TITANIUM

INVESTING IN THE FUTURE

2003 ANNUAL REPORT

Tiomin Resources Inc. is a Canadian resource company actively pursuing the development of its Kwale titanium project, one of four major titanium mineral sand deposits it discovered in Kenya. The project will be designed to produce on average 77,000 tonnes of rutile, 37,000 tonnes of zircon and 330,000 tonnes of ilmenite annually for the first six years of operation. Rutile and ilmenite are sources of titanium dioxide used primarily in the fabrication of pigments and titanium metal, while zircon is used in applications such as ceramic glazing, foundry moulds and electronics.

Tiomin's Kwale titanium project will be a significant contributor to the global marketplace

- Once in production, the Kwale project is expected to generate annual pre-tax cash flow of about US$35 million for the first six years of operation at current commodity prices
- Kwale's competitive strength is its rich mineral mix; approximately 80% of Kwale's projected revenues will derive from the premium priced rutile and zircon
- Kwale will account for as much as 18% of the world's rutile production, 6% of ilmenite production and 3% of zircon production
- The deposit is located less than 50 km from Mombasa harbour – the second largest port on Africa's east coast – near excellent existing infrastructure and in proximity to major consumer centers in Europe and Asia
- Future growth is expected through Tiomin's three other highly prospective titanium/zircon-bearing coastal deposits which will be developed once Kwale enters production

Our Value Principles

1. We respect individual rights – there will be no discrimination through:
   - religion or cultural beliefs
   - race or ethnic background
   - gender
2. We care for the safety, health and welfare of our employees and for the communities in which we conduct our business.
3. Our business pursuits must always place the highest regard for the natural environment.
4. Activities defined as bribery/corruption by the OECD convention by any employee regardless of position held, will not be tolerated.
5. The laws and standards under which we operate will not be viewed as targets to be reached, but rather as levels to be exceeded.

TO OUR SHAREHOLDERS

We are at a significant turning point in our Company's evolution

Our determination to achieve the final remaining milestones in the development of the Kwale titanium mineral sand deposit has yielded important results. In September, 2003 Tiomin received approval for a renewable Special Mining Lease from the Kenyan Commissioner of Mines to proceed towards commercial production of the Kwale project located 50 km south of the port city of Mombasa. To put its importance into perspective, it is the first time in more than forty years that the Government of Kenya has granted this status to a foreign company.

In December 2003, Tiomin submitted the draft comprehensive fiscal/investment agreement setting out the commercial and fiscal parameters for the mining operations. An interministerial committee was soon established to review the various aspects of the agreement. We are now in the final stages of negotiation with the respective government departments and hope to make an announcement in the coming weeks as to its conclusion. In addition, the leasing of some 550 acres of land on the former Ramisi sugar plantation through the Kenyan government is also expected to be resolved soon.

So, what has changed that has enabled us to achieve this progress over the last year with the confidence that we will attain our goals? The political regime – one committed to encouraging foreign investment – has acknowledged the Kwale project's positive economic and widespread benefit to its own people of Kenya. The development of Kwale is perceived by the global marketplace as an important step towards the emergence of Kenya as a significant supplier of minerals such as titanium and zircon.

What hasn't changed is our determination to drive the project forward to a successful startup in the months ahead. During the year, we brought the pilot plant program to a close after producing 20 tonnes of zircon, rutile and ilmenite concentrate. This was shipped to Roche Mining of Australia for processing where the latest process technology was tested with the objective to significantly improve operating efficiency. Results of the pilot plant will be used to update the engineering review which is currently underway with an expected completion date of early May 2004. In addition, the recent acquisition of land at the port of Mombasa will position Tiomin to take advantage of the excellent facilities at Mombasa harbour, the second largest port on Africa's east coast.

We have also made substantial progress in our long term sales marketing efforts and have entered into the final stages of negotiation with a number of consumers for the rutile, zircon and ilmenite to be produced from Kwale. It is anticipated that sufficient sales agreements will soon be in place to underpin the required project financing. Tiomin is now poised to become a highly competitive titanium feedstock producer in the global marketplace.

Your management is committed to achieving its vision, for our shareholders, employees and for the significant number of Kenyan people that the project's development will positively impact, through the creation of jobs, infrastructure, and not least of all, the major multiplier effect on the coastal economy as a whole.

We gratefully acknowledge your continued support and look forward to a new chapter in your Company's history that is about to unfold.

"signed"

Jean-Charles Potvin

President and CEO
Toronto, Canada
April 27, 2004

Tiomin will be a highly competitive titanium feedstock producer

The Kwale titanium mineral sand deposit is being designed to produce 77,000 tonnes of rutile, 37,000 tonnes of zircon and 330,000 tonnes of ilmenite annually for the first six years of operation at a mining rate of 10 million tonnes of sand per year. With a strong projected annual operating cash flow, recovery of the project's capital cost is expected to be achieved in the first four years of its fourteen plus year mine life. Approximately 80% of the projected revenues will derive from the premium priced minerals of rutile and zircon, with 20% from ilmenite during the first six years of operation.

