to the Board of Directors that in order to reduce long-term costs, Jean-Charles Potvin, the Executive Chairman of Tiomin, should be terminated and paid out his severance package under the terms of his contract, which requires two years of base pay and two years of paid bonuses. An amount of \$626,000 was paid to Mr. Potvin during January 2009.

During the year ended December 31, 2009, the Company accrued severance payments of \$98,000 for the termination of staff in Kenya. This decision was made as a result of the cancellation of the IA with Jinchuan described in note 20.

The other accounts payable and accrued liabilities balance is mainly comprised of accrued audit fees, accrued vacation, accrued travel costs, legal fees, and other administrative fees.

24. **JAGUAR FINANCIAL CORPORATION SETTLEMENT**

On July 22, 2009, the Company entered into a settlement agreement (the "Settlement Agreement") with Jaguar Financial Corporation ("Jaguar") to settle Jaguar's previously announced application to commence a derivative legal action against the Company and others. The costs of settling the litigation with Jaguar, including related professional and other fees, totalled \$1,306,000 and have been paid during the year ended December 31, 2009.

25. **SUBSEQUENT EVENTS**

During December 2009, the Company implemented a program to divest its 49% interest in the Pukaqaqa properties, and in January 2010, to focus its resources on its plan to acquire Vaaldiam, a company with diamond properties in Brazil.

(a) Vaaldiam Resources Ltd.

On January 15, 2010, the Company announced that it has entered into a definitive arrangement agreement for Tiomin to acquire, via a plan of arrangement, all of the outstanding common shares of Vaaldiam in an all-share transaction (the "Transaction") on the basis of 0.80 Tiomin common share for each Vaaldiam common share.

Following completion of the Transaction, and subject to regulatory approvals, Vaaldiam will be a wholly owned subsidiary of Tiomin with Vaaldiam's existing shareholders owning approximately 30% of Tiomin.

In connection with the Transaction, Tiomin and Vaaldiam have also entered into a subscription agreement, pursuant to which Tiomin acquired 20,000,000 common shares of Vaaldiam, representing approximately 7% of Vaaldiam's outstanding common shares, at a price of \$0.03 per share in a private placement for total gross proceeds to Vaaldiam of Cdn.\$600,000. When taken together with the common shares of Vaaldiam currently held by Tiomin as described in note 6(a)(iii), Tiomin will hold approximately 9% of the issued and outstanding common shares of Vaaldiam. The proceeds of the private placement will be used for general working capital

purposes pending completion of the Transaction.

On March 15, 2010, at a special meeting of shareholders held by both Vaaldiam and Tiomin, shareholders overwhelmingly approved the Transaction.

(b) Pukaqaqa – Assets Held for Sale and Discontinued Operations

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 at a price of US\$7,000,000 or Cdn.\$7,316,400. Under the terms of the agreement, the Company received a cash consideration of US\$5,571,228 or Cdn.\$5,823,048 and received a further US\$1,428,772 or Cdn.\$1,493,352 upon providing Milpo with a standard tax certificate from the Canada Revenue Agency.

If the project reaches commercial production, the Company will receive a further US\$4 million in the first year of production and an additional US\$4 million one year later. In addition Tiomin will receive a 1% Net Smelter Return ("NSR") on all mineral production from the current property package if the quarterly London Metals Exchange copper price averages US\$3/lb or less and a 2% NSR above US\$3/lb. The NSR also applies to any properties subsequently acquired by Milpo within 15 km of the boundaries of the existing property package.

In accordance with CICA Handbook Section 3475, *Disposal of Long-Lived Assets and Discontinued Operations*, the Company has reclassified the mineral properties and deferred exploration and development costs of the project to assets held for sale at the lower of the carrying value of the assets and the fair value less cost to sell for the year ended December 31, 2009 as follows:

	December 31, 2009 (\$000's)	December 31, 2008 (\$000's)
Mineral properties	\$3,811	\$-
Deferred exploration and development	2,868	-
	\$6,679	\$-

These mineral properties and deferred exploration and development costs include mineral property payments paid to Milpo to acquire the Pukaqaqa properties and to fund its 49% of all exploration costs on these properties.

During the year ended December 31, 2009, no additional costs were expensed in relation to the project and as a result, there are no expenses to be disclosed as discontinued operations in the consolidated statements of operations, comprehensive loss and deficit. The gain on sale from the transaction, which will be recorded in the first quarter of 2010, is expected to be approximately \$638,713 less lawyer's fees and transactional costs.

(c) Kwale

On February 24, 2010, the Company and Base Iron Limited ("BIL") signed a binding Heads of Agreement ("HoA") for a transaction in which BIL acquires Kwale, all the intellectual property associated with Tiomin's mineral sands projects in Africa and an option to acquire 100% of TKL for \$3 million in cash on closing and a cash royalty of 1.5% of all product revenue from Kwale.

The HoA contains certain Conditions Precedent ("CPs"):

BIL must complete satisfactory due diligence. BIL shareholders and 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.

26. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation of the current year.