

TIOMIN RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

(All monetary amounts have been expressed in thousands of Canadian dollars)

Year Ended December 31, 2006

This Management's Discussion and Analysis of Tiomin Resources Inc. ("Tiomin" or the Company) is dated March 13, 2007 and should be read in conjunction with the Company's Annual Audited Consolidated Financial Statements for the year ended December 31, 2006 prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All dollar amounts referred to are expressed in Canadian dollars.

Selected Annual Financial Information

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

(000's)	Year ended Dec.31, 2006	Year ended Dec.31, 2005	Year ended Dec.31, 2004
	\$	\$	\$
Loss before interest and amortization	33,935	2,805	1,595
Net loss	32,908	2,777	1,611
Net loss per share	0.09	0.02	0.01
Total assets	73,163	32,013	21,064
Long-term debt	496	460	386

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.

Company Highlights

- Completed a private placement in April 2006 for total proceeds of \$7.4 million.
- Completed a prospectus offering for total proceeds of \$60 million on July 31, 2006.
- Structured a US\$155 million senior and subordinated debt facility for the Kwale project.
 - Senior debt of US\$120 million.
 - Subordinated debt of US\$35 million.
- Structured a cost overrun facility of US\$25 million.
- Tiomin was presented with the Development Funding Award at the Mines & Money 2006 International Conference in London for the most innovative mining project financing.
- Commenced design and engineering work for the Kwale Project in August 2006.
- Commenced construction of the Port facility in the fourth quarter of 2006.
- Sold the balance of the zircon, rutile and ilmenite for the life of mine during 2006.

Company Disappointments

- Due to lack of access to the project site on October 10, 2006, the Company was unable to proceed with the construction of the project and therefore unable to meet the previously published development schedule and budget. This eventually resulted in the Company declaring Force Majeure on December 12, 2006.
- Received a letter from the project's senior lenders stating that they would not be in a position to disburse funds for the project expected to take place in February 2007 if there are, at any time, incomplete legal processes that may impact title and access to the land required for the project.
- Suspended construction during 2006 due to legal and bureaucratic delays by the Government of Kenya ("GOK") that have negatively impacted the Project's rate of return.
- Unable to meet the requirements of the project's lenders syndicate and cancelled the various facilities on February 13, 2007 and February 14, 2007 respectively.
- Tiomin ceased paying or accruing future commitment fees on the dates mentioned above related to maintaining the debt facility until the project plan is updated and significant conditions precedent, including funding of forecast cost overruns, are either satisfied, or a suitable plan to satisfy them is presented. Tiomin anticipates paying additional financing and commitment fees related to future project reviews and approvals necessary to obtain and utilize the debt facility.

Company Future

- The Company will continue investigating different alternatives to develop the Kwale project.
- Will continue funding the exploration of the Pukakaqa property on which it owns 49%.
- Will during the course of 2007 find other advanced exploration projects to build shareholder wealth.

Overview

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 1C4.

Tiomin is involved in the exploration and development of industrial mineral and base metal projects. Since mid-1998, the Company has focused mainly on the development of its Kwale titanium-bearing mineral sands project in Kenya, which is its most significant asset. 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.

During the year ended December 31, 2006 the Company achieved a great deal, but also had some major disappointments as mentioned above. The Company not only completed a private placement with Jinchuan Group Ltd. ("Jinchuan") of the People's Republic of China for \$7.4 million, completed a prospectus financing, raising \$60 million but also arranged a debt facility of US\$155 million to construct the Kwale project in Kenya. The single biggest disappointment for Tiomin were the legal and bureaucratic delays it experienced with the GOK in gaining access to the mine site, which has resulted in the suspension of the project.

The Jinchuan private placement consisted of 16,520,000 units priced at \$0.45 per unit and each unit entitles the holder 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 held at the time of closing the transaction on April 27, 2006 approximately 9.9% of Tiomin's outstanding common shares, excluding the exercise of warrants and bonus warrants. During the third quarter ended September 30, 2006 Jinchuan's interest was diluted to 4.4% of Tiomin's outstanding common shares and remains here at December 31, 2006.

