MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE SIX MONTH PERIOD FEBRUARY 28, 2011

Titanium Corporation Inc. ("Titanium" or the "Company") has prepared the following management discussion and analysis (the "MD&A") to provide information to assist in understanding the financial results for the three and six month period ended February 28, 2011. This MD&A should be read in conjunction with Titanium's unaudited interim financial statements for the three and six month period ended February 28, 2011 including the notes thereto (the "Financial Statements") and the annual MD&A for the year ended August 31, 2010. This MD&A is dated as at and based on information available to management as of April 20, 2011. The Company is a development stage company whose common shares are listed on the TSX Venture Exchange under the symbol "TIC".

The above referenced material is available on Titanium's website at www.titaniumcorporation.com or it can be found, along with additional information about Titanium, on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

The financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("GAAP"). All amounts included in this MD&A are in Canadian dollars, unless otherwise specified. Certain prior year amounts have been reclassified to conform with the presentation for the current year.

This MD&A contains forward-looking information that reflects the current expectations of management about the future results, performance, achievements, prospects or opportunities for Titanium. These statements generally can be identified by use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "believe", "project", "should" or "continue" or the negative thereof or similar variations. Forward-looking information is provided in this document in the discussion of Titanium's research and development plans under the heading "Titanium's Business" and Titanium's business plans for fiscal 2011 under the heading "Update on the Project", "Next Steps for the Company" and "IFRS Assessment and Conversion Plan". Titanium provides forward-looking information in order to describe management expectations and assist shareholders in understanding our financial position as at and for the periods ended on the dates presented in this report. Readers are cautioned that this information may not be appropriate for other purposes. Forward-looking statements are based upon a number of assumptions and are subject to a number of known and unknown risks and uncertainties, many of which are beyond Titanium's control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements. Forward-looking information is subject to significant risks and uncertainties and is based on a number of Titanium's expectations and assumptions which may prove to be incorrect regarding future stable or increasing prices for zircon and bitumen, *stable currency exchange rates between the Canadian and US dollars, expected capital expenditures and Titanium's expected future research and development activities. The material risks, uncertainties and other factors that could influence actual results include, but are not limited to:*

- *Operational or technical difficulties in connection with successfully completing research activities;*
- *Results of research activities;*
- *Development timeline delays and problems, including negative impacts on Titanium's technologies caused by unforeseen development costs;*
- *Reliance on a small number of key people to carry out Titanium's business and research activities;*
- *Access to and cost of oil sands tailings necessary to carry out the Project as defined herein;*
- *Competitors who may develop alternate solutions or Titanium's intellectual property may not be adequately protected; and/or*
- *Changes to environment laws and regulations which may add significant cost to or impair the permitted operation of the Project.*

While we anticipate that subsequent events and developments may cause our views to change, we do not have an intention to update this forward-looking information except as required by applicable securities laws. This forward-looking information represents our views as of the date of this MD&A and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. *There can be no assurance that forward-looking information will prove to be accurate as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.* These factors are not intended to represent a complete list of the factors that could affect the Company. Additional information on these and other factors are disclosed elsewhere in the MD&A and in reports filed with the securities regulatory authorities in Canada from time to time and available on SEDAR.

Titanium's Business

Titanium is *"Creating Value from Waste™"*. The Company is developing a new business to recover heavy minerals and bitumen from waste generated in the oil sands mining operations of northern Alberta. The recovery of bitumen, associated solvents and water will result in important, and timely environmental improvements for the oil sands industry. The research and development activities related to creating this new business are referred to as the "Oil Sands Project" or the "Project".

Oil sands operators surface mine deposits to extract bitumen (heavy oil trapped in the sands) for further processing into synthetic crude oil. Heavy minerals occurring in the oil sands deposits are concentrated in the froth treatment tailings during one of the bitumen extraction steps. Oil sands producers currently use either a naptha or paraffinic based approach to bitumen extraction at the froth treatment stage. The Company's technology has been developed for both naptha based and paraffinic froth treatment tailings to meet the current and future needs of all the major oil sands operators related to froth treatment tailings remediation.

