Titanium Corporation

Management's Discussion and Analysis

Year Ended August 31, 2007

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, 2007 and includes material information available up to December 5, 2007. 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, 2007 and 2006. This MD&A should be read and reviewed in conjunction with the Financial Statements.

The Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). 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, 2007 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, titanium and bitumin; 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; access to oil sands tailings; requirement for additional funding; development timelines; expected capital expenditures; and Titanium's expected future production and cash flows. For further discussion of certain risks and uncertainties that could contribute to a difference in results and the types of assumptions being made in respect of the forward-looking statements in this MD&A, please review the "Risks" section 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 to not only recover previously wasted resources but to simultaneously deliver environmental benefits.

The Company is developing technology and processes to recover heavy minerals, primarily zircon, and a portion of the bitumen contained in the froth treatment tailings streams of oil sands mining extraction operations. Following the successful completion of development and testing, the Company plans to commercialize the recovery of minerals and bitumen by establishing operations in the oil sands region of Fort McMurray in Northern Alberta. The Canadian oil sands industry is experiencing an extended period of rapid growth. There are currently three large 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 fiscal 2007, the Company's efforts were focused on technical programs designed to recover heavy minerals and associated bitumen directly from the oil sands froth treatment tailings stream. During the year, the Company completed the industry's first pilot mineral concentration program at an oil sands site, tested the removal and recovery of bitumen from fresh tailings material, advanced its zircon separation circuit design and testing in Regina at the Company's facilities and provided pilot zircon samples to prospective customers. For the year ended August 31, 2007, the Company incurred a net loss of $3,000,158 or $0.05 per share, compared to a net loss of $3,177,792 or $0.06 per share in fiscal 2006. As at August 31, 2007, the Company had $20,547,208 in cash and short-term investments compared to $23,418,952 as at August 31, 2006.

Results from the Company's programs together with the analysis and testing of mineral concentrates, bitumen and solvents have shown that an integrated approach to tailings processing is optimal. It is management's view that the removal and recovery of bitumen is integral to recovering the heavy minerals in the tailings stream and that solvent added to assist with the removal of bitumen is of high value and must also be recovered.

Work during fiscal 2007 has identified where improvements are necessary in the Company's processes, including generally in respect of the removal of bitumen from mineral concentrates and the development of new processes for bitumen recovery. The success of the Oil Sands Project will require the development of effective processes to remove and recover bitumen from the tailings stream.

The Company's technical programs during fiscal 2007 focused on minerals concentration, bitumen removal and recovery and minerals separation as discussed below.

Minerals Concentration: An on-site bulk sampling program from the prior year provided the first large bulk sample of tailings material taken directly from an oil sands tailings pipeline. The Company utilized this sample material in the process design of a pilot mineral concentrator which was deployed at the oil sands site in the first quarter of fiscal 2007. The pilot concentrator achieved heavy mineral recoveries, as a concentrate, of between 98 and 99% from the tailings stream. The $3 million program was completed on time and within budget. The Company is continuing work on improving the removal of and recovery of bitumen as discussed in the section below.

Bitumen Removal and Recovery: The pilot concentrator was designed to remove bitumen from the heavy minerals and a separation vessel was utilized to collect the bitumen and solvent mixture. The froth treatment tailings streams from oil sands extraction processes generally contain bitumen losses in the range of approximately 3 % of the total bitumen mined. Bitumen adheres to the mineral sands and is also present in the finer sand fraction throughout the tailings stream. Recovery of a portion of bitumen in the tailings stream represents a new opportunity for the Company with potential environmental and economic benefits which the Company has determined warrant further research and development. The Company's work in this area continues to focus on improving the removal of bitumen during the concentration stage, reducing solvent usage, recovering solvent and separating and recovering bitumen from the tailings stream. The Company has engaged industry experts including the Alberta based research unit of CANMET Energy Technology Centre "CANMET" to assist with the necessary research and development work.

