

Titanium Corporation Inc.

Condensed Interim Financial Statements
(Unaudited)

May 31, 2017 and August 31, 2016

July 18, 2017

**To the Shareholders of
Titanium Corporation Inc.**

The condensed interim financial statements of Titanium Corporation Inc. as at and for the three and nine month periods ended May 31, 2017 have been compiled by management.

No audit or review of this information has been performed by the Company's auditors.

Titanium Corporation Inc.

Statement of Financial Position

(expressed in Canadian dollars)

	May 31, 2017 \$	August 31, 2016 \$
Assets		
Current assets		
Cash and cash equivalents	1,752,143	594,743
Short-term investments	3,013,499	-
Accounts receivable and goods and services tax receivable	3,053	15,774
Prepaid expenses	36,101	44,922
	4,804,796	655,439
Equipment	6,627	10,296
Total assets	4,811,423	665,735
Liabilities		
Current liabilities		
Trade and other payables	24,363	54,274
Accrued liabilities	165,278	159,697
Deferred compensation (note 4)	279,052	320,871
	468,693	534,842
Loan facility (note 5)	-	659,293
Total liabilities	468,693	1,194,135
Shareholders' Equity		
Share capital (note 6)	68,015,385	61,247,412
Contributed surplus	16,653,437	16,245,998
Deficit	(80,326,092)	(78,021,810)
Total shareholders' equity (deficit)	4,342,730	(528,400)
Total liabilities and shareholders' equity	4,811,423	665,735
Reporting entity and recoverability (note 1)		

The accompanying notes are an integral part of these financial statements.

Titanium Corporation Inc.

Statement of Loss and Comprehensive Loss

For the three and nine month periods ended May 31, 2017 and 2016

(expressed in Canadian dollars)

	Three month periods ended May 31,		Nine month periods ended May 31,	
	2017 \$	2016 \$	2017 \$	2016 \$
Expenses and losses				
General and administrative (note 9)	437,016	487,939	1,364,621	1,398,469
Research and development (note 9)	227,105	201,200	573,964	506,761
Amortization and finance expenses (note 9)	570	100,521	388,593	251,039
	664,691	789,660	2,327,178	2,156,269
Other income				
Interest	(14,108)	(1,132)	(22,896)	(3,773)
Net loss and comprehensive loss	<u>650,583</u>	<u>788,528</u>	<u>2,304,282</u>	<u>2,152,496</u>
Basic and diluted loss per share (note 7)	<u>0.01</u>	<u>0.01</u>	<u>0.03</u>	<u>0.03</u>

The accompanying notes are an integral part of these financial statements.

Titanium Corporation Inc.

Statement of Changes in Shareholders' Equity

For the three and nine month periods ended May 31, 2017 and 2016

(expressed in Canadian dollars)

	Share capital \$	Contributed surplus \$	Deficit \$	Shareholders' equity \$
Balance – September 1, 2016	61,247,412	16,245,998	(78,021,810)	(528,400)
Comprehensive loss for the period	-	-	(2,304,282)	(2,304,282)
Proceeds on issuance of common shares, net of issue costs	6,356,696	-	-	6,356,696
Fair value of warrants issued in connection with common share issuance	(266,650)	266,650	-	-
Equity-based compensation	-	790,408	-	790,408
Proceeds on exercise of stock options and RSUs	28,308	-	-	28,308
Fair value of stock options exercised	19,180	(19,180)	-	-
Fair value of RSUs exercised	630,439	(630,439)	-	-
Balance – May 31, 2017	68,015,385	16,653,437	(80,326,092)	4,342,730
	Share capital \$	Contributed surplus \$	Deficit \$	Shareholders' equity \$
Balance – September 1, 2015	60,256,945	14,757,098	(75,090,830)	(76,787)
Comprehensive loss for the period	-	-	(2,152,496)	(2,152,496)
Equity-based compensation	-	1,173,110	-	1,173,110
Proceeds on exercise of stock options	506,375	-	-	506,375
Fair value of stock options exercised	336,422	(336,422)	-	-
Fair value of DSUs released	147,670	(147,670)	-	-
Fair value of warrants (note 6)	-	550,472	-	550,472
Balance – May 31, 2016	61,247,412	15,996,588	(77,243,326)	674

The accompanying notes are an integral part of these financial statements.

