

Transcript of
Titanium Corporation INC (TIC.V)
Quarterly Update Conference Call
December 11, 2007.

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Participants

Scott Nelson - President and Chief Executive Officer:

Presentation

Operator:

Good morning ladies and gentlemen. Welcome to the Titanium Corporation's Quarterly Update Conference Call. I would now like to turn the meeting over to Titanium Corporation. Please go ahead.

The discussions held during this conference call may contain forward-looking statements. While these statements represent management's current expectations, actual results may materially change. These risks and uncertainties are more particularly described and updated by Titanium Corporation's Quarterly MD&A filed for the year ended August 31, 2007, on SEDAR (www.SEDAR.com). Most notably these risks and assumptions include, but are not limited to: changes in the worldwide prices of zircon and titanium; market demand and supply; fluctuation in exchange rates; risks associated with future plans and objectives; operating or technical difficulties in connection with development activities; assumptions about off-take contracts with customers;



attaining fiscal and commercial agreements with the Province of Alberta and the oil sands producers respectively; and development time lines and priorities. These and all subsequent forward-looking statements are based on estimates and opinions of management on the dates they are made and expressly qualified in their entirety by this notice. Titanium assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

Scott Nelson - Titanium Corporation, Inc. - President and Chief Executive Officer:

Thank you Michelle and Dawn Ann and good morning everyone. I am Scott Nelson the President and CEO of Titanium Corporation and delighted to be able to take the call this morning. Thanks to all of you for joining the call. We've just completed our fourth quarter and annual financial reports, filed a couple days ago, including our Management Discussion and Analysis of results for the past year as well as our outlook for 2008. This morning I will be reviewing our progress - all of the work we have undertaken in 2007, as well as looking ahead. During the past quarter we've also been working on a very comprehensive strategic business plan. The review and plan is an important milestone for our company as it incorporates results from 2007 and more than two years of process design, testing and on-site piloting. We've engaged expert technical and business advisors to assist us with this process. The process is proving instrumental in identifying issues and reaching these conclusions in

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a number of areas I'll be reviewing this morning. Most importantly, the review was identifying our best options going forward and recommending courses of action. We'll be providing more information about our plan when we conclude the process and in the first quarter 2008. You will note from the press release that we determined the recovery of both minerals and bitumen is integral to tailings processing. This represents an expanded opportunity for Titanium Corporation which I'll be reviewing in more detail shortly. But first, a quick background for any of our new callers and shareholders. Our mission is to develop technology to recover valuable products, primarily heavy minerals and bitumen from oil sands tailings.

Our major oil sands tailings were commenced with the commissioning of our Regina facility in late 2004, where we tested dry, deposited tailings trucked down from the oil sands site.

Encouraged by results processing this material in Regina in 2005, we designed and moved a portable facility on-site in Fort McMurray, connected directly to the fresh tailings line and recovered a large bulk sample. Working with that bulk sample material, which was somewhat different than the dry material, we redesigned our process and commissioned a pilot concentrator on-site in the fall of 2006. This pilot facility was designed to concentrate the heavy minerals, remove bitumen and recover bitumen and solvents used in the removal process. The heavy

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minerals concentrate from this program has been utilized in our Regina facility, to analyze results and design separation circuits to optimize Zircon recovery. This brings us up to the activities I will be discussing today.

We entered 2007 with a number of tasks left to confirm results from the on-site concentrator program, and plan the next steps to reaching feasibility and commercialization. There has been a lot of work going on in 2007 towards attaining this goal. We've been testing concentrates from the on-site pilot, improving the concentrator design in a number of areas including water recycling, improving our zircon separation design, developing relationships with partners in Asia, testing zircon and leucoxene samples in the market place, conducting research around bitumen removal and recovery, working with new research partners like Canmet and SRC . We've been advancing our resource study, consulting with industry and government about tailings development, and late in the year we've been working on the strategic business plan that I mentioned earlier. I would like to expand on some of these activities.