Minerals Separation: Heavy mineral concentrates from the on-site program were transported to the Company's Regina facilities for analysis and zircon separation testing during fiscal 2007. In the prior year, the Company had announced a strategy to focus on zircon recovery due to strong worldwide demand and pricing. Zircon sand prices had doubled in value over 2 to 3 years reaching approximately US$800 per ton where they remained stable during 2007. Management is of the view that worldwide demand will continue to be robust, particularly in China, and that the supply situation will continue to be tight in 2008.

Technical analysis and market testing during 2007 indicate that the oil sands' zircon minerals suite is comprised of two grades of zircon: standard grade zircon which is typically supplied to the ceramics industry; and a lower grade of zircon utilized by the zircon chemicals industry. Zircon testing to-date indicates a potential for recoveries of a total of approximately 55,000 tons per year of the two grades of zircon at current oil sands production levels at the test site. Work is ongoing to increase recovery levels and grades and improve the separation of bitumen from the sands. The Company is also investigating potential markets for high grade leucoxene which is separated in association with the zircon. The high grade product represents a potential of approximately 20,000 tons per year at current oil sands production levels at the test site. Throughout 2007, the Company has been active in Asia working with relationship partners and potential industrial consumers, testing product samples to determine marketability.

The Company has also been assessing market prospects for other lower value titanium minerals in the oil sands' mineral suite. In general, market conditions and prospects for these types of products are challenging. Prices for varying grades of titanium minerals are well below US$100 per ton and have been flat to declining in local currencies. Titanium mineral markets have been over-supplied with a number of expansions and new projects under development and coming on stream. Accordingly, the Company will continue to give priority to the development of recovery of zircon and bitumen.

Outlook for Fiscal 2008

The Company views the oil sands in Alberta as a large and growing opportunity as described in the following section. This section contains forward-looking statements about the Company's outlook for fiscal 2008. Reference should be made to the cautionary language on page 1 of the MD&A. For a discussion of certain risks and uncertainties that could contribute to a difference in results and the types of assumptions being made in respect of the forward-looking statements in the following, please review the "Risks" section in this MD&A.

Canada's oil sands resource is now recognized as the second largest oil resource in the world. The oil sands sector in Canada is growing rapidly through expansions of existing operations and a number of new projects under development with an increased focus on sustainable development. Sustainable development requires superior performance in environmental, social and economic areas.

The recovery of a portion of the bitumen currently lost in froth treatment tailings streams represents an expanded opportunity with the potential for general environmental and economic benefits. The expectation of high oil prices and heightened environmental concerns has resulted in an increased focus by the public, government and industry on new technologies and processes that address these issues. In management's view, the potential market for tailings processing is large
, with three large mining oil sands sites currently in operation, one to be commissioned in 2008 and several others planned for the ensuing years.

The Company's Oil Sands Project has advanced to an integration of bitumen recovery and minerals recovery directly from oil sands froth treatment tailings streams. Over the next 18 to 24 months, the Company will continue to execute programs directed at integrated bitumen and mineral recovery from tailings. The costs associated with bitumen recovery are unknown in advance of the research and development work to be conducted and the potential benefits are in a wide range and are entirely dependent upon the success of this work. The program will involve independent research agencies as well as the Company's resources. The work is expected to be conducted in stages including generally: hydrocarbon classification, further removal from mineral sands; solvent use and recovery, separation of bitumen from fines, dewatering and quality improvement of recovered bitumen. It is anticipated that the work will initially focus on laboratory and bench scale activity later advancing to pilot scale. It is intended that certain additional minerals work will also occur with a view to improve the quality of lower grade zircon and evaluating upgrading processes and potential for downstream value added processing.

The Company plans to assess and pursue all available options to resolve the technical areas outlined above and leverage its expertise into broader commercial activities.

