TITANIUM CORPORATION INC.
(A Development Stage Company)

INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2009 (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 for 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)

	May 31, 2009	August 31, 2008
Assets		
Current		
Cash	**$ 145,615**	$ 93,327
Restricted cash (Note 5)	**1,140,206**	192,894
Short-term investments	**12,861,465**	16,971,677
Commodity taxes receivable	**25,153**	53,311
Prepaid expenses	**121,157**	104,686
	14,293,596	17,415,895
Restricted cash (Note 5)	**2,468,331**	3,330,742
Oil Sands Project development costs	**15,561,677**	15,338,909
Equipment	**138,060**	86,907
	$ 32,461,664	$ 36,172,453
Liabilities		
Current		
Payables and accruals	**888,952**	549,815
Government grant (Note 5)	**2,468,331**	3,330,742
Shareholders' equity	**29,104,381**	32,291,896
	$ 32,461,664	$ 36,172,453

Nature of operations and basis of presentation (Note 1)

Approved on Behalf of the Board:

"Eric W. Slavens"
Director

"Scott Nelson"
Director

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

Titanium Corporation Inc.

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

	Three Months Ended		Nine Months Ended		Cumulative Since Inception on October 6, 1997
	May 31, 2009	May 31, 2008	**May 31, 2009**	May 31, 2008	to May 31, 2009
Expenses					
Research and development	**$ 738,310**	$ 204,938	**$ 1,621,842**	$ 729,459	$ 3,289,374
General and administrative	**550,728**	620,545	**1,829,124**	2,074,730	17,295,252
Depreciation and amortization	**6,374**	5,829	**19,567**	17,277	185,028
Foreign exchange loss (gain)	**5,487**	(2,461)	**42,351**	18,670	147,653
Stock-based compensation	**194,242**	177,370	**545,362**	500,197	4,608,889
Exploration properties and related plant and equipment costs written-off	**-**	-	**-**	-	5,453,766
	1,495,141	1,006,221	**4,058,246**	3,340,333	30,979,962
Interest income	**(56,075)**	(149,920)	**(261,165)**	(581,518)	(3,026,906)
Net loss before income taxes	**1,439,066**	856,301	**3,797,081**	2,758,815	27,953,056
Income tax expense (recovery)	**-**	-	**-**	-	(36,198)
Net loss and comprehensive loss	**$ 1,439,066**	$ 856,301	**$ 3,797,081**	$ 2,758,815	$ 27,916,858
Basic and diluted loss per share (Note 9)	**$ 0.03**	$ 0.02	$ 0.07	$ 0.05	
Deficit at beginning of period	**$ 26,497,294**	$ 22,011,098	$ 24,139,279	$ 20,108,584	$ -
Net loss	**1,439,066**	856,301	3,797,081	2,758,815	27,916,858
Shares purchased for cancellation	**-**	-	-	-	19,502
Deficit at end of period	**$ 27,936,360**	$ 22,867,399	$ 27,936,360	$ 22,867,399	$ 27,936,360

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)

