MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTH PERIOD ENDED NOVEMBER 30, 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 month period ended November 30, 2012. This MD&A should be read in conjunction with Titanium's audited financial statements for the fiscal year ended August 31, 2012 including the notes thereto (the "Financial Statements"). This MD&A is dated as at and based on information available to management as of January 23, 2013. 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, including the Company's annual information form for the year ended August 31, 2011 (the "AIF"), on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

The Financial Statements and this MD&A have been prepared in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (CICA Handbook) which incorporate International Financial Reporting Standards ("IFRS"). All amounts included in this MD&A are in Canadian dollars, unless otherwise specified.

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 2013 under the heading "Update", and "Next Steps". Titanium provides forward-looking information in order to describe management's 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 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;*
- *Uncertainty related to the cost to build and operate CVW™ facilities;*
- *Operational or technical difficulties in connection with successfully completing research activities and building and operating the Project;*
- *Development timeline delays and problems, including negative impacts on Titanium's technologies caused by unforeseen development costs;*
- *Results of research activities;*
- *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 this 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 other 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 "Project"). The recovery of bitumen, associated solvents and water will result in important and timely environmental improvements for the oil sands industry. In fiscal 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, which is 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 currently in start up for commissioning in early 2013 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 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 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 Federal 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 (Federal and Alberta) 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 CanmetENERGY Natural Resources Canada'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 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 also conducted pilot testing of paraffinic froth treatment tailings for two other oil sands firms, completing four weeks of piloting at a third party site, achieving bitumen recoveries of 85%.

Following the completion of the demonstration pilot in mid-2011, the Company provided detailed technical reports and reviews to the oil sands and Government participants. During 2012, the Company met with the oil sands participants to review results and provide economic business case projections and proposals. The Company has also developed relationships with potential partners that would bring operational, marketing and financial resources to commercial ventures. The Company has been conducting minerals separation testing programs utilizing cleaned HMC to produce final zircon products. The minerals program continued through 2012, leading to an optimized flow-sheet. In addition to meeting with the oil sands operators, the Company has been pursuing parallel tracks for commercialization with other stakeholders.

Over the past 12 months, the Company has conducted a very active informational and lobbying campaign directed toward Alberta and Canadian Government Ministries, MLA's, MP's and regulators. The feedback and support from these stakeholders has been very positive and encouraging. Unfortunately, 2012 saw significant change in the oil sands industry which has delayed our project. Business and economic challenges emerged in 2012 including delayed expansion pipelines to US markets, increased US domestic production and widening discounts for Canadian crude, particularly from the oil sands. This changed environment has caused the industry to suspend expansion plans and reduce budgets. The industry adopted a collective approach to reviewing and prioritizing environmental technologies with the formation of COSIA following a lengthy review process. Fortunately, the Company's technology has been included in the top 20 prioritized technologies. While delaying our project, we believe the combination of the economic benefits from additional resource recovery, a new minerals industry, reduction of environmental impacts and the active support and investment by Government favor adoption of our technology.

Update

The first fiscal quarter of 2013 marked a number of significant and necessary steps which advanced the Company toward commercialization. Governments are acutely aware and highly supportive of the Company's initiative through grant funding and development of a fiscal regime. The Company took a major step to produce larger volume bulk mineral samples for customer testing and the Company's intellectual property has been further protected by the award of additional patents.

The following are highlights of the quarter:

- The Company successfully commissioned pilot operations at CanmetENERGY to produce a larger sample of cleaned heavy mineral concentrate (HMC) for minerals separation processing into final zircon sample products. The program, which will run until February 2013, will produce approximately 2 tonnes of HMC which will be shipped to Australia. In Australia, the Company's technical team will process the HMC through advanced minerals separation circuitry into zircon and other products for customer testing. In parallel, a paraffinic pilot program is also underway at CanmetENERGY to further refine this technology which is at an earlier stage of development.
- In support of the current pre-commercial program at CanmetENERGY, the Company was awarded a further $1.4 million Canadian Government SDTC Grant to fund a portion of the program costs. Both the

Alberta and Canadian Governments have been highly supportive of the Company's programs with grants to date of approximately $10 million.

