TITANIUM CORPORATION

CREATING VALUE FROM WASTE™

Financial Statements

Years Ended December 31, 2020 and December 31, 2019

Independent auditor's report

To the Shareholders of Titanium Corporation Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Titanium Corporation Inc. (the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's financial statements comprise:

- the statements of financial position as at December 31, 2020 and 2019;
- the statements of income (loss) and comprehensive income (loss) for the years then ended;
- the statements of changes in shareholders' equity for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Alisa Sorochan.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
April 27, 2021

Titanium Corporation Inc.

Statements of Financial Position

For the years ended December 31, 2020 and 2019

(expressed in Canadian dollars)

	December 31, 2020 $	December 31, 2019 $
Assets		
Current assets		
Cash and cash equivalents	2,655,894	3,055,270
Short term investments	-	2,011,458
Goods and services tax receivable	9,913	7,947
Prepaid expenses	37,797	24,096
	2,703,604	5,098,771
Equipment (note 5)	5,445	6,009
Total assets	2,709,049	5,104,780
Liabilities		
Current liabilities		
Trade payables and other accrued liabilities	669,486	442,634
Deferred compensation (note 6)	705,251	344,903
Total liabilities	1,374,737	787,537
Shareholders' Equity		
Share capital (note 7)	75,686,611	75,686,611
Contributed surplus	19,147,030	18,742,991
Deficit	(93,499,329)	(90,112,359)
Total shareholders' equity	1,334,312	4,317,243
Total liabilities and shareholders' equity	2,709,049	5,104,780

Subsequent events (note 15)

Approved by the Board of Directors

"Scott Nelson" Director

"John Stevens" Director

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

Titanium Corporation Inc.

Statements of Income (Loss) and Comprehensive Income (Loss)For the years ended December 31, 2020 and 2019

(expressed in Canadian dollars)

	Year ended December 31, 2020 $	Year ended December 31, 2019 $
Expenses		
General and administrative (note 11)	1,636,254	2,026,389
Research and development expense (recovery) (note 11)	1,786,308	(1,969,846)
Amortization	2,054	2,185
Operating loss	3,424,616	58,728
Other income		
Interest	(37,646)	(61,978)
Net (loss) income and comprehensive (loss) income	(3,386,970)	3,250
Basic and diluted (loss) income per share (note 8)	($0.04)	$0.00

Titanium Corporation Inc.

Statements of Changes in Shareholders' Equity

For the years ended December 31, 2020 and 2019

(expressed in Canadian dollars)

	Share capital $	Contributed surplus $	Deficit $	Shareholders' equity(deficit) $
Balance – January 1, 2020	75,686,611	18,742,991	(90,112,359)	4,317,243
Comprehensive (loss) income for the year	-	-	(3,386,970)	(3,386,970)
Equity-based compensation	-	322,915	-	322,915
Deferred Compensation settled with RSUs/DSUs	-	81,124	-	81,124
Balance – December 31, 2020	75,686,611	19,147,030	(93,499,329)	1,334,312

	Share capital $	Contributed surplus $	Deficit $	Shareholders' equity(deficit) $
Balance – January 1, 2019	71,998,590	17,332,100	(90,115,609)	(784,919)
Comprehensive income for the year	-	-	3,250	3,250
Issuance of common shares net of share issue costs	4,056,474	-	-	4,056,474
Fair value of warrants issued in connection with common shares	(610,330)	610,330	-	-
Fair value of DSUs released	241,877	(241,877)	-	-
Equity-based compensation	-	536,850	-	536,850
Deferred Compensation settled with RSUs/DSUs	-	505,588	-	505,588
Balance – December 31, 2019	75,686,611	18,742,991	(90,112,359)	4,317,243

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

Titanium Corporation Inc.