Four large oil sands mining sites are currently in operation: Syncrude Canada, Suncor Energy, Canadian Natural Resources Limited (CNRL) and Albian Sands (Shell). One new mining site, Imperial Oil Kearl, is under construction for commissioning in 2012 and an additional site, Total Jocelyn, is currently undergoing regulatory approvals. All of the current and developing sites forecast expansions, which will significantly increase Canada's oil sands production in the years ahead. The rapid growth of the oil sands industry means that increased volumes of bitumen, solvent and minerals will be generated and lost in the froth treatment tailings.

Titanium has been developing proprietary processes to recover value from froth treatment tailings. Extensive R&D programs have been conducted over the past 7 years and have been accelerated during the last year in particular. The Company's research programs have developed new solutions for the production of both the heavy minerals and bitumen. Research has also been focused on the recovery of solvents and water to reduce environmental impacts in areas of air emissions, water usage and the footprint of tailings ponds.

The Company has been conducting a phased research program both with Titanium's internal researchers and with external research firms to develop technologies to process oil sands froth treatment tailings directly from the tailings pipeline. The phases of the research programs are as follows:

- <u>Phase I - initial laboratory scale work</u>: the objective was to identify the most prospective laboratory-based solutions;
- <u>Phase II - continuous bench scale testing</u>: the objective was to provide scaling data for piloting; and

- Phase III - integrated pilot testing: the objective is to operate the technology in an integrated continuous process.

The Company has completed Phases I and II, successfully executing a two year research program endorsed by the Alberta Government and supported by a $3.5 million Alberta Energy Innovation Fund ("AEIF") grant received in March 2008. The key achievements of the program were the development of technologies to remove bitumen from heavy minerals and recover bitumen, solvents and water from froth treatment tailings. As a condition of the grant, a Government Advisory Committee to the Company was formed, comprised of representatives from the Energy and Environment Ministries, the Energy Resources Conservation Board (ERCB), Alberta Innovates and CanmetENERGY.

The success of the R&D program resulted in the award of a $4.9 million Canadian Government grant from Sustainable Development Technologies Canada ("SDTC") in September 2009. The Company is at an advanced stage of executing the Phase III integrated pilot to demonstrate continuous testing of these technologies as outlined below in the next two sections.

Update on the "Project"

From mid 2010 through April, 2011, the integrated pilot (Phase III) is being operated at Natural Resources Canada CanmetENERGY's Devon, Alberta pilot facility. The pilot is processing froth treatment tailings transported from oil sands sites. The pilot is demonstrating a number of Company-developed technologies designed to: concentrate and recover heavy minerals and bitumen; recover solvents; treat and recover water and reduce environmental impacts associated with froth tailings streams.

During the second quarter, the Company continued successful operation of the Canmet pilot and advanced its oil sands project on a number of fronts:

- The Canadian Government and the Company jointly announced the successful completion of the major operational phase of the Company's demonstration pilot.. The Company has been meeting all of its milestones under the SDTC program and has now received a total of $4.4 million, including a third payment, received in March 2011, of $825,000 from SDTC under the previously announced $4.9 million grant program.

- Piloting for the third oil sands operator was completed in February 2011 with excellent results consistent with the two earlier oil sands operator's pilot programs. Over 20,000 independent sample tests have been conducted by Maxxam Analytics throughout the pilot program. The Company has now completed 10 months of demonstration piloting at Canmet for three oil sands operators achieving overall bitumen and solvent recoveries of 75%, the top end of targeted ranges. The minerals cleaning circuit has proven highly effective in removing bitumen from heavy minerals concentrate ("HMC") for downstream minerals separation of zircon. The minerals cleaning circuit is operating into April 2011, producing cleaned HMC. The HMC is being shipped to Australia where the Company is conducting minerals separation testing with expert firms to optimize zircon recovery. Programs to treat residual tailings to recover water and dry tailings were completed by CanmetENERGY's tailings experts with positive results.