- The Company continues to achieve successful patent protection of its intellectual property. During the quarter, the Company announced the award of a key patent relating to the removal of bitumen from heavy mineral concentrates. More recently, the Company announced the award of a further patent for solvent recovery from oil sands tailings. These patents support the Company's proprietary solution for environmental remediation of froth treatment tailings and recovery of valuable products currently lost in tailings ponds.
- A prerequisite to commercialization is the establishment of a fiscal regime for minerals and bitumen recovered from oil sands tailings. The Alberta Government is in the process of developing a draft fiscal framework which will provide clarity around royalty and other fiscal terms. This work is at an advanced stage and when completed will be reviewed with stakeholders with the aim of advancing the first minerals and bitumen recovery project.
- During the quarter, the Company was invited to appear before the Canadian House of Commons Standing Committee on Natural Resources which is hearing testimony on innovation in the energy sector. The Company's detailed submission and November 29, 2012 hearing testimony are available on Company and Canadian Government websites.
- The Company's proposed projects involve the construction and operation of bitumen and minerals recovery facilities and a new industry exporting minerals to international markets. The size, complexity and risks associated with large projects warrants the Company aligning with strategic partners. The Company continues to meet with potential partners interested in participating in the commercial projects. These firms variably would bring operations, services and marketing expertise and financial resources. Appropriate partners will be selected as industry and Government agree to move forward with the first project.

Next Steps

In order to commercialize its technology, deliver increased resource recoveries, environmental benefits and create a new minerals export industry, the Company is reliant on the oil sands industry and Government moving forward with on-site projects and fiscal programs. 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 and current status 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: this work has gone through a series of reviews and is at an advanced stage.
- Review and agreement of the fiscal framework among the oil sands operators, Alberta Government and the Company leading to identification of a first project and business structure: pending finalization of draft framework.
- Completion of engineering and internal review processes by oil sands operators, leading to budgeting and scheduling on-site facilities projects: third party engineering reviews have been conducted by an oil sands operator.
- Finalizing the design of optimal minerals processing facilities: a final minerals flow-sheet has been developed and the larger volume bulk sample testing program is underway.
- Partnering, joint venture and financing arrangements: relationships have been established with high potential partners that can activated when a first project is agreed.
- Agreements among partners to build and operate the commercial facilities: pending decisions by industry and Government on the first project.
- Front end engineering and design (FEED) for bitumen recovery and minerals processing facilities, followed by detailed engineering leading to the procurement and construction phase.

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 with Government support and the heightened focus on the social license to operate, the oil sands industry will continue to move forward.

Financial Information & Analysis

Summary of Selected 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 Nov 30, 2012	Q4 Aug 31, 2012	Q3 May 31, 2012	Q2 Feb 29, 2012
STATEMENT OF LOSS				
Net Loss	$ 1.3	$ 0.5	$ 0.5	$ 0.6
Basic and Diluted Loss per Share	$ 0.02	$ 0.01	$ 0.01	$ 0.01
	Q1 Nov 30, 2011	**Q4 Aug 31, 2011**	**Q2 May 31, 2011**	**Q2 Feb 28, 2011**
STATEMENT OF LOSS				
Net Loss	$ 1.3	$ 1.7	$ 3.2	$ 2.6
Basic and Diluted Loss per Share	$ 0 .02	$ 0.03	$ 0.05	$ 0.04

The following summarizes the Company's financial results for the three month period ended November 30, 2012 as compared to the same period in 2011:

- Net loss of $1.3 million for the three month period ended November 30, 2012 was the same for the three month period ended November 30, 2011. While General and Administrative ("G&A") expense was lower by $0.4 million for the three month period ended November 30, 2012 compared to the three month period ended November 30, 2011, Research and Development ("R&D") spending, net of government grant recoveries was $0.4 million higher compared to the three month period ended November 30, 2011. G&A expense was lower in the current quarter primarily due to lower stock based compensation in the current quarter compared to the three month period ended November 30, 2011. R&D expense, net of government grant recoveries, was higher in the current quarter as the Company commenced pilot operations at the CanmetENERGY facility for the HMC bulk sample program and technical work related to the larger volume paraffinic program.

