ANNUAL REPORT 2008

TITANIUM CORPORATION.

CREATING. VALUE FROM WASTE.

TITANIUM CORPORATION

Titanium Corporation is developing the technology necessary to recover heavy minerals and bitumen contained in the waste tailings streams from oil sands mining operations near Fort McMurray, Alberta. The potential benefits from this "Value from Waste" proposition are twofold. First, the recovered materials will have intrinsic value and will provide shareholders with a source of revenue. Second, by using an integrated approach to recovering minerals and bitumen there is potential for industry-wide environmental benefits.

A TWO PRONGED OPPORTUNITY.

Value from Waste is a two pronged opportunity to create an industry-wide solution to process waste tailings into valuable commercial products and reduce environmental impacts in the oil sands industry.

Value from Waste, who benefits?

THE OIL SANDS PRODUCERS	THE ALBERTA GOVERNMENT	OUR SHAREHOLDERS	THE PUBLIC
increases resource recovery and reduces environmental impacts	fosters value-added technology innovation	creates a new sustainable profitable business	responds to public environmental concerns

The Sustainable Mining Principles, developed by the Mining Association of Canada and adopted by the oil sands industry, call for performance measures and improvements in a wide range of areas such as footprint of disturbance, speed of reclamation, emissions, energy usage, and water usage. The technology under development by Titanium will support these principles.

The results of mineral research pilot-scale testing indicated it is necessary to remove and recover bitumen from heavy minerals. Accordingly, Titanium has embarked on a three-phase bitumen research program.

ROAD MAP TO COMMERCIALIZATION

PHASE I: Lab Based Testing

Mineral Research	✓
Bitumen Research	Underway

PHASE II: Bench-Scale Continuous Testing

Mineral Research	✓
Bitumen Research	Starting 2009

PHASE III: Pilot-Scale Testing

Mineral Research	✓
Bitumen Research	Post 2009

FEASIBILITY STUDY

- analyze results of pilot testing
- complete engineering work to scale up to a commercial facility
- resolve business issues (partners, financing and markets)

COMMERCIALIZATION

- engineering, procurement and construction
- commence operations

Our Core Strengths

1 Supply

The Alberta oil sands are one of the world's largest energy resources.

2 Relationships

Titanium has established relationships with the Alberta Government and the oil sands producers to assist in the development of our technology.

3 Expertise

We have in-house capabilities for mineral and oil sands research, development and testing supported by relationships with leading independent research firms.

4 Financial Position

Titanium has a strong cash position and a fully-funded, two-year research and development program.

TITANIUM'S EVOLUTION

2004

Established mineral research and processing facility in Regina, Saskatchewan

2005

Operated bulk sampling plant in Fort McMurray, Alberta

- Tapped into oil sands froth tailings stream and extracted concentrate of heavy minerals and bitumen

2006

Operated first on-site pilot mineral concentrator plant in Fort McMurray

- 98% of heavy minerals recovered from tailings stream
- Traces of bitumen remained on heavy minerals

2007

Commenced bitumen removal/recovery R&D program

A MESSAGE FROM THE CHAIRMAN

During the past several months, the world has changed for a lot of companies. The liquidity and financial crisis which started in the United States has spread around the globe. Commodity prices have dropped significantly and we are now in the midst of a global economic slowdown. In this type of environment, access to capital for most early stage companies is limited putting severe pressure on their ability to move forward.

However, thanks to the past support of our shareholders and the Government of Alberta we are in a different position. At our fiscal year end, Titanium had over $20 million of cash resources which should be sufficient to fund our research and development program and corporate operations for the next couple of years.

While the recent decline in oil prices will likely result in the delay or cancellation of some of the new oil sands development activities, the existing mines operated by Suncor, Syncrude, Shell and Canadian Natural Resources have shown an ability to operate at these commodity price levels.

I was pleased to be able to step up to the role of Chairman in December 2007. My previous year on the Board convinced me that we have a really exciting opportunity to develop a two-pronged value from waste approach by recovering minerals and lost bitumen from oil sands waste tailings while at the same time providing environmental benefits.

My primary focus over the past year has been on providing leadership in the development of the strategic planning process and communicating with our stakeholders.

In the past year, the company has continued to develop and grow. A strategic planning session with senior management and the Board of Directors outlined the key research and development activities required and discussed the business issues which need to be resolved in order to commercialize the technology. This strategic planning process will continue to be updated as warranted.

The leadership provided by Scott Nelson and his management team has identified the key technical issues and implemented an appropriate research and development plan. Research and development is a difficult process. It is not an exact science, it takes time to complete and there are no guarantees of success. However, we have a clearly defined research and development plan with some of the best and brightest people working on the project.

I remain optimistic that we will resolve the technical issues of recovering bitumen and heavy minerals from oil sands froth treatment tailings and emerge with a commercially viable technology.

We have continued to strengthen the Board with the addition of Moss Kadey in July 2008, a successful entrepreneur and long-standing significant shareholder. We are fortunate as a small company to have a Board of dedicated individuals of international standing who are tireless in their efforts to help build our company. My personal thanks to my fellow Board members for their wisdom and dedication.

I know I speak for all Board members when I thank management and employees for their efforts in 2008. Their continued hard work and dedication to Titanium's goals and objectives is what will lead to future success in 2009 and beyond for all of our stakeholders.

Sincerely,

Gordon Pridham
Chairman
December 2, 2008

2009 will be an extremely active year with multiple R&D projects underway, the most critical of which are focused on bitumen removal and recovery. Our key objectives for 2009 are to complete bench scale testing and commence planning for an integrated pilot project.

A MESSAGE FROM THE PRESIDENT & CEO

Titanium Corporation's vision is to create "value from waste" by recovering valuable heavy minerals and bitumen from oil sands tailings. All of our efforts are directed toward that goal.

The oil sands industry is a significant resource which can help to meet North America's energy requirements but is under pressure to reduce its waste and environmental footprint. The development of new technologies can help the industry meet this challenge.

We believe there is an opportunity to create significant value for our shareholders by developing recovery technologies and implementing new processes at oil sands sites. We have embarked on a $7 million research and development ("R&D") program aimed at increasing resource recovery and delivering improved environmental performance.

Following mineral testing and on-site piloting programs, we concluded that in order to recover the heavy minerals we had to remove and recover bitumen. We entered 2008 with the challenge of removing trace amounts of bitumen from the heavy minerals and recovering bitumen from the tailings stream. To resolve these issues we executed a number of key objectives which have provided encouraging results.

Early in the year, our technical and management team developed an R&D program to attack all of the remaining issues related to minerals and bitumen. The program leverages our years of experience and is augmented with "best in class" expertise from independent research firms.

We then worked with the Government of Alberta, a major stakeholder in the oil sands, to gain their support and funding for the program. In March 2008, Titanium Corporation was awarded a $3.5 million Energy Innovation Grant to fund half of the research program. We also benefit from an Advisory Committee comprised of representatives from government, industry and leading research firms.

In addition to engaging outside experts during the year, we strengthened our internal team with the addition of Dr. Kevin Moran. Dr. Moran brings over 10 years of directly related oil sands experience. He is leading our R&D program, working closely with our research partners and adding tremendous value to our project.

The R&D program is designed to move prospective solutions from laboratory scale to continuous bench scale testing. Our efforts during 2008 were directed at designing the research projects, contracting multiple research firms and ramping up the projects. We have been encouraged by lab scale results and are advancing a number of projects to continuous bench scale testing. The timing and success of bench scale testing will determine the timing for an integrated pilot.

Our minerals research is further advanced than our bitumen project and is focused on improving zircon separation and product quality. A number of new technologies have shown improved results and testing is continuing.

Turning to the outlook for 2009, we have an extremely active year with multiple R&D projects underway, the most critical of which are focused on bitumen removal and recovery. Our key objectives for 2009 are to complete bench scale testing and commence planning for an integrated pilot project. We will continue to work closely with existing government stakeholders while pursuing opportunities for additional government funding.

