Titanium Corporation Inc.

Condensed Interim Financial Statements
(Unaudited)
November 30, 2013 and August 31 2013

January 23, 2014

To the Shareholders of
Titanium Corporation Inc.

The condensed interim financial statements of Titanium Corporation Inc. as at and for the three month period ended November 30, 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)

	November 30, 2013 $	August 31, 2013 $
Assets		
Current assets		
Cash and cash equivalents	3,672,319	4,134,452
Research tax credits receivable(note 4)	317,071	317,071
Goods and services tax receivable	9,224	58,932
Eligible grant funding receivable (note 4)	646,202	841,134
Prepaid expenses	26,468	46,256
	4,671,284	5,397,845
Equipment	24,983	26,825
Total assets	4,696,267	5,424,670
Liabilities		
Current liabilities		
Trade and other payable	126,726	163,154
Accrued liabilities	330,579	349,824
	457,305	512,978
Deferred Compensation (note 5)	174,168	196,667
Total liabilities	631,473	709,645
Shareholders' Equity		
Share capital (note 5)	60,104,658	60,104,658
Contributed surplus	14,348,097	14,248,259
Deficit	(70,387,961)	(69,637,892)
Total shareholders' equity	4,064,794	4,715,025
Total liabilities and shareholders' equity	4,696,267	5,424,670

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 month period ended November 30, 2013 and 2012

(expressed in Canadian dollars)

	Three month period ended November 30,	
	2013	**2012**
	$	**$**
Expenses and losses		
General and administrative (note 8)	462,357	483,971
Research and development (note 8)	287,986	853,644
Other operating expenses	6,038	4,426
	756,381	1,342,041
Other income		
Interest	(6,312)	(29,708)
Net loss and comprehensive loss	750,069	1,312,333
Basic and diluted loss per share (note 6)	$0.01	$0.02

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, 2013	60,104,658	14,248,259	(69,637,892)	4,715,025
Comprehensive loss for the period	-	-	(750,069)	(750,069)
Stock-based compensation	-	99,838	-	99,838
Balance – November 30, 2013	60,104,658	14,348,097	(70,387,961)	4,064,794

	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	-	-	(1,312,333)	(1,312,333)
Stock-based compensation	-	12,343	-	12,343
Balance – November 30, 2012	60,104,658	13,966,971	(66,607,962)	7,463,667

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

Titanium Corporation Inc.

Condensed Interim Statement of Cash Flows

(Unaudited)

For the three month period ended November 30, 2013 and 2012

(expressed in Canadian dollars)

	Three month period ended November 30,	
	2013 **$**	**2012** **$**
Cash (used in) provided by		
Operating activities		
Net loss for the period	(750,069)	(1,312,333)
Items not affecting cash		
Amortization	1,841	1,633
Stock-based compensation	99,838	12,343
Deferred share unit valuation	(22,499)	-
Government grant recoveries	(34,074)	(749,426)
	(704,963)	(2,047,783)
Net change in non-cash working capital items		
Goods and services tax receivable	49,708	33,574
Prepaid expenses and other assets	19,788	19,532
Trade and other payables and accrued liabilities	(55,672)	632,632
	(691,139)	(1,362,045)
Investing activities		
Disposal of equipment	-	(637)
	-	(637)
Financing activities		
Government grant proceeds	229,006	1,236,010
	229,006	1,236,010
(Decrease) in cash and cash equivalents	(462,133)	(126,672)
Cash and cash equivalents – beginning of period	4,134,452	8,385,863
Cash and cash equivalents – end of period	3,672,319	8,259,191

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 considered to be a development stage enterprise as it has yet to earn any revenues from its planned operations. The Company is devoting substantially all of its efforts toward commercializing it's 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 condensed interim financial statements of the Company have been approved by the Board of Directors on January 23, 2014 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, 2013, 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, 2013. Significant accounting policies are described in Note 3 of the August 31, 2013 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.

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 December 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.

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. 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 was recognized on a matching basis as the Company incurred 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 conducted 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 month period ended November 30, 2013, $34,074 has been recognized as grant recovery and treated as a reduction of R&D expense. As at November 30, 2013, $17,018 was included in accounts receivable for unfunded claims that qualify under the IRAP Contribution Agreement.

The following summarizes the balances related to Government assistance:

	November 30, 2013 $	August 31, 2013 $
Accounts Receivable - Government Grants		
SDTC - 10% holdback	629,184	629,184
NRC - IRAP claims in process	17,018	211,950
Accounts receivable - Government Grants	646,202	841,134

	November 30, 2013 $	August 31, 2013 $
Government grant recovery		
SDTC	-	1,373,344
IRAP	34,074	324,134
Government grant recoveries (note 8)	34,074	1,697,478

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. The Company has recognized accounts receivable in the amount of $317,071 consisting of its fiscal 2012 claim in the amount of $101,071 and fiscal 2013 SR&ED estimated claim in the amount of $216,000.