With 254 million tonnes of measured and indicated resources (38 M/t and 216 M/t respectively), the Kwale project will be a significant contributor to the global marketplace accounting for as much as 18% of the world's rutile production, 6% of ilmenite production and 3% of zircon production. These solid economics strongly indicate Tiomin's potential to become a highly competitive titanium feedstock producer.

Major strides have been taken during the year to advance the project towards the design and construction phase in the second half of this year.

PILOT PLANT

The pilot plant program was successfully completed in early November 2003 to determine the optimal tailings disposal method. Two thickening processes were tested which have both returned positive operating results. The settling tests indicate that the thickening of the slimes can be obtained in both high rate and deep cone thickeners. The slimes mix well with the sand tailings and no separation of the two components occurred in beaching tests. This large scale testing has demonstrated conclusively that the settling of slimes in tailings ponds will not be an operating issue.

As a result of the successful pilot plant operations, approximately 20 tonnes of zircon, rutile and ilmenite concentrate were produced and sent to Roche Mining of Australia for processing using the most advanced process technology including the recently developed and highly efficient high

tension separators. This test work will be conducted to optimize the rutile and zircon circuits which, if successful, should significantly reduce costs and improve the operating efficiency of the proposed mineral separation plant.

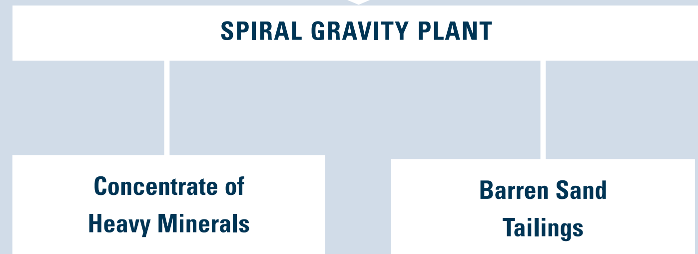
The results of the pilot plant will be used towards the updated engineering review (April 2000 feasibility study) which is currently underway by Ausenco Limited of Australia. This report is expected to be completed in early May 2004.

ENGINEERING REVIEW

The engineering review is being undertaken by Ausenco Limited to reflect all the project changes that have taken place over the last four years. The Wet Plant and Mineral Processing Plant (MPP) are now located adjacent to each other and within 500m of mining activity during the first five years of operation in order to reduce both operating and capital costs. The latest technological developments in mineral processing were introduced in the processing flowsheets of the MPP, which will improve operating efficiency and reduce capital cost. The slimes settling dam was removed and a thickener included, which again reduces the capital cost while increasing operating cost slightly. The proposed port facility was moved to Mombasa which increases the product haul distance by 15 km but significantly reduces the capital required for building new roads and bridges. These changes will improve the operating efficiency of the project and reduce the capital costs to enhance the overall economic returns to Tiomin's shareholders.

The proposed dry mining method for the mineral sands on the Central and South dunes of the Kwale deposit will deploy a combination of conventional load and haul equipment and a bucket wheel excavator (BWE). The bulk of the sands will be transported to the primary processing plant (wet plant) where the heavy minerals will be separated from the sand using conventional gravity spirals. The heavy mineral concentrate produced by the wet plant will then be further processed into concentrates of ilmenite, rutile and zircon in a separate adjoining mineral processing plant (MPP). At the MPP, the physical characteristics of the individual minerals (magnetic, electrical conductivity and specific gravity) will be used to separate the concentrate into the three mineral components. These minerals will then be transported to the Mombasa ship-loader in preparation for sale and export.

DRY MINING



SHIP-LOADER AT MOMBASA

On March 26, 2004, Tiomin announced that it had acquired all the surface area necessary for construction of its proposed ship-loading facility. The three acre area, located on the south side of Mombasa harbour, will position the Company to take advantage of the excellent facilities at Mombasa, the second largest port on the east coast of Africa.

While the original feasibility study provided for the facility to be constructed at Shimoni harbour, in recognition of environmental sensitivities relating to the Shimoni site, Tiomin modified its plans to construct the ship-loading facility in the existing commercial port of Mombasa located approximately 50 kms north of the Kwale project site. The acquisition of land at Mombasa harbour is expected to have a more positive impact on Kwale's future operations with fewer infrastructure costs as it provides a conduit to major consumer centres in Europe and Asia with comparatively low shipping costs.

PRODUCT MARKETING

Marketing efforts for Kwale production have progressed well over recent weeks as negotiations are being finalized with a number of consumers. Kwale's rutile and zircon, which account for as much as 80% of projected revenues, are premium quality products by world standards and long term market conditions are favourable, particularly for zircon. Kwale's ilmenite, which accounts for only 20% of the revenue stream, is suitable for both chloride and sulphate applications rendering it an attractive by-product.

Ilmenite and rutile are used primarily in the manufacture of pigments and titanium metal, while zircon is used in ceramic glazes and foundry applications.

ON THE HORIZON – FUTURE GROWTH FROM OTHER DEPOSITS

With Kwale in production, Tiomin will turn its development focus towards its three other coastal exploration areas of Kilifi, Mambrui and Vipingo. First discovered in 1995 when Tiomin geologists sighted heavy minerals in inland dune formations along the Coastal Province of Kenya, these deposits have seen extensive exploration, preliminary RC and deep drilling, which have outlined a combined indicated resource of 955 million tonnes with an additional 1.9 billion tonnes in the inferred category. All of Tiomin's Kenya deposits are located 8 to 12 km inland from the coastline.