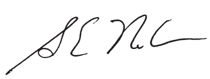
In light of today's uncertain economic outlook, we continue to carefully manage our costs and cash resources. We are tightly focused and have taken steps to reduce any costs not directly related to the core R&D program. At August 31, 2008, cash and restricted cash totalled $20.6 million, a similar level to the prior year. This level of cash should be sufficient to fund the Company's share of the R&D program over the next two years; however, the cost of future pilot work is not known at this time. Assuming our R&D program is successful, we will need to obtain external financing to commercialize the technology.

Our longer term focus is to create a new industry which will deliver increased resource recoveries from oil sands and improve the environment. To capitalize on this exciting opportunity we have assembled an exceptional technical management team who are working closely with stakeholders and government, leveraging past research and piloting experience and deploying multiple research firms to resolve the remaining technical issues.

These are especially difficult times with unprecedented market declines, including the value of our Company. We are working hard to restore shareholder value and are very encouraged by the progress in our R&D program. We are confident that we have the expertise and stakeholder support necessary to achieve success.

I would like to commend our employees for their hard work and innovation during the past year and thank our research, industry and government partners for their continuing valuable support.

Sincerely,



Scott Nelson
President & CEO
December 2, 2008

MD & A

MANAGEMENT'S DISCUSSION AND ANALYSIS

Titanium Corporation Inc. ("Titanium" or the "Company") has prepared the following discussion and analysis (the "MD&A") to provide information to assist its shareholders' understanding of the financial results for the twelve months ended August 31, 2008. This MD&A should be read in conjunction with Titanium's audited financial statements for the years ended August 31, 2008 and 2007, and the notes thereto (the "Financial Statements"). This material is available on Titanium's website at www.titaniumcorporation.com. Additional information about Titanium can be found on SEDAR at www.sedar.com.

The discussion and analysis in this MD&A is based on information available to management as of November 21, 2008.

The Financial Statements have been prepared in accordance with accounting principles generally accepted in Canada ("GAAP"). All amounts included in the MD&A are in Canadian dollars, unless otherwise specified.

This MD&A contains forward-looking information that reflects the current expectations of management about the future results, performance, achievements, prospects or opportunities for Titanium, the oil sands industry and the heavy minerals industry. These statements generally can be identified by use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "believe", "project", "should" or "continue" or the negative thereof or similar variations. Forward-looking statements are based upon a number of assumptions and are subject to a number of known and unknown risks and uncertainties, many of which are beyond Titanium's control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements.

Examples of such forward-looking information in this document include but are not limited to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions which may prove to be incorrect: changes in the worldwide price of zircon, titanium and bitumen; fluctuations in exchange rates; legislative, political or economic developments including changes to relevant legislation in Canada; operating or technical difficulties in connection with development activities; access to oil sands tailings; requirement for additional funding; development timelines; expected capital expenditures; and Titanium's expected future production and cash flows.

While we anticipate that subsequent events and developments may cause our views to change, we do not have an intention to update this forward-looking information, except as required by applicable securities laws. This forward-looking information represents our views as of the date of this MD&A and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimated expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. *There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.* These factors are not intended to represent a complete list of the factors that could affect us. See the section on "Risks" in this MD&A and risk factors highlighted in materials filed with the securities regulatory authorities in Canada from time to time.

BUSINESS OVERVIEW

The Company is a development stage company whose common shares are listed on the TSX Venture Exchange under the symbol TIC. The Company's Head Office is located in Toronto, Canada. In addition, research facilities are located in Regina, Saskatchewan and on-site pilot facilities are in Fort McMurray, Alberta.

Titanium is developing technology and processes to recover heavy minerals (primarily zircon) and bitumen contained in the waste tailings streams from oil sands mining operations near Fort McMurray, Alberta (the "Oil Sands Project"). The potential benefits from the Oil Sands Project are twofold. First, the recovered heavy minerals and bitumen have commercial value and will provide stakeholders with an attractive source of revenue. Second, by using an integrated approach to recovering heavy minerals and bitumen there is a potential for industry wide environmental benefits.

Growing environmental awareness calls for solutions that address air emissions, water use and treatment, waste management, land reclamation and maximized use of non-renewable resources. It is well known that there is a significant amount of bitumen currently discharged into tailings which will grow concurrent with the development of the industry. Recovering a meaningful portion of this lost bitumen, together with heavy minerals, represents a very large opportunity to create value for shareholders and environmental improvements by processing this waste.

The Company has been conducting a series of research and development ("R&D") programs to develop technology to process oil sands tailings directly from the pipeline. Since commencing its research and pilot programs, the Company has made significant progress in a number of important areas including:

- Established a mineral research and processing plant in Regina, Saskatchewan.
- Operated a bulk sampling plant in Fort McMurray, Alberta. This allowed the Company to tap into an oil sands froth tailings stream and extract a concentrate of heavy minerals and bitumen.
- Operated the first on-site pilot mineral concentrator plant in Fort McMurray, Alberta. 98% of heavy minerals were recovered from the tailings stream; however, traces of bitumen remained on the heavy minerals.
- Commenced a bitumen removal and recovery research and development program.

Analysis to date has shown the removal and recovery of bitumen is necessary to effectively recover the heavy minerals. In fiscal 2007, the Company initiated a bitumen R&D project designed to remove residual bitumen from the heavy minerals and recover bitumen from the tailings stream. The technical and economic success of the project relies on the integrated recovery of both heavy minerals and a portion of the bitumen currently lost to tailings.

The Company has launched phased research programs both internally and with external research firms. The objective of this initial laboratory scale work (Phase 1) is to identify the most prospective laboratory-based solutions and move them to continuous bench scale testing (Phase 2) followed by a pilot plant testing stage (Phase 3). Following the completion of its research and development program and successful piloting, the Company plans to commercialize the technology by establishing facilities to recover heavy minerals and bitumen. Presently there are four large oil sands mining operations which are candidates to utilize this process, and a number of other mining projects under various stages of development.

SIGNIFICANT EVENTS IN FISCAL 2008

Over the past year, Titanium has made significant progress towards gaining stakeholder support and resolving technical and business issues related to the Oil Sands Project. Activities have focused on executing the R&D programs and obtaining funding and stakeholder support.

Support from the Government of Alberta

In March 2008, the Government of Alberta awarded the Company an Energy Innovation Fund Grant of $3.5 million (the "Grant"). The funds from this Grant will be matched by Titanium during an approximate 24 month, $7 million R&D program directed toward achieving environmental and economic benefits from the recovery of hydrocarbons and heavy minerals from oil sands tailings.

The acknowledgement of the Company's Oil Sands Project potential through this Grant is significant. There is increasing pressure on governments and the oil sands industry in areas of environmental and resource stewardship. The Government of Alberta has endorsed the project and has a vested interest in its success. Under the Alberta Government agreement, Titanium is fortunate to now have access to an advisory committee, comprised of valued stakeholders from government, industry and leading research organizations.

The research and development activities discussed below are being conducted under the Grant program.

Update on R&D Programs

Titanium's technical programs during fiscal 2008 focused on bitumen removal and recovery, and minerals concentration and separation. The R&D programs are being managed by Titanium's in-house experts in minerals and oil sands research who are being supported by relationships with leading independent research firms.

Minerals Concentration and Separation – Development programs were conducted at the Company's Regina facility during 2008 to increase the recovery of higher grade zircon products. Prospective new technologies, tested in conjunction with external firms, have shown improved results and testing is continuing.

Bitumen Removal and Recovery – Titanium focused on the challenges of removing residual bitumen from the heavy minerals and recovering bitumen from the tailings stream. The Company's technical team developed research and development programs and conducted bitumen removal testing at its Regina facility. Additionally, two independent research firms were contracted to execute related laboratory scale R&D programs. The Company is progressing through its phased research approach and is nearing the completion of Phase 1 laboratory-based testing. Laboratory results have been encouraging and the research firms have been commissioned to progress the work from laboratory scale testing through to continuous bench testing (Phase 2). The Company also developed and commenced laboratory testing programs for bitumen recovery. A number of independent research firms have been contracted to conduct specific R&D programs addressing the multiple aspects of bitumen recovery. Titanium is moving towards continuous bench scale testing with the goal of commencing pilot scale testing thereafter.

