Titanium Corporation Inc.

Condensed Interim Financial Statements
(Unaudited)
May 31, 2013 and August 31 2012

July 18, 2013

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 period ended May 31, 2013 have been compiled by management.

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

Titanium Corporation Inc.

Condensed Interim Statement of Financial Position

(Unaudited)

(expressed in Canadian dollars)

	May 31, 2013 $	August 31, 2012 $
Assets		
Current assets		
Cash and cash equivalents	5,307,399	8,385,863
Research tax credits receivable(note 4)	-	400,000
Goods and services tax receivable	20,948	43,228
Eligible grant funding receivable (note 4)	817,595	491,850
Prepaid expenses	65,958	45,478
	6,211,900	9,366,419
Equipment	29,758	31,260
Total assets	6,241,658	9,397,679
Liabilities		
Current liabilities		
Trade and other payable	51,032	174,646
Accrued liabilities	1,255,398	459,376
	1,306,430	634,022
Shareholders' Equity		
Share capital (note 5)	60,104,658	60,104,658
Contributed surplus	14,058,539	13,954,628
Deficit	(69,227,969)	(65,295,629)
Total shareholders' equity	4,935,228	8,763,657
Total liabilities and shareholders' equity	6,241,658	9,397,679

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

Titanium Corporation Inc.

Condensed Interim Statement of Loss and Comprehensive Loss

(Unaudited)

For the three and nine month period ended May 31, 2013 and 2012

(expressed in Canadian dollars)

	Three month period ended May 31,		Nine month period ended May 31,	
	2013 $	**2012 $**	**2013 $**	**2012 $**
Expenses and losses				
General and administrative (note 8)	781,923	604,482	1,835,657	1,660,460
Research and development (note 8)	803,649	(114,566)	2,237,314	827,685
Other operating expenses	9,491	5,542	17,645	13,330
	1,595,063	495,458	4,090,616	2,501,475
Other income				
Interest	(22,402)	(35,326)	(72,280)	(103,451)
Gain on disposal of equipment	(85,996)	-	(85,996)	-
Net loss and comprehensive loss	1,486,665	460,132	3,932,340	2,398,024
Basic and diluted loss per share (note 6)	$0.02	$0.01	$0.06	$0.04

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

Titanium Corporation Inc.

Condensed Interim Statement of Changes in Shareholders' Equity

(Unaudited)

(expressed in Canadian dollars)

	Share capital $	Contributed surplus $	Deficit $	Shareholders' equity $
Balance – September 1, 2012	60,104,658	13,954,628	(65,295,629)	8,763,657
Comprehensive loss for the period	-	-	(3,932,340)	(3,932,340)
Stock-based compensation	-	103,912	-	103,912
Balance – May 31, 2013	60,104,658	14,058,539	(69,098,969)	4,935,228

	Share capital $	Contributed surplus $	Deficit $	Shareholders' equity $
Balance – September 1, 2011	59,929,848	14,099,981	(62,419,214)	11,610,615
Comprehensive loss for the period	-	-	(2,398,024)	(2,398,024)
Stock-based compensation	-	(94,148)	-	(94,148)
Exercise of stock options	146,473	(58,852)	-	87,621
Balance – May 31, 2012	60,076,321	13,946,981	(64,817,238)	9,206,064

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

Titanium Corporation Inc.

Condensed Interim Statement of Cash Flows

(Unaudited)

For the three and nine month period ended May 31, 2013 and 2012

(expressed in Canadian dollars)

