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STOCK EXCHANGE LISTING

Canada:
Toronto Stock Exchange
Montreal Exchange
Trading Symbol:
TIO

Inquiries relating to shareholdings should be directed to the Transfer Agent.

The Annual and Special Meeting of Shareholders will be held on Thursday, June 11, 1998, at 4:15pm, at The Ontario Club, Commerce Court South, 5th floor Toronto, Ontario.



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TIOMIN RESOURCES INC.

1997 ANNUAL REPORT



TO OUR SHAREHOLDERS

TIOMIN RESOURCES CONTINUES TO GROW rapidly with its expanding mineral inventory of copper and titanium resources. Of particular interest is the 1997 discovery of a significant high-grade source of natural rutile at the Kwale deposit in Kenya. Rutile is the most sought after source of titanium and as such is easily marketed while commanding high prices.

The stock market has been a challenge for all mining companies in 1997. Notwithstanding our exciting mineral discovery and impressive overall mineral resource inventory, decreasing commodity prices, such as copper dropping from a peak of US\$1.23/lb in 1997 to a recent low of US\$0.70/lb combined with the cloud created by the Bre-x fraud, have exerted downward pressures on our stock price. Each Tiomin share currently issued is backed by nearly 600 pounds of copper in mineral resources. In addition, Tiomin now controls an estimated 12% of the world's titanium resources contained in its several deposits outlined in Kenya over the past two years.

Our innovative technological process (patent pending) for upgrading ilmenite to synthetic rutile will allow Tiomin to capitalize on new opportunities, and further enhance financial returns on our mineral assets. Developed by our technical personnel, this titanium upgrading technology has successfully converted ilmenite concentrates from both hard rock and sand into high quality synthetic rutile used in the production of pigments.

KENYA

This past year, our exploration team continued to outline several large titanium-bearing mineral sands deposits in the coastal area of Kenya.

These deposits, including the recent Kwale discovery, are estimated to host the largest known undeveloped resource of rutile and zircon found anywhere, and have the potential to make Tiomin a significant supplier of titanium and zircon to world markets.

The exploration program on the Kwale discovery was fast-tracked with two phases of drilling completed and the operation of a 15-tonne-per-hour (tph) mineral separation pilot plant. The mineral concentrate generated by this plant is now being processed at MD Mineral Technologies in Australia. This will generate the data to optimize the final mineral recovery flow sheet for commercial development and to provide representative qualities of rutile, zircon and ilmenite in sufficient quantities to complete a marketing study. All tests undertaken to date suggest the mineral qualities at Kwale meet or exceed commercial standards. The pre-feasibility study completed in 1997 indicates Kwale is economically viable based solely on the rutile content. The zircon at Kwale is considered to be of premium quality, while the ilmenite is suitable to produce synthetic rutile or, alternatively, chloride-grade titanium slag. A bankable feasibility study is scheduled for completion in 1998, while the commercial development of Kwale could be initiated in 1999.

CERRO COLORADO, PANAMA

Tiomin's Cerro Colorado project in Panama is one of the world's largest porphyry copper deposits and is estimated to contain over 32 billion pounds of copper.

A substantial amount of drilling, engineering, metallurgical tests, geological assessments, mine-planning optimization, including an



JEAN-CHARLES POTVIN
PRESIDENT & C.E.O.

TO OUR SHAREHOLDERS (CONTINUED)

environmental impact study were conducted in 1997. The feasibility study recently completed on schedule by a leading engineering firm, Kvaerner Metals Corporation, suggests a two-phase approach for the development of the Cerro Colorado deposit. Phase I consists of the development of a solvent extraction electrowinning (SX-EW) operation producing 60 million pounds of copper annually directly into cathode form, and which will have a competitive cash-cost profile averaging US\$0.49/lb over a 13-year schedule.

A pre-feasibility level study of the second phase of development of the large underlying sulfide deposit suggests Cerro Colorado can produce between 400 and 500 million pounds of copper annually in concentrate from a proposed 100,000-tonne-per-day conventional milling complex.

Timing of the initiation of construction is predicated on the state of the copper markets and availability of project funding.

NATASHQUAN, CANADA

The Natashquan titanium- and iron-bearing heavy mineral sands deposit contains three recoverable products (iron, titanium and zircon), and will provide Tiomin with a long-term supply of these minerals. The eventual

development of Natashquan will be superceded, however, by the higher-grade Kwale deposit where the high rutile grades literally guarantee a significantly enhanced financial return.

Tiomin is committed to the protection of the environment. Detailed environmental studies are being completed on our most advanced projects. Undertaken by local and internationally recognized specialists, this work is intended to mitigate any impact of future mining activities.

We would like to thank Mr. Pierre Lassonde, who will not stand for re-election as a director of the corporation. Pierre Lassonde has been a director since 1992 and his efforts have contributed to the success of Tiomin.

My special thanks to our employees whose enthusiasm and dedication are an integral part of our success and future progress, as is the support of our shareholders.



JEAN-CHARLES POTVIN

PRESIDENT & C.E.O.

TORONTO, CANADA, MARCH 20, 1998

CERRO COLORADO, PANAMA

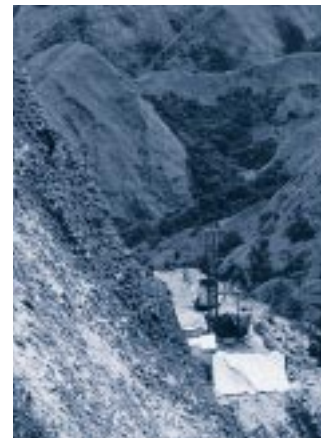


T IOMIN HAS RECENTLY FINALIZED A FEASIBILITY STUDY ON THE CERRO COLORADO COPPER DEPOSIT IN PANAMA, WHICH IS RECOGNIZED AS THE 12TH LARGEST IN THE WORLD WITH AN INDICATED RESOURCE EXCEEDING 32 BILLION POUNDS OF COPPER. THE DEVELOPMENT OF THE CERRO COLORADO DEPOSIT WOULD TAKE PLACE IN TWO PHASES. THE FIRST PHASE ENTAILS RECOVERING COPPER BY LEACHING THE CHALCOCITE SUPERGENE ORE FOLLOWED BY A MUCH LARGER SECOND PHASE OF DEVELOPMENT UTILIZING CONVENTIONAL MILLING/FLOTATION TECHNOLOGY TO RECOVER THE SUBSTANTIAL TONNAGE OF PREDOMINANTLY CHALCOPYRITE ORES.

PHASE I

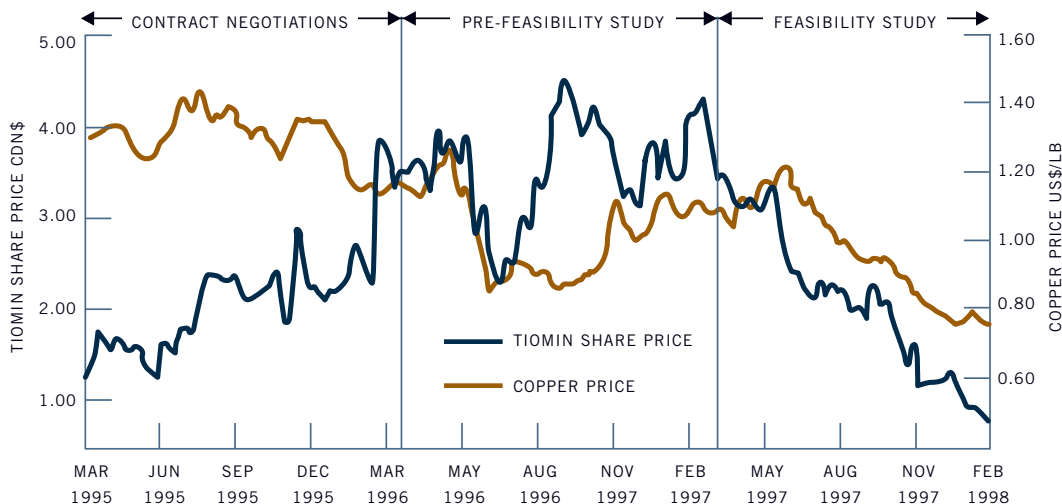
The feasibility study has demonstrated the technical and environmental feasibility of utilizing open-pit mining coupled with established SX-EW technologies. A 13-year plan has been developed to extract 650 million pounds of copper as London Metal Exchange (LME) Grade cathode copper from 65 million tonnes of ore. A 240-million tonne resource containing approximately 2.7 billion pounds of copper has been identified which could be integrated in future mine planning.

