

TITAN NUM

BREAKING NEW GROUND

THIRD QUARTER REPORT
NINE MONTHS ENDED SEPTEMBER 30, 2005

TI  **MIN**
RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis should be read in conjunction with the unaudited Consolidated Financial Statements, and is intended to provide the reader with a review of the factors that affected Tiomin Resources Inc.'s ("Tiomin") performance during the third quarter ended September 30, 2005 and should be read in conjunction with Tiomin's audited consolidated financial statements and related notes as at December 31, 2004. Tiomin prepares and files its financial statements with Canadian generally accepted accounting principles. All dollar amounts referred to are expressed in Canadian dollars.

Forward-Looking Information

When used in this document, words such as "estimate", "expect", "anticipate" and "believe" and similar expressions are intended to identify forward-looking statements. Such statements are used to describe management's future plans, objects, and goals for Tiomin and therefore involve inherent risks and uncertainties. The reader is cautioned that actual results, performance or achievements may be different from those implied or expressed in such statements. Tiomin undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or such factors which affect this information, except as required by law.

Date of MD&A

This MD&A was prepared on October 28, 2005.

Overview

This discussion and analysis of the consolidated operating and financial condition of Tiomin for the third quarter ended September 30, 2005 and September 30, 2004, should be read in conjunction with the respective Consolidated Financial Statements and related notes.

Tiomin is incorporated under the laws of the Canada Business Corporations Act and its registered and executive office is at 26 Wellington Street East, Suite 820, Toronto, Ontario, Canada M5E 1S2.

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 2, 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 based in Australia 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 economic viability of the Kwale project. Revised capital costs, including contingencies, are expected to be approximately US\$165 million, with a capital payback period of approximately four years and an estimated internal rate of return of 16%.

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. During the nine month period ended September 30, 2005 the Company signed a sales agreement with a major Chinese company for one million tonnes of ilmenite production from Kwale. The agreement is based on 200,000 tonnes of ilmenite per annum for the first five years of production, with an option to renew for a further one million tonnes over the next five years of production. Efforts will continue to secure further contracts of sale for the ilmenite production 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 announced it had finalized a 49% joint venture (“JV”) with Compania Minera Milpo S.A.A. (“Milpo”) for the exploration of the Pukaqaqa copper-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 (paid on September 30, 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. Milpo will be the Operator of the JV.

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

Tiomin's loss from operations for the third quarter ended September 30, 2005, totaled \$620,491 (\$0.00 per share) and \$415,208 (\$0.00 per share) for the same period in 2004. For the nine month period ended September 30, 2005 and 2004 the loss was \$1,882,902 (\$0.01 per share) and \$1,143,313 (\$0.01 per share) respectively.

Salaries and other compensation

Salaries and compensation expenses increased to \$412,525 in the third quarter from \$197,964 in 2004 through salary increases and additional staffing in 2005. For the nine months ended September 30, 2005 and 2004 salaries and compensation were \$1,193,147 and \$574,582 respectively. Included in salaries and compensation is an amount of \$720,975 (2004 - \$147,211), which is as a result of stock options being expensed. 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.

Office costs

Office costs for the quarter ended September 30, 2005 and 2004 were \$51,845 and \$39,241 respectively and \$127,916 and \$127,857 for the nine months ended September 30, 2005 and 2004 respectively.

Foreign exchange loss

Foreign exchange losses were \$6,000 and \$76,123 for the quarter ended September 30, 2005 and 2004 respectively and \$41,677 and \$79,633 for the nine months ended September 30, 2005 and 2004 respectively. These losses are a result of fluctuations in the various currencies and any exchange gain or loss that arises on translation is included in the determination of net loss for the period.

Depreciation

Depreciation charges remained constant for the three and nine months period ended September 30, 2005 and 2004. Depreciation of \$3,370 and \$2,747 and \$9,364 and \$9,453 were charged for the respective periods.

Interest

Interest for the quarter ended September 30, 2005 totaled \$822 (2004 - \$Nil). This amount is for vehicles leased through a wholly owned subsidiary of Tiomin.