In comparison to Kwale's central dune area of 1.6 sq km, these giant coastal deposits range from 18 sq km at Mambrui to as much as 28 sq km at Kilifi at considerably greater depths. In addition, with the required infrastructure already in place at Kwale, significant synergies are expected that will minimize costs and provide operating and shipping efficiencies.

These coastal deposits will fuel the Company's growth for decades after Kwale's startup.

ABOUT OUR MINERALS

TITANIUM IS THE FOURTH MOST ABUNDANT METAL IN THE EARTH'S CRUST

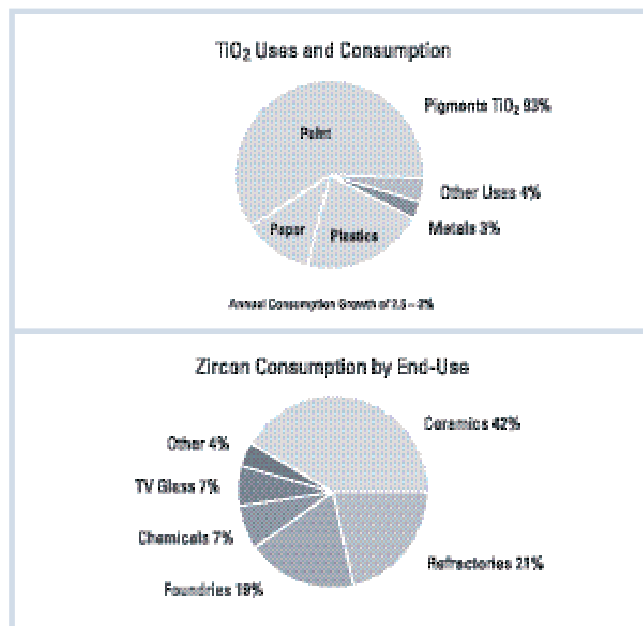
The majority of the titanium-bearing minerals, rutile and ilmenite, are converted into titanium dioxide ($Ti0_2$), which, due to its high refractive index, is one of the whitest substances on earth and thus ideal in pigment production. Widely used in a variety of everyday products from paints, plastics and paper to candy, cosmetics and toothpaste, its high refractive index makes it the ideal whitener and colour enhancing agent. In view of its non-toxicity and biological inertness, its metal is commonly used in modern medicine for heart pacemakers and replacement hips. It is also used in sunscreen lotions as it absorbs ultraviolet rays and protects products from the fading effects of the sun.

Because titanium dioxide present in pigments cannot be recycled (requires re-application rather than removal), it plays a major role in the $10 billion pigment industry which, for the past thirty years, has kept pace with the average annual growth in global GDP of 3%.

ZIRCON IS KNOWN FOR ITS HIGH RESISTIVITY TO HEAT AND CORROSION

It is commonly found in titanium-bearing mineral sands deposits, often in smaller quantities, and is therefore produced as a secondary mineral or by-product. However in view of its relative scarcity, it commands a higher premium over its titanium counterparts and often impacts the economic viability of titanium mineral projects.

Due to its capacity for heat resistance, it is widely used in the ceramic and refractory industries, preventing molten metal or glass from eroding the insides of ladels and kilns and for its ability to transmit heat without expansion. Also used in television and computer monitors for protection against harmful X-rays, it is also found in cell phones, fuel cells, oxygen sensors, foundry moulds and automotive catalytic converters.



THE FUTURE IS BRIGHT

Titanium metal is lightweight and strong, 43% lighter than steel, with a strength-density ratio among the highest of metallic structural materials. As such, it is ideally suited for use in the aerospace industry and high end premium products such as golf clubs and bicycles, as well as applications that depend on its corrosion resistance, such as chemical plant and water desalination units. However, titanium's high cost of production prohibits it from being widely applied to household products that currently utilize less expensive steel, aluminum or magnesium.

The search for a process to produce industrial grade titanium suitable for use in cars, ships, buildings, in addition to wider use in chemical and desalination plants, has been ongoing. The same applies to the production of titanium alloys, which are already used in aerospace applications (such as jet engines) but could find a much broader usage if production costs were lower. If these fields of research, which have shown promise in recent times, can come up with a process that is viable and economical on a commercial scale, then titanium could fulfil a much larger role in our lives, in keeping with its abundance in distribution in nature.

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

This management's discussion and analysis of the financial results of the Company's operations for the years 2001 through 2003 should be read in conjunction with the consolidated financial statements and related notes that follow.

OVERVIEW

Tiomin Resources Inc. is involved in the exploration and development of industrial mineral 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.

In December 2002, the Government of Kenya ("GOK") approved Tiomin's application for a Special Mining Lease on its Kwale project, subject to the statutory 90-day public notice period. On June 27, 2003, the Minister of Natural Resources for Kenya in a press conference announced that the GOK had approved the issuance of the Special Mining Lease. On September 29th, the Commissioner of Mines and Geology for Kenya issued the formal approval of Tiomin's application for a mining lease and established the basic terms of the Special Mining Lease.