The SX-EW plant would produce 55 to 60 million pounds of copper per year at an estimated cash cost of US\$0.49 per pound. A capital investment of US\$200 million is estimated and includes mine development, mine fleet and local infrastructure costs. Given the weak state of the copper market, Tiomin has applied for temporary postponement of further development as allowed under its contract with the Government of Panama. The Company will use this time to further investigate the viability of producing additional copper by dump leaching the lower-grade mineralization.



DIAMOND DRILLING AT THE CERRO COLORADO COPPER DEPOSIT.

COPPER PRICE VS. TIOMIN SHARE PRICE DURING CERRO COLORADO PROJECT



TIOMIN CHEMISTS PERFORMING METALLURGICAL TESTS ON CERRO COLORADO ORE.

CERRO COLORADO, PANAMA (CONTINUED)

PHASE II

A pre-feasibility level evaluation of flotation of the primary sulfide orebody was also completed by Kvaerner Metals Corporation. This study, based on an ore milling rate of 100,000 tonnes per day from an open-pit mining complex, indicates a production level of 400 to 500 million pounds of copper in concentrate annually at a cash cost of US\$0.64 per

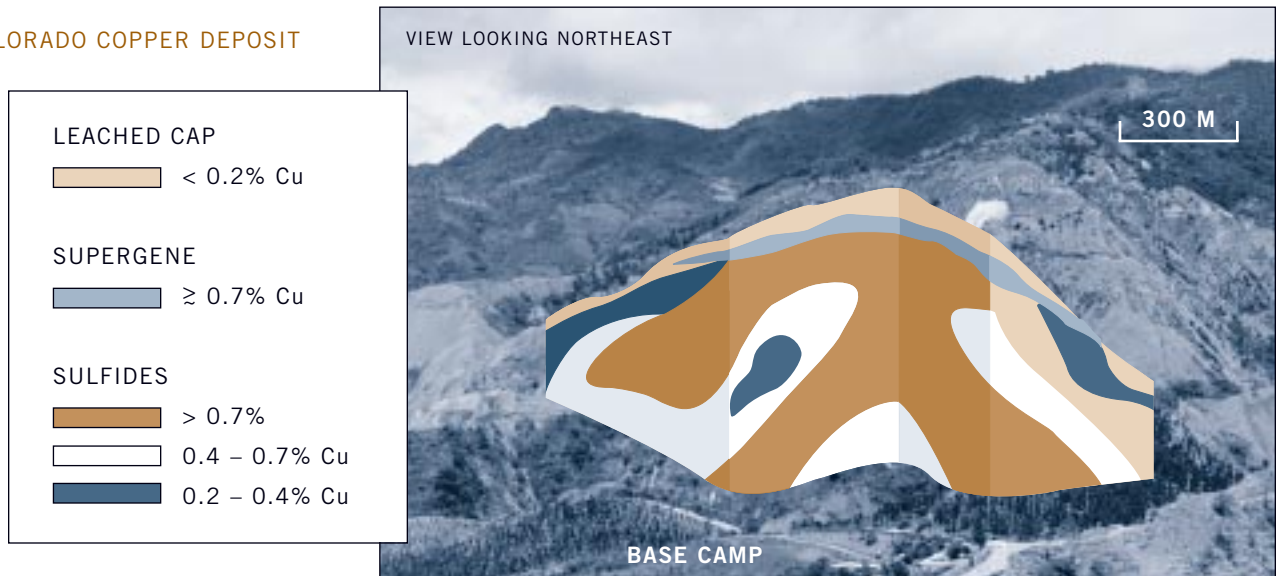
pound projected for the initial years of operation. The waste-to-ore strip ratio is estimated at 1:1. Overall capital costs are estimated at US\$1.1 billion which includes a comprehensive infrastructure of roads and shipping facilities.

This second phase would come into production approximately six years after initiation of the SX-EW project.

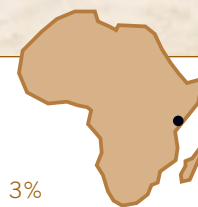
TOTAL RESOURCE ESTIMATE (MEASURED + INDICATED = INFERRED)

COPPER CUTOFF	0%	0.2%	0.4%	0.6%
PRIMARY ZONE				
TONNES	3,297	2,440	1,605	799
GRADE	0.41%	0.51%	0.63%	0.77%
CONTAINED CU (MILLION POUNDS)	29,789	27,427	22,396	13,552
SECONDARY ZONE				
TONNES	242.6	213	149.4	78.5
GRADE	0.51%	0.57%	0.68%	0.86%
CONTAINED CU (MILLION POUNDS)	2,721	2,695	2,256	1,481
TOTAL COPPER				
TONNES	3,539	2,653	1,755	877
GRADE	0.42%	0.52%	0.64%	0.78%
CONTAINED CU (MILLION POUNDS)	32,510	30,122	24,652	15,033

CERRO COLORADO COPPER DEPOSIT



KENYA



OVER THE PAST TWO YEARS, EXPLORATION ACTIVITIES HAVE RESULTED IN THE DISCOVERY OF FIVE TITANIUM-BEARING DEPOSITS IN KENYA. TO DATE, A GLOBAL RESOURCE OF 3.2 BILLION TONNES GRADING 3% HEAVY MINERALS HAS BEEN OUTLINED, REPRESENTING 12% OF THE WORLD'S ESTIMATED TITANIUM RESOURCE. THESE DEPOSITS ARE LOCATED CLOSE TO THE COAST IN AREAS WHERE INFRASTRUCTURE IS WELL-DEVELOPED, WITH ESTABLISHED COMMUNITIES, POWER, COMMUNICATION AND TRANSPORTATION. THIS INFRASTRUCTURE, COMBINED WITH EXCELLENT COOPERATION AND SUPPORT FROM THE KENYAN GOVERNMENT, WILL PROVIDE A VERY FAVORABLE ENVIRONMENT FOR THE DEVELOPMENT OF A SIGNIFICANT TITANIUM MINING INDUSTRY IN KENYA.

KWALE DEPOSIT

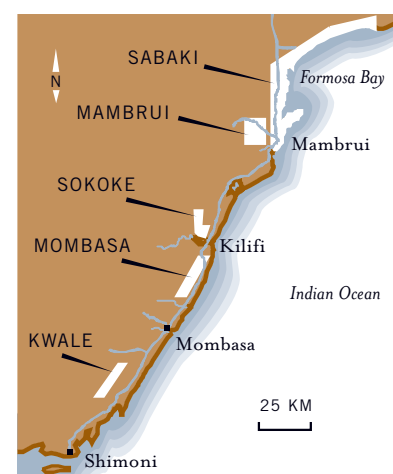
Tiomin's most advanced Kenyan project, the Kwale deposit located 65 kilometers south of Mombasa, consists of two large dunes. In 1997, two extensive drilling programs completed on this deposit outlined a measured resource of 200 million tonnes of titanium- and zirconium-bearing sands. This high-grade deposit has an in-situ mineral content value estimated at US\$950 million.

FEASIBILITY STUDY

In 1997, an extensive drilling program comprising 200 deep holes totaling 4,709 meters was conducted on the Kwale deposit. More than 2,000 samples were processed at Tiomin's wholly owned subsidiary KTM's laboratory in Kilifi, Kenya with chemical assaying done by other independent laboratories located in

Canada, England and Australia. These laboratories also confirmed that the rutile, ilmenite and zircon separate easily into high-quality concentrates. The results were compiled to produce mineral resource calculations (see Figure 1). Following favorable metallurgical and mineralogical tests, a decision was made to undertake a substantial bulk sampling and pilot testing program.

By November 1997, 200 tonnes of mineralized sand had been extracted from the Central and South dune areas with a 600 millimeter diameter auger drill rig. Those bulk samples were then processed at the 15 tph gravity separation pilot plant erected on site. The operation produced seven tonnes of heavy mineral concentrate currently being further processed at MD Mineral



KENYA EXPLORATION LICENCES

ALL DEPOSITS, EXCEPT FOR SABAKI, ARE LOCATED 6 TO 12 KM INLAND FROM THE COAST. ALL HAVE EASY ROAD ACCESS.

