



TIOMIN RESOURCES INC.

**CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2006**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Quarters Ended March 31, 2006 and 2005

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 first quarter ended March 31, 2006 and should be read in conjunction with Tiomin's audited consolidated financial statements and related notes as at December 31, 2005. 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 May 10, 2006.

Overview

This discussion and analysis of the consolidated operating and financial condition of Tiomin for the first quarter ended March 31, 2006 and March 31, 2005, 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 18 King Street East, Suite 810, Toronto, Ontario, Canada M5C 1S2.

Tiomin 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 October 2003, the Company engaged Ausenco Limited ("Ausenco") 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 by mid-2004 and the report was issued to Tiomin in February 2005. The review confirmed the economic viability of the Kwale project. During 2005, Ausenco incorporated a number of changes, mainly with respect to capital and operating costs. Their report was filed on SEDAR in March 2006. Revised capital costs, including contingencies, are expected to be approximately US\$175 million excluding interest and financing costs, which is expected to be an additional US\$20 million. Capital payback is approximately four years.

Substantial progress was made during 2005 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 2005, the Company signed major sales agreements with two large reputable Chinese companies. The first contract signed in June 2005 provides for the sale of 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. The second contract signed in November 2005 provides for the sale of all unsold rutile and zircon over the life of the mine. Approximately 92% of the production from Kwale for the life of the mine has been sold. No additional ilmenite was sold during the quarter ended March 31, 2006.

The Company has engaged Ausenco International Pty Ltd (ABN 98 096 016 849) of Garden City Office Park, 2404 Logan Road, Eight Mile Plains, Queensland, Australia (“Ausenco”) to construct the Kwale plant. Ausenco will provide engineering, procurement and construction management, expertise in design, project management, construction, completion and commissioning the processing plant and facilities. Local infrastructure, which includes the Port facilities road access and other infrastructure, will be managed by local contractors.

On April 4, 2006, Tiomin signed a mandate letter with a syndicate of three financial institutions to arrange and underwrite a 8-year senior secured term loan of US\$120.0 million. The underwriting commitments provided are subject to finalization of due diligence and final internal approval of each of the underwriters.

On April 11, 2006, the Company entered into a memorandum of understanding (“MOU”) with Jinchuan Group Ltd. (“Jinchuan”) of the People’s Republic of China, whereby, among other things, Jinchuan intends to provide Tiomin Kenya Limited with a US\$35 million subordinated debt facility. The debt will amortize over the life of the Kwale project. Jinchuan will have the ability to acquire up to US\$35 million of shares in Tiomin at all times during the life of the debt either by converting some or all of the then outstanding debt and/or paying cash. The price for such conversion or purchase will be \$0.65 per common share. In addition Jinchuan has signed a subscription agreement whereby Jinchuan will subscribe to equity financing consisting of 16,520,000 units priced at \$0.45 for gross proceeds of \$7,434,000 or approximately US\$6,500,000. This private placement was completed on April 27, 2006. Each unit consists of one common share and one-half common share purchase warrant. Each whole common share purchase warrant (“Warrant”) entitles Jinchuan to purchase one common share at \$0.55 per share for a period of fifteen months. If Tiomin completes an equity offering prior to December 31, 2006 at a price less than \$0.45 per share, Jinchuan will be entitled to exercise an additional one-half common share purchase warrant per unit subscribed on the same terms as the Warrants. As a result, Jinchuan holds approximately 9.9% of Tiomin’s outstanding common shares.

On May 9, 2006, Tiomin announced a public equity offering (the “Offering”) to raise gross proceeds of approximately \$50 million to be used to construct and develop the Company’s Kwale titanium mineral sands project in Kenya.

The Offering will consist of Subscription Receipts of Tiomin. Each Subscription Receipt will entitle the holder to acquire, for no additional consideration, one Common Share and one-half of one common share purchase warrant of Tiomin (each whole such warrant a “Warrant”). Each Warrant shall entitle the holder to acquire an additional common share for a period of 18 months.

100% of the gross proceeds of the Offering will be deposited with and held in escrow pending satisfaction of certain release conditions (the “Release Conditions”), including in particular the finalization and availability of Tiomin’s previously announced senior debt facility in the amount of US\$120 million and subordinated debt facility in the amount of US\$35 million mentioned above. If the Release Conditions are satisfied on or before July 31, 2006, the Subscription Receipts will be automatically exercised into common shares and Warrants and the escrowed funds will be released to the Company. If the Release Conditions are not satisfied on or before July 31, 2006, holders of Subscription Receipts will have the right to require Tiomin to redeem their Subscription Receipts for the issue price plus accrued interest, and the escrowed funds will be used to satisfy the redemption price for the Subscription Receipts which are redeemed.

The terms of the Offering, including the offering price for the Subscription Receipts and the exercise price of the Warrants have not been finalized.

This amount with the recently signed mandate for the senior debt facility of US\$120 million mentioned above and the US\$35 million subordinated debt facility from Jinchuan will be used mainly to complete the US\$175 million project financing requirements for the construction and startup of the Kwale titanium mineral sands project in Kenya. The remaining funds will be used for payment of financing costs associated with the senior debt facility, termination of the Kenyan properties royalty interest, exploration work at its other titanium mineral sands properties and at its advanced-stage Pukaqaqa copper-gold project in Peru, and general corporate purposes.

