MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial condition and results of operations to enable a reader to assess material changes in the financial condition and results of operations of Titanium Corporation Inc. ("Titanium" or the "Company") This MD&A has been prepared for the fiscal year ended August 31, 2006 and includes material information available up to November 29, 2006. The MD&A is intended to supplement the Company's audited financial statements and notes thereto ("Financial Statements") as at and for the years ended August 31, 2006 and 2005. This MD&A should be read and reviewed in conjunction with the Financial Statements.

All amounts included in the MD&A are in Canadian dollars, unless otherwise specified. The Company's public filings, including its most recent annual audited financial statements at August 31, 2005, can be reviewed via the SEDAR website at www.sedar.com or the Company's website at www.titaniumcorporation.com.

Certain statements included herein, including future potential of the Oil Sands Project, capital cost estimates and other statements that express management's expectation or estimates regarding the timing of completion of various aspects of the projects' development or of the Company's future performance, constitute "forward-looking statements". The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "should", "schedule", "potential", and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. In particular, the MD&A includes many such forward-looking statements and such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of Titanium to be materially different from its estimated future results, performance or achievements expressed or implied by those forward-looking statements and its forward-looking statements are not guarantees of future performance. Titanium expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, events or otherwise, except where required by law. These risks, uncertainties and other factors include, but are not limited to: changes in the worldwide price of zircon and titanium; fluctuations in exchange rates; legislative, political or economic developments including changes to relevant legislation in Canada; operating or technical difficulties in connection with development activities; requirement for additional funding; development timelines; expected capital expenditures; and Titanium's expected future production and cashflows. For further expansion of certain risks and uncertainties that could contribute to a difference in results, please review those risks listed under the heading "Risks" in this MD&A.

Business Overview

The Company is in the development stage and is a reporting issuer in Ontario, British Columbia, Alberta and Quebec. The common shares of Titanium trade on the TSX Venture Exchange under the symbol TIC.

The Company's vision is to create a new industry in Alberta by processing a waste material into valuable products such as zircon and titanium bearing minerals. The Company's mission is to develop and build a commercial process that will maximize the inherent value existing in the waste material currently being deposited in oil sands tailings (the "Oil Sands Project"). The potential exists in such process not only to recover previously wasted resources but to simultaneously deliver environmental benefits. There are currently three oil sands mining operations that would be candidates to utilize the Company's planned process and a number of other mining projects under development. As the Company develops it's Oil Sands Project it is committed to achieving the highest standards in areas of good corporate governance, open communication with all affected stakeholders and excellence with best accepted engineering design practices with safety, environmental protection, and risk mitigation as key components of the commercial process.

Overall Performance

The Company made solid progress in fiscal 2006 and is committed to significant advancement of the Oil Sands Project in fiscal 2007.

At the beginning of fiscal 2006, the Company had constructed and commissioned its first bulk sample plant (the "Bulk Sample Plant") to separate heavy minerals from a flowing oil sands tailings pipeline in Fort McMurray, Alberta. Previous testing had been performed on the deposited beach sand tailings. The technical results of the Bulk Sample Plant indicated higher levels of bitumen and fines as compared with the deposited beach sand tailings as well as a higher concentration of heavy minerals. During the winter of 2005/2006 the Company's technical staff worked on and completed modifications to concentration and separation flow-sheets and an amended process design was finalized to process tailings direct from the tailings pipeline. These modifications have proved to be successful in the separation of hydrocarbons from the mineral sands and provided increased recoveries of the heavy minerals, in particular zircon.

As the Company has progressed in developing the Oil Sands Project it has continually been evaluating development options to determine those which provided the highest returns and effectively managed technical, operational and economic risks. In April 2006, in response to the new process flow design and continued positive market economics for zircon, the Company announced a phased development strategy which would initially focus on the commercial production of zircon followed by an expansion phase for the production of titanium bearing minerals.