First in the concentrator and bitumen recovery area, it's fair to say that processing fresh tailings is proving more complex and is taking more time than we envisioned. We came out of the on-site program late last year with a number of areas requiring improvement, including water recycling, solvent usage, equipment and

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mechanical issues. We addressed these issues during the first quarter of 2007 with process modifications and other improvements. During this period we also analyzed and tested the minerals concentrate which had been produced on-site using our concentrator technology. High mineral recoveries of 98% to 99% were achieved.

Our testing during 2007 has shown that additional work is needed to improve the removal of bitumen for effective minerals separation. Bitumen remaining on the minerals is impeding downstream separation processing. We have also determined from our work that minerals and bitumen recovery are interdependent. And this has led us to an integrated approach to tailings processing, building on our base with experience and technology. To find solutions to bitumen removal and recovery we have been conducting programs on multiple fronts during the year. Our initial focus has been on improving bitumen removal and improving the quality of recovered bitumen and solvent. Our prime research partners are Canmet and SRC (the Saskatchewan Research Counsel) located in Regina. We've also reached out to other research agencies, independent consultants and universities. This work entails categorizing the hydrocarbons in the tailings stream, testing different solvents, testing alternate physical and hydraulic separation methods, testing organic and inorganic chemicals among other approaches. This work is ongoing and we'll keep you informed as it progresses further.

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The second key results area in 2007 has been minerals separation. At our Regina facility, our technical staff designed and tested separation circuits designed to optimize the recovery of zircon. Our process testing indicates potential recoveries of about 55,000 tonnes per annum of zircon and 20,000 tonnes per annum of high grade titanium leucoxene, which is separated along with the zircon. The zircon grades are split between standard zircon for ceramics and chemical grade. These indicated volumes are based on today's rates of oil sands production at one mined oil sands operation. It is important to note that production is expected to increase. There are two other sites in production and one commissioning next year. All are expected to expand and there are several other new projects under development. From a practical point of view, we will need to plan for much higher volumes that the oil sands industry is building to in the next few years, as well as multiple sites.

Turning to markets, we are closely following markets to identify trends that could effect minerals development. You may recall that last year, we adjusted our priority to zircon, due to zircon market demand and pricing trends. During 2007, the zircon market remained strong, growing, and has attractive pricings. Asia is the large fast growing market for heavy minerals. North and South America are also prospective for zircon as domestic supplies are reducing with the recent closing of mature mines in the Southern United States. We first visited Asia early in 2007 and established relationships with large experienced organizations in the region.

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Since then our technical staff has been working closely in Asia during 2007 with our partners and potential customers who are evaluating product samples for various applications. The markets for heavy minerals are typically very specific to individual customer requirements. Zircon markets continue to experience strong demand and prices are in the \$800 US tonne range.

Titanium minerals markets have been in over-supply with low prices well below \$100 per tonne for ilmenite . The high-grade leucoxene, which is separated along with the zircon, is used in specialized markets including welding rods and foundries and we're testing in those industries.

I'd now like to take a few minutes and talk about sustainable development and the environment, and explain why these are very relevant to our project. We see reports almost everyday and it's becoming increasingly evident that our economic, environmental, and social well-being is intertwined and increasingly vulnerable to climate change. Taking necessary action to address climate change and emissions is becoming the number one priority of our governments, many of our industries and indeed much of the world. Our project is at the apex of this new reality due to several factors.

The oil sands are growing rapidly and production is expected to triple in the next 8 to 10 years. Oil prices have established new record levels and are not expected to decline. There is a new

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heightened awareness of environmental issues by all stakeholders in the oil sands. Governments are introducing new measures aimed at improving the environment. New technology is being encouraged as a solution to environmental factors. During 2007, we'd been consulting regularly with stakeholders in several areas. Over the course of year we've met with the majority of the oil sands participants, updated them on our progress and asked for their advice and input. They all expressed interest in our project and the common feedback we received was that recovery of bitumen from the tailings stream would be most important to the industry. During 2007, we've also been meeting with government at several levels including cabinet ministers to again inform them about our progress and elicit their views. I can say that there is keen interest. Government's priorities are very focused on environmental improvement, recovering more value from resources and fostering the development of new technology and businesses.

