



**CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements and all of the data included in this report have been prepared by and are the responsibility of management of the Company. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgments based on currently available information. The Company has developed and maintains systems of internal accounting control in order to assure, on a reasonable and cost-effective basis, the reliability of its financial information, and that assets are safeguarded from loss.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee of the Board, comprised of non-management directors, which meets with the external auditors to satisfy itself that management's responsibilities are properly discharged and to review the consolidated financial statements before they are presented to the Board of Directors for approval.

The consolidated financial statements have been audited by Ernst & Young LLP Chartered Accountants. Their report outlines the scope of their examination and opinion on the consolidated financial statements.



Robert Jackson  
*Chief Executive Officer*



Bruce Ramsden  
*Vice President Finance  
and Chief Financial Officer*

March 13, 2008

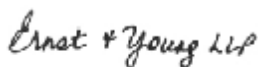
## AUDITORS' REPORT

To the Shareholders of **Tiomin Resources Inc.**

We have audited the consolidated balance sheets of **Tiomin Resources Inc.** (the "Company") as at December 31, 2007 and 2006 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company'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 Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Licensed Public Accountants

Toronto, Canada,  
March 13, 2008

**TIOMIN RESOURCES INC.**

**CONSOLIDATED BALANCE SHEETS**

(Expressed in thousands of Canadian dollars)

**As at December 31**

	2007	2006
	\$	\$
<b>ASSETS</b>		
Current		
Cash and cash equivalents	29,445	34,566
Restricted cash (note 12)	-	1,166
Receivables	889	1,749
Prepaid expenses	89	89
	<u>30,423</u>	<u>37,570</u>
Fixed assets, net of accumulated amortization (note 3)	620	1,400
Long-term lease prepayment (note 4)	663	-
Mineral properties (note 5)	8,915	7,715
Deferred exploration and development (note 5)	27,063	26,934
Investment (note 6)	500	-
	<u>37,761</u>	<u>36,049</u>
	<u>68,184</u>	<u>73,619</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	1,225	10,331
Current portion of capital lease obligations (note 11)	63	77
	<u>1,288</u>	<u>10,408</u>
Long-term		
Capital lease obligations (note 11)	36	110
Long-term liabilities (note 7)	386	386
Long-term income taxes payable (note 9)	214	-
	<u>636</u>	<u>496</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (note 8a)	185,005	174,103
Contributed surplus (note 8d)	3,812	2,657
Deficit	(122,557)	(114,045)
Accumulated other comprehensive income	-	-
	<u>66,260</u>	<u>62,715</u>
	<u>68,184</u>	<u>73,619</u>

See accompanying notes

Approved on behalf of the Board:



Jean-Charles Potvin  
Chairman



Roland Bertin  
Director

**TIOMIN RESOURCES INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

(Expressed in thousands of Canadian dollars except share and per share data)

**For the years ended December 31**

	<b>2007</b>	<b>2006</b>
	<u>\$</u>	<u>\$</u>
<b>EXPENSES</b>		
Kwale project (note 13)	<b>4,117</b>	30,830
Salaries and other compensation	<b>3,053</b>	2,018
Office costs	<b>292</b>	215
Foreign exchange (gain)/ loss	<b>141</b>	(220)
Travel	<b>431</b>	393
Shareholders' information	<b>101</b>	136
Promotion	<b>46</b>	221
Professional fees	<b>320</b>	292
General exploration and write-off	<b>292</b>	50
Leasehold expenses (note 4)	<b>14</b>	-
<b>Loss before interest and amortization</b>	<b>8,807</b>	33,935
Interest income	<b>(1,128)</b>	(1,083)
Interest expense	<b>17</b>	11
Amortization	<b>234</b>	45
Loss before income taxes	<b>7,930</b>	32,908
Current income tax provision (note 9)	<b>214</b>	-
Net loss for the year	<b>8,144</b>	32,908
Share issue costs	<b>368</b>	4,549
Deficit, beginning of year	<b>114,045</b>	76,588
<b>Deficit, end of year</b>	<b>122,557</b>	114,045
Basic and diluted loss per share	<b>\$ 0.02</b>	\$ 0.09
Basic and diluted weighted average shares outstanding	<b>412,326,680</b>	372,694,536