Travel

Travel expenses have decreased marginally over 2004. These expenses are expected to increase in the last quarter of 2005 with the increased activity at the Kwale project in Kenya. Amounts totaling \$76,244 and \$39,194 and \$103,574 and \$108,072 were expensed for the three and nine month periods ended September 30, 2005 and 2004 respectively.

Stock exchange fees

Amounts totaling \$11,800 and \$11,040 have been expensed for the nine months ended September 30, 2005 and 2004 respectively.

Shareholders' information

For the three and nine month periods ended September 30, 2005 and 2004 amounts totaling \$9,455 and \$9,753 for the three month period and \$82,493 and \$63,958 for the nine month period were expensed.

Promotion

Promotion expenses for the nine month period ended September 30, 2005 have increased compared to the same period in 2004 due to increased promotional activities and trade shows. For the quarter ended an amount of \$34,681 (2004 - \$22,585) and for the nine months \$125,424 (2004 - \$86,572) were expensed.

Professional fees

During the quarter ended September 30, 2005 and 2004, \$40,894 and \$18,531 and \$111,122 and \$58,851 were expensed for the three and nine months respectively.

Capital tax and other fees

Zero capital tax was expensed for the three and nine months ended September 30, 2005 and an amount of \$445 was expensed during 2004.

General exploration

General exploration expensed for the three and nine month period ended September 30, 2005 and 2004 was \$Nil, \$17,106 and \$111,013, \$31,503 respectively. Management spends a great deal of time assessing various projects, which often also requires outside expertise and travel to conduct the necessary due diligence. These amounts are charged to general exploration until such time as a project is acquired or a joint-venture agreement is entered into with another party.

Administrative expenses for 2005 have increased over 2004 mainly due to stock-based compensation, which is \$573,764 higher than in 2004 for the same period. Administrative expenses are expected to increase going into 2006 with the anticipated commencement of construction at the Kwale project, which will result in additional key personnel being hired.

Summary of Quarterly Results

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

	3rd Quarter Sep. 30, 2005	2nd Quarter Jun. 30, 2005	1st Quarter Mar. 31, 2005	4th Quarter Dec. 31, 2004
Total operating expenses	\$635,836	\$791,886	\$490,630	\$474,561
Net loss	620,491	772,945	489,466	467,645
Net loss per share	0.00	0.01	0.00	0.01

	3rd Quarter Sep. 30, 2004	2nd Quarter Jun. 30, 2004	1st Quarter Mar. 31, 2004	4th Quarter Dec. 31, 2003
Total operating expenses	\$423,244	\$383,296	\$345,425	\$1,540,584
Net loss	415,208	383,209	344,895	1,496,757
Net loss per share	0.00	0.00	0.00	0.03

Cash Flow and Liquidity

The following table summarizes the Company's consolidated cash flows and cash on hand:

<i>(in thousands of Canadian dollars)</i>	Three months: September 30, 2005	Three months: June 30, 2005	Three months: March 31, 2005	Fiscal year: 2004	Fiscal year: 2003
Cash and equivalents	2,325	3,862	6,108	1,050	4694
Working capital	2,469	3,988	6,080	1,212	179
Cash used by operating activities	(341)	(635)	(92)	(1,890)	(1,500)
Cash used by investing activities	(1,193)	(1,595)	(1,517)	(2,154)	(2,492)
Cash provided by financing activities	(2)	(17)	6,667	4,625	4,194

During the third quarter ended September 30, 2005, cash used in operations was \$341,285 (2004 -\$700,833) and for the nine months ended September 30, 2005 cash used in operations was \$1,068,425 (2004 - \$1,583,002). Tiomin had a working capital surplus of \$2,584,173 at September 30, 2005 compared to \$1,211,991 at December 31, 2004.