FIG. 1

KWALE DEPOSIT

RESOURCE CALCULATION

	CENTRAL DUNE 75 Million Tonnes of Mineralized Sand		SOUTH DUNE 78 Million Tonnes of Mineralized Sand		NORTH DUNE 47 Million Tonnes of Mineralized Sand		TOTALS 200 Million Tonnes of Mineralized Sand
	GRADE %	MT	GRADE %	MT	GRADE %	MT	MT
ILMENITE	3.0	2.3	1.2	1.0	1.5	0.7	4.0
RUTILE	0.8	0.6	0.4	0.3	0.2	0.1	1.0
ZIRCON	0.4	0.3	0.2	0.2	0.14	0.1	0.6

KENYA (CONTINUED)

Technologies laboratory in Australia. The data and mineral separation characteristics presently being generated by the Australian laboratory will provide Tiomin with the necessary information to optimize the engineering design parameters of both the wet plant and the mineral processing plant.

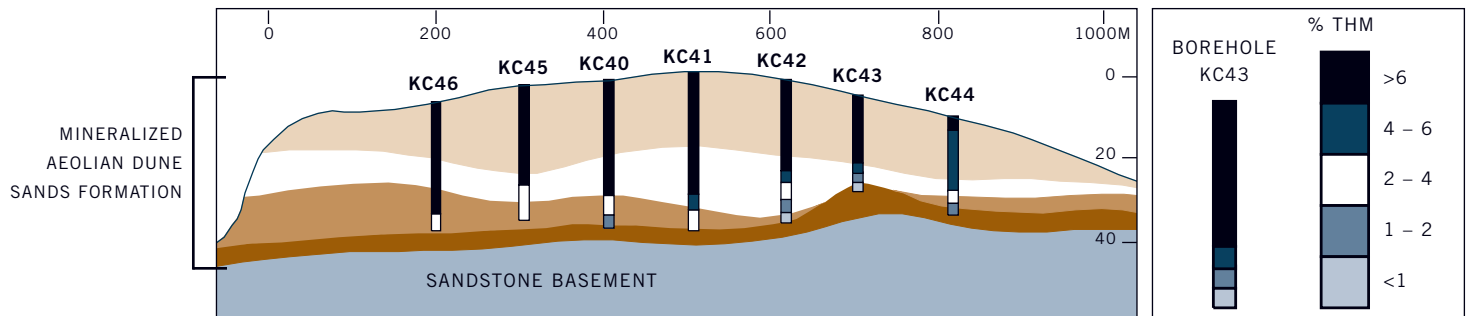
The pre-feasibility study indicates that the Kwale project can be developed at an estimated capital cost of US\$90 million with a rapid payback of less than three years at current com-

modity prices. The project will sustain a mine life of 17 years and is financially robust even with product sales limited to rutile and zircon only.

SOKOKE PROSPECT

The Sokoke prospect is located in the Kilifi District, 55 kilometers north of Mombasa. The deposit consists of a large dune containing economic heavy minerals such as ilmenite, rutile, zircon and kyanite. The deep drilling program at Sokoke confirmed the base of the deposit at depths up to 100 meters.

CENTRAL KWALE CROSS-SECTION VIEW



DURING NOVEMBER 1997, THE PILOT PLANT PROCESSED 200 TONNES OF MINERAL SANDS FROM KWALE CENTRAL & SOUTH DUNES.

This recent drilling outlined two high-grade zones within the Sokoke deposit. The Zone "A", located at the western margin of the deposit, contains 340 million tonnes of mineralized sand grading 2.7% ilmenite/hematite and 0.28% combined rutile and zircon. This zone can be extended further to the north increasing this high-grade zone to 448 million tonnes of sand containing an estimated 11 million tonnes of ilmenite/hematite, 600,000 tonnes of rutile and 600,000 tonnes of zircon. Zone "B", located at the southern limit of the deposit, contains 258 million tonnes of sand estimated to grade 2.1% ilmenite/hematite and 0.27% combined rutile and zircon. These tonnages

and grades compare favorably with similar deposits currently being exploited elsewhere in the titanium industry.

MAMBRUI PROSPECT

The Mambui prospect is located in the Kilifi District 110 kilometers north of Mombasa and is conveniently accessible by road. This prospect is also a large aeolian dune containing ilmenite, rutile and zircon. Recent deep drilling confirmed that the mineralized sand can reach 90 meters in thickness. The two high-grade zones delineated contain 273 million tonnes of sand grading 2.3% ilmenite and 0.2% combined rutile and zircon. Pilot metallurgical testing has confirmed that the three key economic minerals found at Mambui — ilmenite, rutile and zircon — separate easily into quality mineral concentrates.

MOMBASA PROSPECT

Mombasa is a very large deposit of the same age as Kwale, Sokoke and Mambui deposits. Potentially economic values of rutile, zircon and kyanite have been

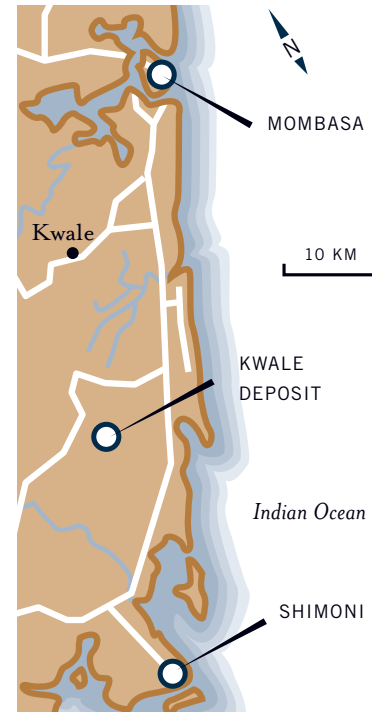
identified. Given its large size, the Mombasa deposit warrants further exploration drilling.

SABAKI PROSPECT

Sabaki is the only deposit of recent age — about 1 million years old — and is located along the seashore 10 kilometers north of the Mambui prospect. The drilling results indicate that the economic mineral content is high with 5% ilmenite, 0.16% rutile and 0.35% zircon. Several dunes remain to be sampled and drilled.

CONCLUSION

Tiomin plans to sequentially develop its Kenyan deposits making use of a significant portion of the Kwale mineral processing plants and shipping infrastructure. With a world-class titanium mineral resource base of over 100 years of combined mine life, Tiomin is strategically positioned to spearhead the development of a major new industry for the benefit of both Kenya and our shareholders.



KWALE PROPOSED DEVELOPMENT SITES

- EASY ACCESS
- KWALE LOCATED 35 KM NORTH OF PORT FACILITY AT SHIMONI
- EXCELLENT INDUSTRIAL INFRASTRUCTURE AT MOMBASA — 60 KM NORTH OF KWALE

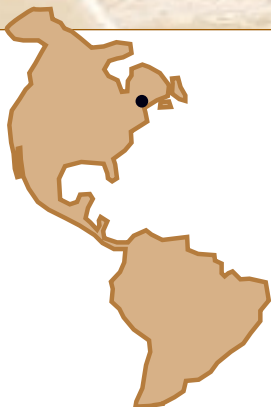


KENYAN TEAM AT TIOMIN LABORATORY IN KILIFI WHERE SAMPLE PREPARATION AND GRAVIMETRIC/MAGNETIC SEPARATION WERE PERFORMED.



HEAVY MINERALS CONCENTRATION ON THE ROAD SIDE AT KWALE (SOUTH DUNE).

NATASHQUAN & ANNIC, CANADA



NATASHQUAN

LOCATED ON THE NORTH SHORE OF THE St. Lawrence River in the Province of Quebec, the Natashquan property is a titanium- and iron-bearing large mineral sand deposit. A resource in excess of 2.1 billion tonnes of sand with a heavy mineral content greater than 5.9% has been outlined on one-third of the property. In addition, a 10-year reserve was delineated with the most recent drilling program. A pre-feasibility

engineering study, pilot test work and representative bulk sample obtention have been completed. The field part of the environmental baseline study is now complete.

Natashquan is an important part of Tiomin's titanium asset base and will be sequentially integrated into future mining development plans of our Kenyan assets.

