TITANIUM CORPORATION INC.

INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED NOVEMBER 30, 2009 (UNAUDITED)

NOTICE TO READER

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.

Interim Balance Sheets
(Expressed in Canadian Dollars)
(Unaudited)

		November 30, 2009		August 31, 2009
Assets				
Cash and cash equivalents	**$**	**1,308,058**	$	290,786
Restricted short-term investment, current portion (Note 5)		**794,091**		625,401
Short-term investments		**9,760,639**		12,087,804
Goods & services tax receivable		**56,806**		100,434
Prepaid expenses		**59,022**		75,701
		11,968,616		13,180,126
Restricted short-term investment (Note 5)		**1,902,169**		2,230,307
Equipment		**79,127**		84,371
	$	**13,959,912**	$	15,494,804
Liabilities				
Accounts payables	**$**	**805,406**	$	476,672
Accrued liabilities		**158,800**		108,079
		964,206		584,751
Government Grant (Note 5)		**1,902,169**		2,230,307
		2,866,375		2,815,058
Shareholders' equity				
Share capital (Note 7)		**48,314,131**		48,302,546
Contributed surplus (Note 8)		**8,930,251**		8,887,821
Deficit		**(46,150,845)**		(44,510,621)
		11,093,537		12,679,746
	$	**13,959,912**	$	15,494,804

Nature of business and basis of presentation (Note 1)

Titanium Corporation Inc.

Interim Statements of Loss, Comprehensive Loss and Deficit
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended November 30	
	2009	2008
Expenses and Losses		
Research and development	**$ 990,989**	$ 393,574
General and administrative	**646,496**	668,480
Amortization	**5,243**	6,596
Foreign exchange loss	**3,375**	28,008
Stock-based compensation (Note 7)	**46,665**	174,464
	1,692,768	1,271,122
Interest income	**(52,544)**	(124,754)
Net loss and comprehensive loss	**$ 1,640,224**	$ 1,146,368
Basic and diluted loss per share (Note 7)	**$ 0.03**	$ 0.02
Deficit, beginning of period	**$ 44,510,621**	$ 24,139,279
Net loss and comprehensive loss for the period	**1,640,224**	1,146,368
Deficit, end of period	**$ 46,150,845**	$ 25,285,647

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

Titanium Corporation Inc.

Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended November 30	
	2009	2008
Cash (used in) provided by:		
Operating activities		
Net loss	**$ (1,640,224)**	$ (1,146,368)
Items not affecting cash:		
Stock-based compensation	**46,665**	193,721
Recovery of grant	**(331,600)**	(190,290)
Amortization	**5,243**	6,596
	(1,919,916)	(1,136,341)
Decrease (Increase) in goods & services tax receivable	**43,628**	(14,968)
Decrease in prepaid expenses	**16,679**	21,761
Increase (Decrease) in accounts payable and accrued liabilities	**379,456**	(42,092)
	(1,480,153)	(1,171,640)
Financing activities		
Common shares issued, net of issue costs, settled for cash	**7,350**	-
Interest on restricted short-term investment	**3,462**	-
	10,812	-
Investing activities		
Decrease in restricted short-term investments	**159,448**	-
Decrease in short-term investments	**2,327,165**	1,276,727
Oil Sands Project development costs	**-**	(76,236)
Acquisition of equipment	**-**	(71,002)
	2,486,613	1,129,489
Net Increase (Decrease) in cash and cash equivalents	**1,017,272**	(42,151)
Cash, beginning of period	**290,786**	93,327
Cash, end of period	**$ 1,308,058**	$ 51,176

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") 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 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, 2009 may not necessarily be indicative of the results that may be expected for the year ending August 31, 2010.

The balance sheet at August 31, 2009 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, 2009. 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, 2009.

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 November 30, 2009.

2. Summary of Significant Accounting Policies (continued)

Financial Instruments

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures ("Section 3862"), was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

This will be effective for the fiscal year ending August 31, 2010. The adoption of this amended standard had no impact on the Company's presentation of its financial position or results of operations for the three months ended November 30, 2009 but additional disclosure is required and is shown at the end of note 4.

Comparative Figures

Certain prior period comparative figures have been reclassified to conform to 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 November 30, 2009 totaled $12,973,143 (November 30, 2008 - $34,508,001). 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 quarter ended November 30, 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 November 30, 2009, the Company estimates that both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

4. Financial Instruments and Financial Risk Factors (continued)

(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.

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 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.

