

**TITANIUM CORPORATION INC.
(A Development Stage Company)**

UNAUDITED FINANCIAL STATEMENTS

**THREE AND NINE MONTHS ENDED
MAY 31, 2007**

Responsibility for Financial Statements

The accompanying financial statements for Titanium Corporation Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the August 31, 2006 audited financial statements. Only changes in accounting information have been disclosed in these financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

The auditors of Titanium Corporation Inc. have not performed a review of the unaudited financial statements for the three and nine months ended May 31, 2007 and 2006.

Titanium Corporation Inc.
(A Development Stage Company)
Balance Sheets
(Expressed in Canadian Dollars)
(Unaudited)

| | May 31, 2007 | August 31, 2006 |
|--|-----------------------------|-----------------------------|
| Assets | | |
| Current | | |
| Cash | \$ 18,417 | \$ 239,172 |
| Short term investments | 21,033,376 | 23,179,780 |
| Commodity taxes receivable | 51,160 | 76,968 |
| Prepaid and sundry assets | <u>68,033</u> | <u>37,052</u> |
| | 21,170,986 | 23,532,972 |
| Oil Sands Project development costs (Note 3) | 14,936,790 | 13,212,493 |
| Office equipment and leasehold improvements | <u>97,884</u> | <u>118,411</u> |
| | \$ <u>36,205,660</u> | \$ <u>36,863,876</u> |
| Liabilities | | |
| Current | | |
| Payables and accruals | \$ <u>150,088</u> | \$ <u>1,008,368</u> |
| Shareholders' equity | | |
| Capital stock (Note 4) | 47,968,417 | 46,751,330 |
| Warrants (Note 5) | 4,087,198 | 4,087,198 |
| Contributed surplus (Note 6) | 3,060,450 | 2,125,406 |
| Deficit | <u>(19,060,493)</u> | <u>(17,108,426)</u> |
| | <u>36,055,572</u> | <u>35,855,508</u> |
| | \$ <u>36,205,660</u> | \$ <u>36,863,876</u> |

Nature of operations and basis of presentation (Note 1)

Titanium Corporation Inc.
(A Development Stage Company)
Statements of Loss and Deficit
(Expressed in Canadian Dollars)
(Unaudited)

| | Three Months Ended May 31 | | Nine Months Ended May 31 | | Cumulative Since Inception on October 6, 1997 to May 31 |
|--|------------------------------|----------------------|-----------------------------|----------------------|--|
| | 2007 | 2006 | 2007 | 2006 | 2007 |
| Expenses | | | | | |
| Consulting | \$ 137,244 | \$ 168,335 | \$ 593,006 | \$ 705,673 | \$ 3,445,004 |
| Office and administration | 80,898 | 139,935 | 291,949 | 379,457 | 2,601,426 |
| Depreciation and amortization | 9,341 | 7,761 | 27,343 | 18,544 | 135,688 |
| Directors' fees | 38,875 | 33,500 | 126,375 | 112,500 | 569,875 |
| Insurance | 33,320 | 35,274 | 102,219 | 104,394 | 547,260 |
| Investor relations | 38,920 | 4,581 | 80,775 | 73,235 | 883,468 |
| Loss on foreign exchange | 23,572 | 33,842 | 21,653 | 59,502 | 77,908 |
| Professional fees | 17,888 | 111,743 | 176,289 | 326,649 | 1,966,616 |
| Shareholders' communication and filing fees | 12,428 | 22,033 | 178,193 | 173,167 | 754,999 |
| Stock-based compensation | 215,361 | 353,752 | 813,208 | 839,644 | 3,181,175 |
| Travel and promotion | 46,499 | 55,483 | 231,055 | 214,902 | 1,238,986 |
| Exploration properties and related plant and equipment costs written-off | - | - | - | - | 5,453,766 |
| | <u>654,346</u> | <u>966,239</u> | <u>2,642,065</u> | <u>3,007,667</u> | <u>20,856,171</u> |
| Interest income | <u>(226,015)</u> | <u>(179,864)</u> | <u>(689,998)</u> | <u>(576,168)</u> | <u>(1,815,180)</u> |
| Net loss | <u>\$ 428,331</u> | <u>\$ 786,375</u> | <u>\$ 1,952,067</u> | <u>\$ 2,431,499</u> | <u>\$ 19,040,991</u> |
| Basic and diluted loss per share (Note 8) | \$ 0.01 | \$ 0.01 | \$ 0.03 | \$ 0.04 | |
| Deficit at beginning of period | \$ 18,632,162 | \$ 15,575,758 | \$ 17,108,426 | \$ 13,930,634 | \$ - |
| Net loss | 428,331 | 786,375 | 1,952,067 | 2,431,499 | 19,040,991 |
| Shares purchased for cancellation | - | - | - | - | 19,502 |
| Deficit at end of period | <u>\$ 19,060,493</u> | <u>\$ 16,362,133</u> | <u>\$ 19,060,493</u> | <u>\$ 16,362,133</u> | <u>\$ 19,060,493</u> |