On July 31, 2006, Tiomin closed a prospectus offering consisting of 200,000,000 subscription receipts at a price of \$0.30 per subscription receipt. The offering was to consist of approximately 166,666,667 subscription receipts at a price of \$0.30 per subscription receipt with each subscription receipt entitling the holder to acquire, for no additional consideration, one common share and one-half of one Series O common share purchase warrant of Tiomin (each whole Series O common share purchase warrant a "Warrant"). Each Warrant shall entitle the holder to acquire an additional common share at a price of \$0.36 per common share for a period of 18 months. In addition, the Agents were granted an option exercisable up until closing, to increase the size of the Offering by up to \$10 million.

Wellington West Capital Markets Inc. and Paradigm Capital Inc. were the co-lead agents and Jennings Capital Inc. (the "Agents") participated in the syndicate for the Offering. The total \$60 million of the offering was deposited with Computershare Trust Company of Canada and held in escrow pending satisfaction of certain release conditions (the "Release Conditions"). The Release Conditions were met to the satisfaction of the Agents on July 31, 2006 and the Subscription Receipts were exercised into common shares and Warrants and the escrowed funds were released to the Company.

A non-refundable amount of \$1.8 million was paid to the Agents on the closing of the Offering on June 6, 2006 and the balance of \$1.8 million was paid on July 31, 2006. Share issue costs of \$4.2 million were incurred to complete this transaction, which equates to approximately 7.0%.

On July 31, 2006, the Company announced that it had structured a financing package totalling US\$201 million for the construction and development of the Kwale mineral sands project in Kenya. The Company entered into definitive agreements with respect to the project's debt financing totalling US\$155 million. With half of the capital expenditures for the project re-validated during the extensive due diligence process, the total costs were projected at approximately US\$178 million (including working capital and contingencies).

Prior to the cancellation of the debt facility on February 13, 2007, the debt financing comprised three separate debt facilities (collectively, the "Debt Facilities"): (1) a senior loan facility in the amount of US\$120 million (the "Senior Facility"), (2) a junior loan facility in the amount of US\$35 million (the "Junior Facility"), and (3) a cost overrun facility in the amount of US\$25 million (the "Overrun Facility"). Tiomin Kenya, a wholly owned subsidiary of Tiomin and owner of the project was to be the borrower of the Debt Facilities, with the Company acting as guarantor during the pre-completion period. The Debt Facilities were to be secured by a charge on substantially all of the assets associated with the project.

As a condition of obtaining the Debt Facilities, the Company agreed to advance US\$46 million to Tiomin Kenya Limited ("Tiomin Kenya") as an equity contribution. This equity contribution was to be funded from the proceeds of the subscription receipt financing described above and was to be used to fund the initial phase of construction. Following expenditure of the equity contribution, Tiomin Kenya was to draw down pro-rata on the senior facility and the junior facility to fund the balance of the project development costs. In accordance with the project construction schedule and budget, initial drawdown under the senior facility and the junior facility was scheduled to occur in February 1, 2007.

Unfortunately due to legal and bureaucratic delays by the GOK, including but not limited to access to the project site, the gazettelement of the fiscal agreement, port tariffs charges, certain stamp duties, withholding taxes exemptions and the modification of the existing mining lease to encompass all land required for the project, Tiomin Kenya was forced to declare Force Majeure on December 12, 2006, given its inability to obtain unrestricted access to the mining lease to initiate construction activities. Even though great efforts were subsequently made by the GOK after declaring Force Majeure the GOK was still unable to comply with all the conditions precedent in the Common Terms Agreement signed by the Company on July 31, 2006 with the project lenders. This has resulted in the project not only being approximately three months late, but also caused Tiomin Kenya to miss critical deadlines for obtaining long lead items in this equipment demand driven market. Capital costs have increased against the original budget, but the US dollar has depreciated against a basket of currencies including the Australian dollar, the Euro, the Kenyan Shilling, the Great British Pound and a number of other currencies. The combined cost effect of the delay, the cost increases and the foreign exchange losses have put Tiomin Kenya into a situation where more equity or capital is required to construct the project. The Company has, and continues to explore all available avenues to raise the shortfall in capital required to develop the project.

At December 31, 2006, the costs associated with the Debt Facilities totalled \$12,525. All costs, which include the finance costs and lender and advisor fees, were to be deferred, but due to the cancellation of the lenders facility this amount has been written-off.

