**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE THREE MONTH PERIOD ENDED NOVEMBER 30, 2011**

Titanium Corporation Inc. ("Titanium" or the "Company") has prepared the following management's discussion and analysis (the "MD&A") to provide information to assist in understanding the financial results for the three and twelve month period ended November 30, 2011. This MD&A should be read in conjunction with Titanium's audited financial statements for the fiscal year ended August 31, 2011 including the notes thereto (the "Financial Statements"). This MD&A is dated as at and based on information available to management as of January 25, 2012. 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 Company's financial statements for the period ended November 30, 2011 and this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("ISAB"). Prior period amounts have been restated in accordance with IFRS issued as at November 30, 2011. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending August 31, 2012 could result in restatement of the prior periods. 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 as required under IFRS.

*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 2012 under the heading "Update on the Project", and "Next Steps for the Company". 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 MD&A. 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:*

- *Commercialization of the Project (as defined herein) on the timetable anticipated or at all;*
- *Access to and cost of oil sands tailings necessary to carry out the Project;*
- *Access to the necessary sources of capital to finance the Project;*
- *Results of research activities;*
- *Operational or technical difficulties in connection with successfully completing 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;*
- *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 this 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 Corporation's mission is *"Creating Value from Waste ™"*. The Company has developed innovative *CVW*™ technologies that recover valuable heavy minerals, bitumen, solvent and water from oil sands waste tailings. The recovery of bitumen, associated solvents and water will result in important and timely environmental improvements for the oil sands industry. In 2011, the Company completed a twelve month demonstration pilot which culminated several years of progressive research and development (R&D) of its proprietary technologies.

In the mining sector of Canada's oil sands industry, the Company's area of focus, producers mine deposits in northern Alberta to extract bitumen (heavy oil trapped in the sands) to sell or further processing into synthetic crude oil. Heavy minerals occurring in these oil sands deposits are concentrated in tailings during one of the bitumen extraction steps referred to as froth treatment. Oil sands producers currently use either a naphtha or paraffinic based solvent to process bitumen at the froth treatment stage. These solvent based processes result in the loss of bitumen, solvents and heavy minerals into froth treatment tailings steams which are currently deposited in tailings ponds. The combination of bitumen and solvent losses to tailings ponds results in Volatile Organic Compound (VOC) and Greenhouse Gas (GHG) emissions. 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.

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 Joslyn, has received regulatory approval. 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 froth treatment tailings.

To capture this opportunity, the Company's scientists together with research, engineering and Government partners, conducted highly disciplined, phased research programs over a four year period 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
- <u>Phase III - integrated pilot testing</u>: the objective was to demonstrate the operation of the technology in an integrated continuous process.

The following summarizes the successful execution of the Company's programs:

The Company 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 AEIF grant program was extended to include partial funding of the Company’s demonstration pilot program. The Company has completed all programs associated with the AEIF grant and provided final reports to the Alberta Government.

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 SDTC grant was utilized by the Company to fund one-third of a comprehensive demonstration pilot program. The Company engaged SNC-Lavalin as its engineering partner for pilot and full scale commercial engineering. A consortium comprised of the three naphtha based oil sands producers and Government was formed to facilitate the pilot. The demonstration pilot was engineered and operated over an 18 month period and decommissioned in mid- 2011. Tailings from the 3 naphtha based oil sands operators were extensively tested during the program.

From mid-2010 through May 2011, the integrated pilot (Phase III) was operated at Natural Resources Canada CanmetENERGY’s Devon, Alberta pilot facility. This facility is the major site for the testing of oil sands froth treatment technologies by the oil sands industry. Over 30,000 independent sample analyses were conducted by Maxxam Analytics during the 12 month pilot program. The Company has now completed demonstration piloting for the three naphtha based oil sands operators achieving excellent results: overall bitumen recoveries of up to 80% and solvent recoveries of 75%, the top end of targeted ranges; removal of bitumen from heavy minerals concentrate (“HMC”); and effective thickening of tailings and recovery of water for recycle. The Company has also been conducting pilot testing of paraffinic froth treatment tailings for two other oil sands firms, completing four weeks of piloting at another third party site, achieving bitumen recoveries of 85%.

The Company is now engaged in the “pre-commercialization” phase working with the oil sands producers, Government and partners to reach commercial agreements for implementation at oil sands sites.