- Detailed technical reports of pilot results have been completed for the three oil sands operators participating in the demonstration pilot at CanmetENERGY. The Company's engineering partner, SNC-Lavalin conducted preliminary site-specfic engineering for one of the oil sands sites. The Company is reviewing engineering and technical results and planning next steps with the oil sands operators.

- A paraffinic froth treatment tailings pilot was commissioned at a third party site for two other oil sands firms and then operated for 4 weeks during the third quarter. The technical results are currently being evaluated. The Company's technology has been developed for both naphtha based and paraffinic froth treatment tailings to meet the current and future needs of all the major oil sands operators related to froth treatment tailings remediation.

- On December 15, 2010, the Company completed a Private Placement for $14.3 million ($13.4 million after issue costs) issuing 7,165,500 units of the Company ($2.00/Unit). Each Unit consisted of one common share and one half of one share purchase warrant. Proceeds from the private placement will be used to fund the Company's ongoing pilot testing operations, to fund costs associated with the commercialization of the Company's "Creating Value from Waste" process, including engineering design costs, and for general corporate purposes.

Next Steps for the Company

As demonstration piloting is completed for each of the oil sand operators, the Company reviews detailed technical results with each operator. Following technical due diligence, the Company will collaborate on reviewing and planning for site specific implementation of commercial facilities. Engineering and construction for an initial site implementation is estimated to take approximately 24 months. Under the terms of the Government funding, the Company is required to develop an industry wide solution for froth treatment tailings. As a result of this collaboration with each oil sands operator, the Company expects to identify a first adopter of the technology and negotiate the terms for commercialization. The Government of Alberta is also an important stakeholder and has been participating in the Company's project through grant funding and the Government Advisory Committee. The

Government of Alberta will also participate in commercialization negotiations with particular focus on royalty and regulatory matters.

Financial Information & Analysis

Summary of Quarterly Results

The following table summarizes the financial data of the Company for the most recently completed eight quarters ($ millions except per share data):

	Q2 Feb 28, 2011	Q1 Nov 30, 2010	Q4 Aug 31, 2010	Q3 May 31, 2010	Q2 Feb 28, 2010	Q1 Nov 30, 2009	Q4 Aug 31, 2009	Q3 May 31, 2009
STATEMENT OF LOSS								
Net Loss	$2.5	$2.8	$3.0	$1.5	$0.9	$1.6	$16.6	$1.4
Basic and Diluted Loss per Share	$0.04	$0.05	$0.05	$0.03	$0.01	$0.03	$0.29	$0.03

The following summarizes Titanium's financial results for the three and six month periods ended February 28, 2011 as compared to the same periods in 2010:

- Net loss increased to $2.5 million for the three month period and $5.3 million for the six month period ended February 28, 2011 compared to $0.9 million and $2.5 million for the three and six month periods ended February 28, 2010. The difference relates to increased research and development costs associated with operating the integrated demonstration pilot in the current periods which was not operational in the comparative periods. While the net loss increased by $1.6 million for the current quarter and $2.8 million for the six month period ended February 28, 2010, the Company significantly increased spending on research and development activities executing the plan for its Phase III integrated pilot.
- The Company had $14.7 million in cash and unrestricted short-term investments at February 28, 2011 as compared to $9.0 million in for the fiscal year ended August 31, 2010. All of the cash and short-term investments are liquid and are in interest bearing cash accounts and guaranteed investment certificates. The increase in cash and unrestricted short-term investments for the period ended February 28, 2011 relates to the completion of the $14.4 million private placement ($13.4 million net of issue costs) in December of 2010 offset by the use of cash to fund the piloting and research activities and general and administrative expenses.
- There was no change in the restricted short-term investment balance of $0.4 million at the end of February 28, 2011 compared to $0.4 million at the end of fiscal 2010. During the quarter, the remaining balance of the AEIF grant was recognized in income under grant recovery, as the Company completed

approved research activities under the terms of the agreement. The restricted investment relates to a certificate of deposit which is pledged as security to a chartered bank for the letter of credit issued by the bank to the Alberta Government in respect of the AEIF Grant. As the Company incurs eligible research expenditures, the Province of Alberta authorizes the reduction in the letter of credit to release a portion of the restricted investment into the Company's unrestricted cash balances.