In April 2006, the Company entered into an agreement with Barrick Gold Corp. (“Barrick”) to buy back the 20-per-cent net profit interest royalty from Barrick’s subsidiary Pangea Goldfields Inc. On August 8, 2006 Tiomin paid Barrick US\$2.0 million and issued five million common shares of the Company at a deemed value of \$0.27 per common share being the closing price of the previous day. If the closing had not taken place by September 27, 2006, the agreement was to have been terminated without payment and Pangea would have retained 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.

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\$0.3 million is to be spent in the first year of the agreement, and an additional \$0.7 million before October 1, 2007. In addition, Tiomin will make US\$1.0 million in cash payments consisting of US\$0.1 million in January 2005 and US\$0.4 million in July 2005 (paid on September 30, 2005), as per the agreement between Milpo and RTZ, and US\$0.3 million towards the purchase of the Jupiter claim on behalf of the JV, with the remaining \$0.2 million 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\$0.7 million payable on October 1, 2006 (paid on September 27, 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.

On May 2, 2006, the Company announced that it has acquired a new reconnaissance exploration licence for mineral sands along the coastline of Tanzania.

The licence was acquired under an option agreement with Karoo Exploration Services Company Limited of Dar es Salaam. Tiomin has agreed to pay Karoo US\$1,000 upon completion of filing and issuance of the reconnaissance exploration licence and make annual payments of US\$2,000 until the Mineral Interest expires or is surrendered. Tiomin can acquire 100% interest in this exploration license upon the payment of US\$20 at any time.

Summary of Quarterly Results

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

	2006				2005			
	Dec-31	Sep-30	Jun-30	Mar-31	Dec-31	Sep-30	Jun-30	Mar-31
Loss before interest and amortization	31,084	1,091	463	1,297	896	632	789	488
Net loss	30,733	463	431	1,281	894	621	773	489
Loss per share	0.08	0.00	0.00	0.01	0.01	0.00	0.01	0.00

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 last quarter of 2006, the Company was forced to suspend the construction at its Kenyan mineral sands property and the construction of the port facility. The port facility once eventually constructed is to be used to transport the final product to customers around the world.

The Company continued funding its 49% interest in the Pukaqaqa copper-gold deposit located in Peru and acquired three prospecting licences in Tanzania through Karoo Exploration Services Company Limited a company incorporated in Tanzania.

Tiomin's loss from operations for the fourth quarter ended December 31, 2006 was \$30,733 (\$0.08 per share) and \$894 (\$0.01 per share) for the same period in 2005. For the year ended December 31, 2006 and 2005, the loss was \$32,908 (\$0.09 per share) and \$2,777 (\$0.02 per share) respectively.

For the year ended December 31, 2006, \$4,122 (2005 - \$5,190) was invested in deferred exploration and for quarter ended December 31, 2006 total deferred exploration expenditure of \$1,125 (2005 - \$2,121) was incurred. For the year ended December 31, 2006, \$1,329 (2005 - \$1,457) was invested in the Pukaqaqa project (capitalized asset) as work on the projects continues. For the year ended December 31, 2006, the Company acquired mineral properties totaling \$5,317 (capitalized asset). This was mainly attributable to the acquisition costs related to the Kwale project. The Company also spent \$670 on fixed assets, which was mainly attributable to computers, equipment and an accounting software package.

On August 1, 2006 the Company commenced construction of its Kwale project in Kenya. Construction in progress totalled \$11,909 at December 31, 2006. This amount was written-off after the decision was taken to cancel the debt facility.

In view of the Company cancelling the debt facilities on February 13, 2007 and February 14, 2007 respectively, and unable to finance the Kwale project, the Company felt it would be prudent to write off the deferred financing costs and the capital work in progress associated with the project. At December 31, 2006 a total of \$30,830 was written off, which accounts for \$0.083 per share of the loss. No similar amounts were written off in 2005.

Kwale Project write-offs and write-downs

Contract break up expenses	\$6,396
Construction in Progress written-off	11,909
Deferred Financing written-off	12,525
	\$30,830

With the cancellation of the loan facilities on February 13, 2007 & February 14, 2007 respectively the Company was required to charge the above amounts to operations as these costs are not expected to be recoverable in the future.