In December 2003, Tiomin submitted the draft comprehensive fiscal/investment agreement setting out the commercial and fiscal parameters for the mining operations. At the time of writing, the Company is engaged in the late stages of negotiations with the GOK concerning the fiscal agreement and Tiomin expects to have this agreement executed during the second quarter of 2004.

RESULTS OF OPERATION FOR THE YEARS ENDED 2003, 2002 AND 2001

For the year ended December 31, 2003, the Company invested $1.8 million in mineral properties compared to $1.6 million in 2002 and $3 million in the comparable period for 2001, all relating to the Kenyan properties. The increased expenditures in 2003 versus that of the previous year were due to the Company commencing the pilot plant operations on the Kwale project in mid-year, results from which will contribute to the updating of the feasibility study expected to be completed in May 2004. Also during 2003, the Company acquired the necessary land in the Mombasa harbour area for its intended ship-loading facility for approximately $700,000 and is included in its fixed assets costs.

For the year ended December 31, 2003, the Company had a net loss of $2.3 million ($0.03 per share) in comparison to the net loss of $1.1 million ($0.02 per share) in 2002 and the $2 million net loss ($0.05 per share) in 2001.

The year over year increase in operating expenses from 2002 to 2003 was largely attributable to the $1.2 million non-cash write-off of the Company's previously capitalised costs associated with its patented TSR process. The Company intends to keep its global patents in good standing, but as there was no imminent commercial application of the TSR process, the Company cannot determine its net realizable value and as a consequence has written-off its investment. In 2003, expenses for promotion and professional fees also increased due to heightened activity in Kenya during 2003 and the Company having renewed its marketing efforts as a result. The increase in compensation expense in 2003 reflects the Company's adoption of the Canadian Institute of Chartered Accountants' recommendations dealing with stock-based compensation. In 2003, the Company recognized $225,252 as compensation expense for the fair value of all options granted in the year. Please refer to note 7 of the notes to the consolidated financial statements.

The Company in 2003 reduced its interest expenses and recorded an associated $204,000 non-cash foreign exchange gain in 2003 as it repaid the US$ denominated loan facility with a stronger Canadian dollar exchange rate during the year.

FINANCIAL CONDITIONS, LIQUIDITY AND CAPITAL RESOURCES

As the Company has not begun production on any of its properties, it does not generate cash flow from operations. The Company receives cash for use in operations from issuing common shares, sales of selected assets and investment income.

In January 2003, the Company issued 20 million common shares for gross proceeds of $4.2 million. During the third and fourth quarters the Company issued 10.1 million common shares from the exercise of Series E & F warrants for proceeds of $2.3 million. The warrants were associated with the private equity placement completed in October 2002 from an equal number of common shares for gross proceeds of $2 million.

In October 2003, the Company repaid the US$640,000 loan facility with the proceeds from the exercise of the above mentioned warrants. The 3.7 million warrants associated with the loan facility were exercised by the lender in December 2003 for proceeds of approximately $1 million.

As at December 31, 2003, the Company had common shares issued and outstanding of 102.8 million and cash and cash equivalents of $469,000 on hand with working capital of $178,000 in comparison to a working capital deficiency of $3.6 million at year-end 2002 and shares outstanding of 68.8 million.

It is expected that the Company will issue additional common shares in the first half of 2004 to fund its continued activities and complete final engineering studies on the Kwale project.

FUTURE PROSPECTS

The Company will continue to focus its efforts on developing the Kwale project. Important issues that need to be resolved include: receipt of all the necessary government permits, securing all the remaining surface rights in the mining area, and obtaining the necessary financing to enable construction to commence.

The ability of the Company to continue operations beyond mid-2004 is dependent upon obtaining the necessary financing to develop the Kwale project or the realization of proceeds from the sale of one or more of its properties and/or assets.

CAUTIONARY NOTE:

Some of the statements contained in this annual report constitute forward-looking statements that describe Tiomin's future plans, objectives or goals, including management's expectations of stated conditions or results. Forward-looking statements may be identified by such terms as 'believes', 'anticipates', intends', 'expects', 'may', or 'could' to name a few, and are made pursuant to the Private Securities Litigation Reform Act of 1995. Such forward-looking statements, including but not limited to, mineral reserves or resources, results of exploration, capital costs, estimated future production and costs and Tiomin'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 Tiomin's mining properties, changes in general economic or political conditions, conditions in the financial markets, changes in demand or pricing for rutile, zircon and ilmenite, litigation, legislative, environmental and other judicial, regulatory, political and competitive developments in domestic and foreign areas in which Tiomin operates, technological and operational difficulties encountered, labour relations, costs, changing foreign exchange rates and other matters discussed in this "Management's Discussion and Analysis". This list is not exhaustive of the factors that may affect any of Tiomin's forward-looking statements and should be considered carefully and undue reliance should not be placed on these forward-looking statements.

MANAGEMENT'S REPORT

To the Shareholders of Tiomin Resources Inc.

