Titanium Corporation

Creating Value from Waste™

2013 Annual Report

TITANIUM CORPORATION

Titanium Corporation offers the best available technology today to dramatically reduce the environmental impact of oil sands tailings while economically recovering valuable products that would otherwise be lost. The technology is on the cusp of commercial development.

Titanium and its funding partners have invested over $60 million to develop, pilot-test and patent a breakthrough technology called CVW™. The process recovers bitumen, solvents and minerals from the tailings streams of oil sands mining operations, thereby substantially reducing the air emissions from tailings ponds and the volume of material entering the ponds.

Commercial deployment of CVW™ requires building a new facility next to existing bitumen froth treatment plants, which would apply a secondary stage of treatment before the waste from froth treatment enters tailings ponds. This secondary "end-of- pipe" treatment would recover economically attractive quantities of residual bitumen (heavy oil), solvents (naphtha), and heavy minerals (zircon and titanium). This patent-protected technology, developed over eight years, has been proven at a demonstration plant supported financially by the governments of Canada and Alberta and with the participation of major oil sands companies.

Titanium's "Value-from-Waste™" technology is ready for commercialization today, requiring only the capital required to build a commercial plant and agreement from an oil sands producer ready to be an early mover by hosting the first of these facilities at its existing operations.

STOCK EXCHANGE LISTING	**ANNUAL MEETING**
TSX Venture Exchange Symbol: TIC	The annual and special meeting will take place at: 10:00 am on Wednesday, January 23, 2014 Toronto Board of Trade 1 First Canadian Place, Suite 350 Toronto, Ontario.

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In 2013, our Company aggressively pursued the commercialization of CVW™ technology with the oil sands industry. Detailed proposals are under review by oil sands firms and we are collaborating with the industry's new environmental organization, Canada's Oil Sands Innovation Alliance ("COSIA"), as an associate member. Our Company has strong government support and independent reviews of our technology have confirmed its potential to deliver significant environmental and economic benefits. We are confident that our multi-stakeholder outreach will lead to a first adopter of CVW™ technology and our initial commercial project. The timing of commercial development is difficult to predict given that it depends on certain factors beyond our Company's control, and we are therefore managing our financial resources carefully and conservatively.

Developing new technology for the large, complex oil sands industry has required rigorous R&D programs. In 2013, our technical staff and partners completed a second major demonstration pilot at CanmetENERGY in Devon, Alberta. This pilot project delivered higher bitumen and mineral recoveries at increased test rates when compared with earlier, smaller-scale testing. The pilot produced a bulk heavy minerals concentrate sample for final flow-sheet testing in Australia and zircon products for customer testing. These technical programs are on track to be finished in February of 2014. As we continue to refine our technical work, it confirms robust economic returns. In 2013, our Company was also awarded three Canadian patents, securing our core intellectual property.

We continue to carefully manage our resources and finished fiscal 2013 with cash of $4.1 million. We have taken a number of measures to reduce costs, conserve cash and focus resources on commercialization. Pilot and laboratory facilities have been decommissioned, surplus equipment disposed, and staff and contractors reduced. Management and the Board continue to believe strongly in this project and in that spirit have agreed to receive a portion of their cash compensation in the form of equity-based compensation, subject to shareholder approval.

To achieve commercialization in 2014, we are continuing to pursue an agreement with an oil sands mining operator to proceed with site installation. In addition, we are exploring partnering with various parties. An agreement will enable us to move forward with financing, engineering and construction of new facilities to intercept tailings before they enter ponds, economically recovering lost bitumen, solvents and valuable minerals and significantly reducing greenhouse gases and other air emissions.

Our Board and management join in thanking our shareholders for your support through many years of R&D and marketing our technology to the oil sands industry. We remain strongly committed to achieving commercialization, delivering on the promise of better environmental performance and financial returns to the oil sands industry and to our shareholders.

Sincerely,

Gordon Pridham
Chairman

Scott Nelson
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS AND YEAR ENDED AUGUST 31, 2013

Titanium Corporation Inc. ("Titanium" or the "Company") has prepared the following management's discussion and analysis ("MD&A") to provide information to assist in understanding the financial results for the three months and year ended August 31, 2013. This MD&A should be read in conjunction with Titanium's audited financial statements as at and for the year ended August 31, 2013, including the notes thereto (collectively, the "Financial Statements"). This MD&A is dated as at and based on information available to management as of November 12, 2013. The Company is a development stage company whose common shares are listed on the TSX Venture Exchange under the symbol "TIC".

The above referenced material is available on Titanium's website at www.titaniumcorporation.com or it can be found, along with additional information about Titanium, including the Company's annual information form for the year ended August 31, 2013 (the "AIF"), on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

The Financial Statements and this MD&A have been prepared in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") which incorporate International Financial Reporting Standards ("IFRS"). All amounts included in this MD&A are in Canadian dollars, unless otherwise specified.

This MD&A contains forward-looking statements and information that reflects the current expectations of management about the future results, performance, achievements, prospects or opportunities for Titanium. These statements generally can be identified by use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "believe", "project", "should" or "continue" or the negative thereof or similar variations. Forward-looking information is provided in this document in the discussion of Titanium's research and development plans under the heading "Titanium's Business" and Titanium's business plans for fiscal 2014 under the headings "Update" and "Next Steps". Titanium provides forward-looking information in order to describe management's expectations and assist shareholders in understanding our financial position as at and for the periods ended on the dates presented in this MD&A. Readers are cautioned that this information may not be *appropriate for other purposes. Forward-looking statements are based upon a number of assumptions and are subject to a number of known and unknown risks and uncertainties, many of which are beyond Titanium's control, which could cause actual results, performance or achievements to differ materially from those that are disclosed in or implied by such forward-looking statements. Forward-looking information is subject to significant risks and uncertainties and is based on a number of Titanium's expectations and assumptions which may prove to be incorrect regarding future prices for zircon and bitumen, stable currency exchange rates between the Canadian and US dollars, expected capital expenditures and Titanium's expected future research and development activities. The material risks, uncertainties and other factors that could influence actual results include, but are not limited to:*

