



**Creating Value
from Waste™**

TITANIUM CORPORATION

Titanium Corporation has developed innovative technologies to recover valuable heavy minerals, bitumen, solvent and water from oil sands waste tailings. The benefits are twofold: recovery of valuable commodities that will provide attractive economic returns; and green benefits which will significantly reduce environmental impacts of the oil sands industry. The Company is in the final stages of demonstrating its technology at its integrated demonstration pilot plant. The Company plans to commercialize the technologies in 2011.

STOCK EXCHANGE LISTING TSX Venture Exchange Symbol: TIC	ANNUAL MEETING The annual and special meeting will take place at: 10:00 am on Tuesday, January 25, 2011 TSX Broadcast Centre Gallery The Exchange Tower 130 King Street West Toronto, Ontario.
HEAD OFFICE 10025 - 106 Street, Suite 1400, Edmonton, Alberta, T5J 1G4 T: 780.760.0512 F: 780.760.0515 www.titaniumcorporation.com	

Front Cover: Sampling bitumen recovered from oilsands tailings at the Company's demonstration pilot.

2010 Message to Shareholders

2010 has been a decisive year of progress and accomplishment for our Company. Our demonstration pilot program executed on schedule and within budget demonstrating new sustainable technologies. We have now advanced our technology to the threshold of commercialization. The implementation of our technology will realize our goal of “Creating Value from Waste™” for the oil sands industry and, most importantly, for our shareholders.

2010 Key Accomplishments

- Our technology demonstration pilot gained the support of the Alberta and Canadian Governments and we secured participation by five oil sands operators and Canada’s leading engineering, analytical, research and testing organizations.
- Demonstration pilot performance exceeded our expectations with bitumen and solvent recoveries at the high end of targets in the range of 75% recoveries.
- Bitumen removal processes successfully cleaned valuable heavy minerals for downstream minerals separation processing.

Highlights of Titanium’s Development Program Objectives for the Past Year:

- In September, 2009 the Canadian Government announced their support for our project and a \$5 million Grant award for our \$15 million demonstration pilot.
- We engaged SNC-Lavalin, Canada’s leading international engineering firm, to design and engineer the demonstration pilot and contracted the Canadian Government CanmetENERGY (“Canmet”) test facilities at Devon, Alberta. This facility is dedicated to the development and testing of oil sands technologies by the oil sands operators.
- Following construction and installation of our process modules, we commissioned the pilot at Canmet in June through September.
- Five months of tailings processing for two of the oil sands operators were successfully completed and we will complete a third operator in the first quarter of 2011. Technical reviews with the oil sands operators are well advanced.
- Our Company conducted an exceptionally large R&D program in 2010. The \$9.5 million program was funded in part by \$4.4 million of Government Grant funding arranged in 2008 and 2009.

We met our objectives to reduce Corporate and General & Administrative (“G&A”) costs and focus our resources on the pilot program. Over the year, G&A was reduced by a further \$500,000 to \$1.6 million.

Goals for 2011

Our Company is strongly positioned to move forward with the commercialization of our technology in 2011 with the following objectives:

- Complete technical reviews with the three oil sands operators and advance to site-specific front end engineering.
- Commercial agreement for implementation at a first oil sands operator site.
- Partnering and financing to support commercialization and project construction.

We are excited about the future for our Company on both the oil sands and minerals fronts. Canada's rapidly growing oil sands industry is under increasing pressure to address its widely perceived negative environmental performance and reputation. Our technology can improve the industry's environmental impact by reducing tailings pond emissions while recovering valuable products.

Our minerals business offers increasing potential as world zircon demand and prices have been steadily increasing due to growing demand from developing nations, particularly China. Industry forecasts project a world shortage of zircon developing during the next few years. We are thus well placed to have a ready market for the new supply we are developing from Canada's oil sands.

On November 30, 2010, the Company announced a private placement financing to raise a minimum of \$10 million and a maximum of \$15 million. Proceeds from the private placement will be used to fund the costs associated with commercialization. The offering successfully closed on December 15, 2010.

As a public company we recognize the importance of increasing awareness about Titanium in the capital markets. As we have advanced our technology now to the commercialization threshold we are devoting more resources and efforts to engaging the professional investment community. Since the fourth quarter of 2010 we have undertaken a sustained marketing effort across Canada that has brought significant investment attention from numerous investment banks, equity analysts and investment representatives. Our efforts are being aided by the services of a professional investor relations company. Titanium is now a much better known company among investors than ever before and we intend to aggressively continue our marketing efforts throughout 2011.

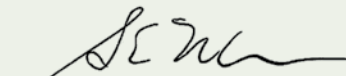
Developing new technology is a team effort and we wish to thank our partners in industry, Government, engineering and research for their valuable contributions to the development of this important technology. We also extend our gratitude to our employees who have made exceptional efforts during our most active year and our Board members for their dedication and guidance.

To our shareholders, we commit to aggressively pushing ahead with commercialization of our technologies and achieving enhanced value for all shareholders.

Sincerely,



Gordon Pridham



Scott Nelson

“Creating Value from Waste™”...A Compelling Value Proposition for the Oil Sands Industry

Titanium Corporation has developed new technology which focuses on value creation in three important areas:

- Zircon recovery: a valuable heavy mineral that is in high demand and short supply in world markets
- Recovery of bitumen and solvent from oil sands tailings: reducing losses of valuable hydrocarbons
- Improving environmental performance: reducing emissions and hydrocarbons in tailings ponds

Titanium Corporation’s technology remediates a unique tailings stream. The froth treatment stage of the oil sands extraction process currently discharges hydrocarbon and mineral rich tailings into ponds. In the froth treatment process, a solvent is added to dilute bitumen and remove sand and water. Froth treatment tailings are comprised of approximately 80% water, 17% solids containing valuable heavy minerals and 2-3% bitumen and solvent losses. During 2010, the Company’s technology has successfully demonstrated high recoveries of bitumen, solvent and zircon in the range of 75% from froth treatment tailings.

The following pages and photos tell the story of the Company’s success during the past year demonstrating these technologies.

The Company’s 2010 demonstration pilot is the culmination of three years of successful research and development during which period the Company’s programs have been supported and funded in part by the Canadian and Alberta Governments. Over this period, the Company has also benefited from an Alberta Government Advisory Committee. The committee includes senior representatives from the Environment and Energy Ministries, the Energy Resources Conservation Board (the regulator) as well as Government research agencies.

The pilot project started in September 2009 with the award of a significant Grant to our Company by the Canadian Government. Sustainable Development Technologies Canada “SDTC” has a mandate to support successful new sustainable technologies during final pre-commercial demonstration. Our Company was awarded a \$5 million Grant to support our \$15 million demonstration pilot.



CanmetENERGY pilot facility



Bitumen removal circuit



Bitumen recovery vessel

The mandate of the SDTC Grant and Alberta support is to develop industry wide technology. The Company assembled a consortium of three oil sands operators to cooperate with the demonstration pilot and provide froth treatment tailings for six months of piloting. Two other oil sands firms have also provided quantities of tailings for development testing. The consortium agreements and a final contract with SDTC were signed in January 2010 and the Company received an initial payment of \$1.6 million from SDTC.

Following the SDTC announcement, SNC-Lavalin joined the project as the Company's engineering partner. SNC-Lavalin is Canada's leading international engineering firm with deep expertise in the energy sector. SNC-Lavalin designed and engineered the Company's demonstration pilot and has a long term relationship for commercial facilities.

The Company secured the Canadian Government's CanmetENERGY testing facilities in Devon, Alberta as the site for operation of the demonstration pilot. CanmetENERGY has been the prime location over the past 15 years for the development and testing of froth treatment technologies by the oil sands operators. Canmet provides a team of highly experienced professionals and world class facilities.