- At February 28, 2011, the Company recorded a receivable in the amount of $0.3 million for the SDTC portion of research and development expenditures relating to milestone three of the Contribution Agreement. On March 10, 2011, subsequent to quarter end, the Company received the advance of a third payment of $825,000 from SDTC in support of the third milestone. To date, the Company has received a total of $4.4 million from SDTC under the terms of the Contribution Agreement.
- The government grant balance (AEIF and STDC) decreased by $1.8 million during the six month period ended February 28, 2011 from $1.5 million at August 31, 2010. The decrease relates to the recovery of the SDTC grant of $1.6 million and $0.2 million from the AEIF grant as the Company incurred eligible research expenditures during of the quarter.
- Below is a summary of the research and development spending by major category ($ thousands):

Research and Development ("R&D") Expenditures

	Three Month Period Ended			Six Month Period Ended		
	Feb 28 2011	Feb 28 2010	Increase (Decrease)	Feb 28 2011	Feb 28 2010	Increase (Decrease)
External Research	-	85	(85)	-	823	(823)
Compensation & Benefits	128	178	(50)	323	355	(32)
Research & Piloting	2,271	1,196	1,075	4,924	1,600	3,324
Subtotal	2,399	1,459	940	5,247	2,778	2,469
Less:						
Alberta Grant (AEIF)	(206)	(570)	364	(206)	(898)	692
Federal Grant (SDTC)	(733)	(425)	(308)	(1,593)	(425)	(1,168)
R&D net of government grants	$1,460	$464	$996	$3,448	$1,455	$1,993

- Research and development spending for the quarter was $2.4 million for the three month period ended February 28, 2011 as compared to $1.4 million for the comparable period in fiscal 2010. These amounts do not include recovery of government grants, in the quarter ended February 28, 2011 of $0.9 million and $1.0 million for the period ended February 28, 2010. R&D spending in the quarter was related to the operation of the demonstration pilot and detailed analytical work processing oil sand's operators froth treatment tailings and to a lesser extent the construction of the paraffinic pilot.

- As the Company focused on demonstration of its technology with a third oil sands producer, research and pilot spending for the three month period ended February 28, 2011 consisted of operation and analytical work to operate the integrated demonstration pilot as well as construction costs for the paraffinic pilot at a third party site. A portion of these pilot costs are being recovered through the Contribution Agreement with SDTC and the AEIF grant. Compensation costs are lower for the quarter ended February 28, 2011 as a result of retention incentives paid in 2010 to employees relocated to Edmonton from Regina.

General & Administrative ("G&A") Expenditures

The following table provides details of G&A expenses for the periods noted ($ thousands):

	Three Month Period Ended			Six Month Period Ended		
	Feb 28 2011	Feb 28 2010	Increase (Decrease)	Feb 28 2011	Feb 28 2010	Increase (Decrease)
Compensation & Benefits	216	117	99	526	402	124
Consulting & Professional Fees	39	59	(20)	159	208	(49)
Directors' Fees	97	76	21	171	143	28
Travel	36	26	10	86	83	3
Rent, Insurance & Office	54	53	1	90	106	(16)
Investor Relations & Regulatory	100	43	57	136	78	58
Total	$542	$374	$168	$1,168	$1,020	$148

- G&A expense totaled $0.6 million for the three month period ended February 28, 2011, higher than the comparable period in fiscal 2010 by $0.2 million. Compensation expense is higher due to an Executive retention arrangement paid during the quarter, which was part of a compensation agreement negotiated January 1, 2010. Investor relations and regulatory expenses were higher in the quarter as the company increased spending on investor relations activity which was nominal in the prior comparable period. All other G&A type costs were consistent with the comparable quarter as the Company continued to maintain its focus on overhead rationalization. Interest income increased to $39,725 from $23,278 in the second quarter of fiscal 2011 reflecting the increase in the Company's cash balances along with marginal increases in interest rates.