- *Commercialization of the Creating Value from Waste ™ ("CVW™") project on the timetable anticipated or at all;*
- *The commercialization of the CVW™ process is dependent upon oil sands producers adopting and integrating the CVW™ process into their operations and providing froth treatment tailings volumes as feedstock to the CVW™ process;*
- *Access to and cost of oil sands tailings necessary to carry out the CVW™ project;*
- *Commodity price fluctuations which are beyond our control and may affect the ability of oil sands producers to enter into commercial projects with us;*
- *Heavy mineral price fluctuations which are beyond our control and may have a material adverse effect on our business operating results, financial condition and profitability;*
- *Potential fluctuations in our financial and business results make forecasting difficult and may restrict our access to funding for our commercialization plan;*
- *Access to the necessary sources of capital to finance the CVW™ project;*
- *Access to the necessary sources of capital to finance the implementation of the business plan;*
- *Uncertainty related to the cost to build and operate the CVW™ project;*
- *Operational, execution or technical difficulties in connection with successfully completing research activities and building and operating the CVW™ project;*
- *Development timeline delays and problems, including negative impacts on Titanium's technologies caused by unforeseen development costs;*
- *Results of research activities;*
- *Reliance on a small number of key people to carry out Titanium's business and research activities;*
- *Competitors who may develop alternate solutions or Titanium's intellectual property may not be adequately protected; and/or*

- *Changes to environment laws and regulations which may add significant cost to or impair the permitted operation of the CVW™ project.*

While we anticipate that subsequent events and developments may cause our views to change, we do not have an intention to update this forward-looking information except as required by applicable securities laws. This forward-looking information represents our views as of the date of this MD&A and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations.

There can be no assurance that this forward-looking information will prove to be accurate as actual results and future events could differ materially from those expected or estimated in such forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking information. These factors are not intended to represent a complete list of the factors that could affect the Company. Additional information on these and other factors are disclosed elsewhere in this MD&A and in other reports filed with the securities regulatory authorities in Canada from time to time and available on SEDAR, including the Company's annual information form for the year ended August 31, 2013.

Titanium's Business

The Company has developed innovative *CVW*™ technology that recovers 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 fiscal 2011, the Company completed a twelve month demonstration pilot which culminated several years of progressive research and development ("R&D") of its proprietary technologies. In fiscal 2013, additional piloting provided further confirmation of the performance of the Company's technology. The Company's R&D programs have received strong support from both the Alberta and Canadian Governments who have provided over $10 million of grant funding. As at the end of fiscal 2013, the Company had successfully completed R&D and extensive demonstration piloting for the oil sands industry. The Company is now focusing its resources on gaining adoption of its technology by oil sands operators and commercial projects.

The Company is working with the mining sector of Canada's oil sands industry. This industry surface mines deposits in northern Alberta's Athabasca Oil Sands region to extract bitumen (heavy oil trapped in the sands) for local upgrading into synthetic crude oil or pipelining to refineries. Heavy minerals occurring in these oil sands deposits are concentrated in tailings during one of the bitumen extraction steps referred to as 'froth treatment'. Oil sands producers currently use either a naphtha or paraffinic based solvent to process bitumen at the froth treatment stage. These solvent based processes result in the loss of bitumen, solvents and heavy minerals in froth treatment tailings streams which are currently deposited in tailings ponds. The combination of bitumen and solvent losses to tailings ponds results in volatile organic compound ("VOC") emissions and greenhouse gas ("GHG") emissions.

Five large oil sands mining sites are currently operated by Syncrude Canada, Suncor Energy, Canadian Natural Resources Limited ("CNRL"), Albian Sands ("Shell") and Imperial Oil Kearl. Expansion projects are underway or planned for current sites and Suncor Energy recently announced it is proceeding with the Fort Hills oil sands mining project together with joint owners Total E&P Canada Ltd. and Teck Resources Limited. A future project, Total Joslyn, has received regulatory approval to proceed. These current and developing sites and forecast expansions will significantly increase Canada's oil sands mining production in the years ahead. The growth of the oil sands industry means that increased volumes of bitumen, solvent and minerals will be lost in froth treatment tailings.

The Company's technology has been developed to meet the current and future needs of all the major oil sands operators related to froth treatment tailings recovery and remediation. In addition to the benefits of emissions reductions, after processing by the Company's technology, tailings thicken more effectively in subsequent applications for Directive 74 compliance, a Government of Alberta regulation requiring reductions in the volume of tailings.

There is a heightened sensitivity to environmental impacts from oil sands production and commitments by the Provincial and Federal governments to reduce carbon emissions. We believe the combination of the economic benefits from additional resource recovery, a new minerals industry, reduction of environmental impacts and the active support and investment by Government favor adoption of our technology.

Update

At the end of fiscal 2013, the Company has substantially completed testing and piloting of its patented CVW™ technology and is focused on commercialization. The following are highlights of achievements during the year:

- During 2013, the Company held meetings and working sessions with oil sands operators to review the CVW™ technology, to provide updated technical information and testing results and to share analysis of the potential environmental improvements from implementation of its technology. The Company has determined the processes required for each company that are considering technological changes to tailings management and has advanced specific project proposals. The Company continues to work with potential customers and believes the industry will adopt its technology due to attractive economic and environmental benefits.
- The Company successfully conducted over $4 million of R&D (before grant recoveries) in fiscal 2013. A major pilot at CanmetENERGY produced a large bulk sample of heavy mineral concentrate ("HMC") while operating at larger scale. Independent testing confirmed Titanium's ability to recover large quantities of valuable bitumen, solvents and minerals from oil sands tailings. The pilot achieved improved recoveries of 82 percent of residual bitumen and 98 percent of solvents.
- The bulk HMC sample was shipped to Australia for processing in the final stage of the Company's mineral products development program. This program is now underway and progressing well, testing final flow-sheet circuits and processing HMC into zircon products for customer testing. Zircon is an essential product used in the worldwide manufacture of ceramics.
- To assist the Company with its 2013 pilot program, the Government of Canada provided additional grant funding through Sustainable Development Technology Canada ("SDTC") of $1.4 million. The Company was also awarded funding of $0.5 million from the National Research Council's Industrial Research Assistance Program ("NRC-IRAP"). The 2013 funding awards bring total government funding toward development of the Company's technology to $10.3 million.
- In response to increasing concerns over the environmental footprint of bitumen production, the Company commissioned independent expert reviews which confirmed that its CVW™ technologies would significantly reduce the environmental impacts of solvents and bitumen in tailings ponds. In particular, the analysis indicated that the large quantities of solvent discharged into tailings ponds cause significant GHG and VOC emissions. Titanium's technology would recover much of that solvent prior to discharge, thereby materially reducing emissions.

