CONSOLIDATED BALANCE SHEETS

as at December 31 (amounts in $)

	2004	2003
ASSETS		
Current		
Cash and cash equivalents	1,050,113	469,184
Receivables	16,197	54,871
Prepaid expenses	489,316	80,440
	1,555,626	604,495
Fixed assets, net of accumulated depreciation (note 3)	725,609	720,069
Mineral properties (note 4)	1,161,802	1,072,034
Deferred exploration and development (note 4)	17,621,200	15,574,836
	19,508,611	17,366,939
	21,064,237	**17,971,434**
LIABILITIES		
Current		
Accounts payable and accrued liabilities	343,635	425,842
Long-term		
Long-term liabilities (note 6)	386,262	420,931
SHAREHOLDERS' EQUITY		
Capital stock (note 7a)	92,154,473	87,476,782
Contributed Surplus (note 7c)	661,255	465,516
Deficit	(72,481,388)	(70,817,637)
	20,334,340	17,124,661
	21,064,237	**17,971,434**

See accompanying notes

Approved on behalf of the Board of Directors:

"Jean-Charles Potvin" *Chairman*

"Oliver Lennox-King" *Director*

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

for the years ended December 31 (amounts in $)

	2004	2003
EXPENSES		
Salaries and other compensation (note 7c)	836,593	678,821
Office costs	139,705	222,097
Foreign exchange loss (gain)	116,068	(275,804)
Depreciation	12,249	9,291
Interest	19,575	44,436
Travel	137,392	26,640
Stock exchange fees	11,040	9,520
Shareholders' information	71,977	75,771
Promotion	116,413	207,285
Professional fees	72,261	119,043
Capital tax and other taxes	524	4,864
General exploration and write-off (note 5)	92,729	1,240,959
Total expenses	**1,626,526**	**2,362,923**
Less: interest income and other income	(15,569)	(53,036)
Net loss for the year	**1,610,957**	**2,309,887**
Share issue costs (note 7b)	52,794	648,958
Deficit, beginning of the year	70,817,637	67,858,792
Deficit, end of the year	**72,481,388**	**70,817,637**
Basic and diluted loss per share	**$ 0.01**	**$ 0.03**
Basic and diluted weighted average number of shares outstanding	110,003,256	91,205,512

See accompanying notes

CONSOLIDATED STATEMENTS CASH FLOWS

for the years ended December 31 (amounts in $)

	2004	2003
OPERATING ACTIVITIES		
Net loss for the year	(1,610,957)	(2,309,887)
Add (deduct) non-cash items		
Depreciation	12,249	9,291
Compensation expense	195,739	225,252
Foreign exchange gain on long-term liabilities	-	(203,717)
Sublease expense	(34,669)	(31,992)
Loss (gain) on sale of fixed assets	-	581
Write-off TSR Process (note 5)	-	1,236,796
Change in non-cash working capital balances		
Decrease in accounts receivable	38,674	19,903
Increase in prepaid expenses	(408,876)	(66,255)
Decrease in accounts payable and accrued liabilities	(82,207)	(306,212)
Decrease in accrued interest	-	(73,303)
	(1,890,047)	(1,499,543)
INVESTING ACTIVITIES		
Mineral properties acquired	(89,768)	(139,675)
Deferred exploration and development expenditures	(2,036,732)	(1,643,685)
Net fixed assets acquisitions	(27,421)	(708,330)
	(2,153,921)	(2,491,690)
FINANCING ACTIVITIES		
Cash received for common shares (note 7)	4,677,691	7,540,891
Loan facility repayment	-	(2,951,483)
Development loan	-	13,262
Share issue costs	(52,794)	(408,694)
	4,624,897	4,193,976
Net increase in cash and cash equivalents	580,929	202,743
Cash and cash equivalents, beginning of the year	469,184	266,441
Cash and cash equivalents, end of the year	**1,050,113**	**469,184**

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2004

1. NATURE OF OPERATIONS

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

The consolidated financial statements for the year ended December 31, 2004 have been prepared on the basis that the Company 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 Company be unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with prior years. 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 Company 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 and fixtures	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 year 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 prevailing during the year. 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 are comprised of cash on hand and short-term investments that mature within 90 days from the 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 Company has a stock-based compensation plan that is described in note 7 (c). Effective January 1, 2003, the Company 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 Company 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 Company's fixed assets:

	December 31 2004 $	**December 31 2003 $**
Computers	90,558	83,879
Furniture and fixtures	24,841	24,206
Equipment	57,289	55,897
Vehicles	12,902	12,902
Land	691,677	672,962
Cost	877,267	849,846
Accumulated depreciation	(151,658)	(129,777)
Net Fixed Assets	**725,609**	**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**	
	December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003
Kenya	1,161,802	1,072,034	17,621,200	15,574,836
Total	$1,161,802	$1,072,034	$17,621,200	$15,574,836

In June 1996, the Company acquired from Pangea Goldfields Inc. ("Pangea"), subsequently purchased by Barrick Gold Corp., 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 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 Company 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 Company 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 Company acquired a fourth licence in Kenya known as Kwale. The licence was for an initial term of two years and required the Company 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. 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 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 royalty to the Government of Kenya.

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$0.5 million in 2005, US$1.5 million on October 1, 2006 and US$2 million on October 1, 2007. RTZ retains a net smelting return royalty of up to 1%.

According to the joint venture agreement, Tiomin can earn 49% of Milpo's option interest in the property by contributing a total of US$2 million, consisting of:

- US$1 million in exploration expenditures of which US$300,000 is to be contributed before October 2005, and an additional US$700,000 before October 1, 2007.
- US$1 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.