Construction of pilot modules began in early 2010 at Westways Group's Edmonton fabrication facilities. The modules were installed at CanmetENERGY and sequentially commissioned over spring and summer. The company received a further SDTC milestone payment of \$2 million in August 2010.

Maxxam Analytics joined our team to provide independent sampling and analytical services for all pilot testing programs. Maxxam is Canada's largest testing firm including a large energy industry testing laboratory in Edmonton.

Over the balance of 2010, the Company successfully completed demonstration piloting for two of the three oil sands firms and was able to announce very positive results. Bitumen recovery, minerals cleaning and solvent recovery technologies all performed at the high end of targeted ranges.

During the first quarter of 2011, piloting will be completed for a third oil sands operator at the CanmetENERGY facilities. A separate smaller scale pilot will also be conducted for two other oil sands firms at an alternate testing site.

Reviews are underway of completed piloting results with oil sands operators. The next steps include engineering and operational planning related to the location of facilities at oil sands sites.



Magnetic separation of zircon

Mineral sand laboratory analysis

Gravity separation of valuable minerals



The Company's bitumen and solvent recovery technology in operation at CanmetENERGY

Management Discussion and Analysis for the Year Ended August 31, 2010

Titanium Corporation Inc. ("Titanium" or the "Company") has prepared the following management discussion and analysis (the "MD&A") to provide information to assist in understanding the financial results for the fiscal year ended August 31, 2010. This MD&A should be read in conjunction with Titanium's audited financial statements for the fiscal year ended August 31, 2010 including the notes thereto (the "Financial Statements"). This MD&A is dated as at and based on information available to management as of November 18, 2010. The Company is a development stage company whose common shares are listed on the TSX Venture Exchange under the symbol "TIC".

The above referenced material is available on Titanium's website at www.titaniumcorporation.com or it can be found, along with additional information about Titanium, including Titanium's annual information form, on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

The financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("GAAP"). All amounts included in this MD&A are in Canadian dollars, unless otherwise specified. Certain prior year amounts have been reclassified to conform with the presentation for the current year.

This MD&A contains forward-looking information that reflects the current expectations of management about the future results, performance, achievements, prospects or opportunities for Titanium. These statements generally can be identified by use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "believe", "project", "should" or "continue" or the negative thereof or similar variations. Forward-looking information is provided in this document in the discussion of Titanium's research and development plans under the heading "Titanium's Business" and Titanium's business plans for fiscal 2011 under the heading "Update on the Project", "Next Steps for the Company" and "IFRS Assessment and Conversion Plan". Titanium provides forward-looking information in order to describe management expectations and assist shareholders in understanding our financial position as at and for the periods ended on the dates presented in this report. Readers are cautioned that this information may not be appropriate for other purposes. Forward-looking statements are based upon a number of assumptions and are subject to a number of known and unknown risks and uncertainties, many of which are beyond Titanium's control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements. Forward-looking information is subject to significant risks and uncertainties and is based on a number of Titanium's expectations and assumptions which may prove to be incorrect regarding future stable or increasing prices for zircon and bitumen, stable currency exchange rates between the Canadian and US dollars, expected capital expenditures and Titanium's expected future research and development activities. The material risks, uncertainties and other factors that could influence actual results include, but are not limited to:

- *Operational or technical difficulties in connection with successfully completing research activities;*
- *Results of research activities;*
- *Development timeline delays and problems, including negative impacts on Titanium's technologies caused by unforeseen development costs;*

- *Reliance on a small number of key people to carry out Titanium's business and research activities;*
- *Access to and cost of oil sands tailings necessary to carry out the Project as defined herein;*
- *Competitors who may develop alternate solutions or Titanium's intellectual property may not be adequately protected; and/or*
- *Changes to environment laws and regulations which may add significant cost to or impair the permitted operation of the Project.*

While we anticipate that subsequent events and developments may cause our views to change, we do not have an intention to update this forward-looking information except as required by applicable securities laws. This forward-looking information represents our views as of the date of this MD&A and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. *There can be no assurance that forward-looking information will prove to be accurate as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.* These factors are not intended to represent a complete list of the factors that could affect the Company. Additional information on these and other factors are disclosed elsewhere in the MD&A and in reports filed with the securities regulatory authorities in Canada from time to time and available on SEDAR.

Titanium's Business

Titanium is creating a new business, "*Creating Value from Waste™*", to recover heavy minerals and bitumen from waste generated in the oil sands mining operations of northern Alberta. The recovery of bitumen, associated solvents and water will result in important environmental improvements. The research and development activities related to creating this new business are referred to as the "Oil Sands Project" or the "Project".

Oil sands operators surface mine deposits to extract bitumen (heavy oil trapped in the sands) for further processing into synthetic crude oil. Heavy minerals occurring in the oil sands deposits are concentrated in the froth treatment tailings during one of the bitumen extraction steps.

Four large oil sands mining sites are currently in operation: Syncrude Canada, Suncor Energy, Canadian Natural Resources Limited (CNRL) and Albian Sands (Shell). One new mining site, Imperial Oil Kearl, is under construction for commissioning in 2012 and an additional site, Total Jocelyn, is currently undergoing regulatory approvals. All of the current and developing sites forecast expansions, which will significantly increase Canada's oil sands production in the years ahead. With the growth of the oil sands industry, increased volumes of waste bitumen, solvent and minerals will be generated in froth treatment tailings.

Titanium has been developing novel processes to recover value from froth treatment tailings and conducting extensive R&D programs over the past 6 years. The Company's research programs have developed new solutions for the production of both the heavy minerals and bitumen. Research has also been focused on the recovery of solvents and water to reduce environment impacts in areas of air emissions, water usage and the footprint of tailings ponds.

The Company has been conducting a phased research program both internally and with external research firms to develop technologies to process oil sands froth treatment tailings directly from the tailings pipeline. The phases of the research programs are as follows:

- **Phase I - initial laboratory scale work:** the objective was to identify the most prospective laboratory-based solutions;
- **Phase II - continuous bench scale testing:** the objective was to provide scaling data for piloting; and
- **Phase III - integrated pilot testing:** the objective is to operate the technology in an integrated continuous process.

The Company has completed Phases I and II, successfully executing a two year research program endorsed by the Alberta Government and supported by a \$3.5 million Alberta Energy Innovation Fund ("AEIF") grant received in March 2008. The key achievements of the program were the development of technologies to remove bitumen from heavy minerals and recover bitumen, solvents and water from froth treatment tailings. As a condition of the grant, a Government Advisory Committee to the Company has been formed, comprised of representatives from the Energy and Environment Ministries, the Energy Resources Conservation Board (ERCB), Alberta Innovates and CanmetENERGY.

The success of the R&D program resulted in the award of a \$4.9 million Canadian Government grant from Sustainable Development Technologies Canada ("SDTC") in September 2009. The Company is now executing a Phase III integrated pilot to demonstrate continuous testing of these technologies during 2010 as outlined below in the next two sections.

Update on the "Project"

For the period July 2010 through February 2011, the integrated pilot (Phase III) is being operated at Natural Resources Canada CanmetENERGY's Devon, Alberta pilot facility. Processing froth treatment tailings transported from oil sands sites, the pilot is demonstrating a number of Company-developed technologies designed to: concentrate and recover heavy minerals and bitumen; recover solvents; treat and recover water and reduce environmental impacts associated with froth tailings streams.