- Throughout the year, the Company worked with Government of Alberta ministries who are formulating a draft fiscal structure to address the recovery of minerals and bitumen from oil sands tailings. This structure will provide essential clarity around royalties, capital cost treatment and other fiscal terms required for planning and investing in commercial projects. The Company is encouraged by the Alberta Government's support for implementing new technologies and potential fiscal incentives that will be finalized in conjunction with industry projects.
- During fiscal 2013, the Company announced it has been awarded three core Canadian patents that together secure its innovative oil sands sustainable technology. These new patents are for Company-developed, novel processes which recover bitumen, minerals and solvent from oil sands froth treatment tailings.
- In the fourth quarter, the Company was invited to join Canada's Oil Sands Innovation Alliance ("COSIA"). This new organization was recently formed by the oil sands industry to accelerate the adoption of environmental technologies in several areas including tailings. The Company's technology has been reviewed in detail and prioritized in COSIA's Technology Roadmap. The Company is looking forward to working with COSIA and the industry to accomplish shared goals of economically achievable environmental improvements.
- With the completion of R&D and piloting in 2013, management and the Board have taken a number measures to reduce costs, conserve cash and focus resources on commercialization. Pilot and laboratory facilities have been decommissioned, surplus equipment disposed and staff and contractors reduced. In addition, management and the Board have agreed to receive a portion of their cash compensation and fees in the form of equity-based compensation, subject to shareholder approval.

Next Steps

Titanium is working with the oil sands industry to gain approval to move forward with on-site projects. Implementing Titanium's technology will see concentrator facilities built at oil sands sites which integrate with existing oil sands operations. Separate minerals separation facilities would process HMC into final minerals products. The facilities may be jointly owned and operated along with oil sands firms or strategic partners. The Company has advanced flexible business models whereby customers may elect to license technology and build certain of the facilities or elect to have the Company, together with partners build and operate. The following are key steps in establishing this new business:

- Oil sands operators complete their internal review of proposals and agree to proceed.
- Negotiation of business model, terms and conditions.
- The Alberta Government finalizes the fiscal structure.
- Partnering, joint venture and financing arrangements.
- Front end engineering and design ("FEED") for bitumen recovery and minerals processing facilities followed by engineering, procurement and construction ("EPC").
- EPC is estimated to take approximately 30 months followed by commissioning and commercial production.

While commercializing any new technology in a capital-intensive industry is a time-consuming and non-linear process, Titanium has reached this advanced stage because of its successful development and demonstration piloting of this unique sustainable technology. The value proposition for operators centers on the opportunity to recover currently wasted resources, to establish a new minerals industry and to reduce harmful GHG and VOC emissions and river water consumption. The Company remains confident that with robust project economics, government support and the heightened focus on the social license to operate, the oil sands industry will continue to move forward.

Financial Information & Analysis

Summary of Selected Annual and Quarterly Results

The following table presents a summary of selected annual financial information ($ millions except per share data):

	Fiscal Year Ended		
	Aug 31, 2013	Aug 31, 2012	Aug 31, 2011
Net Loss	**$ 4.3**	$ 2.9	$ 10.5
Net Loss per Share - Basic & Diluted	**$ 0.07**	$ 0.05	$ 0.17
Cash and cash equivalents	**$ 4.1**	$ 8.4	$ 12.0
Total Assets	**$ 5.4**	$ 9.4	$ 12.7

The following table summarizes the financial data of the Company for the most recently completed eight quarters ($ millions except per share data):

	Q4 Aug 31, 2013	**Q3 May, 2013**	**Q2 Feb 28, 2013**	**Q1 Nov 30, 2012**
STATEMENT OF LOSS				
Net Loss	**$ 0.4**	$ 1.5	$ 1.1	$ 1.3
Basic and Diluted Loss per Share	**$ 0.01**	$ 0.02	$ 0.02	$ 0.02
	Q4 Aug 31, 2012	**Q3 May 31, 2012**	**Q2 Feb 28, 2012**	**Q1 Nov 30, 2011**
STATEMENT OF LOSS				
Net Loss	**$ 0.5**	$ 0.4	$ 0.6	$ 1.4
Basic and Diluted Loss per Share	**$ 0.01**	$ 0.01	$ 0.01	$ 0.02

The Company is in the development stage and it has yet to earn any revenues. Quarterly losses are comprised of R&D and General and Administrative ("G&A") expenditures. Changes in quarterly losses are primarily dependent on the level of pre-commercialization and R&D activity that the Company has underway at any time.

The following summarizes the Company's financial results for the three and twelve month periods ended August 31, 2013 compared to the same periods for the year ended August 31, 2012:

- Net loss of $0.4 million for the three month period ended August 31, 2013 decreased by $0.1 million from $0.5 million in the comparative three month period ended August 31, 2012 as a result of the conclusion of the operation of the HMC bulk minerals processing and paraffinic tailings pilots at CanmetENERGY's research facility. Installation of the pilot commenced in

July of 2012 and concluded in the quarter ended May 31, 2013. For the fiscal year ended August 31, 2013 net loss was $4.3 million compared to $2.9 million for the year ended August 31, 2012. This increase in net loss of $1.4 million is reflective of the operation of the HMC bulk minerals pilot and the work related to the paraffinic tailings project conducted during the fiscal year. For the year ended August 31, 2013, R&D spending, before recoveries, was $4.2 million offset by $2.0 million in government grant recoveries and research tax credits. This compares to gross R&D spending of $1.7 million for the year ended August 31, 2012, offset by research tax credits of $0.8 million. As a development stage company, the net loss was in line with expectations.

