Titanium Corporation Inc.

Balance Sheets (Prepared by Management)

	February 28, 2005 (Unaudited)	August 31 2004 (Audited)
Assets		
Current		
Cash and cash equivalents	$ 1,039,602	$ 955,316
Marketable securities (Market value, $962,502; August 31, 2004, $1,549,635)	950,673	1,549,635
Receivables	92,841	395,201
Prepaids	104,542	44,761
	2,187,658	2,944,913
Exploration properties	4,914,522	4,902,784
Oil sands project development costs (Note 2)	7,786,904	6,718,901
Nova Scotia pilot plant and exploration equipment	105,650	117,388
Office equipment and leasehold improvements	98,395	106,244
	$ 15,093,129	$ 14,790,230

	February 28, 2005 (Unaudited)	August 31 2004 (Audited)
Liabilities		
Current		
Payables and accruals	$ 258,105	$ 681,299
Shareholders' equity		
Capital stock (Note 3)	19,555,656	17,538,422
Warrants (Notes 3 and 4)	1,158,573	1,263,239
Contributed surplus arising from stock-based compensation (Note 5)	1,281,502	1,065,289
Deficit	(7,160,707)	(5,758,019)
	14,835,024	14,108,931
	$ 15,093,129	$ 14,790,230

Nature of operations (Note 1)

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.

Titanium Corporation Inc.

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

	Three Months Ended February 28 / 29		Six Months Ended February 28 / 29	
	2005	2004	2005	2004
Expenses				
Consulting	$ 156,169	$ 59,500	$ 324,052	$ 212,708
Depreciation of office equipment and leasehold improvements	7,583	3,891	15,166	7,782
Directors' fees	44,750	30,250	77,000	62,500
Insurance	29,574	24,981	61,143	44,116
Investor relations	32,919	57,899	66,421	57,899
Loss on foreign exchange	3,596	18,798	6,389	18,798
Office and administration	149,271	93,969	253,042	191,604
Professional fees	152,678	75,259	223,194	112,266
Shareholders' communication and filing fees	77,577	108,606	89,475	168,366
Stock-based compensation	95,524	4,958	191,048	4,958
Travel and promotion	44,237	72,654	105,373	81,235
	793,878	550,765	1,412,303	962,232
Interest income	3,209	25,483	9,615	41,728
Net loss for the period	(790,669)	(525,282)	(1,402,688)	(920,504)
Deficit, beginning of period	(6,370,038)	(3,985,195)	(5,758,019)	(3,589,973)
Deficit, end of period	$ (7,160,707)	$ (4,510,477)	$ (7,160,707)	$ (4,510,477)
Basic and diluted loss per share (Note 8)	$ (0.02)	$ (0.01)	$ (0.03)	$ (0.03)

See accompanying notes to the unaudited interim financial statements

Titanium Corporation Inc.

Statements of Cash Flows (Prepared by Management)
(Unaudited)

	Three Months Ended February 28 / 29		Six Months Ended February 28 / 29	
	2005	2004	2005	2004
Decrease in cash and cash equivalents				
Operating activities				
Net loss for the period	$ (790,669)	$ (525,282)	$ (1,402,688)	$ (920,504)
Stock-based compensation	95,524	4,958	191,048	4,958
Depreciation of office equipment and leasehold improvements	7,583	3,891	15,166	7,782
	(687,562)	(516,433)	(1,196,474)	(907,764)
Net changes in non-cash working capital items				
Increase in prepaids	(104,542)	(38,638)	(59,781)	(42,480)
Decrease (increase) in receivables	71,379	(62,600)	302,360	(67,466)
Increase (decrease) in payables and accruals	(86,137)	(544,927)	(567,135)	(11,975)
	(806,862)	(1,162,598)	(1,521,030)	(1,029,685)
Financing activities				
Common shares issued for cash	1,593,982	7,399,277	1,642,982	7,439,277
Investing activities				
Decrease (increase) in marketable securities	(1,647)	973,442	598,962	965,501
Exploration expenditures excluding depreciation of pilot plant and equipment	-	(2,691)	-	(309,579)
Oil sands project development costs	(280,616)	(2,023,167)	(773,251)	(3,027,411)
Net change in non-cash working capital relating to oil sands development costs	(29,890)	1,136,000	143,940	1,136,000
Acquisition of office equipment and leasehold improvements	-	-	(7,317)	-
	(312,153)	83,584	(37,666)	(1,235,489)
Increase in cash and cash equivalents for the period	474,967	6,320,263	84,286	5,174,103
Cash and cash equivalents, beginning of period	564,635	1,167,909	955,316	2,314,069
Cash and cash equivalents, end of period	$ 1,039,602	$ 7,488,172	$ 1,039,602	$ 7,488,172

