

## 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, 2007**

This Management's Discussion and Analysis of Tiomin Resources Inc. ("Tiomin" or the Company) is dated March xx, 2008 and should be read in conjunction with the Company's Annual Audited Consolidated Financial Statements for the year ended December 31, 2007 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.

	Year ended Dec.31, 2007	Year ended Dec.31, 2006	Year ended Dec.31, 2005
(000's)	\$	\$	\$
<b>Loss before interest and amortization</b>	8,807	33,935	2,805
<b>Loss before income tax</b>	7,930	32,908	2,777
<b>Net loss per share</b>	0.02	0.09	0.02
<b>Total assets</b>	68,184	73,619	32,013
<b>Long-term debt</b>	636	496	460

#### 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 June 2007 with Jinchuan Group Limited ("Jinchuan") of the People's Republic of China for total proceeds of \$10.9 million, increasing Jinchuan's interest in Tiomin to approximately 20%.
- Completed a comprehensive drilling program and resource estimate of the 49% owned Pukaqaqa project, which significantly increased the NI 43-101 resources.
- The Kwale Titanium Project ("Kwale" or "the project"), in Kenya, remains in *Force Majeure*. The Government of Kenya ("GoK") has not completed the steps required by international financiers to secure debt financing for Kwale and no progress will occur until it does. Recent turmoil and a breakdown in law and order in Kenya further complicate Tiomin's efforts to obtain debt financing. In February 2007, the project's senior lenders informed Tiomin that they could not disburse funds for the project, as had been previously expected to occur in February 2007, because of incomplete legal processes that impacted title and access to the land required for the project. The lenders cancelled various facilities on February 13, 2007 and February 14, 2007 respectively. Tiomin hopes to conclusively resolve these outstanding issues in 2008 and has materially reduced its spending plans in Kenya until the GoK meets its commitments.

## Company Future

- Tiomin is intent upon restoring shareholder value and is actively evaluating exploration and production opportunities that have synergies with its strong cash position and experienced management.
- Tiomin will continue funding the exploration and development of the Pukakaqa property on which it owns 49%.
- Tiomin will fund its commitments in Kenya at a level consistent with the progress made by the GoK in completing the steps required to make Kwale viable.

## 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 has been 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.

The financial year ended December 31, 2007 has been difficult for both management and the shareholders of the Company. During the year management continued to work diligently with the GoK to complete all the original outstanding lender requirements in order to finance the project, and also negotiated on April 2, 2007 a Memorandum of Understanding (“MOU”) with Jinchuan to help develop the Kwale project.

At the Annual Special Meeting of shareholders held on June 11, 2007, the shareholders approved a private placement for Jinchuan to invest approximately \$10.9 million in Tiomin by purchasing 72,521,134 common shares of the Company at \$0.15 per share. The private placement closed on June 15, 2007 and Jinchuan currently holds approximately 20% or 89,041,134 common shares of the 445,365,168 common shares outstanding. At the same meeting the shareholders also approved an 18-month option to Jinchuan, whereby Jinchuan can increase its interest in Tiomin to 30% by subscribing for additional common shares at a price of \$0.35 per share, raising approximately an additional \$22.0 million in new cash resources if exercised. Share issue costs of \$368,378 were paid on the transaction.

On July 31, 2007, the Company acquired for investment purposes by way of a private placement 1,250,000 common shares at \$0.40 per common share in Alliance Pacific Resources Inc. (“Alliance”), a private Corporation incorporated in Ontario. Alliance is exploring for gold and base metals in a prospective geological trend in north-west China that hosts other major mines in close proximity.

Alliance completed a reverse take-over of Radiant Resources Inc. (“Radiant”) in December 2007. Tiomin owns approximately 1,146,000 shares, or 4%, of Radiant, which re-listed for trading on the Toronto Venture Exchange Tier 2 market on January 29, 2008.

## Project Update

### *Pukaqaqa Project*

At current copper prices, the Pukaqaqa property is showing clear signs of evolving into a valuable asset. At a 0.3% cut-off, measured resources are 38 million pounds of copper and 7,200 ounces of gold and indicated resources are 1,176 million pounds and 279,700 ounces respectively. Total measured and indicated resources are 1.22 billion pounds of copper and 287,000 ounces of gold and inferred resources are 776 million pounds and 209,000 ounces respectively.