Salaries and other compensation

Salaries and other compensation expenses increased to \$2,018 compared to \$1,769 in 2005. Included in salaries and compensation is a bonus paid to an Executive Officer of the Company. Also included in salaries and other compensation is a non-cash amount of \$808 (2005 - \$948), which is as a result of stock options being expensed. Consideration paid on the exercise of stock options and warrants is credited to share capital. The Company does not anticipate increasing salaried staff during 2007. For the fourth quarter ended 2006 and 2005 respectively salaries and compensation expenses were \$714 and \$576.

Office costs

Office costs for the year ended December, 2006 were \$215 compared to \$165 during 2005. This equates to approximately a 30.3% increase over 2005 and is a result of the increased activity within the organization. During the quarters ended December 31, 2006 and 2005 office costs were \$85 and \$37 respectively.

Foreign exchange loss

Foreign exchange losses were \$220 and \$29 for years ended December 31, 2006 and 2005 and \$858 and \$13 for the fourth quarters of 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 period.

Amortization

For the years and quarters ended December 31, 2006 and 2005, amortization charges of \$45, \$16 and \$13, \$4 were charged for the respective periods. The increase is mainly due to a number of new vehicles that were acquired in the third and fourth quarter of 2005 and new vehicles acquired in the fourth quarter of 2006. During the year ended December 31, 2006, the Company has acquired additional fixed assets of \$670, which will result in additional amortization charges in the future. During the year ended December 31, 2006, \$134 was capitalized to deferred exploration and development.

Interest

Interest charges for the years ended December 31, 2006 and 2005 were \$11 and \$4 respectively. Amounts totaling \$3 and \$3 were expensed for the quarters ended December 31, 2006 and 2005 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 and 2006 respectively. The Company does not expect to acquire any additional vehicles by way of capital lease during 2007.

Travel

Travel expenses have increased substantially over 2005 due to salaried personnel and consultants traveling to Kenya and Australia to progress the construction and development of the Kwale project. During the years ended December 31, 2006 and 2005, amounts totaling \$393 and \$177 respectively were expensed. During 2007 travel will continue to be high as the Company continues to progress the Kwale project. During the last quarter of 2006 and 2005, \$146 and \$73 were expensed respectively.

Stock exchange fees

Amounts totaling \$15 and \$13 were expensed for the years ended December 31, 2006 and 2005, respectively. This amount is expected to increase marginally during 2007 in line with inflation. No amount was expensed for the last quarter of 2006 but an amount of \$1 was expensed for the same period in 2005.

Shareholders' information

For the years and quarters ended December 31, 2006 and 2005, amounts totaling \$121, \$8 and \$95, \$13 were respectively expensed. During 2006 the Company listed two additional securities, which have resulted in the additional cost. During 2007 it is expected that these costs will be reduced.

Promotion

Promotion expenses for the year December 31, 2006 were \$221 compared to \$192 for the same periods in 2005. For the fourth quarter of 2006 and 2005 respectively amounts of \$36 and \$67 were expensed. The Company is spending a significant amount of time and money promoting the various projects at a number of high profiled mining shows to keep investors and analysts aware of the Kwale and other projects held by the Company.

Professional fees

Professional fees for the years ended December 31, 2006 and 2005 were \$292 and \$233 respectively. Amounts of \$83 and \$122 were expensed for the fourth quarters of 2006 and 2005 respectively. The Company continues to use experts where required for legal, accounting and tax matters and will continue to do so during 2007.

General exploration and write-off

General exploration and write-off expensed for the years ended December 31, 2006 and 2005 were \$50 and \$132 respectively. Amounts of \$41 and \$21 were expensed for the fourth quarters of 2006 and 2005 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. This amount is expected to increase during 2007 as the Company seeks other projects to add shareholder value

Interest income and other income

Interest income and other income received for the years and quarters ended December 31, 2006 and 2005 were (\$1,083), (370) and (\$45), (10) respectively. The amounts received for both years were mainly derived from funds received from private placements, prospectus offerings and other equity issues invested in interest bearing instruments. This will vary from year to year. This amount is expected to be reduced substantially during 2007.

