Titanium Corporation Inc.

Condensed Interim Financial Statements
(Unaudited)
May 31, 2016 and August 31, 2015

July 21, 2016

To the Shareholders of
Titanium Corporation Inc.

The condensed interim financial statements of Titanium Corporation Inc. as at and for the three and nine month periods ended May 31, 2016 have been compiled by management.

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

Titanium Corporation Inc.
Statement of Financial Position

(expressed in Canadian dollars)

	May 31, 2016 $	August 31, 2015 $
Assets		
Current assets		
Cash and cash equivalents	552,566	883,099
Accounts receivable and goods and services tax receivable	2,182	8,333
Prepaid expenses	34,018	9,460
	588,766	900,892
Equipment	11,228	14,026
Deferred financing costs (note 6)	417,613	-
Total assets	1,017,607	914,918
Liabilities		
Current liabilities		
Trade and other payables	20,714	23,775
Accrued liabilities	209,667	262,576
Deferred compensation (note 5)	286,552	705,354
	516,933	991,705
Loan facility (note 6)	500,000	-
Total liabilities	1,016,933	991,705
Shareholders' Equity		
Share capital (note 7)	61,247,412	60,256,945
Contributed surplus	15,996,588	14,757,098
Deficit	(77,243,326)	(75,090,830)
Total shareholders' equity (deficit)	674	(76,787)
Total liabilities and shareholders' equity	1,017,607	914,918

Reporting entity and going concern (note 1)

The accompanying notes are an integral part of these financial statements.
Certain amounts have been restated for comparative purposes.

Titanium Corporation Inc.

Statement of Loss and Comprehensive Loss

For the three and nine month periods ended May 31, 2016 and 2015
(expressed in Canadian dollars)

	Three month periods ended May 31,		Nine month periods ended May 31,	
	2016 $	2015 $	2016 $	2015 $
Expenses and losses				
General and administrative (note 10)	487,939	344,410	1,398,469	1,328,469
Research and development (note 10)	201,200	171,764	506,761	483,997
Amortization, interest and finance expenses (note 10)	100,521	1,672	251,039	5,480
	789,660	517,846	2,156,269	1,817,946
Other income				
Interest	(1,132)	(4,673)	(3,773)	(16,459)
Net loss and comprehensive loss	788,528	513,173	2,152,496	1,801,487
Basic and diluted loss per share (note 8)	0.01	0.01	0.03	0.03

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

Titanium Corporation Inc.

Statement of Changes in Shareholders' Equity

For the nine month periods ended May 31, 2016 and 2015

(expressed in Canadian dollars)

	Share capital $	Contributed surplus $	Deficit $	Shareholders' equity $
Balance – September 1, 2015	60,256,945	14,757,098	(75,090,830)	(76,787)
Comprehensive loss for the period	-	-	(2,152,496)	(2,152,496)
Equity-based compensation	-	1,173,110	-	1,173,110
Proceeds on exercise of stock options	506,375	-	-	506,375
Fair value of stock options exercised	336,422	(336,422)	-	-
Fair value of DSUs released	147,670	(147,670)	-	-
Fair value of warrants	-	550,472	-	550,472
Balance – May 31, 2016	61,247,412	15,996,588	(77,243,326)	674

	Share capital $	Contributed surplus $	Deficit $	Shareholders' equity $
Balance – September 1, 2014	60,256,945	14,729,832	(72,629,517)	2,357,260
Comprehensive loss for the period	-	-	(1,801,487)	(1,801,487)
Equity-based compensation	-	27,266	-	27,266
Balance – May 31, 2015	60,256,945	14,757,098	(74,431,004)	583,039

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

Titanium Corporation Inc.

Statement of Cash Flows

For the three and nine month periods ended May 31, 2016 and 2015

(expressed in Canadian dollars)

	Three month periods ended May 31,		Nine month periods ended May 31,	
	2016 $	2015 $	2016 $	2015 $
Cash (used in) provided by				
Operating activities				
Net loss for the period	(788,528)	(513,173)	(2,152,496)	(1,801,487)
Items not affecting cash				
Amortization	933	1,637	2,798	4,911
Equity-based compensation	181,473	-	211,132	27,266
Deferred compensation expense	250,458	161,182	543,175	327,956
Amortization of loan issue costs(note 6)	76,865	-	197,310	-
	(278,799)	(350,354)	(1,198,081)	(1,441,354)
Net change in non-cash working capital items				
Change in research tax credits receivable	-	-	-	177,843
Accounts receivable and goods and services tax receivable	(2,183)	11,346	6,151	9,264
Prepaid expenses and other assets	(30,603)	(15,778)	(24,558)	9,089
Trade and other payables and accrued liabilities	(29,151)	(66,419)	(55,969)	(174,569)
	(340,736)	(421,205)	(1,272,457)	(1,419,727)
Financing activities				
Exercise of stock options	-	-	506,375	-
Loan facility (note 6)	-	-	500,000	-
Deferred loan issue costs(note 6)	-	-	(64,451)	-
	-	-	941,924	-
(Decrease) in cash and cash equivalents	(340,736)	(421,205)	(330,533)	(1,419,727)
Cash and cash equivalents – beginning of period	893,302	1,611,130	883,099	2,609,652
Cash and cash equivalents – end of period	552,566	1,189,925	552,566	1,189,925

