MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTH PERIODS ENDED MAY 31, 2012

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 nine month periods ended May 31, 2012. 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 July 19, 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 May 31, 2012 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 (“IASB”). Prior period amounts have been restated in accordance with IFRS issued as at May 31, 2012. 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 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, performance or achievements 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;*
- *Potential fluctuations in our financial and business results make forecasting difficult and may restrict our access to funding for our commercialization plan.*
- *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 surface mine deposits in northern Alberta to extract bitumen (heavy oil trapped in the sands) for 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 in froth treatment tailings streams 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 late 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 mining 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, over a four year period the Company's scientists together with research, engineering and Government partners, conducted highly disciplined, phased research programs as follows:

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

- Phase III - integrated pilot testing: 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 the integrated 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 integrated demonstration pilot was engineered and operated over an 18 month period and decommissioned in mid- 2011. Tailings from the three naphtha based oil sands operators were extensively tested during the program.

From June 2010 through May 2011, the integrated demonstration 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 recycling. 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%. During and after the demonstration pilot, the Company has been conducting minerals testing programs utilizing cleaned HMC to produce final zircon products.

The Company is 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 third quarter, the Company continued to work with the oil sands industry, Government and potential partners, advancing toward commercialization:

- The Company has been engaged with oil sands operators conducting business and engineering reviews. An external engineering review is underway for one of the oil sands operating sites. This engineering work involves site specific facilities location, infrastructure and review of the SNC-Lavalin prepared engineering cost estimates. For another oil sands firm, the Company has submitted a revised project proposal based on review and feedback related to an initial proposal.
- The Company has been conducting an active Government relations program and is encouraged by the interest and support. The Alberta Government is in the process of developing fiscal programs relevant to the recovery of resources from oil sands waste streams. Royalty and other fiscal terms are needed for the development of a new minerals industry and associated recovery of bitumen lost in tailings.
- Discussions continued during the quarter with potential strategic partners. The Company has attracted interest from international firms that would bring technical, marketing and financial resources to joint ventures.

The Company’s proposed projects involve the construction and operation of both bitumen and minerals recovery facilities, exporting minerals to international markets. The Company is working with potential strategic partners with relevant expertise. The Company has successfully completed a series of paraffinic process tailings projects and is now in discussions with oil sands firms and Government planning the next phase of development. The paraffinic froth treatment process is utilized at oil sands mining sites that do not have on-site upgrading facilities. In the paraffinic process, larger portions of bitumen and solvents are discharged to tailings ponds and this represents an additional opportunity for deployment of the Company’s technology. Minerals testing continued during the quarter at engineering and equipment firm’s sites in Australia. The program is designed to incorporate the latest available technology in the Company’s minerals process and continues to show very positive results.

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 facilities may be jointly owned and operated along with strategic partners. Next steps include:

- Finalization of fiscal programs by the Alberta Government and Ministerial approval to establish royalties and incentives for heavy minerals and bitumen recovery from tailings;
- Completion of engineering and internal review processes by oil sands operators, leading to budgeting and scheduling on-site facilities projects;
- Finalizing the design of optimal minerals processing facilities;
- Partnering, joint venture and financing arrangements;
- 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, detailed engineering and construction for an initial site implementation is estimated to take approximately 30 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 sustainable technology. The Company's technology offers a compelling value proposition for the recovery of currently wasted resources, the establishment of a new minerals industry and environmental improvements through the reduction of harmful emissions and reduced river water consumption. The Company remains confident the oil sands industry and Government will continue to move forward.

