Titanium Corporation Inc.

Interim Financial Statements
(Unaudited)
November 30, 2010

Titanium Corporation Inc.

Interim Balance Sheets

(Unaudited)

As at November 30, 2010 and August 31, 2010

	November 30, 2010 $	August 31, 2010 $
Assets		
Current assets		
Cash and cash equivalents	5,064,545	6,777,638
Short-term investments	-	2,267,653
Restricted short-term investment (note 6)	426,361	425,799
Goods and services tax receivable	134,030	293,146
Prepaid expenses	237,499	256,577
	5,862,435	10,020,813
Equipment	53,074	56,899
	5,915,509	10,077,712
Liabilities		
Current liabilities		
Accounts payable	1,291,642	1,711,592
Accrued liabilities	474,417	815,600
	1,766,059	2,527,192
Government grants (note 6)	600,735	1,459,865
	2,3,66,794	3,987,057
Shareholders' Equity		
Share capital (note 8)	48,493,096	48,386,821
Contributed surplus (note 9)	9,387,314	9,198,999
Deficit	(54,331,695)	(51,495,165)
	3,548,715	6,090,655
	5,933,280	10,077,712

The accompanying notes are in integral part of these unaudited financial statements.

Titanium Corporation Inc.

Interim Statement of Loss, Comprehensive Loss and Deficit

(Unaudited)

For the three-month period ended November 30, 2010 and 2009

	Three Months Ended November 30 2010	2009
Expenses and losses		
Research and development	$ 2,848,184	$ 1,322,589
Government grant recovery	(859,830)	(331,600)
General and administrative	626,137	646,496
Amortization	3,825	5,243
Foreign exchange (gain) loss	(615)	3,375
Stock-based compensation (note 8)	229,415	46,665
	2,847,116	1,692,768
Interest income	(10,586)	(52,544)
Net loss and comprehensive loss	2,836,530	1,640,224
Deficit – Beginning of period	51,495,165	44,510,621
Net loss and comprehensive loss for the period	2,836,530	1,640,224
Deficit – End of period	$ 54,331,695	$ 46,150,845
Basic and diluted loss per share (Note 8)	$ 0.05	$ 0.03

The accompanying notes are in integral part of these unaudited financial statements.

Titanium Corporation Inc.

Interim Statement of Cash Flows

(Unaudited)

For the three-month period ended November 30, 2010 and 2009

	Three Months Ended November 30	
	2010	**2009**
Cash (used in) provided by:		
Operating activities		
Net loss for the period	$ (2,836,530)	$ (1,640,224)
Items not affecting cash		
Stock-based compensation	229,415	46,665
Recovery of grant – net of interest	(859,830)	(331,600)
Amortization	3,825	5,243
	(3,463,120)	(1,919,916)
Change in non-cash working capital:		
Decrease in goods and services tax receivable	141,345	43,628
Decrease in prepaid expenses	19,078	16,679
(Decrease) increase in accounts payable and accrued liabilities	(761,133)	379,456
	(4,046,059)	(1,480,153)
Financing activities		
Common shares issued on exercise of stock options	65,175	7,350
Interest on restricted short-term investment	700	3,462
	65,875	10,812
Investing activities		
(Increase) decrease in restricted short-term investments	(562)	159,448
Decrease in short-term investments	2,267,653	2,327,165
	2,267,091	2,486,613
Increase in cash and cash equivalents	(1,713,093)	1,017,272
Cash and cash equivalents – Beginning of period	6,777,638	290,786
Cash and cash equivalents – End of period	$ 5,064,545	$ 1,308,058

The accompanying notes are in integral part of these unaudited 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 and is now at an advanced stage of demonstration piloting of new clean technologies. These technologies are designed to recover valuable products from oil sands tailings and reduce negative environmental impacts.

The Company is 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 recoverability of amounts expended on research and development to date is dependent on the ability of the Company to complete pre-commercialization activities, commercialization at oil sands sites, and achieve future profitable operations. The Company is dependent on raising funds through the issuance of shares, government grants and/or attracting partners in order to undertake further research and commercialization of its technology. The Company may not be successful in these endeavours. Subsequent to November 30, 2010, the Company completed a brokered private placement for aggregate gross proceeds of $14,331,000 (note 10).

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, 2010 may not necessarily be indicative of the results that may be expected for the year ending August 31, 2011.

The balance sheet at August 31, 2010 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, 2010. 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, 2010.

3 Comparative figures

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

4 Capital management

The Company considers its shareholders' equity and government grant balance as its capital, which at November 30, 2010 totalled $3,794,034 (August 31, 2010 - $7,550,520). 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 general and administrative costs so that more funds are available for research and development to continue to advance the Oil Sands Project forward; and to access available government funding for research and development.

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, 2010.

5 Financial instruments and financial risk factors

The Company has, for accounting purposes, designated its cash and cash equivalents and restricted short-term investments as held-for-trading, which are measured at fair value. Goods and services tax receivable are classified for accounting purposes as receivables, which are measured at amortized cost which equals fair market value at inception. Accounts payables and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also equals fair market value at inception.

As of November 30, 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 and restricted short-term investments. Cash and cash equivalents and restricted 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.