During fiscal 2010, Titanium successfully executed the contracting, construction, installation, commissioning and operation of the pilot program. The pilot program is at an advanced stage and is meeting key milestones and objectives summarized as follows:

- In January 2010, the Company entered into a Contribution Agreement with SDTC to financially assist the Company in developing and demonstrating its technology. Under the terms of the Contribution 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. SDTC Consortium Agreements were signed with three major oil sands operators who are cooperating with the integrated demonstration pilot. In January 2010, the Company received an initial payment of \$1.6 million from SDTC.

- Titanium has engaged a number of leading organizations to execute the integrated demonstration pilot program including: an agreement with Natural Resources Canada CanmetENERGY for the use of facilities and services at Canmet's Devon, Alberta facilities for demonstration piloting for the period from April 2010 until February 2011; SNC-Lavalin for the pilot design and engineering and further services related to commercial feasibility, engineering and construction; Westways Group for procurement, fabrication and installation of process modules; and Maxxam Analytics for on-going analytical services.
- In August 2010, the Company received a second payment of \$2.0 million from SDTC marking achievement of the SDTC milestone for successful completion of engineering, construction, installation and commissioning of the pilot process modules.
- The pilot has been operational since July 2010 commencing with the start up of the bitumen recovery and solvent recovery units. Process modules for bitumen removal, minerals recovery and water treatment were brought on-line during August and September.
- Based on the first 3 months of pilot operations, the technologies are meeting or exceeding performance targets in key areas: bitumen recovery performance indicates on-specification recovery in the high end of the targeted 50-75% recovery range; bitumen removal processes successfully cleaned coarse sands containing valuable heavy minerals to target specifications; and solvent recovery performance exceeded expectations, with average recoveries in excess of 95%. Water treatment and dry tailings processes are in-progress at Canmet with promising results.
- The pilot is demonstrating the reduction of environmental impacts from froth treatment tailings. The environmental footprint of tailings ponds will be reduced through the recovery of solvents, bitumen, water and the application of dry tailings technology.

Next Steps for the Company

The Company's plans for completion of the pilot program and commercialization are summarized as follows:

- The expenditure for the construction and operation of the demonstration pilot is expected to cost up to \$15 million and is funded by \$4.9 million from the Canadian Government SDTC grant, \$1.7 million from the Alberta Government Energy Innovation Fund and the balance of approximately \$8 million by the Company plus in-kind contributions by the oil sands Consortium members.
- As demonstration piloting is completed for each oil sand operators, the Company will review detailed technical results with each operator and collaborate on planning for site specific implementation of commercial facilities. Engineering and construction for an initial site implementation is estimated to take approximately 24 months. Under the terms of the Government funding, the Company is required to develop an industry wide solution for froth treatment tailings. Piloting for the first oil sands operator was completed in October 2010 with the second and third planned for completion in November 2010 and February 2011, respectively. As a result of this collaboration with each oil sands operator, the Company expects to identify a first adopter of the technology and negotiate the terms for commercialization. The Government of Alberta is also an important stakeholder and has been participating in the Company's project through grant funding and the Government Advisory Committee. The Government of Alberta will also participate in commercialization negotiations with particular focus on royalty and regulatory matters.

Management Discussion and Analysis
for the Year Ended August 31, 2010

- The Company is continuing to carefully control overhead costs, focusing its resources on completing the integrated demonstration pilot, commercialization and implementation of its technologies at oil sands sites.
- The Company believes it has sufficient cash and Government Grant funding to complete the Phase III integrated pilot. The Company has been evaluating financing requirements as the Project progresses and plans to arrange the appropriate financing required to complete the pre-commercialization activities, commercialization of the technologies and implementation at oil sands sites.

Financial Information & Analysis

Selected Annual Information

The following table presents a summary of selected financial information (\$ millions except per share data):

	Aug 31, 2010	Aug 31, 2009	Aug 31, 2008
Net Loss	\$ 7.0	\$ 20.4	\$ 4.0
Net Loss per Share - Basic & Diluted	\$ 0.12	\$ 0.36	\$ 0.07
Cash & Short Term Investments*	\$ 9.5	\$ 15.2	\$ 20.6
Total Assets	\$ 10.1	\$ 15.5	\$ 36.2

*includes cash equivalents and restricted short term investments

Summary of Quarterly Results

The following table summarizes the financial data of the Company for the most recently completed eight quarters (\$ millions except per share data):

	Q4 Aug 31, 2010	Q3 May 31, 2010	Q2 Feb 28, 2010	Q1 Nov 30, 2009
STATEMENT OF LOSS				
Net Loss	\$ 3.0	\$ 1.5	\$ 0.9	\$ 1.6
Basic and Diluted Loss per Share	\$ 0.05	\$ 0.03	\$ 0.01	\$ 0.03

	Q4 Aug 31, 2009	Q3 May 31, 2009	Q2 Feb 28, 2009	Q1 Nov 30, 2008
STATEMENT OF LOSS				
Net Loss	\$ 16.6	\$ 1.4	\$ 1.2	\$ 1.2
Basic and Diluted Loss per Share	\$ 0.29	\$ 0.03	\$ 0.02	\$ 0.02

The following summarizes Titanium's financial results for the fiscal year and fourth quarter ended August 31, 2010 as compared to the similar period in 2009:

- Net loss decreased to \$7.0 million for the year ended August 31, 2010 compared to \$20.4 million for the year ended August 31, 2009. The difference relates primarily to the 2009 write off of the mineral development costs and pilot plant assets of \$15.6 million. While the net loss

Management Discussion and Analysis
for the Year Ended August 31, 2010

decreased by \$13.4 million over 2009 results, the Company significantly increased spending on research and development activities during the year of \$9.5 million for the year ended August 31, 2010 from \$3.4 million for the same period ended August 31, 2009. The increase in spending is due primarily to executing the plan for its Phase III integrated pilot. For the fourth quarters of 2010 and 2009, net loss decrease by \$13.6 million due to the write off in the fourth quarter in 2009 of \$13.6 million of mineral development costs and pilot plant assets.

- The Company had \$9.0 million in cash and unrestricted short-term investments at the end of fiscal 2010. All of the cash and short-term investments are liquid and are in interest bearing cash accounts and guaranteed investment certificates. The balance at the end of the last fiscal year end was \$12.4 million. The decrease in cash and unrestricted short-term investments for year end is due to the use of cash to fund the piloting and research activities and general and administrative expenses. The use of cash was offset by the receipt of \$3.6 million from the Federal Government under the terms of the Contribution Agreement from SDTC.
- The restricted short-term investment balance at the end of the fiscal year of 2010 was \$0.4 million as compared to \$2.9 million at the end of fiscal 2009. The decrease in restricted investment is due to the reduction in the certificate of deposit which is pledged as security to a chartered bank for the letter of credit issued by the bank to the Alberta Government in respect of the AEIF Grant. As the Company incurs eligible research expenditures, the Province of Alberta authorizes the reduction in the letter of credit to release a portion of the restricted investment into the Company's unrestricted cash balances.
- The government grant balance (AEIF and STDC) decreased by \$0.7 million from \$2.2 million at the end of fiscal 2009 to \$1.5 million at the end of the fiscal year August 31, 2010. The decrease includes the receipt of \$3.6 million from SDTC under the terms of the Contribution Agreement, offset by a \$4.4 million reduction in eligible research expenditures incurred.
- Below is a summary of the research and development spending by major category (\$ thousands):

