



Condensed Interim Financial Statements
(Unaudited)

June 30, 2020 and December 31, 2019

**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 six-month periods ended June 30, 2020 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)

	June 30, 2020	December 31, 2019
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	1,565,926	3,055,270
Short term investments	2,043,880	2,011,458
Goods and services tax receivable	7,297	7,947
Prepaid expenses	51,802	24,096
	<u>3,668,905</u>	<u>5,098,771</u>
Equipment	<u>5,271</u>	<u>6,009</u>
Total assets	<u>3,674,176</u>	<u>5,104,780</u>
Liabilities		
Current liabilities		
Trade payables and other accrued liabilities	188,086	442,634
Deferred compensation (note 5)	511,904	344,903
Total liabilities	<u>699,990</u>	<u>787,537</u>
Shareholders' Equity		
Share capital (note 6)	75,686,611	75,686,611
Contributed surplus	19,042,464	18,742,991
Deficit	<u>(91,754,889)</u>	<u>(90,112,359)</u>
Total shareholders' equity	<u>2,974,186</u>	<u>4,317,243</u>
Total liabilities and shareholders' equity	<u>3,674,176</u>	<u>5,104,780</u>

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

Titanium Corporation Inc.

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

For the three and six month periods ended June 30, 2020 and 2019

(expressed in Canadian dollars)

	Three-month period ended		Six-month period ended	
	June 30, 2020 \$	June 30, 2019 \$	June 30, 2020 \$	June 30, 2019 \$
Expenses and losses				
General and administrative (note 9)	417,053	550,156	947,373	1,105,247
Research and development expense (recovery) (note 4 and 9)	327,461	(589,615)	722,712	(1,567,441)
Amortization	369	546	738	1,093
	744,883	(38,912)	1,670,823	(461,100)
Other income				
Interest	(10,356)	(13,015)	(28,293)	(16,621)
Net (loss) income and comprehensive (loss) income	<u>(734,527)</u>	<u>51,928</u>	<u>(1,642,530)</u>	<u>477,522</u>
Basic and diluted (loss) income per share (note 7)	<u>(\$0.010)</u>	<u>\$0.005</u>	<u>(\$0.020)</u>	<u>\$0.005</u>

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

Titanium Corporation Inc.

Statements of Changes in Shareholders' Equity (Deficit) - Unaudited

For the six month period ended June 30, 2020 and 2019

(expressed in Canadian dollars)

	Share capital \$	Contributed surplus \$	Deficit \$	Shareholders' equity \$
Balance – January 1, 2020	75,686,611	18,742,991	(90,112,359)	4,317,243
Comprehensive (loss) for the period	-	-	(1,642,530)	(1,642,530)
Equity-based compensation	-	218,249	-	218,249
Deferred Compensation settled with DSUs	-	81,124	-	81,124
Balance – June 30, 2020	75,686,611	19,042,464	(91,754,889)	2,974,186
	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	-	-	477,522	425,595
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	-	-
Equity-based compensation	-	268,505	-	268,505
Deferred Compensation settled with RSUs/DSUs	-	333,276	-	333,276
Balance – June 30, 2019	75,444,735	18,544,211	(89,638,087)	4,350,849

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

Titanium Corporation Inc.

Statements of Cash Flows - Unaudited

For the three and six month periods ended June 30, 2020 and 2019

(expressed in Canadian dollars)