Liquidity and Capital Resources

On March 10, 2011, subsequent to the close of its quarter end, the Company received $825,000 from SDTC representing the advance payment for milestone 3 under the terms of the SDTC agreement. The payment has been advanced following achievement of the second major operational phase of the pilot. The Company has now received a total of $4.4 million from SDTC under the previously announced Contribution Agreement.

The Company had $15.1 million in cash and short-term investments (including $0.4 million of current restricted investment) at February 28, 2011, which compares to cash and short-term investments of $9.5 million (including $0.4 million of current restricted investment) at August 31, 2010. The Company's cash balances consist of interest bearing cash accounts and guaranteed certificates of investment issued by Schedule I Canadian chartered banks. The investments were all purchased with an original term of one year but redeemable, at the Company's option, any time 30 days after purchase.

The Company has sufficient cash, short-term investments and remaining government grants to fund its research and development and general and administrative costs for at least the next twelve months. Options available to the Company to fund its future cash requirements include, but are not limited to, new or additional government grants and/or issuances of securities and/or some form of partnership or joint venture.

The following is a summary of the cash flows for the periods noted:

- Cash used in operating activities for the three month period ended February 28, 2011 was $3.6 million compared to $1.8 million for the same period ended February 28, 2010. The increase in cash used in operations in the quarter was higher spending on operating the integrated demonstration pilot and changes in non-cash working capital.

- Cash used in investing activities was $701 the three month period ended February 28, 2011, as compared to $4.8 million in the previous period ended February 28, 2010 as a large portion of the unrestricted short-term investments had matured during the comparable period and the proceeds were deposited in interest bearing cash accounts. Short-term investments are not classified as cash equivalents because their initial terms are for one year (even though they are redeemable 30 days after purchase).

- Cash provided from financing activities was $13.3 million for the three month period ended February 28, 2011 from the issuance of 7,165,500 units consisting of one common share and one half of one share purchase warrant. Total gross proceeds of $14.3 million was received for the units less $1.0 million in share issue costs. Also included in financing activities is the interest earned on the restricted investment.

IFRS Assessment and Conversion Plan

In February 2008, the CICA announced that Canadian generally accepted accounting principles for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of fiscal year 2012 for which the current and comparative information will be prepared under IFRS.

The Company's IFRS implementation project consists of three primary phases which will be completed by a combination of in-house resources and external consultants.

- Initial diagnostic phase ("Phase I") – Involves preparing a preliminary impact assessment to identify key areas that may be impacted by the transition to IFRS. Each potential impact identified during this phase is ranked as having a high, moderate or low impact on our financial reporting and the overall difficulty of the conversion effort.
- Impact analysis, evaluation and solution development phase ("Phase II") – Involves the selection of IFRS accounting policies by senior management and the review by the audit committee, the quantification of the impact of changes on our existing accounting policies on the opening IFRS balance sheet and the development of draft IFRS financial statements.
- Implementation and review phase ("Phase III") – Involves training key finance and other personnel and implementation of the required changes to our information systems and business policies and procedures. It will enable the Corporation to collect the financial information necessary to prepare IFRS financial statements and obtain audit committee approval of IFRS financial statements.

The Company has completed its preliminary assessment of the differences between IFRS and Canadian GAAP that may potentially impact the recognition, measurement and presentation of the Company's financial statement balances at the transitional date of September 1, 2010. The Company has commenced Phase II of the project to (i) update its findings under Phase I, (ii) quantify the differences identified in Phase 1, (iii) record necessary entries to its transitional balance sheet at September 1, 2010 and (iv) prepare the reconciliation tables mandated by IFRS 1 commencing with the Company's first interim IFRS financial statements (November 30, 2011 with (November 30, 2010 comparatives) from Canadian GAAP reported net income and equity to that reported under IFRS.

