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 three and six months ended February 28, 2007 and includes material information available up to April 17, 2007. The MD&A is intended to supplement the Company's audited financial statements and notes thereto ("Financial Statements") as at and for the year ended August 31, 2006. 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, 2006, can be reviewed via the SEDAR website at www.sedar.com or the Company's website at www.titaniumcorporation.com.

Certain statements included in this MD&A including, without limitation, the Company's business plans, development and future potential of the Oil Sands Project and other statements that express management's expectation or estimates regarding the development and timing of completion of various aspects of the Company's projects or of the Company's future performance, constitute "forward-looking statements". When used in this MD&A, the words "expect", "anticipate", "target", "plan", "continue", "budget", "estimate", "may", "will", "should", "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. Although the Company believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. 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; failure to complete a final feasibility study with respect to the Oil Sands Project; failure to secure long-term services of supply of oil sands tailings; failure to obtain the necessary patents with respect to the Company's technology for recovery of heavy minerals and the Company's expected future production and cashflows and other factors (including development and operating risks). 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. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Forward-looking statements are not guarantees of future performance and there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and the Company makes no responsibility to update them or to revise them to reflect new events or circumstances, except as required by law.

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

During the first six months of fiscal 2007, the Company made solid progress completing the on-site pilot concentrator program, advancing separation circuit processing in Regina and commencing international market development for titanium and zircon.

In early September 2006, within its established targets and on budget, Titanium completed construction and began operation of its C$3 million pilot heavy minerals concentrator in Fort McMurray. Pilot production testing is a critical step for any new process development. For Titanium, the pilot is serving three main purposes. First, it helps validate the Company's manufacturing flow sheet within the actual oil sands operating environment. Second, it produces heavy mineral concentrates for testing in mineral separation circuits under development in the Company's Regina facility. Third, the pilot facilitates future process development with both the existing oil sands producer and future producers once the Company is in a position to expand its operations to new mining projects.

By the end of October 2006 the pilot facility had produced sufficient concentrates for separation circuit testing in Regina and was shut down for the winter season. The on-site program was successful in achieving high recoveries of heavy minerals between 98-99% from oil sands tailings. In November, concentrates were shipped to the Company's Regina development facility for further testing in separation circuits designed to maximize the recovery of zircon. During the second quarter of fiscal 2007, the Company conducted the detailed analysis for zircon recoveries from these concentrates in Regina. The Company is in the final stages of the design and testing of zircon separation circuits at the Company's Regina facilities and commenced production of zircon samples for shipping to prospective customers. While the Company initially focused on the maximization of zircon recoveries, work is now underway on the recovery and testing of final titanium products which would be targeted at growing markets in Asia.

Work continued during the second quarter on a number of other important technical programs that will advance development of the Company's process including: programs directed at the improvement of hydrocarbon removal and recovery and testing of those improvements; the evaluation of drill cores related to the resource study; daily pipeline sampling; and the filing of additional patent applications in Canada and the United States. The Company plans to conduct an engineering feasibility study to follow the foregoing technical programs upon their completion later in 2007.

During the first quarter of fiscal 2007 the Company also filed a Project Overview with Alberta Environment describing for the public and regulatory authorities the general plans for the development of Titanium's Heavy Minerals Recovery Project.

New Appointments During the First Six Months of Fiscal 2007

On September 5, 2006 Mr. Brant Sangster was appointed to the Board of Directors. Mr. Sangster is a leader in Canada's energy industry recently retiring after a distinguished 25-year career as a senior executive of Petro-Canada. With his extensive oil sands industry experience and relationships, Mr. Sangster will add considerable value as the Company moves through the final development and commercialization phases of the Oil Sands Project.

On December 11, 2006 Mr. Gordon Pridham was appointed to the Board of Directors. Mr. Pridham is an experienced corporate executive with more that 25 years experience in investment banking, capital markets and corporate banking. With his capital market business experience as well as financial expertise, Mr. Pridham will be an important asset in assisting the Company in advancing the development of the Oil Sands Project.

On December 11, 2006 the Company announced the resignation of Mr. Arthur Ditto from the Board of Directors. Mr. Ditto is relocating to reside in London, U.K, in order to oversee the development of a major natural resource company in Africa. Mr. Steve Rankin and Mr. William Welsh, long serving Directors of the Company, retired at the Annual General Meeting in February, 2007, reducing the size of the Board of Directors to seven, comprised of five independent and two management Directors.

Outlook

The Company's current key objectives include the following: conducting further development programs to improve the removal and recovery of hydrocarbons during the concentration process and testing those improvements; zircon market testing; and titanium recovery, separation testing and market development. Upon successful completion of these technical programs, the Company would expect to commence a feasibility study that combines the final technical, market and business development outcomes and incorporates the results of the drill core study.

Results of Operations

Explanation of Financial Results

For the three months ended February 28, 2007, the Company incurred a loss of $908,772 or $0.02 per share, compared to a loss of $987,438, or $0.02 per share in the year-earlier second quarter. Higher investor relations and shareholder communication costs were more than offset by lower costs related to consulting, administration, professional fee and stock based compensation costs.