	Three-month period ended		Six-month period ended	
	June 30, 2020 \$	June 30, 2019 \$	June 30, 2020 \$	June 30, 2019 \$
Cash (used in) provided by				
Operating activities				
Net (loss) income for the period	(734,527)	51,928	(1,642,530)	477,522
Items not affecting cash				
Amortization	369	546	738	1,093
Accrued interest income	(23,945)	-	(32,422)	-
Equity-based compensation	87,148	113,176	218,349	268,505
	(670,955)	165,650	(1,455,865)	747,120
Net change in non-cash working capital items				
Deferred compensation expense (note 5)	101,3755	176,425	248,125	341,704
Goods and services tax receivable	5,330	33,919	650	116,872
Prepaid expenses	15,562	6,855	(27,706)	(37,511)
Trade payables and other accrued liabilities	(28,027)	50,760	(254,548)	(1,290,936)
	(576,715)	433,609	(1,489,344)	(92,751)
Investing activities	-	-	-	-
Financing activities				
Common shares issued	-	4,262,640	-	4,262,640
Share issue costs	-	(206,165)	-	(206,165)
	-	4,056,475	-	4,056,475
(Decrease)/Increase in cash and cash equivalents	(576,715)	4,490,084	(1,489,344)	3,963,724
Cash and cash equivalents – beginning of period	2,142,641	314,997	3,055,270	841,357
Cash and cash equivalents – end of period	1,565,926	4,805,081	1,565,926	4,805,081

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

Titanium Corporation Inc.

Notes to Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2020 and 2019

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 Project”).

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. 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 Creating Value from Waste™ technology (“CVW™”) 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 August 26, 2020. 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.

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 the information required for full annual financial statements and should be read in conjunction

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For the three and six month periods ended June 30, 2020 and 2019

with the Company's audited financial statements for the year ended December 31, 2019. 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 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 described in note 3 of the most recent audited financial statements for the year ended December 31, 2019.

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.

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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.

4 Government Assistance

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 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.

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”). For the three-month period ended June 30, 2020, \$101,375 (June 30, 2019 \$176,425) and was recognized as deferred compensation expense. The deferred compensation liability of \$511,904 at June 30, 2020 (December 31, 2019 \$344,903) represents an accrual for deferred compensation that has been or will be approved and settled in the future through the issuance of RSUs or DSUs. The number of RSUs available for issuance under the RSU plan was almost depleted and there were no DSUs available for issuance at June 30, 2020. Earned compensation intended to be settled with DSUs or RSUs is being recorded as deferred compensation until such time as additional DSUs and RSUs may be issuable pursuant for the applicable plans given the limits on issuances provided. Upon settlement, the outstanding liability will be 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:

	Six-month period June 30, 2020		Year Ended December 31, 2019	
	Common shares #	Amount \$	Common shares #	Amount \$
Opening Balance – Jan 1,	88,480,791	75,686,611	82,076,874	70,418,766
Proceeds on issuance of common shares, net of issue costs	-	-	6,089,485	4,056,474
Fair value of warrants issued in connection with common share issuance	-	-	-	(610,330)
Fair value of DSUs released	-	-	314,432	241,877
Closing Balance –	88,480,791	75,686,611	88,480,791	75,686,611

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 of 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

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

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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 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 as at June 30, 2020 and December 31, 2019 are as follows:

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	June 30, 2020 #	December 31, 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	<u>683,943</u>	<u>793,570</u>

Summary of stock options

A summary of the Company's stock option activity for the period ended June 30, 2020 and December 31, 2019 is as follows:

	June 30, 2020		December 31, 2019	
	Number of common stock options #	Weighted average exercise price \$	Number of common stock options #	Weighted average exercise price \$
Outstanding – Jan 1, 2020 and 2019	4,755,000	\$ 0.73	3,875,000	\$ 0.74
Granted	-	-	880,000	\$ 0.69
Options outstanding	<u>4,755,000</u>	<u>\$ 0.73</u>	<u>4,755,000</u>	<u>\$ 0.73</u>
Options exercisable	<u>2,725,000</u>	<u>\$0.67</u>	<u>2,691,668</u>	<u>\$ 0.67</u>

The following table summarizes the options outstanding at June 30, 2020:

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	0.65	\$0.41	1,550,000	\$0.41
0.50 – 0.99	2,005,000	3.35	\$0.75	1,018,333	\$0.77
1.00 – 1.50	1,200,000	1.93	\$1.12	1,099,999	\$1.11
	<u>4,755,000</u>	<u>2.11</u>	<u>\$0.73</u>	<u>3,668,332</u>	<u>\$0.72</u>

Stock-based compensation expense has been presented in the statement of (loss)/income and comprehensive (loss)/income 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)/income and comprehensive (loss)/income over the vesting period of the options, and the related credit is recorded in contributed surplus.