See accompanying notes to the unaudited interim financial statements

Titanium Corporation Inc.
(A Development Stage Company)
Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

| | Three Months Ended May 31 | | Nine Months Ended May 31 | | Cumulative Since Inception on October 6, 1997 to May 31 |
|--|------------------------------|--------------------|-----------------------------|--------------------|--|
| | 2007 | 2006 | 2007 | 2006 | 2007 |
| Cash (used in) provided by: | | | | | |
| Operating activities | | | | | |
| Net (loss) | \$ (428,331) | \$ (786,375) | \$ (1,952,067) | \$ (2,431,499) | \$ (19,040,991) |
| Stock-based compensation | 215,361 | 353,752 | 813,208 | 839,644 | 3,181,175 |
| Exploration properties and related plant and equipment costs written-off | - | - | - | - | 5,453,766 |
| Depreciation and amortization | 9,341 | 7,761 | 27,343 | 18,544 | 135,688 |
| | <u>(203,629)</u> | <u>(424,862)</u> | <u>(1,111,516)</u> | <u>(1,573,311)</u> | <u>(10,270,362)</u> |
| Net changes in non-cash working capital items: | | | | | |
| Increase in prepaids and sundry assets | 76,253 | 27,945 | (30,981) | (28,282) | (68,033) |
| Decrease (Increase) in commodity taxes receivables | 30,656 | 49,347 | 25,808 | 4,672 | (51,160) |
| Increase (decrease) in payables and accruals | (178,331) | 172,043 | (858,280) | 211,730 | 150,088 |
| | <u>(275,051)</u> | <u>(175,527)</u> | <u>(1,974,969)</u> | <u>(1,385,191)</u> | <u>(10,239,467)</u> |
| Financing activities | | | | | |
| Common shares issued for cash, net of issue costs | - | 738,250 | 1,175,075 | 2,326,224 | 50,711,500 |
| Investing activities | | | | | |
| Decrease (increase) in short term investments | 446,686 | (633,631) | 2,146,404 | (538,493) | (21,033,376) |
| Decrease (increase) in marketable securities | - | - | - | 567,450 | - |
| Exploration expenditures Oil Sands Project | - | - | - | - | (5,522,391) |
| development costs | (305,393) | (1,033,609) | (1,560,449) | (2,584,899) | (13,664,282) |
| Acquisition of office equipment and leasehold improvements | (6,816) | (60,607) | (6,816) | (63,000) | (233,567) |
| | <u>134,477</u> | <u>(1,727,847)</u> | <u>579,139</u> | <u>(2,618,942)</u> | <u>(40,453,616)</u> |
| Net (Decrease) Increase in cash | (140,574) | (1,165,124) | (220,755) | (1,677,909) | 18,417 |
| Cash, beginning of period | 158,991 | 1,511,714 | 239,172 | 2,024,499 | - |
| Cash, end of period | \$ 18,417 | \$ 346,590 | \$ 18,417 | \$ 346,590 | \$ 18,417 |