*See accompanying notes*

**TIOMIN RESOURCES INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in thousands of Canadian dollars)

**For the years ended December 31**

	2007 \$	2006 \$
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	(8,144)	(32,908)
<i>Add (deduct) non-cash items</i>		
Kwale project expenses (note 13)	-	24,437
Amortization charges	234	45
Compensation expense	1,170	808
Sublease expense	-	(3)
Leasehold expense	14	-
Fixed asset written off	-	28
Long-term income taxes payable	214	-
<i>Changes in non-cash working capital</i>		
(Increase) decrease in receivables	860	(1,689)
Decrease (increase) in prepaid expenses	-	(45)
Increase (decrease) in accounts payable and accrued liabilities	(9,121)	9,282
	<u>(14,773)</u>	<u>(45)</u>
<b>INVESTING ACTIVITIES</b>		
Mineral properties acquired	(1,200)	(3,968)
Deferred exploration and development expenditures	(129)	(3,990)
Net fixed assets acquisitions	(135)	(670)
Construction in progress (note 13)	-	(11,909)
Investment in Alliance Pacific (note 6)	(500)	-
Restricted cash (note 12)	1,166	(1,166)
	<u>(798)</u>	<u>(21,703)</u>
<b>FINANCING ACTIVITIES</b>		
Cash received for common shares	10,887	67,664
Payment on capital lease obligations	(73)	(40)
Proceeds on disposal of fixed asset	4	-
Share issue costs	(368)	(4,549)
Deferred financing costs	-	(12,466)
	<u>10,450</u>	<u>50,609</u>
Net increase in cash and cash equivalents	(5,121)	28,861
Cash and cash equivalents, beginning of year	<u>34,566</u>	<u>5,705</u>
<b>Cash and cash equivalents, end of year</b>	<b>29,445</b>	<b>34,566</b>
<b><u>Supplementary cash flow information</u></b>		
Interest received	1,128	1,083
Interest paid	<u>17</u>	<u>11</u>

See accompanying notes

## **TIOMIN RESOURCES INC.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Tabular dollar amounts expressed in thousands of Canadian dollars except share and per share data)

**December 31, 2007**

#### **1. NATURE OF OPERATIONS**

Tiomin Resources Inc. (the “Company” or “Tiomin”) and its subsidiaries have mineral exploration properties located mainly in Kenya. The Company is a development stage enterprise and currently has no significant revenue from operations. The exploration and development of mineral properties involves significant financial risk. The recoverability of the amounts shown for the mineral properties and the related deferred expenditures is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves, confirmation of the Company’s and its subsidiaries’ interest in the underlying mineral claims, the ability of the Company and its subsidiaries to obtain necessary financing to complete the development and future profitable production or the proceeds of disposition thereof.

The consolidated financial statements for the year ended December 31, 2007 have been prepared on the basis that the Company is a going concern, which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations. These consolidated financial statements do not include any adjustments related to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Company are in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with prior years. Outlined below are those policies considered particularly significant.

##### **Revenue Recognition:**

The Company currently has no source of income and no immediate cash flow from its operations.

##### **Mineral Properties and Deferred Exploration and Development:**

Acquisition, project development costs and exploration expenses relating to mineral properties with proven resource potential are deferred until the properties are brought into production, at which time exploration and development costs will be 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 General exploration expenses are expensed in the year that they occur. The Company does not accrue the future cost of maintaining the properties in good standing.

##### **Fixed Assets and Amortization:**

Fixed assets are stated at acquisition cost. Amortization is provided on the straight-line basis over the following periods:

Computers	3 years
Vehicles	3 years
Furniture and fixtures	5 years
Mining equipment	3 years
Software	3 years

**Investments:**

The Company holds an investment at cost as described in note 6. At December 31, 2007 the investment is a private company with no quoted common share prices on any recognised exchanges. Subsequent to year end the investment is quoted on a recognised exchange. Accordingly, the investment will be measured at fair value with revaluation gains and losses included in other comprehensive income until the investment is disposed or impaired.

**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 amortization are translated at the average rates of exchange for the year. Any exchange gain or loss that arises on translation is included in the determination of net loss for the year.

**Cash and Cash Equivalents:**

Cash and cash equivalents comprise cash on hand and short-term investments with remaining maturity dates of 90 days or less at the time of acquisition.

**Deferred Financing Costs:**

The costs of obtaining bank and other debt financing are deferred and will be amortized on a straight-line basis over the term of the debt to which they relate.

**Income Taxes:**

Current income taxes are recognized for the estimated income and mining taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized. Future income taxes are measured using the tax rates and laws that will be in effect when the differences are expected to reverse or the losses to be realized.

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

**Stock-based Compensation:**

The Company has a stock-based compensation plan that is described in note 8(c). The Company accounts for all stock-based awards to employees and non-employees using the fair-value method.

Effective June 11, 2007, the Company amended its stock option plan whereby the value of the options at the time of exercise is settled by the surrendering of the options for substituted rights and the immediate conversion of these rights into common shares ("cashless settlement"). The number of substituted rights is determined based on the exercise price and the market price of the Company's common shares at the date of exercise.

