

Titanium Corporation Inc.

Balance Sheets (Prepared by Management)

	November 30 2004 (Unaudited)	August 31 2004 (Audited)
Assets		
Current		
Cash and cash equivalents	\$ 564,635	\$ 955,316
Marketable securities (Market value, \$956,612; August 31, 2004, \$1,549,635)	949,026	1,549,635
Receivables	164,220	395,201
Prepays	<u>-</u>	<u>44,761</u>
	1,677,881	2,944,913
Exploration properties	4,908,653	4,902,784
Oil sands project development costs (Note 2)	7,352,070	6,718,901
Nova Scotia pilot plant and exploration equipment	111,519	117,388
Office equipment and leasehold improvements	<u>105,978</u>	<u>106,244</u>
	<u>\$ 14,156,101</u>	<u>\$ 14,790,230</u>

Liabilities

Current		
Payables and accruals	\$ <u>374,132</u>	\$ <u>681,299</u>
Shareholders' equity		
Capital stock (Note 3)	17,597,937	17,538,422
Warrants (Notes 3 and 4)	1,252,723	1,263,239
Contributed surplus arising from stock-based compensation (Note 5)	1,301,347	1,065,289
Deficit	<u>(6,370,038)</u>	<u>(5,758,019)</u>
	<u>13,781,969</u>	<u>14,108,931</u>
	<u>\$ 14,156,101</u>	<u>\$ 14,790,230</u>

Responsibility for Financial Statements

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the August 31, 2004 audited financial statements. Only changes in accounting policies have been disclosed in these financial statements. A precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgement. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

Auditor Involvement

The auditors of Titanium Corporation Inc. have not performed a review of the unaudited financial statements for the three months ended November 30, 2004 and November 30, 2003.

See accompanying notes to the unaudited interim financial statements

Titanium Corporation Inc.

Statements of Operations and Deficit (Prepared by Management) (Unaudited)

	Three Months Ended November 30	
	2004	2003
Expenses		
Consulting	\$ 167,883	\$ 153,208
Depreciation of office equipment and leasehold improvements	7,583	3,891
Directors' fees	32,250	32,250
Insurance	31,569	19,135
Investor relations	33,502	-
Gain on foreign exchange	2,793	-
Office and administration	103,771	97,635
Professional fees	70,516	37,007
Shareholders' communication and filing fees	11,898	59,760
Stock-based compensation	95,524	-
Travel and promotion	<u>61,136</u>	<u>8,581</u>
	618,425	411,467
Interest income	<u>6,406</u>	<u>16,245</u>
Net loss for the period	(612,019)	(395,222)
Deficit, beginning of period	<u>(5,758,019)</u>	<u>(3,589,973)</u>
Deficit, end of period	<u>\$ (6,370,038)</u>	<u>\$ (3,985,195)</u>
Basic and diluted loss per share (Note 8)	\$ (0.02)	\$ (0.01)

See accompanying notes to the unaudited interim financial statements

Titanium Corporation Inc.
Statements of Cash Flows (Prepared by Management)
(Unaudited)

	Three Months Ended November 30	
	2004	2003
Decrease in cash and cash equivalents		
Operating activities		
Net loss for the period	\$ (612,019)	\$ (395,222)
Stock-based compensation	95,524	-
Depreciation of office equipment and leasehold improvements	<u>7,583</u>	<u>3,891</u>
	(508,912)	(391,331)
Decrease (increase) in prepaids	44,761	(3,842)
Decrease (increase) in receivables	230,981	(4,866)
Increase (decrease) in payables and accruals	<u>(480,998)</u>	<u>532,952</u>
	<u>(714,168)</u>	<u>132,913</u>
Financing activities		
Common shares issued for cash	<u>49,000</u>	<u>40,000</u>
Investing activities		
Increase in marketable securities	600,609	(7,941)
Exploration expenditures excluding depreciation of pilot plant and equipment	-	(306,888)
Oil sands project development costs net of payables and accruals of \$173,830	(318,805)	(1,004,244)
Acquisition of office equipment and leasehold improvements	<u>(7,317)</u>	<u>-</u>
	<u>274,487</u>	<u>(1,319,073)</u>
Decrease in cash and cash equivalents for the period	(390,681)	(1,146,160)
Cash and cash equivalents, beginning of period	<u>955,316</u>	<u>2,314,069</u>
Cash and cash equivalents, end of period	<u>\$ 564,635</u>	<u>\$ 1,167,909</u>

Cash and cash equivalents at end of period consists of:

Cash	\$ 505,888	\$ 283,623
Term deposits	<u>58,747</u>	<u>884,286</u>
	<u>\$ 564,635</u>	<u>\$ 1,167,909</u>

See accompanying notes to the unaudited interim financial statements

Titanium Corporation Inc.
Notes to Financial Statements (Prepared by Management)
For the Three Months Ended November 30, 2004
(Unaudited)

1. Accounting Policies

The management of Titanium Corporation Inc. (the "Company") has prepared these unaudited financial statements for the three months ended November 30, 2004, in accordance with Canadian generally accepted accounting principles for interim financial statements. These financial statements should be read in conjunction with the August 31, 2004 audited financial statements.

These unaudited interim financial statements follow the same accounting policies as the August 31, 2004 audited financial statements.

The disclosures in these interim financial statements may not conform in all respects to Canadian generally accepted accounting principles for annual financial statements.

In the opinion of management, all adjustments considered necessary for a fair presentation have been included in these financial statements. Operating results for the three months ended November 30, 2004 are not indicative of the results that may be expected for the full year ending August 31, 2005.