See accompanying notes to the unaudited interim financial statements

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

| | <u>Shares Issued</u> | | <u>Warrants</u> | <u>Contributed Surplus</u> | <u>Accumulated deficit</u> | <u>Total</u> |
|--|----------------------|----------------------|---------------------|----------------------------|----------------------------|----------------------|
| | <u># of Shares</u> | <u>Share Value</u> | | | | |
| Balance at August 31, 2005 | 54,586,418 | \$ 43,512,498 | \$ 3,735,111 | \$ 2,000,105 | \$ (13,930,634) | \$ 35,317,080 |
| Shares issued on exercise of stock options | 1,004,666 | 2,147,199 | - | - | - | 2,147,199 |
| Reallocation from contributed surplus relating to the exercise of agents options and stock options | - | 1,264,695 | - | (1,264,695) | - | - |
| Shares issued on exercise of Broker Warrants | 79,567 | 179,025 | - | - | - | 179,025 |
| Valuation of Broker Warrants exercised | - | 50,287 | (50,287) | - | - | - |
| Adjustment to share issue costs as at August 26, 2005 to reflect value of Broker Warrants issued | - | (402,374) | 402,374 | - | - | - |
| Valuation of stock options granted | - | - | - | 1,389,996 | - | 1,389,996 |
| Loss for the period | - | - | - | - | (3,177,792) | (3,177,792) |
| Balance at August 31, 2006 | 55,670,651 | 46,751,330 | 4,087,198 | 2,125,406 | (17,108,426) | 35,855,508 |
| Valuation of stock options granted | - | - | - | 977,056 | - | 977,056 |
| Shares issued on exercise of stock options | 537,000 | 1,175,075 | - | - | - | 1,175,075 |
| Reallocation from contributed surplus relating to the exercise of agents options and stock options | - | 42,012 | - | (42,012) | - | - |
| Loss for the year | - | - | - | - | (1,952,067) | (1,952,067) |
| Balance at May 31, 2007 | 56,207,651 | \$ 47,968,417 | \$ 4,087,198 | \$ 3,060,450 | \$ (19,060,493) | \$ 36,055,572 |

See accompanying notes to the unaudited interim financial statements

Titanium Corporation Inc.
(A Development Stage Company)
Three and Nine Months Ended May 31, 2007
Notes to Interim Financial Statements
(Expressed in Canadian Dollars)
(Unaudited)

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. The Company is engaged in the business of developing a commercial separation process for the recovery of titanium and zircon from Canada's oil sands (the "Oil Sands 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 the development of this process.

The underlying value of the Company's Oil Sands Project is dependent upon the completion of certain technical programs, the successful completion of a feasibility study and the Company's ability to raise financing for the construction of commercial facilities. The Company believes it has sufficient financial resources to complete the design, engineering and feasibility assessment of the Oil Sands Project and for working capital purposes.

Management is of the opinion that additional funding is available and may be sourced in time to allow the Company to build the commercial scale plant. While it has been successful in the past, there can be no assurance that it will be able to raise sufficient funds in the future.

The unaudited financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by Canadian generally accepted accounting principles 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. Net losses for the three and nine month periods ended May 31, 2007 may not necessarily be indicative of the results that may be expected for the year ending August 31, 2007.

The balance sheet at August 31, 2006 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles 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, 2006. 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, 2006.

2. New Accounting Pronouncements

In January 2005, the Canadian Institute of Chartered Accountants issued four new accounting standards: Handbook Section 1530, Comprehensive Income, Handbook Section 3251, Equity, Handbook Section 3855, Financial Instruments - Recognition and Measurement, and Handbook Section 3865, Hedges. These standards are effective for the Company's fiscal 2008 interim and annual financial statements.

