



Condensed Interim Financial Statements
(Unaudited)

**September 30, 2019 and December 31,
2018**

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

The condensed interim financial statements of Titanium Corporation Inc. (the “Company”) as at and for the three and nine month periods ended September 30, 2019 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 - Unaudited

(expressed in Canadian dollars)

	September 30, 2019	December 31, 2018
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	3,530,896	841,357
Short term investments	2,002,795	-
Goods and services tax receivable	6,489	132,965
Prepaid expenses	42,334	17,514
	<u>5,582,514</u>	<u>991,836</u>
Equipment	<u>6,555</u>	<u>8,194</u>
Total assets	<u>5,589,069</u>	<u>1,000,030</u>
Liabilities		
Current liabilities		
Trade payables and other accrued liabilities	408,730	1,534,709
Deferred compensation (note 5)	334,056	250,240
Total liabilities	<u>742,786</u>	<u>1,784,949</u>
Shareholders' Equity		
Share capital (note 6)	75,608,708	71,998,590
Contributed surplus	18,603,174	17,332,100
Deficit	<u>(89,365,599)</u>	<u>(90,115,609)</u>
Total shareholders' equity (deficit)	<u>4,864,283</u>	<u>(784,919)</u>
Total liabilities and shareholders' equity	<u>5,589,069</u>	<u>1,000,030</u>
Subsequent events (note 11)		

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

Titanium Corporation Inc.

Statements of (Income) Loss and Comprehensive (Income) Loss - Unaudited

For the three and nine month periods ended September 30, 2019 and 2018

(expressed in Canadian dollars)

	Three-month periods ended		Nine-month periods ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	\$	\$	\$	\$
Expenses and losses				
General and administrative (note 9)	482,024	519,531	1,587,271	1,700,940
Research and development (recovery) expense (note 4 and 9)	(732,258)	1,441,009	(2,299,699)	4,890,046
Amortization	546	1,220	1,639	1,829
	(249,687)	1,962,060	(710,789)	6,592,815
Other income				
Interest	(22,800)	(10,764)	(39,221)	(42,139)
Net (income) loss and comprehensive (income) loss	<u>(272,487)</u>	<u>1,951,296</u>	<u>(750,010)</u>	<u>6,550,676</u>
Basic and diluted (income) loss per share (note 7)	<u>(\$0.003)</u>	<u>\$0.020</u>	<u>(\$0.009)</u>	<u>\$0.080</u>

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

Titanium Corporation Inc.

Statements of Changes in Shareholders' Equity - Unaudited

For the nine month period ended September 30, 2019 and 2018

(expressed in Canadian dollars)

	Share capital \$	Contributed surplus \$	Deficit \$	Shareholders' equity \$
Balance – January 1, 2019	71,998,590	17,332,100	(90,115,609)	(784,919)
Comprehensive income for the period	-	-	750,010	750,010
Issuance of common shares net of share issue costs	4,056,475	-	-	4,056,475
Fair value of warrants issued in connection with common shares	(610,330)	610,330	-	-
Fair value of DSUs released	163,973	(163,973)	-	-
Equity-based compensation	-	402,380	-	402,380
Deferred Compensation settled with RSUs/DSUs	-	422,337	-	422,337
Balance – September 30, 2019	75,608,708	18,603,174	(89,365,599)	4,864,283
	\$	\$	\$	\$
Balance – January 1, 2018	70,418,766	16,470,130	(82,503,498)	4,385,398
Comprehensive loss for the period	-	-	(6,550,676)	(6,550,676)
Equity-based compensation	-	447,343	-	447,343
Deferred compensation settled with RSUs/DSUs	-	542,235	-	542,235
Proceeds on exercise of warrants	700,000	-	-	700,000
Proceeds on exercise of stock options	504,513	-	-	504,513
Fair value of warrants exercised	104,567	(104,567)	-	-
Fair value of stock options exercised	270,744	(270,744)	-	-
Balance – September 30, 2018	71,998,590	17,084,397	(89,054,174)	28,813

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

Titanium Corporation Inc.

