TITANIUM CORPORATION INC.
(A Development Stage Company)

UNAUDITED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED MAY 31, 2006

Responsibility for Financial Statements

The accompanying financial statements for Titanium Corporation Inc. 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, 2005 audited financial statements. Only changes in accounting information have been disclosed in these financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. 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.

The auditors of Titanium Corporation Inc. have not performed a review of the unaudited financial statements for the nine months ended May 31, 2006.

Titanium Corporation Inc.
(A Development Stage Company)
Balance Sheets
(Unaudited)

	May 31, 2006	August 31, 2005
Assets		
Current		
Cash and cash equivalents	**$ 346,590**	$ 2,024,499
Short term investments	**24,557,306**	24,018,813
Marketable securities	-	567,450
Commodity taxes receivable	**46,805**	51,477
Prepaids	**79,357**	51,075
	25,030,058	26,713,314
Oil Sands Project development costs (Note 3)	**11,536,307**	9,214,530
Office equipment and leasehold improvements	**130,200**	85,744
	$ 36,696,565	$ 36,013,588
Liabilities		
Current		
Payables and accruals	**$ 550,063**	$ 696,508
Shareholders' equity		
Capital stock (Note 4)	**46,751,330**	43,512,498
Warrants	**4,087,198**	3,735,111
Contributed surplus (Note 6)	**1,670,107**	2,000,105
Deficit	**(16,362,133)**	(13,930,634)
	36,146,502	35,317,080
	$ 36,696,565	$ 36,013,588

Nature of operations and basis of presentation (Note 1)

Titanium Corporation Inc.

(A Development Stage Company)
Statements of Loss and Deficit
(Unaudited)

	Cumulative, Since Inception on (October 6, 1997) to May 31, 2006	Three Months Ended May 31, 2006	Three Months Ended May 31, 2005	Nine Months Ended May 31, 2006	Nine Months Ended May 31, 2005
Expenses					
Consulting	$ 2,673,582	$ 168,335	161,484	$ 705,673	$ 485,536
Office and administration	2,217,041	139,935	142,362	379,457	395,404
Depreciation and amortization	94,407	7,761	7,793	18,544	22,959
Directors' fees	406,000	33,500	32,250	112,500	109,250
Insurance	421,051	35,274	34,436	104,394	95,579
Investor relations	789,511	4,581	22,795	73,235	89,216
Loss on foreign exchange	64,349	33,842	-	59,502	6,389
Professional fees	1,708,907	111,743	83,953	326,649	307,147
Shareholders' communication and filing fees	466,238	22,033	35,152	173,167	124,627
Stock-based compensation	1,999,435	353,752	129,875	839,644	320,923
Travel and promotion	934,477	55,483	99,510	214,902	204,883
Exploration properties and related plant and equipment costs written-off	5,453,766	-	5,020,172	-	5,020,172
	17,228,764	966,239	5,769,782	3,007,667	7,182,085
Interest income	(886,133)	(179,864)	(9,965)	(576,168)	(19,580)
Net loss	$ 16,342,631	$ 786,375	$ 5,759,817	$ 2,431,499	$ 7,162,505
Basic and diluted loss per share (Note 8)		$ 0.01	$ 0.14	$ 0.04	$ 0.17
Deficit at beginning of period	$ -	$ 15,575,758	$ 7,160,707	$ 13,930,634	$ 5,758,019
Net loss	16,342,631	786,375	5,759,817	2,431,499	7,162,505
Shares purchased for cancellation	19,502	-	-	-	-
Deficit at end of period	$ 16,362,133	$ 16,362,133	$ 12,920,524	$ 16,362,133	$ 12,920,524

See accompanying notes to the unaudited interim financial statements

Titanium Corporation Inc.
(A Development Stage Company)
Statements of Cash Flows
(Unaudited)