Pursuant to the terms of the buy-back, Tiomin has agreed to make a cash payment of US\$2.0 million and issue five million common shares of the Company to Barrick Gold Corporation’s subsidiary Pangea Goldfields Inc. at the date of closing, which is to be five business days after availability of drawdown on the project debt financing for the Kwale project in Kenya.

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. ("RTZ") 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 spent 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 RTZ, 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 RTZ 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 of exploration expenditures in new exploration. Milpo will be the operator of the JV.

Results of Operations

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

During the first quarter ended March 31, 2006, the Company's operations consisted of the continued development of its Kenyan mineral sands properties and its interest in the Pukaqaqa copper-gold deposit located in Peru. During the three months ended March 31, 2006, \$238,386 (2005 - \$0) was invested in deferred exploration in the Kwale project and \$113,627 (2005 - \$748,943) was invested in the Pukaqaqa project (capitalized asset) as work on the projects continues. During the quarter ended March 31, 2006, the Company acquired mineral properties totaling \$174,688 (capitalized asset). This was attributable to the acquisition costs related to the Kwale project. The Company also spent \$8,019 on fixed assets, which was mainly attributable to computers and equipment purchases.

Tiomin's loss from operations for the first quarter ended March 31, 2006 totaled \$1,281,236 (\$0.01 per share) compared to \$489,466 (\$0.00 per share) for the same period in 2005. Operating expenses for the quarter ended March 31, 2006, excluding non-cash foreign exchange losses, were \$1,117,076 compared to \$517,273 in 2005.

Salaries and other compensation

Salaries and other compensation expenses for the quarter ended March 31, 2006 increased to \$804,489 compared to \$348,102 in 2005 as a result of increased activities at the Kwale project, which required additional staff to advance the project towards construction. Included in salaries and other compensation is a non-cash amount of \$644,703 (2005 - \$208,565), 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 March 31, 2006 and 2005 were \$41,785 and \$37,931, respectively, which equates to approximately a 10.1% increase. With the increased activity within the organization during the quarter the increase is modest.

Foreign exchange loss

Foreign exchange losses were \$186,252 and (\$26,643) for the quarters ended March 31, 2006 and 2005, 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 quarter.

Depreciation

During the quarters ended March 31, 2006 and 2005, depreciation charges of \$3,689 and \$2,795 were charged for the respective periods. These amounts remained constant for both years. During the quarter ended March 31, 2006, \$20,383 was capitalized to deferred exploration and development.

Interest

Interest charges for the quarters ended March 31, 2006 and 2005 were \$2,987 and \$nil, respectively. The amounts incurred during 2006 are for leased vehicles through the Company's wholly-owned subsidiary Tiomin Kenya Limited, acquired in the last quarter of 2005.

Travel

Travel expenses have increased over 2005 and are not expected to decrease during 2006 due to personnel and consultants traveling to Kenya and Australia for the construction and development of the Kwale project. During the quarters ended March 31, 2006 and 2005 amounts totaling \$72,059 and \$17,267, respectively were expensed.

Stock exchange fees

Amounts totaling \$14,571 and \$11,800 were expensed for the quarters ended March 31, 2006 and 2005, respectively. The increase was in line with inflation and increased activity.

Shareholders' information

For the quarters ended March 31, 2006 and 2005, amounts totaling \$28,198 and \$23,100 were expensed.

Promotion

Promotion expenses for the quarters ended March 31, 2006 and 2005 were \$45,198 and \$49,000 respectively. The Company is spending significant time and money promoting the various projects in order to raise the necessary funds to construct the Kwale project and does not foresee this amount being reduced during the balance of 2006.

Professional fees

Professional fees for the quarters ended March 31, 2006 and 2005 were \$88,250 and \$15,627, respectively. The Company continues to use experts where required for legal, accounting and tax matters and will continue to do so for the balance of 2006.

General exploration and write-off

General exploration and write-off expensed for the quarters ended March 31, 2006 and 2005 were \$15,849 and \$11,651, 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.

Interest income and other income

Interest income and other income received for the quarters ended March 31, 2006 and 2005 were (\$22,092) and (\$1,164). The amounts received for both years were mainly from funds invested in interest bearing instruments. This will vary from year to year.

Administrative expenses for the quarter ended March 31, 2006 have increased over the same period in 2005 mainly due to stock-based compensation, which is \$436,138 higher than in 2005 for the same period and foreign exchange losses which are \$212,895 higher than in 2005. Administrative expenses are expected to increase for the balance of 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.