Titanium Corporation is required to apply all of those IFRS standards which are effective for periods ending August 31, 2012 and apply them to its opening September 1, 2010 balance sheet (transition date).
The differences as identified in Phase I and the Company's proposed actions under Phase II are summarized below. These areas do not represent a complete list of expected changes. As the Company progresses further and as changes to Canadian GAAP and IFRS Standards may occur prior to the changeover date, the differences and impacts described below may be subject to change.
The Company has completed the preliminary diagnostic phase and will continue to update its disclosures throughout 2011 to reflect specific actions taken to facilitate adoption of IFRS effective September 1, 2011. The

Company will also continue to review and update its preliminary conclusions from the diagnostic phase during 2011 as new facts emerge.

The table below summarizes the expected timing of key activities related to the Company's transition to IFRS.

Initial analysis of key areas for which changes to accounting policies may be required.	Completed
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives.	Completed
Assessment of first-time adoption (IFRS 1) requirements and alternatives.	Completed
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	In progress, completion expected during Q4 2011
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	In progress, completion expected during Q4 2011
Management and employee education and training	Throughout the transition and changeover process
Quantification of the Financial Statement impact of changes in accounting policies	Throughout 2011

Transitional impact on financial statement presentation and classification

The Company's financial statements will have a different format upon transition to IFRS. The components of a complete set of IFRS financial statements are: statement of financial position (balance sheet), statement of comprehensive income, statement of changes in equity, statement of cash flows, and notes including accounting policies. The income statement will be presented as a component of the statement of comprehensive income.

IFRS-1 Transitional policy choices and exceptions for retrospective application

IFRS-1 contains the following policy choices with respect to first-time adoption that are applicable to Titanium Corporation.

Property, plant & equipment

IFRS 1 provides a choice between measuring property, plant and equipment at its fair value at the date of transition and using those amounts as deemed cost or using the historical valuation under the prior GAAP.

Impact on the Company

The Company does not have any significant property, plant & equipment as at September 1, 2010 and does not expect any significant transitional issues.

Mandatorily applicable standards with retrospective application (i.e. not specifically exempt under IFRS-1

Intangible Assets – Research & Development assets

The Company has embarked on a large research program and it received a $3.5 million grant from the Alberta Government's AEIF to assist in a two-year program. **IFRS:** IAS 38 deals with the criteria for the recognition of research versus development phases and impairment testing. Expenditures incurred in the research phase are required to be expensed as incurred and expenditures incurred in the development phase are allowed to be capitalized if certain requisite criteria are met. Impairment of intangible assets is to be performed each reporting period.

Impact on the Company

The Company retroactively adopted, in the fourth quarter ended August 31, 2009, the new CICA Handbook Section 3450 "Research and Development costs" with no impact on the financial statements. The Company's R&D expenditures will not be impacted by the transition to IFRS as CICA Section 3450 has been converged with IAS 38 Intangible Assets.

Government Grants

The Company participates in the following Government incentive programs.

1. AEIF - Company was awarded a $3.5 million Energy Innovation Fund Grant (the "Grant") from the Province of Alberta to assist the Company in its research in recovering heavy minerals and bitumen from oil sands froth treatment tailings streams.
2. SDTC Contribution Agreement - In January 2010, the Company entered into a Contribution Agreement with SDTC, effective September 1, 2009, to financially assist the Company in developing and demonstrating its technology.

IFRS: IAS20, Accounting for Government Grants and disclosure of government assistance permits the recognition of government grants once there is reasonable assurance that requisite conditions will be met, rather than waiting for the conditions to be fulfilled, as is the case under Canadian GAAP. As a result, government grants may be recognized earlier under IFRS.

Impact on the Company

The Company believes that its recognition policy under Canadian GAAP is substantively consistent with IAS 20. During Phase II, the Company will reconfirm its conclusion.

Share based compensation

The Company accounts for all stock-based payments granted to employees and non-employees using the fair value based method as per the amendment by the CICA Accounting Standards Boards to the CICA Handbook

Section 3870, "*Stock-Based Compensation and Other Stock-Based Payments*" which requires entities to account for employee stock options using the fair value based method.

IFRS: Under IFRS 2, graded vesting awards must be accounted for as though each installment is a separate award. IFRS does not provide for an election to treat the instruments as a pool and recognize expense on a straight line basis. **Canadian GAAP**: The Company recognizes expense on a straight line basis over vesting period.