Titanium Corporation Inc.

Statement of Cash Flows

For the three and nine month periods ended May 31, 2017 and 2016

(expressed in Canadian dollars)

	Three month periods ended May 31,		Nine month periods ended May 31,	
	2017 \$	2016 \$	2017 \$	2016 \$
Cash (used in) provided by				
Operating activities				
Net loss for the period	(650,583)	(788,528)	(2,304,282)	(2,152,496)
Items not affecting cash				
Amortization	524	933	3,669	2,798
Accrued interest income	(10,587)	-	(13,499)	-
Equity-based compensation	73,344	181,473	199,681	211,132
Deferred compensation expense	186,531	250,458	548,908	543,175
Amortization of debt issue costs (note 9)	-	76,865	346,625	197,310
	(400,771)	(278,799)	(1,218,898)	(1,198,081)
Net change in non-cash working capital items				
Accounts receivable and goods and services tax receivable	17,600	(2,183)	12,722	6,151
Prepaid expenses and other assets	(31,870)	(30,603)	8,821	(24,558)
Trade and other payables and accrued liabilities	70,205	(29,151)	(24,330)	(55,969)
	(344,836)	(340,736)	(1,221,685)	(1,272,457)
Investing activities				
Purchase of short-term investments	-	-	(3,000,000)	-
Financing activities				
Common shares issued, net of issue costs	-	-	6,356,696	-
Exercise of stock options	17,612	-	28,308	506,375
Loan facility (note 5)	-	-	(1,005,919)	500,000
Deferred debt issue costs(note 5)	-	-	-	(64,451)
	17,612	-	5,379,085	941,924
(Decrease) increase in cash and cash equivalents	(327,224)	(340,736)	1,157,400	(330,533)
Cash and cash equivalents – beginning of period	2,079,367	893,302	594,743	883,099
Cash and cash equivalents – end of period	1,752,143	552,566	1,752,143	552,566

The accompanying notes are an integral part of these financial statements.

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Notes to Condensed Interim Financial Statements

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1 Reporting entity and recoverability

Titanium Corporation Inc. (the “Company” or “Titanium”) is a public company domiciled in, and governed by the laws of Canada. Titanium was formed upon the amalgamation of Titanium Corporation of Canada Limited and NAR Resources Ltd. under the Business Corporations Act (Ontario) on July 24, 2001. On March 19, 2009 the Company was continued under the Canada Business Corporations Act. The Company does not have any subsidiaries.

The Company’s principal business office is Suite 700, 903 8th Avenue, SW, Calgary, Alberta, T2P 0P7 and the Company’s registered office is located at Suite 2400, 525 8th Avenue, SW, Calgary, AB T2P 1G1. The Company’s common shares are listed on the Toronto Stock Venture Exchange under the ticker symbol “TIC”.

Titanium’s mission is “Creating Value from Waste™” (“CVW™”). The Company has developed innovative CVW™ technologies to recover valuable heavy minerals, bitumen, solvent and water from oil sands waste tailings. The recovery of bitumen, associated solvents and water from froth treatment tailings streams results in important and timely environmental improvements for the oil sands industry. The Company has completed demonstration piloting which culminated several years of progressive research and development (“R&D”) of its proprietary technology.

The financial statements are prepared using International Financial Reporting Standards (“IFRS”) that are applicable to a going concern which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. The Company is considered to be a development stage enterprise as it has yet to earn any revenues from its planned operations. The Company is devoting substantially all of its efforts toward commercializing its proprietary technology. The recoverability of amounts expended on R&D is dependent on the ability of the Company to complete pre-commercialization activities, commercialization at oil sands sites, and achieve future profitable operations. Until commercial operations are established, the Company will continue to incur losses and is dependent on raising funds through the issuance of shares, loans, government grants and/or attracting partners in order to undertake further development and commercialization of its technology. While the Company has been successful in obtaining the necessary financing to develop the business to this point, there are no assurances that the Company will be successful in the future in these endeavours.

