TITANIUM CORPORATION INC.

INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED
FEBRUARY 28, 2010
(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)

		February 28, 2010 (Unaudited)		August 31, 2009 (Audited – note 2)
Assets				
Cash and cash equivalents	**$**	**5,906,663**	$	290,786
Restricted short-term investment, current portion (Note 5)		**1,367,280**		625,401
Short-term investments		**4,965,358**		12,087,804
Goods & services tax receivable		**57,328**		100,434
Prepaid expenses		**21,138**		75,701
		12,317,767		13,180,126
Restricted short-term investment (Note 5)		**1,339,377**		2,230,307
Equipment		**62,554**		84,371
	$	**13,719,698**	$	15,494,804
Liabilities				
Accounts payables	**$**	**261,310**	$	476,672
Accrued liabilities		**676,946**		108,079
		938,256		584,751
Government grants (Note 5)		**2,476,719**		2,230,307
		3,414,975		2,815,058
Shareholders’ equity				
Share capital (Note 7)		**48,321,854**		48,302,546
Contributed surplus (Note 8)		**9,032,556**		8,887,821
Deficit		**(47,049,687)**		(44,510,621)
		10,304,723		12,679,746
	$	**13,719,698**	$	15,494,804

Nature of business and basis of presentation (Note 1)

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

Titanium Corporation Inc.

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

	Three Months Ended February 28		Six Months Ended February 28	
	2010	2009	**2010**	2009
Expenses and Losses				
Research and development	**$ 1,458,507**	$ 787,040	**$ 2,777,634**	$ 1,370,904
Government grants (recovery)	**(994,704)**	(297,081)	**(1,322,842)**	(487,371)
General and administrative	**374,285**	609,915	**1,020,781**	1,278,395
Amortization	**4,244**	6,597	**9,487**	13,193
Foreign exchange (gain) loss	**(4,822)**	8,856	**(1,447)**	36,864
Gain on disposal of fixed assets	**(20,518)**	-	**(20,518)**	-
Stock-based compensation (Note 7)	**105,128**	176,656	**151,793**	351,120
	922,120	1,291,983	**2,614,888**	2,563,105
Interest income	**(23,278)**	(80,336)	**(75,822)**	(205,090)
Net loss and comprehensive loss	**$ 898,842**	$ 1,211,647	**$ 2,539,066**	$ 2,358,015
Basic and diluted loss per share (Note 7)	**$ 0.02**	$ 0.02	**$ 0.05**	$ 0.04
Deficit, beginning of period	**$ 46,150,845**	$ 25,285,647	**$ 44,510,621**	$ 24,139,279
Net loss and comprehensive loss for the period	**898,842**	1,211,647	**2,539,066**	2,358,015
Deficit, end of period	**$ 47,049,687**	$ 26,497,294	**$ 47,049,687**	$ 26,497,294

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 February 28		Six Months Ended February 28	
	2010	2009	**2010**	2009
Cash (used in) provided by:				
Operating activities				
Net loss	**$ (898,842)**	$ (1,211,647)	**$ (2,539,066)**	$ (2,358,015)
Items not affecting cash:				
Stock-based compensation	**105,128**	192,250	**151,793**	380,688
Recovery of grant (net of interest)	**(994,704)**	(269,091)	**(1,322,842)**	(431,081)
Amortization	**4,244**	6,596	**9,487**	13,193
Gain on disposal of fixed assets	**(20,517)**	-	**(20,517)**	-
	(1,804,691)	(1,281,892)	**(3,721,145)**	(2,395,215)
(Increase) decrease in goods & services tax receivable	**(522)**	(4,071)	**43,106**	(19,039)
Decrease in prepaid expenses	**37,883**	41,155	**54,563**	62,915
(Decrease) increase in accounts payable and accrued liabilities	**(25,950)**	(206,707)	**353,505**	(248,799)
	(1,793,280)	(1,451,515)	**(3,269,971)**	(2,600,138)
Financing activities				
Common shares issued on exercise of stock options	**4,900**	-	**12,250**	-
Government grant proceeds, including interest	**1,562,173**	-	**1,562,173**	-
	1,567,073	-	**1,574,423**	-
Investing activities				
(Increase) decrease in restricted short-term investments	**(3,316)**	(27,990)	**156,132**	(56,290)
Decrease in short-term investments	**4,795,281**	1,236,636	**7,122,446**	2,513,363
Oil Sands Project development costs	**-**	(60,847)	**-**	(131,800)
Proceeds on disposition of equipment	**32,847**	-	**32,847**	
Acquisition of equipment	**-**	-	**-**	(71,002)
	4,824,812	1,147,799	**7,311,425**	2,254,271
Net Increase (decrease) in cash and cash equivalents	**4,598,605**	(303,716)	**5,615,877**	(345,867)
Cash, beginning of period	**1,308,058**	51,176	**290,786**	93,327
Cash (indebtness), end of period	**$ 5,906,663**	$ (252,540)	**$ 5,906,663**	$ (252,540)

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 six month period ended February 28, 2010 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 retrospectively without restatement 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 February 28, 2010.