For options granted prior to June 11, 2007, compensation expense was first measured at fair value at the grant date using the Black-Scholes option pricing model and recognized over the vesting period with a corresponding increase in contributed surplus. If, prior to the exercise of the options, the quoted market price of the common shares exceeds the total of the fair value of the options as determined at the grant date plus the exercise price, additional compensation expense will be recorded equal to the excess with on-going re-measurement of the outstanding contributed surplus. At the time of exercise, share capital is credited with the amount, if any, of the outstanding contributed surplus.

For options granted after June 11, 2007, compensation expense is calculated as the amount by which the quoted market price exceeds the exercise price with on-going re-measurement of the outstanding contributed surplus. At the time of exercise, share capital is credited with the amount, if any, of the outstanding contributed surplus.

#### **Changes in Accounting Policies:**

Effective January 1, 2007, the Company has adopted Section 1530 and Section 3855 of the four new accounting standards that were issued by the Canadian Institute of Chartered Accountants (the "CICA"): Section 1530, Comprehensive Income; Section 3855, Financial Instruments - Recognition and Measurement; Section 3861, Financial Instruments - Disclosure and Presentation; and Section 3865, Hedges.

Section 1530 introduces comprehensive income, which includes net income and other comprehensive income ("OCI"). OCI represents changes in shareholders' equity during a period arising from such items as unrealized foreign currency translation gains or losses arising from self-sustaining foreign operations, unrealized gains and losses on available-for-sale investments, and changes in the fair value of the effective portion of cash flow hedging instruments. The application of this new standard did not result in comprehensive income being different from net income (loss) for the periods presented.

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities, and non-financial derivatives. It also specifies how financial instrument gains and losses are to be presented. All financial instruments must be classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. Initial and subsequent recognition and measurement of changes in the value of financial instruments depends on their initial classification:

- Financial assets and liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net income.
- Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in OCI until the asset is removed from the balance sheet.
- Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost.
- Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization.

On December 31, 2007, the Company held an investment in a privately held Company described in note 6. The shares have been classified as "available-for-sale" and are held at a cost of \$500,000 at the date of the consolidated balance sheets. Subsequent to the year ended December 31, 2007 the Company listed on the TSX Venture exchange and in future any resulting gains and losses will be recorded as comprehensive income, a component of shareholders' equity. If the financial assets are sold or disposed of, the gains or losses will be recorded in income.

The Company has evaluated the impact of these new standards on its financial position and results of operations and has determined that these new standards have no impact on the Company's consolidated financial statements.

3. **FIXED ASSETS**

The following table provides a breakdown of the Company's fixed assets as at December 31:

	2007			2006		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Computers	\$ 140	\$104	\$ 36	\$ 168	\$106	\$ 62
Furniture and fixtures	118	61	57	122	47	75
Software	160	47	113	90	-	90
Mining equipment	409	144	265	350	79	271
Vehicles	341	208	133	350	141	209
Land	16	-	16	693	-	693
<b>Total</b>	<b>\$1,184</b>	<b>\$564</b>	<b>\$620</b>	<b>\$1,773</b>	<b>\$373</b>	<b>\$1,400</b>

During the year ended December 31, 2007, nil (2006 - \$17) of amortization was capitalized to deferred exploration and development.

4. **LONG-TERM LEASE PREPAYMENT**

	\$
Cost as at December 31, 2006	677
Amortization for the twelve months ended December 31, 2007	14
<b>Net Book Value as at December 31, 2007</b>	<b>663</b>

This relates to leasehold property, Mombasa/Mainland South/Block 1/1980, which the Company has prepaid for in full. The land was leased for the construction of the Likoni Port Facility in Mombasa. The remaining term of the lease is 87 years.

5. **MINERAL PROPERTIES AND DEFERRED EXPLORATION AND DEVELOPMENT**

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

	MINERAL PROPERTIES	
	December 31, 2007 (cost)	December 31, 2006 (cost)
Kenya	\$5,964	\$5,964
Peru	2,924	1,744
Tanzania	27	7
<b>Total</b>	<b>\$8,915</b>	<b>\$7,715</b>

	DEFERRED EXPLORATION AND DEVELOPMENT	
	December 31, 2007 (cost)	December 31, 2006 (cost)
Kenya	\$23,986	\$23,986
Peru	2,885	2,786
Tanzania	192	162
<b>Total</b>	<b>\$27,063</b>	<b>\$26,934</b>

In June 1996, the Company acquired from Pangea Goldfields Inc. ("Pangea"), subsequently purchased by Barrick Gold Corp. ("Barrick"), a 100% interest, subject to a 20% net profit interest royalty ("NPI"), in the exploration rights of three Special Licences along the Kenyan coast. Under the terms of the agreement, the Company must spend a minimum of US\$0.2 million on exploration on the properties during the first year and complete a feasibility study within five years. If the properties are placed into production, Pangea will receive 20% of the net profits from any mining operation following payback of Tiomin's capital investment in the mine and processing operation. In 2000, the Company completed a positive feasibility study and made a decision to

proceed with production, thus satisfying the terms of the agreement with Pangea. The three Special Licences require the Company to spend a minimum of 14,000,000 Kenyan shillings per annum on exploration. The Special Licences were renewed in April 2004 and in 2006.