ANNIC

TIOMIN JOINED THE SOCIÉTÉ QUÉBÉCOISE d'exploration minière (SOQUEM) in 1995 in its search for nickel/copper/cobalt deposits on the North Shore of the Gulf of the St. Lawrence River, following the discovery of the major nickel/copper deposit at Voisey's Bay. Geological modeling of this discovery culminated in the selection of three large target areas in the region north of Sept-Îles. Over 470 mineral claims covering a total of 25 square kilometers were acquired by this joint-venture project.

During winter 1997/98, a second drilling program confirmed the presence of nickel-copper-cobalt mineralization on the Lac Berthé

property. The program consisted of nine drill holes totaling 1,520 meters.

The nine drill targets, spread over 28 kilometers of the contact zone of the Lac Berthé anorthosite geological complex, had previously been identified by surface sampling and geophysical surveys. Assays of up to 1.10% nickel and 0.5% copper were recorded over narrow intersections. The geochemical profile of the intersected mineralized regional rock units is comparable to known mineral deposits and suggests further exploration is warranted. A significant number of additional nickel/copper targets outlined on the Annic project remain to be tested in future programs.

TIOMIN SYNTHETIC RUTILE (TSR) PROCESS

THE PROPRIETARY “TSR PROCESS” DEVELOPED BY TIOMIN IS USED TO UPGRADE ILMENITE MINERAL TO A HIGH-GRADE TITANIUM DIOXIDE FEEDSTOCK KNOWN AS SYNTHETIC RUTILE. SYNTHETIC RUTILE IS WIDELY USED AS A FEEDSTOCK FOR THE PRODUCTION OF TITANIUM DIOXIDE PIGMENT.

The “TSR Process” employs the latest chemical processing technology to produce a synthetic rutile product containing up to 97% of titanium dioxide, the highest titanium dioxide content in the market place. The process is able to produce this high-quality product from a majority of ilmenite sources. In this respect, it has significant operating and quality advantages over currently used processes that are constrained by the quality of ilmenites that can be treated.

Tiomin has identified a number of ilmenite resources to which this

technology could be beneficially applied. These include ilmenite products from its own projects at Natashquan in Canada, as well as those in Kenya. Future development of any of these projects as a source of ilmenite feedstock for a plant based on the “TSR Process” would generate significant benefits to Tiomin.

In 1997, Tiomin submitted several patent applications to various international Intellectual Property Offices around the world for its TSR Process and letters of approval are pending.

TSR PROCESS ADVANTAGES:

- COMPETITIVE INITIAL CAPITAL COST
- VERY HIGH-GRADE PRODUCT (SYNTHETIC RUTILE >95% TiO_2)
- LOW ENERGY CONSUMPTION
- NO WASTE AND NO REJECT STOCKPILE PROBLEM
- CAN PROCESS A LARGE RANGE OF TITANIUM ORE OF FEEDSTOCK QUALITY



TSR PROCESS: LEACHING CIRCUIT DEVELOPED BY TIOMIN TO PROCESS ILMENITE INTO SYNTHETIC RUTILE.

MARKET ANALYSIS: MINERAL SANDS EXTRACTS

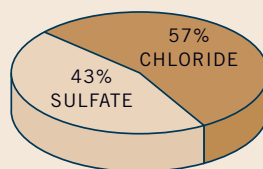
THE TERM MINERAL SANDS GENERALLY REFERS TO CONCENTRATIONS OF ECONOMIC HEAVY MINERALS IN AN ALLUVIAL — ancient beach or river system — environment. The titanium mineral sands industry is oriented mainly toward the recovery of raw materials such as rutile, and ilmenite for the production of titanium dioxide (TiO₂) pigment and titanium metal. Tiomin's Kenya and Natashquan projects involve mineral sands containing the following marketable minerals:

NATASHQUAN: MAGNETITE (IRON), ILMENITE (TITANIUM), ZIRCON **KENYA:** ILMENITE (TITANIUM), RUTILE (TITANIUM), ZIRCON

TITANIUM MARKET

There are two uses for titanium; as metal or as oxide. The majority of titanium recovered by mining is used as oxide in the pigment industry as an additive to paints, plastics and paper. There is no potential for recycling titanium used as a pigment source, which underpins the continued demand for new mine production.

The total annual market is about 4.4 million tonnes of titanium units worth some US\$7 billion (similar to nickel or diamonds) in overall sales. The pigment market is growing by 2.7% to 4.7% per year. Few pigment producers have their own source of titanium feedstock. Tiomin is strategically positioned to benefit from the growing demand for titanium feedstocks.



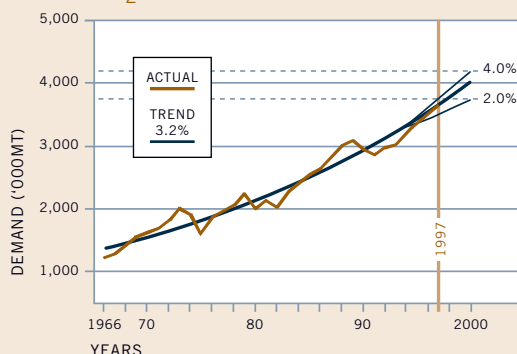
TiO₂ PIGMENT INDUSTRY
TWO TECHNOLOGIES AVAILABLE TO PRODUCE PIGMENTS: CHLORIDE & SULFATE

1997, rutile and synthetic rutile prices were approximately US\$500/tonne and US\$400/tonne respectively. The price for ilmenite was US\$72/tonne.

ZIRCON MARKET

Zircon or zirconium silicate (ZrSiO₄) is the most important economic mineral of zirconium usually found in association with titanium-bearing deposits. This by-product of mineralized sands titanium operations is used in refractory materials, abrasives, ceramic glazing, glass making industries such as television tubes, and zirconium metal. Due to the economic crisis in Asia, the demand for this product has slightly declined over the past few months and prices experienced a minor downward correction. No major new zircon production is expected to come on stream for some time and prices are expected to remain at current or higher levels. During the last quarter of 1997, zircon stood at approximately US\$350/tonne.

TiO₂ PIGMENT DEMAND TREND



HISTORICAL TREND 1966-1997:

- 3.2% P.A. GROWTH
- 3.0% P.A. AVG. GDP

The TiO₂ pigment market maintained good volumes in 1997. Global demand for TiO₂ high-grade feedstock (natural rutile, synthetic rutile and titanium slag) used in the pigment industry increased by 5% in 1997. Future growth in the titanium industry will be for TiO₂

feedstocks suitable for the manufacture of pigments by the chloride process. It is expected there will be a growing shortage of those ores past the year 2000. The high-grade rutile and ilmenite found at Tiomin's Kwale titanium sands deposit in Kenya meet these quality requirements. By the end of

IRON MARKET

The magnetite at Natashquan can be used in the electric steel industry once upgraded to direct reduced iron (DRI) or hot briquetted iron (HBI). The DRI/HBI market is currently in a growth phase. Industry sources have expressed concerns regarding the future shortage of this product. A number of new DRI facilities were announced in 1996/97. Even with these new sources, anticipated demand is not expected to be satisfied, and prospects for the establishment of additional merchant plants is predicted to remain high.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BACKGROUND

Tiomin Resources Inc. (the "Corporation" or "Tiomin") is involved in the exploration and evaluation of large-scale industrial mineral and base metal projects. Currently, the Corporation is actively pursuing the following projects:

CERRO COLORADO, PANAMA

In March 1996, a wholly owned subsidiary of the Corporation, PanaCobre S.A., reached an agreement with codemin, an agency of the Panamanian Government, for the exploration and development of the Cerro Colorado porphyry copper deposit. The Corporation has completed and presented a positive pre-feasibility study on the property and expects to present the completed feasibility study prior to May 23, 1998. The total contained copper resource on the property is estimated to be 32.5 billion pounds.

The feasibility study on the SX/EW treatment of the upper supergene zone indicates a mine life of approximately 13 years, producing cathode copper at an average cost of US\$0.49 per pound. This is based upon a capital cost of US\$200 million, including pre-stripping and mine fleet with a leachable recovery of 650 million pounds of copper.

The contract entered into by the Corporation and CODEMIN allows for possible revision to the terms of the contract should the price of copper decline to such an extent as to make the project uneconomic. In early 1998, the Corporation applied for a temporary freeze of contractual terms pending improvement of the copper market.