Statements of Cash Flows - Unaudited

For the three and nine month periods ended September 30, 2019 and 2018

(expressed in Canadian dollars)

	<u>Three-month periods ended</u>		<u>Nine-month periods ended</u>	
	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
	\$	\$	\$	\$
Cash (used in) provided by				
Operating activities				
Net income (loss) for the period	272,487	(1,951,296)	750,010	(6,550,676)
Items not affecting cash				
Amortization	546	1,220	1,639	1,829
Accrued interest income	(2,795)	15,268	(2,795)	-
Equity-based compensation	133,874	166,085	402,380	447,344
	<u>404,112</u>	<u>(1,768,723)</u>	<u>1,151,233</u>	<u>(6,101,503)</u>
Net change in non-cash working capital items				
Deferred compensation expense (note 5)	164,450	173,251	506,154	550,710
Goods and services tax receivable	9,603	(137,487)	126,476	(183,639)
Prepaid expenses	12,692	(956)	(24,820)	(34,935)
Trade payables and other accrued liabilities	134,957	12,137	(1,125,978)	1,753,715
	<u>725,814</u>	<u>(1,721,778)</u>	<u>633,064</u>	<u>(4,015,652)</u>
Investing activities				
(Purchase) redemption of short-term investments	(2,000,000)	2,033,336	(2,000,000)	3,038,108
Financing activities				
Common shares issued, net of issue costs	-	-	4,056,475	-
Exercise of stock options	-	41,000	-	504,513
Exercise of warrants	-	-	-	700,000
	<u>-</u>	<u>41,000</u>	<u>4,056,475</u>	<u>1,204,513</u>
Increase (decrease) in cash and cash equivalents	<u>(1,274,186)</u>	<u>352,558</u>	<u>2,689,539</u>	<u>226,969</u>
Cash and cash equivalents – beginning of period	<u>4,805,082</u>	<u>1,872,142</u>	<u>841,357</u>	<u>1,997,731</u>
Cash and cash equivalents – end of period	<u>3,530,896</u>	<u>2,224,700</u>	<u>3,530,896</u>	<u>2,224,700</u>

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

Titanium Corporation Inc.

Notes to Condensed Interim Financial Statements

For the three and nine month periods ended September 30, 2019 and 2018

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 736 8th Avenue, SW, Calgary, Alberta, T2P 1H4 and the Company’s registered office is located at Suite 2400, 525 8th Avenue, SW, Calgary, Alberta, T2P 1G1. The Company’s common shares are listed on the TSX 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 enables 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 and is working towards the first commercial implementation of the CVW™ technology at an oil sands site.

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 these endeavours in the future.

2 Basis of presentation

These financial statements of the Company have been approved by the Board of Directors on November 18, 2019. The financial statements are presented in Canadian dollars, which is the Company’s functional currency and follow the same accounting policies and methods of application as the most recent annual audited financial statements except as noted in note 3.

The condensed interim financial statements of the Company have been prepared in accordance with IFRS as issued by the International Accounting Standards Board and IFRIC interpretations. These financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2018. The financial statements have been prepared under the historical cost convention except as detailed in the Company’s accounting policies disclosed in note 3 in the annual financial statements.

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 the Company’s

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accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

3 Significant accounting policies

These condensed interim financial statements have been prepared following the same accounting policies and methods of computation as the most recent audited financial statements for the year ended December 31, 2018 except as noted below. Significant accounting policies are described in note 3 of the December 31, 2018 audited 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) Government Assistance

- i) The recovery of government grants and partner project contributions requires judgement to determine when reasonable assurance exists that the Company has complied with conditions contained in the applicable contribution agreements.
- ii) The research tax credits are not certain until received; as such judgement is applied to determine when receipt is delivered prior to recording the credit.

b) Recognition of intangible assets

Determining the commencement of capitalization of development costs requires judgement to determine when conditions exist to capitalize costs related to the development of intangible assets.

c) 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.

d) 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.

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Changes in Accounting Policies

Effective January 1, 2019, IFRS 16, “Leases” (IFRS 16”) was a new standard applicable for lease accounting. It was determined that the new standard did not have any impact on the Company’s financial statements at January 1, 2019, however, any future lease transactions will be accounted for under the new standard.

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 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.