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 ("GAAP"):

($CDN)	Year Ended August 31, 2007	Year Ended August 31, 2006	Year Ended August 31, 2005
Net loss before write-off of exploration properties and related plant and equipment	$(3,000,158)	$(3,177,792)	$(3,152,443)
Net loss	$(3,000,158)9+	$(3,177,792)	$(8,172,615)
Loss per share – basic and diluted	$(0.05)	$(0.06)	$(0.19)
Total assets	$35,545,956	$36,863,876	$36,013,588
Cash flow from financing activities	$1,175,075	$2,326,224	$28,211,823

Net Loss

The net loss for the year ended August 31, 2007 was $3,000,158 ($0.05 per share) which is a reduction from the net loss incurred for fiscal 2006 of $3,177,792 ($0.06 per share) and the net loss incurred for fiscal 2005 of $8,172,615 ($0.19 per share). The loss in fiscal 2005 was primarily due to 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 of Directors 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. Corporate expenses were reduced in fiscal 2007 in several areas, principally professional fees, consultants and administration. The Company incurred $474,793 of research and development expenditures in 2007, which partially offset the reductions in corporate expenses.

The Company expects that it will continue to incur losses until the Oil Sands Project commences commercial production.

Cash flow 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 $31,713,122 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

Summary of Financial Results

For the year ended August 31, 2007, the Company incurred a loss of $3,000,158 or $0.05 per share, compared to a loss of $3,177,792, or $0.06 per share for the year ended August 31, 2006. Lower operating costs in several administrative areas were the principal reason for the reduced loss.

The Company has not yet generated operating revenues as it is in the development stage.

Expenses

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

	For the year ended August 31	
	2007	**2006**
Consulting	$ 656,480	$884,089
Office and administration	434,818	508,091
Directors' fees	170,500	150,000
Insurance	138,259	128,384
Investor relations, shareholders' communication and filing fees	342,394	390,316
Professional fees	302,635	408,069
Travel and promotion	316,739	288,356
Total	$2,361,825	$2,757,305

During fiscal 2007, the Company incurred a total of $2,361,825 for G & A compared to $2,757,305 in fiscal 2006. The Company achieved lower cash costs during fiscal 2007 mainly through the reduction of office space, consulting and professional services. Travel costs increased due to international travel including market development in Asia.

Stock based compensation

During the year ended August 31, 2007, 500,000 (2006: 550,000) stock options were granted to directors, officers and consultants of the Company. These options will be expensed in the statement of loss and deficit or capitalized to Oil Sands Project development costs as they vest. Of the options granted in fiscal 2007, 308,336 (2006: 79,169) have vested and accordingly, $275,267 (2006: $335,313) was recorded as contributed surplus. Of the $275,267 (2006: $335,313) recorded as contributed surplus, $158,867 (2006: $267,578) was recorded as stock-based compensation, $72,750 (2006: $67,735) was capitalized to oil sands project development costs and $43,650 (2006: $nil) was expensed to research and development costs.

During 2007, 503,337 (2006: 399,154) options granted in prior years vested. Accordingly, $939,585 (2006: $1,054,684) was recorded as contributed surplus. Of the $939,585 (2006: $1,054,684) was recorded as contributed surplus, $853,733 (2006: $940,958) was recorded as stock-based compensation, $53,657 (2006: $67,735) was capitalized to oil sands project development costs and $32,195 (2006:$nil) was expensed to research and development costs.

The fair value of all options granted in fiscal 2007 and 2006 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 3.96 % (2006: 3.65%); volatility factor of the expected market price of the Company's common stock of 45.12% (2006: 57%); and a weighted average expected life of the options of 5 years (2006 - 5 years).

Foreign exchange loss

Foreign exchange losses for fiscal 2007 totaled $28,948 compared to a $51,408 loss 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 $350,000 in US dollars.

Research and development costs

During fiscal 2007, the company incurred $474,793 in research and development costs. There were no similar costs incurred during fiscal 2006. These costs were incurred during the latter part of the fiscal year as the Company commenced additional research and development activities.