Impact on the Company

During Phase II the Company will recalculate the stock compensation expense to determine whether there is a material impact upon transition at September 1, 2010 or at August 31, 2011 and for the interim periods and the year then ended.

Information systems and processes and controls

Based on findings from the preliminary diagnostic phase of the project the Company does not expect that adoption of IFRS will have a pervasive impact on its present systems and processes. The Company expects to implement certain minor changes to the general ledger account descriptions as well as the calculation methodologies currently in use for certain specific financial statement areas such as asset impairment and share based compensation. As the accounting policies are selected, appropriate changes to ensure the integrity of disclosure controls and procedures will be made. For example, any changes in accounting policies could result in additional controls or procedures being required to address reporting of first time adoption as well as ongoing IFRS reporting requirements. At this point, the Company has not determined its final accounting policy choices. The certifying officers plan to complete the design, and initially evaluate the effectiveness of, any significant changes to controls in the third quarter of fiscal year 2011 to prepare for certification under IFRS in fiscal year 2012.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short-term investments, accounts payable and accrued liabilities. Management of the Company believes that it is not exposed to significant interest, currency, liquidity or credit risks arising from its financial instruments and that their fair values approximated their carrying values. The Company manages the risks relating to the financial instruments by holding cash in interest bearing accounts and investing in short-term highly liquid guaranteed certificates of investment which are issued by Schedule I Canadian chartered banks. The income statement includes interest income and foreign exchange loss which are associated with the Company's financial instruments.

Risks

The following conditions currently known to management may have a material impact on the financial condition and results of operations of the Company in the future. This discussion is not all-inclusive and other factors may affect the Company in the future.

- The Company may not be able to achieve commercialization of the Project on the timetable anticipated or at all;
- The Company expects its cash reserves will be reduced due to future research and development expenditures on the Project and on G&A expenses and cannot provide certainty as to how long the cash reserves will last or that the Company will be able to access additional capital when necessary;
- Potential fluctuations in financial and business results and conditions make forecasting difficult for a new Project and may restrict access to funding for a commercialization plan once the research is successfully concluded and a feasibility study has been prepared;
- Exchange rate and commodity price fluctuations are beyond the Company's control and may have a material adverse effect on its business, operating results, financial condition and future profitability;
- Markets for the heavy minerals have not been established and may take longer to develop than anticipated;
- The costs for large capital intensive projects in the oil sands are difficult to forecast and there is no assurance that the capital expenditures required to commercialize any products resulting from the Project will not be significantly higher than planned;
- The Company is an R&D company and it has limited experience with completing a commercial operation for a new business;
- The Company is dependent on third party suppliers and the oil sands operators for the supply of key materials and components for the Project and it currently does not have contracts in place for these supplies;
- Regulatory or environmental law changes may impact negatively on the Project and the market for the Company's products;
- Once the Project is developed, the Company could be liable for environmental damages resulting from research activities or commercial operations;

- Failure to protect intellectual property could adversely affect the Company's success and growth. Intellectual property litigation may cause the Company to incur significant expenses or prevent the Company from successfully completing or operating the Project;
- The Company could fail to attract and retain the personnel necessary to run its business;
- Competitors may discover solutions to remove and recover bitumen and minerals prior to the successful commercialization of the Project.

Other Information

Outstanding Share Data - as at April 21, 2011:

Number of common shares – issued and outstanding(1)	63,941,150
Number of common share warrants (2)	4,008,780
Number of common share stock options	5,852,000

(1) 7,165,500 shares issued on December 15, 2010 are subject to a four month hold period and will be become freely trading on April 15, 2011.

(2) Each whole warrant entitles the hold to purchase one additional common share at a price of $2.50 per commons share. The warrants expire on June 15, 2012.

Compliance

Mr. Neil Dawson, Principal of Titanatek (Pty) Ltd. of Australia, and a registered member of AusIMM is the independent consultant who acts as the Qualified Person for the Company on its Oil Sands Project.