In April 1997, the Company acquired a fourth licence in Kenya known as Kwale. The licence was for an initial term of two years and required the Company to spend a minimum of 500,000 Kenyan shillings per annum on exploration. This licence was added to the initial agreement with Pangea whereby Pangea retains a 20% NPI in the Kenyan properties. On July 6, 2004, the Company received a 21-year renewable Special Mining Lease for the Kwale property. On February 2, 2005, the Government of Kenya and the Company executed the Fiscal Investment Agreement pertaining to the Kwale project. According to the agreement, the Company committed to invest in the Kwale project not less than US\$150 million during the first five years of the term granted under the Special Mining Lease, inclusive of development capital invested to date. The fiscal terms of the agreement include a 50% reduction in the corporate tax rate for ten years from the start of commercial production of the mine. The agreement is also subject to 2.5% gross revenue ("FOB") royalty to the Government of Kenya.

In April 2006, the Company entered into an agreement with Barrick to buy back the 20 percent NPI from Barrick's subsidiary Pangea.

On August 8, 2006, Tiomin paid Barrick US\$2.0 million and issued five million common shares at a deemed value of \$0.27 per common share being the closing price of the previous day. Pursuant to the terms of the buy-back, Tiomin agreed to make a cash payment of US\$2.0 million and issue five million common shares of the Company to Pangea. Tiomin has also agreed to make a cash payment of US\$1.0 million, only if and when commercial production is reached, for each of the other properties (Kilifi, Vipingo and Mambui), or if Tiomin sells an interest in any such property to a third party, Pangea will have the right of first refusal on any sale of interest in the four properties mentioned above.

In October 2004, the Company entered into a 49/51% joint venture agreement with Compania Minera Milpo S.A.A. ("Milpo") for the exploration of the Pukaqaqa copper-gold deposit located on a 3,150 hectare land package in Peru. The Pukaqaqa deposit was discovered by Rio Tinto Mining and Exploration Ltd. ("RTZ") in 1996. The property was subsequently optioned to Milpo in October 2001 for cash payments of US\$0.5 million in 2005, US\$1.5 million on October 1, 2006 (paid) and \$2.0 million (paid) on October 1, 2007. RTZ retains a net smelting return royalty of up to 1%.

According to the joint venture agreement the Company can earn 49% of Milpo's option interest in the property by contributing a total of US\$2.0 million, consisting of:

- US\$1.0 million in exploration expenditures of which US\$0.3 million is to be contributed before October 2005 (paid), and an additional US\$0.735 million before October 1, 2006 (paid on September 27, 2006).
- US\$1.0 million in cash payments consisting of US\$0.1 million in January 2005 (paid) and US\$0.4 million in July 2005 (paid), as per the agreement between Milpo and RTZ, and US\$0.3 million towards the purchase of the Jupiter claim on behalf of the joint venture. The remaining US\$0.2 million will be applied towards either the balance of property payments to RTZ or on further exploration work at the Company's discretion.

On May 2, 2006, the Company announced that it had acquired a new reconnaissance exploration licence for mineral sands along the coastline of Tanzania. The licence was acquired under an option agreement with Karoo Exploration Services Company Limited of Dar es Salaam ("Karoo"). Tiomin has agreed to pay Karoo US\$1,000 upon completion of filing and issuance of the reconnaissance exploration licence and make annual payments of US\$2,000 until the mineral interest expires or is surrendered. Tiomin can acquire a 100% interest in this exploration licence upon the payment of US\$20,000 at any time. During the fourth quarter the Company, through its subsidiary Tiomin Minerals Limited, incorporated Tiomin Tanzania Limited and paid US\$20,000 for the exploration licence as described above.

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 AMZ.

## 6. **INVESTMENT**

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. At December 31, 2007 Alliance has 19,524,127 common shares outstanding.

At the annual and special Meeting of shareholders held on December 17, 2007, the shareholders approved the amalgamation of Alliance and the acquisition of Radiant Subco, a wholly owned subsidiary of Radiant Resources Inc. ("Radiant"), by way of an arrangement under the Business Corporations Act (Ontario). Holders of Alliance common shares will receive 0.917082 of one common share of Radiant for each share of Alliance held by them. On January 29, 2008, Radiant successfully acquired all the issued and outstanding shares of Alliance pursuant to a plan of arrangement. Alliance shareholders received 0.917082 common shares of Radiant or approximately 1,146,353 of the 30,044,985 common shares outstanding. On January 29, 2008 a director and officer of the Company was appointed to the board of directors of Radiant.