- G&A expense was consistent with the prior year at $0.4 million for the three month period ended August 31, 2013. On a year to date basis, G&A expense was $2.3 million as compared to $2.1 million for the period ended August 31, 2012. The increase in G&A is the result of the deferred compensation expense related to the issuance of deferred share units ("DSUs") to non-executive directors and non-cash stock- based compensation charges of $0.2 million. None of these amounts were paid out in cash during the year. All other G&A expenses were lower by $0.3 million for the year ended August 31, 2013 as compared to the same period in the prior fiscal year.

- R&D spending, net of government grant recoveries and research tax credits was nil for the three month period ended August 31, 2013, compared to $0.1 million in for the three month period ended August 31, 2012. R&D expenses were offset in the current quarter by $0.3 million refundable Alberta Scientific Research and Experimental Development tax credits compared to $0.4 million in the same period ended August 31, 2012.

- The Company had $4.1 million in cash at August 31, 2013 as compared to $8.4 million at August 31, 2012. All of the cash balances are liquid and are held in interest bearing cash accounts with major Canadian chartered banks. The decrease in cash of $4.3 million for the year ended August 31, 2013 relates to R&D piloting and G&A expenses incurred which were offset by the receipt of $1.3 million in government grant funding.

- The Company has accounts receivable in the amount of $0.8 million at August 31, 2013, of which $0.6 million is receivable from SDTC and represents the 10% holdback on the total grant of $6.2 million. The

Company has completed the fourth milestone reporting and has submitted its final reporting required under the agreement to receive the 10% holdback. The remaining balance of $0.2 million is a receivable from NRC – IRAP for eligible research expenditures incurred during the current quarter related to project work on paraffinic tailings. The NRC – IRAP accounts receivable was received in September of 2013.

Research and Development Expenditures

Below is a summary of the R&D expenditures by major category ($ thousands):

	Three months ended			Twelve months ended		
	August 31, 2013	August 31, 2012	Increase (decrease)	August 31, 2013	August 31, 2012	Increase (decrease)
Compensation and benefits	$ 138	$ 165	$ (27)	$ 580	$ 715	$ (135)
Pilot plant, rent and other	117	308	(191)	3,556	996	2,560
Government grant recovery	(24)	-	(24)	(1,697)	-	(1,697)
Research tax credits	(317)	(400)	83	(317)	(800)	483
Stock-based compensation	72	-	72	102	(9)	111
	$ (14)	**$ 73**	**$ (87)**	**$2,224**	**$ 902**	**$ 1,322**

- For the three and twelve month periods ended August 31, 2013, R&D spending, before government grant recovery and research tax credits, was $0.3 million and $4.2 million respectively, as compared to $0.5 million and $1.7 million for the three and twelve month periods ended August 31, 2012. R&D expense was lower in the current quarter compared to the same three month period in fiscal 2012 due to reduced labor and operating costs of the pilot as the operation of the pilot was concluded in May of 2013. The increase in R&D spending for the year ended August 31, 2013 relates to piloting conducted at CanmetENERGY on larger volume paraffinic tailings and pre-commercialization minerals development. These R&D expenses have been offset by total government grant funding and refundable research tax credits for the three and twelve month periods ended August 31, 2013 of $0.3 million and $2.0 million respectively. As the Company incurred project expenditures, the pro rata portion of the government grant funding was recognized as an offset to R&D expenses.

- Compensation and benefits were lower in the current quarter due to a reduction of one technical employee. Stock-based compensation expense recognized in the three and twelve month periods ended August 31, 2013 was $0.07 million and $0.1 million respectively related to the grant of stock options on April 29, 2013.

General and Administrative Expenditures

The following table provides details of G&A expenditures for the periods noted ($ thousands):

	Three months ended			Twelve months ended		
	August 31, 2013	August 31, 2012	Increase (decrease)	August 31, 2013	August 31, 2012	Increase (decrease)
Compensation and benefits	$ 136	$ 185	$ (49)	$ 720	$ 775	$ (55)
Consulting and professional fees	135	48	87	414	426	(12)
Directors fees	64	63	1	277	275	2
Travel	17	17	-	121	178	(57)
Rent, insurance and office	36	39	(3)	176	216	(40)
Investor relations and regulatory	20	54	(34)	176	282	(106)
Deferred compensation expense	(90)	-	(90)	197	-	197
Stock-based compensation	118	20	98	192	(66)	258
	$ 436	**$ 426**	**$ 10**	**$ 2,273**	**$ 2,086**	**$ 187**

- G&A expense for the three and twelve month periods ended August 31, 2013 was $0.4 million and $2.3 million respectively compared to $0.4 million and $2.1 million for the same periods ended August 31, 2012. In the current quarter, compensation and benefits expenses were lower due to a changes in estimates of variable compensation. Consulting and professional fees were higher in the current quarter compared to the same three month period ended August 31, 2012 for work associated with advancing the commercialization of the Company's technology.

- With the uncertainty related to timing of commercial projects, the Company has reduced costs where possible to focus its resources on commercialization. These initiatives to conserve cash include a plan to reduce management and directors' cash compensation in exchange for equity-based compensation, subject to shareholder approval.

- Interest income decreased slightly to $0.02 million and $0.09 million for the three and twelve month periods ended August 31, 2013 from $0.03 million and $0.13 million for the same period in fiscal 2012, reflecting a decrease in the Company's cash balances over the comparable periods ended August 31, 2012.

Liquidity and Capital Resources

The Company had $4.1 million in cash at August 31, 2013, compared to $8.4 million at August 31, 2012. On a year to date basis, the cash balance decreased by $4.3 million as the Company paid for expenses related to the operation of the pilot offset by the receipt of $1.3 million in cash from government grants. The Company's cash balances consist of interest bearing cash accounts held at Schedule I Canadian chartered banks. 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 its technologies. The recoverability of amounts expended on R&D to date is dependent on the ability of the Company to complete pre-commercialization activities, commercialization at oil sands sites, and the ability of the Company to 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 endeavors.

The Company has sufficient cash and remaining government grants to fund its R&D and G&A costs for a period in excess of twelve months. Now that R&D and demonstration piloting phases of project development are substantially complete, any discretionary R&D and/or engineering projects will be pursued in conjunction with grant and or partner funding. Options available to the Company to fund its future cash requirements include, but are not limited to, new or additional government grants and/or issuances of securities and/or some form of partnership or joint venture; however, as noted above, the Company may not be successful at these endeavors.

