TITANIUM CORPORATION INC.

FINANCIAL STATEMENTS

AUGUST 31, 2009 AND 2008

PRICEWATERHOUSECOOPERS

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November 24, 2009

Auditors' Report

To the Shareholders of
Titanium Corporation Inc.

We have audited the balance sheets of **Titanium Corporation Inc.** (the Company) as at August 31, 2009 and 2008 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, 2009. 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, 2009 and 2008 and the results of its operations and its cash flows for each of the years in the two-year period ended August 31, 2009 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

Titanium Corporation Inc.

Balance Sheets
(Expressed in Canadian Dollars)

August 31	**2009**	2008
Assets		
Current		
Cash and cash equivalents	**$ 290,786**	$ 93,327
Restricted short-term investment, current portion (Note 5)	**625,401**	192,894
Short-term investments	**12,087,804**	16,971,677
Goods & services tax receivable	**100,434**	53,311
Prepaid expenses	**75,701**	104,686
	13,180,126	17,415,895
Restricted short-term investment (Note 5)	**2,230,307**	3,330,742
Mineral development costs (Note 6)	**-**	8,098,665
Pilot plant assets (Note 6)	-	7,240,244
Equipment (Note 7)	**84,371**	86,907
	$ 15,494,804	$ 36,172,453
Liabilities		
Current		
Accounts payables	**$ 476,672**	$ 375,489
Accrued liabilities	**108,079**	174,326
	584,751	549,815
Government grant (Note 5)	**2,230,307**	3,330,742
Shareholders' equity		
Share capital (Note 8)	**48,302,546**	48,300,891
Contributed surplus (Note 9)	**8,887,821**	8,130,284
Deficit	**(44,510,621)**	(24,139,279)
	12,679,746	32,291,896
	$ 15,494,804	$ 36,172,453

Nature of operations and basis of presentation (Note 1)
Commitments (Note 11)

Approved on Behalf of the Board:

"Eric W. Slavens"
Director

"Scott Nelson"
Director

Titanium Corporation Inc.

Statements of Loss, Comprehensive Loss and Deficit
For the Years Ended August 31
(Expressed in Canadian Dollars)

	2009	2008
Expenses and Losses		
Research & development	**$ 2,200,879**	$ 1,484,195
General and administrative	**2,180,272**	2,555,187
Stock-based compensation	**597,540**	676,649
Amortization	**19,386**	23,314
Loss on disposition of equipment	**57,773**	-
Foreign exchange loss	**43,408**	20,099
Mineral development costs written off (Note 6)	**8,321,433**	-
Pilot plant assets written off (Note 6)	**7,240,244**	-
	20,660,935	4,759,444
Interest income	**(289,593)**	(728,749)
Net loss and comprehensive loss	**$ 20,371,342**	$ 4,030,695
Basic and diluted loss per share (Note 8)	$ 0.36	$ 0.08
Deficit at beginning of period	$ 24,139,279	$ 20,108,584
Net loss and comprehensive loss	20,371,342	4,030,695
Deficit at end of period	$ 44,510,621	$ 24,139,279

The accompanying notes are an integral part of these financial statements

Titanium Corporation Inc.
Statements of Cash Flows
For the Years Ended August 31
(Expressed in Canadian Dollars)

	2009	2008
Cash (used in) provided by:		
Operating activities		
Net loss	**$(20,371,342)**	$ (4,030,695)
Items not affecting cash:		
Stock-based compensation	**739,625**	841,565
Loss on disposition of equipment	**57,773**	-
Amortization	**19,386**	23,314
Recovery of grant	**(1,187,162)**	(192,894)
Mineral development costs written off (Note 6)	**8,321,433**	-
Pilot plant assets written off (Note 6)	**7,240,244**	-
	(5,180,043)	(3,358,710)
Net changes in non-cash working capital items (Note 10)	**16,798**	226,478
	(5,163,245)	(3,132,232)
Investing activities		
Decrease (Increase) in restricted short-term investments	**667,928**	(3,523,636)
Decrease in short-term investments	**4,883,873**	3,575,531
Mineral development costs and pilot plants	**(204,251)**	(481,885)
Proceeds from disposition of equipment	**600**	-
Acquisition of equipment	**(75,223)**	(14,501)
	5,272,927	(444,491)
Financing activities		
Common shares issued, net of issue costs, settled for cash	**1,050**	203,699
Government grant proceeds, including interest on restricted short-term investment	**86,727**	3,523,636
	87,777	3,727,335
Net Change in cash and cash equivalents	**197,459**	150,612
Cash and cash equivalents, beginning of period	**93,327**	(57,285)
Cash and cash equivalents, end of period	**$ 290,786**	$ 93,327