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(expressed in Canadian dollars)

	December 31, 2020 $	December 31, 2019 $
Cash (used in) provided by		
Operating activities		
Net (loss) income for the year	(3,386,970)	3,250
Items not affecting cash		
Amortization	2,054	2,185
Accrued interest income	-	(11,458)
Equity-based compensation	322,915	536,850
	(3,062,001)	530,828
Net change in non-cash working capital items		
Deferred compensation expense	441,472	600,234
Goods and services tax receivable	(1,966)	125,018
Prepaid expenses and other assets	(13,701)	(6,582)
Trade and other payables and accrued liabilities	226,852	(1,092,060)
Cash (used in) provided by operating activities	(2,409,344)	157,439
Investing activities		
Purchase of equipment	(1,490)	-
(Purchase) redemption of short-term investments	2,011,458	(2,000,000)
Cash provided by (used in) investing activities	2,009,968	(2,000,000)
Financing activities		
Common shares issued, net of issue costs (note 7)	-	4,056,474
(Decrease) increase in cash and cash equivalents	(399,376)	2,213,914
Cash and cash equivalents – beginning of year	3,055,271	841,357
Cash and cash equivalents – end of year	2,655,894	3,055,271

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

1 Reporting entity and nature of operations

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 was the culmination of 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 a development stage enterprise as it has yet to earn any revenues from its planned operations. The Company is devoting substantially all its efforts toward commercializing its proprietary technology. The recoverability of amounts expended on R&D is dependent on the ability of the Company to implement its technology at one or more 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 its' business to this point, there are no assurances that the Company will be successful in the future in these endeavours. In addition, in 2020 recent world events including the COVID-19 pandemic and the collapse of oil demand and prices introduced unprecedented uncertainties for industries and economies globally. These include sectors directly related to the Company's CVW™ technology including Canada's oil sands industry, the global mineral sands industry and the Canadian economy. The duration and the extent of the impact of these events is not known but could adversely affect the progress and timing of the Project.

2 Basis of presentation

These financial statements of the Company have been approved by the Board of Directors on April 27, 2021. 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 IFRS as issued by the international accounting standards board and IFRIC interpretations.

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise noted.

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.

Basis of measurement

The financial statements have been prepared using the historical cost convention except for the measurement of stock-based payments and warrants, which are measured at fair value.

Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in the statement net (loss) income and comprehensive (loss) income.

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 year end.

Short term investments

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

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is recorded on the declining balance basis at rates between 20% and 50% as appropriate for the type of equipment.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets

Internally generated intangible assets and research and development expenditures

Expenditures on research activities are recognized as an expense in the period in which they are incurred. Development costs are also expensed in the period incurred unless the Company believes these development projects meets generally accepted criteria for capitalization and amortization under IAS 38 Intangible Assets. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if all the following conditions exist:

- Technical feasibility of completing the intangible asset so it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- Demonstrate how the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and,
- The ability to measure reliably the expenditures attributable to the intangible asset during its development.

The amount recognized for internally generated intangible assets is the sum of the expenditures incurred from the date the intangible assets first meets the conditions listed above. Subsequent to recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses.

Where no internally generated intangible asset can be recognized, development expenditures are recognized as an expense in the period in which they are incurred.

Government assistance

Government grants are not recognized until there is reasonable assurance that the Company has complied with the conditions contained in the grant agreements.

Share capital

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from shareholders' equity, net of any tax effects.

Equity-based award plan

The Company has an equity-based award plan for its directors, officers, employees and consultants to encourage ownership of common shares. 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 expense.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in shareholders' equity or in other comprehensive income (loss).

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of prior years.

Deferred tax is recognized with respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future tax profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of common shares outstanding, for the effects of all potentially dilutive common shares. The Company's potentially dilutive common shares comprise equity-based awards granted to its employees and directors and warrants issued in connection with the private placement. The number of common shares included with respect to equity awards and warrants are computed using the treasury stock method.

Financial instruments

The Company's financial assets include cash and cash equivalents, short term investments and GST receivable. Financial liabilities include accounts payable and accrued liabilities,

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are not offset unless the Company has the legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

The Company characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

(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).

a) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive (loss) income ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of financial instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

b) Measurement

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of net (loss) income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive (loss) income.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs and are subsequently carried at amortized cost less any impairment.

c) Impairment of financial assets at amortized cost
Financial assets at amortized cost
Financial assets are measured at amortized cost and are assessed at each reporting date using an expected credit loss model ("ECL") to determine whether the financial asset is impaired. The Company applies the simplified approach to providing for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. A combination of historical and forward-looking information is used to determine the appropriate loss allowance provisions. ECLs are a probability -weighted estimate of all possible default events over the expected life of the financial asset which is based on credit quality since initial recognition of the financial asset.