Commitments and Contractual Obligations

The Company leases premises in Toronto, which expire on January 31, 2006. As at September 30, 2005 future rental payments net of proceeds is \$10,664. The Company through its subsidiary Tiomin Kenya Ltd. has entered into capital lease agreements. An amount of approximately \$101,222 is owed or monthly average payments of approximately \$2,892, which include interest are payable until August 2008. In addition Tiomin Kenya Ltd. has leased office premises for five years or approximately \$89,459 or approximately \$1,450 per month and a house for two years or approximately \$43,602 or approximately \$1,900 per month.

At September 30, 2005 an amount of \$86,256 (2004 - \$Nil) is owed excluding interest of approximately \$14,966 on the capital lease obligation. The long-term debt of \$386,000 is comprised of a CIDA grant (as described in note 6 to the unaudited financial statements) that is not repayable until the Company earns in excess of \$5 million from the Kwale project, which is not expected before mid 2007.

Contractual Obligations at September 30, 2005	Total	Less than a year	1-3 years	4-5 years
Lease of premises	\$ 10,664	\$ -	\$ -	\$ -
Capital lease obligations Kenya	101,222	-	78,086	23,136
Lease of office premises Kenya	89,459	-	53,175	36,284
Lease of house Kenya	43,602	-	43,602	-
CIDA Grant	386,000	-	386,000	-
Total Contractual obligations	\$ 630,947	\$ 10,664	\$ 560,863	\$ 59,420

Capital Resources

The Company currently has no source of income and no immediate cash flow from its operations. The Company receives cash for use in operations from issuing common shares, investment income and occasional sales of selected assets. Tiomin 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.

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 and attached warrants which closed on March 8, 2005. Each unit offered at \$0.40 consisted of one common share and one-half of one common share purchase warrant, exercisable at \$0.50 per warrant until March 8, 2007. The Company also issued 1,050,000 compensation options to the underwriters. Each compensation option entitles the holder to purchase one unit (a "Compensation Unit") at a price of \$0.40 at any time up until March 8, 2007. Each Compensation Unit consists of one common share and one-half of one Series J common share purchase warrant. The proceeds of the 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 proceed with production at the Kwale project, the Company will need to raise the necessary funds to commence construction. The recently completed engineering review has outlined an estimated capital requirement of approximately US\$165 million. The Company is currently in discussion with various financial institutions and anticipates having the necessary debt and equity financing in place during the last quarter of 2005 or early 2006. The Company anticipates beginning construction at the Kwale project during the first quarter of 2006. The reader should however be cautioned that there is no guarantee at this time that the Company will be able to raise the funds necessary to start construction.

Capital Expenditure Commitments

At September 30, 2005 Tiomin had no capital commitments, other than amounts already accrued or reflected in accounts payable.

Off-Balance Sheet Arrangements

Tiomin has no off-balance sheet arrangements.

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 an equity issue on September 16, 2004.

Exploration update

During the third quarter ended September 30, 2005, the Company's focused on the development of its Kenyan mineral sands properties, and the Company continued with its first phase exploration program at Pukaqaqa, Peru as part of its earn-in commitments on the project.

During the quarter, \$889,154 million was invested in deferred exploration and mineral properties (capitalized asset). This was slightly less than the previous quarter's investment of \$1,038,386 million and significantly higher than the \$294,115 invested during the corresponding period in 2004. For the nine months period ending September 30, 2005 and 2004 an amount of \$3,068,574 and \$1,260,141 was invested in deferred exploration and mineral properties (capitalized asset) respectively.

The Kenyan mineral sands properties remain Tiomin's priority and the detailed design and costing of the project by Ausenco in preparation for submission of an Engineering, Procurement and Construction Management contract (EPCM) bid for the construction of the project continued through the third quarter. Also, during the third quarter, Tiomin incurred expenditures of \$151,857 for the first phase exploration program underway on the Pukaqaqa project in Peru and mineral property acquisition payments of \$Nil. For the nine months ended September 30, 2005, Tiomin incurred expenditures for the first phase exploration program underway on the Pukaqaqa project in Peru of \$1,105,413 and mineral property acquisition payments of \$864,173.

Proposed Transactions

There are no decisions by the board of directors of Tiomin with respect to any imminent or proposed transactions.

