

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis of the financial results of the Company's operations for the fourth quarter and year ended December 31, 2004 should be read in conjunction with the audited consolidated financial statements and related notes that follow. This discussion covers the most recently completed year and the subsequent period to March 8, 2005. The consolidated financial statements and the related notes have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts referred to are expressed in Canadian dollars.

Overview

Tiomin Resources Inc. is involved in the exploration and development of industrial mineral and base metal 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 balances.

On July 6, 2004, at a signing ceremony hosted in Nairobi, the Company received the 21 year renewable Special Mining Lease for the Kwale project. On February 2nd, 2005, the Company executed the fiscal investment agreement with the Government of Kenya dealing with the Kwale project.

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 was mostly completed in mid 2004 and the report was issued in February 2005. The review confirmed the robust economics of the Kwale project. Capital costs, excluding contingencies, are expected to be approximately US\$120 million, with a capital payback period of 3.6 years and an estimated internal rate of return of 18%.

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. Efforts will continue to secure contracts of sale for the ilmenite product during the course of 2005 and the Company will focus on completing the detailed engineering and obtaining the necessary project financing to enable construction to commence.

On January 10, 2005, the Company finalized a 49% joint venture with Compania Minera Milpo S.A.A. ("Milpo") for the exploration of the Pukaqaqacopper-gold deposit located approximately 230 km southeast of Lima, Peru. Milpo is currently earning-in an option from Rio Tinto Mining and Exploration Ltd. ("RT") for 100% of the Pukaqaqa project.

Tiomin 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 in the first year of the agreement, and an additional \$700,000 before October 1, 2007. In addition, Tiomin will make 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 RT, and US\$300,000 towards the purchase of the Jupiter claim on behalf of the JV, with the remaining \$200,000 to be applied towards either the balance of property payments to RT or on further exploration work at its discretion.

Once Tiomin has earned in 49% of the option interest, it will share the balance of payments owed to RT equally with Milpo on a pro-rata basis. Effectively, Tiomin's pro-rata share of future property payments will then be US\$700,000 payable on October 1, 2006 and US\$1.0 million on October 1, 2007. The total acquisition cost to Tiomin for its 49% interest in the Pukaqaqa deposit is US\$3.7 million which includes \$1.0 million in new exploration.

Selected Annual Financial Information

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

	Year ended Dec.31, 2004	Year ended Dec.31, 2003	Year ended Dec.31, 2002
	\$	\$	\$
Operating expenses	1,626,526	2,362,923	1,156,692
Net loss	1,610,957	2,309,887	1,115,922
per share	0.01	0.03	0.02
Total assets	21,064,237	17,971,434	16,477,317
Long term debt	386,262	420,931	439,661

Results of Operations

As the Company is not in production on any of its properties it does not have significant revenues or cash flow from operations.

During the fourth quarter ended December 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, \$786,000 was invested in deferred exploration (capitalized asset) as work on the project continued. This was a significant increase over the previous quarter's investment of \$293,000 and similar to the \$998,000 invested during the corresponding period in 2003. During the fourth quarter, with the completion of the engineering review, work commenced on the detailed design and costing of the project by Ausenco in preparation for submission of a lump-sum turn-key bid for the construction of the project. In addition, during the last quarter preparations commenced for drilling to further define the water resource in the project area and work began on the resettlement plan for the local residents.

Operating expenses of \$474,561 (\$0.01 per share) during the fourth quarter were in line with the previous quarter (\$423,244) and less than the \$1,582,000 (\$0.03 per share) incurred during the corresponding period in 2003 which reflected the non-cash write-off of the Company's TSR Process patents costs (1,237,000) in 2003.

Annual operating expenses in 2004, excluding non-cash foreign exchange losses, were \$1.5 million (\$0.01 per share) which increased modestly over 2003 expenses at \$1.4 million. In 2003, the Company wrote-off its investment in its patented TSR Process (\$1.2 million) and had a non-cash foreign exchange gain (\$204,000) on the translation of its US\$ denominated debt that was repaid in 2003. These non-reoccurring items in 2003 accounted for most of the decrease in total costs in 2004.