Non-financial assets
Non-financial assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units" or "CGUs"). Recoverable amount is the higher of an asset's fair value less costs to dispose and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management). The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Financial liabilities

The Company has the following non-derivative financial liabilities: trade and other payables, and accrued liabilities. Such financial liabilities are classified as other liabilities and are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

4 Government Assistance

i) **Government Grants and Project Cost Recovery**

a. 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 were recognized as R&D expenses when incurred and recovery of project costs were recognized with the collection of ERA and Canadian Natural contributions. During 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 formally completed in May 2019.

b. On September 28, 2020, the Company entered into a contribution agreement with ERA for the award of $5 million of grant funding for the CVW™ Horizon project, a joint project with Canadian Natural. A portion of the eligible costs incurred by participants in connection with the project will be reimbursed with the successful completion of the specified milestones outlined in the agreement. A maximum of $2.0 million in grant funding is available for the detailed engineering phase with the balance of $3.0 million of the grant available for the procurement and construction phases. Eligible costs related to the project are recognized as R&D expenses when incurred and the eventual recovery will be recognized with the collection of the ERA contribution.

c. On December 22, 2020 the Company and Canadian Natural entered into a 2020 Project Coordination Agreement ("PCA") which governed the 2020 engineering phase of the CVW™ Horizon Project (the "2020 Program"). The PCA, effective January 1, 2020, set out the rights and responsibilities for the 2020 Program along with the cost sharing arrangement whereby Canadian Natural and Titanium were responsible for their share of the program costs which were 70% and 30%, respectively, for the total cost of the 2020 Program. Also government grant proceeds related to the 2020 Program shall be shared between the parties on the same ratio. During 2020, total program costs, before government funding, were $5.45 million with Titanium's 30% share being $1.63 million and Canadian Natural's being $3.82 million. Titanium's share of program costs was fully reflected in R&D costs before any proceeds received from government funding agencies. Subsequent to year end (note 15) the Company received $1.0 million as a contribution towards 2020 Program costs from ERA and NRCan's Clean Growth Program. The Company will recognize $0.3 million in the first quarter of 2021 as a recovery of R&D project costs representing its share of the grants.

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. The program was eliminated in 2019.

5 Equipment

	December 31, 2020 $	December 31, 2019 $
Cost	102,342	102,342
Additions	1,490	-
Accumulated amortization	(98,387)	(96,333)
Net carrying value	5,445	6,009

6 Deferred Compensation

The Company has arrangements with its directors and officers to receive a portion of their compensation in the form of either Restricted Share Units ("RSUs") or Deferred Share Units ("DSUs"). During the year ended December 31, 2020, $441,472 (December 31, 2019, $600,234) was recognized as deferred compensation expense. The deferred compensation liability of $705,251 (December 31, 2019 $344,903) represents an accrual for deferred compensation that was approved but not settled due to current plan limitations. Upon settlement, the outstanding liability will be reclassified to contributed surplus.

7 Share capital

Authorized

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

	December 31, 2020		December 31, 2019	
	Common shares #	Amount $	Common shares #	Amount $
Opening Balance	88,480,791	75,686,611	82,076,874	71,998,590
Proceeds on issuance of common shares, net of issue costs (i)	-	-	6,089,485	4,056,474
Fair value of warrants issued in connection with common share issuance (i)	-	-	-	(610,330)
Fair value of DSUs released	-	-	314,432	241,877
Balance – Closing	88,480,791	75,686,611	88,480,791	75,686,611

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	75%
Fair value per whole warrant	$0.20

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 value 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 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.

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 and a nominal cash payment. The compensation expense for RSUs awarded is based on the fair value 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 for the periods ended December 31, 2020 and 2019 is as follows:

	2020 #	2019 #
Equity Award Pool (10% of common shares outstanding)	8,848,079	8,848,079
Less Awards Granted:		
Stock Options	(4,755,000)	(4,755,000)
DSUs	(1,769,616)	(1,659,989)
RSUs	(1,639,520)	(1,639,520)
Available Pool	683,943	793,570

The components of stock-based compensation are summarized below.