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, 2010, the Company had an aggregate cash and cash equivalents, restricted short-term investment, and short-term investment balance of $5,490,906 (August 31, 2010 - $9,471,090) to settle current liabilities of $1,766,059 (August 31, 2010 - $2,527,192). 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.

a) 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. The Company has no interest-bearing debt.

Restricted short-term investments consist of guaranteed investment certificates which have variable rates. As at November 30, 2010, if the interest rates had decreased by 1% with all other variables held constant, the loss and shareholders' equity for the period ended November 30, 2010 would have been approximately $1,000 higher/lower (August 31, 2010 - $5,600 higher/lower), as a result of lower/higher interest income from short-term investments.

b) 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 expense is denominated in US dollars and to a lesser extent Australian dollars. The Company does not hold any significant balances in foreign currencies to give rise to exposure to foreign exchange risk. Any impact from fluctuations in foreign exchange rates would be minimal and therefore the Company does not hedge its foreign exchange risk.

6 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 government grant recovery for AEIF is recognized on a matching basis as the Company incurs expenditures on the specific projects under the terms of the grant. The recovery of the AEIF grant recognized in the income statement is $nil for the three month period ended November 30, 2010 (November 30, 2009 - $331,600). The remaining balance of the grant at November 30, 2010 is $205,388 (August 31, 2010 - $204,688).

Restricted short-term investment represents a certificate of investment in the amount of $426,361, 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.

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 year ended August 31, 2010, the Company received $3,603,155 as a contribution for eligible expenditures incurred on the project for the period beginning September 1, 2009. As of November 30, 2010, the unexpended portion of the contributions received was $395,347. Under the terms of the Contribution Agreement, the Company has access to remaining funding of up to $1,316,057 for eligible expenditures on the project as long as the Company meets agreed project milestones.

The government grant recovery of SDTC is recognized on a matching basis as the Company incurs expenditures on the specific projects under the terms of the Contribution Agreement. The recovery of the SDTC funding recognized in the income statement is $859,830 for the period ended November 30, 2010. The unrecognized portion of the SDTC grant money advanced at November 30, 2010 was $395,347.

The following table summarizes the balance of the grants as at November 30:

	Three-month period ended November 30,		Period from inception of grant to November 30,
	2010 $	2009 $	2010 $
AEIF grant balance – Beginning of period	204,688	2,230,307	3,500,000
Interest earned – net	700	3,462	124,164
Eligible expenditures during the period	-	(331,600)	(3,418,776)
AEIF grant balance – End of period	205,388	1,902,169	205,388
SDTC funding received	1,255,177	-	3,603,155
Eligible expenditures during the period	(859,830)	-	(3,207,808)
SDTC grant balance – End of period	395,347	-	395,347
Total government grants – End of period	600,735	-	600,735

7 Oil sands project

The Company 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 cumulative amounts expensed on the Oil Sands Project to November 30, 2010 were $32.0 million ($20.6 million to November 30, 2009). No revenue has been earned to date on the Oil Sands Project. Currently there are no contractual rights or obligations related to the Oil Sands Project.

8 Share capital

Authorized

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

Issued and outstanding

	Number of shares #	**Amount** $
Balance – August 31, 2010	56,465,150	48,386,821
Exercise of stock options for cash	142,500	65,175
Reallocation from contributed surplus relating to the exercise of stock options	-	41,100
Balance – November 30, 2010	56,607,650	48,493,096

The weighted average number of common shares for the three month period ended November 30, 2010 is 56,500,699 (August 31, 2010 – 56,404,324). 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, 2010	3,237,500	1.44
Options granted	1,300,000	1.32
Options exercised	(142,500)	0.46
Options expired	(75,000)	2.30
Balance – November 30, 2010	4,320,000	1.42

As of November 30, 2010 there were 2,682,497 exercisable stock options (August 31, 2010 - 2,695,833). The remaining stock based compensation expense to be recognized as a charge to income over the vesting period for unvested options is $1,182,698.

During the three month period ended November 30, 2010, the Company granted 1,300,000 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 $1.32 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	2.09%
Expected life	5 years
Expected volatility	91.17%
Fair value per option	$0.93

The following table reflects the stock options outstanding as of November 30, 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	0.63	1,325,000	3.70	987,497	0.60
$1.00 – $1.99	1.42	1,675,000	4.02	375,000	1.76
$2.00 – $2.99	2.17	1,220,000	1.94	1,220,000	2.17
$3.00 – $3.99	3.17	100,000	0.14	100,000	3.17
	1.42	4,320,000	1.42	2,682,497	1.57

9 Contributed surplus

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

	$
Balance – August 31, 2010	9,198,999
Stock-based compensation expense	229,415
Reallocation of contributed surplus on options exercised	(41,100)
Balance – November 30, 2010	9,387,314

10 Subsequent events

On December 15, 2010 the Company completed a brokered private placement for aggregate proceeds of $14,331,000. Under the private placement, the Company issued 7,165,500 units at a price of $2.00 per unit. Each unit consists of one common share of the Company and one-half of one common share purchase warrant (the "Warrant"). Each whole Warrant entitles the holder to purchase one additional common share of the Company at $2.50 per common share, exercisable until June 15, 2012.

In connection with the private placement, the Company paid the agents of the private placement cash commission of $852,060, and issued to the agents a total of 426,030 broker warrants. Each broker warrant is issued under the same terms and conditions as the Warrants.