



Condensed Interim Financial Statements
(Unaudited)

March 31, 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-month period ended March 31, 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)

	March 31, 2019 \$	December 31, 2018 \$
Assets		
Current assets		
Cash and cash equivalents	314,997	841,357
Goods and services tax receivable	50,012	132,965
Prepaid expenses	61,881	17,514
	<u>426,890</u>	<u>991,836</u>
Equipment	<u>7,648</u>	<u>8,194</u>
Total assets	<u>434,538</u>	<u>1,000,030</u>
Liabilities		
Current liabilities		
Trade payables and other accrued liabilities	223,014	1,534,709
Deferred compensation (note 5)	165,306	250,240
Total liabilities	<u>388,320</u>	<u>1,784,949</u>
Shareholders' Equity		
Share capital (note 6)	71,998,590	71,998,590
Contributed surplus	17,737,643	17,332,100
Deficit	<u>(89,690,015)</u>	<u>(90,115,609)</u>
Total shareholders' equity (deficit)	<u>46,218</u>	<u>(784,919)</u>
Total liabilities and shareholders' equity	<u>434,538</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 month periods ended March 31, 2019 and 2018

(expressed in Canadian dollars)

	Three- month periods ended	
	March 31, 2019	March 31, 2018
	\$	\$
Expenses and losses		
General and administrative (note 9)	555,091	599,905
Research and development expense (recovery) (note 4 and 9)	(977,826)	968,167
Amortization	546	610
	(422,189)	1,568,682
Other income		
Interest	(3,406)	(15,933)
Net (income) loss and comprehensive (income) loss	<u>(425,595)</u>	<u>1,554,415</u>
Basic and diluted (income) loss per share (note 7)	<u>\$(0.005)</u>	<u>\$0.02</u>

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

Titanium Corporation Inc.

Statements of Changes in Shareholders' Equity - Unaudited

For the three month period ended March 31, 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	-	-	425,595	425,595
Equity-based compensation	-	155,329	-	155,329
Deferred Compensation settled with RSUs/DSUs	-	250,214	-	250,213
Balance – March 31, 2019	71,998,590	17,737,643	(89,690,014)	46,218

	Share capital \$	Contributed surplus \$	Deficit \$	Shareholders' equity(deficit) \$
Balance – January 1, 2018	70,418,766	16,470,130	(82,503,498)	4,385,398
Comprehensive loss for the period	-	-	(1,554,415)	(1,554,415)
Equity-based compensation	-	133,136	-	133,136
Deferred compensation settled with RSUs/DSUs	-	324,025	-	324,025
Proceeds on exercise of warrants	700,000	-	-	700,000
Proceeds on exercise of stock options	463,513	-	-	463,513
Fair value of warrants exercised	104,567	(104,567)	-	-
Fair value of stock options exercised	242,882	(242,882)	-	-
Balance – March 31, 2018	71,929,728	16,579,842	(84,057,913)	4,451,657

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

Titanium Corporation Inc.

Statements of Cash Flows - Unaudited

For the three month periods ended March 31, 2019 and 2018

(expressed in Canadian dollars)

	Three-month periods ended	
	March 31, 2019	March 31, 2018
	\$	\$
Cash (used in) provided by		
Operating activities		
Net income(loss) for the period	425,595	(1,554,415)
Items not affecting cash		
Amortization	546	609
Accrued interest income	-	12,867
Equity-based compensation	155,329	133,137
	581,471	(1,433,536)
Net change in non-cash working capital items		
Deferred compensation expense (note 5)	165,279	188,563
Goods and services tax receivable	82,953	1,492
Prepaid expenses	(44,367)	(34,800)
Trade payables and other accrued liabilities	(1,311,696)	118,653
	(526,360)	(1,159,628)
Investing activities		
Redemption (purchase) of short-term investments	-	1,004,722
Financing activities		
Exercise of stock options	-	463,513
Exercise of warrants	-	700,000
		1,163,513
(Decrease) increase in cash and cash equivalents	(526,360)	1,008,657
Cash and cash equivalents – beginning of period	841,357	1,997,731
Cash and cash equivalents – end of period	314,997	3,006,388

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

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Notes to Condensed Interim Financial Statements

For the three month period ended March 31, 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 May 30, 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 International Financial Reporting Standards (“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.

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Notes to Condensed Interim Financial Statements

For the three month period ended March 31, 2019 and 2018

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 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 grants and partner project contributions

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.

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.

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.

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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.