Utilizing the results from the Bulk Sample Plant the Company focused its efforts to design and build a continuous flow pilot plant (the "2006 Pilot Plant"). The 2006 Pilot Plant is a necessary step prior to constructing a full-sized commercial zircon facility. During the second and third quarter of fiscal 2006, the Company's technical staff completed the design, engineering and procurement of these modular 2006 Pilot Plant facilities. The objective of the 2006 Pilot Plant was to test, at a significant scale, the new process flow design for the recovery of heavy minerals and associated hydrocarbons directly from the oil sands tailings pipeline in Fort McMurray. The results of the 2006 Pilot Plant will be instrumental in finalizing the flow sheet for the commercial zircon production facility.

By October 2006 the 2006 Pilot Plant had successfully produced sufficient heavy mineral concentrates which were shipped to the Company's Regina development facility for testing in separation circuits designed to maximize the recovery of zircon. These tests will be conducted during November and December 2006 after which the Company expects to finalize the flow sheet for the construction of the commercial zircon facility. At the same time the Regina facility will also produce samples of zircon feedstock to be sent to major zircon customers to evaluate and compare to the previously successful zircon produced from beach tailings. This will facilitate negotiations with customers for future off-take contracts.

The Company's technical team continues to conduct a number of related technical programs important to the development of a commercial facility including: the daily sampling program of fresh pipeline tailings material at the Fort McMurray oil sands site and a drill core analysis program utilizing existing core samples from the oil sands operator's drill core inventory. The cores are being analyzed for total heavy minerals content which will enable the Company to compile an overall resource estimate as well as predict valuable heavy minerals production resulting from the oil sands operator's mining program.

Fiscal 2007 Outlook

The Company's key objectives for the upcoming year, all of which are predicated upon various assumptions which may or may not turn out to be accurate, include the following:

1. *Complete final feasibility and design of the zircon production facility*
   Expediting the design and construction timetable for the first phase of commercial facilities which will focus on the production of zircon. This facility will also be designed to produce titanium concentrates to be processed and marketed in a subsequent expansion phase. Following completion and analysis of the 2006 Pilot Plant technical results, the Company will commence a final engineering feasibility study that is estimated to be completed in the third quarter of fiscal 2007;

2. *Secure long–term sources of supply of oil sands tailings*
   The potential application of the Company's process (and sources of long term supply of tailings) involves three large oil sands mining operations currently producing over 700,000 barrels per day as well as several new projects planned and under construction. In July 2006 the Company signed a new exclusivity agreement with Syncrude Canada Limited ("Syncrude"). This new two-year, two-party agreement replaces the existing agreement that expired on May 16, 2006. Under terms similar to the prior agreement, the new agreement provides that Syncrude and the Company will co-operate on the development of heavy minerals from oil sands tailings;

3. *Negotiate sales contracts with consumers of heavy minerals*
   The Company has been working with a number of international companies that are testing heavy mineral sample products. These potential customers have also been visiting the Company's Regina facilities and on-site at Fort McMurray during the operation of the 2006 Pilot Plant. The markets for heavy minerals are international with the fastest growing areas being Asian markets, particularly China. The Company has accordingly increased its focus on prospective Asian markets which have high demand and very good proximity to Canada's oil sands region.

4. *Arrange project financing for the construction of commercial facilities*
   Identifying sources of financing and initiating project financing discussions based on the outcome and delivery of the final engineering feasibility study; and

5. *Continuously improve communications with all stakeholders.*

TITANIUM CORPORATION

Selected Annual Information

The following are the highlights of financial data on the Company for the most recently completed three financial years which have been prepared in accordance with Canadian generally accepted accounting principles:

($CDN)	Year Ended August 31, 2006	Year Ended August 31, 2005	Year Ended August 31, 2004
Loss before write-off of exploration properties and related plant and equipment	$ (3,177,792)	$ (3,152,443)	$ (2,168,046)
Loss	(3,177,792)	(8,172,615)	(2,168,046)
Loss per share – basic and diluted	(0.06)	(0.19)	(0.06)
Total long-term liabilities	-	-	-
Cash flow from financing activities	2,326,224	28,211,823	7,339,049