2 Basis of presentation

These financial statements of the Company have been approved by the Board of Directors on July 18, 2017. These financial statements are presented in Canadian dollars, which is the Company’s functional currency.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and IFRIC interpretations. The financial statements have been prepared under the historical cost convention except as detailed in the Company’s accounting policies disclosed in Note 3.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying Titanium’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

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Notes to Condensed Interim Financial Statements

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3 Significant accounting policies

Except as outlined below, these condensed interim financial statements have been prepared following the same accounting policies and methods of computation as the most recent annual financial statements as at and for the year ended August 31, 2016. Significant accounting policies are described in Note 3 of the August 31, 2016 annual financial statements.

Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make critical accounting estimates and judgements that affect the amounts reported in the financial statements and accompanying notes. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the actual results. Management considers the following areas to be those where critical accounting policies affect the significant estimates and judgements used in the preparation of the Company's financial statements.

a) Fair value of stock options

Determining the fair value of stock based compensation requires judgement related to the choice of a pricing model, the estimation of stock price volatility, the expected term of the underlying instruments and the estimation of the risk free interest rate.

b) Fair value of warrants

Determining the fair value of warrants requires judgement related to the choice of a pricing model, the estimation of stock price volatility, the expected term of the underlying instruments and the estimation of the risk free interest rate.

New standards and amendments issued but not yet adopted

Certain new standards, amendments to standards and interpretations are not yet effective for the current reporting period, and therefore have not been applied in preparing the financial statements.

IFRS 9 – “Financial Instruments”, which is the result of the first phase of the IASB's project to replace IAS 39 – “Financial Instruments: Recognition and Measurement”. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The amendment is effective January 1, 2018 for fiscal years commencing after that date, with early adoption permitted.

IFRS 15 – “Revenue from Contracts with Customers”. This amendment replaces the existing revenue standards and interpretations with a single standard and provides additional guidance on revenue recognition for contracts with customers. The amendment is effective January 1, 2018 for fiscal years commencing after that date, with early adoption permitted.

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IFRS 16 – “Leases”. This is a new standard whereby a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset (“ROU”) is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. This accounting treatment will typically produce a front-loaded expense profile. The amendment is effective January 1, 2019 for fiscal years commencing after that date, with early adoption permitted.

The Company is currently evaluating the impact of adopting these standards on its financial statements but does not anticipate that these new standards to have a significant effect on its financial statements.

4 Deferred Compensation

The Company made arrangements with its directors and officers to receive a portion of their cash compensation in the form of either Restricted Share Units (“RSUs”) or Deferred Share Units (“DSUs”) in order to preserve cash. The deferred compensation liability was recognized as the value of accrued estimated compensation. The balance of \$279,052 (August 31, 2016 - \$320,871), represents an estimated accrual for deferred compensation that will be approved and settled in the future. Upon settlement, the outstanding liability is reclassified to contributed surplus. The vesting provisions, expiry date and the number of RSUs and DSUs to be issued remain subject to further determination by the Corporate Governance and Compensation Committee of the Company’s Board of Directors and shall be formally granted upon such determination.