Alliance/Radiant has joint venture agreements on four base metal properties in the Urumqi, Xingiang Uygur Autonomous Region in China.

On January 1, 2007, the Company adopted the new accounting standards issued by CICA with respect to financial instruments. As a result, Alliance shares have been classified as "available-for-sale" and, as such, is recorded at fair value at each consolidated balance sheet date. Any resulting gains and losses are recorded as comprehensive income, a component of shareholders' equity.

## 7. **LONG-TERM LIABILITIES**

### **Development Loan:**

On April 22, 1999, the Canadian International Development Agency and the Company entered into a loan agreement under the Industrial Overseas Development Program. The proceeds of the loan were to be used to offset the cost of certain environmental work incorporated in the Kwale feasibility study. Under the terms of the agreement, Tiomin had to spend a minimum of \$1,480,000 on the feasibility study prior to June 30, 2000 in order to be entitled to the maximum loan amount of \$391,000. The loan is non-interest bearing and is repayable once the Company's cumulative product sales from the project exceed \$5.0 million. In the event that the Kwale project is not put into production or fails to achieve the sales threshold, the loan will be treated as a grant and the Company will not be required to repay the loan. The Company met the minimum level of expenses of \$1,480,000 and received \$386,262 of the maximum loan amount.

8. **CAPITAL STOCK**

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

	<b>Shares #</b>	<b>Amount</b>
	<hr/>	<hr/>
Total common shares, January 1, 2006	150,359,536	\$104,994
Private placement	16,520,000	7,434
Prospectus offering	200,000,000	60,000
Pangea royalty	5,000,000	1,350
Issued upon exercise of options	815,000	230
Black Scholes value of options exercised	-	95
Total common shares, December 31, 2006	<hr/> 372,694,536	<hr/> \$174,103
Private placement	<b>72,521,134</b>	<b>10,878</b>
Issued upon exercise of options	<b>100,000</b>	<b>9</b>
Issued upon cashless exercise of options	<b>49,498</b>	<b>2</b>
Black Scholes value of options exercised	-	<b>13</b>
Total common shares, December 31, 2007	<hr/> <b>445,365,168</b> <hr/>	<hr/> <b>\$185,005</b> <hr/>

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

On June 6, 2006 the Company announced that it had closed a best efforts public equity offering (the “Offering”) to raise approximately \$50 million to be used to construct and develop the Company’s Kwale titanium mineral sands project in Kenya. The Offering consists of approximately 166,666,667 Subscription Receipts at a price of \$0.30 per Subscription Receipt with each Subscription Receipt entitling the holder to acquire, for no additional consideration, one common share and one-half of one Series O common share purchase warrant of the Company (each whole Series O common share purchase warrant a “Warrant”). Each Warrant shall entitle the holder to acquire an additional common share at a price of \$0.36 per common share for a period of 18 months (expired in December 2007). In addition, the Agents exercised their option to increase the Offering by \$10.0 million to \$60 million. As a result, the Offering consisted of approximately 200,000,000 Subscription Receipts at a price of \$0.30 per Subscription Receipt as described above.

The gross proceeds of the Offering were deposited with Computershare Trust Company of Canada in escrow pending the satisfaction of certain release conditions (the “Release Conditions”). The Release Conditions were met to the satisfaction of the Agents on July 31, 2006 and the Subscription Receipts were exercised into common shares and Warrants and the escrowed funds released to the Company.

A non-refundable amount of \$1.8 million was paid to the Agents on June 6, 2006 and the balance of \$1.8 million was paid on July 31, 2006. Share issue costs of \$4,108,958 were incurred to complete the transaction.

On August 8, 2006 the Company issued 5,000,000 common shares at a price of \$0.27 per share to Barrick in return for a 20% NPI that Barrick held through its subsidiary Pangea.

For the year ended December 31, 2006, 815,000 stock options were exercised for proceeds of \$229,750.

At the Annual Special Meeting of shareholders held on June 11, 2007 the shareholders approved the private placement whereby Jinchuan subscribed for 72,521,134 common shares of the Company at \$0.15 per common share for proceeds of approximately \$10.9 million. Share issue costs of \$368,378 were paid on the transaction.

This investment increases Jinchuan's equity ownership of Tiomin to approximately 20%. At the same special meeting the shareholders approved the granting to Jinchuan an 18-month option to increase its interest in Tiomin to 30% by subscribing for additional common shares at a price of \$0.35 per share, raising an additional \$22 million in new cash resources if exercised. On June 15, 2007 the Company closed the private placement.

On April 18, 2007, 100,000 stock options were exercised at \$0.09 per share for proceeds of \$9,000.