Loss Before Write-off of Exploration Properties and Loss

- The fiscal 2006 and fiscal 2005 losses before write-off of exploration properties and related plant and equipment were similar at approximately $3.2 million. Higher consulting fees in fiscal 2006 compared to fiscal 2005 were offset by savings in office administration and investor relations costs, as well as increased interest income as a result of higher average cash balances during fiscal 2006.
- The fiscal 2006 loss of $3.2 million ($0.06 per share) was lower than the fiscal 2005 loss of $8.2 million ($0.19 per share). The primary reason for this decrease was the write-off of the Company's Nova Scotia exploration properties and related equipment. Due to the Company's focus on the Oil Sands Project the board decided not to undertake additional work or expenditures on the Nova Scotia properties and, accordingly, $4,920,391 representing all the costs, was written off in the third quarter of fiscal 2005. In addition, all the related pilot plant and exploration equipment costs totaling $99,781 were also written off in the same quarter.
- Increased costs relating to higher travel, promotion and administration costs, as well as higher consulting and professional fees contributed to the increase in loss before write-off of exploration properties of $3.2 million in fiscal 2005 compared to $2.2 million in fiscal 2004.
- The Company expects that it will continue to incur losses until the Oil Sands Project commences commercial production.

Cashflow from Financing Activities

- The Company's primary source of liquidity until the Oil Sands Project is commercially viable is the equity markets. The Company raised $37.9 million over the last three years through two equity financings, exercise of warrants, as well as the exercise of stock options by employees and directors.

Results of Operations

Explanation of Financial Results

For the year ended August 31, 2006, the Company incurred a loss of $3,177,792, or $0.06 per share, compared to a loss of $8,172,615, or $0.19 per share for fiscal 2005. Included in the fiscal 2005 loss was a $5.0 million non-cash write-down of the Company's Nova Scotia exploration properties. During the third quarter of fiscal 2005 the Board decided not to undertake additional work or expenditures on the Nova Scotia exploration properties and accordingly all previously capitalized expenditures were written off.

Before adjusting for the write-down in fiscal 2005, the loss in fiscal 2005 was $3.15 million compared to $3.18 million in fiscal 2006. Higher consulting fees in fiscal 2006 were offset by savings in administration and investor relations costs, as well as increased interest income as a result of higher average cash balances during fiscal 2005.

During both years the Company did not generate operating revenues as it is in the development stage.

Expenses

Corporate General and Administrative ("G&A Costs")

	For the year ended August 31	
	2006	2005
Consulting	884,089	779,137
Office and administration	508,091	624,204
Directors' fees	150,000	152,000
Insurance	128,384	132,498
Investor relations	86,417	166,564
Professional fees	408,069	371,213
Shareholders' communication and filing fees	303,899	64,265
Travel and promotion	288,356	285,916
	2,757,305	2,575,797

During fiscal 2006, the Company incurred a total of $2,757,305 for G&A costs compared to $2,575,797 in the year-earlier. Increased consulting and professional fees, as well as increased communication and filing fees during fiscal 2006 were offset by savings realized in office, administration and investor relations costs. The consulting fee increase was primarily due to performance bonuses paid to two senior officers of the Company. The shareholder communication cost increase was the result of having the annual report professionally designed and colour printed for the first time and capital tax expense. G&A Costs are expected to remain at approximately the current level per year until commercial production commences.

Stock based compensation

During the year ended August 31, 2006, 550,000 (2005: 1,175,000) stock options were granted to directors, officers and consultants of the Company. These options will be expensed in the statement of operations and deficit or capitalized to Oil Sands Project development costs as they vest. Of the options granted 79,169 (2005: 157,500) have vested and accordingly, $335,313 (2005: $232,998) was recorded as contributed surplus. Of the $335,313 (2005: $232,998) recorded as contributed surplus, $267,578 (2005: $177,615) was recorded as stock-based compensation and $67,735 (2005: $55,383) was capitalized to Oil Sands Project development costs.

During 2006, 399,154 (2005: 625,832) options granted in prior years had vested. Accordingly, $1,054,684 (2005: $935,944) was recorded as contributed surplus. Of the $1,054,684 (2005:

$935,944) recorded as contributed surplus, $940,598 (2005: $373,808) was recorded as stock-based compensation and $114,086 (2005: $562,136) was capitalized to Oil Sands Project Development Costs.

The fair value of all options granted in fiscal 2006 and 2005 has been estimated at the date of grant using a Black-Scholes option pricing model. The current year's valuation was calculated with the following assumptions: weighted average risk free interest rate of 3.65% (2005: 4%); volatility factor of the expected market price of the Company's common stock of 55.64% (2005: 47%); and a weighted average expected life of the options of 5 years (2005 - 5 years).