Increase Oil Sands Expertise

In July 2008, Titanium announced that Dr. Kevin Moran had joined the Company as Vice President, Process Development. Dr. Moran recently managed research and pilot programs in oil sands bitumen extraction and froth treatment technologies for Syncrude Canada Ltd. Dr. Moran brings an extensive oil sands background to the management team, and is a recognized leader of bitumen extraction and recovery technologies. His mandate is to lead and accelerate bitumen recovery programs through the current R&D phases, field pilot testing and commercial feasibility to full scale operations.

Engage Additional Research Organizations

Titanium has commenced a phase of intensive R&D activity with multiple research partners aimed at resolving the remaining technical challenges of bitumen recovery and bitumen removal from heavy minerals. Retaining leading independent research firms provides a source of additional expertise and should accelerate the process of developing solutions to the technical issues.

COMMODITY MARKET TRENDS

Heavy minerals

Market conditions, prices and prospects for heavy minerals remained steady during fiscal 2008. However, global demand and prices are expected to be adversely affected by the global financial crisis and economic slowdown. In particular, growth in heavy minerals demand has been driven by China where the economy is now expected to grow at a more moderate pace. The zircon market has been strong and growing with attractive pricing. Zircon prices doubled over a three year period commencing in 2004 and have stabilized in 2007 and 2008 at around US$800 per tonne. During 2008, considerable market development work was undertaken with a number of leading international firms.

In contrast to zircon, prices for titanium minerals have been increasing very moderately while declining in local currencies. Titanium minerals continue to sell below US$100 per tonne as the market has been oversupplied with a number of expansions and new projects coming on stream. The high grade leucoxene minerals are being targeted to be sold to markets in Asia. The other titanium related minerals (ilmenite and lower grade leucoxene) do not have viable markets at this time. Accordingly the Company will continue to focus on the recovery of zircon.

Bitumen

The sharp drop in world oil prices from highs of around US$147 per barrel has affected bitumen prices and resulted in the slowing down, delay or deferral of oil sands expansion and development projects. However, the Company is focused on the large oil sands mining projects already in operation which have a history of continuing to operate in a low commodity price environment.

OUTLOOK FOR FISCAL 2009

The business plan for fiscal 2009 is focused on resolving the technical issues of recovering bitumen and zircon from waste tailings streams. Fiscal 2009 will be an extremely active year with multiple R&D programs underway, the most critical of which are focused on bitumen removal and recovery. During 2009, Titanium will follow its process of concluding lab scale work (Phase 1) and advance to bench scale testing (Phase 2). The timing and success of bench scale continuous testing will determine the technical factors and timing for an integrated pilot testing project (Phase 3).

The following lists the key objectives for fiscal 2009:

- Completion of bitumen removal and recovery R&D bench scale testing;
- Commence planning for an integrated pilot project to be commissioned thereafter;
- Continue close collaboration with Government stakeholders including accessing funding programs designed to support technology R&D and piloting;
- Control costs and manage cash resources conservatively; and
- Develop alternate sources of project support, funding and partnering.

SUMMARY OF FINANCIAL RESULTS FOR YEAR ENDED AUGUST 31, 2008

The following summarizes our financial performance for 2008 as compared to 2007:

- During the fiscal year ended August 31, 2008, and since inception, the Company did not generate any operating revenue as it is in the development stage.
- Expenses increased due to higher research and development activities, professional fees and certain administrative costs. These increases were offset by reduced stock compensation expense for the year compared to fiscal 2007. All of these variances are discussed later in this MD&A.
- The Company capitalized $95,589 and $514,962 in the fourth quarter and in fiscal 2008 respectively, of expenditures incurred at the Company's Regina facilities related to the development of the Oil Sands Project. In addition, the Company incurred research and development costs in the

fourth quarter and in fiscal 2008 of $463,281 and $1,192,739 respectively. In order to be deferred, the costs incurred must relate directly to the development of the Oil Sands Project. Other costs incurred at the Company's research facilities in Regina are expensed as incurred (see Research and Development Expenses and Oil Sands Project).

- For the fiscal year ended August 31, 2008, the Company incurred a net loss of $4,030,695 or $0.07 per share, compared to a net loss of $3,000,158 or $0.05 per share for fiscal 2007. For the fourth quarter of fiscal 2008, the net loss was $1,271,880 or $0.02 per common share, which compares to a net loss of $1,048,091 ($0.01 per share) for the fourth quarter of 2007.

The following table presents a summary of selected operating performance measures.

	Three months ended			Fiscal year ended		
	August 31, 2008	August 31, 2007	Increase (Decrease)	**August 31, 2008**	August 31, 2007	Increase (Decrease)
Expenses	**$ 1,419,111**	$ 1,269,903	$ 149,208	**$ 4,759,444**	$ 3,911,968	$ 847,476
Interest Income	**$ 147,231**	$ 221,812	$ (74,581)	**$ 728,749**	$ 911,810	$ (183,061)
Net loss	**$ 1,271,880**	$ 1,048,091	$ 223,789	**$ 4,030,695**	$ 3,000,158	$ 1,030,537
Net loss per share	**$ 0.02**	$ 0.01	$ 0.01	**$ 0.07**	$ 0.05	$ 0.02

Expenses

Corporate General and Administrative Costs

The following table provides details of these costs for the periods noted:

	Three months ended		Fiscal year ended	
	August 31, 2008	August 31, 2007	**August 31, 2008**	August 31, 2007
Administration and compensation	**$ 384,198**	$ 206,343	**$ 1,339,584**	$ 1,091,298
Directors' fees	**43,900**	44,125	**188,530**	170,500
Insurance	**20,047**	36,040	**119,645**	138,259
Loss on foreign exchange	**1,429**	7,295	**20,099**	28,948
Professional fees	**187,345**	126,346	**599,788**	302,635
Shareholders' communication and filing fees	**22,292**	83,426	**280,271**	342,394
Travel and promotion	**107,820**	85,684	**312,514**	316,739
TOTAL	**$ 767,031**	$ 589,259	**$ 2,860,431**	$ 2,390,773

Costs as outlined above increased in the fourth quarter and in fiscal 2008 compared to the same periods of fiscal 2007. Administration and compensation costs reflect the addition of senior management during the latter part of the year. The increase in professional fees in the fourth quarter and in fiscal 2008 of $60,999 and $297,153 respectively, relates primarily to higher recruitment fees related to the addition of new senior management and costs related to advisory services.

Stock-based Compensation

In the fourth quarter and in fiscal 2008 the cost of stock-based compensation declined compared to the same periods of fiscal 2007 as the value of options that vested in the periods declined.

Research and Development Expense

Certain costs incurred by the Company on bitumen recovery and heavy mineral extraction at the Regina facility have been treated as research and development costs and expensed in fiscal 2008. In fiscal 2007, costs incurred at the facility, primarily related to heavy minerals recovery were deferred. The research and development expense in 2008 reflects the focus of the Company on the research aspects related to bitumen recovery.

The following table summarizes research and development costs which were expensed in the periods noted:

	Three months ended		Fiscal year ended	
	August 31, 2008	August 31, 2007	**August 31, 2008**	August 31, 2007
Salaries	**$ 99,618**	$ 75,845	**$ 458,691**	$ 75,845
Consulting	**$ –**	$ 323,307	**$ 109,754**	$ 323,307
Administration	**$ 25,876**	$ 42,005	**$ 104,584**	$ 42,005
Other	**$ 530,681**	$ 33,636	**$ 712,604**	$ 33,636
Less Alberta Grant portion	**$ (192,894)**	$ –	**$ (192,894)**	$ –
TOTAL	**$ 463,281**	$ 474,793	**$ 1,192,739**	$ 474,793

Other research and development costs incurred in the fourth quarter of 2008, principally for third party research work, were higher in the fourth quarter, and for the fiscal year, which is consistent with the increased focus on research currently in progress. A portion of certain program costs is being funded from the proceeds of the grant from the Province of Alberta. All other research and development expenditures incurred in the fourth quarter did not vary materially from the level of expenditure incurred in the other quarters of the year.