	1st Quarter Mar. 31, 2006 \$	4th Quarter Dec. 31, 2005 \$	3rd Quarter Sep. 30, 2005 \$	2nd Quarter Jun. 30, 2005 \$
Total operating expenses	1,303,328	903,442	635,836	791,886
Net loss	1,281,236	893,859	620,491	772,945
Net loss per share	0.01	0.01	0.00	0.01

	1st Quarter Mar. 31, 2005 \$	4th Quarter Dec. 31, 2004 \$	3rd Quarter Sep. 30, 2004 \$	2nd Quarter Jun. 30, 2004 \$
Total operating expenses	490,630	474,561	423,244	383,296
Net loss	489,466	467,645	415,208	383,209
Net loss per share	0.00	0.01	0.00	0.00

Cash Flow and Liquidity

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

(in thousands of Canadian dollars)

	Three months: March 31, 2006	Fiscal year: 2005
Cash and cash equivalents	3,541	5,705
Working capital	2,762	4,607
Cash used in operating activities	(951)	(467)
Cash used in investing activities	(1,204)	(6,654)
Cash provided by (used in) financing activities	(10)	11,775

For the quarter ended March 31, 2006, Tiomin earned/ (used) (\$2,163,940) of cash compared to \$5,058,207 for the same period in 2005. Cash decreased during the quarter ended March 31, 2006 from operating activities (primarily from a decrease in accounts payable) of (\$302,673). Options were exercised for proceeds of \$82,150, which was offset by deferred financing charges of (\$82,866) and investing activities in mineral properties, deferred exploration expenditure and the acquisition of fixed assets. Tiomin had a working capital surplus of \$2,761,536 at March 31, 2005 compared to \$4,607,108 at December 31, 2005.

Commitments and Contractual Obligations

The Company leases premises in Toronto, which expired on January 31, 2006. As at December 31, 2005, future rental payments net of proceeds were \$10,666. The Company through its subsidiary Tiomin Kenya Ltd. has entered into capital lease agreements. An amount of approximately \$130,095, or monthly average payments of approximately \$4,031, which include interest, are payable until August 2008. In addition, Tiomin Kenya Ltd. has leased office premises for five years for approximately \$89,459 (or approximately \$1,450 per month), and a house for two years for approximately \$43,602 (or approximately \$1,900 per month).

At March 31, 2006, an amount of \$104,026 (December 31, 2005 - \$112,174) is owed excluding interest of approximately \$15,056 (December 31, 2005 - \$17,921) on the capital lease obligation. The long-term debt of \$386,000 is comprised of a Canadian International Development Agency grant (as described in note 5a to the consolidated financial statements) that is not repayable until the Company earns in excess of \$5.0 million from the Kwale project, which is not anticipated until mid-2008.

On February 2, 2006, the Company entered into an office lease for approximately 3,103 square feet of space for five years commencing on July 1, 2006 and ending on August 31, 2011. During the period July 1, 2006 through August 31, 2011, a fixed minimum annual rent of Forty Three Thousand, Four Hundred and Forty-Two Dollars (\$43,442) or \$14 per square foot of the rentable area will be payable in equal monthly installments of Three Thousand, Six Hundred and Twenty Dollars and Seventeen Cents (\$3,620.17) payable in advance on the 1st day of each month. Additional rent will be charged for a proportionate share of the costs of the operation, local taxes, utility costs and any special services provided to the tenant.

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.

During the quarter ended March 31, 2006, 305,000 stock options were exercised for proceeds of \$82,150.

Capital Expenditure Commitments

At March 31, 2006, Tiomin had no capital commitments, other than amounts already accrued or reflected in accounts payable. The Company will however be making capital commitments in the next few months with regards to the Kwale project.

Off-Balance Sheet Arrangements

Tiomin has no off-balance sheet arrangements.

Transactions with Related Parties

During the quarter ended March 31, 2006, there have been no transactions with related parties.

Exploration Update

During the quarter ended March 31, 2006, the Company continued to focus on the development of its Kenyan mineral sands properties.

The Kwale project remains 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 first quarter of 2006. This EPCM contract is expected to be finalized during the second quarter of 2006 and the construction of the Kwale Project is also expected to commence during the second quarter of 2006 subject to the closing of the various project debt financings.

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 March 31, 2006, the Company had issued and outstanding 150,664,536 common shares (December 2005 - 150,359,536) and 192,070,204 issued on a fully diluted basis (December 2005 - 189,750,203). Included in the fully diluted number are 31,900,668 warrants (December 2005 - 31,900,668), 8,455,000 stock options (December 2005 - 6,410,000) and 1,050,000 compensation units that are described in detail in note 6 to the consolidated financial statements and which, if exercised in their entirety, would contribute a further \$19.2 million to the Company in the future. On April 14, 2006, 7,858,556 bonus warrants at \$0.50 were cancelled.

For the quarter ended March 31, 2006, 2,350,000 stock options were granted at market price on the dates of the grants at an average exercise price of \$0.40 and no options were cancelled or expired. During the quarter ended March 31, 2006, 305,000 options were exercised.

Subsequent Event

Subsequent to the quarter ended March 31, 2006, the Company entered into an agreement with Barrick Gold Corporation ("Barrick") to buy back the 20-per-cent net profit interest royalty from Barrick's subsidiary Pangea Goldfields Inc. ("Pangea").