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 September 30, 2005, the Company had issued and outstanding 134,642,425 common shares and 157,372,954 issued on a fully diluted basis (December 2004 -116,467,525). Included in the fully diluted number are 15,270,529 warrants, 6,410,000 stock options and 1,050,000 compensation units that are described in detail in note 7 to the financial statements and which, if exercised in their entirety, would contribute a further \$10.8 million to the Company in the future.

During the second quarter of 2005, 350,000 stock options were granted and 300,000 were cancelled. For the nine month period ended September 30, 2005, 3,370,000 stock options were granted at market price on the dates of the grants at an average exercise price of \$0.38. During the first quarter, 674,900 warrants associated with previous financings were exercised for proceeds of \$182,000. No warrants were exercised in the second or third quarter of 2005.

Subsequent events

Subsequent to the quarter ended September 30, 2005, an Information Memorandum prepared by Tiomin Kenya Ltd., a wholly owned subsidiary of Tiomin in conjunction with the Mining and Metals Team of Barclays Capital, the investment banking division of Barclays Bank PLC, acting advisor to Tiomin regarding the financing of the Kwale project, delivered an Information Memorandum to a limited number of parties who have expressed an interest in providing debt finance for the project. This Information Memorandum is solely for the purpose of assisting these interested parties in deciding whether they wish to proceed with a further investigation of the Kwale project.

Also subsequent to the quarter ended September 30, 2005 SRK Consulting (UK) Ltd. (“SRK”) completed its Independent Review of the Kwale Titanium Mineral Sands Project in Kenya, which had been commissioned by Barclays Capital for the benefit of potential lenders to the project.

The review was undertaken to confirm that the plans for the development and operation of the Kwale mine and processing facilities have been based on adequate data and sound principles to achieve forecast production and results. Since SRK’s initial study in 1999 and subsequent update of 2004, Tiomin has implemented several significant improvements to the project’s design, planning and estimating that have satisfactorily resolved most of the issues identified in earlier SRK reviews.

As a result, SRK has concluded that “Tiomin’s personnel, consultants and contractors have done an excellent job of progressing the project and that, over the past seven years of development, the Kwale project has reached the stage where it is low risk technically and economically and that it sees no issue that cannot be reasonably readily resolved or that would impair the project’s ability to service the proposed debt.”

On November 2, 2005 Tiomin announced that it has entered into an agreement led by Paradigm Capital Inc. and including Sprott Securities Inc. and Desjardins Securities Inc. to raise Cdn \$6 million through a fully marketed private placement of Units priced at \$0.40 per Unit. Each Unit will consist of one common share and one half of one common share purchase warrant (a “Purchase Warrant”). Each whole Purchase Warrant is exercisable into one common share of Tiomin at \$0.50 per share for a period of 18 months after closing. The issue is subject to an over-allotment provision for the purchase of up to an additional 6,250,000 Units or Cdn \$2.5 million. Purchasers of Units will also receive one half of one bonus warrant (a “Bonus Warrant”) with each Unit purchased. Subject to certain exceptions, each Bonus Warrant will entitle the holder thereof to acquire one common share if Tiomin announces the issue of common shares or other securities at a price less than the price of this Offering during the period ending four months from the Closing Date. The Bonus Warrants will be exercisable at \$0.50 for a period of 18 months. The transaction is expected to close on or before November 29, 2005 and is subject to regulatory approval.

Net proceeds from the issue will be largely applied towards the Kwale titanium mineral sands project in Kenya as it prepares to enter the construction phase, as well as general corporate purposes.

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.

TIOMIN RESOURCES INC.