Cash and cash equivalents at end of period consists of:

	2005	2004
Cash	$ 984,056	$ 122,829
Term deposits	55,546	7,365,343
	$ 1,039,602	$ 7,488,172

See accompanying notes to the unaudited interim financial statements

1. Accounting Policies and Nature of Operations

The management of Titanium Corporation Inc. (the "Company") has prepared these unaudited financial statements for the Six Months Ended February 28, 2005, 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.

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.

These unaudited interim financial statements follow the same accounting policies as the August 31, 2004 audited financial statements except for the following:

Sources of GAAP
Effective September 1, 2004, the Company adopted the new CICA Handbook Section 1100, "Generally Accepted Accounting Principles". This section establishes standards for financial reporting in accordance with GAAP and provides guidance on sources to consult when selecting accounting policies and determining appropriate disclosures when a matter is not explicitly dealt with in the primary sources of GAAP. The adoption of this section did not have any significant impact on the Company's financial statements.

Asset retirement obligation
Effective September 1, 2004, the Company adopted the CICA Handbook Section 3110, "Asset Retirement Obligations", which established standards for asset retirement obligations and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. At February 28, 2005, the Company has not incurred or committed any asset retirement obligations related to the development of its Oil Sands Project or Exploration Properties.

Impairment of long-lived assets
Effective September 1, 2004 the Company adopted the recommendations of CICA Handbook Section 3063 "Impairment of Long-lived Assets" on a prospective basis. Section 3063 requires that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated.

If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Management believes that there has been no impairment of the Company's long-lived assets as at February 28, 2005 and the adoption of Section 3063 has no effect on the current financial statements.

Nature of Operations
The Company does not have sufficient cash to fund the Oil Sands Project or its Exploration Properties through to commercial development and therefore will require additional funding and project financing which if not raised would result in project development delays. Management is of the opinion that additional financing is available and may be sourced in time to allow the Company to continue its planned activities in the normal course. While it has been successful in the past, there can be no assurance it will be able to raise sufficient funds in the future.

1. Accounting Policies and Nature of Operations (Continued)

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the "going concern" assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

2. Oil sands project development costs

Costs incurred relating to the Oil Sands Project development at August 31, 2004 and February 28, 2005 are as follows:

	February 28 2005 (Unaudited)	August 31 2004 (Audited)
Acquisition and development costs	$ 3,881,017	$ 3,077,199
Building and equipment construction costs	3,905,887	3,641,702
	$ 7,786,904	$ 6,718,901

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 for cash	340,711	681,422
Exercise of Agents' options for cash	376,800	640,506
Exercise of stock options for cash	155,000	321,053
Reallocation from contributed surplus relating to the exercise of Agents' options and stock options	-	269,587
Valuation of warrants exercised	-	104,666
Balance, February 28, 2005 (unaudited)	41,775,991	$ 19,555,656

4. Warrants and Agents' Options

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

Expiry Date	Exercise Price	August 31 2004 Balance (Audited)	Issued	Exercised	Expired	February 28 2005 Balance (Unaudited)
February 2005	$1.70	376,800	-	(376,800)	-	-
August 2005	$2.00	2,355,000	188,400	(340,711)	-	2,202,689
		2,731,800	188,400	(717,511)	-	2,202,689

During the period, 376,800 Agents' options were exercised for proceeds of $640,506. Each option was exercisable into one common share and one-half common share purchase warrant.
Valuation of the warrants are as follows:

	NUMBER OF WARRANTS	AMOUNT
Balance, August 31, 2004 (audited)	2,355,000	$ 1,263,239
Warrants exercised during the period	(195,125)	(104,666)
	2,159,875	1,158,573
Warrants issued for which no value was ascribed	42,814	-
Balance, February 28, 2005 (unaudited)	2,202,689	$ 1,158,573