Titanium Corporation Inc.
(A Development Stage Company)
Three and Nine Months Ended May 31, 2007
Notes to Interim Financial Statements
(Expressed in Canadian Dollars)
(Unaudited)

3. Oil Sands Project Development Costs

Capitalized costs incurred relating to the Oil Sands Project development at May 31, 2007 and August 31, 2006 are as follows:

| | May 31, 2007 | August 31, 2006 |
|---|---------------------|---------------------|
| Acquisition and development costs | \$ 7,633,128 | \$ 6,447,803 |
| Building and equipment construction costs | <u>7,303,662</u> | <u>6,764,690</u> |
| | <u>\$14,936,790</u> | <u>\$13,212,493</u> |

4. Capital Stock

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

| Common Shares | Number of Shares | Amount |
|---|------------------|---------------|
| Balance, August 31, 2006 | 55,670,651 | \$ 46,751,330 |
| Exercise of stock options for cash | 537,000 | 1,175,075 |
| Reallocation from contributed surplus relating to the exercise of stock options | - | 42,012 |
| Balance, May 31, 2007 | 56,207,651 | \$ 47,968,417 |

5. Common Share Purchase Warrants

The following table reflects the continuity of common share purchase warrants:

| Expiry Date | Exercise Price | August 31, 2006 Balance | Issued | Exercised | May 31, 2007 Balance | Black-Scholes Value |
|-------------------------|----------------|-------------------------------|--------|-----------|----------------------------|------------------------|
| Broker Warrants: | | | | | | |
| August 2007 | \$2.25 | 557,100 | - | - | 557,100 | \$ 352,087 |
| Warrants: | | | | | | |
| August 2007 | \$3.25 | 10,611,112 | - | - | 10,611,112 | 3,735,111 |
| | | 11,168,212 | - | - | 11,168,212 | \$ 4,087,198 |

Titanium Corporation Inc.
(A Development Stage Company)
Three and Nine Months Ended May 31, 2007
Notes to Interim Financial Statements
(Expressed in Canadian Dollars)
(Unaudited)

6. Contributed Surplus

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

| | |
|---|---------------------|
| Balance, August 31, 2006 | \$ 2,125,406 |
| Stock-based compensation expense | 813,208 |
| Stock-based compensation charged to Oil Sands Project development costs | 163,848 |
| Options exercised | (42,012) |
| Balance, May 31, 2007 | \$ 3,060,450 |

7. Common Share Purchase Plan

The Company has a stock option plan (the "Plan") which is restricted to directors, officers, key employees and 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.

The following table reflects the continuity of stock options for the nine months ended May 31, 2007:

| | Number of Stock Options | Weighted Average Exercise Price |
|------------------------------|----------------------------|------------------------------------|
| Balance, August 31, 2006 | 2,959,500 | \$ 2.68 |
| Options granted | 500,000 | 2.10 |
| Options exercised | (537,000) | 2.14 |
| Options expired/cancelled | (442,500) | 2.96 |
| Balance, May 31, 2007 | 2,480,000 | \$ 2.73 |

Titanium Corporation Inc.
(A Development Stage Company)
Three and Nine Months Ended May 31, 2007
Notes to Interim Financial Statements
(Expressed in Canadian Dollars)
(Unaudited)

7. Common Share Purchase Plan (continued)

The following table reflects the stock options outstanding as of May 31, 2007:

| Expiry Date | Weighted Average Exercise Price (\$) | Options Outstanding | Weighted Average Remaining Life (Years) | Options Vested | Weighted Average Exercise Price (\$) (Vested) |
|-------------|--------------------------------------|---------------------|---|------------------|--|
| 2007 | 2.10 | 150,000 | 0.34 | 150,000 | 2.10 |
| 2008 | 2.45 | 10,000 | 0.81 | 10,000 | 2.45 |
| 2009 | 1.97 | 470,000 | 1.80 | 470,000 | 1.97 |
| 2010 | 3.46 | 950,000 | 2.79 | 783,333 | 3.41 |
| 2011 | 2.46 | <u>900,000</u> | 4.02 | <u>533,336</u> | 2.51 |
| | | <u>2,480,000</u> | | <u>1,946,669</u> | |