- The Company had $8.3 million in cash at November 30, 2012 as compared to $8.4 million at August 31, 2012. All of the cash balances are liquid and are held in interest bearing cash accounts with major Canadian chartered banks. The decrease in cash of $0.1 million for the three month period ended November 30, 2012 relates to R&D activities and G&A expenses incurred in the current quarter which was offset by the receipt of 90% ($1.3 million) in SDTC grant funding. The remaining 10%, is paid out upon completion of the forth milestone and final reporting of the project.

- The Company has accounts receivable in the amount of $0.9 million, of which $0.5 million is receivable from SDTC and represents the 10% holdback on the original grant of $4.9 million. Upon completion of the fourth milestone, recently approved by SDTC and final reporting, this balance will be paid to the Company. To date, the Company has received a total of $5.6 million from SDTC under the terms of the contribution agreement which were amended on October 29, 2012 to include funding for additional project work. The remaining balance of $0.4 million is a refundable tax credit from the Alberta SR&ED tax credit program for eligible R&D expenditures incurred in the province for the 2011 fiscal year. The Company has filed the SR&ED claim for fiscal year ended 2011 and was eligible for the maximum refundable amount of $0.4 million. The Company received $0.4 million in May of 2012 for the refundable tax credit for the 2010 SR&ED claim.

Research and Development ("R&D") Expenditures

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

	Three months ended		
	November 30, 2012	November 30, 2011	Increase (decrease)
Compensation and benefits	$ 164	$ 169	$ (5)
Pilot plant, rent and other	1,439	195	1,244
Government grants	(749)	-	(749)
Stock-based compensation	-	88	(88)
	$ 854	**$ 452**	**$ 402**

- R&D spending in total, before government grant recovery, was $1.6 million as compared to $0.5 in the quarter ended November 30, 2011. The increase in R&D spending relates to pilot work currently being conducted at CanmetENERGY on larger volume paraffinic tailings and pre-commercialization minerals development. These R&D activities have been offset by additional government grant funding recognized in the quarter of $0.7 million, as eligible expenditures are incurred under the SDTC Contribution Agreement. As the Company incurs eligible SDTC project expenditures, the pro rata portion of the grant is recognized as an offset to R&D expenses.
- Compensation and benefits were slightly lower in the current quarter due to the departure of a technical employee in the current period. There was no stock based compensation expense recognized in the three

month period ended November 30, 2012 as compared to the prior period ended November 30, 2011, as the fair value of all stock options granted to R&D personnel was fully amortized in the prior fiscal year.

General and Administrative ("G&A") Expenditures

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

	Three months ended		
	November 30, 2012	November 30, 2011	Increase (decrease)
Compensation and benefits	$ 200	$ 202	$ (2)
Consulting and professional fees	87	79	8
Directors' fees	76	71	5
Travel	44	61	(17)
Rent, insurance and office	42	55	(13)
Investor relations and regulatory	22	99	(77)
Stock-based compensation	12	322	(310)
	$ 483	**$ 889**	**$ (406)**

- G&A expense was $0.5 million for the three month period ended November 30, 2012 compared to $0.9 million for the same period ended November 30, 2011. The reduction in G&A expenditures in the current quarter is mainly attributed to lower stock-based compensation and investor relations and regulatory expense compared to the same three month period ended November 30, 2011. Stock-based compensation expense recognized in the three month period ended November 30, 2012 was $0.3 million lower as compared to the prior period ended November 30, 2011, as the fair value of all stock options granted to G&A personnel was substantially amortized in the prior fiscal year. Investor relations and regulatory costs were lower for the three month period ended November 30, 2012 as certain programs expired in the current year, compared to the same period ended November 30, 2011 and to a lesser extent, regulatory filing fees were assessed at lower amounts in the current quarter as compared to the same period in the prior year.
- During the current quarter, the Company has increased spending on consulting and professional fees as advances were made with the pre-commercialization activities related to the establishment of fiscal regimes with the Alberta Government.