On June 25, 2007, 50,000 stock options were exercised using the cashless settlement alternative, approved at the Annual Special Meeting held on June 11, 2007, resulting in 23,530 common shares being issued. Under the cashless settlement option, the Company has the option to issue to the option holder substituted rights which are immediately converted into an equal number of common shares. The number of substituted rights issued is determined based on the exercise price and the market price of the Company's shares at the date of exercise. Any shares issued under this are recorded as an increase to share capital and a charge to expense equal to the exercise price of the option. The deemed proceeds credited to common shares was \$1,492.

On July 24, 2007, 50,000 stock options at \$0.09 were exercised using the cashless settlement alternative as described above. The closing market price on the day of the exercise of the options was \$0.155, which resulted in 20,968 common shares being issued using the cashless settlement alternative as described above. The deemed proceeds credited to common shares was \$742.

On September 18, 2007, 50,000 stock options at \$0.09 were exercised using the cashless settlement alternative as described above. The closing market price on the day of the exercise of the options was \$0.10, which resulted in 5,000 common shares being issued using the cashless settlement alternative as described above. The deemed proceeds credited to common shares was nil.

On April 28, 1997, the Company adopted a Shareholder Rights Plan. Each shareholder of record from the close of business on April 28, 1997 will be issued one right for each common share held. In the event that a bidder acquires 20% or more of the outstanding voting shares of the Company other than by a permitted bid or with the approval of the Board of Directors of the Company, the rights would become exercisable to purchase common shares of the Company at a 50% discount to the then current market price. The Shareholder Rights Plan was re-approved by the shareholders on June 20, 2002 and extended for a further five-year period. Shareholders were not asked to re-approve the Shareholder Rights Plan at the Annual Special Meeting held on June 11, 2007.

**b) WARRANTS**

The following is a list of the warrants outstanding as at December 31, 2007. All warrants are convertible into one common share of the Company.

<b>Type</b>	<b>Total Outstanding</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Jinchuan Warrants	60,937,692	\$0.65	July 31, 2016
FMO Warrants	37,500,000	\$0.36	December 31, 2010
<b>Total</b>	<b>98,437,692</b>	<b>\$0.54</b>	

Following the adoption of the recommendations issued by the CICA dealing with stock-based compensation, any compensation warrants are included as part of share issue costs. The valuation is done using the Black-Scholes option pricing model. In March 2007, 1,050,000 compensation warrants at \$0.40 were cancelled and 9,275,000 warrants at \$0.50 were cancelled. During June 7, 2007, 858,556 warrants at \$0.50 were cancelled and 943,027 broker warrants at \$0.36 were cancelled. During July 2007, 16,520,000 warrants at \$0.55 were cancelled and during December 2007, 100,000,000 warrants at \$0.36 were cancelled.

**c) STOCK OPTIONS AND STOCK INCENTIVE PLANS**

Under the Company's Stock Option Plan (the "Plan") established in 1996 and approved by shareholders in

1996, 2000, 2004, 2006 and 2007, the Company may grant to directors, officers, employees and consultants options to purchase common shares of the Company. The aggregate number of common shares reserved for issuance under the 2004 Plan was that options were not to exceed 13,000,000.

At the Annual Special Meeting held on June 14, 2006, the shareholders approved the amendment of the Plan from fixing the maximum number of common shares reserved for issuance and replacing it with a “rolling” number, which would result in 10% of the number of issued and outstanding common shares of the Company at the time of any option grant being reserved. The total number of common shares which may be reserved for issuance to any one individual under the Plan shall not exceed 5% of the total number of issued and outstanding common shares (on a non-diluted basis) under the Plan. Options granted since 1995 have a five-year term and are priced at the closing price of the Company’s common shares on the day immediately prior to the date of granting. Vesting provisions vary according to the terms of the individual granting.

At the same meeting held on June 14, 2006, the shareholders approved a Stock Incentive Plan, which includes a Share Bonus Plan and a Share Purchase Plan for the benefit of directors, officers, employees and consultants of the Company. The maximum number of common shares issuable under the Stock Incentive Plan is 16,000,000 common shares, however no more than 8,000,000 common shares may be issued under the Share Bonus Plan and the number of common shares issuable to any one person shall not exceed 20% of the aggregate number reserved. The Share Purchase Plan would allow participants to contribute up to 10% of their base annual salary and that the Company would match each participant’s contribution and the aggregate funds would be used to purchase common shares of the Company.

At the Annual Special Meeting held on June 11, 2007, the shareholders approved the ‘cashless’ settlement alternative in connection with the exercise of options under the Plan and the addition of a provision whereby, if the expiry date of an option granted under the Plan would otherwise occur during or within ten days following a Black-Out Period, the expiry date of such option shall be extended to the first business day which is at least ten days after the end of the Black-Out Period. Under the cashless settlement option as described above, the Company has the option to issue to the option holder substituted rights which are immediately converted into an equal number of common shares.

A summary of the outstanding stock options is presented below.