	Cumulative, Since Inception on (October 6, 1997) to February 28, 2006	Three Months Ended May 31, 2006	Three Months Ended May 31, 2005	Nine Months Ended May 31, 2006	Nine Months Ended May 31, 2005
Decrease in cash and cash equivalents					
Operating activities					
Net loss	$ **(16,342,631)**	$ **(786,375)**	(5,759,817)	$ **(2,431,499)**	$ (7,162,505)
Stock-based compensation	**1,999,435**	**353,752**	129,875	**839,644**	320,923
Exploration properties and related plant and equipment costs written-off	**5,453,766**	**-**	5,020,172	**-**	5,020,172
Depreciation and amortization	**94,407**	**7,761**	7,793	**18,544**	22,959
	(8,795,023)	**(424,862)**	(601,977)	**(1,573,311)**	(1,798,451)
Net changes in non-cash working capital items:					
Increase in prepaids	**(79,357)**	**27,945**	25,206	**(28,282)**	(34,575)
Decrease (Increase) in commodity taxes receivables	**(46,805)**	**49,347**	67,510	**4,672**	369,870
Increase (decrease) in payables and accruals	**908,238**	**172,043**	106,391	**211,730**	(460,745)
	(8,012,947)	**(175,527)**	(402,870)	**(1,385,191)**	(1,923,901)
Financing activities					
Common shares issued for cash	**49,555,927**	**738,250**	604,000	**2,326,224**	2,246,983
Common shares purchased for cancellation	**(19,502)**	**-**	-	**-**	-
	49,536,425	**738,250**	**604,000**	**2,326,224**	2,246,983
Investing activities					
Decrease (increase) in short term investments	**(24,557,306)**	**(633,631)**	-	**(538,493)**	-
Decrease (increase) in marketable securities	**-**	**-**	(7,878)	**567,450**	591,084
Exploration expenditures excluding depreciation of pilot plant and equipment	**(5,522,391)**	**-**	-	**-**	-
Oil Sands Project development costs	**(10,514,409)**	**(855,506)**	(462,047)	**(2,226,724)**	(1,235,298)
Net change in non-cash working capital relating to Oil Sands Project development costs	**(358,175)**	**(178,103)**	12,189	**(358,175)**	156,129
Acquisition of office equipment and leasehold improvements	**(224,607)**	**(60,607)**	(2,795)	**(63,000)**	(10,112)
	(41,176,888)	**(1,727,847)**	(460,531)	**(2,618,942)**	(498,197)
Increase (Decrease) in cash and cash equivalents for the period	**346,590**	**(1,165,124)**	(259,401)	**(1,677,909)**	(175,115)
Cash and cash equivalents, beginning of period	**-**	**1,511,714**	1,039,602	**2,024,499**	955,316
Cash and cash equivalents, end of period	$ **346,590**	$ **346,590**	$ 780,201	$ **346,590**	$ 780,201

Cash and cash equivalents at end of period consists of:		
Cash	$ **346,590**	$ 724,655
Term deposits	**-**	55,546
	$ **346,590**	$ 780,201

See accompanying notes to the unaudited interim financial statements

Titanium Corporation Inc.

(A Development Stage Company)

Statements of Shareholders' Equity

(Unaudited)

	Shares issued and subscribed					
	# of Shares	Share Value	Warrant	Contributed Surplus	Accumulated deficit	Total
Balance at August 31, 2004	**40,903,480**	**17,538,422**	1,263,240	1,065,289	**(5,758,019)**	14,108,932
Shares issued on exercise of warrants	**2,362,526**	**4,725,052**	-	-	**-**	4,725,052
Common shares issued net of issue costs	**10,611,112**	**22,162,211**	-	-	**-**	22,162,211
Valuation of stock options granted	**-**	**-**	-	1,168,942	**-**	1,168,942
Shares issued on exercise of agents options	**376,800**	**640,560**	-	-	**-**	640,560
Shares issued on exercise of stock options	**332,500**	**684,000**	-	-	**-**	684,000
Valuation of warrants	**-**	**(3,735,111)**	3,735,111	-	**-**	-
Reallocation from contributed surplus relating to the exercise of agents options and stock options	**-**	**308,182**	-	(308,182)	**-**	-
Valuation of warrants exercised	**-**	**1,189,182**	(1,189,182)	-	**-**	-
Expired warrants and adjustment	**-**	**-**	(74,058)	74,056	**-**	(2)
Loss for the year	**-**	**-**	-	-	**(8,172,615)**	(8,172,615)
Balance at August 31, 2005	**54,586,418**	**43,512,498**	3,735,111	2,000,105	**(13,930,634)**	35,317,080
Shares issued on exercise of stock options	**1,004,666**	**2,147,199**	-	-	**-**	2,147,199
Reallocation from contributed surplus relating to the exercise of agents options and stock options	**-**	**1,264,695**	-	(1,264,695)	**-**	-
Shares issued on exercise of Broker Warrants	**79,567**	**179,025**	-	-	**-**	179,025
Valuation of Broker Warrants exercised	**-**	**50,287**	(50,287)	-	**-**	-
Adjustment to share issue costs as at August 26, 2005 to reflect value of Broker Warrants issued	**-**	**(402,374)**	402,374	-	**-**	-
Valuation of stock options granted	**-**	**-**	-	934,697	**-**	934,697
Loss for the period	**-**	**-**	-	-	**(2,431,499)**	(2,431,499)
Balance at May 31, 2006	**55,670,651**	**$ 46,751,330**	$ 4,087,198	$ 1,670,107	**$ (16,362,133)**	$ 36,146,502