The following is a summary of the cash flows for the periods noted:

- Cash used in operating activities for the year ended August 31, 2013 was $5.7 million as compared to $3.7 million, respectively, for the year ended August 31, 2012. The increased use of cash in operating activities was related to the R&D piloting activities undertaken in the current fiscal year. This increase in spending was offset by government grant recoveries and research tax credits, reduced G&A expenses and changes in working capital.

- Cash provided by financing activities for the three month period ended August 31, 2013 was nil. On a year to date basis total cash received from government grant funding was $1.3 million consisting of $1.2 million from SDTC and the remaining $0.1 million from NRC- IRAP. Cash received from financing activities for the twelve month period ended August 31, 2012 was $0.1 million related to proceeds received from the exercise of stock options.

Financial Instruments and Financial Risk Factors

The Company has for accounting purposes, designated its cash and cash equivalents, research tax credit receivables, goods and services tax receivable, and government grant receivable as loans and receivables. Trade and other payables and accrued liabilities are classified for accounting purposes as other financial liabilities. 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. This discussion on risks is not all-inclusive and other factors may currently, or in the future, affect the Company. Please refer to the risk factors more particularly described and updated in the Company's annual information form for the year ended August 31, 2013 on SEDAR *(www.sedar.com).*

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 of the Company. The Board of Directors of the Company 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 eligible government grant receivables. Cash and cash equivalents are held with Schedule I Canadian Chartered banks which are reviewed by management. Management believes that the credit risk concentration with respect to financial instruments is minimal.

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. As at August 31, 2013, the Company had aggregate cash and cash equivalents of $4.1 million ($8.4 million, August 31, 2012) to settle current liabilities of $0.7 million ($0.6 million, August 31, 2012). Except for the $0.2 million accrued liability associated with the non-executive directors' DSUs, most of the Company's financial liabilities have contractual terms of 30 days or less with the remaining due within one year.

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. As at August 31, 2013, the Company has no bankers' acceptances, guaranteed investment certificates or interest-bearing debt.

b) Foreign currency risk

The Company's reporting and functional currency is the Canadian dollar and most purchases are transacted in Canadian dollars. Some research and development expenses are denominated in US dollars and to a lesser extent, Australian 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.

The Company manages the risks relating to the financial instruments by holding cash in interest bearing accounts at Schedule I Canadian chartered banks. The income statement includes interest income and foreign exchange loss which are associated with the Company's financial instruments.

Related Party Transactions

The Company does not have any related party transactions.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

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 reviewed the new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company and will become effective beginning on or after September 1, 2013:

IAS 36 - “Impairment of Assets”. This amendment requires entities to disclose the recoverable amount of an impaired Cash Generating Unit (“CGU”). The amendment is effective January 1, 2014. Early adoption is permitted.

IAS 32 - “Financial Instruments: Presentation”, provides amendments to the previously issued IFRS 7 “Financial Instruments: Disclosures” and IAS 32 “Instruments: Presentation”, to provide clarity over the current offsetting model and develop common disclosure requirements to enhance the understanding of the potential effects of offsetting arrangements. Amendments to IFRS 7 are effective on January 1, 2013 with required retrospective application and early adoption permitted. Amendments to IAS 32 are effective on January 1, 2014 with required retrospective application and early adoption permitted.

The above standards are effective for annual periods beginning on or after January 1, 2014. Early adoption is permitted, providing the five standards are adopted concurrently. The Company is currently evaluating the impact of adopting these standards on its Financial Statements.

As disclosed in the August 31, 2012 financial statements, effective January 1, 2013, Titanium Corporation adopted, as required, IFRS 9, “Financial Instruments”, IFRS 13, “Fair Value Measurement”, IAS 1 “Presentations of Items of OCI: Amendments to IAS 1 Presentation of Financial Statements”. The adoption of these policies did not result in any measurement adjustments as at September 1, 2012.

Other Information

Outstanding Share Data - as at November 12, 2013:

Number of common shares issued and outstanding:	64,179,416
Number of options to purchase common shares:	3,865,400

Compliance

Mr. Neil Dawson, of Australia, and a registered member of AusIMM is the independent consultant who acts as the Qualified Person for the Company on the CVW ™ project.

November 12, 2013

Independent Auditor's Report

To the Shareholders of
Titanium Corporation Inc.

We have audited the accompanying financial statements of Titanium Corporation Inc., which comprise the statement of financial position as at August 31, 2013 and August 31, 2012 and the statement of loss and comprehensive loss, statement of cashflows and statement of changes in shareholders' equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Titanium Corporation Inc. as at August 31, 2013 and August 31, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

(expressed in Canadian dollars)

	August 31, 2013 $	August 31, 2012 $
Assets		
Current assets		
Cash and cash equivalents	4,134,452	8,385,863
Research tax credits receivable (note 4)	317,071	400,000
Goods and services tax receivable	58,932	43,228
Eligible grant funding receivable (note 4)	841,134	491,850
Prepaid expenses	46,256	45,478
	5,397,845	9,366,419
Equipment (note 5)	26,825	31,260
Total assets	5,424,670	9,397,679
Liabilities		
Current liabilities		
Trade and other payables	163,154	174,646
Accrued liabilities	546,491	459,376
Total liabilities	709,645	634,022
Shareholders' Equity		
Share capital (note 6)	60,104,658	60,104,658
Contributed surplus	14,248,259	13,954,628
Deficit	(69,637,892)	(65,295,629)
Total shareholders' equity	4,715,025	8,763,657
Total liabilities and shareholders' equity	5,424,670	9,397,679

Reporting entity and recoverability (note 1)

Approved by the Board of Directors

"Scott Nelson" Director

"Eric W. Slavens" Director

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

Statement of Loss and Comprehensive Loss

For the years ended August 31, 2013 and 2012

(expressed in Canadian dollars)