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

1 Reporting entity and Going Concern

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

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

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

The financial statements are prepared using International Financial Reporting Standards ("IFRS") that are applicable to a going concern which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. The Company is considered to be a development stage enterprise as it has yet to earn any revenues from its planned operations. The Company is devoting substantially all of its efforts toward commercializing its proprietary technology. The recoverability of amounts expended on R&D is dependent on the ability of the Company to complete pre-commercialization activities, commercialization at oil sands sites, and achieve future profitable operations. In addition, for the nine months ended May 31, 2016, the company reported a loss of $2,152,496 and an accumulated deficit of $77,243,326. The Company 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. These circumstances could cast significant doubt on the ability of the company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. While the Company has been successful in obtaining the necessary financing to develop the business to this point including the loan facilities, there are no assurances that the Company will be successful in the future in these endeavours.

An inability to raise additional financing or to achieve commercial operations will impact the future assessment of the Company as a going concern. These financial statements do not reflect adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2 Basis of presentation

These financial statements of the Company have been approved by the Board of Directors on July 21, 2016. These financial statements are presented in Canadian dollars, which is the Company's functional currency.

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

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

3 Significant accounting policies

Except as outlined below, these condensed interim financial statements have been prepared following the same accounting policies and methods of computation as the most recent annual financial statements as at and for the year ended August 31, 2015. Significant accounting policies are described in Note 3 of the August 31, 2015 annual financial statements.

Critical accounting estimates and judgements

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

a) Fair value of stock options

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

b) Fair value of warrants

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

New standards and amendments issued but not yet adopted

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

The Company has not yet begun the process of assessing the impact that the new standards will have on its financial statements:

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

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

The Company is currently evaluating the impact of adopting these standards on its financial statements.

4 Government assistance

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 2013 claim in the amount of $177,843 on October 28, 2014.

5 Deferred Compensation

In order to preserve cash, the Company made arrangements with its directors and officers to receive a portion of their cash compensation in the form of either Restricted Share Units ("RSUs") or Deferred Share Units ("DSUs"). The deferred compensation liability is the value of accrued compensation that will be settled with the issuance of either RSUs or DSUs. The Company issued in aggregate 1,185,135 RSUs and DSUs for the settlement of approved deferred compensation of $961,978. The outstanding balance of $286,552 represents an estimated accrual for deferred compensation that will be approved and settled in the future. Upon settlement, the outstanding liability is reclassified to contributed surplus. The vesting provisions, expiry date and the number of RSUs and DSUs to be issued remain subject to further determination of the Compensation Committee and shall be formally granted upon such determination.

6 Loan Facilities and Deferred Financing Costs

On October 9, 2015 the Company entered into loan agreements (the "Loan Agreements") with with Mossco Capital Inc., an affiliated Canadian resident corporation controlled by Mr. Moss Kadey ("Mossco") and David Macdonald, two of its independent directors (together, the "Lenders") pursuant to which the Lenders agreed to lend to the Company the aggregate principal amount of up to $1,500,000 (collectively, the "Loans"). The Loans, when drawn, are repayable in full by Titanium to the Lenders on October 9, 2017. Titanium may permanently repay all or part of the Loans at any time without notice or penalty. Mossco agreed to advance up to $1,000,000 and Mr. Macdonald agreed to advance up to $500,000. The proceeds from the Loans are to be used for general corporate purposes as approved by the Company's Board of Directors in its annual budget. Interest accrues on the Loans at the rate of 12% per annum from the date of advance, standby fees at the rate of 3% per annum on any undrawn balances of the Loans (both payable monthly), and drawdown fees of 2.0% at the time of each advance of $500,000. As at May 31, 2016, the Company has drawn down $500,000 of the Loan Facilities, and has recorded an interest charge in the amount of $15,726. Related interest, drawdown fees and standby fees incurred during the nine month period ended May 31, 2016 on the undrawn balances of the Loans were $35,041 and are included as other operating expenses.