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 November 30, 2009, the Company had an aggregate cash and cash equivalents, restricted cash and short-term investment balance of $11,855,874 (November 30, 2008 - $16,129,310) to settle current liabilities of $976,112 (November 30, 2008 - $507,723). 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.

(Expressed in Canadian Dollars)

4. Financial Instruments and Financial Risk Factors (continued)

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 November 30, 2009, if interest rates had decreased/increased by 1% with all other variables held constant, the loss and shareholders' equity for the quarter ended November 30, 2009 would have been approximately $24,000 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 November 30, 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 quarter ended November 30, 2009 would have been approximately $900 higher/lower, as a result of lower/higher foreign exchange losses.

Fair value measurements

The following table illustrates the classification of the Company’s financial instruments within the fair value hierarchy as at November 30, 2009 (see note 2 for definitions of Levels 1,2 and 3):

	Level 1	Level 2	Level 3	Total
Restricted investment (current and long-term portion)	$ 2,696,260	$ -	$ -	$ 2,696,260
Short-term investments	9,760,639	-	-	9,760,639
	$ 12,456,899	$ -	$ -	$ 12,456,899

All of the above investments are certificates of deposit which are immediately redeemable into cash. The above balances include accrued interest which together with the principal amount closely approximates the fair value of the investments.

There were no transfers between levels 1, 2, of 3 during the three months ended November 30, 2009.

(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 $328,138 for the quarter ended November 30, 2009, (November 30, 2008 - $190,290).

Restricted short-term investment represents a certificate of investment in the amount of $2,689,346 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, $787,177 is current and reflects the matching grant portion of eligible expenditures incurred, net of interest earned while $1,902,169 pertains to the portion of the grant which has not yet been spent.

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

	3 month period ended November 30		Period from Inception of Grant to November 30,
	2009	**2008**	**2009**
Grant balance, beginning of period	**$ 2,230,307**	$ 3,330,742	$ 3,500,000
Interest earned, net	**3,462**	28,300	113,825
Eligible expenditures during the period	**(331,600)**	(190,290)	(1,711,656)
Grant balance, end of period	**$ 1,902,169**	$ 3,168,752	$ 1,902,169

(Expressed in Canadian Dollars)

6. Oil Sands Project

Titanium meets the criteria of an enterprise in the development stage which requires additional disclosure about the Project and the costs incurred to date. The Oil Sands Project is described in note 1 and the amounts expensed on the Project to November 30, 2009 were $20.6 million ($17.6 million to November 30, 2008). No revenue has been earned to date on the Project.

7. 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, 2009	56,314,317	$	48,302,546
Exercise of stock options for cash	35,000		7,350
Reallocation from contributed surplus relating to			
the exercise of stock options	-		4,235
Balance, November 30, 2009	**56,349,317**	**$**	**48,314,131**

The weighted average number of common shares for the year ended November 30, 2009 is 56,335,086 (November 30, 2008 – 56,309,317). 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.

The following table reflects the continuity of stock options:

	Number of Stock Options		Weighted Average Exercise Price
Balance, August 31, 2009	3,235,000	$	2.03
Options granted	900,000		0.73
Options exercised	(35,000)		(0.21)
Options forfeited	(60,000)		(2.39)
Balance, November 30, 2009	**4,040,000**	**$**	**1.75**

As at November 30, 2009 there were 2,735,833 (2008 – 2,151,667) exercisable stock options. The remaining expense to be recognized as a charge to income over the vesting period for unvested options is $522,332.

(Expressed in Canadian Dollars)

7. Share Capital (continued)

During the three month period ended November 30, 2009, the Company granted 900,000 options to officers, directors and consultants. The terms of the grant are consistent with the Plan and are exercisable at a weighted average price of $0.73 per option. The fair value of the share options granted during the period are estimated as at the grant date using the Black-Scholes option pricing model. The weighted average assumptions used in the calculation are noted below:

Risk-free interest rate	2.16%
Expected life	5 years
Expected volatility	86%
Fair value per option	$0.48

The following table reflects the stock options outstanding as of November 30, 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	0.59	1,595,000	4.6	307,500	0.41
$1.00 - $1.99	1.76	375,000	2.3	358,333	1.79
$2.00 - $2.99	2.17	1,295,000	2.8	1,295,000	2.17
$3.00 – $3.99	3.42	775,000	0.4	775,000	3.42
	1.75	**4,040,000**	**3.0**	**2,735,833**	**2.28**

8. Contributed Surplus

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

Balance, August 31, 2009	$	8,887,821
Stock-based compensation expense		46,665
Reallocation of contributed surplus on options exercised		(4,235)
Balance, November 30, 2009	**$**	**8,930,251**