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: December 31, 2006	Three months: September 30, 2006	Three months: June 30, 2006	Three months: March 31, 2006	Fiscal Year 2005
Cash and cash equivalents	34,566	45,333	5,742	3,541	5,705
Working capital	27,162	43,318	4,783	2,762	4,607
Cash used in operating activities	(708)	1,805	(191)	(951)	(467)
Cash used in investing activities	(9,213)	(9,618)	(1,668)	(1,204)	(6,654)
Cash provided by (used in) financing activities	(846)	47,405	4,060	(10)	11,776

For the years ended December 31, 2006, Tiomin earned/ (used) \$28,861 and \$4,655 for the same period in 2005. During the year, the Company issued shares for net proceeds of \$67,664. No shares were issued in the last quarter of 2006. Cash increased during the year ended December 31, 2006 from operating activities (primarily from an increase in accounts payable of \$9,282 (2005 - \$976)). For the year ended December 31, 2006, 815,000 options were exercised for proceeds of \$230. In addition, the Company issued 16,520,000 common shares to Jinchuan, which was discussed earlier in the MD&A for proceeds of \$7,434 and \$60 million from a prospectus offering discussed earlier in the MD&A. This was offset by deferred financing charges of (\$12,466) and investing activities in mineral properties, deferred exploration expenditure and the acquisition of fixed assets. Tiomin had a working capital surplus of \$27,162 at December 31, 2006 compared to \$4,607 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 \$11. The Company, through its subsidiary Tiomin Kenya Limited has entered into capital lease agreements for various vehicles and equipment. An amount of approximately \$216, which includes interest, are payable until December 2009. In addition, Tiomin Kenya Ltd. has leased office premises for five years for approximately 90,000 Kenyan Shillings (or approximately \$1 per month), and a house for two years for approximately 120,000 Kenyan Shillings (or approximately \$2 per month).

At December 31, 2006, an amount of \$187 (December 31, 2005 - \$112) is owed excluding interest of approximately \$29 (December 31, 2005 - \$18) on the capital lease obligation. The long-term debt of \$386 is comprised of a Canadian International Development Agency grant (as described in note 7a 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 \$43 or \$0.014 per square foot of the rentable area will be payable in equal monthly installments of \$4 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.

Capital Expenditure Commitments

At December 31, 2006, 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

For the year ended December 31, 2006, there have been no transactions with related parties.

Project Update

Kwale

During the year ended December 31, 2006, the Company's main focus was on the development of its Kenyan mineral sands properties. Unfortunately due to circumstances beyond the Company's control the Project has been put onto care and maintenance until a suitable partner can be found to develop the project or the project is sold.

Pukakuqa

The Company will continue to fund its 49% share of the Pukakuqa copper project in Peru. It has commenced a 14,000 meter drilling program, which was expected to be completed by year-end. Drilling continued into January 2007 and results of the program are pending.

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.

Disclosure Controls and Procedure

Disclosure controls and procedures are designed to provide assurance that all relevant information is gathered and reported to the senior management, which includes the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As of December 31, 2006, the Company's certifying officers, being the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the certifying officers have concluded that, as of December 31, 2006, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*) and reports filed or submitted under Canadian securities laws were recorded, processed, summarized and reported within the time periods specified by those laws and that material information was accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Outstanding Share Data

As at December 31, 2006, the Company had issued and outstanding 372,694,536 common shares (December 2005 - 150,359,536) and 615,893,811 issued on a fully diluted basis (December 2005 - 189,750,203). Included in the fully diluted number are 233,034,275 warrants (December 2005 - 31,900,668), 8,965,000 stock options (December 2005 - 6,410,000) and 1,050,000 compensation units that are described in detail in note 8a to the consolidated financial statements and which, if exercised in their entirety, would contribute a further \$107.5 million to the Company in the future. On April 14, 2006, 7,858,556 bonus warrants at \$0.50 were cancelled.

For the year ended December 31, 2006, 3,800,000, stock options were granted at market price on the dates of the grants at an average exercise price of \$0.36 and 430,000 options were cancelled or expired. For the year ended December 31, 2006, 815,000 options were exercised.

Subsequent Events

On February 22, 2007 the Company granted 14,500,000 stock options to Directors, Officers, Employees and Consultants of the Company at \$0.09. The options are for a period of five years and vest immediately. Of the total executive management were granted 4,250,000 or 29.3%.

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.

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 are 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.