

# TITANIUM

INVESTING IN THE FUTURE

## FIRST QUARTER REPORT

*For the three months ended March 31, 2004*

### **Management's Discussion and Analysis of Financial Condition and Results of Operations**

This management's discussion and analysis of the financial results of the Company's operations for the first quarter ended March 31, 2004 should be read in conjunction with the consolidated financial statements and related notes that follow. This discussion covers the most recently completed quarter and the subsequent period to April 20, 2004.

#### **Overview**

Tiomin Resources Inc. is involved in the exploration and development of industrial mineral projects. Since mid-1998, the Company has focused on the development of its Kwale titanium bearing mineral sands project in Kenya. The Company is currently not in production on any of its properties and has only minimal revenue derived from interest earned on its cash balance.

In December 2002, the Government of Kenya ("GOK") approved Tiomin's application for a Special Mining Lease on its Kwale project, subject to the statutory 90-day public notice period. On June 27, 2003, the Minister of Natural Resources for Kenya announced that the GOK had approved the issuance of the Special Mining Lease. On September 29th, the Commissioner of Mines and Geology for Kenya issued the formal approval of Tiomin's application for a mining lease and established the basic terms of the Special Mining Lease.

In December 2003, Tiomin submitted the draft comprehensive fiscal/investment agreement setting out the commercial and fiscal parameters for the proposed mining operations. At the time of writing, the Company is in the late stages of negotiations with the GOK concerning the fiscal agreement and Tiomin expects to have this agreement executed during the second quarter of 2004. In mid-2003, the Company engaged Ausenco Limited to perform an engineering review of the positive feasibility study previously completed in 2000 to reflect the changes that have taken place since that time. The engineering review is well underway and is expected to be completed in May 2004. Substantial progress has been made in marketing the expected production from Kwale, with letters of intent being executed for a significant portion of the future production of zircon and rutile.

The Company will continue to focus its efforts on developing the Kwale project. Important issues that need to be resolved include; receipt of all the necessary government permits, securing all the remaining surface rights in the mining area, and obtaining the necessary financing to enable construction to commence.

## Selected Financial Information

The following tables provide selected consolidated financial information that should be read in conjunction with the consolidated financial statements of the Company. All dollar amounts are stated in Canadian dollars.

	3 months ended Mar. 31, 2004 <i>(unaudited)</i>	3 months ended Mar. 31, 2003 <i>(unaudited)</i>	Year ended Dec. 31, 2003 <i>(audited)</i>
Operating expenses	\$ 345,425	\$ 202,414	\$ 2,362,923
Net loss	344,895	199,095	2,309,887
Net loss per share	0.00	0.00	0.03
Cumulative deferred exploration and development costs	16,104,814	14,066,884	15,574,836
Working capital	(632,839)	(156,137)	178,653
Long term debt and loan facility	412,933	1,396,240	420,931

## Results of Operations

For the quarter ended March 31, 2004, the Company's operations consisted of the continued development of its Kenyan mineral sands properties, with most of it being invested in the Kwale project. During the quarter, \$530,000 was invested in deferred exploration (capitalized asset) as work on the engineering review of the project continued. This was a significant increase over the \$196,000 invested during the corresponding period in 2003, as the Kwale project test work and engineering review did not commence until mid-2003.

Operating expenses of \$345,000 and loss per share of \$0.00 for the first quarter of 2004 were in line with the same period in 2003, with the exception that, in 2003 the Company had a non-cash foreign exchange gain of \$125,000 during the first quarter on the translation of a US\$ denominated loan. The loan was paid off in October 2003 and the Company has minimal long-term debt now. Salaries and compensation expenses increased modestly as additional staff resources were employed beginning in mid-2003 and are fully reflected in the results for 2004.

Administrative expenses for 2004 are expected to remain at 2003 levels until late 2004 when the Company may incur additional expenses should it decide to start construction of the Kwale project.