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):

	Q3 May 31, 2012	Q2 Feb 29, 2012	Q1 Nov 30, 2011	Q4 Aug 31, 2011
STATEMENT OF LOSS				
Net Loss	$ 0.4	$ 0.6	$ 1.4	$ 1.7
Basic and Diluted Loss per Share	$ 0.01	$ 0.01	$ 0.02	$ 0.03
	Q3 May 31, 2011	**Q2 Feb 28, 2011**	**Q1 Nov 30, 2010**	**Q4 Aug 31, 2010**
STATEMENT OF LOSS				
Net Loss	$ 3.2	$ 2.6	$ 3.0	$ 3.1
Basic and Diluted Loss per Share	$ 0.05	$ 0.04	$ 0.05	$ 0.05

The following summarizes the Company's financial results for the three and nine month periods ended May 31, 2012 as compared to the same period in 2011:

- Net loss decreased to $0.4 million for the three month period ended May 31, 2012 compared to a loss of $3.2 million for the three month period ended May 31, 2011. The decrease in net loss relates primarily to the decrease in research and development costs in the current quarter as compared with the prior year's quarter which included operation of the demonstration pilot. Total R&D spending in the quarter was $0.3 million which was offset by the receipt of a refundable tax credit of $0.4 million from the Alberta Scientific Research and Experimental Development ("SR&ED") tax credit program for eligible R&D expenditures incurred in the province in the 2010 fiscal year. Stock based compensation expense was $1.1 million lower in the current quarter than for the same three month period ended May 31, 2011. Previously recognized stock based compensation expense for the second performance milestone was reversed due to a change in management estimates related to the timing of achieving certain milestones. Performance stock options, issued in the second quarter of 2011, were terminated on June 1, 2012 as the performance milestone of concluding a definitive agreement with an oil sands operator (first adopter) for the development of the Corporation's process was not satisfied by the target date of June 1, 2012.

- The Company had $9.3 million in cash at May 31, 2012 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 of

$2.7 million for the nine month period ended May 31, 2012 relates to research and development activities and general and administrative ("G&A") expenses incurred for the current fiscal year.

- The Company has a receivable in the amount of $0.5 million for the SDTC grant portion of research and development expenditures relating to a 10% holdback. The Company has met the key conditions under the SDTC Contribution Agreement for recovery of this balance. To date, the Company has received a total of $4.4 million from SDTC under the terms of the Contribution Agreement.
- There was no restricted short-term investment balance at the end of May 31, 2012. 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.

Research and Development ("R&D") Expenditures

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

	Three months ended			Nine months ended		
	May 31, 2012	May 31, 2011	Increase (decrease)	May 31, 2012	May 31, 2011	Increase (decrease)
Compensation and benefits	$ 156	$ 149	$ 7	$ 452	$ 472	$ (20)
Pilot plant, rent and other	94	2,484	(2,390)	688	7,408	(6,721)
Government grant /SRED recovery	(400)	(915)	515	(400)	(2,714)	2,315
Stock-based compensation *	3	236	(233)	(9)	514	(523)
	$ (147)	**$ 1,954**	**$ (2,101)**	**$ 731**	**$ 5,680**	**$ (4,949)**

*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 third quarter was a recovery of $0.1 million for the three month period ended May 31, 2012 as compared to $2.0 million for the comparable period in fiscal 2011. The recovery was related to the receipt of $0.4 million from the Alberta Government for the refundable portion of the SR&ED claim filed for R&D activities carried out in the 2010 fiscal year. Spending on R&D related projects decreased by $2.4 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. All government grant recovery was recognized upon completion of the demonstration pilot. The reduction in stock based compensation expense, also contributed to the reduction in R&D spending in the quarter.

- 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			Nine months ended		
	May 31, 2012	May 31, 2011	Increase (decrease)	May 31, 2012	May 31, 2011	Increase (decrease)
Compensation and benefits	$ 123	$ 96	$ 27	$ 695	$ 622	73
Consulting and professional fees	146	75	71	379	235	144
Directors fees	76	68	8	212	239	(27)
Travel	66	33	34	160	118	42
Rent, insurance and office	65	78	(13)	177	169	8
Investor relations and regulatory	24	73	(49)	228	209	19
Stock-based compensation*	38	870	(832)	(85)	1,604	(1,689)
	$ 538	**$ 1,292**	**$ (754)**	**$1,766**	**$ 3,196**	**$ (1,430)**