Research and Development ("R&D") Expenditures

	Three Month Period Ended			Fiscal Year Ended		
	Aug 31 2010	Aug 31 2009	Increase (Decrease)	Aug 31 2010	Aug 31 2009	Increase (Decrease)
External Research	-	438	(438)	782	2,329	(1,547)
Compensation & Benefits	272	243	(29)	792	705	87
Research & Piloting	3,549	138	3,411	7,929	577	7,352
Subtotal	\$3,821	\$819	\$ 3,002	\$9,503	\$3,611	\$5,892
Less:						
Alberta Grant (AEIF)	(189)	(240)	51	(2,039)	(1,187)	(852)
Federal Grant (SDTC)	(1,053)	-	(1,053)	(2,348)	-	(2,348)
Amounts Capitalized	-	-	-	-	(223)	223
Subtotal	(1,242)	(240)	(1,002)	(4,387)	(1,410)	(2,977)
R&D net of government grants	\$2,579	\$579	\$2,000	\$5,116	\$2,201	\$2,915

Management Discussion and Analysis
for the Year Ended August 31, 2010

- Research and development activity spending for the quarter was \$3.8 million in fiscal 2010 as compared to \$0.8 million for the comparable period in fiscal 2009. These amounts do not include recovery of government grants, in the quarter of \$1.2 million and \$0.2 million for fiscal 2010 and 2009 respectively. R&D spending in the quarter was related primarily to construction and installation of the demonstration pilot and final commissioning, operations and detailed analytical work. For the fiscal year ending August 31, 2010, spending on R&D totaled \$9.5 million and \$3.6 million for the comparable period in fiscal 2009. These amounts do not include recovery of government grants for the fiscal year of \$4.4 million and \$1.2 million for fiscal 2010 and 2009, respectively.
- The pilot spending for the year ending August 31, 2010 consisted primarily of engineering, fabrication and installation, operation and analytical work to operate the integrated demonstration pilot. A portion of these pilot costs are being recovered through the Contribution Agreement with SDTC and the AEIF grant. Compensation costs are slightly higher for the quarter and fiscal year ended August 31, 2010 due to the allocation of management time in 2010 spent directly on the pilot project. A portion of these costs are recoverable under the SDTC Contribution Agreement. Research and pilot costs increased for the quarter and fiscal year ended August 31, 2010 due mainly to engineering, fabrication and installation, operation and analytical work related to the operation of the integrated demonstration pilot.

General & Administrative ("G&A") Expenditures

The following table provides details of G&A expenses for the periods noted (\$ thousands):

	Aug 31 2010	Aug 31 2009	Increase (Decrease)	Aug 31 2010	Aug 31 2009	Increase (Decrease)
Compensation & Benefits	\$ 87	\$ 156	\$ (69)	\$ 567	\$ 917	\$ (350)
Consulting & Professional Fees	45	41	4	323	392	(69)
Directors' Fees	58	79	(21)	267	251	16
Travel	17	48	(31)	147	212	(65)
Rent, Insurance & Office	71	8	63	226	251	(25)
Investor Relations & Regulatory	10	23	(13)	95	157	(62)
TOTAL	\$ 288	\$ 354	\$ (67)	\$1,625	\$2,180	\$ (555)

- G&A expense totaled \$1.6 million for the fiscal year ended August 31, 2010, lower than the comparable period in fiscal 2009 by \$0.6 million. Compensation expense is lower due to fewer staff as a result of the head office relocation to Edmonton in May 2009 partially offset by increase in directors' fees as certain costs have been reallocated to directors fees for fiscal 2010. All other G&A type costs were lower in the quarter and the fiscal year ended August 31, 2010 as the Company continued its reduction of overhead costs, focusing its resources on research and piloting.
- Interest income declined to \$0.1 million in fiscal 2010 from \$0.3 million in fiscal 2009 reflecting the decline in both interest rates and the Company's cash balances.

Liquidity and Capital Resources

The Company has \$9.5 million in cash and short-term investments (including \$0.4 million of current and non-current restricted investment) at August 31, 2010, which compares to cash and short-term investments of \$15.2 million (includes \$2.9 million of current and non-current restricted investment) at August 31, 2009. The Company's cash balances consist of interest bearing cash accounts and guaranteed certificates of investment issued by Schedule I Canadian chartered banks. The investments were all purchased with an original term of one year but redeemable, at the Company's option, any time 30 days after purchase.

The Company has sufficient cash, short-term investments and remaining government grants to complete its current SDTC Demonstration Pilot project and fund G&A costs for at least the next 12 months. Under the terms of the SDTC Contribution Agreement the Company has remaining funding of up to \$1.3 million on eligible expenditures on the project as long as the Company meets agreed project milestones. Options available to the Company to fund its future cash requirements include, but are not limited to, new or additional government grants and/or issuances of securities and/or some form of partnership or joint venture.

The following is a summary of the cash flows for the periods noted:

- Cash used in operating activities for the fiscal year ended August 31, 2010 was \$9.5 million compared to \$5.2 million in fiscal 2009. The primary reason for the increase in 2010 was higher spending on engineering, fabrication and installation, and operational and analytical costs to prepare and operate the integrated demonstration pilot and changes in non-cash working capital.
- Cash provided by investing activities was \$12.3 million for the fiscal year ended August 31, 2010, as all of the unrestricted short-term investments had matured during the period and the proceeds were deposited in interest bearing cash accounts, and cash was used to fund R&D and G&A expenditures during the fiscal year. Short-term investments are not classified as cash equivalents because their initial terms are for one year (even though they are redeemable 30 days after purchase).
- Cash provided from financing activities was \$3.7 million for the fiscal year ended August 31, 2010 primarily due to the receipt of funding from the Contribution Agreement from SDTC of \$3.6 million. In addition, cash received from 150,833 stock options which were exercised during the fiscal year ended August 31, 2010. Also included in financing activities is the interest earned on the restricted investment.

Accounting Policy Changes

During 2009, CICA Handbook Section 3862, "Financial Instruments - Disclosures" 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.

The amendments were adopted on August 31, 2010 and result in increased note disclosures for financial instruments in the financial statements.

IFRS Assessment and Conversion Plan

In February 2008, the CICA announced that Canadian generally accepted accounting principles for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of fiscal year 2012 for which the current and comparative information will be prepared under IFRS.

The Company's IFRS implementation project consists of three primary phases which will be completed by a combination of in-house resources and external consultants.

- Initial diagnostic phase ("Phase I") – Involves preparing a preliminary impact assessment to identify key areas that may be impacted by the transition to IFRS. Each potential impact identified during this phase is ranked as having a high, moderate or low impact on our financial reporting and the overall difficulty of the conversion effort.
- Impact analysis, evaluation and solution development phase ("Phase II") – Involves the selection of IFRS accounting policies by senior management and the review by the audit committee, the quantification of the impact of changes on our existing accounting policies on the opening IFRS balance sheet and the development of draft IFRS financial statements.
- Implementation and review phase ("Phase III") – Involves training key finance and other personnel and implementation of the required changes to our information systems and business policies and procedures. It will enable the Corporation to collect the financial information necessary to prepare IFRS financial statements and obtain audit committee approval of IFRS financial statements.

The Company has completed its preliminary assessment of the differences between IFRS and Canadian GAAP that may potentially impact the recognition, measurement and presentation of the Company's financial statement balances at the transitional date of September 1, 2010. The Company has commenced Phase II of the project to (i) update its findings under Phase I, (ii) quantify the differences identified in Phase I, (iii) record necessary entries to its transitional balance sheet at September 1, 2010 and (iv) prepare the reconciliation tables mandated by IFRS-1 commencing with the Company's first interim IFRS financial statements (November 30, 2011 with November 30, 2010 comparatives) from Canadian GAAP reported net income and equity to that reported under IFRS.

Titanium Corporation is required to apply all of those IFRS standards which are effective for periods ending August 31, 2012 and apply them to its opening September 1, 2010 balance sheet (transition date).

The differences as identified in Phase I and the Company's proposed actions under Phase II are summarized below. These areas do not represent a complete list of expected changes. As the Company progresses further and as changes to Canadian GAAP and IFRS Standards may occur prior to the changeover date, the differences and impacts described below may be subject to change.