	Three month period ended May 31,		Nine month period ended May 31,	
	2013 $	**2012 $**	**2013 $**	**2012 $**
Cash (used in) provided by				
Operating activities				
Net loss for the period	(1,486,665)	(460,132)	(3,932,340)	(2,398,024)
Items not affecting cash				
Amortization	7,683	2,082	10,948	6,059
Stock-based compensation	83,745	40,933	103,912	(94,148)
Gain on disposal of equipment	(85,996)	-	(85,996)	-
Government grant recoveries	(161,160)	-	(1,348,114)	-
	(1,642,393)	(417,117)	(5,251,590)	(2,486,113)
Net change in non-cash working capital items				
Goods and services tax receivable	8,734	(20,440)	22,280	(17,079)
Research Tax Credits receivable	-	-	400,000	-
Eligible grant funding receivable	(223,443)	-	(325,745)	-
Prepaid expenses and other assets	(59,544)	(46,492)	(20,480)	24,214
Trade and other payables and accrued liabilities	387,400	(19,807)	672,407	(368,552)
	(1,529,246)	(503,856)	(4,503,128)	(2,847,530)
Investing activities				
Purchase of equipment	(8,809)	-	(9,446)	(1,487)
Disposal of equipment	85,996	-	85,996	-
	77,187	-	76,550	(1,487)
Financing activities				
Proceeds from exercise of stock options	-	-	-	87,621
Government grant proceeds	102,302	-	1,348,114	-
	102,302	-	1,348,114	87,621
(Decrease) in cash and cash equivalents	(1,349,757)	(503,856)	(3,078,464)	(2,761,396)
Cash and cash equivalents – beginning of period	6,657,156	9,767,942	8,385,863	12,025,482
Cash and cash equivalents – end of period	5,307,399	9,264,086	5,307,399	9,264,086

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

1 Reporting entity and recoverability

Titanium Corporation Inc. (the "Company") 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 510, 840 6 Ave., SW, Calgary, Alberta, T2P 3A8 and the Company's registered office is located at Suite 1000, 36 Toronto Street, Toronto, Ontario, M5C 2C5. The Company's shares are listed on the Toronto Stock Venture Exchange under the ticker symbol "TIC".

Titanium Corporation'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. In 2011, the Company completed a twelve month demonstration pilot which culminated several years of progressive research and development ("R&D") of its proprietary technologies.

The Company is in the pre-commercialization stage as it has yet to earn any revenues and is devoting substantially all of its efforts toward commercialization of this process. The recoverability of amounts expended on research and development to date, is dependent on the ability of the Company to complete pre-commercialization activities, commercialization at oil sands sites, and achieve future profitable operations. The Company is dependent on raising funds through the issuance of shares, government grants and/or attracting partners in order to undertake further development and commercialization of its technology. The Company may not be successful in these endeavours.

2 Basis of presentation

These condensed interim financial statements of the Company have been approved by the Board of Directors on July 18, 2013 and are presented in Canadian dollars, which is the Company's functional currency.

These condensed interim financial statements have been prepared in accordance with IFRS as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended August 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

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, 2012. Significant accounting policies are described in Note 3 of the August 31, 2012 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 experiences 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-based compensation

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) Research tax credits receivable

The research tax credits receivable are not certain until received; as such judgement is applied to determine when that receipt is delivered to be virtually certain prior to recording the credit.

c) Government grants

The recovery of government grants requires judgement to determine when reasonable assurance exists, when the Company complies with conditions contained in government grant agreements.

4 Government assistance

Sustainable Development Technology Canada ("SDTC") Contribution Agreement

In January 2010, the Company entered into a Contribution Agreement with SDTC, to financially assist the Company in developing and demonstrating its *CVW* ™ technology. Under the terms of the agreement SDTC contributed up to the lesser of 30.75% of eligible project costs or $4,919,212. On October 27, 2012 the Contribution Agreement was modified to include additional funding of $ 1,373,354 for further commercialization work undertaken by the Company. During the first quarter, 90% ($1,236,010) of the additional funding was received; the remaining 10% holdback ($137,334) was booked as an accounts receivable in the third quarter as the Company concluded the program work under the amended agreement. The terms of the agreement were amended and SDTC has contributed in total, the lesser of 29.23% of eligible project costs or $6,292,566. The government grant recovery from SDTC is recognized on a matching basis as the Company incurs eligible expenditures on the specific projects identified in the Contribution Agreement.

Total funding received to date has been $5,663,372. The Company has an amount receivable of $629,184; representing a 10% holdback on both the value of the original grant and the additional amount advanced on October 27, 2012. The Company has met the key conditions under the SDTC Contribution Agreement for recovery of the receivable balance.

National Research Council of Canada - Industrial Research Assistance Program ("IRAP")

The Company entered into a funding Contribution Agreement with National Research Council of Canada as represented by IRAP to assist with research costs related to the paraffinic tailings program currently under way at the Canmet Energy research facility. The Company is eligible under the terms of the agreement to receive project funding for 80% of technical salaries and 50% of the value of contracted research costs carried out by third parties related to paraffinic tailings research. The maximum funding available for the paraffinic tailings research project is $483,000. For the three and nine month period ended May 31, 2013, $300,500 has been recognized as grant recovery and treated as reduction of R&D expense. As at May 31, 2013, $188,411 is included in accounts receivable for unfunded claims that qualify under the IRAP Contribution Agreement.