Interest income

Interest income in fiscal 2007 increased to $911,810, compared to $815,217 during fiscal 2006. The higher interest income during the current year relates to higher average interest rates earned on excess cash balances during the year.

Oil Sands Project – Development Costs

	Year ended August 31, 2007	**Year ended August 31, 2006**
Beginning Balance	**$13,212, 493**	**$9,214,530**
Engineering and Consulting Fees	538,846	856,838
Stock Option Compensation Charge	126,408	181,821
Building	14,844	169,939
Maintenance	9,727	7,573
Construction of Bulk Sample Plant	----	141,804
Salaries	74,428	389,164
Equipment	315,976	1,459,626
Travel	56,060	140,715
General and Administrative	70,009	183,545
Regina Pilot Plant Rent	175,470	182,877
Sampling and Assays	168,945	171,553
Transport-feedstock, Samples, Tailings	60,740	112,508
Ending balance	**$14, 823, 946**	**$13,212,493**

The Company capitalizes those costs related to the development of its Oil Sands Project that are expected to be recovered from future operations. That Company capitalized $1.5 million in Oil Sands Project development cash costs during fiscal 2007, compared with $3.8 million in fiscal 2006. Total amounts capitalized, including stock option costs, were $1.6 million in 2007 and $4.0 million in fiscal 2006.

During the 2007 fiscal year, the Company expensed $474,793 of Research and Development costs, including $75,845 of stock option compensation expense, as research and develop activities increased towards the latter part of the year. There were no similar costs incurred in fiscal 2006.

During fiscal 2005 and 2006, 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 development on the production of zircon and the removal and recovery of hydrocarbons in the tailings stream. 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. Processed material from the 2006 Pilot Plant is being utilized at the Company's Regina development facility for further separation processing and analysis.

Stock based compensation capitalized to the Oil Sands Project was $126,408 in fiscal 2007 compared to $181,821 during fiscal 2006.

Summary of Quarterly Results

The following are the highlights of financial data of the Company for the most recently completed eight quarters which have been prepared in accordance with GAAP.

	Q4 Aug, 31, 2007	**Q3 May 31, 2007**	**Q2 Feb 28, 2007**	**Q1 Nov 30, 2006**
Statement of Loss				
Net loss	$1,048,091	$428,331	$908,772	$614,964
Basic and diluted loss per share	$0.01	$0.01	$0.02	$0.01
Balance Sheet				
Working capital	$20,325,612	$21,020,898	$21,536,736	$21,423,343
Total assets	$36,020,748	$36,205,660	$36,552,213	$36,264,506
Statement of Cash flow				
Cash flow from financing activities	-------	------	$1,171,075	$4,000

	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 Cash flow				
Cash flow from financing activities	-------	$738,251	$1,587,973	-------

Operating expenditures tend to be higher during the second and fourth quarters of the fiscal year reflecting timing of bonus payments. Fourth quarter expenditures reflect increases in administrative costs and professional fees associated with seasonal corporate filing and regulatory activities. Specifically, the increased costs relate to the preparation of year end audit files and annual meeting materials.

Fourth Quarter Fiscal 2007 Analysis

For the three months ended August 31, 2007, the Company incurred a loss of $1,048,091 or $0.02 per share compared to a loss of $746,293 or $0.02 per share in the year-earlier quarter. The Company earned $221,812 interest income in the fourth quarter of fiscal 2007 compared to $239,000 in the comparable previous year quarter, which reflects reduced average cash balances. Stock based compensation costs were lower during the three months ended August 31, 2007 compared to the comparable quarter reflecting the reduction in vesting options in 2007.

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 stock options outstanding, project (debt) financing and joint ventures. The Company has been in a strong financial position through the feasibility stage of project development with $20,547,208 in cash and short term investments at August 31, 2007. To complete the development to commercial production, the Company expects it will need to obtain additional 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.

The Company had a net working capital balance of $20,325,612 as at August 31, 2007 compared to $22,524,604 at August 31, 2006.