Transitional impact on financial statement presentation and classification

The Company's financial statements will have a different format upon transition to IFRS. The components of a complete set of IFRS financial statements are: statement of financial position (balance sheet), statement of comprehensive income, statement of changes in equity, statement of cash flows, and notes including accounting policies. The income statement will be presented as a component of the statement of comprehensive income. The balance sheet may be presented in ascending or descending order of liquidity. The income statement is classified by each major functional area – marketing, distribution, etc or by nature of the items.

IFRS-1 Transitional policy choices and exceptions for retrospective application

IFRS-1 contains the following policy choices with respect to first-time adoption that are applicable to Titanium Corporation.

Property, plant & equipment

IFRS-1 provides a choice between measuring property, plant and equipment at its fair value at the date of transition and using those amounts as deemed cost or using the historical valuation under the prior GAAP.

Impact on the Company

The Company does not have any significant property, plant & equipment as at September 1, 2010 and does not expect any significant transitional issues.

Mandatorily applicable standards with retrospective application (i.e. not specifically exempt under IFRS-1)

Intangible Assets – Research & Development assets

The Company has embarked on a large research program and it received a \$3.5 million grant from the Alberta Government's AEIF to assist in a two-year program. IFRS: IAS 38 deals with the criteria for the recognition of research versus development phases and impairment testing. Expenditures incurred in the research phase are required to be expensed as incurred and expenditures incurred in the development phase are allowed to be capitalized if certain requisite criteria are met. Impairment of intangible assets is to be performed each reporting period.

Impact on the Company

The Company retroactively adopted, in the fourth quarter ended August 31, 2009, the new CICA Handbook Section 3450 "Research and Development costs" with no impact on the financial statements. The Company's R&D expenditures will not be impacted by the transition to IFRS as CICA Section 3450 has been converged with IAS 38 Intangible Assets.

Government Grants

The Company participates in the following Government incentive programs.

- AEIF - 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.
- 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.

IFRS: IAS20, Accounting for Government Grants and disclosure of government assistance permits the recognition of government grants once there is reasonable assurance that requisite conditions will be met, rather than waiting for the conditions to be fulfilled, as is the case under Canadian GAAP. As a result, government grants may be recognized earlier under IFRS.

Impact on the Company

The Company believes that its recognition policy under Canadian GAAP is substantively consistent with IAS 20. During Phase II, the Company will reconfirm its conclusion.

Share based compensation

The Company accounts for all stock-based payments granted to employees and non-employees using the fair value based method as per the amendment by the CICA Accounting Standards Boards to the CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments" which requires entities to account for employee stock options using the fair value based method.

IFRS: Under IFRS 2, graded vesting awards must be accounted for as though each installment is a separate award. IFRS does not provide for an election to treat the instruments as a pool and recognize expense on a straight line basis. Canadian GAAP: The Company recognizes expense on a straight line basis over vesting period.

Impact on the Company

During Phase II the Company will recalculate the stock compensation expense to determine whether there is a material impact upon transition at September 1, 2010 or at August 31, 2011 and for the interim periods and the year then ended.

Information systems and processes and controls

Based on findings from the preliminary diagnostic phase of the project the Company does not expect that adoption of IFRS will have a pervasive impact on its present systems and processes. The Company expects to implement certain minor changes to the general ledger account descriptions as well as the calculation methodologies currently in use for certain specific financial statement areas such as asset impairment, share based compensation etc. As the accounting policies are selected, appropriate changes to ensure the integrity of disclosure controls and procedures will be made. For example, any changes in accounting policies could result in additional controls or procedures being required to address reporting of first time adoption as well as ongoing IFRS reporting requirements. At this point, the Company has not determined its final accounting policy choices. The certifying officers plan to complete the design, and initially evaluate the effectiveness of, any significant changes to controls in the third quarter of fiscal year 2011 to prepare for certification under IFRS in fiscal year 2012.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short-term investments, accounts payable and accrued liabilities. Management of the Company believes that it is not exposed to significant interest, currency, liquidity or credit risks arising from its financial instruments and that their fair values approximated their carrying values. The Company manages the risks relating to the financial instruments by holding cash in interest bearing accounts and investing in short-term highly liquid guaranteed certificates of investment which are issued by Schedule I Canadian chartered banks. The income statement includes interest income and foreign exchange loss which are associated with the Company's financial instruments.

Risks

The following conditions currently known to management may have a material impact on the financial condition and results of operations of the Company in the future. This discussion is not all-inclusive and other factors may affect the Company in the future.

- The Company may not be able to achieve commercialization of the Project on the timetable anticipated or at all;
- The Company expects its cash reserves will be reduced due to future research and development expenditures on the Project and on G&A expenses and cannot provide certainty as to how long the cash reserves will last or that the Company will be able to access additional capital when necessary;
- Potential fluctuations in financial and business results and conditions make forecasting difficult for a new Project and may restrict access to funding for a commercialization plan once the research is successfully concluded and a feasibility study has been prepared;
- Exchange rate and commodity price fluctuations are beyond the Company's control and may have a material adverse effect on its business, operating results, financial condition and future profitability;
- Markets for the heavy minerals have not been established and may take longer to develop than anticipated;
- The costs for large capital intensive projects in the oil sands are difficult to forecast and there is no assurance that the capital expenditures required to commercialize any products resulting from the Project will not be significantly higher than planned;
- The Company is an R&D company and it has limited experience with completing a commercial operation for a new business;
- The Company is dependent on third party suppliers and the oil sands operators for the supply of key materials and components for the Project and it currently does not have contracts in place for these supplies;
- Regulatory or environmental law changes may impact negatively on the Project and the market for the Company's products;
- Once the Project is developed, the Company could be liable for environmental damages resulting from research activities or commercial operations;
- Failure to protect intellectual property could adversely affect the Company's success and growth. Intellectual property litigation may cause the Company to incur significant expenses or prevent the Company from successfully completing or operating the Project;
- The Company could fail to attract and retain the personnel necessary to run its business;
- Competitors may discover solutions to remove and recover bitumen and minerals prior to the successful commercialization of the Project.

Other Information

Outstanding Share Data - as at November 18, 2010:

Number of common shares – issued and outstanding	56,465,150
Number of common share stock options	3,237,500

Compliance

Mr. Neil Dawson, Principal of Titanatek (Pty) Ltd. of Australia, and a registered member of AusIMM is the independent consultant who acts as the Qualified Person for the Company on its Oil Sands Project.

Titanium Corporation Inc.

Financial Statements

August 31, 2010 and 2009

November 10, 2010

Auditors' Report

To the Shareholders of Titanium Corporation Inc.