- Interest income decreased to $0.03 million for the three month period ended November 30, 2012 from $0.04 million for the same period in fiscal 2011, reflecting a decrease in the Company's cash balances over the comparable three month period ended November 30, 2011.

Liquidity and Capital Resources

The Company had $8.3 million in cash at November 30, 2012, which compares to $8.4 million at August 31, 2012. There was no significant change in cash in the three month period ended November 30 2012; however, increased spending in R&D related to paraffinic and minerals development was offset by the receipt of $1.2 million in cash from SDTC in the current quarter. The Company's cash balances consist of interest bearing cash accounts held at Schedule I Canadian chartered banks. The Company is in the pre-commercialization stage as it has yet to earn any revenues and is devoting substantially all of its efforts toward commercialization of its technologies. The recoverability of amounts expended on R&D to date, is dependent on the ability of the Company to complete pre-commercialization activities, commercialization at oil sands sites, and achieve future profitable operations. The Company is dependent on raising funds through the issuance of shares, government grants and/or attracting partners in order to undertake further development and commercialization of its technology. The Company may not be successful in these endeavors.

The Company has sufficient cash, and remaining government grants to fund its R&D and G&A 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, 2012 was $1.4 million compared to $1.3 million for the three month period ended November 30, 2011. Although spending increased on R&D activities related to the pilot, this increase in spending was offset by government grant recovery, reduced G&A expenses and changes in working capital.

- Cash provided from financing activities for the three month period ended November 30, 2012 was $1.2 million received from SDTC. On October 29, 2012, the Company received the advance of a fourth payment of $1,236,010 from SDTC in support of a fourth milestone. To date, the Company has received a total of $5.6 million from SDTC under the terms of the Contribution Agreement from a total grant of $6.3 million.

Financial Instruments and financial risk factors

The Company has for accounting purposes, designated its cash and cash equivalents as fair value through profit and loss, which are measured at fair value; goods and services tax receivable, government grant receivable, short-term investments as loans and receivables. Accounts payables and accrued liabilities are classified for accounting purposes as other financial liabilities. The Company estimates that both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent because of the short-term nature of the assets.

Financial risk

The Company's activities expose it to a variety of financial, credit, liquidity and market risks, including interest rate and foreign exchange rate risks.

Financial risk management is carried out by the Company's management team with guidance from the Audit Committee and the Board of Directors. The Board of Directors also provides guidance for enterprise risk management.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents. Cash and cash equivalents are held with Schedule I Canadian Chartered banks which are reviewed by management. Management believes that the credit risk concentration with respect to financial instruments is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at November 30, 2012, the Company had an aggregate cash and cash equivalents of $8.3 million ($8.4 million, August 31, 2012) to settle current liabilities of $1.3 million ($0.6 million, August 31, 2012). Most of the Company's financial liabilities have contractual terms of 30 days or less with the remaining due within one year.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

a) Interest rate risk

The Company's current policy is to invest excess cash in bankers' acceptances and guaranteed investment certificates issued by Schedule I Canadian banks. The Company periodically monitors its investments and the creditworthiness of the banks it holds investments in. As at November 30, 2012, the Company has no bankers' acceptances, guaranteed investment certificates or interest-bearing debt.

b) Foreign currency risk

The Company's reporting and functional currency is the Canadian dollar and most purchases are transacted in Canadian dollars. Some research and development expense is denominated in US dollars and to a lesser extent Australian dollars. The Company does not hold any significant balances in foreign currencies to give rise to exposure to foreign exchange risk. Any impact from fluctuations in foreign exchange rates would be minimal and therefore the Company does not hedge its foreign exchange risk.

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.

Related Party Transactions

The Company does not have any related party transactions.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

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) 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 R&D 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 furthering the 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. Currently the Company does not have contracts in place for these supplies and there can be no guarantees as to when these contracts will be put in place, if at all.
- 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 23, 2013:

Number of common shares – issued and outstanding	64,179,416
Number of options to purchase common shares	4,115,400

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.