For the six months ended February 28, 2007, the Company incurred a loss of $1,523,736, or $0.03 per share, compared to a loss of $1,645,124, or $0.03 per share in the year-earlier. Higher investor relations, travel and stock based compensation costs were more than offset by lower costs related to consulting, administration, professional fee and shareholder communication.

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

Expenses

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

	Three Months Ended February 28		Six Months Ended February 28	
	2007	**2006**	**2007**	**2006**
Consulting	$280,917	$354,321	$422,418	$537,338
Office and administration	138,123	126,742	211,051	239,522
Directors' fees	43,750	39,500	87,500	79,000
Insurance	35,345	35,463	68,899	69,120
Investor relations	111,791	57,834	140,425	68,654
Professional fees	106,176	120,864	158,401	214,906
Shareholders' communication and filing fees	73,326	51,884	100,539	151,134
Travel and promotion	75,750	81,521	184,556	159,419
	$865,178	**$868,129**	**$1,373,789**	**$1,519,093**

During the second quarter of fiscal 2007 the Company incurred a total of $865,178 for G&A costs compared to $868,129 in the same quarter in fiscal 2006. During the six months ended February 28, 2007 G&A costs decreased $145,304 to $1,373,789 compared to the year-earlier comparative period in 2006. Consulting fees decreased in both the three and six month periods in fiscal 2007 as a result of the use of less consultant services and a bonus of $50,000 that was paid to a senior officer and director in year-earlier second quarter of 2006. Increases in investor relations costs related to a greater focus on communicating to investors and institutions and the drafting, design and printing of the Company's Project Overview document a copy of which is available on Titanium's website www.titaniumcorporation.com. Shareholder communication and filing fees increased during the second quarter of fiscal 2007 as a result of timing of certain annual meeting and printing expenditures. However, for the six months ended February 28, 2007 shareholder communication and filing fees were lower as a result of lower annual report costs and other printing related expenditures.

Stock based compensation

During the three months ended February 28, 2007, 75,000 (2006: 325,000) new 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 Development costs as they vest. Of the $280,609 (2006: $293,166) recorded as contributed surplus, $227,403 (2006: $299,514) was recorded as stock-based compensation and $53,206 (2006: $(6,348)) was capitalized to Oil Sands Project Development Costs.

During the six months ended February 28, 2007, 500,000 (2006: 400,000) new 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 Development costs as they vest. Of the $716,947 (2006:$542,182) recorded as contributed surplus, $597,847 (2006: $485,892) was recorded as stock-based compensation and $119,100 (2006: $56,290) was capitalized to Oil Sands Project Development Costs.

The fair value of options granted has been estimated at the date of grant using a Black-Scholes option pricing model. During the three months ended February 28, 2007 the valuation of the 75,000 options granted was calculated with the following assumptions: weighted average risk free interest rate of 3.82% (2006: 3.60%); volatility factor of the expected market price of the Company's common stock of 49.7% (2006: 57%); and a weighted average expected life of the options of 5 years (2006 - 5 years). For the 425,000 options granted in the first quarter of fiscal 2007 the valuation was calculated with the following assumptions: weighted average risk free interest rate of 3.99% (2006: 3.60%); volatility factor of the expected market price of the Company's common stock of 44.3% (2006: 57%); and a weighted average expected life of the options of 5 years (2006 - 5 years).

Foreign exchange loss

Foreign exchange losses for the second quarter ended of fiscal 2007 totaled $5,787 compared to a loss of $8,947 in the comparable quarter in fiscal 2006. Foreign exchange gains for the six months ended February 28, 2007 totaled $1,919 compared to a loss of $25,660 in the comparable period in fiscal 2006. 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 $325,000 in US dollars.

Interest income

Interest income in the second quarter of fiscal 2007 increased to $198,597, compared to $194,543 during the comparable quarter in fiscal 2006. The higher interest income during the current quarter relates to higher rates earned in the fixed income markets for the Company’s short-term investments.

Interest income in the six months ended February 28, 2007 increased to $463,983, compared to $396,304 during the comparable quarter in fiscal 2006. The higher interest income during the current quarter relates to higher rates earned in the fixed income markets for the Company’s short-term investments

In the absence of interest rate increases, 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 anticipated to be incurred during fiscal 2007.

Oil Sands Project – Expenditures

	Three Months Ended February 28		**Six Months Ended February 28**	
	2007	**2006**	**2007**	**2006**
Beginning Balance	**$14,148,129**	**$9,875,791**	**$13,212,493**	**$9,214,530**
Engineering, salaries and consulting fees	239,639	474,491	626,074	850,118
Stock option compensation charge	53,206	(6,348)	119,100	56,290
Building	945	2,531	14,844	16,275
Maintenance	7,128	645	7,257	3,742
Equipment	(5,584)	24,897	236,016	24,897
Travel	20,040	12,403	52,994	57,906
General and administrative	16,812	118,417	80,837	143,629
Regina development facility rent	48,432	50,412	97,311	93,899
Sampling and assays	45,628	64,253	106,503	119,611
Transport-feedstock, samples, tailings	12,274	24,546	33,220	61,141
Ending balance	**$14,586,649**	**$10,642,038**	**$14,586,649**	**$10,642,038**

The Company capitalizes all costs incurred related to the development of its Oil Sands Project. The Company capitalized $438,520 in Oil Sands Project development costs during the three months ended February 28, 2007 compared with $766,247 in the comparable period in fiscal 2006. The Company capitalized $1,374,156 in Oil Sands Project development costs during the six months ended February 28, 2007 compared with $1,427,508 in the comparable six months in fiscal 2006.