Interest income

Interest income reflects earnings on the Company's cash balances.

Oil Sands Project

The Company capitalizes all direct costs of the Oil Sands Project which meet the generally accepted criteria for deferral (see Critical Accounting Estimates). Other costs which do not meet the criteria for deferral, but are incurred as part of the Company's research program, are expensed.

Costs which were capitalized in fiscal 2008 amounted to $514,962, which compares to $1,611,453 for fiscal 2007, as summarized in the adjacent table.

The following is a summary of Oil Sands Project capitalized expenditures:

	Fiscal year ended	
	August 31, 2008	August 31, 2007
Beginning Balance	**$ 14,823,946**	$ 13,212,493
Engineering and consulting fees	**10,464**	538,846
Stock option compensation charge	**32,050**	126,408
Building	**–**	14,844
Maintenance	**–**	9,727
Salaries	**187,889**	74,428
Equipment	**–**	315,976
Travel	**25,705**	56,060
General and administrative	**–**	70,009
Regina facility rent	**85,915**	175,470
Sampling and assays	**142,428**	168,945
Transport–feedstock, samples, tailings	**30,511**	60,740
ENDING BALANCE	**$ 15,338,908**	$ 14,823,946

SUMMARY OF QUARTERLY RESULTS

The following are the highlights of financial data of the Company for the most recently completed eight quarters.

	Q4 August 31, 2008	**Q3 May 31, 2008**	**Q2 February 29, 2008**	**Q1 November 30, 2007**
STATEMENT OF LOSS				
Net loss	**$ 1,271,880**	**$ 856,301**	**$ 1,152,544**	**$ 749,970**
Basic and diluted loss per share	**$ 0.02**	**$ 0.02**	**$ 0.02**	**$ 0.01**
BALANCE SHEET				
Working capital	**$ 16,866,080**	**$ 18,003,428**	**$ 18,775,700**	**$ 19,620,555**
Non-current restricted cash	**$ 3,330,742**	**$ 3,500,000**	**$ –**	**$ –**
TOTAL ASSETS	**$ 36,172,453**	**$ 37,156,772**	**$ 34,496,291**	**$ 35,084,012**

	Q4 August 31, 2007	Q3 May 31, 2007	Q2 February 28, 2007	Q1 November 30, 2006
STATEMENT OF LOSS				
Net loss	$ 1,048,091	$ 428,331	$ 908,772	$ 614,964
Basic and diluted loss per share	$ 0.01	$ 0.01	$ 0.02	$ 0.01
BALANCE SHEET				
Working capital	$ 20,325,611	$ 21,020,898	$ 21,536,736	$ 21,423,343
TOTAL ASSETS	$ 35,545,956	$ 36,205,660	$ 36,552,213	$ 36,264,506

LIQUIDITY AND CAPITAL RESOURCES

The Company finances in current operations, research and development program and capital expenditures from its current cash resources. The Alberta energy grant was a significant contribution to the Company's cash position in the year. Currently, the Company is not generating any income from its Oil Sands Project. Current demands on the Company's capital resources stem from management's plans for continued research and development on, and eventual commercialization of, the Oil Sands Project. The Company's sources of liquidity until the Oil Sands Project reaches commercial production and profitability are current cash balances, Government Grants, issue of equity capital, exercise of stock options, project financing and entering into joint ventures. The Company is in a strong financial position with $17,065,004 in unrestricted cash and short-term investments at August 31, 2008, which compares to $20,547,208 at August 31, 2007. To complete the development to commercial production, the Company will need to obtain external financing. The ability to develop the Oil Sands Project is dependent on the Company's ability to raise the necessary financing to build the required plant and infrastructure through debt or equity issues or other strategic alternatives.

The Company had a working capital balance of $16,866,080 at August 31, 2008, including $192,894 of restricted cash. This compares to working capital of $20,325,611 at August 31, 2007. In addition, the Company had $3,330,742 of non-current restricted cash at August 31, 2008 ($nil – August 31, 2007).

The current volatility and uncertainty of the global financial markets means that for at least the immediate future, there will probably be no opportunity to raise funds in the capital markets. The Company is reviewing all costs with a view to conserve available cash resources as much as possible. On the basis of the Operating Plan and Budget that was prepared by Management for fiscal 2009, the Company has sufficient funds to meet its current obligations.

The Company's short-term investments are bankers' acceptances and guaranteed investment certificates issued by Schedule A Canadian banks.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet transactions.

OUTSTANDING SHARE DATA

The following table summarizes the changes in the common shares for fiscal 2008:

	Common Shares	$
Balance August 31, 2007	56,207,651	$ 47,968,417
Shares issued on exercise of options	101,666	203,699
Reallocation from contributed surplus relating to the exercise of stock options	–	128,775
Balance August 31, 2008 and November 21, 2008	56,309,317	$ 48,300,891

OPTIONS TO PURCHASE COMMON SHARES

The following table summarizes the changes in options to purchase common shares for the fiscal year ended August 31, 2008.

	Options	Exercise Price	Expiry Dates
Balance Aug 31, 2007	2,430,000	$ 1.85 – $ 3.86	Nov. 2007 – Dec. 2011
Granted	1,475,000	$ 0.70 – $ 2.25	Nov. 2012 – July 2013
Exercised	(101,666)	$ 1.98 – $ 2.02	–
Cancelled/Expired	(578,334)	$ 1.97 – $ 3.86	–
Balance Aug 31, 2008 and November 21, 2008	3,225,000	$ 0.70 – $ 3.86	Jan. 2009 –July 2013

CRITICAL ACCOUNTING ESTIMATES

Oil Sands Project Development Costs

All direct costs which meet the generally accepted criteria for deferral related to the Oil Sands Project are capitalized as incurred. These criteria include having a clearly defined process with identifiable associated costs, establishment of technical feasibility, an intention to process and sell the recovered minerals to a clearly defined market, and adequate resources exist or are expected to be available to complete the project to commercial production.

Other costs that are incurred in connection with the Oil Sands Project that do not meet the criteria for deferral are expensed in the period in which they are incurred.

Stock-based Compensation

The Company accounts for all employee and non-employee stock-based awards pursuant to the amended recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments. The stock-based compensation recorded by the Company is a critical accounting estimate because of the value of compensation recorded and the many assumptions required to calculate the compensation expense.

Compensation expense is recorded for stock options issued to employees and non-employees using the fair value method. The Company must calculate the fair value of stock options issued and amortize the fair value to stock compensation expense over the vesting period, and adjust the amortization for stock option forfeitures and cancellations. The Company uses the Black-Scholes model to calculate the fair value of stock options issued which requires that certain assumptions including the expected life of the option and expected volatility of the stock be estimated at the time that the options are issued.

RISKS

The following discussion pertains to the outlook and conditions currently known to management that may have a material impact on the financial condition and results of operations of the Company. This discussion, by its nature, is not all-inclusive. Other factors may affect the Company in the future.

Development risks

There can be no assurance that the Company will be able to complete development of the Oil Sands Projects at all or on time or on budget due to, among other things, changes in the economics of the project, the delivery and installation of plant and equipment and cost overruns, or that the current personnel, systems, procedures and controls will be adequate to support the Company's operations. Should any of these events occur it would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Operational risks

In general, development projects have no operating history upon which to base estimates of future cash capital and operating costs. For development projects such as the Oil Sands Project, estimates of tailings supply are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies. This information is used to calculate estimates of the capital cost, cash operating costs based upon anticipated tonnage and grades to be processed, expected recovery rates, facility and equipment operating costs, anticipated climatic conditions and other factors. In addition, there remains to be undertaken certain work on the Oil Sands Project that could adversely impact estimates of capital and operating costs of the project and such differences could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company has necessarily relied on the 1996 study by the Alberta Chamber of Resources (Mineral Development Agreement Study) and oil sands' data to establish the extent and consistency of the tailings supply. This involves more risk than the typical situation where a company can control its own source of supply.