Foreign exchange loss

Foreign exchange losses for fiscal 2006 totaled $51,408 compared to a $6,389 loss in fiscal 2005. The Company records foreign exchange gains and losses on US dollar cash balances held. In addition, the Company incurs foreign exchange gains and losses on payments in Australian dollars as it only converts Canadian dollars to Australian dollars at the time of payment. The Company expects to continue to see foreign currency gains and/or losses as it continues to hold approximately $315,000 in US dollars.

Interest income

Interest income in fiscal 2006 increased to $815,217, compared to $31,942 during fiscal 2005. The higher interest income during the current year period relates to higher cash balances during the year due to the equity offering completed in August 2005, which raised $23.9 million. Interest income should modestly decrease in fiscal 2007 as average cash balances decline as a result of development expenditures (including feasibility study costs) and general and administrative costs incurred during fiscal 2007.

Oil Sands Project – Expenditures

	Year ended August 31, 2006	**Year ended August 31, 2005**
Beginning Balance	**$9,214,530**	**$6,718,901**
Engineering and Consulting Fees	856,838	231,561
Stock Option Compensation Charge	181,821	617,519
Building	169,939	202,916
Maintenance	7,573	23,893
2005 Bulk Sample Plant	141,804	512,295
Salaries	389,164	293,006
Equipment	1,459,626	59,004
Travel	140,715	97,366
General and Administrative	183,545	43,294
Regina Pilot Plant Rent	182,877	189,263
Sampling and Assays	171,553	105,731
Transport-feedstock, Samples, Tailings	112,508	119,781
Ending balance	**$13,212,493**	**$9,214,530**

The Company capitalizes all costs incurred related to the development of its Oil Sands Project. The Company capitalized $4.0 million in Oil Sands Project development costs during fiscal 2006, compared with $2.5 million in fiscal 2005.

During fiscal 2005, the Company invested in the construction of the Bulk Sample Plant which was a portable wet plant directly connected to the oil sands tailings pipeline onsite in Fort McMurray. This Bulk Sample Plant marked the first use of live tailings feedstock. Previous processing had utilized beach sands that had been deposited in the tailings pond area.

Based on the results from the Bulk Sample Plant, the Company's engineering team redesigned the process flow sheet and the Company's strategic plan was modified to focus the first phase of development on the production of zircon, followed by an expansion phase to produce titanium products. As a result, during fiscal 2006 the Company invested in the construction and operation of the 2006 Pilot Plant including $856,838 on engineering consulting fees for process development and design and $1,459,626 on plant and process equipment. The 2006 Pilot Plant was successfully commissioned during September 2006 and provided the Company the ability to recover hydrocarbons associated with the concentration and recovery of heavy minerals. Processed material from the 2006 Pilot Plant is currently being tested at the Company's Regina development facility for further separation processing and analysis.

Stock based compensation capitalized to the Oil Sands Project for fiscal 2006 decreased to $181,821 compared to $617,519 during fiscal 2005.

Summary of Quarterly Results

The following are the highlights of financial data on the Company for the most recently completed eight quarters which have been prepared in accordance with Canadian generally accepted accounting principles. All amounts herein are expressed in Canadian dollars:

	Q4 Aug, 31, 2006	**Q3 May 31, 2006**	**Q2 Feb 28, 2006**	**Q1 Nov 30, 2005**
Statement of Loss				
Net loss	$746,293	$786,375	$987,438	$657,686
Basic and diluted loss per share	0.02	0.01	0.02	0.01
Balance Sheet				
Working capital	$22,524,604	$24,479,995	$25,082,720	$24,949,874
Total assets	$36,863,876	$36,696,565	$36,358,235	$35,480,130
Statement of Cashflow				
Cashflow from financing activities	$-	$738,251	$1,587,973	$-