5 Loan Facilities and Deferred Financing Costs

On October 9, 2015, the Company entered into loan agreements (the "Loan Agreements") with Mossco Capital Inc., an affiliated Canadian resident corporation controlled by Mr. Moss Kadey, ("Mossco") and David Macdonald, two of its independent directors (together, the "Lenders") considered to be related parties. The Lenders agreed to lend the aggregate principal amount of up to \$1,500,000 (collectively, the "Loans"). The Loans, were repayable in full by Titanium to the Lenders by October 9, 2017. Mossco agreed to advance up to \$1,000,000 and Mr. Macdonald agreed to advance up to \$500,000. The proceeds from the Loans were used for general corporate purposes as approved by the Company's Board of Directors in its annual budget. Interest accrued on the Loans at the rate of 12% per annum from the date of advance, standby fees at the rate of 3% per annum on any undrawn balances of the Loans (both payable monthly), and drawdown fees of 2.0% at the time of each advance of \$500,000. On December 16, 2016, the Company repaid the Loans together with accrued interest in the amount of \$1,005,919 from proceeds received on the closing of a Rights Offering (note 6). Titanium's obligations in respect of the Loans were secured by a general security agreement granted by Titanium to each Lender under which Titanium granted security interests over all of its present and after-acquired personal property and a floating charge over all of its real property. Titanium and the Lenders entered into an intercreditor agreement to confirm the pari passu ranking of the Loans and security, including the right to payment, priority of security and realization in respect of security. The repayment of the Loans, terminated the Loan Facilities and eliminated all the Company’s outstanding debt obligations and related security encumbrances. In addition, the balance of the deferred finance costs were recognized in the statement of loss for the period ended February 28, 2017.

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	May 31, 2017	August 31, 2016
	\$	\$
Loan payable	-	1,000,000
Deferred financing costs	-	(340,707)
Net carrying value	-	659,293

In connection with the Loans, Titanium issued 750,000 non-transferable common share purchase warrants to the Lenders which were allocated proportionally on the basis of their committed amounts. Each warrant (note 6) entitles the holder to acquire one common share of Titanium at a price of \$1.35 per common share prior to October 9, 2017. The warrants, and underlying common shares, are subject to a four-month hold period from the date of issuance, which expired on February 9, 2016.

The fair value of the warrants of \$550,472 and the cash debt issue costs of \$58,136, have been fully amortized with the repayment of the loan facility.

6 Share capital

Authorized

Unlimited number of common shares without par value have been authorized. Details of share capital balances are as follows:

	May 31, 2017		August 31, 2016	
	Common shares #	Amount \$	Common shares #	Amount \$
Balance – September 1	65,332,812	61,247,412	64,425,040	60,256,945
Proceeds on issuance of common shares, net of warrant value	13,069,062	6,267,881	-	-
Share issue costs	-	(177,835)	-	-
Issued for cash on exercise of stock options	67,500	28,308	700,000	506,375
Reallocation from contributed surplus relating to fair value of stock options	-	19,180	-	336,422
Issue and reallocation of fair value from contributed surplus relating to redemption of RSUs and DSUs	700,000	630,439	207,772	147,670
Balance	79,169,374	68,015,385	65,332,812	61,247,412

On December 19, 2016 the Company closed its fully subscribed rights offering with the issuance of 13,069,062 common shares for gross aggregate proceeds of \$6,534,531 (\$0.50 per share). In connection with the offering, and in consideration for the purchase commitment under the standby purchase agreement, the Company issued 2,550,000 common share purchase warrants exercisable at \$0.70 per common share for a period of two years expiring December 21, 2018. Related to the offering, the Company incurred \$177,835 in cash costs for the

offering consisting of legal, rights agent, exchange listing, and other fees. The share issue costs were recorded as a charge against share capital.

Equity-based compensation

The Company has an equity plan for its directors, officers, employees and consultants to encourage ownership of common shares and to align their interests with shareholders. The equity plan is designed to advance the Company's interests by providing additional incentives for plan participants and to retain and attract valued directors, officers, employees and consultants. The Company grants equity-based awards to officers, employees and non-executive directors at the discretion of the Board of Directors. The associated equity-based compensation expenses are recognized as components of general and administrative and research and development expenses. The Company adopted a "rolling" equity-based plan to include stock options, DSUs and RSUs. The number of common shares issuable under all such plans at any time is limited to 10% (rolling) of the issued and outstanding common shares of the Company in the aggregate. The equity plan was approved by shareholders on February 9, 2017 and is subject to annual approval by the Company's shareholders.

The equity plan is comprised of the following components:

Stock options

Once a stock option is granted, the compensation expense for options granted is based on the estimated fair value of the options at the time of grant. The expense is recognized as a component of general and administrative and/or research and development expenses over the vesting periods of the options with a corresponding increase to contributed surplus within shareholders' equity. Upon exercise of a stock option, both the consideration received and the fair value of the option are recognized as share capital.