Management is responsible for the integrity and objectivity of the information contained in this annual report and for the consistency between the consolidated financial statements and other financial operating data contained elsewhere in the report. The accompanying consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles using estimates and careful judgment, particularly in those circumstances where transactions affecting a current period are dependent upon future events. The accompanying consolidated financial statements have been prepared using policies and procedures established by management and reflect fairly the Company's consolidated financial position and results of operations, within reasonable limits of materiality and within the framework of the accounting policies outlined in the notes to the consolidated financial statements.

Management has established and maintains a system of internal control which is designed to provide reasonable assurance that assets are safe-guarded from loss or unauthorised use and that financial information is reliable and accurate.

The Audit Committee of the Board of Directors, comprised of non-management directors, has reviewed in detail the consolidated financial statements with management and the external auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

The consolidated financial statements have been examined by external auditors appointed by the shareholders. Their examination provides an independent view as to management's discharge of its responsibilities insofar as they relate to the fairness of reported operating results and financial condition. The auditors have full and free access to the Audit Committee.

"signed"

Jean-Charles Potvin
President &
Chief Executive Officer

"signed"

Ian MacNeily
Vice-President, Finance &
Chief Financial Officer

Toronto, Canada
March 26, 2004

AUDITORS' REPORT

To the Shareholders of Tiomin Resources Inc.

We have audited the consolidated balance sheets of Tiomin Resources Inc. (the "Corporation") as at December 31, 2003 and 2002 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"signed"

Ernst & Young LLP
Chartered Accountants

Toronto, Canada
March 26, 2004

CONSOLIDATED BALANCE SHEETS

as at December 31 (amounts in $)	**2003**	2002
ASSETS		
Current		
Cash and cash equivalents	**469,184**	266,441
Receivables	**54,871**	74,774
Prepaid expenses	**80,440**	14,185
	604,495	355,400
Fixed assets, net of accumulated depreciation *(note 3)*	**720,069**	46,711
Mineral properties *(note 4)*	**1,072,034**	932,359
Deferred exploration and development *(note 4)*	**15,574,836**	13,906,051
Patent – TSR Process *(note 5)*	**–**	1,236,796
	17,366,939	16,121,917
	17,971,434	16,477,317
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**425,842**	732,054
Loan facility *(note 7)*	**–**	3,228,503
	425,842	3,960,557
Long-term		
Long-term liabilities *(note 6)*	**420,931**	439,661
	420,931	439,661
SHAREHOLDERS' EQUITY		
Capital stock *(note 8)*	**87,476,782**	79,935,891
Contributed Surplus *(note 8(b) and 9)*	**465,516**	–
Deficit	**(70,817,637)**	(67,858,792)
	17,124,661	12,077,099
	17,971,434	16,477,317

See accompanying notes

Approved on behalf of the Board:

"signed"	*"signed"*
Jean-Charles Potvin	Oliver Lennox-King
Chairman	*Director*

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

for the years ended December 31 (amounts in $)	**2003**	2002
Expenses		
Salaries & other compensation *(note 9)*	**678,821**	477,802
Office costs *(note 6 (b))*	**222,097**	326,461
Foreign exchange gain	**(275,804)**	(29,307)
Depreciation	**9,291**	12,756
Interest	**44,436**	125,627
Travel	**26,640**	37,611
Stock exchange fees	**9,520**	15,018
Shareholders' information	**75,771**	64,009
Promotion	**207,285**	45,966
Professional fees	**119,043**	76,889
Capital tax and other taxes	**4,864**	329
General exploration and write-off *(note 5)*	**1,240,959**	3,531
Total expenses	**2,362,923**	1,156,692
Less: interest income and other income	**(53,036)**	(40,770)
Net loss for the year	**2,309,887**	1,115,922
Share issue costs *(note 8 (b))*	**648,958**	245,690
Deficit, beginning of the period	**67,858,792**	66,497,180
Deficit, end of the year	**70,817,637**	67,858,792
Basic and diluted loss per share	**$0.03**	$0.02
Basic and diluted weighted average shares outstanding	**91,205,512**	60,545,742

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended December 31 (amounts in $)	**2003**	2002
Operating Activities		
Net loss for the year	**(2,309,887)**	(1,115,922)
Add (deduct) non-cash items		
Depreciation charges	**9,291**	12,756
Compensation expense	**225,252**	–
Foreign exchange gain on long-term liabilities	**(203,717)**	(30,400)
Sublease expense *(note 6 (b))*	**(31,992)**	77,325
Loss (gain) on sale of fixed assets	**581**	(20,102)
Write-off TSR Process *(note 5)*	**1,236,796**	–
Interest settled with common shares	**–**	63,155
Change in non-cash working capital		
Decrease (increase) in receivables	**19,903**	(6,340)
Decrease (increase) in prepaid expenses	**(66,255)**	13,676
Increase (decrease) in accounts payable and accrued liabilities	**(306,212)**	522,657
Increase (decrease) in accrued interest	**(73,303)**	62,472
	(1,499,543)	(420,723)
Investing Activities		
Mineral properties acquired	**(139,675)**	(73,756)
Deferred exploration and development expenditures	**(1,643,685)**	(1,513,658)
Patent – TSR Process expenditures	**–**	(4,251)
Net fixed assets disposition (acquisitions)	**(708,330)**	86,038
	(2,491,690)	(1,505,627)
Financing Activities		
Cash received for common shares	**7,540,891**	2,053,000
Loan facility repayment	**(2,951,483)**	–
Development loan	**13,262**	–
Share issue costs	**(408,694)**	(245,690)
	4,193,976	1,807,310
Net increase in cash and cash equivalents	**202,743**	(119,040)
Cash and cash equivalents, beginning of the period	**266,441**	385,481
Cash and cash equivalents, end of the period	**469,184**	266,441