## Summary of Quarterly Results

	3 months ended Mar. 31, 2004 <i>(unaudited)</i>	3 months ended Mar. 31, 2003 <i>(unaudited)</i>	Year ended Dec. 31, 2003 <i>(audited)</i>
Total operating expenses	\$ 345,425	\$ 202,414	\$ 2,362,923
Salaries & compensation	190,018	158,477	678,821
Net loss	344,895	199,095	2,309,887
Net loss per share	0.00	0.00	0.03
Long term debt and loan facility	412,933	1,396,240	420,931

## Liquidity and Capital Resources

As the Company has not begun production on any of its properties, the Company does not have any cash flow from operations. The Company receives cash for use in operations principally from issuing common shares and occasional sales of selected assets and investment income. The Company 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 immediate term. The Company expects to raise an additional \$4 to \$6 million during the second quarter of 2004 to fund its ongoing working capital requirements and complete the engineering review now underway. The ability of the Company to continue operations beyond 2004 is dependent upon obtaining the necessary financing to develop the Kwale project or the realization of proceeds from the sale of one or more of its properties and/or assets.

Should the Company decide to put the Kwale project into production, the Company will have to raise the necessary funds to enable construction to commence. The engineering review once completed will outline the expected capital requirements of the Kwale project which is now estimated to be in the range of US\$120-130 million. There is no guarantee at this time that the Company will be able to raise the funds necessary to start construction.

There are no significant long-term debt obligations as at March 31, 2004. The long-term debt of \$413,000 is comprised mostly of a CIDA grant (as described in note 6 to the financial statements) that is not repayable until the Company earns in excess of \$5 million from the Kwale project, which is not expected before 2007.

## Transactions with Related Parties

From time to time during the Company's history, directors of the Company have advanced funds to the Company on a short term basis to assist the Company during brief periods of illiquidity. During the first quarter of 2004, two directors: Jean-Charles Potvin and Roland Bertin, advanced a total of \$500,000 to the Company on a demand loan basis at an annual interest rate of 10%. The Company intends to repay these loans upon closing of a new equity issue expected during the second quarter.

## 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 as well as the value of stock-based compensation. Both 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 recorded value of its mineral properties and associated deferred expenses 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 sale. The Company 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.

## Change in Accounting Policies

### *Stock Based Compensation*

In 2003, the Company adopted the recommendations for fair value accounting for stock-based compensation under section 3870 of Canadian Institute of Chartered Accountants Handbook. These recommendations require compensation costs, for stock options granted to employees as well as compensation warrants, to be recorded in earnings based on the fair market value at the time of issuance. Previously these costs were disclosed in the notes to the consolidated financial statements. This policy change was adopted on a prospective basis and an expense was recorded in 2003. The comparative results for 2003 in this report reflect the adoption of this policy (please also see note 9 of the consolidated financial statements).

## Other Information

### *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 is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### *Outstanding share data*

As at March 31, 2004, The Company had issued and outstanding 102,951,574 common shares, and 108,896,574 common shares issued on a fully diluted basis (December 2003 – 102,834,574 and 108,961,574 respectively). Included in the fully diluted number are 1,225,000 warrants and 4,720,000 stock options which are described in detail in notes 8 and 9 to the financial statements. The slight increase in common shares issued during the first quarter of 2004 is the result of 117,000 stock options being exercised prior to their expiry in January for proceeds of \$35,100 to the Company.

## CONSOLIDATED BALANCE SHEETS

as at March 31 (amounts in \$)

	<b>March 31, 2004</b>	December 31, 2003
	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>ASSETS</b>		
Current		
Cash and cash equivalents	73,487	469,184
Receivables	18,744	54,871
Prepaid expenses	124,419	80,440
	<b>216,650</b>	604,495
Fixed assets, net of accumulated depreciation <i>(note 3)</i>		
Mineral properties <i>(note 4)</i>	726,429	720,069
Deferred exploration and development <i>(note 4)</i>	1,073,447	1,072,034
	<b>16,104,814</b>	15,574,836
	<b>17,904,690</b>	17,366,939
	<b>18,121,340</b>	17,971,434
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	849,489	425,842
Long-term		
Long-term liabilities <i>(note 6)</i>	412,933	420,931
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock <i>(note 8)</i>	87,511,882	87,476,782
Contributed Surplus <i>(note 8 (b) and 9)</i>	509,568	465,516
Deficit	(71,162,532)	(70,817,637)
	<b>16,858,918</b>	17,124,661
	<b>18,121,340</b>	17,971,434