2. Oil sands project development costs

Costs incurred relating to the oil sands project development at August 31, 2004 and November 30, 2004 are as follows:

	November 30 2004 (Unaudited)	August 31 2004 (Audited)
Acquisition and development costs	\$ 3,582,263	\$ 3,077,199
Building and equipment construction costs	<u>3,769,807</u>	<u>3,641,702</u>
	<u>\$ 7,352,070</u>	<u>\$ 6,718,901</u>

3. Capital Stock

Authorized - unlimited number of common shares
Issued

Common shares	Number of Shares	Amount
Balance, August 31, 2004 (audited)	40,903,480	\$ 17,538,422
Exercise of warrants	24,500	59,515
Balance, November 30, 2004 (unaudited)	40,927,980	\$ 17,597,937

Titanium Corporation Inc.
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4. Warrants and Agent's Options

The following table reflects the continuity of warrants and agent's options:

Expiry Date	Exercise Price	August 31 2004 Balance	Issued	Exercised	Expired	November 30 2004 Balance
February 2005	\$1.70	376,800	-	-	-	376,800
August 2005	\$2.00	2,355,000	-	(24,500)	-	2,330,500
		2,731,800	-	(24,500)	-	2,707,300

5. Contributed Surplus Arising from Stock-based Compensation

The following table reflects the continuity of contributed surplus:

Balance, August 31, 2004 relating to stock option compensation (audited)	\$ 1,065,289
Stock option compensation expense	95,524
Compensation charged to oil sands project development costs	140,534
Balance, November 30, 2004 (unaudited)	\$ 1,301,347

6. Common Share Purchase Plan

The Company has a stock option plan (the "Plan") which is restricted to directors, officers, key employees and consultants of the Company. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to 4,000,000 common shares in the aggregate, and with respect to any one optionee, to 5% of the number of issued and outstanding common shares of the Company at the date of the grant of the option. Options issued under the Plan may be exercised during a period determined by the board of directors which cannot exceed five years.

Effective February 26, 2003, all options granted subsequently under the Plan vest and become exercisable by the holder over a period of 18 months, with 1/6 of the options being granted vesting at the end of each 3 month period following the grant.

The following table reflects the continuity of stock options for the three months ended November 30, 2004:

	NUMBER OF STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, August 31, 2004 (audited)	3,278,075	\$ 2.20
Options granted	70,000	\$ 1.97
Options cancelled	(243,075)	\$ 2.00
Balance, November 30, 2004 (unaudited)	3,105,000	\$ 2.16

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6. Common Share Purchase Plan (continued)

During the three month period ended November 30, 2004, the following options to acquire common shares of the Company were granted:

- (1) Options to acquire 30,000 common shares at price of \$1.60 per share expiring September 7, 2009.
- (2) Options to acquire 40,000 common shares at a price of \$2.25 per share expiring November 1, 2009.

The following table reflects the stock options outstanding as of November 30, 2004:

Expiry Date	Exercise Price (\$)	Options Outstanding
April 2005	2.07	280,000
November 2005	2.20	25,000
July 2006	2.20	590,000
February 2007	2.33	375,000
June 2007	1.95	50,000
November 2007	2.18	110,000
January 2008	2.20	600,000
March 2008	2.45	10,000
August 2008	2.67	25,000
January 2009	1.97	500,000
February 2009	1.98	200,000
March 2009	2.06	100,000
April 2009	2.02	60,000
May 2009	1.87	60,000
July 2009	1.85	50,000
September 2009	1.60	30,000
November 2009	2.25	40,000
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		3,105,000

For the purposes of the 70,000 options issued to employees and consultants, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the assumptions: Dividend yield 0%, expected volatility 68%, risk - free interest rate of 4.0% and an expected life of five years. These options will be expensed in the statement of operations and deficit or capitalized to oil sands project development costs as they vest.

During the three months ended November 30, 2004, 1,045,000 stock options granted in prior periods had vested. Accordingly, \$236,058 was recorded as contributed surplus. Of the \$236,058 recorded as contributed surplus, \$95,524 was recorded as stock-based compensation and \$140,534 was capitalized to oil sands project development costs.

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7. Income Taxes

The benefit of the loss for the period has not been recognized in these unaudited interim financial statements.

Estimated taxable income for the period is nil. Based upon the level of historical taxable income it cannot be reasonably estimated at this time if it is more likely than not the Company will realize the benefits from future income tax assets relating to temporary differences between tax values and accounting values. Accordingly, an equivalent estimated taxable temporary difference valuation allowance has been provided.

The estimated taxable temporary difference valuation allowance will be adjusted in the period that it is determined that it is more likely than not that some portion or all of the future tax assets will be realized.

Refer to the August 31, 2003 audited financial statements for additional information on the tax position of Company.

8. Basic and fully diluted loss per share

The basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Fully diluted loss per share is the same as basic loss per share. The effect of common share purchase options, warrants and agent's options on the net loss for the periods presented is not reflected as to do so would be anti-dilutive.

The following table sets forth the computation of basic and diluted loss per share:

	Three Months Ended November 30	
	2004	2003
Basic loss per share	\$ (0.02)	\$ (0.01)
<u>Numerator:</u>		
Net loss for the period	\$ (612,019)	\$ (395,222)
<u>Denominator:</u>		
Weighted average number of common shares	38,025,146	36,186,813

9. Related Party Transactions

The Company was charged \$50,000 for the three months ended November 30, 2004, respectively, by a corporation controlled by a director that provided the services of the chief executive officer.

The Company was charged \$7,500 for the three months ended November 30, 2004, for the services of the new chief financial officer of the Company.