Once the Company has earned-in 49% of the option interest, it will share the balance of payments owed to RTZ equally with Milpo on a pro-rata basis. The Company'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 US$1.0 million in new exploration.

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 Company 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 wrote-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 as it believes that the TSR Process is still a valuable asset. The costs of maintaining the patents have been expensed

6. **LONG-TERM LIABILITIES**

a) **Development loan**
On April 22, 1999, the Canadian International Development Agency and the Company 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 Company'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 Company will not be required to repay the loan. The Company 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 Company 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 the statement of operations in 2002. As at December 31, 2003, long-term liabilities included $34,656 which represents net rent payments which will be made in 2005 to 2006. As at December 31, 2004, this amount has been included in accrued liabilities.

7. **CAPITAL STOCK**

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

	Shares #	Amount $
Total common shares, January 1, 2003	**68,809,030**	**79,935,891**
Issued upon exercise of options	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	967,000	298,600
Issued upon exercise of warrants	674,900	182,223
Private placement	11,991,051	4,196,868
Total common shares, December 31, 2004	**116,467,525**	**92,154,473**

In October 2002, the Company issued 10,077,500 units where each unit consisted of one common share of the Company, one-half of one Series E common share purchase warrant, and one-half of one Series F common share purchase warrant. All Series E and F warrants were exercised in 2003 for total proceeds of $2,267,438. In addition, 3,698,044 common share warrants were also exercised in 2003 for total proceeds of $998,453.

On January 10, 2003, the Company completed a private placement of 20,000,000 common shares for gross

proceeds of $4,200,000.

On June 16, 2004 the Company, pursuant to a private placement, issued 11,991,051 units at $0.35 for gross proceeds of $4,196,868. Each unit consists of one common share and one-half of a share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share at $0.50 for a period of 18 months from the issue date.

On April 28, 1997, the Company 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 Company other than by a permitted bid or with the approval of the Board of Directors of the Company, the rights would become exercisable to purchase common shares of the Company 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 December 31, 2004. All warrants are convertible into one common share of the Company.

Type	Total Outstanding	Exercise Price	Expiry Date
Series G	674,900	$0.27	Jan 10, 2005
Series I	5,995,529	$0.50	Dec 15, 2005

Following the adoption of the recommendations issued by The Canadian Institute of Chartered Accountants dealing with stock-based compensation, the compensation warrants (Series G) were valued at $240,264 and have been included as part of share 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. The Series I warrants were issued in relation to the private placement closed on June 16, 2004.

The series G warrants were all exercised on January 6, 2005 for proceeds of $182,223.

c) STOCK OPTIONS

Under the Company's Stock Option Plan (the "Plan") established in 1996 and approved by shareholders in 1996, 2000 and 2004, the Company may grant to directors, officers, employees and consultants options to purchase common shares of the Company. The aggregate number of shares reserved for issuance under the Plan shall not exceed 13,000,000 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 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.

A summary of the outstanding stock options is presented below.

	December 31, 2004		December 31, 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	180,000	0.39	1,950,000	0.28
Exercised	(967,000)	0.31	(250,000)	0.30
Cancelled / Expired	(65,000)	0.30	(1,218,000)	0.59
Outstanding, end of the year	4,050,000	0.41	4,902,000	0.39
Options exercisable at the end of the year	3,420,000		2,802,000	

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

OPTIONS OUTSTANDING				OPTIONS EXERCISABLE	
Range of Exercise Prices	Number Outstanding As at December 31, 2004	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Exercisable As at December 31, 2004	Weighted Average Exercise Price
$0.23 - 0.28	1,685,000	2.65	$0.25	1,635,000	$0.25
$0.30 - 0.38	1,525,000	3.12	0.32	1,025,000	0.33
$0.45	80,000	2.54	0.45	-	-
$0.65	50,000	1.35	0.65	50,000	0.65
$0.94	710,000	0.70	0.94	710,000	0.94
	4,050,000	2.72	0.41	3,420,000	0.42

In 2004, 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 the 180,000 stock options granted during the year ended December 31, 2004 was $42,380. The expense related to the options granted is recognised by the Company during the vesting period of the options in accordance with the Plan. As a result, $195,739 has been included in contributed surplus and recognized as compensation expense in 2004, which includes $164,598 for options granted prior to 2004.

8. INCOME TAXES

The components of the Company's future income tax assets are as follows:

	2004 $	2003 $
Non-capital losses carried forward	4,343,000	4,033,000
Resource related deductions	3,575,000	3,752,000
Share issuance costs	185,000	257,000
Capital assets	276,000	287,000
Future income tax asset	8,379,000	8,329,000
Valuation allowance	(8,379,000)	(8,329,000)
Net future income tax asset	—	—

As at December 31, 2004, 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:

2006	2,013,000
2007	2,233,000
2008	2,332,000
2009	1,282,000
2010	1,460,000
2011	1,599,000
	10,919,000

9. LEASE COMMITMENT

The Company is committed to minimum annual rents under a lease, which expires on January 31, 2006. As at December 31, 2004, future minimum annual rental payments, net of proceeds from subleases, are as follows:

2005	$31,990
2006	$2,666

10. RELATED PARTY TRANSACTIONS

During the first and second quarter of 2004, the Company borrowed a total of $750,000 from two of its directors. The loans were repaid on June 16th and included $19,450 of interest.

10. SUBSEQUENT EVENT

On March 8, 2005, the Company closed an equity financing of $7,000,000 through an underwritten private placement of units priced at $0.40. Each unit consists of one common share and one-half common share purchase warrants, each whole warrant exercisable into a common share at $0.50 per share for a period of 24 months.