See accompanying notes

## CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

<i>For the quarters ended March 31 (amounts in \$)</i>	<b>2004</b>	<b>2003</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>EXPENSES</b>		
Salaries & other compensation <i>(Note 9)</i>	<b>190,018</b>	158,477
Office costs	<b>33,792</b>	51,814
Foreign exchange loss (gain)	<b>2,772</b>	(125,328)
Depreciation	<b>3,693</b>	2,048
Interest	–	17,710
Travel	<b>37,362</b>	8,190
Stock exchange fees	<b>11,040</b>	9,520
Shareholders' information	<b>5,608</b>	20,222
Promotion	<b>42,207</b>	42,039
Professional fees	<b>16,728</b>	17,722
Capital tax and other taxes	<b>445</b>	–
General exploration	<b>1,760</b>	–
<b>Total expenses</b>	<b>345,425</b>	202,414
Less: interest income and other income	<b>(530)</b>	(3,319)
<b>Net loss for the period</b>	<b>344,895</b>	199,095
Share issue costs	–	466,133
Deficit, beginning of the period	<b>70,817,637</b>	67,858,792
<b>Deficit, end of the period</b>	<b>71,162,532</b>	68,524,020
Basic and diluted loss per share	<b>0.00</b>	0.00
Basic and diluted weighted average shares outstanding	<b>102,949,984</b>	86,586,808

*See accompanying notes*

## CONSOLIDATED STATEMENTS OF CASH FLOWS

*For the quarters ended March 31 (amounts in \$)*

	<b>2004</b>	2003
	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	<b>(344,895)</b>	(199,095)
Add (deduct) non-cash items		
Depreciation charges	<b>3,693</b>	2,048
Compensation expense	<b>44,052</b>	44,160
Foreign exchange gain on long-term liabilities	–	(115,560)
Sub-lease expense	<b>(7,998)</b>	–
Change in non-cash working capital		
Decrease in accounts receivable	<b>36,127</b>	1,584
Increase in prepaid expenses	<b>(43,979)</b>	(4,140)
Increase (decrease) in accounts payables and accrued liabilities	<b>423,647</b>	(198,274)
Decrease in accrued interest	–	(56,116)
	<b>110,647</b>	525,393
<b>INVESTING ACTIVITIES</b>		
Mineral properties acquired	<b>(1,413)</b>	(35,255)
Deferred exploration and development expenditures	<b>(525,646)</b>	(155,390)
Patent – TSR technology expenditures	–	(719)
Net fixed assets acquisitions	<b>(14,385)</b>	(662)
	<b>(541,444)</b>	(192,026)
<b>FINANCING ACTIVITIES</b>		
Common shares issued for cash	<b>35,100</b>	4,200,000
Loan facility repayment ( <i>note 7</i> )	–	(2,100,248)
Share issue costs	–	406,067
	<b>35,100</b>	1,693,685
Increase (decrease) in cash and short-term investments	<b>(395,697)</b>	976,266
Cash and short-term investments, beginning of the period	<b>469,184</b>	266,441
Cash and short-term investments, end of the period	<b>73,487</b>	1,242,707

*See accompanying notes*

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2004

## 1. NATURE OF OPERATIONS

Tiomin Resources Inc. (the "Corporation" or "Tiomin") and its subsidiaries have mineral exploration properties located in Canada and Kenya. 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 Corporation's and its subsidiaries' interest in the underlying mineral claims, the ability of the Corporation and its subsidiaries to obtain necessary financing to complete the development and future profitable production or the proceeds of disposition thereof.

The consolidated financial statements for the period ended March 31, 2004 have been prepared on the basis that the Corporation is a going concern, which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations. These consolidated financial statements do not include any adjustments related to the carrying values and classification of assets and liabilities should the Corporation be unable to continue as a going concern.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Corporation are in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with prior periods. Outlined below are those policies considered particularly significant.