The Company may not be able to negotiate fair commercial arrangements with oil sands operators, and in such event, the Company may not be able to secure supplies of tailings.

Technological risks

The nature of developing appropriate new technologies contains inherent risks and there can be no assurance that these technologies will be successful. The inability to develop commercially viable technologies to successfully recover bitumen and minerals from oil sands tailings could have a material adverse effect on the Company's future business and financial performance.

The Company continues to develop and test processes for cleaning and extracting minerals from oil sands tailings and recovering the associated hydrocarbons. Unforeseen difficulties with scale-up to commercial scale, unexpected utility costs, natural gas costs, labour costs or shortages, engineering costs and related industrial process risks could negatively impact the viability of the project.

Marketing risks

Potential customers for heavy mineral products have unique manufacturing processes that utilize feedstock with specific characteristics. The oil sands have more impurities and on average have a slightly finer grain size than typical beach mineral sand deposits. There is also a larger than normal variance of the heavy minerals. These factors present additional challenges to the efficient processing of the heavy mineral concentrate. The critical steps required to create marketable-grade zircon and titanium mineral products from the oil sands include making a heavy mineral concentrate from the tailings and removal of the remaining hydrocarbons from the concentrate. Once removed, the hydrocarbons, together with the solvents added to aid removal, must be recovered. There is no assurance that the Company will overcome such challenges on a commercial scale and that its products will meet certain of the customers' specifications.

Financial risks

The development of the Oil Sands Project and the construction of processing facilities and commencement of commercial production will require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of further development and commercial production. The sources of funds currently available to the Company are through the issue of equity capital, the entering into of joint ventures, project financing or government funding. Additional financing may not be available when needed, or if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders.

Management and staff risks

The Company's business is dependent on retaining the services of a small number of key personnel of the appropriate calibre as the business develops. The Company has entered into employment agreements with certain of its key executives. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of the directors and senior management and the loss of one or more could have a materially adverse effect on the Company.

Competitive risks

The Company competes with international companies that have substantially greater financial and technical resources to support their business activities as well as for the recruitment and retention of qualified employees. The Company has not operated its heavy minerals processing technology at a commercial scale nor recovered hydrocarbons that are integral to the recovery of the minerals. The manufacturing methods and costs to manufacture also vary greatly, with certain methods lending themselves to specific niche applications and deposits. As a result, competition within the industry is driven by a variety of factors, principally cost of production, price and product attributes.

The Company has filed or is in the process of filing patent applications in the United States and Canada with respect to its technology for recovering heavy minerals. There can be no assurance that such patent applications will be allowed or that, if issued, the patents will not be challenged by any third parties, or that the patents of others will not have an adverse effect on the ability of the Company to commercially exploit its technology. Furthermore, there can be no assurance that others will not independently develop similar technology, duplicate the Company's product or design around the patented technology developed by the Company. In addition, the Company could incur substantial costs in defending itself in suits brought against it in respect of such patents or in suits in which the Company attempts to enforce its own patents against other parties.

COMPLIANCE

In May 2005, the Company filed an independent study, the Whitcomb Report, with respect to its Oil Sands Project. This study was prepared over three years ago and should no longer be relied upon as circumstances surrounding the project have changed. As previously described, the Company's Oil Sands Project has evolved to an integrated approach to the recovery of bitumen and minerals from oil sands tailings.

Mr. Neil Dawson, Principal of Titanatek (Pty) Ltd. of Australia, and a registered member of AusIMM is the independent consultant who acts as the Qualified Person ("QP") for the Company on its Oil Sands Project.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, marketable securities, prepaid expenses, accounts payable and accruals. The designation of the financial instruments, where relevant, is fully disclosed in the Company's financial statements. It is management's opinion that the Company is not exposed to significant interest, currency, liquidity or credit risks arising from its financial instruments and that their fair values approximated their carrying values unless otherwise noted.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

In August 2008, the Canadian Securities Administrators (the CSA) issued CSA Notice 52-109 (the Notice) – "Certification of Disclosure in Issuers' Annual and Interim Filings". This rule replaces and expands upon the previous requirements for CEO and CFO certification.

Under the Notice, the CEO and CFO of a Venture issuer are not required to certify that they have designed and evaluated the effectiveness of disclosure controls and procedures and internal control over financial reporting. In addition, revised wording for interim and annual certificates was provided. Titanium will file these revised certificates for the fiscal year ended August 31, 2008 and for future filings.

Titanium has developed procedures to evaluate the effectiveness of disclosure controls. In addition, Titanium has designed and implemented internal controls over financial reporting to provide reasonable assurance concerning the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. This work was completed in the second quarter of fiscal 2008, and based on this work the CEO and the CFO have concluded that internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements as previously discussed.

For future reporting, there will be no need for Titanium to comment on these controls in the certificates that are filed. However, the Company intends to continue to review its disclosure controls and internal controls over financial reporting on an annual basis.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com.

AUDITORS' REPORT

To the Shareholders of
Titanium Corporation Inc.

We have audited the balance sheets of Titanium Corporation Inc. as at August 31, 2008 and 2007 and the statements of loss, comprehensive loss and deficit and cash flows for each of the years in the two-year period ended August 31, 2008. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2008 and 2007 and the results of its operations and its cash flows for each of the years in the two-year period ended August 31, 2008 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada
November 21, 2008

BALANCE SHEETS

(A DEVELOPMENT STAGE COMPANY)
AUGUST 31 (IN CANADIAN DOLLARS)

	2008	2007
ASSETS		
Current		
Cash	**$ 93,327**	$ –
Restricted cash *(Note 3)*	**192,894**	–
Short-term investments	**16,971,677**	20,547,208
Commodity taxes receivable	**53,311**	42,302
Prepaids	**104,686**	36,780
	17,415,895	20,626,290
Restricted cash *(Note 3)*	**3,330,742**	–
Oil Sands Project development costs *(Note 4)*	**15,338,909**	14,823,946
Office equipment and leasehold improvements *(Note 5)*	**86,907**	95,720
	$ 36,172,453	$ 35,545,956
LIABILITIES		
Current		
Bank indebtedness	**$ –**	$ 57,285
Payables and accruals	**549,815**	243,394
	549,815	300,679
Government grant *(Note 3)*	**3,330,742**	–
Shareholders' equity		
Capital stock *(Note 6)*	**48,300,891**	47,968,417
Contributed surplus *(Note 8)*	**8,130,284**	7,385,444
Deficit	**(24,139,279)**	(20,108,584)
	32,291,896	35,245,277
	$ 36,172,453	$ 35,545,956

See accompanying notes to the financial statements

Approved on Behalf of the Board:

E.W. Slavens
DIRECTOR

G. Pridham
DIRECTOR

STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

(A DEVELOPMENT STAGE COMPANY)

FOR THE YEARS ENDED AUGUST 31 (IN CANADIAN DOLLARS)