Resource Category *	Cut-off Cu (%)	Total				
		Tonnes (000)	Cu (%)	Au (g/t)	Mo (ppm)	Ag (g/t)
Measured	0.3	2,793	0.62	0.08	78	1.64

	0.4	2,190	0.70	0.09	73	1.74
Indicated	0.3	96,355	0.55	0.09	108	1.69
	0.4	62,867	0.66	0.10	106	1.78
Measured & Indicated	0.3	99,147	0.56	0.09	107	1.69
	0.4	65,056	0.67	0.10	105	1.78
Inferred	0.3	58,662	0.60	0.11	106	2.30
	0.4	39,014	0.73	0.13	101	2.47

\*Tiomin's interest is 49%. See additional information:  
[http://www.tiomin.com/i/pdf/2007-10-25\\_NRT.pdf](http://www.tiomin.com/i/pdf/2007-10-25_NRT.pdf)

Rio Tinto staked the concessions in January 1995 and commenced exploration in the Pukaqaqa District in June 1996. Following identification of a gossan associated with Gaby Breccia, extensive surface work was undertaken.

From 1996-1999, 45 diamond drillholes (10,185 m) were completed into the property. The first drillhole of the project (PND001) intersected 127m @ 1.26% Cu and 0.3 g/t Au and stopped in mineralization.

In 1999, Rio Tinto and Compania de Minas Buenaventura S.A. (Buenaventura) entered into a 2-year joint venture agreement. During the first year of the Buenaventura JV (1999), drilling continued with another 24 holes and 4,016m of diamond drilling. The work done during the second year (2000), essentially consisted of a resource calculation using Vulcan software, in the drilling of 22 holes for 3,389 m, in some geophysical and geochemical works and in the continuation of the preliminary metallurgical testwork. Subsequently, Buenaventura did not complete the option requirement and dropped the option.

In October 2001, a LOU (Letter of Understanding) was signed between Milpo and Rio Tinto and granted Milpo the possibility to acquire 100% interest in the concessions within an original period of 5 years. Subsequently, in October 2004, Milpo and Tiomin signed a Joint Venture Agreement (JVA) which allows Tiomin to acquire a 49% interest in the Rio Tinto concessions. In 2004, Milpo completed a drilling program totalling 3,400 m in 16 diamond drillholes followed in 2005 by another program which included 2,190 m in 17 holes. In 2006-2007, an additional amount of 65 drillholes for a total of 16,209 m were completed.

Compania Minera Milpo S.A.A. (Milpo) and Tiomin Resources Inc. (Tiomin) have delineated mineral resources in Pukaqaqa copper deposit in Central Peru. Met-Chem Canada Inc. (Met-Chem) was requested by Tiomin to perform an independent audit of the estimate of the mineral resources contained in the deposit and this report which may be viewed at [www.SEDAR.com](http://www.SEDAR.com) presents the results of the validation of the resources and constitutes a Technical Report under the guidelines of National Instrument 43-101 (NI 43-101). The Company plans to continue funding its 49% share of the Pukaqaqa copper project in Peru.

### ***Kwale***

As mentioned above, Kwale remains problematic and Tiomin is minimizing its costs in Kenya until the situation improves.

The financing by Jinchuan in the Company began what we hope is an accelerated development program with potential cost savings by maximizing Chinese content. Jinchuan is a world-class mining company with extensive project development experience and it is an ideal partner for Tiomin and Kenya. Both Tiomin and Jinchuan are equally united in their desire to jointly develop the project. Unfortunately political turmoil in Kenya has prevented Tiomin and Jinchuan from finalizing any project development agreement.

### ***Amazônia Mineração Ltda***

On July 3, 2007 the Company announced that it has entered into a mineral exploration and development agreement with Amazônia Mineração Ltda. ('AMZ'), a privately owned Brazilian company.