Pursuant to the terms of the buy-back, Tiomin has agreed to make a cash payment of US\$2.0 million and issue five million common shares of the Company to Pangea at the date of closing, which is to be five business days after availability of drawdown on the project debt financing for the Kwale project in Kenya. If the closing does not take place by September 27, 2006, the agreement will be terminated without payment and Pangea will retain the royalty interest. Tiomin has also agreed to make a cash payment of US\$1.0 million, only if and when commercial production is reached, for each of the other properties (Kilifi, Vipingo and Mambrui), or if Tiomin sells an interest in any such property to a third party, Pangea will have the right of first refusal on any sale of interest in the four properties mentioned above.

Subsequent to the quarter ended March 31, 2006, 360,000 stock options were exercised for total proceeds of \$96,600.

Uncertainties and Risk Factors

The mining business is inherently risky in nature. Exploration activities rely on professional judgments and statistically based tests and calculations and often yield few rewarding results. Mineral properties are often non-productive for reasons that cannot be anticipated in advance and operations may be subject to risks including labour disputes, environmental hazards, safety issues, geological issues, weather conditions, and changing regulatory requirements as examples. Tiomin is subject to competitive risk as its ability to finance its activities and generate profitable operations or proceeds from disposal of assets are subject to the world price for the precious metals and the economic forces that influence capital markets. As a result the securities of Tiomin must be considered speculative. A prospective investor in Tiomin should carefully consider the following factors:

Exploration and Development

Exploration for gold, copper and other minerals is highly speculative in nature, involves many risks and frequently is unsuccessful. There can be no assurance that exploration efforts will result in the discovery of mineralization or that any mineralization discovered will result in the definition reserves. If reserves are developed, it may take a number of years and substantial expenditures from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. No assurance can be given that exploration programs will result in the definition of reserves or that reserves may be economically mined.

The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors, which are beyond the control of the Company. All exploration and development evaluation expenditures incurred in Tiomin, prior to establishing that a property has economically recoverable reserves are capitalized.

Operating Hazards and Risks

Mineral exploration and mining involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The work that the Company proposes to undertake will be subject to all the hazards and risks normally incidental to exploration, development and production, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labour disruptions, flooding, explosions and cave-ins, are all the risks involved in the operation of mines and the conduct of exploration programs. Although the Company has secured liability insurance and will, when appropriate, secure property insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs or uninsured losses that could have a material adverse effect upon its financial condition.

Regulations and Mining Law

Mining operations and exploration activities are subject to extensive local and overseas' laws and regulations governing exploration, development, production, taxes, labour standards, occupational health, waste disposal, protection and remediation of the environment, reclamation, mine safety, toxic substances and other matters. Compliance with such laws and regulations increases the costs of planning, designing, developing, constructing, operating and closing mines and other facilities. It is possible that the costs and delays associated with compliance with such laws and regulations could become such that the Company would not proceed with or would postpone the development and operation of a mine or mines.

Environmental Factors

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which they operate. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Tiomin's operations or result in substantial costs and liabilities in the future.

Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. Obtaining the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions. There can be no assurance that Tiomin will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

Title to Assets

Although the Company believes that it holds valid title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned.

Financing Risks

Tiomin has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development work or to fulfill its obligations under any applicable agreements. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development plans.

Metal and Mineral Prices

The Company's revenues, if any, are expected to be in large part derived from the mining and sale of mineral sands and other metals or interests related thereto. The price of those commodities has fluctuated in recent years, and is affected by numerous factors beyond the Company's control including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumption patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods. The effect of these factors on the price of mineral sands and precious metals makes it difficult to predict the economic viability of the Company's operations.

Governmental Regulation

Exploration, development and mining of the properties will be affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) mining law; (iii) restrictions on production; price controls; and tax increases; (iv) maintenance of claims; (v) tenure; and (vi) expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are required in connection with the exploration activities proposed for the properties. To the extent such approvals are required and not obtained, the Company's planned exploration, development and production activities may be delayed, curtailed, or cancelled entirely.

Failure to comply with applicable laws, regulations and requirements may result in enforcement action against the Company, including orders calling for the curtailment or termination of operations on the properties, or calling for corrective or remedial measures requiring considerable capital investment. Parties engaged in mineral exploration and mining activities may be subject to civil and criminal liability as a result of failure to comply with applicable laws and regulations.

Amendments to current laws, regulations and permitting requirements affecting mineral exploration and mining activities could have a material adverse impact on the Company's operations and prospects.

No Dividends

Tiomin has not paid any dividends on its Common Shares during the past five years. Any decision to pay dividends on its shares in the future will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company and other factors which the board of directors of the Company may consider appropriate in the circumstances.

Dependence on Key Employees

Tiomin's future growth and its ability to develop depend, to a significant extent, on its ability to attract and retain highly qualified personnel. Tiomin is highly dependent on the principal members of its senior management group and the loss of their services might impede Tiomin's business strategy and growth. The loss of one or more key employees could have an adverse effect on the growth and profitability of Tiomin.

Conflicts Of Interest

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other reporting companies or may have significant shareholdings in other reporting companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from

voting for or against the approval of such participation or such terms.

Competition

The mineral industry is intensely competitive in all its phases. Tiomin competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees.

