TITANIUM CORPORATION INC.
(A Development Stage Company)

UNAUDITED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED FEBRUARY 28, 2007

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, 2006 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.

Titanium Corporation Inc.
(A Development Stage Company)
Balance Sheets
(Expressed in Canadian Dollars)
(Unaudited)

	February 28, 2007	August 31, 2006
Assets		
Current		
Cash	**$ 158,991**	$ 239,172
Short term investments	**21,480,062**	23,179,780
Commodity taxes receivable	**81,816**	76,968
Prepaid and sundry assets	**144,286**	37,052
	21,865,155	23,532,972
Oil Sands Project development costs (Note 3)	**14,586,649**	13,212,493
Office equipment and leasehold improvements	**100,409**	118,411
	$ 36,552,213	$ 36,863,876
Liabilities		
Current		
Payables and accruals	**$ 328,419**	$ 1,008,368
Shareholders' equity		
Capital stock (Note 4)	**47,968,417**	46,751,330
Warrants (Note 5)	**4,087,198**	4,087,198
Contributed surplus (Note 6)	**2,800,341**	2,125,406
Deficit	**(18,632,162)**	(17,108,426)
	36,223,794	35,855,508
	$ 36,552,213	$ 36,863,876

Nature of operations and basis of presentation (Note 1)

Titanium Corporation Inc.

(A Development Stage Company)
Statements of Loss and Deficit
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended February 28		Six Months Ended February 28		Cumulative Since Inception on October 6, 1997 to February 28
	2007	2006	**2007**	2006	2007
Expenses					
Consulting	**$ 280,917**	$ 354,321	**$ 422,418**	$ 537,338	$ 3,274,416
Office and administration	**138,123**	126,742	**211,051**	239,522	2,520,528
Depreciation and amortization	**9,001**	5,391	**18,002**	10,783	126,347
Directors' fees	**43,750**	39,500	**87,500**	79,000	531,000
Insurance	**35,345**	35,463	**68,899**	69,120	513,940
Investor relations	**111,791**	57,834	**140,425**	68,654	943,118
(Gain) Loss on foreign exchange	**5,787**	8,947	**(1,919)**	25,660	54,336
Professional fees	**106,176**	120,864	**158,401**	214,906	1,948,728
Shareholders' communication and filing fees	**73,326**	51,884	**100,539**	151,134	677,345
Stock-based compensation	**227,403**	299,514	**597,847**	485,892	2,965,814
Travel and promotion	**75,750**	81,521	**184,556**	159,419	1,192,487
Exploration properties and related plant and equipment costs written-off	**-**	-	**-**	-	5,453,766
	1,107,369	1,181,981	**1,987,719**	2,041,428	20,201,825
Interest income	**(198,597)**	(194,543)	**(463,983)**	(396,304)	(1,589,165)
Net loss	**$ 908,772**	$ 987,438	**$ 1,523,736**	$ 1,645,124	$ 18,612,660
Basic and diluted loss per share (Note 8)	**$ 0.02**	$ 0.02	**$ 0.03**	$ 0.03	
Deficit at beginning of period	**$ 17,723,390**	$ 14,588,320	**$ 17,108,426**	$ 13,930,634	$ -
Net loss	**908,772**	987,438	**1,523,736**	1,645,124	18,612,660
Shares purchased for cancellation	**-**	-	**-**	-	19,502
Deficit at end of period	**$ 18,632,162**	$ 15,575,758	**$ 18,632,162**	$ 15,575,758	$ 18,632,162