In short, our project addresses environmental and resource sustainability concerns of stakeholders. I'll touch briefly on a number of other initiatives during the year. Our resource study is utilizing data from core samples, tailing samples, testing and production data to assess the minerals resource. This project is progressing very well as we detailed in a press release earlier this year. The work has reached an advanced stage, where we now engaged a worldwide evaluation firm to start review of the work. We've been working on this with the University of Alberta's

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Geostatistical experts. In mid 2007, we also engaged an independent engineering consultant to advise us on environmental impacts of oil sands tailings. This includes estimated CO₂ and SO_x, NO_x, and VO_x emissions. We've been working with another advisory firm and have been following and assessing the impact of emerging environmental regulations, both federal and provincial, as they relate to the oil sands.

We've also been investigating value-added opportunities in the zircon value chain where products are upgraded in milling and chemical industries. Unlike the shorter lived conventional mine minerals operations that deplete, I'd like to emphasize that the oil sands are an exceptionally long-life resource, one of the largest in the world. Production is growing and this therefore represents a unique opportunity to look at long-term development in the types of things I just mentioned. Finally, looking ahead, I'd like to mention that financially we performed well within our budget during 2007 and have maintained a strong balance sheet with \$20 million in cash and no debt. We manage our cash very prudently and we have no investments or exposure to asset back commercial paper.

Now let's take a look at the year ahead. As I mentioned at the beginning of the call, we now have a larger oil sands opportunity. There is now an opportunity to expand our base developing new technology to recover more value from oil sands tailings. The Froth treatment from oil sands extraction processes generally contained

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bitumen losses in the range of 3% of the original bitumen mined. In the current oil sands production rate, this represents an excess of 8 million barrels per year of lost bitumen in total from the mine-based sites. Industry forecasts expect mine-based oil sands production to more than double by the 2015 time frame, which will likely increase proportionally the amount of bitumen lost in the tailings.

Creating a new business from essentially a waste material and at the same time improving the efficiency of bitumen recovery has considerable attractiveness to stakeholders. More efficient use of resources, both minerals and bitumen and decreased emissions from tailings ponds all related to a high growth industry, is a very compelling value proposition.

Titanium Corporation has extensive experience and is in the forefront working with these Froth treatment tailings. We are redoubling our efforts to resolve bitumen removal, develop bitumen recovery technology and capitalize on this opportunity. Some of the additional measures we are taking include partnering with research organizations with expertise in oil, chemicals and tailings, adding oil specialists to our organization, working with government to gain their support in research and potential funding areas, executing a staged research program with milestones. In parallel with the oil sands project we are also investigating new opportunities to leverage our expertise and assets, expand our activities and diversify some risk. New innovative projects require smart people

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working together. At Titanium Corporation we have a very experienced core technical and management team, which we are adding to and we have strong relationships with expert engineering and research firms. At the Board level we've assembled a complimentary team a strong senior leaders who bring their minerals, oil sands, mining, capital markets, and finance backgrounds to bear on strategy development and business guide.

Titanium Corporation is in the forefront developing new technology to recover value from oil sands tailings. Our mission is to commercialize this new business and create significant value for our shareholders. In 2008 we're expanding our opportunities and looking forward to an exciting year ahead. I would again like to thank you all for calling in this morning and I'd now be pleased to answer questions from our callers.

Operator: Thank you ladies and gentlemen if you would like to ask a question press star one on your touch tone phone; to withdraw your question press the pound sign; if you use a speaker phone, lift your handset before entering your request. Please stand by for your first question. Your first question comes from Jack Atkin, Private Investor. Please go ahead.

<Q>: Hi good morning Scott.

<A>: Good morning Jack.

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<Q>: Yeah, I've been an investor I guess for I don't know 6 , 7 years and I guess what frustrates me is I still don't hear anything regarding when actual sales can take place. I mean to me it sounds like a university project that's been ongoing for a number of years, and as an investor, really what I am interested in, is finding out...I believe you once said 2010, there could be actually be some sales but in reading all of the material there is no new information, other than all of these you know experiments or new programs or you trying to redefine, better refine etc., etc., is there any information regarding that?