Share Price Fluctuations

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies, have experienced wide fluctuations in price which would have not necessarily been related to the operating performance, underlying asset values or prospect of such companies. There can be no assurance that continual fluctuation in share price will not occur.

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.

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.

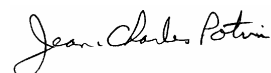
CONSOLIDATED BALANCE SHEETS

As at March 31 (Stated in Canadian dollars)

	March 2006 Unaudited	December 2005 Audited
ASSETS		
Current		
Cash and cash equivalents	3,540,701	5,704,641
Receivables	58,723	60,097
Prepaid expenses	24,252	44,500
	<u>3,623,676</u>	<u>5,809,238</u>
Fixed assets, net of accumulated depreciation (note 3)	920,719	936,772
Mineral properties (note 4)	2,572,270	2,397,582
Deferred exploration and development (note 4)	23,852,280	22,811,087
Deferred financing costs	141,864	58,998
	<u>27,487,133</u>	<u>26,204,439</u>
	<u>31,110,809</u>	<u>32,013,677</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 5b)	823,885	1,164,222
Current portion of capital lease obligations (note 9)	38,255	37,908
	<u>862,140</u>	<u>1,202,130</u>
Long-term		
Capital lease obligations (note 9)	65,771	74,266
Long-term liabilities (note 5a)	386,262	386,262
	<u>452,033</u>	<u>460,528</u>
SHAREHOLDER' EQUITY		
Capital stock (note 6a)	105,077,006	104,994,856
Contributed surplus (note 6d)	2,589,024	1,944,321
Deficit	(77,869,394)	(76,588,158)
	<u>29,796,636</u>	<u>30,351,019</u>
	<u>31,110,809</u>	<u>32,013,677</u>

See accompanying notes

Approved on behalf of the Board:



Jean-Charles Potvin
Chairman



Oliver Lennox-King
Director

TIOMIN RESOURCES INC.**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

For the quarters ended March 31 (Stated in Canadian dollars)

	2006 <u>Unaudited</u>	2005 <u>Unaudited</u>
EXPENSES		
Salaries and other compensation (note 6c and 6d)	804,489	348,102
Office costs	41,785	37,931
Foreign exchange loss/(gain)	186,252	(26,643)
Depreciation	3,689	2,795
Interest	2,987	-
Travel	72,059	17,267
Stock exchange fees	14,571	11,800
Shareholders' information	28,198	23,100
Promotion	45,198	49,000
Professional fees	88,250	15,627
General exploration and write-off	<u>15,849</u>	<u>11,651</u>
Total expenses	1,303,328	490,630
Less: interest income and other income	<u>(22,092)</u>	<u>(1,164)</u>
Net loss for the year	1,281,236	489,466
Share issue costs	-	514,744
Deficit, beginning of year	<u>76,588,158</u>	<u>72,481,388</u>
Deficit, end of year	<u>77,869,394</u>	<u>73,485,598</u>
Basic and diluted loss per share	<u>\$ 0.01</u>	<u>\$ 0.00</u>
Basic and diluted weighted average shares outstanding	150,520,425	107,969,422

See accompanying notes

TIOMIN RESOURCES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the quarters ended March 31 (Stated in Canadian dollars)

	2006 Unaudited	2005 Unaudited
OPERATING ACTIVITIES		
Net loss for the year	(1,281,236)	(489,466)
<i>Add (deduct) non-cash items</i>		
Depreciation charges	3,689	2,795
Compensation expense	644,703	208,565
Sublease expense	(2,666)	(7,998)
<i>Change in non-cash working capital</i>		
(Increase) decrease in receivables	1,374	(28,607)
Decrease (increase) in prepaid expenses	20,248	269,356
Increase (decrease) in accounts payables and accrued liabilities	(336,791)	(42,961)
	<u>(950,679)</u>	<u>(88,316)</u>
INVESTING ACTIVITIES		
Mineral properties acquired	(174,688)	(372,827)
Deferred exploration and development expenditures	(1,020,810)	(1,133,882)
Net fixed assets acquisitions	(8,019)	(14,247)
	<u>(1,203,517)</u>	<u>(1,520,956)</u>
FINANCING ACTIVITIES		
Cash received for common shares	82,150	7,182,223
Payment on capital lease obligations	(9,028)	-
Share issue costs	-	(514,744)
Deferred finance costs	(82,866)	-
	<u>(9,744)</u>	<u>6,667,479</u>
Net increase (decrease) in cash and cash equivalents	(2,163,940)	5,058,207
Cash and cash equivalents, beginning of year	<u>5,704,641</u>	<u>1,050,113</u>
Cash and cash equivalents, end of period	3,540,701	6,108,320
<u>Supplementary cash flow information</u>		
Interest received	<u>22,092</u>	<u>1,165</u>

See accompanying notes

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

1. NATURE OF OPERATIONS

Tiomin Resources Inc. (the “Company” or “Tiomin”) and its subsidiaries have mineral exploration properties located mainly in Kenya. The Company is a development stage enterprise and currently has no significant revenue from operations. The exploration and development of mineral properties involves significant financial risk. The recoverability of the amounts shown for the mineral properties and the related deferred expenditures is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves, confirmation of the Company’s and its subsidiaries’ interest in the underlying mineral claims, 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 the three months ended March 31, 2006 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 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 for 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 comprise 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.