Summary of stock options

A summary of the Company's stock option activity for the periods ended December 31, 2020 and 2019 is as follows:

	2020		2019	
	Number of common stock options #	Weighted average exercise price $	Number of common stock options #	Weighted average exercise price $
Opening balance outstanding	4,755,000	$ 0.73	3,875,000	$ 0.74
Granted	-	-	880,000	$ 0.69
Options outstanding	4,755,000	$ 0.73	4,755,000	$ 0.73
Options exercisable	3,759,999	$ 0.73	2,691,668	$ 0.67

The following table summarizes the options outstanding as at December 31, 2020:

Range of exercise price	Number of stock options #	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	0.13	$0.41	1,550,000	$0.41
0.50 – 0.99	2,005,000	2.82	$0.75	1,043,333	$0.77
1.00 – 1.50	1,200,000	1.41	$1.12	1,166,666	$1.12
	4,755,000	1.59	$0.73	3,759,999	$0.73

Stock-based compensation expense has been presented in the statement of net (loss) income and comprehensive (loss) income as a non-cash component of research and development and general and administrative expense (note 11). The fair value of each stock option is accounted for in the statement of net (loss) income and comprehensive (loss) income, over the vesting period of the options, and the related credit is recorded in contributed surplus.

There were no stock option grants during the current year however the weighted average assumptions used in the Black Scholes pricing model for the fair value of stock options granted in 2019 were as follows:

	December 31, 2019
Exercise price of stock option	$0.69
Risk free interest rate	1.41%
Expected life (years)	4.3
Expected volatility	93.14%
Fair value per stock option	$0.47

Summary of DSUs

A summary of the DSU activity for the periods ended December 31, 2020 and 2019 is as follows:

	2020		2019	
	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	1,659,989	$0.75	1,472,223	$0.78
Granted	109,627	$0.74	502,198	$0.66
Released	-	-	(314,432)	$0.73
DSUs outstanding	1,769,616	$0.75	1,659,989	$0.75

Summary of RSUs

A summary of the RSU activity for the periods ended December 31, 2020 and 2019 is as follows:

	2020			2019		
	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	1,639,520	$0.0001	$0.75	1,312,822	$0.0001	$0.81
Granted	-	-	-	326,698	$0.0001	$0.53
RSUs outstanding	1,639,520	$0.0001	$0.75	1,639,520	$0.0001	$0.75

8 Basic and diluted (loss) income per share

As the Company incurred losses for the year ended December 31, 2020 and insignificant income for year ended December 31, 2019, the impact of potentially issuable common shares upon the exercise of DSUs, RSUs, stock options and 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) income per share for the years ended December 31:

	2020 $	2019 $
Net (loss) income and comprehensive income (loss)	(3,386,970)	3,250
Weighted average number of common shares for basic and diluted loss per share	88,480,791	86,162,838
Basic and diluted (loss) income per share	($0.04)	$0.00

9 Income taxes

The tax recovery on the Company's income (loss) before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the entity as follows:

	December 31, 2020 $	December 31, 2019 $
Net (loss) income before income taxes	(3,386,970)	3,250
Tax calculated at applicable statutory rates applicable to loss 24% (26.5% 2019)	(812,873)	861
Change in temporary differences for which no deferred income tax asset was recognized	629,327	(4,432)
Stock-based compensation expense not deductible for tax purposes	183,453	301,327
Prior year losses deducted	-	(299,131)
Other expenses not deductible for tax purposes	93	1,375
Tax expense (recovery)	-	-

The applicable rate is 24% (2019 – 26.5%). Deferred income taxes are computed at 24%. The movement in deferred income tax assets and (liabilities) during the year is as follows:

Deferred tax asset	**December 31, 2020 $**	**December 31, 2019 $**
Opening balance	15,761,000	16,750,000
Current change for the year	(615,000)	(989,000)
Closing balance	15,146,000	15,761,000
Asset not recognized	(15,146,000)	(15,761,000)
Net deferred tax asset	-	-

Deferred income tax assets are recognized for loss carry-forwards and other deductible temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable. Based on this test, the Company did not recognize deferred income tax assets of $15,146,000 (December 31, 2019 – $15,761,000) in respect of tax losses and other deductible temporary differences amounting to $63,111,000 (December 31, 2019– $59,475,000) that can be carried forward against future taxable income.