The heavy minerals concentrator pilot plant in Fort McMurray was successfully commissioned during the first quarter of fiscal 2007. After operating the pilot plant for approximately two months enough processed material was recovered and shipped to the Company's Regina development facility for further separation processing and analysis.

Work continued during the second quarter of fiscal 2007 with the Company conducting detailed analysis for zircon recoveries from these concentrates in Regina. By the end of the second quarter of fiscal 2007, the Regina separation circuit programs had achieved satisfactory overall zircon recoveries of up to 75%. The Company's technical staff also focused on programs directed at the improvement of hydrocarbon removal and recovery; the evaluation of drill cores related to the resource study and daily pipeline sampling.

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:

	Q2 Feb 28, 2007	**Q1 Nov 30, 2006**	**Q4 Aug, 31, 2006**	**Q3 May 31, 2006**
Statement of Loss				
Net loss	$908,772	$614,964	$746,293	$786,375
Basic and diluted loss per share	$0.02	$0.01	$0.02	$0.01
Balance Sheet				
Working capital	$21,536,736	$21,423,343	$22,524,604	$24,479,995
Total assets	$36,552,213	$36,264,506	$36,863,876	$36,696,565
Cashflow from financing activities	$1,171,075	$4,000	$-	$738,251

	Q2 Feb 28, 2006	**Q1 Nov 30, 2005**	**Q4 Aug, 31, 2005**	**Q3 May 31, 2005**
Statement of Loss				
Net loss	$987,438	$657,686	$1,010,110	$5,759,817
Basic and diluted loss per share	$0.02	$0.01	$0.01	$0.14
Balance Sheet				
Working capital	$25,082,720	$24,949,874	$26,016,806	$1,466,735
Total assets	$36,358,235	$35,480,130	$36,013,588	$10,355,150
Cashflow from financing activities	$1,587,973	$-	$25,964,841	$604,000

Please review the discussion under the heading “Results of Operations” in this MD&A for an explanation of the financial results for the three and six-month periods ended February 28, 2007.

For the fourth quarter of fiscal 2006, the Company incurred a smaller loss compared to the loss 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.

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 into joint ventures. The Company is in a strong financial position through the feasibility stage of project development with $21,639,053 in cash and short term investments at February 28, 2007. 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 $21,536,736 as at February 28, 2007 compared to $22,524,604 at August 31, 2006. 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 February 28, 2007 were cash and short term investments totaling $21.6 million ($23.4 million – August 31, 2006) and development costs for its Oil Sands Project of $14.6 million ($13.2 million – August 31, 2006).

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 $71,750 (2006 - $71,750) and $143,500 (2006 - $143,500) for the three and six months ended February 28, 2007 by Auxilium. In addition, a 12 month performance bonus of $137,500 (2006 – $137,500) was paid to Auxilium during the six months ended February 28, 2006.

Harbour Capital Corporation ("Harbour")

Under the terms of a consulting agreement renewed on September 1, 2006, $25,000 (2006 - $50,000) and $50,000 ($100,000 – 2006) was paid for the three and six months ended February 28, 2007 to Harbour, a company controlled by George Elliott, a director of the Company, to provide the services of Executive Chairman. This renewed consulting agreement is 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 and zircon 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, 2006	55,670,651
Shares issued on the exercise of stock options	537,000
Balance February, 28 2007 and April 17, 2007	56,207,651

Warrants	**Number**	**Exercise Price ($)**	**Expiry Date**
Warrants	10,611,112	3.25	August 2007
Broker warrants	557,100	2.25	August 2007
Balance at February 28, 2007 and April 17, 2007	11,168,212		

Stock Options	**Number**	**Weighted Average Exercise Price ($)**
Balance August 31, 2006	2,959,500	2.68
Options granted	500,000	2.10
Options exercised	(537,000)	2.14
Options expired	(200,000)	2.33
Balance February 28, 2007	2,722,500	2.77
Options expired	(242,500)	3.47
Balance April 17, 2007	2,480,000	2.70

Disclosure Controls and Procedures

The Chief Executive Officer, the Chief Financial Officer and the management of the Company have designed and implemented disclosure controls and procedures and internal control over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Company is made known to the Chief Executive Officer and the Chief Financial Officer, particularly during the period in which the Company's interim filings are being prepared, and 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 Company's disclosure controls and procedures and internal control over financial reporting, the size of the Company, its business environment and the complexity of its operations has been considered.

Additional Information

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