1. Nature of Business and Basis of Presentation

Titanium Corporation Inc. (“Titanium” or the “Company”) is a corporation governed by the Canada Business Corporations Act. 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 froth treatment tailings ("Oil Sands Project" or the "Project"). 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 has sufficient cash, short-term investments and government grants to fund its research and general and administrative costs for at least the next twelve months. Options available to the Company to fund its future cash requirements include, but are not limited to, new or additional government grants and/or the issuance of securities and/or some form of partnership or joint venture.

2. Summary of Significant Accounting Policies

The financial statements have been prepared and reported in Canadian dollars in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

Measurement Uncertainty

The timely preparation of the financial statements in conformity with Canadian GAAP requires that management make estimates and assumptions and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Amounts recorded for amortization (and impairment calculations) are based on estimates. By their nature, these estimates of costs and the related future cash flows, are subject to measurement uncertainty. Accordingly, the impact in the financial statements of future periods could be material. The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and bank balances net of outstanding cheques which have not cleared the bank at a period end. Also included are short-term investments with maturity dates of 3 months or less.

Short-Term Investments

Short-term investments are comprised of certificates of investment (and bankers' acceptances in fiscal 2008) with original maturity dates of twelve months but which are all redeemable within 30 days of the issue date. The Company's short-term investments are held with Schedule I Canadian banks where management believes the risk of loss to be minimal.

Research and Development Costs

Expenditures that are related to research activities are expensed as incurred. Expenditures that meet the criteria for the development stage are capitalized as intangible assets.

2. Summary of Significant Accounting Policies (continued)

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recorded on the declining balance basis at rates between 20% and 50% as appropriate for the type of equipment.

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 (Black-Scholes) 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 Company allocated a portion of the stock-based compensation expense to the mineral development intangible asset and research and development expenses based on the nature of certain employee's responsibilities.

Foreign Currency Translation and Transactions

The Company employs the temporal method of translation whereby 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 likely.

2. Summary of Significant Accounting Policies (continued)

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, 2009, the Company has not incurred or committed any asset retirement obligations related to the development of its Oil Sands Project.

Impairment

In accordance with CICA handbook section 3063 "Impairment of Long-Lived Assets", the intangible asset and the tangible capital assets which formed part of the Mineral Development Costs and Pilot Plants are reviewed for impairment annually or earlier if conditions warrant because neither balance is subject to amortization. Impairment is recognized when the carrying value of the asset exceeds the assets' fair value which is determined using a present value technique.

Recent Accounting Pronouncements

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 August 31, 2009.

Accounting Policy Changes

Intangible Assets

The Company adopted, in the fourth quarter ended August 31, 2009, the new CICA 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". The new section describes the criteria which are required to be met for "internally generated intangible assets" and this new section also incorporates the accounting measurement requirements for research and development activities which were previously found in section 3450. The Company determined that the mineral development costs met the criteria for classification as an intangible asset. The new accounting policy was adopted retrospectively as required and there was no impact in prior periods upon its adoption.

Comparative Figures

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

3. Capital Management

The Company considers its shareholders' equity and government grant balance as its capital, which at August 31, 2009 totaled $14,910,053 (August 31, 2008 - $35,622,638). The Company does not have any bank debt or externally imposed capital requirements to which it is subject. The Company's capital management objectives are to manage its cash and short-term investments prudently; to minimize the expenditures on G&A costs so that more funds are available for R&D to continue to advance the Oil Sands Project forward; and to access available government funding for R&D.

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 year ended August 31, 2009.

4. Financial Instruments and Financial Risk Factors

The Company has, for accounting purposes, designated its cash and cash equivalents and short-term investments as held-for-trading, which are measured at fair value. Goods & services tax 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 August 31, 2009, the Company estimates that both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

(a) 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.

<u>Credit Risk</u>

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 and cash equivalents, restricted cash, short-term investments, and commodity taxes receivable. Cash and cash equivalents, restricted cash and short-term investments are held with Schedule A Canadian Chartered banks 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.

4. Financial Instruments and Financial Risk Factors (continued)

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 August 31, 2009, the Company had an aggregate cash and cash equivalents, restricted cash and short-term investment balance of $13,003,991 (August 31, 2008 - $17,257,898) to settle current liabilities of $584,751 (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 and 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 I 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.