4 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 March 31, 2019, \$1.5 million was recognized as a recovery of project costs incurred in the prior fiscal period. The recovery of project costs related to the fifth milestone occurred on April 12, 2019 (subsequent event note 11) with the receipt of \$544,169 from ERA and \$420,365 from Canadian Natural on May 9, 2019. The project was completed on February 28, 2019 with final reporting completed in May 2019. Overall project costs incurred were \$9,927,070 of eligible and in-kind contributions as of February 28, 2019, the project completion date. As of March 31, 2018, \$5,874,671 had been received as contributions from ERA and Canadian Natural, with an additional \$964,532 received subsequent to March 31, 2019 for the fifth milestone payment. ERA's 20% holdback on project contributions of \$992,709 is anticipated to be received in the second quarter of 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-month period ended March 31, 2019, \$165,306 (March 31, 2018 \$188,563) was recognized as deferred compensation expense. The deferred compensation liability of \$165,306 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:

	Three-month period March 31, 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
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 warrants exercised	-	-	-	104,567
Fair value of stock options exercised	-	-	-	270,744
Closing Balance –	82,076,874	71,998,590	82,076,874	71,998,590

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 and 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

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

	March 31, 2019	December 31, 2018
	#	#
Equity Award Pool (10% of common shares outstanding)	8,207,687	8,207,687
Less Awards Granted:		
Stock Options	(3,875,000)	(3,875,000)
DSUs	(1,590,369)	(1,472,223)
RSUs	(1,639,520)	(1,302,542)
Available Pool	<u>1,102,798</u>	<u>1,557,922</u>

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Summary of stock options

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

	March 31, 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	-	-	1,225,000	\$ 0.83
Options exercised	-	-	(582,500)	\$ 0.87
Options expired			(50,000)	\$ 1.07
Options outstanding	3,875,000	\$ 0.74	3,875,000	\$ 0.74
Options exercisable	1,950,000	\$ 0.56	1,916,668	\$ 0.55

The following table summarizes the options outstanding as at March 31, 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 – 0.50	1,550,000	1.8	\$0.41	1,550,000	\$0.41
0.51 – 1.00	1,125,000	4.1	\$0.80	-	-
1.01 – 1.50	1,250,000	3.2	\$1.12	400,000	\$1.12
	3,875,000	2.9	\$0.74	1,950,000	\$0.56

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 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.

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Summary of DSUs

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

	March 31, 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	145,401	\$0.53	329,912	\$0.85
DSUs outstanding	1,617,624	\$0.76	1,472,223	\$0.78

Summary of RSUs

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

	March 31, 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-month period ended March 31, 2019, the basic and fully diluted income per share is presented for the current period. For the three-month period ended March 31, 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.

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Notes to Condensed Interim Financial Statements

For the three month period ended March 31, 2019 and 2018

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

	March 31, 2019 \$	March 31, 2018 \$
Net income(loss) and comprehensive income (loss)	425,595	(1,554,415)
Weighted average number of common shares for basic income(loss) per share	81,396,707	81,396,707
Weighted average number of common shares for diluted income(loss) per share ¹	86,884,018	-
Basic income (loss) per share	\$ 0.005	\$ (0.02)
Fully diluted income (loss) per share	\$ 0.005	-

¹A total of 2,325,000 stock options are excluded from the per share calculations as they are anti-dilutive at March 31, 2019.

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	
	March 31, 2019 \$	March 31, 2018 \$
Compensation and benefits	194,230	192,587
Directors' fees – deferred compensation (note 5)	83,063	92,375
Equity-based compensation (note 7)	94,446	76,344
Consulting and professional fees	44,520	65,104
Deferred compensation expense (note 5)	57,217	63,813
Rent, insurance and office	31,264	47,623
Investor relations and regulatory	35,319	42,048
Travel	15,032	20,011
	555,091	599,905

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Research and development expenses consist of the following:

	Three month periods ended	
	March 31, 2019	March 31, 2018
	\$	\$
Projects, rent and other	276,220	715,127
Compensation and benefits	180,468	163,872
Equity-based compensation (note 7)	60,883	56,793
Deferred compensation expense (note 5)	25,000	32,375
<i>R&D Subtotal</i>	542,571	968,167
Recovery of project costs	(1,520,397)	-
R&D (recovery) costs net	(977,826)	968,167

10 Capital management

The Company considers its shareholders' equity (deficit) as its capital, which at March 31, 2019 totalled \$46,218 (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, 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.

11 Subsequent Events

i. Government Grant and Partner Contributions

On April 12, 2019, the Company received \$544,169 from ERA as their contribution towards the achievement of the fifth milestone for the engineering design project. On May 9, 2019 \$420,365 was received from Canadian Natural as their fifth and final contribution towards the project. With the completion of the final project reporting, the Company anticipates receiving \$992,709 from ERA in the second quarter representing a 20% holdback on ERA contributions throughout the project.

ii. Private Placement Equity Financing Closing

On May 10 and 30, 2019 the Company announced the first and second closings of its non-brokered private placement for gross proceeds of \$4,262,640 resulting in the issuance of 6,059,485 common shares and 3,044,743 warrants entitling the holder to purchase one common share of the Company at an exercise price of \$1.40 expiring on May 9 and May 30, 2022. As a result of the transaction the Company now has 88,166,359 common shares issued and outstanding. Legal expenses, exchange fees, and selling commissions are expected to be \$218,400 which will result in the net proceeds of \$4,044,240. The net proceeds of the offering

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will be used to fund ongoing efforts to commercialize the Company's CVW™ technology and for general operating purposes.