See accompanying notes

1. NATURE OF OPERATIONS

Tiomin Resources Inc. (the "Corporation" or "Tiomin") and its subsidiaries have mineral exploration properties located in Canada and Kenya. The exploration and development of mineral properties involves significant financial risk. The recoverability of the amounts shown for the mineral properties and the related deferred expenditures is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves, confirmation of the Corporation's and its subsidiaries' interest in the underlying mineral claims, the ability of the Corporation and its subsidiaries to obtain necessary financing to complete the development and future profitable production or the proceeds of disposition thereof.

The consolidated financial statements for the year ended December 31, 2003 have been prepared on the basis that the Corporation is a going concern, which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations. These consolidated financial statements do not include any adjustments related to the carrying values and classification of assets and liabilities should the Corporation be unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Corporation are in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with prior periods. 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 Corporation 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	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 comprised 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.

Stock-based Compensation:
The Corporation has a stock-based compensation plan that is described in note 9. Effective January 1, 2003, the Corporation 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 Corporation 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.

For the year ended December 31, 2002, the Corporation had elected not to recognize compensation expense when stock options are issued to employees; however, pro forma disclosure of the net loss and loss per share is provided as if these awards were accounted for using the fair value method as set out in note 9.

3. FIXED ASSETS

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

	2003 $	2002 $
Computers	83,879	106,980
Furniture & fixtures	24,206	34,899
Equipment	55,897	61,999
Vehicles	12,902	12,902
Land	672,962	–
Cost	849,846	216,780
Accumulated Depreciation	(129,777)	(170,069)
Net Fixed Assets	720,069	46,711

4. MINERAL PROPERTIES AND DEFERRED EXPLORATION AND DEVELOPMENT

The interests in mineral properties and respective deferred exploration and development costs are as follows:

	MINERAL PROPERTIES		DEFERRED EXPLORATION AND DEVELOPMENT	
	December 31, 2003 *(cost)*	December 31, 2002 *(cost)*	December 31 2003 *(cost)*	December 31 2002 *(cost)*
Kenya	1,072,034	932,359	15,574,836	13,906,051
Total	$ 1,072,034	$ 932,359	$ 15,574,836	$ 13,906,051

In June 1996, the Corporation acquired from Pangea Goldfields Inc. ("Pangea") a 100% interest subject to a 20% Net Profits Royalty Interest ("NPI") in the exploration rights of three Special Licences along the Kenyan coast. Under the terms of the agreement, the Corporation 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 Corporation 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 Corporation to spend a minimum of 14,000,000 Kenyan shillings (approximately US$235,000) per annum on exploration. The licences were renewed in April 2004 and currently expire in 2006.

In April 1997, the Corporation acquired a fourth licence in Kenya known as Kwale. The licence was for an initial term of two years and required the Corporation 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 interest in the Kenyan properties. This licence currently expires in 2005.

5. TIOMIN SYNTHETIC RUTILE ("TSR") PROCESS

The proprietary TSR Process developed by Tiomin is used to upgrade the mineral ilmenite into a high-grade titanium dioxide feedstock known as synthetic rutile. The TSR Process employs the latest chemical processing technology to produce a synthetic rutile product containing up to 97% titanium dioxide, the highest titanium dioxide content in the market place. In 1997, the Corporation submitted several patent applications to various international Intellectual Property Offices around the world for its TSR Process and has been granted patents in several countries. In December 2003, Tiomin has written-off the $1,236,796 previously capitalized value of the TSR Process as it could not determine its realisable value in the foreseeable future. Tiomin will maintain its patents in good standing because the Corporation believes that the TSR Process is still a valuable asset.

6. LONG-TERM LIABILITIES

a) Development Loan

On April 22, 1999, the Canadian International Development Agency and the Corporation 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 $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 Corporation's cumulative product sales from the project exceed $5,000,000. In the event that the Kwale project is not put into production or fails to achieve the sales threshold, the loan will be treated as a grant and the Corporation will not be required to repay the loan. The Corporation 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 Corporation agreed to sublease its current office space to a third party at a lower price than the original lease agreement. The totality of the space has been subleased to the third party and started on September 1, 2003. This resulted in the aggregate rent differential of $77,325 being recognized as a charge to earnings in 2002. As at December 31, 2003, long-term liabilities include $34,656 which represents net rent payments which will be made in 2005 to 2006 (see note 11).