	2008	2007	Cumulative, since inception on October 6, 1997 to August 31, 2008
EXPENSES			
Corporate, general and administrative	**$ 2,860,431**	$ 2,390,773	$ 15,571,430
Research and development costs	**1,192,739**	474,793	1,667,532
Stock-based compensation	**682,960**	1,012,600	4,063,527
Depreciation and amortization	**23,314**	33,802	165,461
Exploration properties and related plant and equipment costs written off	**–**	–	5,453,766
	4,759,444	3,911,968	26,921,716
INTEREST INCOME	**(728,749)**	(911,810)	(2,765,741)
NET LOSS BEFORE INCOME TAXES	**4,030,695**	3,000,158	24,155,975
INCOME TAXES (RECOVERY) *(Note 14)*	**–**	–	(36,198)
NET LOSS AND COMPREHENSIVE LOSS	**4,030,695**	3,000,158	24,119,777
BASIC AND DILUTED LOSS PER SHARE *(Note 9)*	**$ 0.07**	$ 0.05	
DEFICIT AT BEGINNING OF YEAR	**$ 20,108,584**	$ 17,108,426	$ –
NET LOSS	**4,030,695**	3,000,158	24,119,777
SHARES PURCHASED FOR CANCELLATION	**–**	–	19,502
DEFICIT AT END OF YEAR	**$ 24,139,279**	$ 20,108,584	$ 24,139,279

See accompanying notes to the financial statements

STATEMENTS OF CASH FLOWS

(A DEVELOPMENT STAGE COMPANY)
FOR THE YEARS ENDED AUGUST 31 (IN CANADIAN DOLLARS)

	2008	2007	Cumulative, since inception on October 6, 1997 to August 31, 2008
CASH (USED IN) PROVIDED BY:			
OPERATING ACTIVITIES			
Net loss	**$ (4,030,695)**	$ (3,000,158)	$ (24,119,777)
Net changes in non-cash working capital items:			
Exploration properties and related plant and equipment costs written off	**–**	–	5,453,766
Stock-based compensation	**841,565**	1,088,445	4,297,977
Depreciation and amortization	**23,314**	33,802	165,461
	(3,165,816)	(1,877,911)	(14,202,573)
(Increase) decrease in commodity taxes receivable	**(11,009)**	34,666	(53,311)
(Increase) decrease in prepaids	**(67,906)**	272	(104,686)
Increase (decrease) in payables and accruals	**305,393**	(798,714)	548,787
Increase in government grant	**3,330,742**	–	3,330,742
	391,404	(2,641,687)	(10,481,041)
FINANCING ACTIVITIES			
Common shares issued for cash	**203,699**	1,175,075	50,915,199
INVESTING ACTIVITIES			
Decrease (increase) in short-term investments	**3,575,531**	2,632,572	(16,971,677)
(Increase) in restricted cash	**(3,523,636)**	–	(3,523,636)
Exploration expenditures excluding depreciation of pilot plant and equipment	**–**	–	(5,522,391)
Oil Sands Project development costs	**(481,885)**	(1,451,306)	(14,070,764)
Acquisition of office equipment and leaseholds	**(14,501)**	(11,111)	(252,363)
	(444,491)	1,170,155	(40,340,831)
NET INCREASE (DECREASE) IN CASH	**150,612**	(296,457)	93,327
(BANK INDEBTEDNESS) CASH, BEGINNING OF YEAR	**(57,285)**	239,172	–
CASH (BANK INDEBTEDNESS), END OF YEAR	**$ 93,327**	$ (57,285)	$ 93,327

See accompanying notes to the financial statements

STATEMENTS OF SHAREHOLDERS' EQUITY

(A DEVELOPMENT STAGE COMPANY)
(IN CANADIAN DOLLARS)

	Shares Issued					
	# of Shares	Share Value	Warrants	Contributed Surplus	Accumulated Deficit	Total
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	–	–	–	1,214,852	–	1,214,852
Shares issued on exercise of stock options	537,000	1,175,075	–	–	–	1,175,075
Reallocation from contributed surplus relating to the exercise of stock options	–	42,012	–	(42,012)	–	–
Expiration of warrants	–	–	(4,087,198)	4,087,198	–	–
Loss for the year	–	–	–	–	(3,000,158)	(3,000,158)
Balance at August 31, 2007	56,207,651	$ 47,968,417	$ –	$ 7,385,444	$(20,108,584)	$ 35,245,277
Shares issued on exercise of stock options	**101,666**	**203,699**	**–**	**–**	**–**	**203,699**
Reallocation from contributed surplus relating to the exercise of stock options	**–**	**128,775**	**–**	**(128,775)**	**–**	**–**
Valuation of stock options granted	**–**	**–**	**–**	**873,615**	**–**	**873,615**
Loss for the year	**–**	**–**	**–**	**–**	**(4,030,695)**	**(4,030,695)**
Balance at August 31, 2008	**56,309,317**	**$ 48,300,891**	**$ –**	**$ 8,130,284**	**$ (24,139,279)**	**$ 32,291,896**

See accompanying notes to the financial statements

NOTES TO FINANCIAL STATEMENTS

(IN CANADIAN DOLLARS)

1. NATURE OF OPERATIONS 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 heavy minerals and bitumen from oil sands tailings. 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 development of this process.

To fund its development activities, the Company has raised equity capital. Cash and short-term investments (including restricted cash of $3,523,636) amounted to $20,588,640 at August 31, 2008. In addition to its investment in pilot facilities in Regina, Saskatchewan, to further its development program, the Company has constructed and operated on-site pilot facilities at an oil sands site near Fort McMurray, Alberta. The facilities are utilized on a test basis to process oil sands froth treatment tailings, taken directly from the tailings pipeline. The processes are being developed to recover heavy minerals as a concentrate and to remove and recover bitumen. The processing of heavy mineral concentrate by separation into valuable heavy minerals, primarily zircon, is being tested at the Company's Regina facilities. Process design and testing is on-going.

Following the successful completion of development and testing, the Company's business plan is to commercialize minerals and bitumen recovery from tailings at open pit oil sands mining and extraction sites. As such, in the course of commercialization, the Company will require an agreement granting access to tailings from oil sands operators to achieve its business plan. Additional funding will be required for commercialization. While the Company has been successful raising funds in the past, there can be no assurance that it will be able to raise sufficient funds in the future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles. These financial statements are denominated in Canadian dollars.

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Short-Term Investments

Short-term investments are placed in guaranteed investment certificates and bankers' acceptances with original maturity dates of less than twelve months from period end. The Company's short-term investments are held with Schedule A Canadian banks where management believes the risk of loss to be minimal.

Oil Sands Project Development Costs

All direct costs relating to the Oil Sands Project which meet the generally accepted criteria for deferral are capitalized as incurred.

Research and Development Costs

Expenditures that are related to research and development activities are expensed as incurred.

Office Equipment, Automobile, Leasehold Improvements and Related Amortization

Office equipment is recorded at cost. Amortization is recorded on the declining balance basis at an annual rate of 20%.

Automobile is recorded at cost. Amortization is recorded on the declining balance basis at an annual rate of 30%.

Leasehold improvements are recorded at cost. Amortization is recorded on the straight line basis at an annual rate of 20%.

In the year in which an asset is acquired, half the normal rate of amortization is recognized.

Government Grant

The Company periodically receives financial assistance under government incentive programs. Government assistance relating to research and development costs is reflected as a reduction of the related expenses.

Stock-Based Compensation

The Company recognizes the fair value of stock-based compensation over the vesting period of the options. The fair value of the options granted is calculated using an option pricing model that takes into account the exercise price, expected life of the option, expected volatility of the underlying shares, expected dividend yield, and the risk-free interest rate for the term of the option. The fair value is allocated between stock-based compensation expense and the Oil Sands Project development asset based on the nature of the employees' responsibilities.

Foreign Currency Translation and Transactions

The Company employs the temporal method of translation for its integrated operations. Under this method, monetary assets and liabilities are translated at the period-end rates and all other assets and liabilities are translated at applicable historical exchange rates. Revenue and expense items are translated at the rate of exchange in effect at the date the transactions are recognized in income, with the exception of amortization which is translated at the historical rate for the associated asset. Realized exchange gains and losses and currency translation adjustments are included in income. The Company does not have any self sustaining operations.

Income Taxes

Income taxes are calculated using the asset and liability method of tax accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the substantively enacted tax rates that will be in effect when the differences are expected to reverse or losses are expected to be utilized. A valuation allowance is recognized to the extent that the recoverability of future income tax assets is not considered more likely than not.