Titanium Corporation Inc.
(A Development Stage Company)
Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended February 28		Six Months Ended February 28		Cumulative Since Inception on October 6, 1997 to February 28
	2007	2006	**2007**	2006	2007
Cash (used in) provided by:					
Operating activities					
Net (loss)	**$ (908,772)**	$ (987,438)	**$ (1,523,736)**	$ (1,645,124)	$ (18,612,660)
Stock-based compensation	**227,403**	299,514	**597,847**	485,892	2,965,814
Exploration properties and related plant and equipment costs written-off	**-**	-	**-**	-	5,453,766
Depreciation and amortization	**9,001**	5,391	**18,002**	10,783	126,347
	(672,368)	(682,533)	**(907,887)**	(1,148,449)	(10,066,733)
Net changes in non-cash working capital items:					
Increase in prepaids and sundry assets	**(138,257)**	(74,360)	**(107,234)**	(56,227)	(144,286)
Decrease (Increase) in commodity taxes receivables	**(50,153)**	(53,213)	**(4,848)**	(44,675)	(81,816)
Increase (decrease) in payables and accruals	**(255,205)**	445,448	**(679,949)**	39,688	328,419
	(1,115,983)	(364,658)	**(1,699,918)**	(1,209,663)	(9,964,416)
Financing activities					
Common shares issued for cash, net of issue costs	**1,171,075**	1,587,973	**1,175,075**	1,587,973	50,711,500
Investing activities					
Decrease (increase) in short term investments	**462,944**	(183,823)	**1,699,718**	95,138	(21,480,062)
Decrease (increase) in marketable securities	**-**	-	**-**	567,450	-
Exploration expenditures	**-**	-	**-**	-	(5,522,391)
Oil Sands Project development costs	**(385,314)**	(1,233,639)	**(1,255,056)**	(1,551,290)	(13,358,889)
Acquisition of office equipment and leasehold improvements	**-**	-	**-**	(2,393)	(226,751)
	77,630	(1,417,462)	**444,662**	(891,095)	(40,588,093)
Net (Decrease) Increase in cash	**132,722**	(194,147)	**(80,181)**	(512,785)	158,991
Cash, beginning of period	**26,269**	1,705,861	**239,172**	2,024,499	-
Cash, end of period	**$ 158,991**	$ 1,511,714	**$ 158,991**	$ 1,511,714	$ 158,991

See accompanying notes to the unaudited interim financial statements

Titanium Corporation Inc.

(A Development Stage Company)
Statements of Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Shares Issued			Contributed	Accumulated	
	# of Shares	Share Value	Warrants	Surplus	deficit	Total
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	-	-	-	1,389,996	-	1,389,996
Loss for the period	-	-	-	-	(3,177,792)	(3,177,792)
Balance at August 31, 2006	55,670,651	46,751,330	4,087,198	2,125,406	(17,108,426)	35,855,508
Valuation of stock options granted	-	-	-	716,947	-	716,947
Shares issued on exercise of stock options	537,000	1,175,075	-	-	-	1,175,075
Reallocation from contributed surplus relating to the exercise of agents options and stock options	-	42,012	-	(42,012)	-	-
Loss for the year	-	-	-	-	(1,523,736)	(1,523,736)
Balance at February 28, 2007	**56,207,651**	**$ 47,968,417**	**$ 4,087,198**	**$ 2,800,341**	**$ (18,632,162)**	**$ 36,223,794**

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. Net losses for the three and six month periods ended February 28, 2007 may not necessarily be indicative of the results that may be expected for the year ending August 31, 2007.

The balance sheet at August 31, 2006 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, 2006. 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, 2006.

2. New Accounting Pronouncements

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 the Company's fiscal 2008 interim and annual financial statements.

(Expressed in Canadian Dollars)

3. Oil Sands Project Development Costs

Capitalized costs incurred relating to the Oil Sands Project development at February 28, 2007 and August 31, 2006 are as follows:

	February 28, 2007	August 31, 2006
Acquisition and development costs	$ 7,341,839	$ 6,447,803
Building and equipment construction costs	7,244,810	6,764,690
	$14,586,649	$13,212,493

4. Capital Stock

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

Common Shares	**Number of Shares**	**Amount**
Balance, August 31, 2006	55,670,651	$ 46,751,330
Exercise of stock options for cash	537,000	1,175,075
Reallocation from contributed surplus relating to the exercise of stock options	-	42,012
Balance, February 28, 2007	56,207,651	$ 47,968,417