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.

Stock-based Compensation

The Company has a stock-based compensation plan that is described in note 6(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 capital stock.

3. FIXED ASSETS

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

	March 31, 2006 Cost	March 31, 2006 Accumulated depreciation	Net book value	December 31, 2005 Cost	December 31, 2005 Accumulated depreciation	Net book value
Computers	120,847	88,687	32,160	120,447	82,727	37,720
Furniture and fixtures	97,285	36,041	61,244	97,285	30,650	66,635
Equipment	102,434	63,470	38,964	94,815	60,021	34,794
Vehicles	124,681	29,029	95,652	124,681	19,757	104,924
Land	692,699	-	692,699	692,699	-	692,699
Total	1,137,946	217,227	920,719	1,129,927	193,155	936,772

During the quarter ended March 31, 2006, \$20,383 (2005 - \$1,342) of depreciation was capitalized to deferred exploration and development.

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, 2006 (cost)	December 31, 2005 (cost)	March 31, 2006 (cost)	December 31, 2005 (cost)
Kenya	1,649,242	1,474,554	22,281,960	21,354,394
Peru	923,028	923,028	1,570,320	1,456,693
Total	\$2,572,270	\$2,397,582	\$23,852,280	\$22,811,087

In June 1996, the Company acquired from Pangea Goldfields Inc. (“Pangea”), subsequently purchased by Barrick Gold Corp. (“Barrick”), a 100% interest, subject to a 20% net profit interest royalty (“NPI”), in the exploration rights of three Special Licences along the Kenyan coast. Under the terms of the agreement, the Company 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 have been renewed 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 2.5% gross revenue (FOB) royalty to the Government of Kenya.

Subsequent to the quarter ended March 31, 2006, the Company entered into an agreement with Barrick to buy back the 20-per-cent net profit interest royalty from Barrick’s subsidiary Pangea Goldfields Inc.

Pursuant to the terms of the buy-back, Tiomin has agreed to make a cash payment of US\$2.0 million and issue five million common shares of the Company to Pangea at the date of closing, which is to be five business days after availability of drawdown on the project debt financing for the Kwale project in Kenya. If the closing does not take place by September 27, 2006, the agreement will be terminated without payment and Pangea will retain the royalty interest. Tiomin has also agreed to make a cash payment of US\$1.0 million, only if and when commercial production is reached, for each of the other properties (Kilifi, Vipingo and Mambui), or if Tiomin sells an interest in any such property to a third party, Pangea will have the right of first refusal on any sale of interest in the four properties mentioned above.

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 \$2 million on October 1, 2007. RTZ retains a net smelting return royalty of up to 1%.

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

- US\$1 million in exploration expenditures of which US\$300,000 is to be contributed before October 2005 (paid), 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. Effectively, 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, payable 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 expenditures.

5. 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 million. In the event that the Kwale project is not put into production or fails to achieve the sales threshold, the loan will be treated as a grant and the Company will not be required to repay the loan. The Company 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 since September 1, 2003. This resulted in the aggregate rent differential of \$77,325 being recognized as a charge to earnings in 2003. As at December 31, 2003, long-term liabilities included \$34,656, which represents net rent payments which will be made in 2005 and January 2006, which have been made. As at March 31, 2006, this amount has been paid and is no longer in accounts payable and accrued liabilities.

6. CAPITAL STOCK

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

	<u>Shares #</u>	<u>Amount \$</u>
Common shares, January 1, 2005	116,467,525	92,154,473
Private placement	33,217,111	12,658,160
Issued upon exercise of warrants	674,900	182,223
Total common shares, December 31, 2005	150,359,536	104,994,856
Issued upon exercise of options	305,000	82,150
Total common shares, March 31, 2006	150,664,536	105,077,006

On June 16, 2004, the Company, pursuant to a private placement, issued 11,991,051 units at \$0.35 per unit for gross proceeds of \$4,196,868. Each unit consists of one common share and one-half common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at \$0.50 per share for a period of 18 months from the issue date. The 5,995,529 warrants were due to expire on

December 15, 2005. Approval was obtained from the Toronto Stock Exchange (“TSE”) to extend the expiry date of 5,965,529 warrants to June 15, 2006. 30,000 warrants belonging to insiders were not extended.

On January 6, 2005, 674,900 warrants due to expire on January 10, 2005 were exercised at \$0.27 per unit for proceeds totalling \$182,223.

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 per unit. 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 per share until March 8, 2007. In addition, the Company 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 per unit 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. Issue costs related to this equity financing amounted to \$808,305.

Included in share issue costs is \$276,892 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 3%, expected dividend yield of nil, expected volatility of 54.1% and expected option life of two years.