Deferred share units ("DSUs")

As part of the Company's long-term incentives for non-executive directors, a deferred stock unit plan was established representing a component of director compensation. DSU awards vest immediately upon grant and are settled with the issuance of common shares when a director's service ceases. The compensation expense for DSUs awarded to non-executive directors is based on the fair value at the time the award is granted. The fair value means, at any date, the higher of (i) the weighted average price per share at which the common shares have traded on the TSXV during the last five (5) trading days prior to the relevant date and (ii) the closing price of the common shares on the date prior to the relevant date. The expense is recognized as a component of general and administration expense with a corresponding increase to contributed surplus within shareholders' equity. Upon redemption, the fair value of the award is reclassified from contributed surplus to share capital.

Restricted share units ("RSUs")

As part of the Company's long-term incentives for officers and other key employees, the RSU plan provides participants with the opportunity to acquire RSUs in order to participate in the long term success of the Company. The vesting schedule and term (not to exceed 10 years) of RSU awards are specified by the Board of Directors on the grant date and provide for a nominal award price (exercise price) which is reflected in the award notice. Once the award is vested, the RSU can be settled, at the option of the holder along with the exercise price, with the issuance of the Company's common shares. The compensation expense for RSUs awarded is based on the fair

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value of the award, less required exercise price, at the time of grant and is amortized over the specified vesting period. The fair value means, at any date, the higher of (i) the weighted average price per share at which the common shares have traded on the TSXV during the last five (5) trading days prior to the relevant date and (ii) the closing price of the common shares on the date prior to the relevant date. The cost is recognized as a component of general and administration and/or research and development expense with a corresponding increase to contributed surplus, within shareholders' equity. Upon redemption, the fair value of the award is reclassified from contributed surplus to share capital.

Summary of equity plan awards

The number of common shares issuable under all plans at any time is limited to 10% (rolling) of the issued and outstanding common shares of the Company in the aggregate. A summary of the Equity Plan for the periods ended May 31, 2017 and August 31, 2016 is as follows:

	May 31, 2017 #	August 31, 2016 #
Equity Award Pool (10% of common shares outstanding)	7,916,937	6,653,281
Less Awards Granted:		
Stock Options	(3,657,500)	(2,850,000)
DSUs	(1,031,417)	(647,102)
RSUs	(861,785)	(895,502)
Available Pool	<u>2,366,235</u>	<u>2,140,677</u>

Summary of stock options

A summary of stock option activity for the periods ended May 31, 2017 and August 31, 2016 is as follows:

	<u>May 31, 2017</u>		<u>August 31, 2016</u>	
	Number of common stock options #	Weighted average exercise price \$	Number of common stock options #	Weighted average exercise price \$
Outstanding –				
September 1	2,850,000	\$0.65	3,658,400	\$1.28
Granted	950,000	\$1.07	1,775,000	\$0.41
Options exercised	(67,500)	\$0.42	(700,000)	\$0.72
Options expired	(75,000)	\$1.75	(1,883,400)	\$1.62
Options outstanding	<u>3,657,500</u>	<u>\$ 0.74</u>	<u>2,850,000</u>	<u>\$ 0.65</u>
Options exercisable	<u>2,386,666</u>	<u>\$ 0.66</u>	<u>1,641,666</u>	<u>\$0.83</u>

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The following table summarizes the options outstanding as at May 31, 2017:

Range of exercise price	Number of common shares #	Weighted average remaining contractual life years	Weighted average exercise price \$	Number of options exercisable #	Weighted average exercise price \$
0.00 – 0.50	1,707,500	3.72	\$0.41	1,386,666	\$0.41
0.51 – 1.00	1,000,000	0.91	\$1.00	1,000,000	\$1.00
1.01 – 1.50	950,000	4.89	\$1.07	-	\$1.07
	3,657,500	3.26	\$0.74	2,386,666	\$0.66

Stock-based compensation expense has been presented in the statement of loss and comprehensive loss as a non-cash component of research and development and general and administrative expense (note 9). The fair value of each stock option is accounted for in the statement of loss and comprehensive loss, over the vesting period of the options, and the related credit is recorded in contributed surplus.