Under the terms of the agreement, Tiomin may earn a 50% vested interest in a mineral sands or base metal

project procured by AMZ by spending US\$5 million on exploration and development within a four year period. In addition Tiomin can earn an additional 20% by completing a final feasibility study within a further three years. Upon completion of the final feasibility study, AMZ has the option to either fund its share of continuing expenses, sell its interest to Tiomin on pre-agreed terms or dilute down to a minimum 10% equity interest, which is convertible to a 2% Net Smelter Return.

On January 11, 2008 the Company terminated the agreement with Amazônia Mineração Ltda.

### Summary of Quarterly Results

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

	2007				2006			
	Dec-31	Sep-30	Jun-30	Mar-31	Dec-31	Sep-30	Jun-30	Mar-31
<b>Loss before interest and amortization</b>	923	1,354	452	6,078	31,084	1,091	463	1,297
<b>Loss before income tax</b>	684	1,112	267	5,867	30,733	463	431	1,281
<b>Loss per share</b>	0.00	0.00	0.00	0.02	0.08	0.00	0.00	0.01

### 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 and declared 'force majeure' on December 12, 2007 because the Company could not gain access to commence the construction of the Kwale project. During the first quarter of 2007 the Company terminated its contract with Ausenco Pty Ltd, an Australian engineering company and cancelled the various loan facilities that it had negotiated during 2006.

Tiomin's loss from operations for the fourth quarter ended December 31, 2007 was \$684 (\$0.00 per share) and \$30,733 (\$0.08 per share) for the same period in 2006. For the year ended December 31, 2007 and 2006, the loss was \$7,930 (\$0.00 per share) and \$32,908 (\$0.09 per share) respectively.

For the year ended December 31, 2007, \$129 (2006 - \$4,122) was invested in deferred exploration and for quarter ended December 31, 2007 total deferred exploration expenditure of (\$33) (2006 - \$1,125) was incurred. For the year ended December 31, 2007, \$85 (2006 - \$1,329) was invested in the Pukaqaqa project (capitalized asset) as work on the projects continues. For the year ended December 31, 2007, the Company acquired mineral properties totaling \$1,200 (capitalized asset). This was mainly attributable to the acquisition costs related to the Pukaqaqa project. The Company also spent \$135 on fixed assets, which was mainly attributable to 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. At December 31, 2007 Construction in progress totaling \$3,940 was written-off

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, 2007 a total of \$4,117 (2006 - \$30,830) was written off, which accounts for \$0.01 (2006 - \$0.083) per share of the loss.

### *Kwale Project write-offs*

	<b>December 31, 2007</b>	December 31, 2006
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Construction expenses	<b>3,940</b>	\$6,396
Financing expenses	<b>177</b>	11,909
Deferred Financing written-off	-	12,525
	<b>\$4,117</b>	\$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.

It should be noted that at December 31, 2007, the Kwale mineral properties and deferred exploration assets are being carried on the financial statements at \$29,932, and that no adjustments were made to these amounts, as the Company felt it was not in a position to determine whether there has been any impairment, which would require a write-down.

### ***Salaries and other compensation***

Salaries and other compensation expenses increased to \$3,053 compared to \$2,018 in 2006. The increase is mainly attributable to additional staff being recruited during the third quarter of 2006, salary increases and bonuses paid in June and December 2007. Included in salaries and other compensation is a non-cash amount of \$1,170 (2006 - \$808), 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. For the fourth quarter ended 2007 and 2006 respectively salaries and compensation expenses were \$630 and \$714. The Company does not anticipate increasing salaried staff during 2008.

### ***Office costs***

Office costs for the year ended December, 2007 were \$292 compared to \$215 during 2006. This equates to approximately a 35.8% increase over 2006 and is a result of the increased activity within the organization. During the quarters ended December 31, 2007 and 2006 office costs were \$68 and \$85 respectively.

### ***Foreign exchange loss***

Foreign exchange losses/(gains) were \$141 and (\$220) for years ended December 31, 2007 and 2006 and \$167 and \$858 for the fourth quarters of 2007 and 2006 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. The Company has not experienced great foreign exchange gains and losses mainly due to the termination of foreign contractors.