The following summarizes the balances related to Government assistance:

	May 31, 2013 $	August 31, 2012 $
Accounts Receivable - Government Grants		
SDTC - 10% holdback	629,184	491,850
NRC - IRAP claims in process	188,411	-
Accounts receivable - Government Grants	817,595	491,850

	May 31, 2013 $	August 31, 2012 $
Deferred Government grant balance		
SDTC Deferred grant balance - beginning of period	-	
SDTC Funding received during period	1,236,010	-
Eligible Expenditures incurred during the period	(1,236,010)	-
Ending deferred Government grant	-	-
Government grant recovery		
SDTC	1,373,354	-
IRAP	300,500	-
Government grant recoveries (note 8)	1,673,854	-

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. In fiscal 2012, the Company recognized $800,000 of refundable tax credits related to fiscal 2010 and 2011 SR&ED claims. The company has received in cash $800,000 (maximum available refundable credit) in respect of its fiscal 2010 and 2011 SR&ED claims. The Company is in the process of preparing its fiscal 2012 SR&ED claim and will recognize the associated refundable tax credit once finalized.

5 Share capital

Authorized

Unlimited number of common shares without par value have been authorized. Share capital balances for the nine month period ended May 31, 2013 and the year ended August 31, 2012 are as follows:

	May 31, 2013		August 31, 2012	
	Number of common shares #	Amount $	Number of common shares #	Amount $
Balance – September 1	64,179,416	$ 60,104,658	64,064,716	$ 59,929,848
Issued for cash pursuant to option plan	-	-	114,700	104,621
Reallocation from contributed surplus relating to the exercise of stock options	-	-	-	70,189
Balance –	64,179,416	$ 60,104,658	64,179,416	$ 60,104,658

Stock-based compensation

The Company grants stock-based awards to officers, employees and non-executive directors and recognizes the associated stock-based compensation expense as component of general and administrative and research and development expenses. Stock-based compensation is comprised of the following components:

a) Stock options

The Company has a plan for director, offices and employees and certain key consultants of the Company. The number of common share options available for grant is limited to 10% of the issued and outstanding common shares (rolling 10%) plan in the aggregate. The rolling 10% Stock Option Plan is subject to annual approval by the Company's shareholders. The compensation costs for options granted to officers, employees and non-executive directors is based on the estimated fair values of the options at the time of grant. This cost is recognized in general and administrative and research and development expenses over the vesting periods of the options and 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 amortized are recognized as share capital.

b) Deferred share units ("DSU's)

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's awards vest immediately upon grant and are settled in cash when a director's service ceases. The settlement value is based on the Company's stock price on the day of a director retirement from the Board of Directors. The compensation costs for DSU's awarded to non-executive directors is based on the fair values of these awards at the time the award is granted. This cost is recognized as a component of general and administration expense with a corresponding liability recorded in accrued liabilities. Changes in the fair values of the DSU's are recorded as general and administration expense in the period the change occurs with a corresponding change in accrued liabilities. Upon settlement of these awards by cash, the outstanding liability for these awards is reduced.

Summary of options

As of May 31, 2013, the Company was entitled to grant 6,417,942 stock options and performance stock options of which 4,265,400 have been granted.

A summary of the Company's option activity for the nine month period ended May 31, 2013 and fiscal year ended August 31, 2012 as follows:

	May 31, 2013		August 31, 2012	
	Number of common stock options #	Weighted average exercise price $	Number of common stock options #	Weighted average exercise price $
Outstanding – September 1	4,403,734	1.47	5,618,434	1.57
Granted	1,050,000	1.00	75,000	1.75
Options exercised	-	-	(114,700)	0.91
Options forfeited/expired	(1,188,334)	1.67	(1,175,000)	2.04
Options outstanding	4,265,400	1.22	4,403,734	1.47
Options exercisable	3,202,900	1.29	4,353,734	1.47

The following table summarizes the options outstanding as at May 31, 2013:

Range of exercise price	Number of common shares #	Weighted average remaining contractual life	Weighted average exercise price $	Number of options exercisable #	Weighted average exercise price $
0.00 – 0.99	1,032,000	1.21	0.65	1,032,000	0.65
1.00 – 1.99	2,358,400	3.42	1.18	1,295,900	1.33
2.00 – 2.99	875,000	2.65	2.00	875,000	2.00
	4,265,400	2.73	1.22	3,202,900	1.29

The stock-based compensation expense calculated for the three and nine months ended May 31, 2013 was $83,745 and $103,912, respectively (three and nine months ended May 31, 2012 was $40,933 and a recovery due to the forfeiture of options of $(94,148) respectively). The stock-based compensation has been presented in the statement of loss and comprehensive loss as a component of research and development and general and administrative expense (note 8). The fair value of each 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 DSU's

On April 30, 2013, the Company granted an aggregate 333,333 DSU's to non-executive directors of the Company, valued at $300,000 on the grant date ($0.90 per DSU). At May 31, 2013, the DSU's were revalued to $286,667 ($0.86 per DSU), based on the May 31, 2013 trading price of the Company's common shares.

A summary of the Company's DSU activity for the nine month period ended May 31, 2013 and fiscal year ended August 31, 2012 as follows:

	May 31, 2013		August 31, 2012	
	Number of DSU's #	Weighted average settlement price $	Number of DSU's #	Weighted average settlement price $
Outstanding – September 1	-	-	-	-
Granted	333,333	0.90	-	-
DSU's outstanding	333,333	0.86	-	-

6 Basic and diluted loss per share

Weighted average number of common shares outstanding

As the Company incurred a loss for the three and nine month periods ended May 31, 2013 and May 31, 2012, the impact of potentially issuable common shares upon the exercise of options would be anti-dilutive, basic and diluted loss per share as presented in the statement of loss and comprehensive loss 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,	
	2013 $	2012 $	2013 $	2012 $
Net loss and comprehensive loss	1,486,665	460,132	3,932,340	2,398,024
Weighted average number of common shares for basic and diluted loss per share	64,179,416	64,154,416	64,179,416	64,124,973
Basic and diluted loss per share	0.02	0.01	0.06	0.04

7 Segmented information

Operating segments

The Company has one reporting segment engaged in researching and developing a separation process for the recovery of heavy minerals and bitumen and solvents 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.

8 Expenses by nature

General and administrative expenses consist of the following:

	Three month period ended May 31,		Nine month period ended May 31,	
	2013 $	2012 $	2013 $	2012 $
Compensation and benefits	187,533	189,649	584,433	590,194
Stock-based compensation (note 5)	53,531	37,933	73,698	(84,664)
Deferred compensation expense (note 5)	286,667	-	286,667	-
Investor relations and regulatory	31,337	24,243	155,514	227,555
Consulting and professional fees	95,587	145,599	279,221	378,596
Directors' fees	67,857	76,032	212,939	212,251
Travel	15,026	66,412	104,115	159,961
Rent, insurance and office	44,385	64,614	139,070	176,567
	781,923	604,482	1,835,657	1,660,460

Research and development expenses consist of the following:

	Three-month period ended May 31,		Nine-month period ended May 31,	
	2013 $	2012 $	2013 $	2012 $
Pilot plant, rent and other	1,024,365	93,777	3,439,263	687,520
Compensation and benefits	133,673	188,657	441,691	549,649
Stock-based compensation (note 5)	30,214	3,000	30,214	(9,484)
Government grant recovery (note 4)	(384,603)	(400,000)	(1,673,854)	(400,000)
	803,649	(114,566)	2,237,314	827,685

9 Capital disclosures

The Company's objectives for managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it can provide adequate returns for shareholders and benefits for other stakeholders;
- To fund capital projects for facilitation of business expansion provided there is sufficient liquidity of capital to enable the internal financing; and
- To maintain a capital base so as to maintain investor, creditor and market confidence.

The Company considers its shareholders' equity and government grant deferred balance as its capital, which at May 31, 2013 totalled $4,935,228 (August 31, 2012 – $8,763,657). 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 so that more funds are available for research and development to continue to advance the Oil Sands Project forward; and to access available government funding for research and development.

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 period ended May 31, 2013.