CONSOLIDATED BALANCE SHEETS

	September 2005	December 2004
	<i>Unaudited</i>	<i>Audited</i>
ASSETS		
Current		
Cash and cash equivalents	2,325,491	1,050,113
Receivables	89,000	16,197
Prepaid expenses	216,552	489,316
	<u>2,631,043</u>	<u>1,555,626</u>
Fixed assets, net of accumulated depreciation (note 3)		
Mineral properties (note 4)	924,807	725,609
Deferred exploration and development (note 4)	2,185,700	1,161,802
	<u>20,689,774</u>	<u>17,621,200</u>
	<u>23,800,281</u>	<u>19,508,611</u>
	<u>26,431,324</u>	<u>21,064,237</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	135,583	343,635
Current portion of capital lease obligations (note 9)	26,287	
	<u>161,870</u>	<u>343,635</u>
Long-term		
Capital lease obligations (note 9)	59,969	
Long-term liabilities (note 5)	386,262	386,262
	<u>446,231</u>	<u>386,262</u>
SHAREHOLDERS' EQUITY		
Capital stock (note 6)	99,336,696	92,154,473
Contributed Surplus (note 6b and 6c)	1,931,797	661,255
Deficit	<u>(75,445,270)</u>	<u>(72,481,388)</u>
	<u>25,823,223</u>	<u>20,334,340</u>
	<u>26,431,324</u>	<u>21,064,237</u>

See accompanying notes

TIOMIN RESOURCES INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

<i>for the quarters ended September 30(amounts in \$)</i>	<i>For the three months</i>		<i>For the nine months</i>	
	2005 <i>Unaudited</i>	2004 <i>Unaudited</i>	2005 <i>Unaudited</i>	2004 <i>Unaudited</i>
EXPENSES				
Salaries & other compensation (note 7c)	412,525	197,964	1,193,147	574,582
Office costs	51,845	39,241	127,916	127,857
Foreign exchange loss	6,000	76,123	41,677	79,633
Depreciation	3,370	2,747	9,364	9,453
Interest	822	-	822	-
Travel	76,244	39,194	103,574	108,072
Stock exchange fees	-	-	11,800	11,040
Shareholders' information	9,455	9,753	82,493	63,958
Promotion	34,681	22,585	125,424	86,572
Professional fees	40,894	18,531	111,122	58,851
Capital tax and other taxes	-	-	-	445
General exploration	-	17,106	111,013	31,503
Total expenses	635,836	423,244	1,918,352	1,151,966
Less: interest income and other income	(15,345)	(8,036)	(35,450)	(8,653)
Net loss for the period	620,491	415,208	1,882,902	1,143,313
Share issue costs (note 7)	-	(2,405)	1,080,980	52,794
Deficit, beginning of the period	74,824,779	71,600,941	72,481,388	70,817,637
Deficit, end of the period	75,445,270	72,013,744	75,445,270	72,013,744
Basic and diluted loss per share	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.01
Basic and diluted weighted average shares outstanding	131,419,002	110,003,256	130,332,720	107,969,422

See accompanying notes

TIOMIN RESOURCES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>For the three months</i>		<i>For the nine months</i>	
	2005 <i>Unaudited</i>	2004 <i>Unaudited</i>	2005 <i>Unaudited</i>	2004 <i>Unaudited</i>
OPERATING ACTIVITIES				
Net loss for the period	(620,491)	(415,208)	(1,882,902)	(1,143,313)
<i>Add (deduct) non-cash items</i>				
Depreciation charges	3,370	2,747	9,364	9,453
Compensation expense	227,308	59,106	720,975	147,211
Sub-lease expense	(7,998)	(7,998)	(23,994)	(23,994)
Fixed asset written-off	3,890	-	3,890	-
<i>Change in non-cash working capital</i>				
Decrease (increase) in accounts receivable	(50,222)	(4,373)	(72,803)	30,963
Decrease (increase) in prepaid expenses	(13,952)	(220,609)	272,764	(277,187)
Increase (decrease) in accounts payables and accrued liabilities	116,810	(114,498)	(95,719)	(326,135)
	(341,285)	(700,833)	(1,068,425)	(1,583,002)
INVESTING ACTIVITIES				
Mineral properties acquired	(112,593)	(22,710)	(1,023,898)	(102,041)
Deferred exploration and development expenditures	(889,154)	(292,682)	(3,064,442)	(1,251,601)
Net fixed assets acquisitions	(191,057)	(2,871)	(216,584)	(18,674)
	(1,192,804)	(318,263)	(4,304,924)	(1,372,316)
FINANCING ACTIVITIES				
Common shares issued for cash	-	75,950	7,182,223	4,495,468
Share issue costs	-	2,405	(531,413)	(52,794)
Payments on capital lease obligations	(2,083)		(2,083)	
	(2,083)	78,355	6,648,727	4,442,674
Increase (decrease) in cash and short-term investments	(1,536,172)	(940,741)	1,275,378	1,487,356
Cash and short-term investments, beginning of the period	3,861,663	2,897,281	1,050,113	469,184
Cash and short-term investments, end of the period	2,325,491	1,956,540	2,325,491	1,956,540