On December 15, 2005, the Company announced that it had closed a private placement of \$5,658,160. The equity financing consisted of 15,717,111 units priced at \$0.36 per unit. 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 per share until June 14, 2007. In addition, the Company granted one right to acquire an additional one-half of one common share purchase warrant. Each right entitles the holder to acquire one-half of one Bonus Warrant for no additional consideration in the event that prior to April 14, 2006 the Company announces an offering of common shares or securities convertible into common shares at a purchase price (or exercise price) of less than \$0.36 per share (the “New Issue”). Each whole Bonus Warrant, if used, will entitle the holder to acquire one common share at \$0.50 per share for a period expiring on the earlier of (i) 18 months after the closing date of the New Issue and (ii) December 14, 2007. These warrants were cancelled on April 14, 2006. The Company also issued to Agents compensation options entitling the Agents to acquire, in aggregate, 943,027 Compensation Units at a price of \$0.36 per unit for a period expiring on June 14, 2007. Each Compensation Unit has the same attributes as the units sold under the offering. Issue costs related to this equity financing amounted to \$521,704.

Included in share issue costs is \$57,892 estimated at the date of grant using the Black-Scholes pricing model for the Compensation Units issued to the underwriters with the following assumptions: risk-free interest rate of 4%, expected dividend yield of nil, expected volatility of 25.7% and expected option life of 18 months.

During the quarter ended March 31, 2006, 305,000 stock options were exercised for proceeds of \$82,150.

Subsequent to the quarter ended March 31, 2006, Jinchuan Group Ltd. (“Jinchuan”) of the People’s Republic of China signed a subscription agreement and closed a private placement on April 27, 2006. The equity financing consisted of 16,520,000 units priced at \$0.45 per unit. 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 \$0.55 per share until July 27, 2007. In addition, the Company granted one right to acquire an additional one-half of one common share purchase warrant. Each right entitles the holder to acquire one-half of one Bonus Warrant for no additional consideration in the event that prior to December 31, 2006 the Company announces an offering of common shares or securities convertible into common shares at a purchase price (or exercise price) of less than \$0.45 per share (the “New Issue”). Each whole Bonus Warrant, if used, will entitle the holder to acquire one common share at \$0.55 per share for a period of 15 months after the closing date of the New Issue. As a result, Jinchuan holds approximately 9.9% of Tiomin’s outstanding common shares.

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 March 31 2006. All warrants are convertible into one common share of the Company.

Type	Total Outstanding	Exercise Price	Expiry Date
Series I	5,965,529	\$0.50	Jun 15, 2006
Series J	9,275,000	\$0.50	Mar 8, 2007
Compensation Warrants	1,050,000	\$0.40	Mar 8, 2007
Series K	7,858,556	\$0.50	Jun 14, 2007
Bonus warrants	7,858,556	\$0.50	Dec 14, 2007
Compensation Warrants	943,027	\$0.36	Jun 14, 2007
Total	32,950,668	\$0.49	Jun 15, 2006 - Dec 14, 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 costs. 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.

Subsequent to the quarter ended March 31, 2006, 7,858,556 Bonus warrants were cancelled reducing the number of warrants outstanding to 25,092,112.

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 Common shares reserved for issuance under the Plan shall not exceed 13,000,000. The total number of Common shares which may be reserved for issuance to any one individual under the Plan shall not exceed 5% of the total number of issued and outstanding common shares (on a non-diluted basis) and Common shares reserved for issuance under the Plan. Options granted since 1995 have a five-year term and are priced at the Toronto Stock Exchange 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.

	March 31, 2006		December 31, 2005	
	Options	Weighted Average Exercise Price \$	Options	Weighted Average Exercise Price \$
Outstanding, beginning of year	6,410,000	0.33	4,050,000	0.41
Granted	2,350,000	0.40	3,370,000	0.36
Exercised	(305,000)	0.27	-	-
Cancelled / expired	-	-	(1,010,000)	0.76
Outstanding, end of the year	8,455,000	0.35	6,410,000	0.33
Options exercisable at the end of period	8,038,333	0.35	3,540,000	0.30

The following table summarizes information about the stock options outstanding as at March 31, 2006.

Range of Exercise Prices	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	Number Outstanding As at March 31, 2006	Weighted Average Remaining Life (years)	Weighted Average Exercise Price \$	Number Exercisable As at March 31, 2005	Weighted Average Exercise Price \$
\$0.23-0.28	1,455,000	1.43	0.25	1,455,000	0.25
\$0.30 - 0.38	4,470,000	3.21	0.34	4,203,333	0.34
\$0.40 – 0.50	2,480,000	4.64	0.41	2,330,000	0.41
\$0.65	50,000	0.10	0.65	50,000	0.65
	8,455,000	3.30	0.35	8,038,333	0.35

During 2005, 3,370,000 options were granted. The fair value of the options granted 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 of five years. Under this method of calculation, the fair value of the 3,370,000 stock options granted in 2005 is \$918,542. An amount of \$29,740 relates to options granted in 2003 and 2004 vesting in 2005. A total of \$948,282 is being recognized as a compensation expense over its vesting period and was included in the consolidated statements of operations and deficit for the year ended December 31, 2005 (2004 - \$195,739). During the year ended December 31, 2005, a total of 1,010,000 stock options were cancelled.