	Q4 Aug, 31, 2005	**Q3 May 31, 2005**	**Q2 Feb 28, 2005**	**Q1 Nov 30, 2004**
Statement of Loss				
Net loss	$1,010,110	$5,759,817	$790,669	$612,019
Basic and diluted loss per share	0.01	0.14	0.02	0.02
Balance Sheet				
Working capital	$26,016,806	$1,466,735	$1,929,553	$1,303,749
Total assets	$36,013,588	$10,355,150	$15,093,129	$14,156,101
Statement of Cashflow				
Cashflow from financing activities	$25,964,841	$604,000	$1,593,982	$49,000

Fourth Quarter Fiscal 2006 Analysis

For the three months ended August 31, 2006, the Company incurred a loss of $746,293, or $0.02 per share compared to a loss of $1,010,110 or $0.01 per share in the year-earlier quarter. The Company earned $239,000 interest in the fourth quarter of fiscal 2006 compared to $12,000 in the comparable previous year quarter. Stock based compensation costs were higher during the three months ended August 31, 2006 compared to the comparable quarter reflecting the vested portion of the 550,000 options granted during fiscal 2006, all of which were new options amortized over the vesting period. Cash flow from financing activities in the fourth quarter of fiscal 2006 was nil compared to $25,964,841 in the year-earlier quarter.

The second quarter of fiscal 2006 shows relatively higher losses than other periods due substantially to higher stock based compensation expenses and bonuses paid to two senior officers. Losses in fiscal 2006 were partially offset by increased interest income earned in fiscal 2006 compared to fiscal 2005 as a result of higher average cash balances in fiscal 2006. The third quarter of fiscal 2005 showed a large loss primarily related to the write-off of the Company's Nova Scotia exploration properties and related plant and equipment of $5,020,172.

Other fluctuations in the Company's expenditures reflect increases in administrative costs and professional fees associated with seasonal corporate filing and regulatory activities. Specifically, the increased costs related to the preparation of year end audit files and annual meeting materials, as well as the impact of year end audit adjustments to the financial statements.

Liquidity and Capital Resources

In management's view, the most meaningful information concerning the Company relates to its current liquidity given that, currently, it is not generating any income from its Oil Sands Project. Current demands on the Company's capital resources stem from management's pursuit to add shareholder value through the development and commercialization of the Oil Sands Project. The Company's only sources of liquidity until the Oil Sands Project reaches commercial production and profitability are current cash balances, issue of equity capital, exercise of warrants and stock options outstanding, incurring project financing and entering joint ventures. The Company is in a strong financial position through the feasibility stage of project development with $23,418,952 in cash and short term investments at August 31, 2006. To complete the development to commercial production, the Company will need to obtain external financing. The ability to develop the Oil Sands Project is dependent on the Company's ability to raise the necessary financing to build the required plant and infrastructure through debt or equity issues or other strategic alternatives. Management remains confident that necessary funds will be available at reasonable commercial terms.

The Company had a net working capital balance of $22,524,604 as at August 31, 2006 compared to $26,016,806 at August 31, 2005. The Company's working capital could be increased if warrants currently outstanding that expire in August 2007 are exercised. If the warrants are exercised in full (as described in the table below) it would add $35.7 million to the Company's cash balances.

	Number	**Exercise Price**	**Amount**	**Expiry Date**
Broker Warrants*	557,100	$2.25	$ 1,253,475	August 2007
Warrants*	10,611,112	3.25	34,486,114	August 2007
Total	11,168,212		$ 35,739,589	

**Issued as part of the August 2005 private placement financing.*

The Company's primary assets at August 31, 2006 were cash, short term investments and marketable securities totaling $23.4 million ($26.6 million – August 31, 2005) and development costs for its Oil Sands Project of $13.2 million ($9.2 million – August 31, 2005).

Contractual Obligations

The Company has a number of agreements with arms-length parties who provide equipment and services to it. Typically, these agreements are for the purchase of a specific piece of equipment or service and are for a term of not more than one year and permit either party to terminate on notice periods ranging from 30 days to 90 days. The Company has entered into agreements for various periods as follows:

		Year ended August 31	
Contractual Obligation	**Total**	**2007**	**2008**
Consulting *(see Section 10 – Related Party)*	$ 530,500	$387,000	$143,500
Long Term Debt	-	-	-
Capital Lease Obligation	-	-	-
Operating – Office Space	96,253	57,752	38,501
Operating – Land Lease	196,320	98,160	98,160
Purchase Obligation	16,647	16,647	-
Other Long Term Obligation	-	-	-
Total Contractual Obligations	$839,720	$559,559	$280,161

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet transactions.