See accompanying notes

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2005 (Unaudited)

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 unaudited consolidated financial statements for three and nine months ended September 30, 2005 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 unaudited 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 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 prevailing during the year. 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 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:

	September 30 2005 \$	December 31 2004 \$
Computers	118,042	90,558
Furniture and fixtures	95,129	24,841
Equipment	91,234	57,289
Vehicles	96,747	12,902
Land	692,699	691,677
Cost	<u>1,093,851</u>	<u>877,267</u>
Accumulated depreciation	<u>(169,044)</u>	<u>(151,658)</u>
Net Fixed Assets	<u>924,807</u>	<u>725,609</u>

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	
	September 30, 2005	December 31, 2004	September 30, 2005	December 31, 2004
Kenya	1,321,527	1,161,802	19,584,361	17,621,200
Peru	864,173	-	1,105,413	-
Total	<u>\$2,185,700</u>	<u>\$1,161,802</u>	<u>\$20,689,774</u>	<u>\$17,621,200</u>

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, which has been made and an additional US\$700,000 before October 1, 2007.
- US\$1 million in cash payments consisting of US\$100,000 in January 2005 (paid) and US\$400,000 in July 2005 (paid) 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. **LONG-TERM LIABILITIES**

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.

6. **CAPITAL STOCK**

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

	<u>Shares #</u>	<u>Amount \$</u>
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, January 1, 2004	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, January 1, 2005	116,467,525	92,154,473
Private placement	17,500,000	7,000,000
Issued upon exercise of warrants	674,900	182,223
Total common shares, September 30, 2005	134,642,425	99,336,696

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. The 5,995,529 warrants expire on December 15, 2005.

On March 8, 2005, the Company announced that it had closed a private placement of \$7,000,000. The equity financing consisted of 17,500,000 units priced at \$0.40. Each unit entitles the holder to receive one common share of the Company and one-half common share purchase warrant with each full warrant convertible into one common share of the Company for \$0.50 until March 8, 2007. In addition, the Company also issued 1,050,000 compensation options to the underwriters. Each compensation option entitles the holder to purchase one unit (a "Compensation Unit") at a price of \$0.40 at any time up until March 8, 2007. Each Compensation Unit consists of one common share and one-half of one Series J common share purchase warrants. Issue costs related to this equity financing amounted to \$1,080,980.

Included in share issue costs is an amount of \$549,567 estimated at the date of grant using the Black-Scholes pricing model for the Compensation Unit issued to the underwriters with the following assumptions: risk free interest rate of 2.9944%, expected dividend yield of nil, expected volatility of 141.58% and expected option life term of two years.

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 AND COMPENSATION OPTIONS

The following is a list of the warrants outstanding as at September 30, 2005. All warrants are convertible into one common share of the Company.

<u>Type</u>	<u>Total Outstanding</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Series I	5,995,529	\$0.50	Dec 15, 2005
Series J	9,275,000	\$0.50	Mar 8, 2007
Compensation options	1,050,000	\$0.40	Mar 8, 2007

Following the adoption of the recommendations issued by The Canadian Institute of Chartered Accountants dealing with stock-based compensation, any compensation warrants are included as part of share issue cost. The valuation is done using the Black-Scholes pricing model

The 674,900 Series G warrants outstanding at December 31, 2004, 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.

