

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

UNAUDITED FINANCIAL STATEMENTS

**THREE AND SIX MONTHS ENDED
FEBRUARY 28, 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.

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

	February 28, 2007	August 31, 2006
Assets		
Current		
Cash	\$ 158,991	\$ 239,172
Short term investments	21,480,062	23,179,780
Commodity taxes receivable	81,816	76,968
Prepaid and sundry assets	<u>144,286</u>	<u>37,052</u>
	21,865,155	23,532,972
Oil Sands Project development costs (Note 3)	14,586,649	13,212,493
Office equipment and leasehold improvements	<u>100,409</u>	<u>118,411</u>
	<u>\$ 36,552,213</u>	<u>\$ 36,863,876</u>
Liabilities		
Current		
Payables and accruals	<u>\$ 328,419</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)	2,800,341	2,125,406
Deficit	<u>(18,632,162)</u>	<u>(17,108,426)</u>
	<u>36,223,794</u>	<u>35,855,508</u>
	<u>\$ 36,552,213</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 February 28		Six Months Ended February 28		Cumulative Since Inception on October 6, 1997 to February 28
	2007	2006	2007	2006	2007
Expenses					
Consulting	\$ 280,917	\$ 354,321	\$ 422,418	\$ 537,338	\$ 3,274,416
Office and administration	138,123	126,742	211,051	239,522	2,520,528
Depreciation and amortization	9,001	5,391	18,002	10,783	126,347
Directors' fees	43,750	39,500	87,500	79,000	531,000
Insurance	35,345	35,463	68,899	69,120	513,940
Investor relations	111,791	57,834	140,425	68,654	943,118
(Gain) Loss on foreign exchange	5,787	8,947	(1,919)	25,660	54,336
Professional fees	106,176	120,864	158,401	214,906	1,948,728
Shareholders' communication and filing fees	73,326	51,884	100,539	151,134	677,345
Stock-based compensation	227,403	299,514	597,847	485,892	2,965,814
Travel and promotion	75,750	81,521	184,556	159,419	1,192,487
Exploration properties and related plant and equipment costs written-off	-	-	-	-	5,453,766
	<u>1,107,369</u>	<u>1,181,981</u>	<u>1,987,719</u>	<u>2,041,428</u>	<u>20,201,825</u>
Interest income	<u>(198,597)</u>	<u>(194,543)</u>	<u>(463,983)</u>	<u>(396,304)</u>	<u>(1,589,165)</u>
Net loss	<u>\$ 908,772</u>	<u>\$ 987,438</u>	<u>\$ 1,523,736</u>	<u>\$ 1,645,124</u>	<u>\$ 18,612,660</u>
Basic and diluted loss per share (Note 8)	\$ 0.02	\$ 0.02	\$ 0.03	\$ 0.03	
Deficit at beginning of period	\$ 17,723,390	\$ 14,588,320	\$ 17,108,426	\$ 13,930,634	\$ -
Net loss	908,772	987,438	1,523,736	1,645,124	18,612,660
Shares purchased for cancellation	-	-	-	-	19,502
Deficit at end of period	<u>\$ 18,632,162</u>	<u>\$ 15,575,758</u>	<u>\$ 18,632,162</u>	<u>\$ 15,575,758</u>	<u>\$ 18,632,162</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 February 28		Six Months Ended February 28		Cumulative Since Inception on October 6, 1997 to February 28
	2007	2006	2007	2006	2007
Cash (used in) provided by:					
Operating activities					
Net (loss)	\$ (908,772)	\$ (987,438)	\$ (1,523,736)	\$ (1,645,124)	\$ (18,612,660)
Stock-based compensation	227,403	299,514	597,847	485,892	2,965,814
Exploration properties and related plant and equipment costs written-off	-	-	-	-	5,453,766
Depreciation and amortization	9,001	5,391	18,002	10,783	126,347
	<u>(672,368)</u>	<u>(682,533)</u>	<u>(907,887)</u>	<u>(1,148,449)</u>	<u>(10,066,733)</u>
Net changes in non-cash working capital items:					
Increase in prepaids and sundry assets	(138,257)	(74,360)	(107,234)	(56,227)	(144,286)
Decrease (Increase) in commodity taxes receivables	(50,153)	(53,213)	(4,848)	(44,675)	(81,816)
Increase (decrease) in payables and accruals	(255,205)	445,448	(679,949)	39,688	328,419
	<u>(1,115,983)</u>	<u>(364,658)</u>	<u>(1,699,918)</u>	<u>(1,209,663)</u>	<u>(9,964,416)</u>
Financing activities					
Common shares issued for cash, net of issue costs	1,171,075	1,587,973	1,175,075	1,587,973	50,711,500
Investing activities					
Decrease (increase) in short term investments	462,944	(183,823)	1,699,718	95,138	(21,480,062)
Decrease (increase) in marketable securities	-	-	-	567,450	-
Exploration expenditures Oil Sands Project	-	-	-	-	(5,522,391)
development costs	(385,314)	(1,233,639)	(1,255,056)	(1,551,290)	(13,358,889)
Acquisition of office equipment and leasehold improvements	-	-	-	(2,393)	(226,751)
	<u>77,630</u>	<u>(1,417,462)</u>	<u>444,662</u>	<u>(891,095)</u>	<u>(40,588,093)</u>
Net (Decrease) Increase					
in cash	132,722	(194,147)	(80,181)	(512,785)	158,991
Cash, beginning of period	26,269	1,705,861	239,172	2,024,499	-
Cash, end of period	\$ <u>158,991</u>	\$ <u>1,511,714</u>	\$ <u>158,991</u>	\$ <u>1,511,714</u>	\$ <u>158,991</u>

