

**TITANIUM CORPORATION INC.**  
(A Development Stage Company)

**INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED**  
**NOVEMBER 30, 2008**  
**(UNAUDITED)**

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying unaudited interim financial statements of Titanium Corporation Inc. (A Development Stage Company) were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the August 31, 2008 audited financial statements. Only changes in accounting policies have been disclosed in these unaudited interim financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim financial statements and (ii) the unaudited interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

## **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

	<b>November 30 2008</b>	August 31, 2008
<b>Assets</b>		
Current		
Cash	\$ 51,176	\$ 93,327
Restricted cash (Note 5)	383,184	192,894
Short-term investments	15,694,950	16,971,677
Commodity taxes receivable	68,279	53,311
Prepays	<u>82,925</u>	<u>104,686</u>
	<b>16,280,514</b>	<b>17,415,895</b>
Restricted cash (Note 5)	<b>3,168,752</b>	3,330,742
Oil Sands Project development costs	<b>15,415,145</b>	15,338,909
Equipment and leasehold improvements	<u>151,313</u>	<u>86,907</u>
	<b><u>\$ 35,015,724</u></b>	<b><u>\$ 36,172,453</u></b>

**Liabilities**

Current		
Payables and accruals	<u>507,723</u>	<u>549,815</u>
Government grant (Note 5)	<b>3,168,752</b>	3,330,742
Shareholders' equity		
Capital stock (Note 6)	48,300,891	48,300,891
Contributed surplus (Note 7)	8,324,005	8,130,284
Deficit	<u>(25,285,647)</u>	<u>(24,139,279)</u>
	<u>31,339,249</u>	<u>32,291,896</u>
	<b><u>\$ 35,015,724</u></b>	<b><u>\$ 36,172,453</u></b>

Nature of operations and basis of presentation (Note 1)

**Titanium Corporation Inc.**  
(A Development Stage Company)  
Interim Statements of Loss, Comprehensive Loss and Deficit  
(Expressed in Canadian Dollars)  
(Unaudited)

	<b>Three Months Ended November 30</b>		Cumulative Since Inception on October 6, 1997 to November 30, 2008
	<b>2008</b>	2007	
<b>Expenses</b>			
Corporate general and administrative	\$ 701,419	\$ 589,021	\$ 16,272,849
Depreciation and amortization	6,596	5,698	172,057
Research and development costs	388,643	216,424	2,056,175
Stock-based compensation	174,464	147,313	4,237,991
Exploration properties and related plant and equipment costs written-off	-	-	\$ 5,453,766
	<u>1,271,122</u>	<u>958,456</u>	<u>28,192,838</u>
<b>Interest income</b>	<u>(124,754)</u>	<u>(208,486)</u>	<u>(2,890,495)</u>
<b>Net loss before income taxes</b>	<u>1,146,368</u>	<u>749,970</u>	<u>25,302,343</u>
<b>Income tax expense (recovery)</b>	<u>-</u>	<u>-</u>	<u>(36,198)</u>
<b>Net loss and comprehensive loss</b>	<u>\$ 1,146,368</u>	<u>\$ 749,970</u>	<u>\$ 25,266,145</u>
<b>Basic and diluted loss per share (Note 9)</b>	<u>\$ 0.02</u>	<u>\$ 0.01</u>	
<b>Deficit at beginning of period</b>	<u>\$ 24,139,279</u>	<u>\$ 20,108,584</u>	<u>\$ -</u>
<b>Net loss</b>	<u>1,146,368</u>	<u>749,970</u>	<u>25,266,145</u>
<b>Shares purchased for cancellation</b>	<u>-</u>	<u>-</u>	<u>19,502</u>
<b>Deficit at end of period</b>	<u>\$ 25,285,647</u>	<u>\$ 20,858,554</u>	<u>\$ 25,285,647</u>

The accompanying notes are an integral part of these unaudited interim financial statements