KENYA

The mineral sands properties are held by the Corporation under five Special Licences granting exclusive rights to prospect and explore for non-precious minerals.

In June 1996, Tiomin acquired an 80% interest in the properties through an agreement with Pangea Goldfields Inc. ("Pangea"), whereby Pangea retains a 20% beneficial interest in the properties and is entitled to receive 20% of the profits from any mining operation after Tiomin has recovered its capital investment.

To date, the Corporation has outlined resources in excess of 3.2 billion tonnes of mineralized sand grading over 3% heavy minerals, representing approximately 12% of the world's known resources of titanium minerals.

In 1997, the Corporation completed a pre-feasibility study on the Kwale deposit which indicates an average annual cashflow in excess of US\$30 million based on current commodity prices, with a mine life of 17 years at an annual mining rate of 12 million tonnes. Capital costs are expected to be approximately US\$90 million.

NATASHQUAN, CANADA

At Natashquan, the Corporation has temporarily held up further work toward the completion of a feasibility study on the titanium and iron sands deposit. The pilot plant phase of the feasibility study has been completed. Based on drilling completed to date, the Corporation has concluded that there is a resource in excess of 2.1 billion tonnes of sand yielding a heavy mineral content in excess of 5.9% on approximately 30% of the property area.

To date, only a small portion of the Natashquan property has been drilled in detail and the Corporation will need to undertake further drilling and test work necessary to prove mineable reserves sufficient for at least 20 years of production.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

As a result of the Kwale project in Kenya being fast-tracked, little work was carried out at Natashquan in 1997 with minimal work expected to be done in 1998.

ANNIC, CANADA

Tiomin entered into a joint-venture agreement with SOQUEM in November 1995 to explore for nickel/cobalt/copper deposits in the Grenville geological province on the North Shore of the Gulf of the St. Lawrence River. To date, 705 claims have been staked covering an area in excess of 70 square kilometres. Several sulfide conductors have been identified, including a series of anomalies identified over a 25-kilometer long corridor which returned metal values up to 1.53% nickel. Diamond drilling carried out to date has failed to intersect significant mineralization on these anomalies. Upon the completion of the winter drilling program in early 1998, the Corporation plans to review its participation in this joint venture.

RESULTS OF OPERATIONS

Deferred exploration expenditures as at December 31, 1997, totaled \$31 million, compared with \$17.6 million at December 31, 1996. The increase was primarily due to expenditures on the Cerro Colorado property, where \$10.4 million was spent on completing a feasibility study. The Corporation also spent \$2.6 million in Kenya, primarily on the Kwale deposit.

Administrative costs for the year ending December 31, 1997, remained consistent with the prior year's at \$1.7 million. Investment income declined to

\$400,000 from \$1.1 million in 1996 as a result of declining interest rates and a lower average cash balance in 1997.

FINANCIAL CONDITIONS, LIQUIDITY AND CAPITAL RESOURCES

The Corporation is debt free and had \$5.8 million in cash and short-term investments as at December 31, 1997. The Corporation has insufficient cash to make the US\$4.0 million payment to the Government of Panama due upon receipt of all the necessary development permits for Cerro Colorado. The future recoverability of the expenditures made on the property is dependent upon concluding an agreement on delaying the development of the project as permitted under the terms of PanaCobre Concession Agreement.

As of December 31, 1997 the Corporation had granted 3.0 million stock options which, if exercised, would raise approximately \$8 million.

FUTURE PROSPECTS

The ability of the Corporation to continue operations beyond 1998 is dependent upon obtaining the necessary financing to complete the development of its properties and/or the realization of proceeds from the sale of one or more of its properties.

The Corporation's management has reviewed its operations and has determined that the Year 2000 conversion does not have material implications for the Corporation.

MANAGEMENT'S REPORT AND AUDITORS' 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 financial statements and other financial operating data contained elsewhere in the report. The accompanying financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada using estimates and careful judgement, particularly in those circumstances where transactions affecting a current period are dependent upon future events. The accompanying financial statements have been prepared using policies and procedures established by management and reflect fairly the Company's financial position and results of operations, within reasonable limits of materiality and within the framework of the accounting policies outlined in the notes for the financial statements.

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

TO THE SHAREHOLDERS OF TIOMIN RESOURCES INC.

We have audited the consolidated balance sheets of Tiomin Resources Inc. as at December 31, 1997 and 1996, and the consolidated statements of operations and deficit and changes in financial position 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 audit.

We conducted our audit in accordance with 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

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

The 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.



JEAN-CHARLES POTVIN

PRESIDENT &
CHIEF EXECUTIVE OFFICER

IAN MACNEILY

VICE-PRESIDENT, FINANCE &
CHIEF FINANCIAL OFFICER

TORONTO, CANADA, MARCH 20, 1998

MANAGEMENT

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, 1997 and 1996, and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.



ERNST & YOUNG
CHARTERED ACCOUNTANTS

TORONTO, CANADA, MARCH 20, 1998

AUDITORS

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31 (AMOUNTS IN \$)	1997	1996
ASSETS		
CURRENT		
CASH AND SHORT-TERM INVESTMENTS	5,760,280	26,013,348
RECEIVABLES	163,969	344,718
PREPAID EXPENSES	149,494	136,658
	<u>6,073,743</u>	<u>26,494,724</u>
FIXED ASSETS, NET OF ACCUMULATED DEPRECIATION	950,554	969,539
MINERAL PROPERTIES (NOTE 3)	25,091,541	15,672,565
DEFERRED EXPLORATION (NOTE 3)	31,115,634	17,631,064
	<u>57,157,729</u>	<u>34,273,168</u>
	<u>63,231,472</u>	<u>60,767,892</u>
LIABILITIES		
CURRENT		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	1,778,904	2,778,210
PROJECT INFRASTRUCTURE LIABILITIES DUE WITHIN ONE YEAR (NOTE 5)	833,741	1,727,247
	<u>2,612,645</u>	<u>4,505,457</u>
LONG TERM		
PROJECT INFRASTRUCTURE LIABILITIES (NOTE 5)	123,152	578,460
	<u>123,152</u>	<u>578,460</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (NOTE 6)	69,719,883	63,577,298
DEFICIT	(9,224,208)	(7,893,323)
	<u>60,495,675</u>	<u>55,683,975</u>
	<u>63,231,472</u>	<u>60,767,892</u>

APPROVED ON BEHALF OF THE BOARD



JEAN-CHARLES POTVIN, DIRECTOR



OLIVER LENNOX-KING, DIRECTOR

SEE ACCOMPANYING NOTES

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

FOR THE YEARS ENDED DECEMBER 31 (AMOUNTS IN \$)	1997	1996
SALARIES	792,723	812,368
OFFICE COSTS	224,922	171,972
PROMOTION	145,166	143,192
SHAREHOLDERS' INFORMATION	144,950	133,862
FOREIGN EXCHANGE TRANSLATION	116,707	1,599
TRAVEL	99,280	107,933
PROFESSIONAL FEES	89,021	140,170
DEPRECIATION	80,551	52,556
CAPITAL AND BUSINESS TAXES	22,471	98,107
STOCK EXCHANGE FEES	17,860	41,384
GENERAL EXPLORATION	—	96,166
TOTAL ADMINISTRATIVE EXPENSES	1,733,651	1,799,309
LESS: INTEREST INCOME	(402,766)	(1,057,288)
NET LOSS FOR THE YEAR	1,330,885	742,021
DEFICIT, BEGINNING OF THE YEAR	7,893,323	3,254,453
EQUITY ISSUE COSTS	—	3,896,849
DEFICIT, END OF THE YEAR	9,224,208	7,893,323
LOSS PER SHARE (NOTE 6)	\$ 0.04	\$ 0.03