Transactions with Related Parties

Auxilium Corporation ("Auxilium")

In February 2005 the Company entered into an agreement with Auxilium to provide the services of Scott Nelson, a director and the President and Chief Executive Officer of the Company. The agreement is for a term of 3 years, commencing February 23, 2005, during which time Auxilium will be paid $275,000 per year plus a $12,000 vehicle allowance and provides for up to a 50% annual bonus related to certain performance criteria. Auxilium is a corporation controlled by Scott Nelson. The Company was charged $424,500 (2005 - $150,333) for the year ended August 31, 2006 by Auxilium. Included in this amount is a 12 month performance bonus of $137,500 (2005 – $nil) that was paid to Auxilium.

Harbour Capital Corporation ("Harbour")

Under the terms of a consulting agreement expiring August 31, 2006, $267,170 (2005 - $200,000) was paid to Harbour, a company controlled by George Elliott, a director of the Company, to provide the services of Executive Chairman. Included in this amount is a performance bonus of $50,000 (2005 - $nil) that was also paid to Harbour. This agreement was amended and renewed for a term of 12 months, commencing September 1, 2006, during which time Harbour will be paid $100,000 per year.

These related party transactions were in the normal course of operations and were measured at the exchange amounts.

Critical Accounting Estimates

Oil sands Project Development Costs

All direct costs which meet the generally accepted criteria for deferral related to the Oil Sands Project are capitalized as incurred. These criteria include having a clearly defined process with identifiable associated costs, establishment of technical feasibility, an intention to process and sell the recovered minerals to a clearly defined market, and adequate resources exist or are expected to be available to complete the project to commercial production.

Stock-based Compensation

The Company accounts for all employee and non-employee stock-based awards pursuant to the amended recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments. The stock-based compensation recorded by the Company is a critical accounting estimate because of the value of compensation recorded and the many assumptions required to calculate the compensation expense.

Compensation expense is recorded for stock options issued to employees and non-employees using the fair value method. The Company must calculate the fair value of stock options issued and amortize the fair value to stock compensation expense over the vesting period, and adjust the amortization for stock option forfeitures and cancellations. The Company uses the Black-Scholes model to calculate the fair value of stock options issued which requires that certain assumptions including the expected life of the option and expected volatility of the stock be estimated at the time that the options are issued.

Risks

The following discussion pertains to the outlook and conditions currently known to management that may have a material impact on the financial condition and results of operations of the Company. This discussion, by its nature, is not all-inclusive. Other factors may affect the Company in the future.

In general, development projects have no operating history upon which to base estimates of future cash capital and operating costs. For development projects such as the Oil Sands Project, estimates of tailings supply are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies. This information is used to calculate estimates of the capital cost, cash operating costs based upon anticipated tonnage and grades to be processed, expected recovery rates, facility and equipment operating costs, anticipated climatic conditions and other factors. In addition, there remains to be undertaken certain work on the Oil Sands Project that could adversely impact estimates of capital and operating costs of the project and such differences could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

There can be no assurance that the Company will be able to complete development of the Oil Sands Projects at all or on time or to budget due to, among other things, changes in the economics of the project, the delivery and installation of plant and equipment and cost overruns, or that the current personnel, systems, procedures and controls will be adequate to support the Company's operations.

Should any of these events occur, it would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Potential customers for heavy mineral products have unique manufacturing processes that utilize feedstock with specific characteristics. The oil sands have more impurities and on average have a slightly finer grain size than typical beach mineral sand deposits. There is also a larger than normal variance of the heavy minerals. These factors present additional challenges to the efficient processing of the heavy mineral concentrate. The critical steps required to create marketable-grade titanium dioxide and zircon from the oil sands include making a heavy mineral concentrate from the tailings and removal of the remaining hydrocarbons from the concentrate. There is no assurance that the Company will overcome such challenges on a commercial scale and that its products will meet certain of the customers' specifications.