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	191,048
Compensation charged to Oil Sands Project development costs	294,752
Options exercised	(17,130)
Agents' options exercised	(252,457)
Balance, February 28, 2005 (unaudited)	$ 1,281,502

6. Common Share Purchase Plan

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 six months ended February 28, 2005:

	NUMBER OF STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, August 31, 2004 (audited)	3,278,075	$ 2.15
Options granted	700,000	$ 3.19
Options cancelled	(276,407)	$ 2.00
Options exercised	(155,000)	$ 2.07
Option adjustment	100,000	$ 2.20
Balance, February 28, 2005 (unaudited)	3,646,668	$ 2.37

During the six month period ended February 28, 2005, 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.
(3) Options to acquire 130,000 common shares at a price of $3.05 per share expiring January 5, 2010.
(4) Options to acquire 500,000 common shares at price of $3.40 per share expiring February 24, 2010.

The following table reflects the stock options outstanding as of February 28, 2005:

Expiry Date	Exercise Price ($)	Options Outstanding
April 2005	2.07	140,000
November 2005	2.20	13,000
July 2006	2.20	690,000
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	166,668
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	27,000
November 2009	2.25	40,000
January 2010	3.05	130,000
February 2010	3.40	500,000
		3,646,668

6. Common Share Purchase Plan (Continued)

For the purposes of the 700,000 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 six months ended February 28, 2005, 326,667 stock options granted in prior periods had vested. Accordingly, $485,800 was credited to contributed surplus. Of the $485,800 credited to contributed surplus, $191,048 was record as stock-based compensation and $294,752 was capitalized to Oil Sands Project development costs.

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, 2004 audited financial statements for additional information on the tax position of Company.

8. Basic and 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 Agents' 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 February 28 / 29		Six Months Ended February 28 / 29	
	2005	2004	2005	2004
Basic loss per share	$ (0.02)	$ (0.01)	$ (0.03)	$ (0.03)
Numerator:				
Net loss for the period	$ (790,669)	$ (525,282)	$ (1,402,688)	$ (920,504)
Denominator:				
Weighted average number of common shares	41,309,697	36,812,877	41,108,334	36,501,151

9. Related Party Transactions

The Company was charged $50,000 (2004 - $69,437) and $100,757 (2004 - $238,684) for the three and six months ended February 28, 2005 respectively by Harbour Capital Corporation ("Harbour"), a corporation controlled by a director that provided the services of the Chief Executive Officer.

The Company was charged $7,500 (2004 - $nil) and $17,000 (2004 - $nil) for the three and six months ended February 28, 2005 respectively, for the services of the Chief Financial Officer of the Company.

The Company was charged $6,833 (2004 - $nil) for the three and six months ended February 28, 2005 by Auxilium Corporation ("Auxilium") a corporation controlled by a director that provided the services of the new President and Chief Executive Officer. Auxilium is controlled by Scott Nelson the new President and Chief Executive Officer of the Company.

The Company was charged $16,522 (2004 - $6,687) and $25,961 (2004 - $24,231) for the three and six months ended February 28, 2005 respectively by a corporation partially owned by an officer of the Company that provided bookeeping and corporate secretarial services.

These related party transactions were in the normal course of operations and were measured at the exchange amounts.

During the period, the Company entered into consulting agreements with Auxilium and Harbour to provide the services of the President, Chief Executive Officer and Chariman respectively. Terms of the agreements are as follows:

Auxilium Corporation

The Company entered into an agreement with Auxilium to provide the services of President and Chief Executive Officer. The agreement is for a term of 3 years, commencing February 23, 2005, during which time Auxilium will be paid $275,000 per year and granted 500,000 options to purchase common shares of the Company at a price of $3.40, vesting over a 3 year period.

Harbour Capital Corporation

The Company entered into an agreement with Harbour to provide the services of Chairman. The agreement is for a term of 18 months, commencing January 19, 2005, during which time Harbour will be paid $200,000 per year.

10. Supplemental Cash Flow Information

	Three Months Ended February 28 / 29		Six Months Ended February 28 / 29	
	2005	2004	2005	2004
Non-cash investing activity:				
Stock compensation charged to oil sands development costs	$ 154,218	$ -	$ 294,752	$ -
Depreciation of oil sands charged to exploration expenditures	$ 5,869	$ 6,459	$ 11,738	$ 12,918