During the quarter ended March 31, 2005, 2,350,000 options were granted. The fair value of the options granted was estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 3.86%, expected dividend yield of nil, expected volatility between 86.748% and 87.015% and expected option life of five years. Under this method of calculation, the fair value of the 2,350,000 stock options granted during the quarter ended March 31, 2006 is \$609,744. An amount of \$34,959 relates to options granted in 2005 vesting in 2006. A total of \$644,703 is being recognized as a compensation expense over its vesting period and was included in the consolidated statements of operations and deficit for the three month period ended March 31, 2006.

d) **CONTRIBUTED SURPLUS**

	March 31, 2006	December 31, 2005
Balance, beginning of year	1,944,321	661,255
Stock-based compensation during the year		
- Stock options granted	609,744	918,542
- Compensation shares vesting	34,959	29,740
- Share purchase warrants issued	-	334,784
Balance, end of year	\$2,589,024	\$1,944,321

7. **INCOME TAXES**

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

	2005	2004
	\$	\$
Non-capital losses carried forward	5,462,000	4,887,000
Resource-related deductions	3,620,000	3,575,000
Share issue costs	479,000	185,000
Fixed assets	282,000	276,000
Future tax assets	9,843,000	8,923,000
Valuation allowance	(9,843,000)	(8,923,000)
Net future tax assets	—	—

As at December 31, 2005, 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	1,372,000
2010	1,420,000
2011	3,193,000
2012	3,445,000
	\$16,008,000

8. **LEASE COMMITMENT**

The Company through its subsidiary Tiomin Kenya Limited entered into 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 ended March 31:		2006
2006		36,612
2007		48,816
2008		33,654
Total minimum lease payments	\$	119,082
Less amount representing interest at 11%		15,056
Present value of net minimum capital lease payments		104,026
Current portion of obligations under capital leases		38,255
	\$	65,771

During the year ended December 31, 2005, the Company through its subsidiary Tiomin Kenya Limited entered into capital leases of approximately \$145,119 for vehicles and a generator. Interest of approximately \$21,989 relating to the capital lease obligations has been included. During the year ended December 31, 2005, \$10,835 was paid, of which \$4,063 was interest.

During the quarter ended March 31, 2006, \$9,028 was paid, of which \$2,987 was interest.

10. **SUBSEQUENT EVENT**

On April 4, 2006, Tiomin signed a mandate letter with a syndicate of three financial institutions to arrange and underwrite a 8-year senior secured term loan of US\$120.0 million. The underwriting commitments provided are subject to finalization of due diligence and final internal approval of each of the underwriters.

On April 11, 2006, the Company entered into a memorandum of understanding (“MOU”) with Jinchuan, whereby, among other things, Jinchuan intends to provide Tiomin Kenya Limited with a US\$35.0 million subordinated debt facility. The debt will amortize over the life of the Kwale project. Jinchuan will have the ability to acquire up to US\$35 million of shares in Tiomin at all times during the life of the debt either by converting some or all of the then outstanding debt and/or paying cash. The price for such conversion or purchase will be \$0.65 per common share. The terms and conditions of this debt facility have been finalized on April 27, 2006 and are subject to shareholder approval at the planned Annual Special Meeting to be held on June 14, 2006.

Subsequent to the quarter ended March 31, 2006, 360,000 stock options were exercised for total proceeds of \$96,600.

Subsequent to the quarter ended March 31, 2006, Tiomin announced a public equity offering (the “Offering”) to raise gross proceeds of approximately \$50 million to be used to construct and develop the Company’s Kwale titanium mineral sands project in Kenya.

The Offering will consist of Subscription Receipts of Tiomin. Each Subscription Receipt will entitle the holder to acquire, for no additional consideration, one Common Share and one-half of one common share purchase warrant of Tiomin (each whole such warrant a “Warrant”). Each Warrant shall entitle the holder to acquire an additional common share for a period of 18 months.

100% of the gross proceeds of the Offering will be deposited with and held in escrow pending satisfaction of certain release conditions (the “Release Conditions”), including in particular the finalization and availability of Tiomin’s previously announced senior debt facility in the amount of US\$120 million and subordinated debt facility in the amount of US\$35 million mentioned above. If the Release Conditions are satisfied on or before July 31, 2006, the Subscription Receipts will be automatically exercised into common shares and Warrants and the escrowed funds will be released to the Company. If the Release Conditions are not satisfied on or before July 31, 2006, holders of Subscription Receipts will have the right to require Tiomin to redeem their Subscription Receipts for the issue price plus accrued interest, and the escrowed funds will be used to satisfy the redemption price for the Subscription Receipts which are redeemed.

The terms of the Offering, including the offering price for the Subscription Receipts and the exercise price of the Warrants have not been finalized.

This amount with the recently signed mandate for the senior debt facility of US\$120 million mentioned above and the US\$35 million subordinated debt facility from Jinchuan will be used mainly to complete the US\$175 million project financing requirements for the construction and startup of the Kwale titanium mineral sands project in Kenya. The remaining funds will be used for payment of financing costs associated with the senior debt facility, termination of the Kenyan properties royalty interest, exploration work at its other titanium mineral sands properties and at its advanced-stage Pukaqaqa copper-gold project in Peru, and general corporate purposes.