Loss Per Common Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants. Currently, the effect of potential issuances of shares under options and warrants would be anti-dilutive, and accordingly basic and diluted loss per common share are the same.

Asset Retirement Obligation

The fair value of the liability for retirement costs related to site reclamation and abandonment 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 August 31, 2008, the Company has not incurred or committed any asset retirement obligations related to the development of its Oil Sands Project.

Financial Instruments, Comprehensive Income and Hedges

The Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 3855, "Financial Instruments – Recognition and Measurement", 1530, "Comprehensive Income", 3861 "Financial Instruments – Disclosure and Presentation" and 3865, "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006, on a prospective basis; accordingly, comparative amounts for prior periods have not been restated. The Company has adopted these new standards effective September 1, 2007.

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated except for the requirement to restate currency translation adjustment as part of other comprehensive income. Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "Hedging Relationships", and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

Under adoption of these new standards, the Company designated its cash and cash equivalents and short-term investments as held-for-trading, which are measured at fair value. The Company's marketable securities are designated as available-for-sale and are presented at market value with the gain or loss realized in the accumulated other comprehensive income. Accounts receivable and prepaid expenses are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Impact upon adoption of sections 1530, 3855, 3861 and 3865
The Company has evaluated the impact of sections 1530, 3855, 3861 and 3865 on its financial statements and determined that no adjustments are currently required.

Future Accounting Changes
Capital Disclosures and Financial Instruments – Disclosures and Presentation
On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, "Capital Disclosures", Handbook Section 3862, "Financial Instruments – Disclosures", and Handbook Section 3863, "Financial Instruments – Presentation". These new standards are effective for interim and annual financial statements for the Company's reporting period beginning on September 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, "Financial Instruments — Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

Accounting Policy Choice for Transaction Costs
On June 1, 2007, the Emerging Issues Committee of the Canadian Institute of Chartered Accountants ("CICA") issued Abstract No. 166, Accounting Policy Choice for Transaction Costs (EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective August 31, 2007 and requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement. The Company has evaluated the impact of EIC-166 and has determined that no adjustments are currently required.

International Financial Reporting Standards ("IFRS")
In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian Generally Accepted Principles with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. These new standards are effective for interim and annual financial statements for the Company's reporting period beginning on September 1, 2011.

Impairment of Long-Lived Assets
Canadian GAAP 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, undiscounted future cash flows expected to result from the use of the asset and its disposition must be estimated and compared with the carrying values of those assets.

Where the undiscounted future cash flows are less than the carrying amount of the asset, the assets are written down to their estimated fair values. Management has not identified circumstances indicating possible impairment of the Company's long-lived assets as at August 31, 2008.

Comparative Information
Certain comparative figures have been reclassified to conform with current period financial statement presentation.

3. GOVERNMENT GRANT

On March 28, 2008, the Company was awarded a $3.5 million Energy Innovation Fund Grant (The "Grant") from the Province of Alberta to allow the Company to continue its research into the value added opportunities and environmental benefits of recovering hydrocarbons and heavy minerals from oil sands tailings streams. Titanium is matching the value of the Grant which represents half of the total program expenditure of $7 million for a two-year project (The "Project"). The Grant will be recognized in income on a matching basis as the Company incurs expenditures on the Project.

Restricted cash represents $3.33 million of government grant proceeds which will be used to settle applicable expenditures related to the contract.

The Company has issued a Letter of Credit to the Province of Alberta in relation to the Grant, which will allow the Province of Alberta to recover the balance of funds advanced under certain circumstances. The Letter of Credit is secured by the restricted cash, and will reduce as expenditures are incurred.

The following table reflects the balance of the Grant as at August 31, 2008:

Amount granted – March 31, 2008	$ 3,500,000
Eligible expenditures during the period	(192,894)
Interest earned during the period	23,636
Balance – end of period	$ 3,330,742

4. OIL SANDS PROJECT DEVELOPMENT COSTS

Costs incurred relating to the oil sands project development are as follows:

	2008 Opening Balance	**Additions**	**Writedowns**	**2008 Closing Balance**
Acquisition and Development Costs:	**$ 7,583,702**	**$ 514,963**	**$ –**	**$ 8,098,665**
Building and Equipment Construction Costs:	**7,240,244**	**–**	**–**	**7,240,244**
	$ 14,823,946	**$ 514,963**	**$ –**	**$ 15,338,909**

	2007 Opening Balance	Additions	Writedowns	2007 Closing Balance
Acquisition and Development Costs:	$ 6,447,803	$ 1,135,899	$ –	$ 7,583,702
Building and Equipment Construction Costs:	6,764,690	475,554	–	7,240,244
	$ 13,212,493	$ 1,611,453	$ –	$ 14,823,946

5. OFFICE EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	2008	2007
COST		
Office equipment	**$ 152,395**	$ 137,894
Automobile	**45,714**	45,714
Leasehold improvements	**48,573**	48,573
	246,682	232,181
ACCUMULATED AMORTIZATION		
Office equipment	**84,529**	69,374
Automobile	**26,673**	18,514
Leasehold improvements	**48,573**	48,573
	159,775	136,461
NET CARRYING VALUE		
Office equipment	**67,866**	68,520
Automobile	**19,041**	27,200
Leasehold improvements	**–**	–
	$ 86,907	$ 95,720

6. 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 warrants for cash	79,567	179,025
Valuation of warrants exercised	–	50,287
Exercise of stock options for cash	1,004,666	2,147,199
Reallocation from contributed surplus relating to the exercise of Agents' options and stock options	–	1,264,695
Adjustment to share issue costs as at August 25, 2005 to reflect value of Broker Warrants issued	–	(402,374)
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, August 31, 2007	56,207,651	$ 47,968,417
Exercise of stock options for cash	101,666	203,699
Reallocation from contributed surplus relating to the exercise of stock options	–	128,775
BALANCE, AUGUST 31, 2008	**56,309,317**	**$ 48,300,891**

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 granted under the Plan.

	Number of Stock Options		Weighted Average Exercise Price	
	2008	2007	**2008**	2007
Opening Balance	**2,430,000**	2,959,500	**$ 2.60**	$ 2.68
Options granted	**1,475,000**	500,000	**1.96**	2.10
Options cancelled/expired	**(578,334)**	(492,500)	**(2.73)**	(2.84)
Options exercised	**(101,666)**	(537,000)	**2.32**	2.15
Ending Balance	**3,225,000**	2,430,000	**$ 2.33**	$ 2.60

The fair value of the 1,475,000 options granted has been estimated at the date of grant using a Black-Scholes option pricing model, using the following assumptions: a weighted average risk-free interest rate of 3.45% – 3.69%; volatility factors of the expected market price of the Company's common stock of 47.0% – 61.3%; and an expected life of 5 years.

As at August 31, 2008 there were 2,225,833 (2007 – 2,046,665) exercisable stock options. The remaining expense to be recognized as a charge to income over the vesting period for unvested options is $798,711 (2007 – $350,131).