We have audited the balance sheets of **Titanium Corporation Inc.** as at August 31, 2010 and 2009 and the statements of loss, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Edmonton, Alberta

Balance Sheets

as at August 31, 2010 and 2009

	2010	2009
Assets		
Current assets		
Cash and cash equivalents	\$ 6,777,638	\$ 290,786
Short-term investments	2,267,653	12,087,804
Restricted short-term investment – current portion (Note 7)	425,799	625,401
Goods and services tax receivable	293,146	100,434
Prepaid expenses	256,577	75,701
	<u>10,020,813</u>	<u>13,180,126</u>
Restricted short-term investment (Note 5)	-	2,230,307
Equipment	56,899	84,371
	<u>\$ 10,077,712</u>	<u>\$ 15,494,804</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 1,711,592	\$ 476,672
Accrued liabilities	815,600	108,079
	<u>2,527,192</u>	<u>584,751</u>
Government grants (Note 7)	1,459,865	2,230,307
	<u>3,987,057</u>	<u>2,815,058</u>
Shareholders' Equity		
Share capital (Note 10)	48,386,821	48,302,546
Contributed surplus (Note 11)	9,198,999	8,887,821
Deficit	(51,495,165)	(44,510,621)
	<u>6,090,655</u>	<u>12,679,746</u>
	<u>\$ 10,077,712</u>	<u>\$ 15,494,804</u>

Nature of business and basis of presentation (Note 1)**Commitments** (Note 12)**Approved by the Board of Directors**

"Eric W. Slavens"

Director

"Scott Nelson"

Director

Statements of Loss, Comprehensive Loss and Deficit

For the years ended August 31, 2010 and 2009

	2010	2009
Expenses and losses		
Research and development	\$ 9,503,841	\$ 3,388,041
Government grants recovery	(4,386,698)	(1,187,162)
General and administrative	1,625,075	2,180,272
Stock-based compensation (Note 10)	345,778	597,540
Amortization	20,710	19,386
Foreign exchange loss	142	43,408
(Gain) loss on disposition of equipment	(20,517)	57,773
Mineral development costs written off (Note 8)	-	8,321,433
Pilot plant assets written off (Note 8)	-	7,240,244
	<u>7,088,331</u>	<u>20,660,935</u>
Interest income	<u>(103,787)</u>	<u>(289,593)</u>
Net loss and comprehensive loss	6,984,544	20,371,342
Deficit - Beginning of year	<u>44,510,621</u>	<u>24,139,279</u>
Deficit - End of year	<u>\$ 51,495,165</u>	<u>\$ 44,510,621</u>
Basic and diluted loss per share (Note 10)	<u>\$ 0.12</u>	<u>\$ 0.36</u>

Statements of Cash Flows

For the years ended August 31, 2010 and 2009

	2010	2009
Cash provided by (used in)		
Operating activities		
Net loss for the year	\$ (6,984,544)	\$ (20,371,342)
Items not affecting cash		
Stock-based compensation	345,778	739,625
Recovery of grant - net of interest	(4,386,698)	(1,187,162)
Amortization	20,710	19,386
(Gain) loss in disposal of equipment	(20,517)	57,773
Mineral development costs written off (Note 8)	-	8,321,433
Pilot plant assets written off (Note 8)	-	7,240,244
	(11,025,271)	(5,180,043)
Net change in non-cash working capital items		
Increase in goods and services tax receivable	(192,712)	(47,123)
(Increase) decrease in prepaid expenses	(180,876)	28,985
Increase in accounts payable and accrued liabilities	1,942,441	34,936
	(9,456,418)	(5,163,245)
Financing activities		
Common shares issued on exercise of stock options	49,675	1,050
Government grant proceeds, including interest	3,616,256	86,727
	3,665,931	87,777
Investing activities		
Decrease in restricted short-term investments	2,429,909	667,928
Decrease in short-term investments	9,820,151	4,883,873
Oil Sands Project development costs	-	(204,251)
Proceeds on disposal of equipment	32,846	600
Acquisition of equipment	(5,567)	(75,223)
	12,277,339	5,272,927
Increase in cash and cash equivalents	6,486,852	197,459
Cash and cash equivalents - Beginning of year	290,786	93,327
Cash and cash equivalents - End of year	\$ 6,777,638	\$ 290,786

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 has completed the development phase 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 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.

2. Summary of significant accounting policies

The financial statements have been prepared and reported in Canadian dollars in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

Measurement uncertainty

The timely preparation of the financial statements in conformity with Canadian GAAP requires that management make estimates and assumptions and use judgment regarding the reported amounts of assets and liabilities and disclosures to contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Such estimates primarily relate to unsettled transactions and events as the date of the financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Amounts recorded for amortization (and impairment calculations) are based on estimates. By their nature, these estimates of costs and the related future cash flows are subject to measurement uncertainty. Accordingly, the impact in the financial statements of future periods could be material. The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty. Included in accrued liabilities is \$250,000 for the estimated cost of decommissioning the Demonstration Pilot project. The amount recorded is subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that changes in the future conditions in the near term could require a material change in recorded amounts.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances net of outstanding cheques which have not cleared the bank at a period end. Also included are short-term investments with maturity dates of 3 months or less.

Short-term investments

Short-term investments are comprised of certificates of investment with original maturity dates of twelve months but which are all redeemable within 30 days of the issue date. The Company's short-term investments are held with Schedule 1 Canadian banks where management believes the risk of loss to be minimal.

2. Summary of significant accounting policies (continued)

Research and development costs

Expenditures that are related to research activities are expensed as incurred. Expenditures that meet the criteria for the development stage are capitalized as intangible assets.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recorded on the declining balance basis at rates between 20% and 50% as appropriate for the type of equipment.

In the year in which an asset is acquired, half the normal rate of amortization is recognized.

Government grant

The Company periodically receives financial assistance under government incentive programs. Government assistance relating to research and development costs is reflected as a reduction of the related expenses.

Stock-based compensation

The Company recognizes the fair value of stock-based compensation over the vesting period of the options. The fair value of the options granted is calculated using an option pricing model (Black-Scholes) that takes into account the exercise price, expected life of the option, expected volatility of the underlying shares, expected dividend yield, and the risk free interest rate for the term of the option.

Foreign currency translation and transactions

The Company employs the temporal method of translation whereby monetary assets and liabilities are translated at the period-end rates and all other assets and liabilities are translated at applicable historical exchange rates. Revenue and expense items are translated at the rate of exchange in effect at the date the transactions are recognized in income, with the exception of amortization which is translated at the historical rate for the associated asset. Realized exchange gains and losses and currency translation adjustments are included in income. The Company does not have any self sustaining operations.

Income taxes

Income taxes are calculated using the asset and liability method of tax accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the substantively enacted tax rates that will be in effect when the differences are expected to reverse or losses are expected to be utilized. A valuation allowance is recognized to the extent that the recoverability of future income tax assets is not considered likely.

Asset retirement obligation

The fair value of the liability for retirement costs related to site reclamation and abandonment is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. At August 31, 2010, the Company has not incurred or committed any asset retirement obligations related to the development of its Oil Sands Project.

3. Adoption of new accounting standards

Financial Instruments - Disclosures - CICA Handbook Section 3862

The CICA amended Handbook Section 3862 to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurement. Fair values of assets and liabilities in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. The amendments were adopted on August 31, 2010 and result in increased note disclosures for financial instruments.

Adoption of International Financial Reporting Standards

In February 2008, the CICA announced that Canadian generally accepted accounting principles for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of fiscal year 2012 for which the current and comparative information will be prepared under IFRS. The Company is required to apply all of those IFRS standards which are effective for fiscal year ending August 31, 2012 and apply them to its opening September 1, 2010 balance sheet.

4. Comparative figures

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

5. Capital management

The Company considers its shareholders' equity and government grant balance as its capital, which at August 31, 2010 totalled \$7,550,520 (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, cash equivalents, 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 year ended August 31, 2010.

6. 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 at inception. Accounts payable 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 August 31, 2010, the Company estimates that both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Effective August 31, 2010, the Company adopted the amendments to CICA Section 3862 "Financial Instruments - Disclosures". These amendments require the Company to present information about financial instruments measured at fair value in accordance with a three level hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair values of the financial assets and liabilities. The fair value hierarchy has the following levels:

- i. Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ii. Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- iii. Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. At August 31, 2010, the Company's cash and cash equivalents, restricted short term investments and short-term investments have been subject to Level 2 valuation.

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 short term investments, and short-term investments. Cash and cash equivalents, restricted short term investments 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.