1. Nature of Business and Basis of Presentation

Titanium Corporation Inc. ("Titanium" or the "Company") was formed by articles of amalgamation under the Business Corporations Act (Ontario) on July 24, 2001. The Company is engaged in the business of developing a separation process for the recovery of titanium and zircon from Canada's oil sands. The Company is considered to be in the development stage as it has yet to earn any revenues and it is devoting substantially all of its efforts toward the development of this process.

To fund its past development activities, the Company has raised equity capital to achieve specific milestones set out in its business plan. In August 2005, the Company raised funds to complete the design, engineering and construction of a Phase 1 expandable production facility to be located in Fort McMurray, Alberta and for working capital purposes.

Previously the Phase 1 program was planned as a non-commercial demonstration facility to produce an industrial sized titanium feedstock sample required by pigment manufacturers. In response to continued positive market economics for zircon, the Company is now planning to redesign the first phase of its facilities to be a commercial plant and to initially prioritize the commercial production of zircon.

Management is of the opinion that additional funding is available and may be sourced in time to allow the Company to build the commercial scale zircon plant. While it has been successful in the past, there can be no assurance that it will be able to raise sufficient funds in the future.

The unaudited financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by Canadian generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine month period ended May 31, 2006 may not necessarily be indicative of the results that may be expected for the year ending August 31, 2006.

The balance sheet at August 31, 2005 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for annual financial statements. The interim financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual financial statements for the year ended August 31, 2005. For further information, refer to the financial statements and notes thereto included in the Company's annual financial statements for the year ended August 31, 2005.

2. New Accounting Pronouncement

In January 2005, the Canadian Institute of Chartered Accountants issued four new accounting standards: Handbook Section 1530, Comprehensive Income, Handbook Section 3251, Equity, Handbook Section 3855, Financial Instruments - Recognition and Measurement, and Handbook Section 3865, Hedges. These standards are effective for interim and annual financial statements for the Company's fiscal years beginning November, 2007.

3. Oil Sands Project Development Costs

Capitalized costs incurred relating to the Oil Sands Project development at May 31, 2006 and August 31, 2005 are as follows:

	May 31, 2006	August 31, 2005
Acquisition and development costs	**$ 6,415,176**	$ 4,732,510
Building and equipment construction costs	**5,121,131**	4,482,020
	$11,536,307	$ 9,214,530

In July 2006, the Company signed a new two-year Exclusivity Agreement with Syncrude Canada Ltd. to facilitate further development of the Company's Oil Sands project to recover titanium and zircon from oil sands tailings.

4. Capital Stock

The Company is authorized to issue an unlimited number of common shares.

Common Shares	**Number of Shares**	**Amount**
Balance, August 31, 2005	54,586,418	$ 43,512,498
Exercise of stock options for cash	1,004,666	2,147,199
Reallocation from contributed surplus relating to the exercise of stock options	-	1,264,695
Exercise of Broker Warrants for cash	79,567	179,026
Valuation of Broker Warrants exercised	-	50,286
Adjustment to share issue costs as at August 26, 2005 to reflect value of Broker Warrants issued	-	(402,374)
Balance, May 31, 2006	55,670,651	$ 46,751,330

5. Common Share Purchase Warrants

The following table reflects the continuity of common share purchase warrants:

Expiry Date	Exercise Price	August 31, 2005 Balance	Issued	Exercised	Expired	May 31, 2006 Balance
Broker Warrants:						
August 2007	$2.25	-	636,667 (*)	(79,567)	-	557,100
Warrants:						
August 2007	$3.25	10,611,112	-	-	-	10,611,112
		10,611,112	636,667	(79,567)	-	11,168,212

(*) Adjustment of share issue costs as at August 26, 2005 to reflect value of Broker Warrants issued.

6. Contributed Surplus

The following table reflects the continuity of contributed surplus relating to stock options:

Balance, August 31, 2005	$ 2,000,105
Stock option compensation expense	839,644
Stock option compensation charged to Oil Sands Project development costs	95,053
Options exercised	(1,264,695)
Balance, May 31, 2006	$ 1,670,107

7. 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.

Effective February 23, 2005, the Company amended its stock option plan to increase the number of common shares reserved for issuance under the plan from 4,000,000 to 5,000,000 common shares.