	September 30, 2005		December 31, 2004	
	#	Weighted Average Exercise Price	#	Weighted Average Exercise Price
	<u>Options</u>	<u>Price</u>	<u>Options</u>	<u>Price</u>
Outstanding, Beginning of year	4,050,000	\$ 0.41	4,902,000	0.39
Granted	3,370,000	0.36	180,000	0.39
Exercised	-	-	(967,000)	0.31
Cancelled / Expired	(1,010,000)	0.76	(65,000)	0.30
Outstanding, end of the period	<u>6,410,000</u>	0.33	<u>4,050,000</u>	0.41
Options exercisable at the end of the period	<u>3,540,000</u>		<u>3,420,000</u>	

The following table summarizes information about the stock options outstanding as at September 30, 2005.

OPTIONS OUTSTANDING				OPTIONS EXERCISABLE	
Range of Exercise Prices	Number Outstanding As at September 30, 2005	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Exercisable As at September 30, 2005	Weighted Average Exercise Price
\$0.23 - 0.28	1,685,000	1.90	\$0.25	1,685,000	\$0.25
\$0.30 - 0.38	4,345,000	3.66	0.36	1,625,000	0.32
\$0.40 - 0.50	330,000	2.88	0.45	180,000	0.48
\$0.65	50,000	0.60	0.65	50,000	0.65
	<u>6,410,000</u>	<u>3.13</u>	<u>0.32</u>	<u>3,540,000</u>	<u>0.30</u>

In 2004 and during the first quarter of 2005, 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 in 2004 was \$42,380.

During 2005, 3,370,000 options were granted during the nine months ended September 30, 2005. The fair value of the options granted during the nine months ended September 30, 2005 was estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk free interest rate of 3.63% to 3.84%, expected dividend yield of nil, expected volatility between 94.699% and 96.467% and expected option life term of five years. Under this method of calculation the fair value of the 3,370,000 stock options granted in 2005 is \$720,975. This amount is being recognized as a compensation expense over its vesting period and was included in the Statement of Operations for the nine months ended September 30, 2005 (2004 - \$147,211). During the nine months ended September 30, 2005 a total of 1,010,000 stock options were cancelled.

d) CONTRIBUTED SURPLUS

	September 30, 2005	December 31, 2004
	\$	\$
Balance, beginning of period	661,255	465,516
Stock-based compensation during the period		
- Stock options granted	691,235	31,141
- Compensation shares vesting	29,740	164,598
-Share purchase warrants issued	549,567	-
Balance, end of period	1,931,797	661,255

7. 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

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

8. LEASE COMMITMENT

The Company is committed to minimum annual rents under a lease, which expires on January 31, 2006. As at September 30, 2005, future minimum annual rental payments, net of proceeds from subleases, are as follows:

2005	\$7,998
2006	2,666
	\$10,664

In addition the Company through its subsidiary Tiomin Kenya Limited is in the process of finalizing a lease for its premises in Ukundu, Kenya for five years commencing August 1, 2005. The monthly rental payable quarterly in advance is 90,000 Kenyan Shillings or approximately \$1,450. The rent will increase every two years by 10%.

The Company through its subsidiary has leased two houses on a property located in Ukundu, Kenya for a total monthly rental of 120,000 Kenyan Shillings or approximately \$1,900. The lease is for two years and can be renegotiated.

9. CAPITAL LEASE OBLIGATIONS

Period ending September 30:		2005
2005	\$	8,676
2006		34,705
2007		34,705
2008		23,136
Total minimum lease payments	\$	101,222
Less amount representing interest at 11%		14,966
Present value of net minimum capital lease payments		86,256
Current portion of obligations under capital leases		26,287
	\$	59,969

During the quarter ended September 30, 2005, the Company through its subsidiary Tiomin Kenya Limited entered into capital leases in the amount of approximately \$104,127 for vehicles and a generator. Interest of approximately \$15,788 relating to the capital lease obligations has been included. During the quarter an amount of \$2,905 was paid of which \$822 was interest.

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 16, 2004 of the same year and included \$19,450 of interest.