Titanium's obligations in respect of the Loans are secured by a general security agreement granted by Titanium to each Lender under which Titanium has granted security interests over all of its present and after-acquired personal property and a floating charge over all of its real property. Titanium and the Lenders entered into an intercreditor agreement to confirm the pari passu ranking of the Loans and security, including the right to payment, priority of security and realization in respect of security.

In connection with the loans, Titanium issued 750,000 non-transferable common share purchase warrants to the Lenders which were allocated proportionally on the basis of their committed amounts. Each warrant (note 7) entitles the holder to acquire one common share of Titanium at a price of $1.35 per Common Share prior to October 9, 2017. The warrants, and underlying common shares, are subject to a four-month hold period from the date of issuance, which expires on February 9, 2016.

The fair value of the warrants of $550,472 and the cash debt issue costs of $64,451 has been deferred and is being amortized on a straight line basis over the term of the loan facility. During the nine month period ended May 31, 2016, the Company recorded amortization of deferred financing costs of $197,310.

7 Share capital

Authorized

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

	May 31, 2016		August 31, 2015	
	Common shares #	Amount $	Common shares #	Amount $
Balance – beginning of period	64,425,040	60,256,945	64,425,040	60,256,945
Exercise of stock options for cash	700,000	506,375	-	-
Reallocation from contributed surplus relating to the exercise of stock options	-	336,422	-	-
Reallocation from contributed surplus relating to the redemption of DSUs	207,773	147,670	-	-
Balance – end of period	65,332,813	61,247,412	64,425,040	60,256,945

Equity-based compensation

The Company has an Equity Plan for its directors, officers, employees and consultants to encourage ownership of common shares and to align their interests with shareholders. The equity plan is designed to advance the Company's interests by providing additional incentives for plan participants and to retain and attract valued directors, officers, employees and consultants. The Company grants equity-based awards to officers, employees and non-executive directors at the discretion of the board of directors. The associated equity-based compensation expenses are recognized as components of general and administrative and research and development expenses. The Company adopted a "rolling" equity-based plan to include stock options, DSUs and RSUs. The number of common shares issuable under all such plans at any time is limited to 10% (rolling) of the issued and outstanding common shares of the Company in the aggregate. The revised equity plan was approved by shareholders on February 11, 2016 and the equity plan is subject to annual approval by the Company's shareholders.

The equity plan is comprised of the following components:

Stock options

Once a stock option is granted, the compensation expense for options granted is based on the estimated fair value of the options at the time of grant. The expense is recognized as a component of general and administrative and 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.

Deferred share units ("DSUs")

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

Restricted share units ("RSUs")

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

As of May 31, 2016, the Company was entitled to grant 6,533,281 stock based awards within the 10% rolling plan, of which 4,140,367 have been granted. Of the total granted and outstanding as at May 31, 2016, 2,775,000 were issued as stock options, 647,102 were issued as DSUs and 718,265 were issued as RSUs. 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 May 31, 2016 and August 31, 2015 is as follows:

	May 31, 2016		August 31, 2015	
	Number of common stock options #	Weighted average exercise price $	Number of common stock options #	Weighted average exercise price $
Outstanding – September 1	3,658,400	1.28	3,815,400	1.25
Granted	1,700,000	0.41	-	-
Options exercised	(700,000)	0.72	-	-
Options expired	(1,883,400)	1.62	(157,000)	0.45
Options outstanding	2,775,000	0.66	3,658,400	1.28
Options exercisable	1,358,334	0.92	3,658,400	1.28

The following table summarizes the options outstanding as at May 31, 2016:

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 – 0.99	1,700,000	4.71	$0.41	283,334	$0.41
1.00 – 1.99	1,075,000	1.82	$1.05	1,075,000	$1.05
	2,775,000	3.59	$0.66	1,358,334	$0.92

On February 17, 2016 the Company granted 1,700,000 stock options to officers, directors and consultants. The terms of the grant are consistent with the plan and are exercisable at a price of $0.41 per stock option. The fair value of the stock options granted were estimated as at the grant date using the Black-Scholes option pricing model. The assumptions used in the Black Scholes pricing model for the fair value of the stock options are as follows:

Risk free interest rate	0.58%
Expected life (years)	4.5
Expected volatility	92.65%
Fair value per option	$0.28

Stock-based compensation expense has been presented in the statement of loss and comprehensive loss as a non-cash component of research and development and general and administrative expense (note 10). 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.