7. LOAN FACILITY

On January 27, 2000, the Corporation completed a US$2,000,000 financing with Resource Capital Fund L.P. The financing was structured as a US$2,000,000 loan facility (the "Loan Facility"). Under the terms of the Loan Facility, the Corporation issued 5,158,000 warrants with an exercise price of $0.57, expiring December 31, 2002. The warrants were not exercised prior to December 31, 2002 and therefore expired. The Loan Facility carried an interest rate of LIBOR plus 2%. The Loan Facility is secured by a charge on all the assets and undertaking of the Corporation, until a mining licence is obtained for Kwale and pledges of all issued and outstanding shares of the Corporation's subsidiaries.

Under the terms of the Loan Facility, the Corporation can elect to pay interest by the delivery of common shares of the Corporation. The number of common shares issued in lieu of interest is equal to the amount of interest payable divided by the number that is 90% of the weighted average trading price of the Corporation's shares for a period of 20 days immediately preceding the scheduled interest payment date.

The Loan Facility was scheduled to mature on December 31, 2002. On January 17, 2003, the Corporation amended the terms of the Loan Facility and repaid US$1,360,000 of the loan. The remaining outstanding principal of US$640,000 was extended to September 1, 2003 bearing an interest rate of LIBOR plus 4%. Under the terms of the Loan Facility amendment, the Corporation issued 3,698,044 common share warrants with an exercise price of $0.27, expiring December 31, 2003 (also see note 8). The warrants were all exercised prior to expiry.

On August 20, 2003, the maturity date of the Loan Facility was extended to October 31, 2003. On October 28, 2003, the balance of US$640,000 was repaid to Resource Capital Fund L.P.

8. CAPITAL STOCK

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

	Shares #	Amount $
Common shares, January 1, 2002	58,400,930	77,819,736
Issued upon exercise of options	153,000	37,500
Private placement	10,077,500	2,015,500
Issued for debt and interest payments	177,600	63,155
Total common shares, December 31, 2002	68,809,030	79,935,891
Issued upon exercise of warrants	13,775,544	3,265,891
Issued upon exercise of options (note 9)	250,000	75,000
Private placement	20,000,000	4,200,000
Total common shares, December 31, 2003	102,834,574	87,476,782

On January 10, 2003, the Corporation completed a private placement of 20,000,000 common shares for gross proceeds of $4,200,000. As part of the use of proceeds, $2,200,000 (US$1,360,000) was used to repay a significant portion of the outstanding loan facility with Resource Capital Fund L.P. on January 17, 2003 (see note 7).

In October 2002, the Corporation issued 10,077,500 units for gross proceeds of $2,015,500. Each unit consisted of one common share of the Corporation, one-half of one Series E common share purchase warrant, and one-half of one Series F common share purchase warrant. Since the market price per common share proximate to the time that the offering was priced was in excess of the price per unit, no value has been assigned to the common share purchase warrants. All series E and F warrants were exercised in 2003 for total proceeds of $2,267,438.

On April 28, 1997, the Corporation 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 Corporation other than by a permitted bid or with the approval of the Board of Directors of the Corporation, the rights would become exercisable to purchase common shares of the Corporation at a 50% discount to the then current market price. The Shareholder Rights Plan was re-approved by the shareholders on June 20, 2002 and extended for a further five year period.

b) WARRANTS

The following is a list of the warrants outstanding as at December 31st 2003. The Series G warrants are related to the financing closed on January 10th 2003 and were issued on that date. All warrants are convertible into one common share of the Corporation.

Type	Total Outstanding	Exercise Price	Expiry Date
Series G	1,349,800	$0.27	Jan. 10, 2005

Following the adoption of the recommendations issued by The Canadian Institute of Chartered Accountants dealing with stock-based compensation, the compensation warrants were valued at $240,264 and have been included as part of issue cost in 2003. The valuation was done using the Black-Scholes pricing model with the following assumptions: risk free interest rate of 4.0%, expected dividend yield of nil, expected volatility of 107% and expected warrant life term of two years.

9. STOCK OPTIONS

Under the Corporation's Stock Option Plan (the "Plan") established in 1996 and approved by shareholders in 1996 and 2000, the Corporation may grant to directors, officers, employees and consultants options to purchase common shares of the Corporation. The aggregate number of shares reserved for issuance under the Plan shall not exceed 8,000,000 common shares. The total number of shares which may be reserved for issuance to any one individual under the Plan shall not exceed 5% of the total number of issued and outstanding shares (on a non-diluted basis) and shares reserved for issuance under the Plan. Options granted since 1995 have a five-year term and are priced at the TSE closing price of the Corporation's common shares on the day immediately prior to the date of granting. Vesting provisions vary according to the terms of the individual granting.

A summary of the outstanding stock options is presented below.

	December 2003		December 2002	
	Options	**Weighted Average Exercise Price**	**Options**	**Weighted Average Exercise Price**
Outstanding, Beginning of year	4,420,000	$ 0.48	4,016,000	$ 0.53
Granted	1,950,000	0.28	1,160,000	0.27
Exercised	(250,000)	0.30	(153,000)	0.25
Cancelled/Expired	(1,218,000)	0.59	(603,000)	0.49
Outstanding, end of period	4,902,000	0.39	4,420,000	0.48
Options exercisable at the end of period	2,802,000		4,095,000	

The following table summarizes information about the stock options outstanding as at December 31, 2003.