The components of the unrecognized deferred tax asset are as follows:

Components of deferred tax assets:	**December 31, 2020 $**	**December 31, 2019 $**
Capital assets (tangible and intangible)	813,000	942,000
SR&ED expenditures	5,105,000	5,637,000
Deferred financing costs	46,000	62,000
Capital and non-capital losses	9,182,000	9,120,000
Closing balance	15,146,000	15,761,000
Deferred tax asset not recognized	(15,146,000)	(15,761,000)
Net deferred tax asset	-	-

The Company did not recognize the benefits of non-refundable federal research and development investment tax credits (“ITCs”) amounting to $4,730,300 (December 31, 2019 - $4,730,300). These tax credits can be carried forward against future federal income tax payable.

The non-capital losses and ITC's will expire as follows:

	Federal non-capital loss carry-forwards $	Alberta non-capital loss carry-forwards $	ITC's $
2024	-	-	449,600
2025	-	-	231,000
2026	3,556,000	3,556,000	473,000
2027	1,737,000	1,737,000	300,000
2028	-	-	279,000
2029	4,193,000	4,193,000	517,000
2030	3,114,000	3,114,000	861,000
2031	4,877,000	4,877,000	1,026,000
2032	2,274,000	2,274,000	182,000
2033	652,000	652,000	313,000
2034	2,773,000	2,773,000	-
2035	1,954,000	1,954,000	-
2036	1,765,000	1,765,000	-
2037	1,655,000	1,655,000	-
2038	1,083,000	1,083,000	-
2039	5,912,000	5,912,000	98,700
2040	2,714,000	2,714,000	-
	38,259,000	38,259,000	4,730,300

10 Segmented information

Operating segments

The Company has one reporting segment engaged in the commercialization of its proprietary CVW™ technology for the recovery of bitumen, solvent, heavy minerals 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, the Company's equipment is all located in Canada.

11 Expenses by nature

General and administrative expenses consist of the following:

	December 31, 2020 $	December 31, 2019 $
Compensation and benefits	577,898	724,807
Director fees - deferred compensation (note 6)	361,472	340,733
Equity-based compensation (note 7)	203,996	327,348
Deferred compensation expense (note 6)	30,000	174,501
Consulting and professional fees	227,827	166,071
Rent, insurance and office	135,196	119,582
Travel	7,101	100,060
Investor relations and regulatory	92,764	73,289
General and administrative expenses	1,636,254	2,026,389

For the year ended December 31, 2020 the Company recorded $30,504 ($28,800 -2019) in general and administrative expenses related to short term leases. There is a ten-month commitment of $21,000 expiring on October 31, 2021 related to office facilities.

Research and development expenses consist of the following:

	December 31, 2020 $	December 31, 2019 $
Projects, rent and other	1,042,829	608,095
Compensation and benefits	574,560	673,995
Equity-based compensation (note 8)	118,919	209,503
Deferred compensation expense (note 6)	50,000	85,000
Total research & development expenses	1,786,308	1,576,593
Recovery of project costs	-	(3,475,800)
Research tax credits	-	(70,639)
R&D expense (recovery) net	1,786,308	(1,969,846)

12 Compensation of key management

Compensation awarded to key management[(i)] included:

	December 31, 2020 $	December 31, 2019 $
Salaries and short-term employee benefits	1,152,457	1,398,802
Equity-based compensation	322,915	536,850
Directors’ fees-deferred compensation expense	361,472	340,733
Deferred compensation expense	80,000	259,501
	1,916,844	2,535,886

[(i)] Key management includes all directors and officers of the Company.

13 Financial instruments and financial risk factors

The Company has for accounting purposes, designated its cash and cash equivalents, short-term investments, goods and services tax receivables as loans and receivables. Trade payables and accrued liabilities are classified for accounting purposes as other financial liabilities.

As of December 31, 2020, the Company estimates that both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent because of the short-term nature of the assets and liabilities.

