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"

Jean-Charles Potvin
Chairman

"signed"

Oliver Lennox-King
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

December 31, 2003

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.