6. Financial instruments and financial risk factors (continued)

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 August 31, 2010, the Company had an aggregate cash and cash equivalents, restricted short term investments and short-term investment balance of \$9,266,402 (August 31, 2009 \$13,003,991) to settle current liabilities of \$2,527,192 (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.

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.

Short-term investments and restricted short term investments consist of guaranteed investment certificates which have variable rates. As at August 31, 2010, if interest rates had decreased/increased by 1% with all other variables held constant, the loss and shareholders' equity for the year ended August 31, 2010 would have been approximately \$5,600 higher/lower (August 31, 2009 - \$61,000 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.

7. 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.

Notes to Financial Statements

August 31, 2010 and 2009

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 \$2,038,720 for the year ended August 31, 2010 (August 31, 2009 - \$1,187,162). The remaining balance of the grant at August 31, 2010 is \$204,688 (August 31, 2009 - \$2,230,307).

Restricted short-term investment represents a certificate of investment in the amount of \$425,799, 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 2010, the Company received an aggregate of \$3,603,155 as a contribution for eligible expenditures incurred on the project for the period beginning September 1, 2009. As of August 31, 2010, the unexpended portion of the contributions received during 2010 was \$1,255,177. 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 SDTC funding recognized in the income statement is \$2,347,978 for the year ended August 31, 2010. The unrecognized portion of the SDTC grant money advanced at August 31, 2010 was \$1,255,177. Assuming certain milestones are met under the terms of the SDTC grant, the remaining funds available to the Company are \$1,316,057.

The following table summarizes the balance of the grants as at August 31:

	Year ended August 31,		Period from inception of grant to August 31,
	2010	2009	2010
AEIF grant balance - Beginning of period	\$ 2,230,307	\$ 3,330,742	\$ 3,500,000
Interest earned - net	13,101	86,727	123,464
Eligible expenditures during the period	(2,038,720)	(1,187,162)	(3,418,776)
AEIF grant balance - End of period	204,688	2,230,307	204,688
SDTC funding received	3,603,155	-	3,603,155
Eligible expenditures during the period	(2,347,978)	-	(2,347,978)
SDTC grant balance - End of period	1,255,177	-	1,255,177
Total government grants - End of period	\$ 1,459,865	\$ 2,230,307	\$ 1,459,865

Notes to Financial Statements

August 31, 2010 and 2009

8. 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 cumulative amounts incurred on the Oil Sands Project to August 31 are:

	2010	2009
Mineral development costs (i)	\$ 8,321,433	\$ 8,321,433
Pilot plant assets (ii)	7,240,244	7,240,244
Research and development expenses	<u>13,555,574</u>	<u>4,051,733</u>
Cumulative amounts incurred	<u>\$ 29,117,251</u>	<u>\$ 19,613,410</u>

No revenue has been earned to date on the Project. Currently there are no contractual rights or obligation related to the Project.

- i. During the year ended August 31, 2009, the Company conducted its annual review comparing the carrying value of the mineral development costs intangible asset to its fair value. The Company's research confirmed the highly integrated nature of the mineral and bitumen processes and that more research was required for the bitumen component of this process. Accordingly the mineral development costs previously capitalized as an intangible asset were written off as a charge to the statement of loss.
- ii. During the year ended August 31, 2009, the Company also reviewed the carrying values of the existing pilot plant assets and determined that these assets were of no further use. Accordingly the pilot plant assets were written off as a charge to the statement of loss.

9. Equipment

	2010	2009
Cost	\$ 98,799	\$ 138,944
Accumulated amortization	<u>41,900</u>	<u>54,573</u>
Net carrying value	<u>\$ 56,899</u>	<u>\$ 84,371</u>

10. 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, 2008	56,309,317	\$ 48,300,891
Exercise of stock options for cash	5,000	1,050
Reallocation from contributed surplus relating to the exercise of stock options	-	605
	<hr/>	<hr/>
Balance - August 31, 2009	56,314,317	48,302,546
Exercise of stock options for cash	150,833	49,675
Reallocation from contributed surplus relating to the exercise of stock options	-	34,600
	<hr/>	<hr/>
Balance - August 31, 2010	56,465,150	\$ 48,386,821

The weighted average number of common shares for the year ended August 31, 2010 is 56,404,324 (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 is the same.

Stock Option Plan

The Company has a stock option plan (the "Plan") for directors, officers, employees and certain key 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 10% of the issued and outstanding common shares (rolling 10% plan) in the aggregate. All options granted 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. All of the current options expire five years from the grant date unless the options are forfeited sooner.

In accordance with the regulations of the TSX Venture Exchange, the rolling 10% Stock Option Plan is subject to annual approval by the Company's shareholders.

10. Share capital (continued)

The following table reflects the continuity of stock options:

	Number of stock options	Weighted average exercise price
Balance - August 31, 2008	3,225,000	\$ 2.33
Options granted	670,000	0.35
Options exercised	(5,000)	(0.21)
Options expired	(190,000)	(1.92)
Options cancelled	(371,666)	(2.23)
Options forfeited	(93,334)	(2.03)
Balance - August 31, 2009	3,235,000	\$ 2.03
Options granted	975,000	0.71
Options exercised	(150,833)	(0.33)
Options expired	(675,000)	(3.46)
Options cancelled	(146,667)	(1.27)
Balance - August 31, 2010	<u>3,237,500</u>	<u>\$ 1.44</u>

As of August 31, 2010 there were 2,695,833 exercisable stock options (August 31, 2009 - 2,715,829). The remaining stock based compensation expense to be recognized as a charge to income over the vesting period for unvested options is \$216,148 (August 31, 2009 - \$145,815).

During the year ended August 31, 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 year 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

10. Share capital (continued)

The following table reflects the stock options outstanding as of August 31, 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	\$ 0.61	1,467,500	3.93	925,833	\$ 0.56
\$1.00 - \$1.99	1.76	375,000	1.50	375,000	1.76
\$2.00 - \$2.99	2.17	1,295,000	2.08	1,295,000	2.17
\$3.00 - \$3.99	3.17	100,000	0.39	100,000	3.17
	<u>\$ 1.44</u>	<u>3,237,500</u>	<u>2.50</u>	<u>2,695,833</u>	<u>\$ 1.60</u>

11. Contributed surplus

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

Balance - August 31, 2008	\$ 8,130,284
Stock-based compensation expense	597,540
Stock-based compensation charged to research and development costs and mineral development costs	160,602
Reallocation of contributed surplus on options exercised	<u>(605)</u>
Balance - August 31, 2009	8,887,821
Stock-based compensation expense	345,778
Reallocation of contributed surplus on options exercised	<u>(34,600)</u>
Balance - August 31, 2010	<u>\$ 9,198,999</u>

12. Commitments

The Company has commitments to lease office space at two locations with terms that expire in April 2011 and May 2012.