### ***Amortization***

For the years and quarters ended December 31, 2007 and 2006, amortization charges of \$234, \$45 and \$59, \$16 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, 2007, the Company has acquired additional fixed assets of \$135, which will result in additional amortization charges in the future. During the year ended December 31, 2007, \$129 was capitalized to deferred exploration and development.

### ***Interest***

Interest charges for the years ended December 31, 2007 and 2006 were \$17 and \$11 respectively. Amounts totaling \$5 and \$3 were expensed for the quarters ended December 31, 2007 and 2006 respectively. The amounts incurred during 2007 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 2008.

### ***Travel***

Travel expenses have increased substantially over 2006 due to salaried personnel and consultants traveling to Kenya and other destinations to progress the construction and development of the Kwale project. Personnel are also traveling to various countries to explore exploration potential and other mining opportunities. During the years ended December 31, 2007 and 2006, amounts totaling \$431 and \$393 respectively were expensed. During 2008 travel will continue to be high as the Company continues to progress the Kwale project and explore other opportunities. During the last quarter of 2007 and 2006, \$102 and \$146 were expensed respectively.

### ***Shareholders' information***

For the years and quarters ended December 31, 2007 and 2006, amounts totaling \$101, \$136 and \$12, \$8 were respectively expensed. During 2006 the Company listed two additional securities, which resulted in the additional cost, which did not take place during 2007.

### ***Promotion***

Promotion expenses for the year December 31, 2007 were \$46 compared to \$221 for the same periods in 2006. For the fourth quarter of 2007 and 2006 respectively amounts of \$2 and \$36 were expensed. During 2007 the Company spent less time promoting the Company due to no positive news. Under normal circumstances the Company spends 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, 2007 and 2006 were \$320 and \$292 respectively. Amounts of \$81 and \$83 were expensed for the fourth quarters of 2007 and 2006 respectively. The Company continues to use experts where required for legal, accounting and tax matters and will continue to do so during 2008.

### ***General exploration and write-off***

General exploration and write-off expensed for the years ended December 31, 2007 and 2006 were \$292 and \$50 respectively. Amounts of \$247 and \$41 were expensed for the fourth quarters of 2007 and 2006 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 2008 as the Company seeks other projects to add shareholder value.

### ***Leasehold Expense***

For the quarter and twelve months ended December 31, 2007 and 2006 amounts totaling \$15 and \$nil and \$2 and \$Nil were respectively expensed on the Mombasa Mainland South Block facility.

### ***Interest income and other income***

Interest income and other income received for the years and quarters ended December 31, 2007 and 2006 were (\$1,128), (1,083) and (\$303), (371) 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 2008.

## 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, 2007	Three months: September 30, 2007	Three months: June 30, 2007	Three months: March 31, 2007	Fiscal Year 2006
Cash and cash equivalents	29,445	31,965	35,961	28,333	34,566
Working capital	29,135	30,803	32,400	21,901	27,162
Cash used in operating activities	(1,360)	(3,446)	(3,953)	(6,014)	(45)
Cash used in investing activities	(1,152)	(523)	1,077	(200)	(21,703)
Cash provided by (used in) financing activities	(9)	(27)	10,504	(19)	50,609

For the years ended December 31, 2007, Tiomin earned/ (used) (\$5,121) and \$28,861 for the same period in 2006. During the year, the Company issued shares for net proceeds of \$10,887. No shares were issued in the last quarter of 2007. Cash decreased during the year ended December 31, 2007 from operating activities (primarily from a increase/(decrease) in accounts payable of (\$9,121) (2006 - \$9,282). For the year ended December 31, 2007, 100,000 options were exercised for proceeds of \$9. Included in this amount, the Company issued 72,521,134 common shares at \$0.15 per common share to Jinchuan, which was discussed earlier in the MD&A for proceeds of \$10,878 million. This was offset by investing activities in mineral properties, deferred exploration expenditure and the acquisition of fixed assets. Tiomin had a working capital surplus of \$29,135 at December 31, 2007 compared to \$27,162 at December 31, 2006.