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

	<b>Three Months Ended</b>		Cumulative Since
	<b>November 30</b>		Inception on
	<b>2008</b>	2007	October 6, 1997 to November 30, 2008
<b>Cash (used in) provided by:</b>			
<b>Operating activities</b>			
Net loss	\$ (1,146,368)	\$ (749,970)	\$ (25,266,145)
Net changes in non-cash working capital items:			
Exploration properties and related plant and equipment costs written-off	-	-	5,453,766
Stock-based compensation	193,721	180,642	4,491,698
Depreciation and amortization	<u>6,596</u>	<u>5,698</u>	<u>172,057</u>
	<b>(946,051)</b>	<b>(563,630)</b>	<b>(15,148,624)</b>
(Increase) Decrease in commodity taxes receivable	(14,968)	25,624	(68,279)
Decrease (Increase) in prepaids	21,761	26,763	(82,925)
(Decrease) Increase in payables and accruals	(42,092)	164,669	506,695
(Decrease) Increase in government grant	<u>(161,990)</u>	<u>-</u>	<u>3,168,752</u>
	<b>(1,143,340)</b>	<b>(346,574)</b>	<b>(11,624,381)</b>
<b>Financing activities</b>			
Common shares issued, net of issue costs, settled for cash	<u>-</u>	<u>-</u>	<u>50,915,199</u>
<b>Investing activities</b>			
Increase in restricted cash	(28,300)	-	(3,551,936)
Decrease (Increase) in short-term investments	1,276,727	3,145,418	(15,694,950)
Exploration expenditures, excluding depreciation of pilot plant and equipment	-	-	(5,522,391)
Oil Sands Project development costs	(76,236)	(132,161)	(14,147,000)
Acquisition of equipment and leaseholds	<u>(71,002)</u>	<u>(9,265)</u>	<u>(323,365)</u>
	<b>1,101,189</b>	<b>3,003,992</b>	<b>(39,239,642)</b>
<b>Net Increase (Decrease) in cash</b>	<b>(42,151)</b>	<b>2,657,418</b>	<b>51,176</b>
<b>Cash, beginning of period</b>	<b>93,327</b>	<b>(57,285)</b>	<b>-</b>
<b>Cash, end of period</b>	<b>\$ 51,176</b>	<b>\$ 2,600,133</b>	<b>\$ 51,176</b>

The accompanying notes are an integral part of these unaudited interim financial statements

**Titanium Corporation Inc.**  
(A Development Stage Company)  
Interim Statements of Shareholders' Equity  
(Expressed in Canadian Dollars)  
(Unaudited)

	<u>Shares Issued</u>		Warrants	<u>Contributed Accumulated</u>		<u>Total</u>
	<u># of Shares</u>	<u>Share Value</u>		<u>Surplus</u>	<u>Deficit</u>	
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 agents options and 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)
<b>Balance at August 31, 2007</b>	<b>56,207,651</b>	<b>\$ 47,968,417</b>	<b>\$ -</b>	<b>\$ 7,385,444</b>	<b>\$ (20,108,584)</b>	<b>\$ 35,245,277</b>
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 period	-	-	-	-	(4,030,695)	(4,030,695)
<b>Balance at August 31, 2008</b>	<b>56,309,317</b>	<b>\$ 48,300,891</b>	<b>\$ -</b>	<b>\$ 8,130,284</b>	<b>\$ (24,139,279)</b>	<b>\$ 32,291,896</b>
Valuation of stock options granted	-	-	-	193,721	-	193,721
Loss for the year	-	-	-	-	(1,146,368)	(1,146,368)
<b>Balance at November 30, 2008</b>	<b>56,309,317</b>	<b>\$ 48,300,891</b>	<b>\$ -</b>	<b>\$ 8,324,005</b>	<b>\$ (25,285,647)</b>	<b>\$ 31,339,249</b>

*The accompanying notes are an integral part of these unaudited interim financial statements*

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**Titanium Corporation Inc.**  
(A Development Stage Company)  
Notes to Interim Financial Statements  
Three Months Ended November 30, 2008  
(Expressed in Canadian Dollars)  
(Unaudited)

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**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 commercial 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 \$383,184) amounted to \$16,129,310 as at November 30, 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 have been utilized on a test basis to process oil sands froth treatment tailings, taken directly from the tailings pipeline. 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 agreement to long term 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 in accessing capital markets in the past, there can be no assurance that it will be able to do so in the future.