	Three Months Ended		Nine Months Ended		Cumulative Since Inception on October 6, 1997
	May 31, 2009	May 31, 2008	**May 31, 2009**	May 31, 2008	to May 31, 2009
Cash (used in) provided by:					
Operating activities					
Net loss	**$ (1,439,066)**	$ (856,301)	**$ (3,797,081)**	$ (2,758,815)	$ (27,916,858)
Items not affecting cash:					
Exploration properties and related plant and equipment costs written-off	**-**	-	**-**	-	5,453,766
Loss on disposition of equipment	**3,903**	-	**3,903**	-	3,903
Stock-based compensation	**209,836**	212,937	**590,524**	623,234	4,888,501
Depreciation and amortization	**6,374**	5,829	**19,567**	17,277	185,028
	(1,218,953)	(637,535)	**(3,183,087)**	(2,118,304)	(17,385,660)
Net changes in non-cash working capital items:					
Decrease (Increase) in commodity taxes receivable	**47,197**	39,294	**28,158**	27,109	(25,153)
(Increase) Decrease in prepaid expenses	**(79,386)**	8,662	**(16,471)**	(94,717)	(121,157)
Increase (Decrease) in payables and accruals	**587,936**	(209,168)	**339,137**	73,687	887,924
(Decrease) Increase in government grant	**(431,330)**	3,500,000	**(862,411)**	3,500,000	2,468,331
	(1,094,536)	2,701,253	**(3,694,674)**	1,387,775	(14,175,715)
Financing activities					
Issue of shares from exercise of stock options	**525**	-	**525**	-	525
Common shares issued, net of issue costs, settled for cash	**-**	-	**-**	203,699	50,915,199
	525	-	**525**	203,699	50,915,724
Investing activities					
(Increase) in restricted cash	**(28,611)**	(3,500,000)	**(84,901)**	(3,500,000)	(3,608,537)
Decrease (Increase) in short-term investments	**1,596,849**	1,148,468	**4,110,212**	2,670,665	(12,861,465)
Exploration expenditures, excluding depreciation of pilot plant and equipment	**-**		**-**	-	(5,522,391)
Oil Sands Project development costs	**(72,451)**	(131,601)	**(204,251)**	(393,077)	(14,275,015)
Proceeds from disposition of equipment	**600**	-	**600**	-	600
Acquisition of equipment and leasehold improvements	**(4,221)**	(3,136)	**(75,223)**	(14,501)	(327,586)
	1,492,166	(2,486,269)	**3,746,437**	(1,236,913)	(36,594,394)
Net Increase in cash	**398,155**	214,984	**52,288**	354,561	145,615

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 (continued)
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended		Nine Months Ended		Cumulative Since Inception on October 6, 1997
	May 31, 2009	May 31, 2008	**May 31, 2009**	May 31, 2008	to May 31, 2009
Net Increase in cash	**398,155**	214,984	**52,288**	354,561	145,615
Cash (Outstanding cheques in excess of bank balances), beginning of period	**(252,540)**	82,292	**93,327**	(57,285)	-
Cash, end of period	**$ 145,615**	$ 297,276	**$ 145,615**	$ 297,276	$ 145,615

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

	Share Capital	Warrants	Contributed Surplus	Accumulated Deficit	Total
Balance at August 31, 2006	$ 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	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)
Balance at August 31, 2007	$ 47,968,417	$ -	$ 7,385,444	$ (20,108,584)	$ 35,245,277
Shares issued on exercise of stock options	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	$ 48,300,891	$ -	$ 8,130,284	$ (24,139,279)	$ 32,291,896
Shares issued on exercise of stock options	525	-	-	-	525
Reallocation from contributed surplus relating to the exercise of stock options	302	-	(302)	-	-
Valuation of stock options granted	-	-	609,041	-	609,041
Loss for the period	-	-	-	(3,797,081)	(3,797,081)
Balance at May 31, 2009	**$ 48,301,718**	**$ -**	**$ 8,739,023**	**$ (27,936,360)**	**$ 29,104,381**

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

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 and was continued under the Canada Business Corporations Act in March 2009. The Company is engaged in the business of researching and 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 research and development of this process.

The Company's business plan is to commercialize minerals and bitumen recovery from tailings at open pit oil sands mining and extraction sites following the successful completion of development and testing. 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 considered necessary for a fair presentation have been included. Operating results for the three and nine months period ended May 31, 2009 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.

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 were 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 sections 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.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which applies to interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at May 31, 2009.

2. Accounting Policies (Continued)

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.

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. This standard will apply to the Company's fiscal year beginning September 1, 2009. 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 to fund its research and development activities and to maximize the value to shareholders and the 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 research and development activities and pay for administrative costs, the Company intends to utilize its existing working capital and raise additional amounts as needed.