Salaries and compensation expenses increased modestly to \$837,000 in 2004 from \$679,000 in 2003 as additional staff resources were employed starting mid-2003 with activity recommencing at Kwale and are fully reflected in the 2004 results. Travel costs have increased significantly in 2004 as more personnel and consultants are traveling to Kenya and Australia associated with the engineering review in 2004. Administrative expenses for 2005 are expected to remain at 2004 levels until mid 2005 when the Company may incur additional expenses should it decide to proceed with the construction of the Kwale project and additional key personnel are hired.

The Company as at December 31, 2004 has approximately \$1.2 million in working capital which in conjunction with the equity financing that closed on March 8, 2005 should be sufficient to advance the Kwale project to the project financing stage and also fund the exploration requirements and option payments for the Pukaqaqa copper-gold project in 2005 and 2006.

Summary of Quarterly Results

The following summary of quarterly results is unaudited and has been prepared in accordance with Canadian GAAP.

	4th Quarter Dec. 31, 2004	3rd Quarter Sep. 30, 2004	2nd Quarter Jun. 30, 2004	1st Quarter Mar. 31, 2004
Total operating expenses	\$474,561	\$423,244	\$383,296	\$345,425
Net loss	467,645	415,208	383,209	344,895
Net loss per share	0.01	0.00	0.00	0.00

	4th Quarter Dec. 31, 2003	3rd Quarter Sep. 30, 2003	2nd Quarter Jun. 30, 2003	1st Quarter Mar. 31, 2003
Total operating expenses	\$1,540,584	\$310,111	\$309,814	\$202,414
Net loss	1,496,757	308,422	305,613	199,095
Net loss per share	0.03	0.00	0.00	0.00

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 from issuing common shares, investment income and occasional sales of selected assets. 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 near future.

The Company raised \$4.2 million during the second quarter of 2004 through a private placement of common shares to fund its ongoing working capital requirements, finalize the engineering review and further design of the Kwale project. Also, on February 18, 2005, the Company entered into an agreement to raise gross proceeds of \$7 million through an underwritten private placement of common shares which closed on March 8th. The proceeds of this issue will be used to further advance the Kwale project to the project financing stage and to fund the exploration and option payments of the recently optioned Pukaqaqa copper-gold project in Peru.

Should the Company decide to put the Kwale project into production, the Company will have to raise the funds necessary to commence construction. The recently completed engineering review has outlined an expected capital requirement of approximately US\$120 million. The Company at this time is looking at a number of financing options for the Kwale project including, a combination of debt and equity that is expected to be arranged in latter 2005, however 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 December 31, 2004, consistent with the prior year. The long-term debt of \$386,000 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 and second quarter of 2004 two directors advanced a total of \$750,000 to the Company on a demand loan basis at an annual interest rate of 10%. The Company repaid these loans, with associated interest of \$19,450, upon the closing of the equity new issue on June 16, 2004.

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. All of these estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

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

uncertain and the model has its limitations.

The Company's recoverability of the 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.

Outstanding share data

As at December 31, 2004, the Company had issued and outstanding 116,467,525 common shares and 127,187,954 issued on a fully diluted basis (December 2003 – 102,834,574 and 108,961,574, respectively). Included in the fully diluted number are 6,670,429 warrants and 4,050,000 stock options that are described in detail in note 7 to the financial statements and which, if exercised in their entirety, would contribute \$4.8 million to the Company in the future.

During 2004, 967,000 stock options were exercised for proceeds of \$298,600 to the Company; and 180,000 stock options were granted at market price on the dates of the grants at an overall average exercise price of \$0.39. During 2004, 674,900 warrants associated with previous financings were exercised for proceeds of \$182,000.

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**

Cautionary Note

Some of the statements contained in this report constitute forward -looking statements that describe the Company's future plans, objectives or goals, including management's expectation of stated conditions or results. Such forward -looking statements, including but not limited to, mineral reserves or resources, results of exploration, capital costs, estimated future production and costs and the Company's financial condition and prospects, may cause actual results, performance or achievements of the Company to be materially different from those currently anticipated in such statements by reason of factors such as; the productivity of the Company's mining properties, changes in general economic or political conditions, conditions in the financial markets, changes in demand or pricing for its anticipated products, litigation, legislative, environmental and other judicial, regulatory, political and competitive developments in domestic and foreign areas in which Tiomin operates. This list is not exhaustive of the factors that may affect any of the Company's forward - looking statements and should be considered carefully and undue reliance should not be placed on these forward-looking statements.