SEE ACCOMPANYING NOTES

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31 (AMOUNTS IN \$)	1997	1996
OPERATING ACTIVITIES		
NET LOSS FOR THE YEAR	(1,330,885)	(742,021)
NON-CASH DEPRECIATION CHARGES	80,551	52,556
NET CHANGE IN NON-CASH WORKING CAPITAL	(831,393)	1,542,092
	<u>(2,081,727)</u>	<u>852,627</u>
FINANCING ACTIVITIES		
COMMON SHARES ISSUED FOR CASH	934,585	44,186,497
COMMON SHARES ISSUED FOR MINERAL PROPERTIES	5,208,000	—
COMMON SHARES ISSUED FOR PROFESSIONAL SERVICES	—	480,000
ISSUANCE & CONVERSION OF CONVERTIBLE DEBENTURES	—	1,000,000
EQUITY ISSUE COSTS	—	(3,254,453)
	<u>6,142,585</u>	<u>42,412,044</u>
INVESTING ACTIVITIES		
MINERAL PROPERTIES ACQUIRED	(9,418,976)	(11,261,038)
DEFERRED EXPLORATION EXPENDITURES	(13,130,256)	(7,647,642)
EQUIPMENT ACQUISITIONS	(415,880)	(955,269)
INCREASE (DECREASE) IN PROJECT INFRASTRUCTURE LIABILITIES	(1,348,814)	2,305,707
	<u>(24,313,926)</u>	<u>(17,558,242)</u>
INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	(20,253,068)	25,706,429
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF THE YEAR	26,013,348	306,919
CASH AND SHORT-TERM INVESTMENTS, END OF THE YEAR	<u>5,760,280</u>	<u>26,013,348</u>

SEE ACCOMPANYING NOTES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Tiomin Resources Inc. (“the Corporation” or “Tiomin”) and its subsidiaries are in the process of exploring mineral properties located in Canada, Kenya and Panama. The exploration and development of mineral properties in Kenya and Panama involve significant financial risks. The recoverability of the amounts shown for the mineral properties and the related deferred expenditures is dependent on a number of factors including environmental risks, 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.

As at December 31, 1997, the Corporation has insufficient cash to make the US\$4.0 million payment to the Government of Panama due upon receipt of all the necessary development permits for Cerro Colorado. The future recoverability of the expenditures made on the property is dependent upon concluding an agreement on delaying the development of the project as permitted under the terms of PanaCobre Concession Agreement (see note 3(b)).

These consolidated financial statements 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. The ability of the Corporation to continue operations beyond 1998 is dependent upon obtaining the necessary financing to complete the development of its properties and/or the realization of proceeds from the sale of one or more of its properties. These consolidated financial statements do not include any adjustments related to the carrying values and classifications 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 generally accepted accounting principles and their basis of application is consistent with the prior periods. Outlined below are those policies considered particularly significant.

MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENSES:

Acquisition and exploration expenses relating to mineral properties with 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.

FIXED ASSETS AND DEPRECIATION:

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

COMPUTERS	3 YEARS
VEHICLES	3 YEARS
FURNITURE AND EQUIPMENT	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 rate of exchange prevailing at the statements’ date. 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 rate of exchange for the year. An exchange gain or loss that arises on translation is included in the determination of net loss for the year.

SHORT-TERM INVESTMENTS:

Short-term investments are valued at the lower of cost or market. The market value of the Corporation’s short-term investments approximates cost.

CONSOLIDATION:

These consolidated financial statements include the accounts of the Corporation and the following wholly owned subsidiaries:

- PanaCobre S.A. (“PanaCobre”) — a Panamanian Corporation
- Central American Copper Corporation (“Central American”) — a Barbadian Corporation
- Tiomin (Barbados) Limited (“Tiomin Barbados”) — a Barbadian Corporation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Tiomin Kenya Limited (“TKL”) — a Kenyan Corporation
- Kenya Titanium Minerals Limited (“KTM”) — a Kenyan Corporation

The Corporation purchased all of the issued and outstanding shares of PanaCobre on October 5, 1995. Central American was incorporated on June 21, 1995, and has no material assets

or liabilities other than the shares of PanaCobre that were transferred to Central American by the Corporation. In 1997, Tiomin incorporated two additional companies to facilitate the development of its Kenyan assets: TKL and KTM. Tiomin Barbados was incorporated on December 5, 1997, and has no material assets or liabilities other than shares of TKL and KTM.

3. MINERAL PROPERTIES AND DEFERRED EXPLORATION

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

	MINERAL PROPERTIES		DEFERRED EXPLORATION	
	DEC. 31, 1997 (COST)	DEC. 31, 1996 (COST)	DEC. 31, 1997 (COST)	DEC. 31, 1996 (COST)
NATASHQUAN	\$ 6,489,523	\$ 6,482,326	\$ 7,229,707	\$ 7,219,952
ANNIC.....	98,793	67,697	928,432	492,839
PANAMA.....	18,404,626	9,095,382	19,641,081	9,293,527
KENYA.....	98,599	27,160	3,316,414	624,746
TOTAL.....	\$25,091,541	\$15,672,565	\$31,115,634	\$17,631,064

(A) CANADA

(I) NATASHQUAN

The property consists of a total of 793 claims located in the Townships of Duval, Kegaska and Natashquan, near the Natashquan River in the Province of Quebec. Sixteen claims are subject to a royalty interest in favor of former holders of mining rights in the lands covered by such claims whose rights were expropriated by the Crown in 1982. The royalty payable is equal to 2% of the gross value of the annual production of the mineral substances extracted from such claims.

(II) ANNIC

In November 1995, the Corporation entered into a joint-venture arrangement with Société québécoise d'exploration minière (“SOQUEM”) to explore certain areas of interest in the Province of Quebec. The agreement provides for joint expenditures of \$600,000 during the first year of the agreement of which the Corporation is responsible for the first \$100,000 and 50% of the balance of \$500,000 for a total initial commitment of \$350,000. Once the initial \$600,000 of expenditures have been incurred, either party may elect to cease

contributing to further work programs, in which case the party's interest will be diluted. Once a party's interest has been diluted to less than 15%, its interest will be converted to a 1% net smelter return royalty. As at December 31, 1997, the Corporation had acquired a 50% interest in the joint venture.

The Annic joint venture includes 705 claims in the Manicouagan region of Quebec; 639 claims were staked by the joint venture and the remaining 66 claims were acquired through an option agreement whereby the joint venture may receive a 100% interest in the claims for payments totaling \$70,000 over three years prior to September 15, 1998, and by incurring exploration expenditures of \$50,000 within two years of the date of the agreement.

(B) PANAMA

In March 1996, the Corporation's wholly owned subsidiary, PanaCobre, executed an agreement, the PanaCobre Concession Agreement (“Concession Agreement”), with CODEMIN an agency of the Government of Panama, whereby PanaCobre has been granted the right to, among other things,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

extract, beneficiate, transport and sell copper and other mineral products from the Cerro Colorado mining concession in Panama. The Concession Agreement will be for an initial term of 25 years from the commencement of construction of the mine facility and will have three extensions at PanaCobre's option for 10 years, five years and five years respectively.

The Concession Agreement provides for PanaCobre to, among other things, (a) make payments at the time of execution of the agreement totaling US\$3,000,000; (b) fund a social program for indigenous communities in the Cerro Colorado property area within 24 months of the execution of the agreement at a minimum cost of US\$1,800,000; (c) carry out a pre-feasibility study within 12 months of execution of the agreement at a minimum cost of US\$1,500,000; (d) pay US\$3,000,000 upon presentation of a positive pre-feasibility study to CODEMIN; (e) carry out a feasibility study within 12 months following presentation of a positive pre-feasibility study at a minimum cost of US\$1,500,000; (f) pay US\$4,000,000 to CODEMIN upon completion of a positive feasibility study (which would be within 24 months of execution of the Concession Agreement), subject to PanaCobre obtaining necessary construction permits; (g) commence construction of the mine within 12 months after payment of the amount referred to in clause (f) above; (h) pay US\$3,500,000 two years after commencement of construction of the mine; (i) pay US\$3,500,000 four years after commencement of construction of the mine; and (j) pay US\$25,000,000 to CODEMIN 15 years after commencement of construction of the oxide portion of the project or upon reaching commercial production of the sulfide portion of the project by conventional milling methods, whichever occurs first.

There is a provision in the Concession Agreement that allows, upon completion of a feasibility study, for a delay in the commencement of construction should the price of copper be below the level required for commercial exploitation of the property.

Upon commencement of commercial production, the Concession Agreement provides for PanaCobre to receive 100% of net profits (as defined in the Concession Agreement) until payback of total capital invested plus interest. After payback,

PanaCobre is entitled to 71% of net profits, reducing annually by 1% until PanaCobre's entitlement is reduced to 51%.