<A>: Sure Jack I would be pleased to speak to that and I understand your frustration with the timing of the project, it has been extended. I think we all have to bear in mind we're working on a project that involves development and research; we're doing something that has not been done before and quite frankly we need a complete solution before we're able to move ahead with doing the final feasibility and going to commercialization. Specifically to your question we're a few years yet from, from sales. What we indicated in our last report is, we could have in the range of another 18 to 24 months of work here, to reach that assessment feasibility stage and then to finance, get all the equipment together and build out the project, that's another two years or more project depending on conditions at that time. So that's the time frame Jack and I think you know you have seen a lot of changes if you have been involved

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with the company in six years. We've been making them based on, you know a number of factors primarily technical work that were doing but also market conditions and economic factors.

<Q>: So you are saying it's basically four years out before we would actually see some sales, or potential sales.

<A>: Yeah, that would be a minimum period Jack. Yes.

<Q>: Well thanks for calling this morning.

<A>: Okay.

<Q>: I appreciate it.

<A>: You're welcome.

Operator

Thank you ladies and gentlemen if there are any additional questions please press star one at this time. Your next question comes from Brock Winterton of Clarus Securities. Please go ahead.

<Q>: Good morning. Can you give me some idea of what you might be targeting in terms of a recovery rate of that 3% loss on the bitumen?

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<A>: Sure Brock and good to, good to hear from you. It's a bit of an unknown when you start this in terms of how much bitumen we might be able to recover but, you know our sense is that something in the range of 50% wouldn't be unreasonable and we've had some experience with the on-site work. In working with a portion of that tailings stream, the bitumen and the dilbit already, so we had been looking at a scenario where if we are able to recover about 50% of the bitumen losses, then what would it take to, to do that and what would the economic impact be?

<Q>: And that recovered bitumen would be of a quality that could just be fed back in a loop to the actual plant, is that correct?

<A>: There is some options. We don't want to get ahead of ourselves but assuming we're successful in capturing a portion of that bitumen and we've already had some experience with the, with the recovery system on-site last year. Then you look at the nature of the bitumen, the quality of it and then you decide you know where the logical market for it is. Is it you know back with the existing oil sands operation or, or is there something else that one would do with it? But that will be the subject of a lot of work with the, obviously with the oil sands industry who own that bitumen.

<Q>: So at the present time there is no agreements that you, if you extract that you own it?

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<A>: No and I am not particularly concerned about ownership, I think we're, I mean at the end of the day, it's owned by the province of Alberta and the citizens and we know that the, you know the government is extremely interested in optimizing oil recovery. So there is a number of stakeholders and we just feel that there will be excellent value for a company that can develop the technology and put the processes in place to recover it.

<Q>: Okay thank you.

<A>: Thanks Brock

Operator

Thank you once again ladies and gentlemen if you do have a question please press star one at this time. Your next question comes from Andrea Demchuk, Private Investor, please go ahead.

<Q>: Hi and good morning.

<A>: Good morning Andrea.

<Q>: I am just wondering what is the, what would you say would be the investment required to go into production? Do you have any estimates at this time?

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<A>: Yeah we've all along been you know examining the capital cost of the infrastructure around this program and back a few years ago the preliminary estimates on the pre-feasibility had capital of a 120 million US which at that time translated to about a 150 million Canadian and you know we're now looking at broad estimates that are more in the range of 200 million dollars. It could be a bit higher. Of course the work has changed, that includes a lot more equipment related to the handling the bitumen that is in the stream so that's sort of the range we're looking at it, at this point in time.

<A>: Thank you.

<Q>: Okay?

Operator

Thank you there are no further questions at this time I would like to turn the conference back to Mr. Nelson.

Well thank you very much folks for attending this morning, its getting, getting close to the holiday season, so and everyone is very busy, but certainly if you have any further questions feel free to contact us here in Toronto through Carolyn Muir or contact myself. We'll be very interested in your views and answering any questions that you have, and again thank you very much for support throughout year and I'd like everyone to have a good relaxing

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holiday season and look forward to talking to you in the first quarter of next year. Thank you very much.

Operator

Ladies and gentlemen this concludes the conference call for today you may now disconnect your line and have a great day.

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