The Company's primary assets at August 31, 2007 were cash, short term investments and marketable securities totaling $20,547,208 ($23,418,952 – August 31, 2006) and development costs for its Oil Sands Project of $15,298,738 ($13,212,493 – August 31, 2006).

Contractual Obligations

The Company has a number of agreements with arms-length parties who provide equipment, services and facility space. 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 Ending August31	
Contractual Obligation	**2008**	**2009**	**TOTAL**
Consulting	$143,500	-	$143,500
Operating – Office Space (Toronto)	$38,504	-	$38,504
Operator Lab/Office Space (Regina)	$85,000	-	$85,000
Land Lease (Pilot Plant Regina)	$102,600	$8,550	$111,150
Total Contractual Obligations	$369,604	$8,550	$378,154

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 (2006 - $424,500) for the year ended August 31, 2007 by Auxilium. Included in this amount is a 12 month performance bonus of $137,500 (2006 – $137,500).

Harbour Capital Corporation (“Harbour”)

Under the terms of a consulting agreement that expired on August 31, 2007, Harbour, a company controlled by George Elliott, a former director of the Company, was paid $100,000 (2006 - $267,170) to provide the services of Executive Chairman. Included in the 2006 balance was a performance bonus of $50,000 that was also paid to Harbour.
On August 20, 2007, the Company announced that Mr. Elliott was resigning as Executive Chairman and Director of Titanium, effective August 31, 2007.

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. Once removed, the hydrocarbons together with the solvents added to aid removal, must be recovered. 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 continues to develop and test its process for cleaning and extracting concentrates from oil sands tailings and recovering the associated hydrocarbons. Unforeseen difficulties with scale-up to commercial scale, unexpected utility costs, natural gas costs, labour costs or shortages, engineering costs and related industrial process risks could negatively impact the viability of the project.

The Company may not be able to negotiate fair commercial arrangements with Syncrude or other oil sands operators, and in such event, the Company may not be able to secure supplies of tailings or customers.

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 minerals processing technology at a commercial scale nor recovered hydrocarbons that are integral to the recovery of the minerals. 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, liquidity or credit risks arising from it financial instruments and that their fair values approximated their carrying values unless otherwise noted.

Outstanding Share Data

The following table summarizes the changes in the common shares, options to purchase common shares and warrants and broker warrants to acquire common shares for the year ended August 31, 2007.

	Common Shares	Options	Warrants	Broker Warrants
Balance August 31, 2006	55,670,651	2,959,500	10,611,112	557,100
Issued/Exercised	537,000	537,000	-	-
Granted	-	500,000	-	-
Cancelled/Expired	-	492,500	10,611,112	557,100
Balance August 31, 2007	56,207,651	2,430,000	-	-

As at August 31, 2007, and at December 5, 2007, there are 56,207,651 common shares outstanding.

As at August 31, 2007, we had 2,430,000 options to purchase common shares outstanding at exercise prices ranging from $1.85 to $3.86 with expiry dates that range between November, 2007 and December 2011. There are currently 2,180,000 options outstanding at exercise prices that range from $1.85 to $3.86 with expiry dates that range from March, 2008 to November, 2012. In fiscal 2007, 537,000 options were exercised at prices ranging from $1.60 to $2.75. The Company received proceeds of $1,175,075 as a result of the exercise of these options. In fiscal 2007, 500,000 options were granted with an exercise price ranging from $1.98 to $2.75 and expiry dates of September, 2011 and December, 2011. In fiscal 2007, 492,500 options were cancelled or expired.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

As of 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 material information related to the Company 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, particularly during the period in which he annual filings are being prepared.

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. The Company plans to take steps to improve the documentation of procedures and controls over financial reporting in fiscal 2008, as internal controls are further evaluated. 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.

There has been no change in the design of the Company's internal control over financial reporting during the quarter ended August 31, 2007, that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

Additional Information

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