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

2. Summary of Significant Accounting Policies (continued)

- Level 3 – Inputs that are not based on observable market data.

The amendments to section 3862 apply to the annual financial statements for the fiscal year ending August 31, 2010.

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 February 28, 2010 totaled $12,781,442 (August 31, 2009 - $14,910,053). 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 February 28, 2010.

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. 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 February 28, 2010, the Company estimates that both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

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, and short-term investments. Cash and cash equivalents, restricted cash and short-term investments are held with Schedule I Canadian Chartered banks which are reviewed by management. Management believes that the credit risk concentration with respect to financial instruments is minimal.

4. Financial Instruments and Financial Risk Factors (con't)

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 February 28, 2010, the Company had an aggregate cash and cash equivalents, restricted cash and short-term investment balance of $13,578,678 (August 31, 2009 - $13,003,991) to settle current liabilities of $938,256 (August 31, 2009 - $ 584,751). 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'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.

5. Government Funding

Alberta Energy Innovation Fund ("AEIF") 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 $898,011 for the six month period ended February 28, 2010, (February 28, 2009 - $487,371).

Restricted short-term investment represents a certificate of investment in the amount of $2,706,657, 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, $1,367,280 is current and reflects the matching grant portion of eligible expenditures incurred, net of interest

(Expressed in Canadian Dollars)

5. Government Grants

earned, while $1,339,377 pertains to the portion of the grant which has not yet been spent.

Sustainable Development Technology Canada ("SDTC") Contribution Agreement

In January 2010, the Company entered into a Contribution Agreement with SDTC, effective September 1, 2009, to financially assist the Company in developing and demonstrating its technology. Under the terms of the agreement SDTC will contribute to the Company up to the lesser of 30.75% of eligible project costs or $4,919,212. The contribution is payable in stages when the Company meets agreed project milestones as set out in the agreement. During the quarter, the Company received $1,562,173 as an initial contribution for eligible expenditures incurred on the project for the period beginning September 1, 2009. As of February 28, 2010, the unexpended portion of the first contribution was $1,137,342.

The following table summarizes the balance of the grants as at February 28:

	6 month period ended February 28		Period from Inception of Grant to February 28,
	2010	**2009**	**2010**
AEIF grant balance, beginning of period	**$ 2,230,307**	$ 3,330,742	$ 3,500,000
Interest earned, net	**7,081**	56,290	117,444
Eligible expenditures during the period	**(898,011)**	(487,371)	(2,278,067)
AEIF grant balance, end of period	**$ 1,339,377**	$ 2,899,661	$ 1,339,377
SDTC funding received	**1,562,173**		1,562,173
Eligible expenditures during the period	**(424,831)**		(424,831)
SDTC grant balance, end of period	**1,137,342**		1,137,342
Total government grants, end of period	**$ 2,476,719**	$ 2,899,661	$ 2,476,719

(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 February 28, 2010 were $21.1million ($18.1 million to February 28, 2009). 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	58,333		12,250
Reallocation from contributed surplus relating to			
the exercise of stock options	-		7,058
Balance, February 28, 2010	**56,372,650**	**$**	**48,321,854**

The weighted average number of common shares for the six month period ended February 28, 2010 is 56,352,475 (August 31, 2009 – 56,310,769). 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	975,000		0.71
Options exercised	(58,333)		(0.21)
Options expired	(550,000)		(3.37)
Options cancelled	(71,667)		(2.14)
Balance, February 28, 2010	**3,530,000**	**$**	**1.48**

The remaining stock based compensation expense to be recognized as a charge to income over the vesting period for unvested options is $418,424.

(Expressed in Canadian Dollars)

7. Share Capital (continued)

During the six month period ended February 28, 2010, the Company granted 975,000 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 $0.71 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	$0.47

The following table reflects the stock options outstanding as of February 28, 2010:

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	1,635,000	4.6	704,167	0.46
$1.00 - $1.99	1.76	375,000	2.0	375,000	1.76
$2.00 - $2.99	2.17	1,295,000	2.6	1,295,000	2.17
$3.00 – $3.99	3.55	225,000	0.4	225,000	3.55
	1.48	**3,530,000**	**3.34**	**2,599,167**	**1.77**

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		151,793
Reallocation of contributed surplus on options exercised		(7,058)
Balance, February 28, 2010	**$**	**9,032,556**