*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 was $0.5 million for the three month period ended May 31, 2012, lower than the comparable period in fiscal 2011 by $0.8 million. The decrease in G&A, for both the three month and nine month period ended May 31, 2012 relates primarily to the decrease in stock based compensation expense.
- The Company has increased spending on consulting and professional fees for the three and nine month period ended May 31, 2012 as advances were made with the pre-commercialization activities related to partnering programs and the establishment of fiscal regimes with the Alberta Government.
- Compensation expense is slightly higher in the three and nine month periods ended May 31, 2012 compared to the same periods in fiscal 2011 due to a portion of management time allocated to the SDTC project in the prior year.
- Investor relations ("IR") and regulatory expenses were lower for the three month period ended May 31, 2012 as the company concluded an IR program at the beginning of the current quarter compared to the

same period ended May 31, 2011. For the nine month period ended May 31, 2012 investor relations and regulatory were slightly higher in the nine month period ended May 31, 2012 as compared to the same period in fiscal 2011 as the Company increased activities in the investor relations area over the prior period.

- Interest income decreased to $35,326 for the three month period ended May 31, 2012 from $51,828 for the same period in fiscal 2011, reflecting a decrease in the Company's cash balances over the comparable three month period ended May 31, 2011.

Liquidity and Capital Resources

The Company had $9.3 million in cash at May 31, 2012, 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 May 31, 2012 was $0.5 million compared to $3.0 million for the same three month period ended May 31, 2011. For the nine month period ended May 31, 2012, cash used in operating activities was $2.8 million compared to $10.7 million for the period ended May 31, 2011. The decrease in cash used in operations during the three and nine month periods ended May 31, 2012 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 and nine month period ended May 31, 2012, as compared to $nil and $2.3 million in same period of 2011, representing the reduction of unrestricted and restricted short term investments.

- Cash provided from financing activities for the period ended May 31, 2012 was $nil. Cash from financing activities for the three month period ended May 31, 2011 was $0.9 million with the receipt of $0.8 million for successful completion of the third milestone from STDC and $0.1 million from proceeds on the exercise of 176,333 options at an average exercise price of $0.52.

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 in accordance with 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.

May 31, 2011 – Previous Interim Financial Statements

As a result of the aforementioned IFRS differences, the Company's deficit at May 31, 2011 increased by $481,764 under IFRS, due to the recognition of the cumulative additional stock-based compensation expense at May 31, 2011 ($345,079).

Financial Statements – Remainder of Fiscal 2012

The Company also expects that previously reported stock-based compensation expense for the fiscal year ended August 31, 2011 will be restated.

Risks

This discussion on risks is not all-inclusive and other factors may affect the Company in the future. Please refer to our statement of risks and uncertainties more particularly described and updated in the Company's Annual Information Form (AIF) filed for the period ended August 31, 2011 on SEDAR *(www.sedar.com)*. 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.

- The Company may not be able to achieve commercialization of the Project on the timetable anticipated or at all. Our CVW™ process represents an emerging market, and we do not know whether oil sands producers will adopt our CVW ™process in their operations. The development of a market for our CVW process may be affected by many factors, some of which are beyond our control, including the emergence of newer, more competitive technologies and processes, the cost of building facilities to run our CVW process, regulatory requirements, the perception of oil sands producers of the viability and necessity of our CVW ™ process and their reluctance to adopt new technologies and processes.
- If a market for our CVW ™ process fails to develop, or develops more slowly than we anticipate, we may never achieve profitability. We are dependent upon oil sands producers to adopt and integrate our CVW™ process in their oil sands operations.
- 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. We are also subject to normal operating risks such as credit risks, foreign currency risks and fluctuations in commodity prices. It is possible that in one or more future quarters, our results may fall below the expectations of investors and securities analysts. Not meeting investor and security analyst expectations may materially and adversely impact the trading price of our Common Shares and restrict our ability to secure required funding to pursue our commercialization plans.
- 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 in the pre-commercialization stage and 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 July 19, 2012:

Number of common shares – issued and outstanding	64,179,416
Number of Warrants [(1)]	nil
Number of options to purchase common shares	4,403,734

(1) Each whole Warrant entitled the holder to purchase one additional common share at a price of $2.50 per commons share. The Warrants expired unexercised 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 the Project.