**2. Accounting Policies**

The unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by GAAP for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended November 30, 2008 may not necessarily be indicative of the results that may be expected for the year ending August 31, 2009.

The balance sheet at August 31, 2008 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by GAAP 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, 2008. 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, 2008.

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**Titanium Corporation Inc.**  
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**2. Accounting Policies (Continued)**

**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.

Capital Disclosure

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 Company has included disclosures recommended by the new Handbook section in Note 3 to these unaudited interim financial statements.

Financial Instruments

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 has included disclosures recommended by the new Handbook section in Note 4 to these unaudited interim financial statements.

**General Standards of Financial Statement Presentation**

In June 2007, the CICA amended Handbook Section 1400, Going Concern, to include additional requirements to assess and disclose an entity's ability to continue as a going concern. Section 1400 is effective for interim and annual reporting periods beginning on or after January 1, 2008. The adoption of this standard had no impact on the Company's operating results or financial position.

**Future Accounting Changes**

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian Generally Accepted Accounting 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 commencing on September 1, 2011.



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**Titanium Corporation Inc.**  
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Notes to Interim Financial Statements  
Three Months Ended November 30, 2008  
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**2. Accounting Policies (Continued)**

**Future Accounting Changes (Continued)**

Goodwill and Intangible Assets

In November 2007, the CICA approved Handbook Section 3064, "Goodwill and Intangible Assets" which replaces the existing Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs". This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets. The Company is currently assessing the impact of this new accounting standard on its interim financial statements.

**Comparative Figures**

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

**3. Capital Management**

When managing capital, the Company's objectives are to ensure the entity continues its development activities, to create value for shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support its activities as a development company. As a development company, the Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the development activities of the business.

The projects which the Company currently operate are in the development stage. As such the Company is dependent on external financing to fund its activities. In order to carry out the planned progression of its development activities and pay for administrative costs, the Company will utilize its existing working capital and raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size and stage of development of the Company, is appropriate.

There were no changes in the Company's approach to capital management during the three months ended November 30, 2008. The Company is not subject to externally imposed capital requirements.

**4. Financial Risk Factors**

**(a) Project Risk**

The Company's most significant project is the development of a heavy mineral and bitumen recovery process applicable to the oil sands industry. Unless the Company acquires or develops additional significant processes, the Company will be solely dependent upon its current development project. Any adverse event affecting this project would have a material adverse effect on the Company's financial condition and results of operations.

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**Titanium Corporation Inc.**  
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**4. Financial Risk Factors** (Continued)

**(b) Financial Risk**

The Company's activities expose it to a variety of financial, credit and liquidity risks, including interest rate and foreign exchange rate risks.

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, restricted cash, short-term investments, and commodity taxes receivable. Cash, restricted cash, and short-term investments are held with reputable financial institutions which are reviewed by management. Financial instruments included in commodity taxes receivable consist of sales tax receivable from government authorities in Canada. Management believes that the credit risk concentration with respect to financial instruments is minimal.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at November 30, 2008, the Company had an aggregate cash, restricted cash and short-term investment balance of \$16,129,310 (August 31, 2008 - \$17,257,898) to settle current liabilities of \$507,723 (August 31, 2008 - \$549,815). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates.

i) Interest Rate Risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in bankers' acceptances and guaranteed investment certificates issued by Schedule A Canadian banks. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its banks.

ii) Foreign Currency Risk

The Company's reporting and functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds major development expenses in Canada. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

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**4. Financial Risk Factors (Continued)**

**Sensitivity analysis**

The Company has, for accounting purposes, designated its cash and short-term investments as held-for-trading, which are measured at fair value. Commodities taxes receivable are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair market value. Payables and accruals are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also equals fair market value.

As of November 30, 2008, the Company estimates that both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period:

- (i) Short-term investments include term deposits which have variable rates. As at November 30, 2008, if interest rates had decreased/increased by 1% with all other variables held constant, the loss for the three months ended November 30, 2008 would have been approximately \$39,100 higher/lower, as a result of lower/higher interest income from short-term investments. Similarly, as at November 30, 2008, reported shareholders' equity would have been approximately \$39,100 lower/higher as a result of lower/higher interest income from short-term investments due to a 1% decrease/increase in interest rates.
- (ii) The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

**5. 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 reflected as a reduction of research and development expense on a matching basis as the Company incurs expenditures on the Project.