### Mineral Properties and Deferred Exploration and Development:

Acquisition and exploration expenses relating to mineral properties with proven resource potential are deferred until the properties are brought into production at which time they are 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 net realizable value. All other exploration expenses are expensed in the year that they occur. The Corporation does not accrue the future cost of maintaining the properties in good standing.

### Fixed Assets and Depreciation:

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

Computers	3 years
Vehicles	3 years
Furniture	5 years
Mining equipment	3 years

### Foreign Currency Translation:

Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the period end exchange rates. Non-monetary assets have been translated at the rates prevailing at the dates of acquisition. Revenue and expense items other than depreciation 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 period.

### Cash and Cash Equivalents:

Cash and cash equivalents comprised cash on hand and short-term investments that mature within 90 days from date of acquisition.

### 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.

### Stock-based Compensation:

The Corporation has a stock-based compensation plan that is described in note 9. Effective January 1, 2003, the Corporation adopted the recommendations issued by The Canadian Institute of Chartered Accountants dealing with stock-based compensation on a prospective basis, as permitted by the standard. This standard requires a fair value based method of accounting to be applied to all stock-based awards. Effective January 1, 2003, the Corporation accounts for employee stock-based compensation by measuring all awards granted on or after January 1, 2003 under the fair value based method of accounting, using the Black-Scholes pricing model. Consideration paid on the exercise of stock options and warrants is credited to share capital.

### 3. FIXED ASSETS

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

	March 2004 \$	December 2003 \$
Computers	85,744	83,879
Furniture & fixtures	24,206	24,206
Equipment	55,897	55,897
Vehicles	12,902	12,902
Land	685,482	672,962
Cost	864,231	849,846
Accumulated Depreciation	(137,802)	(129,777)
Net Fixed Assets	726,429	720,069

### 4. MINERAL PROPERTIES AND DEFERRED EXPLORATION AND DEVELOPMENT

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

	Mineral Properties		Deferred Exploration and Development	
	March 31, 2004 (cost)	December 31, 2003 (cost)	March 31, 2004 (cost)	December 31, 2003 (cost)
Kenya	1,073,447	1,072,034	16,104,814	15,574,836
Total	\$ 1,073,447	\$ 1,072,034	\$ 16,104,814	\$ 15,574,836

In June 1996, the Corporation acquired from Pangea Goldfields Inc. (Pangea) an 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 Corporation must 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 Corporation completed a positive feasibility study and made a decision to proceed to production, thus satisfying the terms of the agreement with Pangea. The three Special Licences require the Corporation to spend a minimum of 14,000,000 Kenyan shillings (approximately US\$235,000) per annum on exploration. The licences were renewed in April 2004 and currently expire in 2006.

In April 1997, the Corporation acquired a fourth licence in Kenya known as Kwale. The licence was for an initial term of two years and required the Corporation to spend a minimum of 500,000 Kenyan shillings (approximately US\$8,500) per annum on exploration. This licence was added to the initial agreement with Pangea whereby Pangea retains a 20% NPI in the Kenyan properties. This licence currently expires in 2005.

### 5. TIOMIN SYNTHETIC RUTILE ("TSR") PROCESS

The proprietary TSR Process developed by Tiomin is used to upgrade the mineral ilmenite into a high-grade titanium dioxide feedstock known as synthetic rutile. The TSR Process employs the latest chemical processing technology to produce a synthetic rutile product containing up to 97% titanium dioxide, the highest titanium dioxide content in the market place. In 1997, the Corporation submitted several patent applications to various international Intellectual Property Offices around the world for its TSR Process and has been granted patents in several countries. In December 2003, Tiomin has written-off the \$1,236,796 previously capitalized value of the TSR Process as it could not determine its realizable value in the foreseeable future. Tiomin will maintain its patents in good standing because the Corporation believes that the TSR Process is still a valuable asset.