The following table reflects the continuity of stock options for the nine months ended May 31, 2006:

	Number of Stock Options	Weighted Average Exercise Price
Balance, August 31, 2005	3,944,166	$ 2.56
Options granted	550,000	2.77
Options exercised	(1,004,666)	2.14
Balance, May 31, 2006	3,489,500	$ 2.68

7. Common Share Purchase Plan (continued)

The following table reflects the stock options outstanding as of May 31, 2006:

Expiry Date	Weighted Average Exercise Price ($)	Options Outstanding	Weighted Average Remaining Life (yrs)
2006	2.20	413,334	0.15
2007	2.26	525,000	1.10
2008	2.22	135,000	1.89
2009	1.98	761,166	2.98
2010	3.50	1,180,000	3.91
2011	2.77	475,000	4.77
		3,489,500	2.88

During the nine months ended May 31, 2006, 550,000 (May 31, 2005 - 1,175,000) stock options were granted by the Company. Accordingly, $750,000 (May 31, 2005 - $1,868,995) will be expensed in the statement of operations and deficit as these options vest.

The following stock options were granted during the nine months ended May 31, 2006:

Expiry Date	Exercise Price ($)	Number
November 29, 2010	2.30	75,000
January 19, 2011	3.17	100,000
February 23, 2011	2.75	225,000
May 10, 2011	2.77	150,000
		550,000

The fair value of the options granted has been estimated at the date of grant using a Black-Scholes option pricing model. The current period's valuation was calculated with the following assumptions: weighted average risk free interest rate of 3.60%; volatility factor of the expected market price of the Company's common stock of 57%; and a weighted average expected life of the options of 5 years.

During the nine months ended May 31, 2006, 644,999 (May 31, 2005 - 509,165) options granted in prior periods had vested. Accordingly, $934,697 (May 31, 2005 - $785,058) was recorded as contributed surplus. Of the $934,697 (May 31, 2005 - $785,058) recorded as contributed surplus, $839,644 (May 31, 2005 - $320,923) was recorded as stock-based compensation and $95,053 (May 31, 2005 - $464,135) was capitalized to Oil Sands Project development costs.

As at May 31, 2006, $1,596,106 relating to unvested stock options remains to be expensed in the statement of loss and deficit. This amount will be expensed periodically as the options vest.

8. 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.

9. Basic and Diluted Loss Per Common 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. Diluted loss per share is the same as basic loss per share. The effect of common share purchase warrants and stock 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 May 31,		Nine Months Ended May 31,	
	2006	**2005**	**2006**	**2005**
Basic and diluted loss per share	**0.01**	0.14	**$ 0.04**	$ 0.17
Numerator:				
Net loss for the period	**786,375**	5,759,817	**$ 2,431,499**	$ 7,162,505
Denominator:				
Weighted average number of common shares	**55,499,267**	41,993,113	**55,057,501**	41,403,260

10. Related Party Transactions

The Company was charged $71,751 (May 31, 2005 - $ 71,751) and $352,692 (May 31, 2005 - $78,583) respectively for the three and nine months ended May 31, 2006 by a corporation controlled by a director that provided his services of President and Chief Executive Officer. Included in this amount is a bonus of $137,500 (May 31, 2005 - $nil) paid to this company during the nine months ended May 31, 2006.

The Company was charged $50,003 (May 31, 2005 - $50,000) and $200,003 (May 31, 2005 - $150,000) respectively for the three and nine months ended May 31, 2006 by a corporation controlled by a director that provided his services of Executive Chairman. Included in this amount is a bonus of $50,000 (May 31, 2005 - $nil) paid to this company during the nine months ended May 31, 2006.

The Company was charged $nil (May 31, 2005 - $7,555) and $14,241 (May 31, 2005 - $33,516) for the three and nine months ended May 31, 2006 by corporations partially owned by an officer of the Company that provided bookkeeping and corporate secretarial services. Payables and accruals at May 31, 2006 were $3,912 (May 31, 2005 - $2,552). As of November 30, 2005, these corporations were no longer related to the Company.

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

11. Supplementary Cash Flow Information

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2006	**2005**	**2006**	**2005**
Non-cash investing activity:				
Stock compensation charged to Oil Sands Project development costs	**$ 38,764**	$ 169,383	**$ 95,053**	$ 464,135
Amortization capitalized to Oil Sands Project	$ -	$ 5,869	**$ -**	$ 17,607

12. Comparative Figures

Certain prior period comparative figures have been reclassified to conform with the current period's financial statement presentation.