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For the three and six month periods ended June 30, 2020 and 2019

The weighted average assumptions used in the Black-Scholes pricing model for the fair value of stock option grants were as follows:

	June 30, 2020	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	-	\$0.46

Summary of DSUs

A summary of the DSU activity for the periods ended June 30, 2020 and December 31, 2019 is as follows:

	<u>June 30, 2020</u>		<u>December 31, 2019</u>	
	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, 2020 and 2019	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	<u>1,769,616</u>	<u>\$0.75</u>	<u>1,659,989</u>	<u>\$0.75</u>

Summary of RSUs

A summary of the RSU activity for the periods ended June 30, 2020 and December 31, 2019 is as follows:

	<u>June 30, 2020</u>			<u>December 31, 2019</u>		
	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, 2020 and 2019	1,639,520	\$0.0001	\$0.75	1,312,822	\$0.0001	\$0.81
Granted	-	-	-	326,698	\$0.0001	\$0.53
RSUs outstanding	<u>1,639,520</u>	<u>\$0.0001</u>	<u>\$0.75</u>	<u>1,639,520</u>	<u>\$0.0001</u>	<u>\$0.75</u>

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For the three and six month periods ended June 30, 2020 and 2019

7 Basic and diluted (loss)/income per share

Weighted average number of common shares outstanding

As the Company incurred a loss for the three and six month periods ended June 30, 2020, 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 Company had income for the three- and six-month periods ended June 30, 2019, as such the basic and fully diluted income per share is presented for the prior period.

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

	Three-month periods ended		Six-month periods ended	
	June 30, 2020 \$	June 30, 2019 \$	June 30, 2020 \$	June 30, 2019 \$
Net (loss)/income and comprehensive (loss)/income	(734,527)	51,928	(1,642,530)	477,522
Weighted average number of common shares for basic (loss) income per share	88,480,791	85,495,887	88,480,791	83,795,825
Weighted average number of common shares for diluted (loss) income per share ¹	NA	90,423,411	NA	88,723,349
Basic (loss) income per share	(\$0.010)	\$ 0.00060	(\$0.020)	\$ 0.0057
Fully diluted (loss) income per share	NA	\$ 0.00057	NA	\$ 0.0054

¹A total of 2,325,000 stock options are excluded from the per share calculations as they are anti-dilutive at June 30, 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.

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9 Expenses by nature

General and administrative expenses consist of the following:

	Three-month periods ended		Six-month periods ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	\$	\$	\$	\$
Compensation and benefits	115,302	194,525	302,568	388,756
Directors' fees – deferred compensation (note 5)	101,375	89,063	183,250	172,125
Equity-based compensation (note 7)	54,054	65,646	137,118	160,092
Consulting and professional fees	65,728	46,139	144,139	90,659
Deferred compensation expense (note 5)	-	62,362	43,625	119,579
Rent, insurance and office	32,755	31,049	64,760	62,313
Investor relations and regulatory	47,842	26,029	65,024	61,348
Travel	-	35,343	6,890	50,375
	417,053	550,156	947,373	1,105,247

Research and development expenses consist of the following:

	Three-month periods ended		Six-month periods ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	\$	\$		
Projects, rent and other	180,567	127,915	330,794	404,134
Compensation and benefits	113,797	174,474	289,436	354,941
Equity-based compensation (note 7)	33,097	47,530	81,232	108,414
Deferred compensation expense (note 5)	-	25,000	21,250	50,000
<i>R&D Subtotal</i>	327,461	374,919	722,712	917,489
Recovery of project costs	-	(964,534)	-	(2,484,930)
R&D (recovery) costs, net	327,461	(589,615)	722,712	(1,567,441)

10 Capital management

The Company considers its shareholders' equity as its capital, which at June 30, 2020 was \$2,974,186 (December 31, 2019 – \$4,317,243). 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.