4 Government Assistance

i) Government Grants and Project Cost Recovery

On October 19, 2017, the Company entered into a contribution agreement with Emissions Reduction Alberta (“ERA”) to fund a portion of the cost of the Front End Engineering and Design (“FEED”) project for the implementation of Titanium's CVW™ technology at Canadian Natural Resources Limited's (“Canadian Natural”) Horizon site. The contribution agreement provided for funding up to the lesser of \$5.0 million or 50% of the cost of the FEED project. In addition, the Company had an agreement with Canadian Natural to fund up to \$3.7 million of the project costs. The Company was the lead proponent and overall project manager, responsible for contracting with engineering and other firms required for the project, managing and funding these contracts, project controls, reporting progress against agreed milestones and collecting partner funding contributions upon milestone achievement from ERA and Canadian Natural. Eligible costs related to the project are recognized as R&D expenses when incurred and recovery of project costs are recognized with the collection of ERA and Canadian Natural contributions. During the three-month period ended September 30, 2019, \$990,870 was recognized as a recovery of project costs related to ERA’s 20% holdback on project contributions throughout the project. For the nine-month period ended September 30, 2019, the Company received a total of \$3,475,800 of cash contributions towards project costs consisting of milestones 4 and 5 and ERA’s 20% holdback payment. The FEED project was completed on February 28, 2019 with final reporting completed in May 2019. Overall project costs were \$9,927,070 of eligible and in-kind contributions with ERA contributing \$4,961,706, Canadian Natural \$3,539,369 and Titanium \$1,425,995.

ii) Scientific Research and Experimental Development (SR&ED) Tax Incentive Program

The Alberta SR&ED tax credit program provides a refundable tax credit to qualified corporations that incur eligible R&D expenditures in the province of Alberta. The Company received funds related to its 2018 claim in the amount of \$70,639 on August 26, 2019.

5 Deferred Compensation

The Company has arrangements with its directors and officers to receive all or part of their cash compensation in the form of either Restricted Share Units (“RSUs”) or Deferred Share Units (“DSUs”). During the three- and nine-month periods ended September 30, 2019, \$164,450 (September 30, 2018 \$173,251) and \$506,154 (September 30, 2018 \$550,710), respectively, was recognized as deferred compensation expense. The deferred compensation liability of \$334,056 at September 30, 2019 (September 30, 2018 \$350,028) represents an estimated accrual for deferred compensation that will be approved and settled in the future through the issuance of RSUs or DSUs. Upon settlement, the outstanding liability is reclassified to contributed surplus.

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6 Share capital

Authorized

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

	Nine-month period September 30, 2019		Year Ended December 31, 2018	
	Common shares #	Amount \$	Common shares #	Amount \$
Opening Balance – Jan 1,	82,076,874	71,998,590	80,494,374	70,418,766
Proceeds on issuance of common shares, net of issue costs	6,089,485	4,056,475	-	-
Fair value of warrants issued in connection with common share issuance	-	(610,330)	-	-
Issued for cash on exercise of stock options	-	-	582,500	504,513
Issued for cash on exercise of warrants	-	-	1,000,000	700,000
Fair value of DSUs released	235,000	163,973	-	-
Fair value of warrants exercised	-	-	-	104,567
Fair value of stock options exercised	-	-	-	270,744
Closing Balance –	88,401,359	75,608,708	82,076,874	71,998,590

On May 9 and 30, 2019, the Company closed in two tranches, a non-brokered private placement with the issuance of 6,089,485 units for gross aggregate proceeds of \$4,262,640 (\$0.70 per share). Each unit consisted of one common share of the Company and one half of one common share purchase warrant. The Company issued an aggregate of 3,044,742 common share purchase warrants exercisable to purchase one common share at a price of \$1.40 per common share. Related to the offering, the Company incurred \$206,165 in cash costs for the offering consisting of legal, selling commissions, exchange listing, and other fees. The share issue costs were recorded as a charge against share capital.

Warrants

In connection with the private placement noted above, the Company issued 3,044,742 common share purchase warrants exercisable at \$1.40 per common share for a period of three years expiring May 9 (2,913,242) and May 30 (131,500), 2022. A value of \$610,330 was attributed to the warrants issued to investors in connection with the private placement 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. The assumptions used in the Black-Scholes pricing model for the fair value of the warrants were as follows:

Risk free interest rate	1.57%
Expected life	3.0
Expected volatility	74.58%
Fair value per whole warrant	\$0.20

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Equity-based compensation

The Company has equity plans for its directors, officers, employees and consultants to encourage ownership of common shares and align with the longer-term interest of Company shareholders. The equity plans are 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 at the discretion of the Board of Directors. The associated equity-based compensation expenses are recognized as components of general and administrative or research and development expenses. The Company adopted "rolling" equity-based plans that 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 plans are subject to annual approval by the Company's shareholders.