	2013 $	2012 $
Expenses and losses		
General and administrative (note 10)	2,272,003	2,086,301
Research and development (note 10)	2,223,237	901,069
Other operating expenses	21,030	15,695
	4,516,270	3,003,065
Other income		
Interest	(88,011)	(126,650)
Gain on disposal of equipment	(85,996)	-
	(174,007)	(126,650)
Net loss and comprehensive loss	4,342,263	2,876,415
Basic loss per share (note 7)	(0.07)	(0.05)

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

(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
Net loss for the year	-	-	(4,342,263)	(4,342,263)
Stock-based compensation	-	293,631	-	293,631
Balance – August 31, 2013	60,104,658	14,248,259	(69,637,892)	4,715,025

	Share capital $	Contributed surplus $	Deficit $	Shareholders' equity $
Balance – September 1, 2011	59,929,848	14,099,981	(62,419,214)	11,610,615
Net loss for the year	-	-	(2,876,415)	(2,876,415)
Stock-based compensation	-	(75,164)	-	(75,164)
Exercise of stock options	174,810	(70,189)	-	104,621
Balance – August 31, 2012	60,104,658	13,954,628	(65,295,629)	8,763,657

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

(expressed in Canadian dollars)

	2013 $	2012 $
Cash (used in) provided by		
Operating activities		
Net loss for the year	(4,342,263)	(2,876,415)
Items not affecting cash		
Depreciation	13,245	8,140
Stock-based compensation (note 6)	293,631	(75,164)
Gain on disposal of equipment	(85,996)	-
Government grant recovery	(1,697,478)	-
	(5,818,861)	(2,943,439)
Net change in non-cash working capital items		
Research tax credit receivable	82,929	(400,000)
Goods and services tax receivable	(15,704)	(24,451)
Prepaid expenses and other assets	(778)	43,746
Trade and other payables and accrued liabilities	75,623	(418,609)
	(5,676,791)	(3,742,753)
Investing activities		
Purchase of equipment	(8,810)	(1,487)
Disposal of equipment	85,996	-
	77,186	(1,487)
Financing activities		
Proceeds from exercise of stock options	-	104,621
Government grant proceeds	1,348,194	-
	1,348,194	104,621
(Decrease) increase in cash and cash equivalents	(4,251,411)	(3,639,619)
Cash and cash equivalents – Beginning of year	8,385,863	12,025,482
Cash and cash equivalents – End of year	4,134,452	8,385,863

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

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 Suite 510, 840 6 Avenue, SW, Calgary, Alberta, T2P 3E5 and the Company's registered office is located at Suite 101, 50 Richmond Street East, Toronto, Ontario, M5C 1N7. 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 have been prepared on a going concern basis which assumes the Company will continue its operation for the foreseeable future and will realize its investment in the development of the CVW™ technology. The Company is considered to be a development stage enterprise as it has yet to earn any revenues from its planned operations. To date, operating losses have been funded through equity issuances and government grants. The Company is devoting substantially all of its efforts toward commercializing its proprietary technology. Currently, there are no contractual rights or obligations related to the oil sands project. 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. 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 financial statements of the Company have been approved by the Board of Directors on November 12, 2013. 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

The accounting policies set out below have been applied consistently to all periods presented in these 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 options

Determining the fair value of stock options 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 prior to recording the credit.

c) Government grants

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

Basis of measurement

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

Foreign currency

These financial statements are presented in Canadian dollars, which is the functional currency of the Company. 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 of loss and comprehensive loss in "other operating expenses".

Government grants

The Company periodically receives financial assistance under Government incentive programs. Government grants are recognized initially as deferred revenue at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognized as an adjustment to research and development expense on a systematic basis in the same periods in which the expenses are incurred.

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 a period end.

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.

Research and development expenditures

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

Where a product or process is technically and commercially feasible, production and sale are intended, a market exists, expenditures can be measured reliably and sufficient resources are available to complete the project, development costs are capitalized. No development costs have been capitalized to date.

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.

Stock-based payment transactions

The Company grants stock options to directors and employees of the Company. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. The fair value of options granted is recognized as stock-based payment expense, with a corresponding increase in contributed surplus, over the period that the individual becomes unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the number of stock options for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of stock options that do meet the related service and non-market performance conditions at the vesting date.

Deferred share units

As part of the Company's long-term incentives for non-executive directors, a deferred stock unit ("DSU") plan was established representing a component of director compensation. DSU 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 cost for DSUs 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.

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.

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 dilutive potential common shares. The Company's potentially dilutive common shares comprise of stock options granted to its employees and directors. The number of common shares included with respect to stock options is computed using the treasury stock method.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets

The Company may have the following non-derivative financial assets: financial assets at fair value through profit or loss, available-for-sale financial assets, held to maturity financial assets and loans and receivables. Management determines the appropriate classification upon initial recognition. All financial assets are initially measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

a) Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if acquired principally for the purpose of selling or repurchasing in the short-term. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

b) Available-for-sale financial assets

Any investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognized in other comprehensive income. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss. The Company has no assets classified as available-for-sale for the periods presented.

c) Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. The Company has no assets classified as held-to-maturity for the periods presented.

d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are comprised of cash and cash equivalents accounts receivable, goods and services tax receivable and grant funding receivable. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

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 costs using the effective interest method.

Impairment

e) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognized in profit or loss.

f) 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 sell 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.

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 reviewed the new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company and will become effective beginning on or after September 1, 2013:

IAS 36 - "Impairment of Assets". This amendment requires entities to disclose the recoverable amount of an impaired CGU. The amendment is effective January 1, 2014. Early adoption is permitted.

IAS 32 - "Financial Instruments: Presentation", provides amendments to the previously issued IFRS 7 "Financial Instruments: Disclosures" and IAS 32 "Instruments: Presentation", to provide clarity over the current offsetting model and develop common disclosure requirements to enhance the understanding of the potential effects of offsetting arrangements. Amendments to IFRS 7 are effective on January 1, 2013 with required retrospective application and early adoption permitted. Amendments to IAS 32 are effective on January 1, 2014 with required retrospective application and early adoption permitted.

The above standards are effective for annual periods beginning on or after January 1, 2014. Early adoption is permitted, providing the five standards are adopted concurrently. The Company is currently evaluating the impact of adopting these standards on its financial statements.