The assumptions used in the Black Scholes pricing model for the fair value of the stock options granted were as follows:

	May 31, 2017	May 31, 2016
Exercise price of stock option	\$1.07	\$0.41
Risk free interest rate	0.93%	0.58%
Expected life (years)	4.4	4.5
Expected volatility	86.06%	92.65%
Fair value per stock option	\$0.68	\$0.28

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Summary of DSUs

A summary of the DSU activity for the periods ended May 31, 2017 and August 31, 2016 is as follows:

	May 31, 2017		August 31, 2016	
	Number of DSUs #	Weighted average share price at time of grant \$	Number of DSUs #	Weighted average share price at time of grant \$
Outstanding – September 1	647,102	0.74	388,012	0.91
Granted	384,315	0.64	466,863	0.67
Redeemed/released	-	-	(207,773)	0.88
DSUs outstanding	1,031,417	0.70	647,102	0.74

Summary of RSUs

A summary of the RSU activity for the periods ended May 31, 2017 and August 31, 2016 is as follows:

	May 31, 2017			August 31, 2016		
	Number of RSUs #	Exercise price \$	Weighted Average share price at time of grant \$	Number of RSUs #	Exercise price \$	Weighted Average share price at time of grant \$
Outstanding September 1	895,502	\$0.0001	0.87	-	-	-
Granted	666,283	\$0.0001	0.52	895,502	\$0.0001	0.87
Exercised	(700,000)	\$0.0001	0.90	-	-	-
RSUs outstanding	861,785	\$0.0001	0.57	895,502	\$0.0001	0.87

Warrants

- i. In connection with the Loans (note 5) the Lenders were issued 750,000 non-transferable common share purchase warrants which were allocated proportionally to the Lenders on the basis of their committed amounts. Each warrant entitles the holder to acquire one common share of Titanium at a price of \$1.35 per common share prior to October 9, 2017. A value of \$550,472 was attributed to the warrants issued in connection with the loan facilities based on the Black-Scholes pricing model and was recorded as part of contributed surplus on the statement of financial position. Fair value of the warrants was deferred and amortized using the effective interest rate method and recognized as finance expense up until December 16, 2016 at which time the loan facility and all the associated obligations were extinguished.

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If the warrants are exercised before expiry, the fair value will be reclassified as share capital. The assumptions used in the Black Scholes pricing model for the fair value of the warrants were as follows:

Exercise price of warrants	\$1.35
Risk free interest rate	0.56%
Expected life	2.0
Expected volatility	104.75%
Fair value per whole warrant	\$0.734

- ii. In connection with the Rights Offering on December 19, 2016, and in consideration for the purchase commitment by certain investors, under the standby purchase agreement the Company issued 2,550,000 common share purchase warrants exercisable at \$0.70 per common share for a period of two years expiring December 21, 2018. A value of \$266,650 was attributed to the warrants issued to standby purchasers in connection with the rights offering based on the Black-Scholes pricing model and was recorded as part of contributed surplus on the statement of financial position. If the warrants are exercised before expiry, the fair value will be reclassified as share capital.

Exercise price of warrants	\$0.70
Risk free interest rate	0.82%
Expected life	2.0
Expected volatility	64.15%
Fair value per whole warrant	\$0.105

7 Basic and diluted loss per share

Weighted average number of common shares outstanding

As the Company incurred losses for the three and nine month periods ended May 31, 2017 and 2016, the impact of potentially issuable common shares upon the exercise of options would be anti-dilutive, therefore basic and diluted loss per share are the same.

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

	Three month periods ended May 31,		Nine month periods ended May 31,	
	2017 \$	2016 \$	2017 \$	2016 \$
Net loss and comprehensive loss	650,583	788,528	2,304,282	2,152,496
Weighted average number of common shares for basic and diluted loss per share	79,147,173	65,258,006	73,590,640	65,066,910
Basic and diluted loss per share	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.03

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8 Segmented information

Operating segments

The Company has one reporting segment engaged in researching and developing commercially a separation process for the recovery of bitumen, solvent, heavy minerals and water from oil sands waste tailings. As the operations comprise a single reporting segment, amounts disclosed in the financial statements represent those of the single reporting unit. In addition all of the Company's equipment is located in Canada.