2011	\$ 104,255
2012	<u>59,075</u>
	<u>\$ 163,330</u>

Notes to Financial Statements

August 31, 2010 and 2009

13. Income taxes

The following table reconciles the expected income tax recovery at the statutory income tax rate to the amounts recognized in the statements of loss at August 31:

	2010	2009
Net loss reflected in the statements of loss	<u>\$ 6,984,544</u>	<u>\$ 20,371,342</u>
Expected income tax recovery at statutory rate	1,990,391	6,250,029
Expiry of non-capital losses	(167,129)	(225,340)
Non-deductible stock-based compensation expense	(98,537)	(226,921)
Other non-deductible items	(1,831)	(5,216)
Effect of change in income tax rates	(248,441)	(299,342)
Valuation allowance	<u>(1,474,453)</u>	<u>(5,493,210)</u>
Income tax reflected in the statement of loss	<u>\$ -</u>	<u>\$ -</u>

The following table reflects the future income tax assets at August 31:

	2010	2009
Future income tax assets		
Unclaimed non-capital losses	<u>\$ 3,431,512</u>	3,497,037
Scientific research and development (SR&ED) expenditure pool	2,843,879	1,118,241
Excess of unclaimed undepreciated capital cost over book basis	632,451	625,500
Deferred grant revenue	<u>364,966</u>	<u>557,577</u>
	7,272,808	5,798,355
Less: Valuation allowance	<u>(7,272,808)</u>	<u>(5,798,355)</u>
Total future tax assets	<u>\$ -</u>	<u>\$ -</u>

Notes to Financial Statements

August 31, 2010 and 2009

Under the Income Tax Act (Canada), certain expenditures are classified as SR&ED expenditures and are grouped into a pool for tax purposes, which are 100% deductible in the year incurred. The expenditure pool can be carried forward indefinitely and deducted in full in any subsequent year. The Federal SR&ED expenditure pool at August 31, 2010 is \$15,950,098 (August 31, 2009 - \$7,454,938). Of the total SR&ED pool, the Company has filed returns in support of SR&ED expenditures of \$8,496,879 for the year ended August 31, 2008. The Company has up to 18 months within its fiscal year end to file the 2009 and 2010 SR&ED claims.

The Company has also earned Federal investment tax credits ("ITC's") on SR&ED expenditures at August 31, 2010 of \$3,163,740 (August 31, 2009 - \$1,645,593), which can reduce Canadian Part I income taxes in future years. Of the total ITC pool, the Company has filed returns in support of \$1,925,140 of ITC's for the fiscal year ended August 31, 2008. The Company has up to 18 months within its fiscal year end to file the 2009 and 2010 SR&ED claims. No amount of benefit in respect of the ITC's has been reflected in the financial statements.

As at August 31, 2010, the Company has Federal Canadian tax losses carried forward of \$17,390,979 (August 31, 2009 - \$15,986,375) and are available until 2030 as follows:

2014	\$ 2,018,780
2015	5,059,308
2026	3,398,982
2027	1,737,397
2029	2,657,718
2030	<u>\$ 2,518,794</u>
	<u>\$ 17,390,979</u>

Corporate Information

DIRECTORS	MANAGEMENT	AUDITORS
Gordon Pridham ¹ <i>Chairman and Director</i>	Scott Nelson <i>President & Chief Executive Officer</i>	PricewaterhouseCoopers LLP TD Tower 10088 102 Avenue NW Suite 1501 Edmonton, Alberta Canada T5J 3N5
C. Bruce Burton ^{1,2} <i>Director</i>	Jennifer Kaufield, CA <i>Vice President Finance & Chief Financial Officer</i>	LEGAL COUNSEL
Moss Kadey ² <i>Director</i>	George Duguay <i>Corporate Secretary</i>	Burnet Duckworth & Palmer LLP 1400, 350 7th Avenue, SW Calgary, Alberta Canada T2P 3N9
Malcolm Macpherson ^{2,3} <i>Director</i>	Dr. Salustio Guzman <i>Vice President Marketing and Technology</i>	
Scott Nelson <i>Director</i>	Dr. Kevin Moran <i>Vice President Process Development</i>	
Brant G. Sangster ^{2,3} <i>Director</i>	John Oxenford <i>Vice President Oil Sands Operations</i>	
Eric W. Slavens, FCA ^{1,2} <i>Director</i>		
¹ Member of the Audit Committee ² Member of the Compensation and Corporate Governance Committee ³ Member of the Technical Committee		

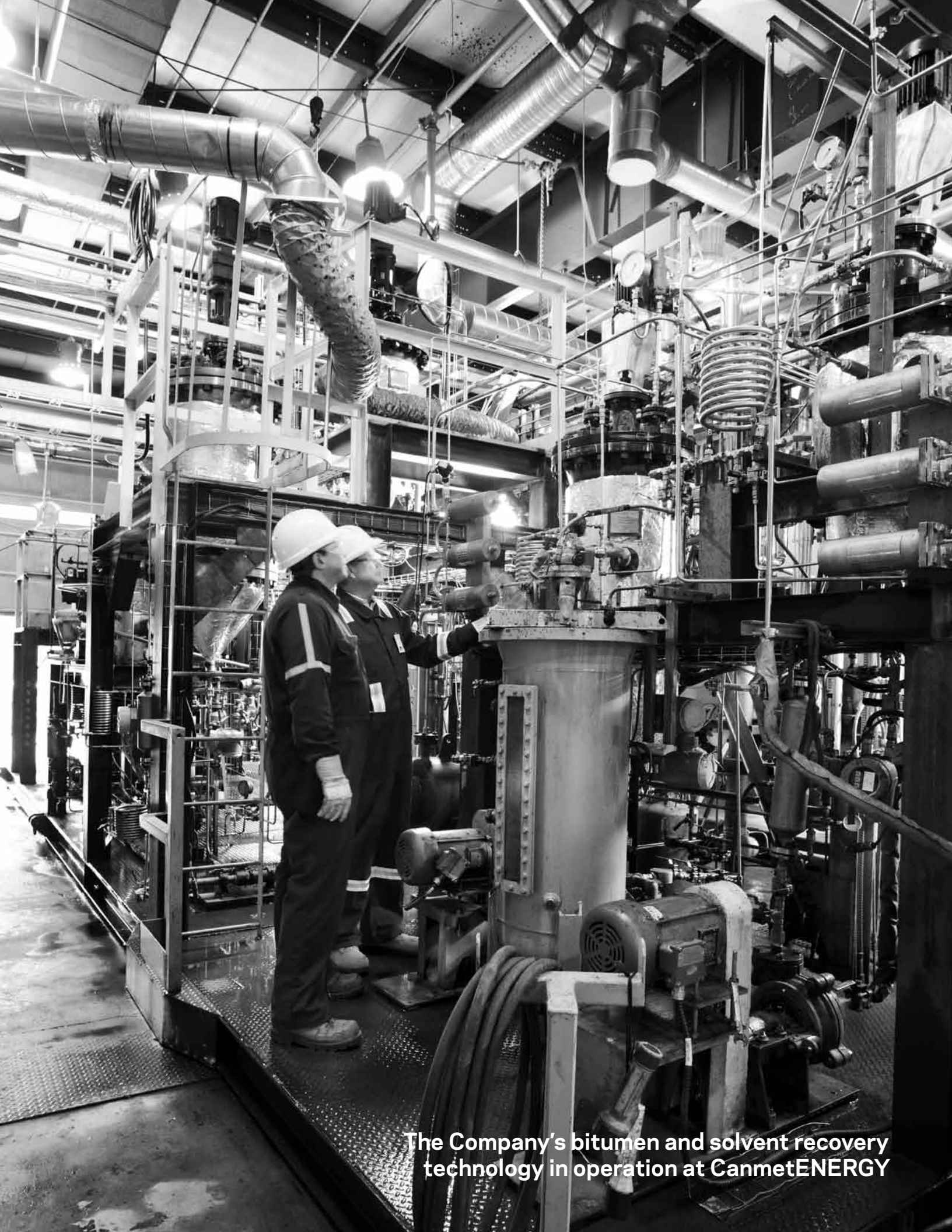
Shareholder Information

Titanium Corporation welcomes inquiries from shareholders, analysts, media representatives and other interested parties. Questions relating to investor relations or media inquiries should be directed to:

Investor Relations: Andreas Curkovic 416.577.9927 or by email: acurkovic@titaniumcorporation.com

Shareholders' questions relating to address changes and Share certificates should be directed to Titanium Corporation's Transfer Agent:

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The Company's bitumen and solvent recovery technology in operation at CanmetENERGY

Titanium incorporates sustainable development practices within our corporation.
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