As disclosed in the August 31, 2012 financial statements, effective January 1, 2013, Titanium adopted, as required, IFRS 9, “Financial Instruments”, IFRS 13, “Fair Value Measurement”, IAS 1 “Presentations of Items of OCI: Amendments to IAS 1 Presentation of Financial Statements”. The adoption of these policies did not result in any measurement adjustments as at September 1, 2012.

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 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 $1,373,344 for further commercialization work undertaken by the Company. During the first quarter of 2013, 90% ($1,236,010) of the additional funding was received; the remaining 10% holdback ($137,334) was booked as an accounts receivable as the Company concluded the program work. The modified agreement increased funding to 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 incurred eligible expenditures on the 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 (“NRC - IRAP”)

The Company entered into a funding contribution agreement with NRC - IRAP to assist with research costs related to the paraffinic tailings program undertaken at the CanmetENERGY 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 year ended August 31, 2013, $324,134 has been recognized as grant recovery and treated as reduction of R&D expense. As at August 31, 2013, $112,184 has been received in cash and the balance of $211,950 is included in accounts receivable for claims in process that qualify for funding under the NRC - IRAP contribution agreement.

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 2013, the Company recognized $317,071 of refundable tax credits related to fiscal 2012 and 2013 SR&ED claims (2012 - $800,000). The company received $400,000 (maximum available refundable credit) in respect of its fiscal 2011 claim during the fiscal year.

The following table summarizes the balance of the grants as at:

	2013 $	2012 $
Accounts Receivable - Government Grants		
SDTC - 10% holdback	629,184	491,850
NRC - IRAP claims in process	211,950	-
Accounts receivable - Government Grants	841,134	491,850

	2013 $	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	1,373,344	-
IRAP	324,134	-
Government grant recoveries (note 10)	1,697,478	-

5 Equipment

	2013 $	2012 $
Cost	100,286	98,799
Additions	8,810	1,487
Disposals	(11,806)	-
Accumulated amortization	(70,465)	(69,026)
Net carrying value	26,825	31,260

6 Share capital

Authorized

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

	2013		2012	
	Common shares #	Amount $	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 – August 31	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 a component of general and administrative and research and development expenses. Stock-based compensation is comprised of the following components:

Stock options

The Company has a plan for directors, officers 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.

a) Deferred share units

As part of the Company's long-term incentives for non-executive directors, a DSU plan was established representing a component of director compensation. DSU 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 DSUs 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 awards are recorded as general and administration expense in the period the change occurs. Upon settlement of these awards by cash, the outstanding liability for these awards is reduced.

Summary of options

As of August 31, 2013, the Company was entitled to grant 6,417,942 stock options of which 3,940,400 have been granted.

A summary of the Company's stock options activity for the year ended August 31, 2013 and 2012 as follows:

	2013		2012	
	Number of common shares #	Weighted average exercise price $	Number of common shares #	Weighted average exercise price $
Outstanding – September 1	4,403,734	1.47	5,618,434	1.57
Options granted	1,050,000	1.00	75,000	1.75
Options exercised	-	-	(114,700)	0.91
Options forfeited/cancelled	(363,334)	(1.41)	(925,000)	2.00
Options expired	(1,150,000)	(1.87)	(250,000)	2.21
	3,940,400	1.23	4,403,734	1.47
Options exercisable	3,065,399	1.30	4,353,734	1.47

The fair value attributed to the options granted during the year ended August 31, 2013 was $0.51 (2012 - $1.21), using the Black-Scholes Option Pricing Model. The assumptions used in the calculation of the fair value of the grant are noted below:

	2013	2012
Risk-free interest rate	1.09%	1.16%
Expected life	4.03 years	3.68 years
Expected volatility	81%	104%
Fair value per option	$0.51	$1.21

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

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	907,000	1.04	0.65	907,000	0.65
1.00 – 1.99	2,208,400	3.35	1.18	1,333,399	1.30
2.00 – 2.99	825,000	2.40	2.00	825,000	2.00
	3,940,400	2.62	1.23	3,065,399	1.30

The stock-based compensation expense, calculated for the year ended August 31, 2013 was $293,631 (August 31, 2012 – recovery of $75,164). 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 10). 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 Awards

On April 30, 2013, the Company granted an aggregate 333,330 DSU awards to non-executive directors of the Company, valued at $300,000 on the grant date ($0.90 per DSU). At August 31, 2013, the DSU awards were revalued to $196,667 ($0.59 per DSU), based on the August 31, 2013 trading price of the Company's common shares.

A summary of the Company's DSU award activity for the year ended August 31, 2013 and 2012 as follows:

	2013		2012	
	DSU #	Weighted average settlement price $	DSU #	Weighted average settlement price $
Outstanding – September 1	-	-	-	-
Granted	333,330	0.90	-	-
DSU's outstanding	333,330	0.59	-	-

7 Basic and diluted loss per share

Weighted average number of common shares outstanding

As the Company incurred a loss for the year ended August 31, 2013 and 2012, 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:

	2013 $	2012 $
Net loss and comprehensive loss	4,342,263	2,876,415
Weighted average number of common shares for basic and diluted loss per share	64,179,416	64,138,590
Basic and diluted loss per share	(0.07)	(0.05)

8 Income taxes

The tax recovery on the Company's 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:

	2013 $	2012 $
Net loss before income taxes	4,342,263	2,876,415
Tax calculated at applicable statutory rates applicable to profits	1,085,566	733,486
Tax losses and other items for which no deferred income tax asset was recognized	(446,882)	(846,508)
Stock-based compensation expense not deductible for tax purposes	73,408	19,167
Other expenses not deductible for tax purposes	(1,173)	108,561
Tax return to provision adjustment	(710,318)	-
Re-measurement of deferred tax – impact of substantively enacted rates	-	(14,706)
Tax recovery	-	-

The weighted average applicable rate was 25.0% (2012 – 25.5%). The decrease in rate is due to a previously legislated decrease in the federal statutory corporate income tax rate in fiscal 2012.