Restricted cash represents \$3.17 million of government grant proceeds which will be used to settle applicable expenditures related to the Project.

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

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**5. Government Grant (Continued)**

The following table reflects the balance of the Grant as at November 30, 2008:

	<b>Three Months Ended November 30, 2008</b>	<b>Period from Inception of Grant to November 30, 2008</b>
Grant balance, beginning of period	\$ 3,330,742	\$ 3,500,000
Eligible expenditures during the period	(190,290)	(383,184)
Interest earned during the period	<u>28,300</u>	<u>51,936</u>
Grant balance, end of period	<u>\$ 3,168,752</u>	<u>\$ 3,168,752</u>

**6. Capital Stock**

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

<b>Common Shares</b>	<b>Number of Shares</b>	<b>Amount</b>
Balance, August 31, 2008 and November 30, 2008	56,309,317	\$ 48,300,891

**7. Contributed Surplus**

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

Balance, August 31, 2008	\$ 8,130,284
Stock-based compensation expense	174,464
Stock-based compensation charged to research and development costs and oil sands development costs	<u>19,257</u>
Balance, November 30, 2008	<u>\$ 8,324,005</u>

**8. 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.

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**8. Common Share Purchase Plan (Continued)**

The following table reflects the continuity of stock options for the three months ended November 30, 2008:

	Number of Stock Options	Weighted Average Exercise Price
Balance, August 31, 2008	3,225,000	\$ 2.33
Options granted	270,000	0.21
Options expired/cancelled	(375,000)	2.21
<b>Balance, November 30, 2008</b>	<b>3,120,000</b>	<b>\$ 2.10</b>

The following table reflects the stock options outstanding as of November 30, 2008:

Expiry Date	Weighted Average Exercise Price (\$)	Options Outstanding	Weighted Average Life (Years)	Options Vested	Weighted Average Exercise Price (\$) (Vested)
2009	1.94	190,000	0.32	190,000	1.92
2010	3.33	750,000	1.32	750,000	3.34
2011	2.40	605,000	2.60	605,000	2.47
2012	2.21	380,000	4.04	202,500	2.19
2013	1.80	1,195,000	4.46	404,167	1.93
	<b>2.10</b>	<b>3,120,000</b>		<b>2,151,667</b>	

The following stock options were granted during the three months ended November 30, 2008:

Expiry Date	Exercise Price(\$)	Weighted Average Fair Value(\$)	Number
November 26, 2008	0.21	32,670	270,000

The fair value of the 270,000 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 2.48%; volatility factors of the expected market price of the Company's common stock of 67.2%; and an expected life of 5 years.

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**9. Basic and Diluted Loss Per Common Share**

The basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share is the same as basic loss per share. The effect of stock 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 diluted loss per share:

	Three Months Ended November 30,	
	2008	2007
Basic and diluted loss per share	\$ 0.02	\$ 0.01
<u>Numerator:</u>		
Net loss for the period	\$ 1,146,368	\$ 749,970
<u>Denominator:</u>		
Weighted average number of common shares	56,309,317	56,207,651

**10. Related Party Transaction**

**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 \$209,250 (2007 - \$71,750) during the three months ended November 30, 2008 by Auxilium. Included in this amount is a bonus of \$137,500 (2007 - nil) paid to the Company during the three months ended November 30, 2008.

This related party transaction was in the normal course of operations and was measured at the exchange amounts.

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**Titanium Corporation Inc.**  
(A Development Stage Company)  
Notes to Interim Financial Statements  
Three Months Ended November 30, 2008  
(Expressed in Canadian Dollars)  
(Unaudited)

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**11. Supplemental Cash Flow Information**

	Three Months Ended November 30,	
	<b>2008</b>	2007
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Non-cash investing activity:		
Stock compensation expensed as research and development costs	\$ <b>13,974</b>	\$ -
Stock compensation capitalized to oil sands development costs	\$ <b>5,283</b>	\$ -