## Update

During the first quarter, the Company was active in advancing technical and business programs in several key areas:

- The Company continues to make progress towards commercialization. During the quarter, the Company continued discussions with the oil sands industry and Government regarding the significant economic and environmental benefits of implementing the Company's technology. Environmental concerns, energy demand and worldwide heavy mineral shortages support development of this new industry to recover lost commodities and reduce environmental impacts.
- The Company is actively developing relationships with potential customers and the minerals industry that are focused on new, long term heavy minerals supply. These relationships would add value in technical, market and financing areas and accelerate commercialization. During the quarter, the Company participated in industry and private meetings in China and hosted visits to Alberta.
- The Alberta Government, with input from the Company and industry, is developing a fiscal program for the recovery of heavy minerals and bitumen from tailings. The recovery of these commodities from tailings was not anticipated in the current fiscal regimes. This represents an opportunity for the creation of a new oil sands related industry including the export of minerals to emerging markets.
- Paraffinic programs continued at third party research firms including: bitumen removal from paraffinic HMC; solvent recovery; a project testing gasification of the heavy ends, referred to as asphaltenes; and testing of bitumen recovered from paraffinic tailings for up-grading. The Company is encouraged by preliminary results from these ongoing programs. Recovering additional value from paraffinic froth treatment tailings and delivering environmental improvements is an additional opportunity area for the Company.
- Two phases of minerals flow sheet testing have been completed in Australia and third phase is being planned. Utilizing HMC produced during the demonstration pilot, the Company is working with engineering and equipment firms in Australia to optimize the recovery of zircon. Results have been encouraging and test programs are ongoing.
- The Company's engineering partner, SNC-Lavalin, has commenced a review of minerals processing including analysis of flow sheets and test results as a prelude to front end engineering and design (FEED). SNC-Lavalin's Australian minerals experts will be working with both Australian based firms and coordinating with their Canadian oil sands organization.

## Next Steps for the Company

Implementation of the Company's technology involves the construction of large facilities at oil sands sites which integrate with existing oil sands operations. An off-site central minerals facility would process HMC, sourced from these on-site facilities, into final minerals products. The Company plans to be the principle owner and operator of the minerals facility. Next steps include:

- Fiscal program finalization and Ministerial approval to establish royalties and incentives for heavy minerals and bitumen recovery from tailings;
- Partnering, joint venture and financing opportunities to accelerate commercialization;
- Completion of oil sands operators' internal engineering and review processes leading to budgeting and scheduling on-site facilities projects;
- Finalizing the design of optimal minerals processing facilities;
- Agreements among partners to build and operate the commercial facilities

Currently, the Company may be regarded as engaged in the "pre-commercialization" phase whereby ongoing consultations, planning and negotiations are taking place. The oil sands operators have disciplined internal review processes prior to sanctioning on-site projects followed by more detailed front end engineering and design ("FEED"). The Company's objective is to work closely with the oil sands operators and Government to reach commercial agreements during this process.

Following FEED, 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 its collaboration with oil sands operators and Government, the Company expects to identify a first adopter of the technology and negotiate the terms for commercialization.

The Company has reached this stage because of its successful development and demonstration piloting of the technology. It is confident that its technology will gain recognition in the marketplace as it has during the development process.

## 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):

| | Q1<br>Nov 30, 2011 | Q4<br>Aug 31, 2011 | Q3<br>May 31, 2011 | Q2<br>Feb 28, 2011 |
|---|---|---|---|---|
| **STATEMENT OF LOSS** | | | | |
| Net Loss | $ 1.4 | $ 1.7 | $ 3.2 | $ 2.6 |
| Basic and Diluted Loss per Share | $ 0.02 | $ 0.03 | $ 0.05 | $ 0.04 |
| | **Q1<br>Nov 30, 2010** | **Q4<br>Aug 31, 2010** | **Q3<br>May 31, 2010** | **Q2<br>Feb 28, 2010** |
| **STATEMENT OF LOSS** | | | | |
| Net Loss | $ 3.0 | $ 3.1 | $ 1.5 | $ 0.9 |
| Basic and Diluted Loss per Share | $ 0.05 | $ 0.05 | $ 0.03 | $ 0.01 |

The following summarizes the Company's financial results for the first quarter ended November 30, 2011 as compared to the same period in 2010:

- Net loss decreased to $1.4 million for the three month period ended November 30, 2011 compared to $3.0 million for the three month period ended November 30, 2010. The decrease in net loss relates primarily to the reduction in research and development costs (net of government grants) in the current quarter with the completion of the demonstration pilot in the prior year.