	<b>December 31, 2007</b>		<b>December 31, 2006</b>	
	<b>Options</b>	<b>Weighted Average Exercise Price \$</b>	<b>Options</b>	<b>Weighted Average Exercise Price \$</b>
Outstanding, beginning of year	<b>9,115,000</b>	<b>\$0.34</b>	6,410,000	\$0.33
Granted	<b>29,300,000</b>	<b>0.10</b>	3,950,000	0.36
Exercised	<b>(100,000)</b>	<b>0.09</b>	(815,000)	0.28
Exercised cashless method	<b>(150,000)</b>	<b>0.09</b>	-	-
Cancelled / expired	<b>(2,170,000)</b>	<b>0.29</b>	(430,000)	0.42
Outstanding, end of year	<b>35,995,000</b>	<b>0.14</b>	9,115,000	0.34
Options exercisable, end of year	<b>35,245,000</b>	<b>\$0.14</b>	7,481,666	\$0.35

The following table summarizes information about the stock options outstanding as at December 31, 2007.

Range of Exercise Prices	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	Number Outstanding As at December 31, 2007	Weighted Average Remaining Life (years)	Weighted Average Exercise Price \$	Number Exercisable As at December 31, 2007	Weighted Average Exercise Price \$
\$ 0.075	11,000,000	4.99	\$0.075	11,000,000	\$0.075
\$ 0.09	14,050,000	4.15	0.09	14,050,000	0.09
\$0.125	3,800,000	4.39	0.125	3,800,000	0.125
\$0.20 - 0.29	1,920,000	2.60	0.26	1,170,000	0.27
\$0.30 - 0.39	3,115,000	1.74	0.34	3,115,000	0.34
\$0.40 - 0.50	2,110,000	3.23	0.41	2,110,000	0.41
	<b>35,995,000</b>	<b>4.09</b>	<b>\$0.14</b>	<b>35,245,000</b>	<b>\$0.14</b>

For the year ended December 31, 2006, 3,950,000 options were granted. The fair value of the options granted was estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk free interest rate of between 3.86% and 4.17%, expected dividend yield of nil, expected volatility between 34.123% and 87.015% and expected option life of between two and five years. Under this method of calculation the fair value of the 3,950,000 stock options granted during 2006 is \$807,771.

For the year ended December 31, 2007, 29,300,000 options were granted. The fair value of 18,300,000 of the options granted was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of between 3.97% and 4.13%, expected dividend yield of nil, expected volatility of between 59.15% and 61.81%, and expected option life of five years. Under this method of calculation, the fair value of the 18,300,000 stock options granted is \$979,182.

For options granted after June 11, 2007, compensation expense is calculated as the amount by which the quoted market price exceeds the exercise price with on-going re-measurement of the outstanding contributed surplus. At December 31, 2007 the quoted market price exceeds the exercise price by \$110,000. At the time of exercise, share capital is credited with the amount, if any, of the outstanding contributed surplus.

**d) CONTRIBUTED SURPLUS**

	December 31, 2007	December 31, 2006
Balance, beginning of year	\$2,657	\$1,944
Amortization of fair value of stock options	980	769
Compensation shares vesting	78	39
Market price adjustment	110	-
Stock options exercised	(13)	(95)
Balance, end of year	<b>\$3,812</b>	<b>\$2,657</b>

9. **INCOME TAXES**

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

	2007	2006
Non-capital losses carried forward	\$ 4,645	\$ 4,430
Resource-related deductions	2,957	3,304
Share issue costs	963	1,422
Fixed assets	259	261
<b>Future tax assets</b>	<b>8,824</b>	<b>9,417</b>
Valuation allowance	(8,824)	(9,417)
<b>Net future tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

As at December 31, 2007, the Company had non-capital losses to be carried forward and applied against taxable income of future years. The non-capital losses have expiry dates as follows:

	\$ 1,771
2009	1,214
2010	1,176
2014	2,970
2015	2,021
2026	4,675
2027	4,168
	<b>\$17,995</b>

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 \$214,000 which will only be required to be paid in 2009.

10. **LEASE COMMITMENTS**

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 \$43,442 or \$14 per square foot of the rentable area will be payable in equal monthly instalments of \$3,620 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.

The Company, through its subsidiary Tiomin Kenya Limited, entered into a lease for its premises in Ukundu, Kenya for five years, which commenced August 1, 2005. The monthly rental payable quarterly in advance is 90,000 Kenyan shillings or approximately \$1,407 Canadian dollars. The rent will increase every two years by 10%.

## 11. CAPITAL LEASE OBLIGATIONS

Year ended December 31:	\$
2008	71
2009	38
Total minimum lease payments	109
Less amount representing interest at 11%	10
Present value of net minimum capital lease payments	99
Current portion of obligations under capital leases	63
	<u>36</u>

During the year ended December 31, 2007, the Company, through its subsidiary Tiomin Kenya Limited, paid \$90,000 (2006 - \$51,000) relating to the capital lease obligations, of which \$17,000 (2006 - \$11,000) was interest.