The following table reflects the stock options outstanding as of August 31, 2008:

Expiry Date	**Weighted Average Exercise Price ($)**	**Options Outstanding**	**Weighted Average Remaining Life (Years)**	**Options Vested**	**Weighted Average Exercise Price ($) (Vested)**
2009	**1.94**	**290,000**	**0.54**	**290,000**	**1.94**
2010	**3.33**	**800,000**	**1.55**	**800,000**	**3.33**
2011	**2.40**	**705,000**	**2.88**	**705,000**	**2.40**
2012	**2.21**	**505,000**	**4.30**	**180,833**	**2.20**
2013	**1.80**	**925,000**	**4.56**	**250,000**	**2.00**
		3,225,000		**2,225,833**	

The following table reflects the stock options outstanding as of August 31, 2007:

Expiry Date	Weighted Average Exercise Price ($)	Options Outstanding	Weighted Average Remaining Life (Years)	Options Vested	Weighted Average Exercise Price ($) (Vested)
2007	2.18	100,000	0.23	100,000	2.18
2008	2.45	10,000	0.56	10,000	2.45
2009	1.97	470,000	1.55	470,000	1.97
2010	3.41	950,000	2.54	783,333	3.41
2011	2.44	900,000	3.77	683,332	2.50
		2,430,000		2,046,665	

8. CONTRIBUTED SURPLUS

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

	Amount
Balance, August 31, 2005	$ 2,000,105
Stock option compensation expense	1,389,997
Options exercised	(1,264,696)
Balance, August 31, 2006	2,125,406
Stock option compensation expense	1,214,852
Options exercised	(42,012)
Expired warrants	4,087,198
Balance, August 31, 2007	7,385,444
Stock option compensation expense	682,960
Stock option compensation charged to research and development costs	190,655
Options exercised	(128,775)
Balance, August 31, 2008	$ 8,130,284

9. LOSS PER COMMON SHARE – BASIC AND DILUTED

The basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. 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 is anti-dilutive, and therefore basic loss per share is equal to diluted loss per share.

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

	2008	2007
Basic and diluted loss per share	**$ 0.07**	$ 0.05
NUMERATOR:		
Net loss	**$ 4,030,695**	$ 3,000,158
DENOMINATOR:		
Weighted average number of common shares	**56,277,564**	56,025,079

10. 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 one year, commencing February 23, 2008, during which time Auxilium will be paid $275,000 per year plus a $12,000 per year vehicle allowance and a performance bonus as determined annually by the Board of Directors. The Company was charged $430,850 (2007 – $424,500) during the year by Auxilium. Included in this amount is a bonus of $143,850 (2007 – $137,500) paid to this Company during the year.

Harbour Capital Corporation ("Harbour")
Under the terms of a consulting agreement which expired on August 31, 2007, $100,000 was paid to Harbour during fiscal 2007 to provide the services of Executive Chairman. Harbour is a company that was controlled by a director of the Company. No comparable amount was paid to Harbour in fiscal 2008 as the director and Executive Chairman resigned effective August 31, 2007.

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

11. COMMITMENTS

The Company has entered into agreements to lease premises for research and office use for various periods. Future minimum annual lease amounts payable are as follows:

2009	$ 168,041
2010	$ 68,445
2011	$ 37,623
2012	$ 28,710
	$ 302,819

12. SUPPLEMENTARY CASH FLOW INFORMATION

	2008	2007
Stock compensation expensed as research and development costs	**$ 158,605**	$ 75,845
Stock compensation capitalized to oil sands development costs	**32,050**	126,407
	$ 190,655	$ 202,252

13. FINANCIAL INSTRUMENTS

At August 31, 2008, the Company's financial instruments consisted of cash, restricted cash, short-term investments, commodity taxes receivable and payables and accruals. The Company estimates that the fair value of these financial instruments approximate the carrying values. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

14. INCOME TAXES

The following table reconciles the expected income tax recovery at the statutory income tax rate to the amounts recognized in the statements of operations:

	2008	2007
Net loss before income taxes reflected in the statements of operations	**$ 4,030,695**	$ 3,000,158
Expected income tax recovery at statutory rate	**1,348,699**	1,080,433
Non-deductible consulting (stock-based) compensation expense	**(281,594)**	(364,627)
Other non-deductible items	**(4,894)**	(5,703)
Effect of change in income tax rates	**(456,907)**	(195,990)
Valuation allowance	**(605,304)**	(514,113)
Income tax reflected in the statement of operations	**$ –**	$ –

The following table reflects the future income tax assets at August 31, 2008 and 2007:

	2008	2007
Future income tax assets:		
Unclaimed non-capital losses	**$ 4,300,408**	$ 5,431,718
Scientific research and development (SR&ED) expenditure pool	**1,775,915**	1,272,801
Excess of unclaimed exploration and development expenditures and undepreciated capital cost over carrying values	**–**	–
Unclaimed common stock issue costs	**94,987**	412,444
Ontario vs Federal tax attributes transitional debit	**108,518**	–
Deferred grant revenue	**923,576**	–
Other	**5,573**	9,108
	7,208,977	7,126,071
Less valuation allowance	**(5,958,253)**	(6,217,246)
Total future tax assets	**1,250,724**	908,825
Future income tax liabilities:		
Excess of book value over unclaimed exploration and development expenditures, undepreciated capital cost and cumulative eligible capital property	**(1,250,724)**	(908,825)
Net future tax	**$ –**	$ –

Under the Income Tax Act (Canada), certain expenditures are classified as SR&ED expenditures and are grouped into a pool for tax purposes, which are 100% deductible in the year in which they are incurred. The expenditure pool can be carried forward indefinitely and deducted in full in any subsequent year. The SR&ED expenditure pool at August 31, 2008 is $6,217,474 (2007 – $4,099,354).

The Company has also earned investment tax credits on SR&ED expenditures at August 31, 2008 of $1,345,593 (2007 – $872,302), which can offset Canadian income taxes otherwise payable in future years up to 2015.

As at August 31, 2008, the Company has Canadian tax losses carried forward of $16,046,604 (2007 – $17,581,293) and are available until 2028 as follows:

2008	$ 282,336
2009	1,502,266
2010	1,114,190
2014	2,018,780
2015	5,059,308
2026	3,398,982
2027	2,388,244
2028	282,498
	$ 16,046,604

CORPORATE GOVERNANCE

We are committed to adopting best practices in Corporate Governance. The Board of Directors of Titanium Corporation is comprised of seven directors, five of whom are considered to be "independent" within the meaning of National Instrument 58-101, thereby facilitating the Board's exercise of independent supervision over management. The following directors are considered by the Board to be independent: C. Bruce Burton, Moss Kadey, Malcolm Macpherson, Brant G. Sangster and Eric W. Slavens.

The Board has established the following standing committees:

Audit Committee
Compensation and Corporate Governance Committee

To encourage and promote a culture of the highest standards of ethical business conduct, the Board has adopted a Code of Business Conduct and Ethics. The Code of Business Conduct and Ethics, as well as a more comprehensive description of Titanium Corporation's governance practices, is available on the website at www.titaniumcorporation.com.

DIRECTORS

Gordon Pridham[1]
Chairman

C. Bruce Burton[1,2]
Director

Moss Kadey[2]
Director

Malcolm Macpherson[2]
Director

Scott Nelson
President & Chief Executive Officer

Brant G. Sangster[2]
Director

Eric W. Slavens, FCA[1,2]
Lead Director

1 Member of the Audit Committee
2 Member of the Compensation and Corporate Governance Committee

MANAGEMENT

Scott Nelson
President & Chief Executive Officer

Victor Wells, FCA
Chief Financial Officer

George Duguay
Corporate Secretary

Dr. Salustio Guzman
Vice President, Marketing and Technology

Dr. Kevin Moran
Vice President, Process Development

John Oxenford
Vice President, Oil Sands Operations

Carolyn Muir
Manager, Investor Relations

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SHAREHOLDER INFORMATION

Titanium Corporation welcomes inquiries from shareholders, analysts, media representatives and other interested parties. Questions relating to investor relations or media inquiries should be directed to Investor Relations 416.955.0715 or via e-mail at pr@titaniumcorporation.com

Shareholders' questions relating to address changes and Share certificates should be directed to Titanium Corporation's Transfer Agent:

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STOCK EXCHANGE LISTING

TSX Venture Exchange
Symbol: TIC

ANNUAL MEETING

The annual and special meeting will take place at 10:00 am on Monday, January 26, 2009, in the TSX Broadcast Centre Gallery, The Exchange Tower, 130 King Street West, Toronto, Ontario.

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32 trees preserved for the future	169 lbs. solid waste not generated	1,313 gallons wastewater flow saved	316 lbs. net greenhouse gases prevented	3,000,000 BTUs energy not consumed

Titanium incorporates sustainable development practices within our corporation.
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