## 6. LONG-TERM LIABILITIES

### a) Development Loan

On April 22, 1999, the Canadian International Development Agency and the Corporation entered into a loan agreement under the Industrial Overseas Development Programme. 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 Corporation's cumulative product sales from the project exceed \$5,000,000. 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 Corporation will not be required to repay the loan. The Corporation met the minimum level of expenses of \$1,480,000 and received \$386,000 of the maximum loan amount.

### b) Operating lease

On July 2, 2002, the Corporation agreed to sublease its current office space to a third party at a lower price than the original lease agreement. The totality of the space has been subleased to the third party and started on September 1, 2003. This resulted in the aggregate rent differential of \$77,325 being recognized as a charge to earnings in 2002. As at March 31, 2004, long-term liabilities include \$26,671 which represents net rent payments which will be made in 2005 to 2006.

## 7. LOAN FACILITY

On January 27, 2000, the Corporation completed a US\$2,000,000 financing with Resource Capital Fund L.P. The financing was structured as a US\$2,000,000 loan facility (the "Loan Facility"). Under the terms of the Loan Facility, the Corporation issued 5,158,000 warrants with an exercise price of \$0.57, expiring December 31, 2002. The warrants were not exercised prior to December 31, 2002 and therefore expired. The Loan Facility carried an interest rate of LIBOR plus 2%. The Loan Facility is secured by a charge on all the assets and undertaking of the Corporation, until a mining licence is obtained for Kwale and pledges of all issued and outstanding shares of the Corporation's subsidiaries.

Under the terms of the Loan Facility, the Corporation can elect to pay interest by the delivery of common shares of the Corporation. The number of common shares issued in lieu of interest is equal to the amount of interest payable divided by the number that is 90% of the weighted average trading price of the Corporation's shares for a period of 20 days immediately preceding the scheduled interest payment date.

The Loan Facility was scheduled to mature on December 31, 2002. On January 17, 2003, the Corporation amended the terms of the Loan Facility and repaid US\$1,360,000 of the loan. The remaining outstanding principal of US\$640,000 was extended to September 1, 2003 bearing an interest rate of LIBOR plus 4%. Under the terms of the Loan Facility amendment, the Corporation issued 3,698,044 common share warrants with an exercise price of \$0.27, expiring December 31, 2003 (*also see note 8*). The warrants were all exercised prior to expiry.

On August 20, 2003, the maturity date of the Loan Facility was extended to October 31, 2003. On October 28, 2003, the balance of US\$640,000 was repaid to Resource Capital Fund L.P.

## 8. CAPITAL STOCK

a) The Corporation is authorized to issue an unlimited number of common shares.

	Shares #	Amount \$
Common shares, January 1, 2003	68,809,030	79,935,891
Issued upon exercise of options ( <i>note 9</i> )	250,000	75,000
Private placement	20,000,000	4,200,000
Issued upon exercise of warrants	13,775,544	3,265,891
Total common shares, December 31, 2003	102,834,574	87,476,782
Issued upon exercise of options ( <i>note 9</i> )	117,000	35,100
Total common shares, March 31, 2004	102,951,574	87,511,882

On January 10, 2003, the Corporation completed a private placement of 20,000,000 common shares for gross proceeds of \$4,200,000. As part of the use of proceeds, \$2,200,000 (US\$1,360,000) was used to repay a significant portion of the outstanding loan facility with Resource Capital Fund L.P. on January 17, 2003 (*see note 7*).

On April 28, 1997, the Corporation adopted a Shareholder Rights Plan. Each shareholder of record from the close of business on April 28, 1997 will be issued one right for each common share held. In the event that a bidder acquires 20% or more of the outstanding voting shares of the Corporation other than by a permitted bid or with the approval of the Board of Directors of the Corporation, the rights would become exercisable to purchase common shares of the Corporation at a 50% discount to the then current market price. The Shareholder Rights Plan was re-approved by the shareholders on June 20, 2002 and extended for a further five year period.

## b) WARRANTS

The following is a list of the warrants outstanding as at March 31st 2004. The Series G warrants are related to the financing closed on January 10, 2003 and were issued on that date. All warrants are convertible into one common share of the Corporation.