## 12. RESTRICTED CASH

As a condition of the proposed debt financing in 2006 (which was subsequently cancelled in February 2007) Political Risk Insurance ("PRI") was to be provided for certain of the senior lenders. As a consequence, Tiomin Kenya Limited (the borrower) deposited an amount of US\$1.0 million into a trust account equal to the maximum PRI cancellation fee that is or could be payable to the PRI insurer if the policy is cancelled prior to drawdown or by no later than March 31, 2007 or by such later date as agreed by the insurer. Because of the cancellation of the debt financing the Company will be required to pay the cancellation fee. During the quarter ended June 30, 2007 the PRI insurer cancelled the policy and has been paid the US\$1.0 million or \$1.166 million on the consolidated balance sheet at December 31, 2006.

## 13. KWALE PROJECT

(a) As a result of the suspension of the Kwale project the following has been charged to operations.

	<u>2007</u>	<u>2006</u>
Cancellation fees	\$ -	\$ 6,396
Construction	3,940	11,909
Deferred financing costs	177	12,525
	<u>\$ 4,117</u>	<u>\$30,830</u>

(b) On July 31, 2006, the Company announced that it had structured a financing package totalling US\$201 million for the construction and development of the Kwale mineral sands project in Kenya. The Company entered into definitive agreements with respect to the project's debt financing totalling US\$155 million. On February 13 and 14, 2007 the Company cancelled the facility as it was unable to meet the conditions precedent to drawdown due to legal and bureaucratic delays caused by the Government of Kenya, which negatively impacted the project's rate of return and resulted in an equity shortfall to finance the project and accordingly all costs incurred were written off in 2006 in the amount of \$12,525,000. The Company continues to source additional funds, a partner or a buyer for the project.

A decision was taken by the Company during December 2007 to reduce costs at its subsidiary Tiomin Kenya Limited, and on January 7, 2008 notice was given to all the staff, that effective March 31, 2008 their services would no longer be required. Termination costs have been accrued and are included in the consolidated financial statements. A skeleton staff will be maintained until such time that a partner or buyer of the project may be secured. The Company will continue to have security staff patrol the mineral properties.

Construction in progress was to be represented by the expenditure under a construction contract, which included a contract of US \$22 million entered into with Ausenco International Pty Ltd. Based in Queensland, Australia (“Ausenco”) for the engineering, procurement, commissioning and construction management of the mining facilities at the Kwale project in Kenya. Ausenco was to provide engineering, procurement and construction management, expertise in design, project management, construction, completion and commissioning of the processing plant facilities until the project was suspended in December 2006 due to legal and bureaucratic delays that negatively impacted the project’s rate of return to Tiomin’s shareholders.

Included in the construction in progress are the local infrastructure, including the port facilities road access and other infrastructure, which was being managed by local Kenyan contractors until the project was suspended.

Local contractors Laigi Meghji Patel and Company were awarded the tender for the construction of the port facilities, and a local project management consulting firm, Muambi Associates, was retained as quantity surveyors.

A decision was taken during January 2007 to cancel a number of these contracts and write-off the amounts charged to construction in progress, as the amounts expended to date are not expected to be recoverable if the project continues at a later date, in the amount of \$11,909,000. Included in accounts payable and accrued liabilities at December 31, 2006 was \$6,396,000 related to cancellation fees.

**14. CURRENCY RISK**

Certain of the Company's activities, and certain of the expenses incurred in connection with the Kwale project, are transacted in U.S. dollars. Other expenses incurred in connection with the Kwale project are transacted in Kenyan shillings, Australian dollars and South African rand. Fluctuations in relative currency values among the Canadian dollar, the U.S. dollar, the Kenyan shilling, the Australian dollar and the South African rand may adversely affect the Company's financial position and results. The Company does not currently have in place a policy for managing or controlling foreign currency risks since, to date, its primary activities have not resulted in material exposure to foreign currency risk.

**15. RELATED PARTY TRANSACTIONS**

During the fourth quarter of the year ended December 31, 2007, the Company commenced renting office space at a fair market value to two companies controlled by directors and officers the Company. The Company charges each of these companies \$5,000 per annum. For the year ended December 31, 2007 an amount of \$1,250 was charged to each of the companies.

**16. SUBSEQUENT EVENTS**

On February 14, 2008, the Company completed a private placement into Kivu Gold Corp. (“Kivu”), a company controlled by directors and officers of the Company. Kivu is a gold company focussing 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.

**17. RECLASSIFICATION**

Certain comparative figures have been reclassified to conform to the current period's presentation.