The Company's capital consists of shareholders' equity and government grant which at May 31, 2009 totaled $31,572,712 (August 31, 2008 - $35,622,638).

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within current economic conditions by:

i) minimizing discretionary spending;
ii) exploring alternate sources of funding including government grants.

Management reviews its capital management approach on an ongoing basis and believes that its current 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 nine months ended May 31, 2009. The Company is not subject to externally imposed capital requirements except with respect to the government grant (see note 5).

4. Financial Risk Factors

(a) Project Risk

The Company is focused on 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 material adverse event affecting this project would have a material adverse effect on the Company's financial condition and results of operations.

4. Financial Risk Factors (Continued)

(b) Financial Risk

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

Financial risk management is carried out by the Company's management team with guidance from the Audit Committee and the Board of Directors. The Board of Directors also provides guidance for enterprise 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

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at May 31, 2009, the Company had an aggregate cash, restricted cash and short-term investment balance of $14,147,286 (August 31, 2008 - $17,257,898) to settle current liabilities of $888,952 (August 31, 2008 - $549,815). Most of the Company's financial liabilities have contractual terms of 30 days or less.

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 its investments and the creditworthiness of the banks it holds investments in.

ii) Foreign Currency Risk

The Company's reporting and functional currency is the Canadian dollar and most purchases are transacted in Canadian dollars. Some research and development is denominated in US dollars and to a lesser extent Australian dollars. Management believes the foreign exchange risk derived from currency conversions is low and therefore does not hedge its foreign exchange risk.

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. Commodity taxes receivable are classified for accounting purposes as 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 May 31, 2009, 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 of and experience in the financial markets, the Company believes the following movements are "reasonably possible" over a nine month period:

(i) Short-term investments include guaranteed investment certificates and bankers acceptances which have variable rates. As at May 31, 2009, if interest rates had decreased/increased by 1% with all other variables held constant, the loss and shareholders' equity for the nine months ended May 31, 2009 would have been approximately $63,900 higher/lower, as a result of lower/higher interest income from short-term investments.

(ii) The Company does not hold any significant balances in foreign currencies to give rise to exposure to foreign exchange risk. The Company does, however, have foreign denominated accounts payable balances which can result in foreign exchange gains or losses. As at May 31, 2009, if the CDN/US foreign currency exchange rate had decreased/increased by 5% with all other variables held constant, the loss and shareholders' equity for the nine months ended May 31, 2009 would have been approximately $5,000 higher/lower, as a result of lower/higher foreign exchange losses.

(Expressed in Canadian Dollars)

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 assist the Company in its research in recovering heavy minerals and bitumen from oil sands tailings streams. The Grant is matching the Company's expenditure and represents half of the total program expenditure of $7 million for a two year program with spending to be completed by March 31, 2011. The Grant is reflected as a reduction of research and development expense on a matching basis as the Company incurs expenditures on the Project. The amount credited to research and development expense is $459,941 and $947,312 for the three and nine months ended May 31, 2009, respectively ($nil for both comparable periods in fiscal 2008).

Restricted cash represents $3.6 million of government grant proceeds and interest earned on the proceeds which will be used to settle eligible expenditures related to the Project.

The Company has issued a letter of credit (LC) 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 LC is secured by the restricted cash and will reduce as eligible expenditures are incurred.

The following table reflects the balance of the Grant as at May 31, 2009:

	Nine Months Ended May 31, 2009	Period from Inception of Grant to May 31, 2009
Grant balance, beginning of period	$ 3,330,742	$ 3,500,000
Interest earned during the period	84,901	108,537
Subtotal	3,415,643	3,608,537
Eligible expenditures during the period	(947,312)	(1,140,206)
Grant balance, end of period	$ 2,468,331	$ 2,468,331

The eligible expenditures are classified as restricted cash, current portion, on the balance sheet until such time as the Province of Alberta authorizes the bank to reduce the LC. On July 9, 2009 the LC was reduced to $2,855,708, a reduction of $644,292 which represents the amount claimed by the Company for expenses incurred to March 31, 2009.