During the nine months ended May 31, 2007, 500,000 (May 31, 2006 - 550,000) stock options were granted by the Company. Accordingly, \$470,325 (May 31, 2006 - \$750,000) will be expensed in the statement of operations and deficit as these options vest.

The following stock options were granted during the nine months ended May 31, 2007:

| Expiry Date | Exercise Price (\$) | Number |
|-------------------|---------------------|----------------|
| September 8, 2011 | 1.98 | 425,000 |
| December 11, 2011 | 2.75 | <u>75,000</u> |
| | | <u>500,000</u> |

The fair value of the 425,000 options granted has been estimated at the date of grant using a Black-Scholes option pricing model. The current period's valuation was calculated with the following assumptions: risk free interest rate of 3.99%; volatility factor of the expected market price of the Company's common stock of 44.3%; and an expected life of 5 years.

The fair value of the 75,000 options granted has been estimated at the date of grant using a Black-Scholes option pricing model. The current period's valuation was calculated with the following assumptions: risk free interest rate of 3.82%; volatility factor of the expected market price of the Company's common stock of 49.7%; and an expected life of 5 years.

Titanium Corporation Inc.
(A Development Stage Company)
Three and Nine Months Ended May 31, 2007
Notes to Interim Financial Statements
(Expressed in Canadian Dollars)
(Unaudited)

8. 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 common share purchase warrants and stock options on the net loss for the periods presented is not reflected as to do so would be anti-dilutive.

The following table sets forth the computation of basic and diluted loss per share:

| | Three Months Ended May 31, | | Nine Months Ended May 31, | |
|---|-------------------------------|------------|------------------------------|--------------|
| | 2007 | 2006 | 2007 | 2006 |
| Basic and diluted loss per share | 0.01 | 0.01 | \$ 0.03 | \$ 0.04 |
| <u>Numerator:</u> | | | | |
| Net loss for the period | \$ 428,331 | \$ 786,375 | \$ 1,952,067 | \$ 2,431,499 |
| <u>Denominator:</u> | | | | |
| Weighted average number of common shares | 56,207,651 | 55,499,267 | 55,962,584 | 55,057,501 |

9. Related Party Transactions

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 a term of 3 years, commencing February 23, 2005, during which time Auxilium will be paid \$275,000 per year plus a \$12,000 per year vehicle allowance. The Company was charged \$215,250 (2006 - \$215,192) as well as a performance bonus of \$137,500 (2006 - \$137,500) during the period by Auxilium.

Harbour Capital Corporation ("Harbour")

Under the terms of a consulting agreement \$75,000 (2006 - \$200,003) was paid to Harbour, a company controlled by a director of the Company to provide the services of Executive Chairman. This agreement was amended and renewed for a term of 12 months, commencing September 1, 2006, during which time Harbour will be paid \$100,000 per year.

These related party transactions were in the normal course of operations and were measured at the exchange amounts.

Titanium Corporation Inc.
(A Development Stage Company)
Three and Nine Months Ended May 31, 2007
Notes to Interim Financial Statements
(Expressed in Canadian Dollars)
(Unaudited)

10. Supplementary Cash Flow Information

| | Three Months Ended May 31, | | Nine Months Ended May 31, | |
|---|-------------------------------|------------------|------------------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Non-cash investing activity: | | | | |
| Stock compensation charged to Oil Sands Project development costs | \$ <u>44,748</u> | \$ <u>38,764</u> | \$ <u>163,848</u> | \$ <u>95,053</u> |

11. Comparative Figures

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