The Cerro Colorado property comprises a single mining concession created by special law of the Republic of Panama, with a total surface area of 2,000 hectares, located approximately 40 kilometers from the Pacific Ocean and 250 kilometers west of the City of Panama and the Panama Canal.

As per the terms of the Concession Agreement described above, on March 15, 1997, PanaCobre paid US\$3,000,000 to the Government of Panama upon presentation of a positive pre-feasibility study on the Cerro Colorado copper deposit and commenced work on a feasibility study. The Corporation completed the feasibility study prior to March 15, 1998.

In March 1998, as permitted under the Concession Agreement, the Corporation applied for a delay in the development of the project.

(C) KENYA

In June 1996, the Corporation acquired from Pangea Goldfields Inc. ("Pangea") an 80% interest in the exploration rights of four 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. Should the Corporation not complete a feasibility study within five years, the Corporation's interest in the properties will be reduced to 20%. If the properties are placed into production, Pangea will receive 20% of the profits from any mining operation following payback of Tiomin's capital investment in the mine and processing operation.

Three of the Special Licences are for an initial term of two years, expiring in 1998, and require the Corporation to spend a minimum of 14 million Kenyan shillings (approximately US\$235,000) per annum on exploration. Tiomin intends to renew these licenses as allowed under Kenya's mining code.

The Corporation has acquired the interest on a fourth Special Licence from the licence holder, under the terms of an option agreement, for US\$20,000. Additionally, the Corporation has agreed to pay the licence holder US\$15,000 on the first

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

anniversary of the signing of the agreement which shall increase annually by US\$5,000 for subsequent anniversaries until such time as a production decision to exploit the minerals on the property is reached, or the agreement is terminated. Should the Corporation elect to exploit the minerals, the licence holder will retain the right to a monthly royalty calculated at US\$0.60 per ton of ilmenite removed from the property. The licence acquired under the option agreement expires June 30, 1998. The Corporation intends to renew the licence.

In April 1997, the Corporation acquired a fifth licence in Kenya (known as Kwale). The licence is for an initial term of two years, expiring in 1999, and requires the Corporation to spend a minimum of 500,000 Kenyan shillings (approximately US\$8,500) per annum on exploration. This new licence acquisition has been added to the initial agreement with Pangea, whereby Pangea retains a 20% interest in the Kenyan properties.

4. RELATED PARTY TRANSACTIONS

(a) During the year ended December 31, 1997, the Corporation paid US\$330,000 (1996-US\$476,063) to Kilborn Inc. for project management, engineering and technical services. A former senior officer of Kilborn SNC Lavalin Inc. is a director of the Corporation.

(b) On October 5, 1995, the Corporation acquired all of the outstanding shares of PanaCobre from two senior officers, who were also directors, for 2.5 million warrants to purchase common shares of the Corporation at \$2.50 per share until June 22, 2000. In 1997, the Corporation decided to proceed with a feasibility study and was required to pay 1.24 million common shares of the Corporation to the former shareholders of PanaCobre. A further 1.25 million common shares of the Corporation will be payable to the former shareholders of PanaCobre when a positive feasibility study is presented to the Panamanian Government. At the time the contingent consideration is paid, the value of such consideration will be recorded as an addition to mineral properties.

(c) On July 22, 1996, the Corporation purchased from a former director and officer 777,000 payment warrants issued pursuant to the share purchase agreement dated October 5, 1995, with respect to the sale of PanaCobre (see note 4(c)) for \$800,000. At the time of the purchase, no public market existed for the payment warrants. The payment warrants were subsequently cancelled by the Corporation and the consideration paid for the payment warrants was recorded as an addition to the cost of the mineral property.

5. PROJECT INFRASTRUCTURE LIABILITIES

Under the terms of the PanaCobre Concession Agreement, the Corporation has agreed to spend US\$1.8 million on social works for the communities in the area of influence of the project. As at December 31, 1997, the Corporation had spent US\$1,217,168 of this commitment. The remaining US\$582,832 is expected to be spent within the first six months of 1998.

The Corporation is also responsible for returning or replacing all materials and equipment used by the Corporation that were previously on the property. As at December 31, 1997, the Corporation has used material valued at US\$86,000 that will be replaced prior to the termination of the PanaCobre Concession Agreement.

6. CAPITAL STOCK

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

ISSUED:	SHARES	AMOUNT \$
COMMON SHARES, DEC. 31, 1995	16,080,947	17,910,801
EXERCISE OF OPTIONS	239,000	263,997
EXERCISE OF WARRANTS	10,000	22,500
CONVERSION OF CONVERTIBLE DEBENTURES	443,950	1,000,000
PRIVATE PLACEMENT — SPECIAL WARRANTS	17,000,000	43,900,000
ISSUED FOR PROFESSIONAL SERVICES	150,000	480,000
COMMON SHARES, DEC. 31, 1996	33,923,897	63,577,298
EXERCISE OF OPTIONS	837,025	839,585
EXERCISE OF WARRANTS	50,000	95,000
ISSUED FOR MINERAL PROPERTIES	1,240,000	5,208,000
COMMON SHARES, DEC. 31, 1997	36,050,922	69,719,883

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 1997, the Corporation's weighted average common shares outstanding was 35,547,445 (1996 - 26,034,213).

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 otherwise 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 approved by the shareholders on June 9, 1997.

7. WARRANTS

As at December 31, 1997, the Corporation had 10,713,000 common share purchase warrants outstanding as follows:

EXPIRY DATE	TOTAL OUTSTANDING	EXERCISE PRICE
MARCH 23, 1998 ¹	8,990,000	\$2.50
JUNE 22, 2000	1,723,000	\$2.50

¹ the warrants were not exercised prior to expiry

8. STOCK OPTIONS

Stock options outstanding are as follows:

	DEC. 31, 1997 NUMBER	DEC. 31, 1996 NUMBER
EXECUTIVE OFFICERS (INCLUDING EXECUTIVE OFFICERS WHO ARE ALSO DIRECTORS)	1,280,000	1,913,000
DIRECTORS WHO ARE NOT EXECUTIVE OFFICERS	830,000	715,000
EMPLOYEES WHO ARE NOT EXECUTIVE OFFICERS OR DIRECTORS	898,975	588,000
TOTAL:	3,008,975	3,216,000

The exercise price of the stock options granted varies between \$1.40 and \$3.80 with expiry dates up to August 27, 2002.

9. INCOME TAX

As at December 31, 1997, the Corporation had Canadian exploration expenses and non-capital losses to be carried forward and applied against taxable income of future years. The non-capital losses have expiry dates as follows:

1998	\$ 63,283
1999	555,478
2000	547,079
2001	636,374
2002	1,156,369
2003	1,271,043
2004	760,042
	\$4,989,668

10. COMMITMENTS

The Corporation is committed to minimum annual rents under a lease which expires January 30, 2001. Minimum annual rental commitments are as follows:

1998	134,473
1999	134,473
2000	134,473
2001	11,206
2002	Nil
	\$414,625

11. COMPARATIVE FIGURES

The December 31, 1996, comparative figures have been reclassified to conform to the financial statement presentation adopted at December 31, 1997.

MANAGEMENT TEAM & BOARD OF DIRECTORS

MANAGEMENT TEAM

JEAN-CHARLES POTVIN,^{1,2} HON. B.SC., M.B.A.

Mr. Potvin is a co-founder of Tiomin and has been Chief Executive Officer and a director since the inception of Tiomin. Until 1994, Mr. Potvin was a director and Vice-President of Burns Fry Limited (now Nesbitt Burns Inc.). While with Burns Fry Limited, Mr. Potvin evaluated world-wide mining investment opportunities. He has also been involved in securing senior financing for a number of North American gold producers. Currently Mr. Potvin is the Chairman, Chief Executive Officer and President of the Corporation, and of its wholly owned subsidiary, PanaCobre S.A.; the President, Chairman and Chief Executive Officer of Pangea Goldfields Inc., a Canadian mineral exploration company engaged in exploration and development of precious metals in Canada, Tanzania, Mali and Peru; and a director of Gold Reserve Corporation, a public natural resource company with holdings in Venezuela.

MATHEW EDLER, B.SC.