### Long term income tax payable

The Federal and Ontario governments have signed a Memorandum of Agreement, that provides for the federal administration of Ontario corporate income tax by the Canada Revenue Agency. To achieve this harmonization, Ontario will adopt the Federal definition of taxable income. Achieving this common base requires that federal tax attributes, such as balances in loss pools and unclaimed depreciation, also apply in determining taxable income for Ontario corporate tax purposes resulting in a current tax provision of \$214.

### Commitments and Contractual Obligations

The Company, through its subsidiary Tiomin Kenya Limited has entered into capital lease agreements for various vehicles and equipment. An amount of approximately \$99, which includes interest, is payable until December 2009. In addition, Tiomin Kenya Limited has leased office premises for five years for approximately 90,000 Kenyan Shillings. At December 31, 2007 the Company owes approximately 2,790,000 Kenyan shillings or \$42,786 at an exchange rate of 65.2084 Kenyan shillings for one Canadian dollar.

At December 31, 2007, an amount of \$99 (December 31, 2006 - \$187) is owed excluding interest of approximately \$10 (December 31, 2006 - \$29) on the capital lease obligation. The long-term debt of \$386 is comprised of a Canadian International Development Agency grant (as described in note 6a 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-2009.

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 from 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 first 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. At December 31, 2007 an amount of approximately \$159,287 is owed until August 31, 2011.

## **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, 2007, 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**

During the last quarter of 2007 the Company leased office space at fair market value to two companies managed and controlled by two directors of the Corporation. Rental per annum per company is \$5,000. An amount of \$2,500 was received during the quarter ended December 31, 2007, which was credited to rent.

## **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, 2007, 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, 2007, 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, 2007, the Company had issued and outstanding 445,365,168 common shares (December 31, 2006 – 372,694,536) and 579,797,860 issued on a fully diluted basis (December 31, 2006 – 615,893,811). Included in the fully diluted number are 198,437,692 warrants (December 31, 2006 – 234,084,275), 35,995,000 stock options (December 31, 2006 – 9,115,000) and which, if exercised in their entirety, would contribute a further \$58.1 million to the Company in the future. In March 2007, 1,050,000 compensation warrants at \$0.40 were cancelled and 9,275,000 warrants at \$0.50 were cancelled and during the quarter ended June 30, 2007 an additional 7,858,556 warrants at \$0.50 and 943,027 warrants at \$0.36 were cancelled. On July 27, 2007 an additional 16,520,000 warrants at \$0.55 were cancelled. The closing stock price at December 31, 2007 was \$0.085, which represented a \$37.9 million market capitalization.

For the twelve months ended December 31, 2007, 29,300,000, stock options were granted at market price. During the fourth quarter ended December 31, 2007 11,000,000 stock options were granted at \$0.075, the third quarter ended September 30, 2007 no stock options were issued, the quarter ended June 30, 2007, 3,800,000 stock options were granted at \$0.125 and for the quarter ended March 31, 2007, 14,500,000 stock options were granted at an exercise price of \$0.09. For the twelve months ended December 31, 2007, 2,270,502 options were cancelled or expired and for the twelve months ended December 31, 2007, 149,498 stock options at \$0.09 were exercised.

### **Subsequent Events**

On February 14, 2008 the Company completed a private placement into Kivu Gold Corp. ("Kivu"), company controlled by directors and officers of Tiomin. Kivu is a precious metal company focusing on exploration in sub-Saharan Africa.

The Company subscribed for 4,000,000 units of Kivu at \$0.50 per unit. Each Unit is comprised of (i) one common share of the Corporation (each, a "**Common Share**") and (ii) one share purchase warrant of the Corporation (each whole warrant, a "**Warrant**"). Each Warrant entitles the holder thereof to acquire, on payment of \$0.50, one Common Share (each, an "**Underlying Share**"). A Warrant may be exercised at any time during the one year period starting on the date the Units are issued.

On completion of the private placement Tiomin holds approximately 17.2% of the 23,230,000 common shares outstanding in Kivu. Directors and officers of Tiomin hold 12,050,000 common shares or 51.87% of Kivu. A fairness opinion was obtained for the non related directors of Tiomin and subsequently approved by the non related directors of Tiomin.

## **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](http://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.