Summary of DSUs

A summary of the DSU activity for the periods ended May 31, 2016 and August 31, 2015 is as follows:

	May 31, 2016		August 31, 2015	
	Number of DSUs #	Weighted average share price at time of grant $	Number of DSUs #	Weighted average share price at time of grant $
Outstanding – September 1	388,012	0.91	370,447	0.90
Granted	466,863	0.67	17,565	1.03
Redeemed/released	(207,773)	0.88	-	-
DSUs outstanding	647,102	0.74	388,012	0.91

Summary of RSUs

A summary of the RSU activity for the periods ended May 31, 2016 and August 31, 2015 is as follows:

	May 31, 2016			August 31, 2015		
	Number of RSUs #	Exercise price $	Weighted Average share price at time of grant $	Number of RSUs #	Exercise price $	Weighted Average share price at time of grant $
Outstanding September 1	-		-	-	-	-
Granted	718,265	$0.0001	0.90	-	-	-
RSUs outstanding	718,265	$0.0001	0.90	-	-	-

Warrants

In connection with the loan facilities (note 6) the Lenders were issued 750,000 non-transferable common share purchase warrants which were allocated proportionally to the Lenders on the basis of their committed amounts. Each warrant entitles the holder to acquire one common share of Titanium at a price of $1.35 per common share prior to October 9, 2017. A value of $550,472 has been attributed to the warrants issued in connection with the loan facilities based on the Black-Scholes pricing model and has been recorded as part of contributed surplus on the statement of financial position. The fair value of the warrants has been deferred and is being amortized on a straight line basis over the term of the loan facility to contributed surplus.

The assumptions used in the Black Scholes pricing model for the fair value of the warrants are as follows:

Risk free interest rate	0.56%
Expected life	2.0
Expected volatility	104.75%
Fair value per whole warrant	$0.734

8 Basic and diluted loss per share

Weighted average number of common shares outstanding

As the Company incurred losses for the three and nine month periods ended May 31, 2016 and 2015, the impact of potentially issuable common shares upon the exercise of options would be anti-dilutive, therefore basic and diluted loss per share are the same.

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

	Three month period ended May 31,		Nine month period ended May 31,	
	2016 $	2015 $	2016 $	2015 $
Net loss and comprehensive loss	788,528	513,173	2,152,496	1,801,487
Weighted average number of common shares for basic and diluted loss per share	65,258,006	64,425,040	65,066,910	64,425,040
Basic and diluted loss per share	$ 0.01	$ 0.01	$ 0.03	$ 0.03

9 Segmented information

Operating segments

The Company has one reporting segment engaged in researching and developing 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.

10 Expenses by nature

General and administrative expenses consist of the following:

	Three month period ended May 31,		Nine month period ended May 31,	
	2016 $	2015 $	2016 $	2015 $
Compensation and benefits	75,637	140,049	381,081	445,969
Deferred compensation expense	186,625	96,160	444,399	182,566
Stock based compensation	133,436	-	155,244	24,040
Consulting and professional fees	49,734	64,735	221,684	353,873
Directors' fees	-	-	-	94,172
Rent, insurance and office	26,623	25,156	75,464	76,997
Investor relations and regulatory	6,669	11,492	83,620	98,016
Travel	9,215	6,817	36,977	52,836
	487,939	344,410	1,398,469	1,328,469

Research and development expenses consist of the following:

	Three month period ended May 31,		Nine month period ended May 31,	
	2016 $	2015 $	2016 $	2015 $
Compensation and benefits	58,540	73,899	259,836	224,170
Deferred compensation	63,833	65,022	98,776	145,390
Pilot plant, rent and other	30,790	32,843	92,261	111,211
Stock based compensation	48,037	-	55,888	3,226
	201,200	171,764	506,761	483,997

Amortization, interest and finance expenses:

	Three month period ended May 31,		Nine month period ended May 31,	
	2016 $	2015 $	2016 $	2015 $
Amortization of loan issue costs (note 6)	76,865	-	197,310	-
Standby and draw down charges (note 6)	7,561	-	35,041	-
Interest (note 6)	15,123	-	15,726	-
Amortization of fixed asset	933	1,637	2,798	4,911
Foreign exchange loss	39	35	164	569
	100,521	1,672	251,039	5,480

11 Capital management

The Company considers its shareholders' equity as its capital, which at May 31, 2016 totaled $674 (August 31, 2015 – ($76,787)). The Company does not have any bank debt or externally imposed capital requirements except those described in note 6, Loan Facilities and Deferred Financing Costs. 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 an oil sands project; 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. There were no changes in the Company's approach to capital management during the nine month period ended May 31, 2016. Refer to note 1 for a discussion of material uncertainties that may impact the company's ability to continue as a going concern.

12 Subsequent event

The Company received $500,000 under the loan facilities on June 29, 2016. This second advance under the loan facilities increased the Company's cash position to $878,325. The total outstanding balance is $1,000,000 as of July 21, 2016 with the remaining undrawn facility of $500,000.