Mr. Edler joined Tiomin in June 1995 as Vice-President, Corporate Development. Prior to joining the Corporation, Mr. Edler worked in the project financing field for 10 years. He was employed by Macquarie Bank Limited, an Australian merchant bank specializing in project and commodity-linked financing, since February 1991. During this time, he spent two years seconded to the Standard Bank of South Africa to establish a derivatives and project financing department within that organization. Prior to 1991, he worked with Security Pacific Australia Limited in Australia and Canada. From September 1985, he served as an equity analyst for Kleinwort Hattersley

(an England-based merchant bank) and later in the project financing area. Mr. Edler is also currently Vice-President, Corporate Development, of Pangea Goldfields Inc., a public gold exploration company.

IAN MACNEILY, B.A., C.A.

Mr. MacNeily is the Chief Financial Officer, Vice-President, Finance and Secretary of Tiomin. Mr. MacNeily joined Tiomin in August 1996. Prior to joining the Corporation, Mr. MacNeily was employed with Kleinwort Benson Limited in London (an England-based merchant bank) in treasury risk management. Prior to 1995, he spent seven years with Nesbitt Burns Inc. (formerly Burns Fry Limited) in Toronto and London, England where he was most recently Vice-President and Financial Controller. Mr. MacNeily is also currently Chief Financial Officer of Pangea Goldfields Inc., a public gold exploration company.

MICHAEL SHAW, M.ENG.

Mr. Shaw joined Tiomin in October 1996 as Vice-President, Panama. Mr. Shaw has more than 20 years experience in mine engineering and development with several major mining companies, predominantly in Latin American countries. Prior to joining Tiomin, Mr. Shaw was the Project Director for Cyprus Amax's Cerro Verde copper mine in Peru. Prior to joining Cyprus Amax, Mr. Shaw served with Bechtel Corporation as Project Manager for the Andacollo gold leach operation and as Engineering Manager for the El Abra copper projects in Chile. Mr. Shaw also held senior engineering and mining positions with Davy McKee Corporation, including responsibility for the Jerritt Canyon Mine Development in Nevada.

**PIERRE LASSONDE,²
B.SC., M.B.A., P.ENG., C.F.A.**

Mr. Lassonde is President of Franco-Nevada Mining Corp. Ltd. (since 1983) and Euro-Nevada Mining Corporation Limited (since 1987), which are listed on The Toronto Stock Exchange. From 1980 to 1990 Mr. Lassonde was Senior Vice-President and Investment Advisor of Beutel, Goodman & Co., as well as President of the Beutel, Goodman Gold Division. Mr. Lassonde is also Chairman of Redstone Resources Inc., a base metal affiliate of Franco-Nevada Mining Corp. Ltd. Mr. Lassonde is author of "The Gold Book" published in 1992 by The Financial Times of Canada as part of the Financial Times personal finance library.

OLIVER LENNOX-KING,² B.COMM.

Mr. Lennox-King is Chairman of Southern Cross Resources Inc. Prior to that, he was president of Tiomin from July 1992 to January 1997. Mr. Lennox-King has over 23 years experience in the mining industry, first in minerals marketing with Noranda Inc. and Sherritt Gordon Ltd., and later as a mining analyst with Dominion Securities Ltd., Burns Fry Limited (now Nesbitt Burns Inc.) and Midland-Walwyn Inc., where he also held the position of Vice-President. Mr. Lennox-King is a director of SouthernEra Resources Limited (since December 1992) and Newstar Resources Inc., both of which are public natural resource companies.

CHARLES THOMAS OGRYZLO, P.ENG.

Mr. Ogryzlo is the President of Triton Mining Corp. Previously, Mr. Ogryzlo was the Chairman of Kilborn SNC Lavalin Inc. (formerly the Kilborn Group of Companies), an engineering consulting firm, and has over 30 years of experience in the development, financing, design, construction, and operation of mining projects in many parts of the

world. Prior to joining the Kilborn Group, Mr. Ogryzlo was employed by the Fluor Daniel Wright operations in eastern Canada. Prior to this position with Fluor Daniel Wright, he was President and General Manager of the Cerro Matoso ferro nickel project in Colombia.

PETER STEEN, P.ENG.

Mr. Steen is a director of Stillwater Mining Company and Dynatec Corporation, both of which are public natural resource companies. Since 1968, Mr. Steen has held several senior management positions in various mining companies. From 1986 to 1992, Mr. Steen was President and Chief Executive Officer of International Corona Corporation. Mr. Steen was President, Chief Operating Officer and a director of Homestake Mining Company from 1992 to 1994 when he became President and Chief Executive Officer of Lac Minerals Ltd. Mr. Steen retired in September 1994. Mr. Steen has extensive experience in the mining industry, commencing his career in South Africa and graduating as a mining engineer in 1956.

DONALD WORTH,³ P.ENG.

From 1964 until his retirement in 1997, Mr. Worth was employed with the Canadian Imperial Bank of Commerce, most recently as Vice-President, Global Mining Group. Mr. Worth is the immediate Past President of the Canadian Institute of Mining, Metallurgy and Petroleum and is currently a director of Canarc Resource Corp., Consolidated Nevada Goldfields Corp. and a trustee of the Labrador Iron Ore Royalty Income Fund.

¹Member of the Board

²Member of the Audit Committee

³Subject to approval at the Annual & Special Meeting of Shareholders

GLOSSARY

AUGER DRILLING: A rotary drilling device used to drill short holes.

CATHODE COPPER: A pure copper foil which can be directly shipped to manufacturers without smelting or refining; produced by electrowinning pure copper ions from concentrated leach solutions onto stainless steel cathodes.

CHALCOCITE: An important mineral of copper ore, commonly occurring in the enriched supergene layer, overlying the main sulfide orebody.

CUTOFF GRADE: When determining economically-viable reserves, the lowest grade of mineralized material that qualifies as ore.

DIRECT REDUCED IRON (DRI): A process by which iron ore (65-70% Fe₂O₃) is reduced, using reformed gas, and produces metallic iron ore pellets (90-93% Fe); these pellets can be used in replacement of scrap steel in electric-arc furnaces.

FEASIBILITY STUDY: A definitive engineering study addressing the economic viability of bringing a deposit to the production stage; taking into consideration all associated costs, revenues and risks. The study is used to procure project financing.

GEOPHYSICAL SURVEYS: A survey method used primarily in the mining industry as an exploration tool, applying the methods of physics and engineering to the earth's surface. Exploration by observation of seismic or electrical phenomena and the earth's gravitational or magnetic fields, using specialized instrumentation.

HEAP LEACHING: A process whereby metals are extracted by heaping broken ore on an impermeable pad, and repeatedly spraying with solutions which percolate through the heap, dissolving a high percentage of the metal content. The resulting mineral solution is then collected for metal recovery generally by electrowinning.

HEAVY MINERALS: Minerals with high specific gravity such as ilmenite, zircon, garnets, magnetite, and rutile.

HOT BRIQUETTED IRON (HBI): The same as DRI product, except the final state is configured in larger lumps of iron.

MINERAL SANDS (HEAVY): Alluvial sand deposits containing a varied combination of fine-grained heavy minerals.

MINERALIZATION: Rock which contains an undetermined amount of sulfide or oxide minerals and/or metals.

ORE: Rock which contains a mineral or a concentration of minerals and/or metals which can be mined for a profit.

OREBODY: A mostly solid and fairly continuous mass of mineralization estimated to be economically mineable.

PORPHYRY COPPER DEPOSITS: Large masses of bulk mineable copper ore, often associated with molybdenum, gold and silver. Copper minerals uniformly disseminated throughout large porphyritic intrusions.

PRE-FEASIBILITY STUDY: The initial stage of the feasibility study in which the accuracy of the factors involved such as costs and revenues is +/-25%. Should the pre-feasibility study be positive, the company would move to the final feasibility study.

REVERSE CIRCULATION (RC) DRILLING: A drilling method using a tricone bit, during which rock cuttings are pushed to the surface through an outer tube, by liquid and/or air pressure moving through an inner tube.

SOLVENT EXTRACTION-ELECTROWINNING (SX-EW): An electrical process by which metals are extracted from leaching solutions, by precipitating metal ions onto high purity metal cathode plates.

SUPERGENE CAP: A layer of enriched copper mineralization, resulting from copper leaching from upper layers of an orebody being redeposited at the water table. Copper minerals associated with this layer include chalcocite and covellite.