11. SUBSEQUENT EVENTS

Subsequent to the quarter ended September 30, 2005, an Information Memorandum prepared by Tiomin Kenya Ltd., a wholly owned subsidiary of Tiomin in conjunction with the Mining and Metals Team of Barclays Capital, the investment banking division of Barclays Bank PLC, acting advisor to Tiomin regarding the financing of the Kwale project, delivered an Information Memorandum to a limited number of parties who have expressed an interest in providing debt finance for the Kwale project. This Information Memorandum is solely for the purpose of assisting these interested parties in deciding whether they wish to proceed with a further investigation of the Kwale project.

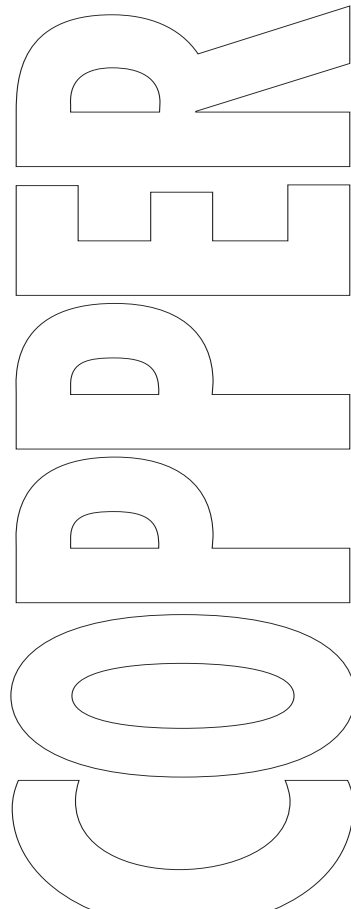
Also subsequent to the quarter ended September 30, 2005 SRK Consulting (UK) Ltd. ("SRK") completed its Independent Review of the Kwale Titanium Mineral Sands Project in Kenya which had been commissioned by Barclays Capital for the benefit of potential lenders to the project.

The review was undertaken to confirm that the plans for the development and operation of the Kwale mine and processing facilities have been based on adequate data and sound principles to achieve forecast production and results. Since SRK's initial study in 1999 and subsequent update of 2004, Tiomin has implemented several significant improvements to the project's design, planning and estimating that have satisfactorily resolved most of the issues identified in earlier SRK reviews.

As a result, SRK has concluded that "Tiomin's personnel, consultants and contractors have done an excellent job of progressing the project and that, over the past seven years of development, the Kwale project has reached the stage where it is low risk technically and economically and that it sees no issue that cannot be reasonably readily resolved or that would impair the project's ability to service the proposed debt."

On November 2, 2005 Tiomin announced that it has entered into an agreement led by Paradigm Capital Inc. and including Sprott Securities Inc. and Desjardins Securities Inc. to raise Cdn \$6 million through a fully marketed private placement of Units priced at \$0.40 per Unit. Each Unit will consist of one common share and one half of one common share purchase warrant (a "Purchase Warrant"). Each whole Purchase Warrant is exercisable into one common share of Tiomin at \$0.50 per share for a period of 18 months after closing. The issue is subject to an over-allotment provision for the purchase of up to an additional 6,250,000 Units or Cdn \$2.5 million. Purchasers of Units will also receive one half of one bonus warrant (a "Bonus Warrant") with each Unit purchased. Subject to certain exceptions, each Bonus Warrant will entitle the holder thereof to acquire one common share if Tiomin announces the issue of common shares or other securities at a price less than the price of this Offering during the period ending four months from the Closing Date. The Bonus Warrants will be exercisable at \$0.50 for a period of 18 months. The transaction is expected to close on or before November 29, 2005 and is subject to regulatory approval.

Net proceeds from the issue will be largely applied towards the Kwale titanium mineral sands project in Kenya as it prepares to enter the construction phase, as well as general corporate purposes.



TIOMIN RESOURCES INC.

26 Wellington Street East,
Suite 820
Toronto, Ontario,
Canada M5E 1S2

Phone 416-350-3779

Toll 1-800-555-0863

Fax 416-350-3570

www.tiomin.com