The movement in deferred income tax assets and (liabilities) during the year is as follows:

	Non-Capital Losses ($)	Deferred Grant Revenue ($)	Total ($)
At September 1, 2011	122,963	(122,963)	-
Credit (charged) to the income statement	-	-	-
At August 31, 2012	122,963	(122,963)	-
Credit (charged) to the income statement	87,341	(87,341)	-
At August 31, 2013	210,304	(210,304)	-

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. The Company did not recognize deferred income tax assets of $12,170,000 (2012 – $11,946,000) in respect of tax losses and other deductible temporary differences amounting to $52,489,000 (2012– $53,415,000) that can be carried forward against future taxable income.

Included in these deductible temporary differences are SR&ED pool expenditures amounting to $19,114,000 (2012 – $18,552,000) that can be carried forward to use against future federal net income for tax purposes. Also included in these deductible temporary differences are Alberta SR&ED pool expenditures amounting to $9,212,000 (2012 – $8,651,000) that can be carried forward to use against future Alberta net income for tax purposes. These SR&ED pool expenditures do not expire. The Company has filed returns in support of SR&ED expenditures of $562,000 for the year ended August 31, 2012. The Company has up to 18 months within its fiscal year end to file the 2013 SR&ED claim.

Deferred stock issuance costs amounting to $522,000 (2012 – $782,000) are also included in these deductible temporary differences. These will be deducted against future net income for tax purposes evenly over the next two years. The Company did not recognize the benefits of non-refundable federal research and development investment tax credits (“ITCs”) amounting to $4,511,000 (2012 - $4,329,000). These tax credits can be carried forward against future federal income tax payable. The Company has filed returns in support of ITCs of $182,000 for the year ended August 31, 2012. The Company has up to 18 months within its fiscal year end to file the 2013 SR&ED claim.

The non-capital losses and non-refundable research and development tax expenditures will expire as follows:

	Federal non-capital loss carry-forwards $	Alberta non-capital loss carry-forwards $	Federal investment tax credits $
2014	2,019,000	2,019,000	-
2015	5,059,000	5,059,000	-
2021	-	-	-
2022	-	-	-
2023	-	-	91,000
2024	-	-	551,000
2025	-	-	231,000
2026	3,399,000	3,399,000	473,000
2027	1,737,000	1,737,000	300,000
2028	-	764,000	279,000
2029	4,192,000	6,293,000	517,000
2030	3,114,000	3,114,000	861,000
2031	4,877,000	4,877,000	1,026,000
2032	2,431,000	4,032,000	182,000-
2033	3,845,782	3,845,782	-
	30,673,782	35,139,782	4,511,000

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 and bitumen 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:

	2013 $	2012 $
Compensation and benefits	720,063	775,070
Stock-based compensation (note 7)	191,723	(65,680)
Deferred compensation expense (note 7)	196,667	-
Investor relations and regulatory	175,532	281,940
Consulting and professional fees	414,415	426,282
Directors' fees	277,184	275,132
Travel	120,878	177,640
Rent, insurance and office	175,541	215,917
	2,272,003	2,086,301

Research and development expenses consist of the following:

	2013 $	2012 $
Pilot plant, rent and other	3,556,329	995,630
Compensation and benefits	579,549	714,923
Stock-based compensation (note 7)	101,908	(9,484)
Government grant recovery (note 4)	(1,697,478)	-
Research tax credits	(317,071)	(800,000)
	2,223,237	901,069

11 Compensation of key management

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

	2013 $	2012 $
Salaries and short-term employee benefits	981,687	1,185,743
Stock-based compensation	283,919	(92,098)
Directors' fees	277,184	275,132
Deferred compensation expense	196,667	-
	1,739,646	1,368,777

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

12 Financial instruments and financial risk factors

The Company has for accounting purposes, designated its cash and cash equivalents, research tax credit receivables, goods and services tax receivable, and government grant receivable as loans and receivables. Trade and other payables and accrued liabilities are classified for accounting purposes as other financial liabilities.

As of August 31, 2013, 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.

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:

(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).

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 has 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 government grant receivables.. Cash and cash equivalents are held with Schedule I Canadian Chartered banks which are reviewed by management. Management believes that the credit risk concentration with respect to financial instruments is minimal.

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. 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 has adequate cashflow to fund operations for the next 12 months. As at August 31, 2013, the Company had aggregate cash and cash equivalents of $4,134,452 (2012 - $8,385,863) to settle current liabilities of $709,645 (2012 - $634,022). 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. As at August 31, 2013, the Company has no bankers' acceptances, guaranteed investment certificates or interest-bearing debt.

b) Foreign currency risk

The Company's reporting and functional currency is the Canadian dollar and most purchases are transacted in Canadian dollars. Some research and development expense is denominated in US dollars and to a lesser extent Australian 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.

13 Capital management

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 as its capital, which totalled $4,715,025 (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 and to continue to advance the commercialization of an oil sands project; 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 year ended August 31, 2013.Available-for-sale financial assets

Corporate Information

Directors	Management	
Gordon Pridham[1] *Chairman and Director* Moss Kadey[2] *Director* David C.W. Macdonald[1] *Director* Malcolm Macpherson[2, 3] *Director* Scott Nelson *Director* Brant G. Sangster[2, 3] *Director* Eric W. Slavens, FCA[1] *Director* [1] Member of the Audit Committee [2] Member of the Compensation and Corporate Governance Committee [3] Member of the Technical Committee	Scott Nelson *President & Chief Executive Officer* Jennifer Kaufield, CA *Vice President Finance & Chief Financial Officer* Kelsey Clark *Corporate Secretary* Dr. Salustio Guzman *Vice President Marketing and Technology* Dr. Kevin Moran *Vice President Process Development* John Oxenford *Vice President Oil Sands Operations*	**Auditors** PWC Suite 3100 111 5th Avenue, SW Calgary, Alberta Canada T2P 5L3 **Legal Counsel** Burnet Duckworth & Palmer LLP 1400, 350 7th Avenue, SW Calgary, Alberta Canada T2P 3N9

Shareholder Information

Titanium Corporation welcomes inquiries from shareholders, analysts, media representatives and other interested parties. Questions relating to investor relations or media inquiries should be directed to:

Investor Relations: Andreas Curkovic 416.577.9927 or by email: acurkovic@titaniumcorporation.com

Shareholders' questions relating to address changes and Share certificates should be directed to Titanium Corporation's Transfer Agent:

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