Type	Total Outstanding	Exercise Price	Expiry Date
Series G	1,349,800	\$0.27	Jan. 10, 2005

Following the adoption of the recommendations issued by The Canadian Institute of Chartered Accountants dealing with stock-based compensation, the compensation warrants were valued at \$240,264 and have been included as part of issue cost in 2003. The valuation was done using the Black-Scholes pricing model with the following assumptions: risk free interest rate of 4.0%, expected dividend yield of nil, expected volatility of 107% and expected warrant life term of two years.

## 9. STOCK OPTIONS

Under the Corporation's Stock Option Plan (the "Plan") established in 1996 and approved by shareholders in 1996 and 2000, the Corporation may grant to directors, officers, employees and consultants options to purchase common shares of the Corporation. The aggregate number of shares reserved for issuance under the Plan shall not exceed 8,000,000 common shares. The total number of 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 shares (on a non-diluted basis) and shares reserved for issuance under the Plan. Options granted since 1995 have a five-year term and are priced at the TSE closing price of the Corporation's common shares on the day immediately prior to the date of granting. Vesting provisions vary according to the terms of the individual granting.

A summary of the outstanding stock options is presented below.

	March 2004		December 2003	
	Options	Weighted Average Exercise Price \$	Options	Weighted Average Exercise Price \$
Outstanding, Beginning of year	4,902,000	0.39	4,420,000	0.48
Granted	–	–	1,950,000	0.28
Exercised	(117,000)	0.30	(250,000)	0.30
Cancelled / Expired	(65,000)	0.30	(1,218,000)	0.59
Outstanding, end of period	4,720,000	0.39	4,902,000	0.39
Options exercisable at the end of period	3,590,000		2,802,000	

The following table summarizes information about the stock options outstanding as at March 31, 2004.

Range of Exercise Prices	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	Number Outstanding As at March 31, 2004	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Exercisable As at March 31, 2004	Weighted Average Exercise Price
\$ 0.23-0.28	1,685,000	3.40	\$ 0.25	1,555,000	\$ 0.25
\$0.30 - 0.38	2,275,000	2.60	0.32	1,275,000	0.32
\$0.65	50,000	2.10	0.65	50,000	0.65
\$0.94	710,000	1.45	0.94	710,000	0.94
	4,720,000	2.71	0.39	3,590,000	0.42

In 2003, the fair value of the options granted during the year was estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk free interest rate of 4.0%, expected dividend yield of nil, expected volatility of 107% and expected option life term of four years. Under this method of calculation the fair value of all options granted during the year ended December 31, 2003, was \$225,252, which reflects the options' vesting periods in accordance with the Plan. As a result, \$225,252 has been recognized as compensation expense in December 2003. An additional \$44,052 was also included as compensation expense during the first quarter of 2004 for the portion of the 2003 options granted that will vest in 2004. No options were granted during the quarter ended March 31, 2004.

## 10. INCOME TAXES

The components of the Corporation's future income tax assets (liabilities) are as follows:

	2003 \$
Non-capital losses carried forward	4,033,000
Resource related deductions	3,752,000
Share issuance costs	257,000
Capital assets	287,000
Future income tax asset	8,329,000
Valuation allowance	(8,329,000)
Net future income tax asset	-

As at March 31, 2004, the Corporation 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:

2004	1,760,000
2006	2,013,000
2007	2,233,000
2008	2,332,000
2009	1,282,000
2010	1,460,000

## 11. LEASE COMMITMENT

The Corporation is committed to minimum annual rents under a lease, which expires on January 31, 2006. As at December 31, 2003, future minimum annual rental payments, net of proceeds from subleases, are as follows:

2004	31,990
2005	31,990
2006	2,666

## 12. RELATED PARTY TRANSACTIONS

During the first quarter of 2004, the Corporation borrowed \$500,000 from two of its directors. The loans are repayable on demand and bear a 10% interest rate.

## 13. COMPARATIVE STATEMENTS

Some comparative figures (March 31, 2003) have been reclassified or updated to conform with the December 31, 2003 and the 2004 presentation of the financial statements.

**TI  MIN**  
**RESOURCES INC.**