The Company has classified the 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:

(iv) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
(v) 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
(vi) 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. The Company's cash and cash equivalents and short-term investments have been subject to level 2 valuation. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

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 and recovery of project costs and related holdbacks and receivables. Cash and cash equivalents 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 cash is minimal. The recovery of project costs is dependent on the Company meeting milestone obligations under contribution agreements. Management believes that credit risk associated with funding commitments from ERA and NRCan is low due to the project governance, credit quality of participants, reporting requirements to achieve milestones and the fact that all associated contributions were collected during the prior years.

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 by monitoring actual and projected cash flows. The Board of Directors reviews and approves the operating plan as well as any material transactions outside the ordinary course of business. This oversight process is also supplemented by a continuous and detailed cash forecasting process. The Company is dependent on raising funds through the issuance of shares, loan facilities, government grants and/or attracting partners in order to undertake further development and commercialization of its technology (note 1). As at December 31, 2020, the Company had aggregate cash balance of $2,655,894 (December 31, 2019 - $3,055,270) to settle current cash liabilities of $669,486 (December 31, 2019 - $442,634). 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 interest bearing cash accounts, 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.

b) Foreign currency risk

The Company's reporting and functional currency is the Canadian dollar and most purchases are transacted in Canadian 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.

14 Capital management

The Company considers its shareholders' equity as its capital, which at December 31, 2020 totalled $1,284,312 (December 31, 2019 $4,317,243). The reduction in shareholders' equity is related to the operating loss incurred during the year. 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.

15 Subsequent Events

i) On January 19, 2021 the Company announced the completion of a Non-Repayable Contribution Agreement with Natural Resources Canada ("NRCan") for $1.96 million. The contribution is for funding of eligible expenditures of a work program for the period April 1, 2020 to March 31, 2021 as part of the detailed engineering phase of the CVW™ Horizon Project. On March 23, 2021 the Company received $392,078 (less a 10% holdback) as a contribution for project costs incurred during the period April 1, 2020 to December 31, 2020. Under the cost sharing agreement with Canadian Natural, funding received from NRCan is allocated 70% to Canadian Natural and 30% to Titanium.

ii) On December 21, 2020 the Company announced Sustainable Development Technology Canada ("SDTC") approved a $10 million contribution for the engineering phase of the CVW™ Horizon Project. The SDTC funding is subject to successful negotiation of a Project Funding Agreement ("PFA") with SDTC which was concluded on March 30, 2021. The start date for SDTC funding is December 1, 2020 and the

Company received the first advance funding of $815,264 (less 10% holdback) on April 6, 2021 for completion of the first milestone due to be completed on April 30, 2021 under the agreement.

iii) On March 11, 2021, the Company announced the completion and payment of the first milestone for $800,000 (less a 20% holdback) from ERA for engineering costs incurred for the engineering phase of the CVW™ Horizon Project. The ERA payment is the first under the $5 million ERA Contribution Agreement previously announced on September 28, 2020. The payment is with respect to 2020 Program costs totaling $5.4 million incurred by Titanium and Canadian Natural and shared $1.6 million and $3.8 million, respectively. The net payment of $640,000 was allocated on a 30% (Titanium - $192,000) and 70% (Canadian Natural - $448,000) basis under the 2020 Project Coordination Agreement, previously announced on December 22, 2020.

iv) On April 15, 2021 the Company announced the signing of the 2021 Program Coordination Agreement ("PCA") with Canadian Natural which governs the January 1, 2021 to April 30, 2021 engineering phase of the CVW™ Horizon Project (the "2021 Program"). The PCA, effective January 1, 2021, sets out the rights and responsibilities under which the parties have been operating with respect to the 2021 Program. Under the PCA, the 2021 Program includes completion of validation and optimization of the overall plant design and the updating of the capital cost estimate for the concentrator plant, tailings thickener and associated utilities. The 2021 Program also includes the engineering redesign and updating of the capital cost estimate for the mineral separation plant, associated utilities and the minerals product transload facility. The PCA provides that Canadian Natural and Titanium shall be responsible for 70% and 30%, respectively, of the total cost of the 2021 Program and government grant proceeds related to the 2021 Program shall be shared between the parties on the same ratio.