- The Company had $10.7 million in cash at November 30, 2011 as compared to $12.0 million at August 31, 2011. All of the cash balances are liquid and are held in interest bearing cash accounts. The decrease in cash for the three month period ended November 30, 2011 relates to the research and development activities and general and administrative ("G&A") expenses throughout the period.

- There was no restricted short-term investment balance at the end of November 30, 2011. The restricted investment related to a certificate of deposit which was pledged as security to a chartered bank for a letter of credit issued by the bank to the Alberta Government in respect of the AEIF Grant. The letter of credit expired on June 30, 2011 and the investment was consolidated with the cash in the interest bearing cash accounts.

- The Company has recorded a receivable in the amount of $0.5 million for the SDTC grant portion of research and development expenditures relating to a 10% holdback. On March 10, 2011, the Company received the advance of a third payment of $0.8 million 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.

## Research and Development ("R&D") Expenditures

Below is a summary of the R&D spending by major category ($ thousands):

| | Three months ended | | |
|---|---|---|---|
| | Nov 30, 2011 | Nov 30, 2010 | Increase (decrease) |
| Compensation and benefits | $ 137 | $ 195 | $ (58) |
| Pilot plant, rent and other | 195 | 2,653 | (2,458) |
| Government grant recovery | - | (860) | 860 |
| Stock-based compensation * | 88 | 117 | (29) |
| | **$ 420** | **$ 2,105** | **$ (1,685)** |

*Stock based compensation has been allocated to R&D and G&A as the Company has transitioned to IFRS in fiscal 2012.

- R&D spending in the first quarter was $0.4 million for the three month period ended November 30, 2011 as compared to $2.1 million for the comparable period in fiscal 2010. Spending in the quarter decreased by $1.7 million over the comparable fiscal period as the pilot was decommissioned in May of 2011 and R&D expenses decreased as the projects were substantially completed. R&D spending in the quarter consisted of the continued minerals development work and on-going projects related to paraffinic froth treatment tailings.

## General and Administrative ("G&A") Expenditures

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

| | Three months ended | | |
|---|---|---|---|
| | Nov 30, 2011 | Nov 30, 2010 | Increase (decrease) |
| Compensation and benefits | $ 340 | $ 310 | 30 |
| Consulting and professional fees | 80 | 120 | (40) |
| Directors fees | 71 | 74 | (3) |
| Travel | 62 | 50 | 12 |
| Rent, insurance and office | 56 | 36 | 20 |
| Investor relations and regulatory | 99 | 36 | 63 |
| Stock-based compensation* | 321 | 264 | 57 |
| | **$ 1,029** | **$ 890** | **$ 139** |

*Stock based compensation has been allocated to R&D and G&A as the Company has transitioned to IFRS in fiscal 2012.

- G&A expense totaled $1.0 million for the three month period ended November 30, 2011, higher than the comparable period in fiscal 2010 by $0.1 million. Compensation expense is slightly higher in the quarter due to management time allocated to SDTC project in the prior year. Investor relations and regulatory expenses were higher in the current quarter as the Company increased investor activities which were nominal in the prior comparable period. Stock-based compensation increased in the current quarter as the Company recognized compensation expense related to performance based awards that were granted in the second quarter of 2011.
- Interest income increased to $37,847 from $10,586 for the three month period ended November 30, 2011 reflecting the increase in the Company's cash balances over the comparable three month period ended November 30, 2010 in addition to marginal increases in interest rates.

**Liquidity and Capital Resources**

The Company had $10.7 million in cash at November 30, 2011, which compares to $12.0 million at August 31, 2011. The Company's cash balances consist of interest bearing cash accounts held at Schedule I Canadian chartered banks.

The Company has sufficient cash, 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 November 30, 2011 was $1.3 million compared to $4.0 million for the same three month period ended November 30, 2010. The decrease in cash used in operations during the three month period ended November 30, 2011 was due primarily to the reduction in R&D spending as the Company focuses its efforts on pre-commercialization activities.

- Cash provided by investing activities was $ nil for the three month period ended November 30, 2011, as compared to $2.3 million in same period of 2010, representing the reduction of unrestricted and restricted short term investments.

- Cash provided from financing activities was $60,637 on the exercise of 64,700 stock options during the three month period ended November 30, 2011 at an average exercise price of $0.94. This compares to $65,175 for the three month period ended November 30, 2010 with the exercise of 142,500 stock options at an average price of $0.46.

**Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, 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 at Schedule I Canadian chartered banks. The income statement includes interest income and foreign exchange loss which are associated with the Company's financial instruments.