6. Capital Stock

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

Common Shares	Number of Shares	Amount
Balance, August 31, 2008	56,309,317	$ 48,300,891
Exercise of stock options for cash	2,500	525
Reallocation from contributed surplus relating to the exercise of stock options	-	302
Balance, May 31, 2009	56,311,817	$ 48,301,718

(Expressed in Canadian Dollars)

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	545,362
Stock-based compensation charged to research and development costs and oil sands development costs	63,679
Options exercised	(302)
Balance, May 31, 2009	$ 8,739,023

8. Stock Option Plan

The Company has a stock option plan (the "Plan") for directors, officers, employees and certain key 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.

On July 7, 2009, the shareholders approved a new rolling 10% Stock Option Plan whereby the aggregate number of common shares reserved for issuance is 10% of the issued and outstanding shares. In accordance with the regulations of the TSX Venture Exchange, the rolling 10% Stock Option Plan is subject to annual approval by the Company's shareholders.

The following table reflects the continuity of stock options for the nine months ended May 31, 2009:

	Number of Stock Options	Weighted Average Exercise Price
Balance, August 31, 2008	3,225,000	$ 2.33
Options granted	670,000	0.35
Options exercised	(2,500)	(0.21)
Options expired	(545,000)	(2.09)
Balance, May 31, 2009	3,347,500	$ 2.03

(Expressed in Canadian Dollars)

8. Stock Option Plan (Continued)

The following table reflects the stock options outstanding as of May 31, 2009:

Expiry Date	Weighted Average Exercise Price ($)	Options Outstanding	Weighted Average Remaining Life (Years)	Options Vested	Weighted Average Exercise Price ($) (Vested)
2009	1.85	30,000	0.12	30,000	1.85
2010	3.34	750,000	0.82	750,000	3.34
2011	2.47	605,000	2.10	605,000	2.47
2012	2.20	380,000	3.54	329,167	2.19
2013	1.46	1,182,500	3.96	800,000	1.69
2014	0.45	400,000	4.92	-	-
	2.03	3,347,500		2,514,167	

The following stock options were granted during the nine months ended May 31, 2009:

Expiry Date	Exercise Price($)	Weighted Average Fair Value	Number
November 26, 2013 (i)	0.21	$ 0.12	270,000
May 1, 2014 (ii)	0.45	0.34	400,000
		0.25	670,000

(i) 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.

(ii) The fair value of the 400,000 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 2.01%; volatility factors of the expected market price of the Company's common stock of 82.1%; and an expected life of 5 years.

(Expressed in Canadian Dollars)

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		Nine Months Ended	
	May 31, 2009	May 31, 2008	**May 31, 2009**	May 31, 2008
Basic and diluted loss per share	**$ 0.03**	$ 0.02	**$ 0.07**	$ 0.05
Numerator:				
Net loss for the period	**$ 1,439,066**	$ 856,301	**$ 3,797,081**	$ 2,758,815
Denominator:				
Weighted average number of common shares	**56,310,331**	56,309,317	**56,309,655**	56,266,701

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, 2009, during which time Auxilium will be paid $300,000 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 $359,000 (May 31, 2008 - $353,275) during the nine months ended May 31, 2009 by Auxilium. Included in this amount is a performance bonus of $137,500 (2008 - $137,500) paid by the Company during the nine months ended May 31, 2009.

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

(Expressed in Canadian Dollars)

11. Supplemental Cash Flow Information

	Three Months Ended		Nine Months Ended	
	May 31, 2009	May 31, 2008	**May 31, 2009**	May 31, 2008
Non-cash investing activity:				
Stock compensation expensed as research and development costs	**$ 15,594**	$ 13,013	**$ 45,162**	$ 26,296
Stock compensation capitalized to oil sands development costs	**$ 6,617**	$ 35,567	**$ 18,517**	$ 123,037