The equity plans are comprised of the following components:

a) Stock options

Once a stock option is granted, the compensation costs for options granted is based on the estimated fair values of the options at the time of grant. The cost is recognized as a component of general and administrative 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 the stock option, both the consideration received and the fair value of the option are recognized as share capital.

b) DSUs

As part of the Company's long-term incentives for non-executive directors, a deferred share unit plan was established representing a component of director compensation. DSU awards vest immediately upon grant and are settled with the issuance of one common share for one DSU when a director's service ceases. The compensation expense for DSUs awarded to non-executive directors is based on the fair values 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.

c) RSUs

As part of the Company's long-term incentives for officers and other key employees of the Company, a restricted share unit plan was established representing a component of compensation. 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 for RSU awards is specified by the Board of Directors on the grant date. Once the award is vested, the RSU can be settled, at the option of the holder, with the issuance of one common share in exchange for one RSU. The compensation expense for RSUs awarded is based on the fair values of the award at the time of grant and 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 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.

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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 plans as at September 30, 2019 and December 31, 2018 are as follows:

	September 30, 2019 #	December 31, 2018 #
Equity Award Pool (10% of common shares outstanding)	8,840,136	8,207,687
Less Awards Granted:		
Stock Options	(4,755,000)	(3,875,000)
DSUs	(1,628,444)	(1,472,223)
RSUs	(1,639,520)	(1,302,542)
Available Pool	<u>817,172</u>	<u>1,557,922</u>

Summary of stock options

A summary of the Company's stock option activity for the periods ended September 30, 2019 and December 31, 2018 is as follows:

	September 30, 2019		December 31, 2018	
	Number of common stock options #	Weighted average exercise price \$	Number of common stock options #	Weighted average exercise price \$
Outstanding – Jan 1, 2019 and 2018	3,875,000	\$ 0.74	3,282,500	\$ 0.74
Granted	880,000	\$ 0.69	1,225,000	\$ 0.83
Options exercised	-	-	(582,500)	\$ 0.87
Options expired	-	-	(50,000)	\$ 1.07
Options outstanding	<u>4,755,000</u>	<u>\$ 0.73</u>	<u>3,875,000</u>	<u>\$ 0.74</u>
Options exercisable	<u>2,691,668</u>	<u>\$ 0.67</u>	<u>1,916,668</u>	<u>\$ 0.55</u>

The following table summarizes the options outstanding as at September 30, 2019:

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 – 0.49	1,550,000	1.38	\$0.41	1,550,000	\$0.41
0.50 – 0.99	2,005,000	4.08	\$0.75	375,002	\$0.80
1.00 – 1.50	1,200,000	2.66	\$1.12	766,666	\$1.12
	<u>4,755,000</u>	<u>2.84</u>	<u>\$0.73</u>	<u>2,691,668</u>	<u>\$0.67</u>

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Stock-based compensation expense has been presented in the statement of (income) loss and comprehensive (income) loss as a non-cash component of research and development and/or 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 weighted average assumptions used in the Black-Scholes pricing model for the fair value of stock option grants were as follows:

	June 30, 2019	December 31, 2018
Exercise price of stock option	\$0.69	\$0.83
Risk free interest rate	1.41%	2.06%
Expected life (years)	4.3	4.4
Expected volatility	93.14%	94.17%
Fair value per stock option	\$0.47	\$0.57

Summary of DSUs

A summary of the DSU activity for the periods ended September 30, 2019 and December 31, 2018 is as follows:

	September 30, 2019		December 31, 2018	
	Number of DSUs #	Weighted average share price at time of grant \$	Number of DSUs #	Weighted average share price at time of grant \$
Outstanding Jan 1, 2019 and 2018	1,472,223	\$0.78	1,142,311	\$0.76
Granted	391,221	\$0.63	329,912	\$0.85
Released	(235,000)	\$0.70	-	-
DSUs outstanding	1,628,444	\$0.76	1,472,223	\$0.78

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Summary of RSUs

A summary of the RSU activity for the periods ended September 30, 2019 and December 31, 2018 is as follows:

	September 30, 2019			December 31, 2018		
	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 - Jan 1, 2019 and 2018	1,312,822	\$0.0001	\$0.81	1,014,798	\$0.0001	\$0.70
Granted	326,698	\$0.0001	\$0.53	298,024	\$0.0001	\$1.17
RSUs outstanding	1,639,520	\$0.0001	\$0.75	1,312,822	\$0.0001	\$0.81

7 Basic and diluted loss per share

Weighted average number of common shares outstanding

As the Company had income for the three and nine-month periods ended September 30, 2019, the basic and fully diluted income per share is presented for the current period. For the three and nine-month periods ended September 30, 2018 the Company incurred a loss and the impact of potentially issuable common shares upon the exercise of options and common share purchase warrants 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		Nine-month periods ended	
	September 30, 2019 \$	September 30, 2018 \$	September 30, 2019 \$	September 30, 2018 \$
Net income (loss) and comprehensive income (loss)	272,487	(1,951,296)	750,010	(6,550,676)
Weighted average number of common shares for basic income (loss) per share	88,301,744	82,063,831	85,325,708	81,814,914
Weighted average number of common shares for diluted income(loss) per share ¹	94,141,755	-	91,176,272	-
Basic income (loss) per share	\$ 0.003	\$ (0.024)	\$ 0.009	\$ (0.080)
Fully diluted income (loss) per share	\$ 0.003	-	\$ 0.008	-

¹A total of 2,175,000 stock options are excluded from the per share calculations as they are anti-dilutive at September 30, 2019.

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8 Segmented information

Operating segments

The Company has one reporting segment engaged in researching, developing and commercializing a separation process for the recovery of heavy minerals, bitumen, solvent and water from oil sands froth treatment 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 periods ended		Nine-month periods ended	
	Sep 30, 2019	Sep 30, 2018	Sep 30, 2019	Sep 30, 2018
	\$	\$	\$	\$
Compensation and benefits	160,211	165,727	548,967	543,062
Directors' fees – deferred compensation (note 5)	82,233	77,063	254,358	262,147
Equity-based compensation (note 6)	82,437	98,072	242,529	251,873
Consulting and professional fees	44,635	27,591	135,294	141,911
Deferred compensation expense (note 5)	57,217	63,813	176,796	191,438
Rent, insurance and office	28,565	32,449	90,878	111,989
Investor relations and regulatory	6,836	47,822	68,184	154,127
Travel	19,891	7,294	70,266	44,393
	<u>482,024</u>	<u>519,831</u>	<u>1,587,271</u>	<u>1,700,940</u>

Research and development expenses consist of the following:

	Three-month periods ended		Nine-month periods ended	
	Sep 30, 2019	Sep 30, 2018	Sep 30, 2019	Sep 30, 2018
	\$	\$	\$	\$
Projects, rent and other	79,550	2,999,419	483,684	6,357,804
Compensation and benefits	173,265	180,175	528,206	508,771
Equity-based compensation (note 6)	51,437	68,013	159,850	195,471
Deferred compensation expense (note 5)	25,000	32,375	75,000	97,125
<i>R&D Subtotal</i>	<u>329,251</u>	<u>3,279,982</u>	<u>1,246,740</u>	<u>7,159,171</u>
Recovery of project costs (note 4)	(990,870)	(1,838,973)	(3,475,800)	(2,269,125)
Research tax credit (note 4)	(70,639)	-	(70,639)	-
R&D (recovery) costs, net	<u>(732,258)</u>	<u>1,441,009</u>	<u>(2,299,699)</u>	<u>4,890,046</u>

Titanium Corporation Inc.

Notes to Condensed Interim Financial Statements

For the three and nine month periods ended September 30, 2019 and 2018

10 Capital management

The Company considers its shareholders' equity (deficit) as its capital, which at September 30, 2019 was \$4,846,283 (December 31, 2018 – \$(784,919)). The Company does not have any bank debt or externally imposed capital requirements. The Company's capital management objectives are to manage its cash and cash equivalents 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.

11 Subsequent Event

On October 1, 2019 the Company issued DSUs under the Company's shareholder approved DSU Plan, for the settlement of deferred compensation. The Company issued 110,997 DSUs to non-executive directors for settlement of \$83,233 of deferred compensation. As a result of the issuance of these equity awards, the deferred compensation liability was reduced by \$83,233 and the corresponding credit was included as contributed surplus.