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	-	-	-	716,947	-	716,947
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	-	-	-	-	(1,523,736)	(1,523,736)
Balance at February 28, 2007	56,207,651	\$ 47,968,417	\$ 4,087,198	\$ 2,800,341	\$ (18,632,162)	\$ 36,223,794

See accompanying notes to the unaudited interim financial statements

Titanium Corporation Inc.
(A Development Stage Company)
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 separation process for the recovery of titanium and zircon from Canada's oil sands. 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.

To fund its past development activities, the Company has raised equity capital to achieve specific milestones set out in its business plan. In August 2005, the Company raised funds to complete the design, engineering and construction of a Phase 1 expandable production facility to be located in Fort McMurray, Alberta and for working capital purposes.

Previously the Phase 1 program was planned as a non-commercial demonstration facility to produce an industrial sized titanium feedstock sample required by pigment manufacturers. In response to continued positive market economics for zircon, the Company is now planning to redesign the first phase of its facilities to be a commercial plant and to initially prioritize the commercial production of zircon.

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 zircon 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 six month periods ended February 28, 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)
Notes to Interim Financial Statements
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(Unaudited)

3. Oil Sands Project Development Costs

Capitalized costs incurred relating to the Oil Sands Project development at February 28, 2007 and August 31, 2006 are as follows:

	February 28, 2007	August 31, 2006
Acquisition and development costs	\$ 7,341,839	\$ 6,447,803
Building and equipment construction costs	<u>7,244,810</u>	<u>6,764,690</u>
	<u>\$14,586,649</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, February 28, 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	February 28, 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

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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	597,847
Stock-based compensation charged to Oil Sands Project development costs	119,100
Options exercised	(42,012)
Balance, February 28, 2007	\$ 2,800,341

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 six months ended February 28, 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	(200,000)	2.33
Balance, February 28, 2007	2,722,500	\$ 2.77

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7. Common Share Purchase Plan (continued)

The following table reflects the stock options outstanding as of February 28, 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	0.59	150,000	2.10
2008	2.45	10,000	1.06	10,000	2.45
2009	1.97	470,000	2.05	470,000	1.97
2010	3.46	1,130,000	3.03	963,333	3.47
2011	2.46	<u>962,500</u>	4.25	<u>425,003</u>	2.56
		<u>2,722,500</u>		<u>2,018,336</u>	

During the six months ended February 28, 2007, 500,000 (February 28, 2006 - 400,000) stock options were granted by the Company. Accordingly, \$470,325 (February 28, 2006 - \$532,500) will be expensed in the statement of operations and deficit as these options vest.

The following stock options were granted during the six months ended February 28, 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.

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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 February 28, 2007		Six Months Ended February 28, 2007	
Basic and diluted loss per share	0.02	0.02	\$ 0.03	\$ 0.03
<u>Numerator:</u>				
Net loss for the period	\$ 908,772	\$ 987,438	\$ 1,523,736	\$ 1,645,124
<u>Denominator:</u>				
Weighted average number of common shares	55,996,172	55,038,233	55,836,593	54,812,326

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 \$143,500 (2006 - \$143,500) 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 \$50,000 (2006 - \$100,000) 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.

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Notes to Interim Financial Statements
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(Unaudited)

10. Supplementary Cash Flow Information

	Three Months Ended February 28,		Six Months Ended February 28,	
	2007	2006	2007	2006
Non-cash investing activity:				
Stock compensation charged to Oil Sands Project development costs	\$ <u>65,894</u>	\$ <u>(6,348)</u>	\$ <u>119,100</u>	\$ <u>56,290</u>

11. Comparative Figures

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