5. Common Share Purchase Warrants

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

Expiry Date	Exercise Price	August 31, 2006 Balance	Issued	Exercised	February 28, 2007 Balance	Black-Scholes Value
Broker Warrants:						
August 2007	$2.25	557,100	-	-	557,100	$ 352,087
Warrants:						
August 2007	$3.25	10,611,112	-	-	10,611,112	3,735,111
		11,168,212	-	-	11,168,212	$ 4,087,198

(Expressed in Canadian Dollars)

6. Contributed Surplus

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

Balance, August 31, 2006	$ 2,125,406
Stock-based compensation expense	597,847
Stock-based compensation charged to Oil Sands Project development costs	119,100
Options exercised	(42,012)
Balance, February 28, 2007	$ 2,800,341

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 6,000,000 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 prior to February 26, 2003 may be exercised during a period determined by the board of directors which cannot exceed five years. 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, 2007:

	Number of Stock Options	Weighted Average Exercise Price
Balance, August 31, 2006	2,959,500	$ 2.68
Options granted	500,000	2.10
Options exercised	(537,000)	2.14
Options expired	(200,000)	2.33
Balance, February 28, 2007	2,722,500	**$ 2.77**

(Expressed in Canadian Dollars)

7. Common Share Purchase Plan (continued)

The following table reflects the stock options outstanding as of February 28, 2007:

Expiry Date	Weighted Average Exercise Price ($)	Options Outstanding	Weighted Average Remaining Life (Years)	Options Vested	Weighted Average Exercise Price ($) (Vested)
2007	2.10	150,000	0.59	150,000	2.10
2008	2.45	10,000	1.06	10,000	2.45
2009	1.97	470,000	2.05	470,000	1.97
2010	3.46	1,130,000	3.03	963,333	3.47
2011	2.46	962,500	4.25	425,003	2.56
		2,722,500		2,018,336	

During the six months ended February 28, 2007, 500,000 (February 28, 2006 - 400,000) stock options were granted by the Company. Accordingly, $470,325 (February 28, 2006 - $532,500) will be expensed in the statement of operations and deficit as these options vest.

The following stock options were granted during the six months ended February 28, 2007:

Expiry Date	Exercise Price ($)	Number
September 8, 2011	1.98	425,000
December 11, 2011	2.75	75,000
		500,000

The fair value of the 425,000 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: risk free interest rate of 3.99%; volatility factor of the expected market price of the Company's common stock of 44.3%; and an expected life of 5 years.

The fair value of the 75,000 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: risk free interest rate of 3.82%; volatility factor of the expected market price of the Company's common stock of 49.7%; and an expected life of 5 years.

(Expressed in Canadian Dollars)

8. 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 February 28, 2007	Three Months Ended February 28, 2006	Six Months Ended February 28, 2007	Six Months Ended February 28, 2006
Basic and diluted loss per share	0.02	0.02	$ 0.03	$ 0.03
Numerator:				
Net loss for the period	$ 908,772	$ 987,438	$ 1,523,736	$ 1,645,124
Denominator:				
Weighted average number of common shares	55,996,172	55,038,233	55,836,593	54,812,326

9. Related Party Transactions

Auxilium Corporation ("Auxilium")

The Company entered into an agreement with Auxilium, a corporation controlled by a director, 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 plus a $12,000 per year vehicle allowance. The Company was charged $143,500 (2006 - $143,500) as well as a performance bonus of $137,500 (2006 - $137,500) during the period by Auxilium.

Harbour Capital Corporation ("Harbour")

Under the terms of a consulting agreement $50,000 (2006 - $100,000) was paid to Harbour, a company controlled by a director of the Company to provide the services of Executive Chairman. This agreement was amended and renewed for a term of 12 months, commencing September 1, 2006, during which time Harbour will be paid $100,000 per year.

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

(Expressed in Canadian Dollars)

10. Supplementary Cash Flow Information

	Three Months Ended February 28, 2007	Three Months Ended February 28, 2006	Six Months Ended February 28, 2007	Six Months Ended February 28, 2006
Non-cash investing activity:				
Stock compensation charged to Oil Sands Project development costs	$ 65,894	$ (6,348)	$ 119,100	$ 56,290

11. Comparative Figures

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