Sensitivity analysis

Based on management's knowledge of and experience in the financial markets, the Company believes the following movements are reasonably possible:

(i) Short-term investments include guaranteed investment certificates and bankers acceptances which have variable rates. As at August 31, 2009, if interest rates had decreased/increased by 1% with all other variables held constant, the loss and shareholders' equity for the year ended August 31, 2009 would have been approximately $61,000 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 August 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 year ended August 31, 2009 would have been approximately $3,600 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 froth treatment 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 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 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 $1,187,162 for the year ended August 31, 2009, (August 31, 2008 - $192,894).

Restricted short-term investment represents a certificate of investment in the amount of $2,855,708 which is pledged to the Company's bank as security for the letter of credit of government grant proceeds and interest earned on the proceeds which will be used to settle eligible expenditures related to the Project. Of the total restricted investment, $625,401 is current and reflects the matching grant portion of eligible expenditures incurred, net of interest earned while $2,230,307 pertains to the portion of the grant which has not yet been spent.

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

	Year Ended 2009	Year Ended 2008	Period from Inception of Grant to August 31, 2009
Grant balance, beginning of period	$ 3,330,742	$ 3,500,000	$ 3,500,000
Interest earned, net	86,727	23,636	110,363
Eligible expenditures during the period	(1,187,162)	(192,894)	(1,380,056)
Grant balance, end of period	$ 2,230,307	$ 3,330,742	$ 2,230,307

(Expressed in Canadian Dollars)

6. Mineral Development Costs and Pilot Plant Assets

(a) Below is a summary of the Oil Sands Project assets:

	Mineral Development Costs	Pilot Plant Assets	Total
Balance, beginning of fiscal 2008	$ 7,583,702	$ 7,240,244	$ 14,823,946
Additions	514,963	-	514,963
Balance, end of fiscal 2008	8,098,665	7,240,244	15,338,909
Additions	222,768	-	222,768
Amount written off	(8,321,433)	(7,240,244)	(15,561,677)
Balance, end of fiscal 2009	$ -	$ -	$ -

The Company conducted its annual review comparing the carrying value of the mineral development costs intangible asset to its fair value. The Company's research has confirmed the highly integrated nature of the mineral and bitumen processes and that more research is required for the bitumen component of this process. Accordingly the mineral development costs previously capitalized as an intangible asset have been written off as a charge to the statement of loss.

During the fourth quarter of its 2009 fiscal year, the Company also reviewed the carrying values of the existing pilot plant assets and determined that these assets are of no further use. Accordingly the pilot plant assets have been written off as a charge to the statement of loss.

(b) The cumulative amounts incurred on the Oil Sands Project to August 31 are:

	2009	2008
Mineral development costs	**$ 8,321,433**	$ 8,098,665
Pilot plant assets	**7,240,244**	7,240,244
Research expenses	**4,051,733**	1,850,854
Cumulative amounts incurred	**$ 19,613,410**	$ 17,189,763

No revenues have been earned from the Project to date. Currently there are no contractual rights or obligations related to the Project.

(Expressed in Canadian Dollars)

7. Equipment

	2009	2008
Cost	**$ 138,944**	$ 246,682
Accumulated Amortization	**54,573**	159,775
Net Carrying Value	**$ 84,371**	$ 86,907

8. Share Capital

Authorized

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

Issued and outstanding

Common Shares	Number of Shares	Amount
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
Exercise of stock options for cash	5,000	1,050
Reallocation from contributed surplus relating to the exercise of stock options	-	605
Balance, August 31, 2009	**56,314,317**	**$ 48,302,546**

The weighted average number of common shares for the year ended August 31, 2009 is 56,310,769 (August 31, 2008 - 56,266,701). Currently, the effect of potential issuance of common shares upon the exercise of options would be anti-dilutive since the Company is in a net loss position and accordingly basic and diluted loss per common share are the same.

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 10% of the issued and outstanding common shares (rolling 10% plan) in the aggregate. All options granted 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. All of the current options expire five years from the grant date unless the options are forfeited sooner.

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.