The development of the Oil Sands Project and the construction of processing facilities and commencement of commercial production will require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of further development and commercial production. The only sources of funds currently available to the Company are through the issue of equity capital, the entering into of joint ventures or incurring project financing. Additional financing may not be available when needed or if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders.

The Company has successfully tested its process for cleaning and extracting the appropriate concentrates from the Syncrude tailings at its Regina Pilot Plant facility. Unforeseen difficulties with scale-up to commercial scale, unexpected utility costs, natural gas costs, labour cost or shortages, engineering costs and related industrial process risks could negatively impact the viability of the project.

While the Exclusivity Agreement with Syncrude was renewed in July 2006, the Company may not be able to negotiate fair commercial arrangements with Syncrude, and in such event, the Company may not be able to secure new customers and/or new suppliers of tailings.

The Company has necessarily relied on the 1996 study by the Alberta Chamber of Resources (Mineral Development Agreement Study) and Syncrude's own data to establish the extent and consistency of the tailings supply. This involves more risk than the typical situation where a company can control its own source of supply.

The Company has filed or is in the process of filing patent applications in the United States and Canada with respect to its technology for recovering heavy minerals. There can be no assurance that such patent applications will be allowed or that, if issued, the patents will not be challenged by any third parties, or that the patents of others will not have an adverse effect on the ability of the Company to commercially exploit its technology. Furthermore, there can be no assurance that others will not independently develop similar technology, duplicate the Company's product or design around the patented technology developed by the Company. In addition, the Company could incur substantial costs in defending itself in suits brought against it in respect of such patents or in suits in which the Company attempts to enforce its own patents against other parties.

The Company's business is dependent on retaining the services of a small number of key personnel of the appropriate caliber as the business develops. The Company has entered into employment agreements with certain of its key executives. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of the directors and senior management and the loss of one or more could have a materially adverse effect on the Company.

Competition

The Company competes with international companies that have substantially greater financial and technical resources to support their business activities as well as for the recruitment and retention of qualified employees. The Company has not operated its titanium processing technology at a commercial scale. Accordingly, it cannot describe processing efficiencies and costs associated with its titanium and zircon processing technology or compare such efficiencies and costs to those of competitors. The manufacturing methods and costs to manufacture also vary greatly, with certain methods lending themselves to specific niche applications and deposits. As a result, competition within the industry is driven by a variety of factors, principally cost of production, price and product attributes.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, marketable securities, commodity taxes receivable and payables and accruals. Terms of the financial instruments, where relevant, are fully disclosed in the Company's annual financial statements. It is management's opinion that the Company is not exposed to significant interest, currency, or credit risks arising from it financial instruments and that their fair values approximated their carrying values unless otherwise noted.

Outstanding Share Data

Outstanding Common Shares	Number
Balance, August 31, 2005	54,586,418
Shares issued on the exercise of Broker Warrants	79,567
Shares issued on the exercise of Stock Options	1,004,666
Balance August 31, 2006	55,670,651
Shares issued on the exercise of Stock Options	2,500
Balance November 29, 2006	55,673,151

Warrants	Number	Exercise Price ($)	Expiry Date
Warrants issued	10,611,112	3.25	August 2007
Broker Warrants issued	636,667	2.25	August 2007
Balance at August 31, 2005	11,247,779		
Broker Warrants exercised	(79,567)	2.25	
August 31, 2006 and November 29, 2006	11,168,212		

Stock Options	Number	Weighted Average Exercise Price ($)
Balance August 31, 2005	3,944,166	2.56
Options granted	550,000	2.77
Options exercised	(1,004,666)	2.14
Options expired	(530,000)	2.20
Balance August 31, 2006	2,959,500	2.75
Options granted	425,000	1.98
Options exercised	(2,500)	1.60
Balance November 29, 2006	3,382,000	2.65

Disclosure Controls and Procedures

As at the end of the period covered by this MD&A, management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

The Chief Executive Officer, the Chief Financial Officer and the management of the Company have designed and implemented internal controls over financial reporting, or caused them to be designed under supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. In designing the internal control over financial reporting it has been taken into consideration the size of the Company, its business environment and the complexity of its operations. Based on an evaluation of internal controls over financial reporting, the Chief Executive Officer and the Chief Financial Officer have concluded that the internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.