**Accounting Standards Change to International Financial Reporting Standards "IFRS"**

In fiscal 2011, the Company completed its conversion to IFRS. To facilitate this process, the Company retained consultants to assist with the IFRS conversion project. Through assistance with respect to preparation of reconciliations of historical Canadian GAAP financial statements to IFRS and training, the Company believes that it has obtained sufficient understanding of IFRS for implementation purposes. As part of management's analysis of potential changes to significant accounting policies, the Company assessed what changes would be required to its accounting systems and business processes. The Company believes that the changes required were minimal and current systems and processes accommodate the necessary changes. The Company did not identify any contractual arrangements that were affected by changes to significant accounting policies.

The accounting and disclosure differences identified by the Company upon transition to IFRS are summarized below:

**Impact on financial statement presentation, classification and disclosure**

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 is classified by each major functional area – research and development and general and administration. In addition, IFRS requires more detailed note disclosure than previously required under Canadian GAAP.

***Impact on the Company:*** *The Company reformatted its financial statements in compliance with IFRS and elected to retain its existing presentation of descending order of liquidity.*

**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 the Company:

**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 cost basis under Canadian GAAP.

***Impact on the Company***

*The Company elected to use the historical cost carrying values for property, plant and equipment as determined under Canadian GAAP for transitional purposes. The historical cost carrying values under Canadian GAAP approximate the depreciated cost of equipment in accordance with IFRS.*

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

**Intangible Assets – Research & Development Assets**

The Company completed a large research program and received grants from the Alberta Government's AEIF to assist in a two-year program.

IFRS: IAS 38 "Intangible Assets" 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 considered 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 were not impacted by the transition to IFRS as CICA Section 3450 has been converged with IAS 38, Intangible Assets.*

**Government Grants**

The Company participated in the following Government incentive programs:

1. AEIF – The Company was awarded a $3.5 million Alberta 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, to financially assist the Company in developing and demonstrating its technology.

IFRS: Under IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, government grants are recognized when there is reasonable assurance that the entity will comply with the relevant conditions attached to the grant and the grants will be receivable.

***Impact on the Company***

*The Company's recognition policy under Canadian GAAP is consistent with IAS 20.*

**Share Based Compensation**

The Company, under Canadian GAAP, accounted for all stock-based payments granted to employees and non-employees using the fair value method as per the CICA Handbook Section 3870, "*Stock-Based Compensation and Other Stock-Based Payments*" which required entities to account for employee stock options using the fair value based method.

IFRS: Under IFRS 2, "Share Based Payments", graded vesting awards are 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.

***Impact on the Company***

*The Company previously recognized stock-based compensation expense on a straight line basis under Canadian GAAP and therefore recorded transitional adjustments for options unvested at September 1, 2010 under IFRS. The impact of this adjustment at the date of transition was $136,685 increase in deficit and $136,685 increase in contributed surplus.*

**Information systems and processes and controls**

The Company concluded that the adoption of IFRS did not have a pervasive impact on its systems and processes. The Company implemented minor changes to the general ledger account descriptions as well as methodologies previously used to calculate specific financial statement areas such as asset impairment and stock-based compensation. As the accounting policies were selected, appropriate changes to ensure the integrity of internal control over financial reporting and disclosure controls and procedures were made.

**Impact on Transition Date**

**Financial Position and Previously Reported Financial Results**

***<u>September 1, 2010 – Transitional Balance Sheet</u>***

*As a result of the aforementioned IFRS differences, the Company's deficit at September 1, 2010 increased by $136,685 under IFRS, due to the recognition of additional stock-based compensation expense at the date of transition.*

***<u>November 30, 2011 – Previous Interim Financial Statements</u>***

*As a result of the aforementioned IFRS differences, the Company's deficit at November 30, 2010 increased by $287,927 under IFRS, due to the recognition of the cumulative additional stock-based compensation expense at November 30, 2010 ($151,242).*

***<u>Financial Statements – Remainder of Fiscal 2012</u>***

*The Company also expects that previously reported stock-based compensation expense for the interim periods ended, February 28, 2011, May 31, 2011 and fiscal year ended August 31, 2011 will be restated.*

## 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, commercialization activities, and  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;
- 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 January 25, 2012:**

| | |
|---|---|
| Number of common shares – issued and outstanding | 64,154,416 |
| Number of Warrants (1) | 4,008,780 |
| Number of options to purchase common shares | 5,353,734 |

(1) 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.