(Expressed in Canadian Dollars)

8. Share Capital (continued)

The following table reflects the continuity of stock options for the year ended August 31, 2009:

	Number of Stock Options	Weighted Average Exercise Price
Balance, August 31, 2007	2,430,000	$ 2.60
Options granted	1,475,000	1.96
Options exercised	(101,666)	2.32
Options expired	(110,000)	(2.20)
Options cancelled	(425,000)	(2.93)
Options forfeited	(43,334)	(2.20)
Balance, August 31, 2008	3,225,000	2.33
Options granted (i)(ii)	670,000	0.35
Options exercised	(5,000)	(0.21)
Options expired	(190,000)	(1.92)
Options cancelled	(371,666)	(2.23)
Options forfeited	(93,334)	(2.03)
Balance, August 31, 2009	**3,235,000**	**$ 2.03**

As at August 31, 2009 there were 2,715,829 (2008 - 2,225,833) exercisable stock options. The remaining expense to be recognized as a charge to income over the vesting period for unvested options is $145,815 (2008 - $798,711).

(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.

The weighted average grant-date fair value per share of options granted during the year is $0.25.

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

Exercise Price	Weighted Average Exercise Price ($)	Options Outstanding	Weighted Average Remaining Life (Years)	Options Exercisable	Weighted Average Exercise Price ($) (Exercisable)
$0.00 - $0.99	0.39	730,000	4.44	244,161	0.38
$1.00 - $1.99	1.76	375,000	2.50	341,668	1.82
$2.00 - $2.99	2.18	1,355,000	3.06	1,355,000	2.18
$3.00 - $3.99	3.42	775,000	0.14	775,000	3.42
	2.03	3,235,000	2.72	2,715,829	2.33

(Expressed in Canadian Dollars)

9. Contributed Surplus

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

Balance, August 31, 2007	$ 7,385,444
Stock-based compensation expense	682,960
Stock-based compensation charged to research and development costs and mineral development costs	190,655
Options exercised	(128,775)
Balance, August 31, 2008	8,130,284
Stock-based compensation expense	597,540
Stock-based compensation charged to research and development costs and mineral development costs	160,602
Options exercised	(605)
Balance, August 31, 2009	**$ 8,887,821**

10. Supplemental Cash Flow Information

	2009	2008
Increase in goods & services tax receivable	**$ (47,123)**	$ (11,009)
Decrease (Increase) in prepaid expenses	**28,985**	(67,906)
Increase in accounts payable	**101,183**	253,085
(Decrease) Increase in accrued liabilities	**(66,247)**	52,308
	$ 16,798	$ 226,478

11. Commitments

2010	$ 136,826
2011	93,963
2012	86,692
	$ 317,481

The Company has commitments to lease office space at several locations with terms that expire in December, 2009, April, 2011 and May, 2012.

(Expressed in Canadian Dollars)

12. 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 loss:

	2009	2008
Net loss reflected in the statements of loss	**$20,371,342**	$ 4,030,695
Expected income tax recovery at statutory rate	**6,250,029**	1,348,699
Non-deductible stock-based compensation expense	**(226,921)**	(281,594)
Other non-deductible items	**(5,216)**	(4,894)
Effect of change in income tax rates	**(299,342)**	(456,907)
Valuation allowance	**(5,718,550)**	(605,304)
Income tax reflected in the statement of loss	**$ -**	$ -

The following table reflects the future income tax assets at August 31, 2009 and 2008:

	2009	2008
Future income tax assets:		
Unclaimed non-capital losses	**$ 3,497,037**	$ 4,300,408
Scientific research and development (SR&ED) expenditure pool	**1,118,241**	1,775,915
Excess of unclaimed undepreciated capital cost over book basis	**625,500**	-
Unclaimed common stock issue costs	**-**	94,987
Ontario vs Federal tax attributes transitional debit	**-**	108,518
Deferred grant revenue	**557,577**	923,576
Other	**-**	5,573
	5,798,355	7,208,977
Less valuation allowance	**(5,798,355)**	(5,958,253)
Total future tax assets	**-**	1,250,724
Future income tax liabilities:		
Excess of book basis over unclaimed exploration and development expenditures, undepreciated capital cost and cumulative eligible capital property	**-**	(1,250,724)
Net future tax	**$ -**	$ -

(Expressed in Canadian Dollars)

12. Income Taxes (continued)

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 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, 2009 is $7,454,938 (2008 - $6,217,474).

The Company has also earned investment tax credits on SR&ED expenditures at August 31, 2009 of $1,645,593 (2008 - $1,345,593), which can offset Canadian income taxes.

As at August 31, 2009, the Company has Canadian tax losses carried forward of $19,319,610 (2008 - $16,046,604) and are available until 2029 as follows:

2010	$ 1,114,190
2014	2,018,780
2015	5,059,308
2026	3,398,982
2027	1,737,397
2028	281,096
2029	$ 5,709,857
	$ 19,319,610