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
Range of Exercise Prices	Number Outstanding As at Dec. 31, 2003	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Exercisable As at Dec. 31, 2003	Weighted Average Exercise Price
$ 0.23-0.28	1,685,000	3.65	$ 0.25	585,000	$ 0.23
$ 0.30-0.38	2,457,000	2.64	0.31	1,457,000	0.32
$ 0.65	50,000	2.35	0.65	50,000	0.65
$ 0.94	710,000	1.70	0.94	710,000	0.94
	4,902,000	2.85	0.39	2,802,000	0.46

In 2003, the fair value of the options granted during the year was estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk free interest rate of 4.0%, expected dividend yield of nil, expected volatility of 107% and expected option life term of four years. Under this method of calculation the fair value of all options granted during the year ended December 31, 2003, was $225,252, which reflects the options' vesting periods in accordance with the Plan. As a result, $225,252 has been recognized as compensation expense in 2003.

In 2002, the Corporation did not recognize compensation expense for stock options. Had compensation expense for options granted subsequent to January 1, 2002 under the Corporation's stock option plan been determined based on the fair value at the grant dates consistent with the fair value based method of accounting for stock-based compensation, the Corporation's net loss and loss per share would have been reduced to the pro forma amounts indicated below:

	2002 $
Net loss as reported	1,115,922
Stock-based compensation expense	130,884
Pro forma net loss	1,246,806
Pro forma basic and diluted net loss per share	0.02

The fair value of options granted in 2002 has been estimated at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions: risk free interest rate of 4.33%, expected dividend yield of nil, expected volatility of 111%, and expected option life of 4 years. For purposes of the pro forma disclosure, the estimated fair value of the options is expensed over the options' vesting periods. The weighted average fair market value of options granted in 2002 was $0.18.

10. INCOME TAXES

The components of the Corporation's future income tax assets (liabilities) are as follows:

	2003 $	2002 $
Non-capital losses carried forward	4,033,000	3,287,000
Resource related deductions	3,752,000	2,757,000
Share issuance costs	257,000	214,000
Capital assets	287,000	231,000
Future income tax asset	8,329,000	6,489,000
Valuation allowance	(8,329,000)	(6,489,000)
Net future income tax asset	–	–

As at December 31, 2003, the Corporation has non-capital losses to be carried forward and applied against taxable income of future years. The non-capital losses have expiry dates as follows:

2004	1,760,000
2006	2,013,000
2007	2,233,000
2008	2,332,000
2009	1,282,000
2010	1,460,000

11. LEASE COMMITMENT

The Corporation is committed to minimum annual rents under a lease, which expires on January 31, 2006. As at December 31, 2003, future minimum annual rental payments, net of proceeds from subleases, are as follows:

2004	31,990
2005	31,990
2006	2,666

The lease commitments for the period from September 1, 2003 to January 31, 2006 have been recognized as a liability as at December 31, 2002 (see note 5 b).

12. SUBSEQUENT EVENT

During the first quarter of 2004, the Corporation borrowed $500,000 from two of its directors. The loans are repayable on demand and bear a 10% interest rate.

DIRECTORS AND OFFICERS

Directors

Jean-Charles Potvin
Toronto, Ontario

Roland Bertin
Toronto, Ontario

Oliver Lennox-King
Toronto, Ontario

Charles Thomas Ogryzlo
Toronto, Ontario

Donald Worth
Toronto, Ontario

Officers

Jean-Charles Potvin
President & CEO

Ian MacNeily
VP Finance & CFO

Printed in Canada
Designed and produced by Stratagem Marketing & Design

INVESTOR INFORMATION

Corporate Headquarters

Tiomin Resources Inc.
26 Wellington Street East
Suite 820
Toronto, Ontario
Canada M5E 1S2
Tel: 416-350-3779
1-800-555-0863 (toll free)
Fax: 416-350-3570

Kenya Office

P.O. Box 1214
Ukunda, Kenya

Legal Counsel

Beach, Hepburn
Barristers & Solicitors
36 Toronto Street
Suite 1000
Toronto, Ontario
Canada, M5C 2C5
Tel: 416-350-3500
Fax: 416-350-3501

Registrar & Transfer Agent

Computershare Trust
Company of Canada
100 University Avenue
Toronto, Ontario
Canada M5J 2Y1
Tel: 416-263-9642
Fax: 416-981-9800

Auditor

Ernst & Young LLP
Chartered Accountants
Ernst & Young Tower
222 Bay Street
P.O. Box 251
Toronto, Ontario
Canada M5K 1K7
Tel: 416-864-1234
Fel: 416-864-1174

Stock Exchange Listing

Canada:
Toronto Stock Exchange
Trading Symbol: TIO
Inquiries relating to shareholdings should be directed to the Transfer Agent.

Investor Relations

To receive a copy of the latest corporate reports, please refer to our website at www.tiomin.com.

The 2003 Annual Meeting of Shareholders will be held on Tuesday, June 15, 2004 at 4:15 pm at the TSX Gallery, 130 King Street West, Exchange Tower, Toronto, Ontario.

TIOMIN

RESOURCES INC.