9 Expenses by nature

General and administrative expenses consist of the following:

	Three month period ended May 31,		Nine month period ended May 31,	
	2017 \$	2016 \$	2017 \$	2016 \$
Compensation and benefits	127,923	122,043	392,456	381,081
Consulting and professional fees	73,491	49,734	196,472	221,684
Equity based compensation (note 6)	54,688	133,436	150,277	155,244
Deferred compensation expense (note 6)	63,125	86,532	230,512	258,757
Directors' fees – deferred compensation (note 6)	64,500	53,688	190,490	185,643
Rent, insurance and office	26,956	26,623	83,677	75,464
Investor relations and regulatory	9,448	6,669	74,034	83,620
Travel	16,885	9,214	46,703	36,976
	<u>437,016</u>	<u>487,939</u>	<u>1,364,621</u>	<u>1,398,469</u>

Research and development expenses consist of the following:

	Three month period ended May 31,		Nine month period ended May 31,	
	2017 \$	2016 \$	2017 \$	2016 \$
Compensation and benefits	88,283	58,540	264,839	259,836
Deferred compensation expense (note 6)	58,906	63,833	127,906	98,776
Projects, rent and other	61,260	30,790	131,815	92,261
Equity based compensation (note 6)	18,656	48,037	49,404	55,888
	<u>227,105</u>	<u>201,200</u>	<u>573,964</u>	<u>506,761</u>

Titanium Corporation Inc.

Notes to Condensed Interim Financial Statements

May 31, 2017 and 2016

Amortization, interest and finance expenses consist of the following:

	Three month period ended May 31,		Nine month period ended May 31,	
	2017 \$	2016 \$	2017 \$	2016 \$
Accretion of loan issue costs (note 6)	-	76,865	346,275	197,310
Standby and draw down charges (note 6)	-	7,561	4,568	35,041
Interest	-	15,123	35,007	15,726
Amortization of fixed asset	524	933	3,669	2,798
Foreign exchange (gain)loss	46	39	74	164
	<u>570</u>	<u>100,521</u>	<u>388,593</u>	<u>251,039</u>

10 Capital management

The Company considers its shareholders' equity as its capital, which at as May 31, 2017 totalled \$4,342,730, (August 31, 2016 – (\$528,400)). The Company does not have any bank debt or externally imposed capital requirements. 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 to ensure funds are available to continue to advance the commercialization of CVW™ projects; and to access available government funding for research and development and commercialization.

Management reviews its capital management approach on an ongoing basis and believes that its current approach, given the relative size and stage of the Company, is appropriate. The Company closed a fully subscribed Rights Offering with the issuance of 13,069,062 common shares for gross aggregate proceeds of \$6,534,531 (see notes 5 and 6) in December of 2016. The Company used a portion of the gross proceeds of the offering (\$1,005,919) to repay the outstanding principal amounts of the Loans.

11 Subsequent events

On July 7, 2017 the Company announced its project "Reducing Methane Emissions and Other Environment Impacts from Oil Sands Tailings and Ponds – Deployment of Sustainable Technology ("Project")" was a successful applicant in Emission Reduction Alberta's ("ERA") Methane Challenge. Titanium is working with Canadian Natural Resources Limited ("Canadian Natural") to conduct engineering design for an oil sands tailings treatment system that eliminates certain tailings streams while recovering bitumen, solvent, and high-value minerals. The Company's Project has been approved for funding of up to the lesser of \$5,000,000 Canadian Dollars or 50% of the total eligible Project expenses. ERA's funding approval is subject to written confirmation by August 31, 2017 that all other sources of funding for the project have been secured and successful negotiation by September 29, 2017 of a Contribution Agreement with ERA on terms satisfactory to ERA. The Company is working on respective funding contributions of the project to meet ERA timelines.