5 Share capital

Authorized

Unlimited number of common shares without par value have been authorized. Share capital balances for the three month period ended November 30, 2013 and the year ended August 31, 2013 are as follows:

	November 30, 2013		August 31, 2013	
	Number of common shares #	Amount $	Number of common shares #	Amount $
Balance – September 1	64,179,416	$ 60,104,658	64,179,416	$ 60,104,658
Issued for cash pursuant to option plan	-	-	-	-
Reallocation from contributed surplus relating to the exercise of stock options	-	-	-	-
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, 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.

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 on the balance sheet. 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 deferred compensation. Upon settlement of these awards by cash, the outstanding liability for these awards is reduced.

Summary of options

As of November 30, 2013, the Company was entitled to grant 6,417,942 stock options of which 3,815,400 have been granted.

A summary of the Company's option activity for the three month period ended November 30, 2013 and fiscal year ended August 31, 2013 as follows:

	November 30 , 2013		August 31, 2013	
	Number of common stock options #	Weighted average exercise price $	Number of common stock options #	Weighted average exercise price $
Outstanding – September 1	3,940,400	1.23	4,403,734	1.47
Granted	-	-	1,050,000	1.00
Options forfeited/cancelled	(75,000)	1.11	(363,334)	(1.41)
Options expired	(50,000)	0.21	(1,150,000)	(1.87)
Options outstanding	3,815,400	1.25	3,940,400	1.23
Options exercisable	3,148,734	1.30	3,065,399	1.30

The following table summarizes the options outstanding as at Nov 30, 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	857,000	0.83	0.67	857,000	0.67
1.00 – 1.99	2,133,400	3.08	1.19	1,466,734	1.27
2.00 – 2.99	825,000	2.15	2.00	825,000	2.00
	3,815,400	2.38	1.25	3,148,734	1.30

The stock-based compensation expense calculated for the three months ended November 30, 2013 was $99,838 (three months ended November 30, 2012 was $12,343). 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). On November 29, 2013, the Company granted an aggregate 14,664 DSU's to non-executive directors of the Company, valued at $7,500 on the grant date ($0.51 per DSU). At November 30, 2013, the DSU's were revalued to $174,168 ($0.50 per DSU), based on the November 29, 2013 trading price of the Company's common shares.

A summary of the Company's DSU activity for the three month period ended November 30, 2013 and fiscal year ended August 31, 2013 as follows:

	November 30, 2013		August 31, 2013	
	Number of DSU's #	Weighted average grant price $	Number of DSU's #	Weighted average grant price $
Outstanding – September 1	333,333	0.90	333,333	0.90
Granted	14,664	0.51	-	-
DSU's outstanding	347,997	0.88	333,333	0.90
Market Value	0.50		0.59	
Deferred Compensation	$174,168		$196,667	

6 Basic and diluted loss per share

Weighted average number of common shares outstanding

As the Company incurred a loss for the three month period ended November 30, 2013 and November 30, 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 November 30,	
	2013 **$**	**2012** **$**
Net loss and comprehensive loss	750,069	1,312,333
Weighted average number of common shares for basic and diluted loss per share	64,179,416	64,179,416
Basic and diluted loss per share	$ 0.01	$ 0.02

7 Segmented information

Operating segments

The Company has one reporting segment engaged in researching and developing a recovery process for bitumen, solvents, valuable heavy minerals and water from oil sands froth treatment tailings. As the operations comprise a single reporting segment, amounts disclosed in the financial statements represent those of the single reporting unit. In addition, 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 November 30,	
	2013 $	**2012** $
Compensation and benefits	143,481	199,861
Consulting and professional fees	116,883	86,571
Stock-based compensation (note 5)	70,384	12,343
Directors' fees	55,368	75,965
Rent, insurance and office	37,521	42,477
Investor relations and regulatory	32,642	22,364
Travel	28,577	44,390
Deferred compensation expense (note 5)	(22,499)	-
	462,357	483,971

Research and development expenses consist of the following:

	Three-month period ended November 30,	
	2013 $	**2012** $
Pilot plant, rent and other	185,757	1,439,095
Compensation and benefits	106,849	163,975
Stock-based compensation (note 5)	29,454	-
Government grant recovery (note 4)	(34,074)	(749,426)
	287,986	853,644

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 as its capital, which at November 30, 2013 totalled $4,064,794 (August 31, 2013 – $4,715,025). 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 commercialization of the developed technology and research and development; and to access available government funding for research and development where possible.

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 November 30, 2013.

10 Subsequent Events

DSU Plan

On December 15, 2013 the Board approved and ratified the adoption by the Company of the DSU plan. The Company had previously issued cash-based deferred share units (DSUs) to non-executive directors which vested immediately at the time of grant and were to be settled in cash at the time of the non-executive director's retirement from the board based on the market price of the shares at the time of retirement. To preserve cash and promote the alignment of interests between non-executive directors and shareholders the board has approved a plan, subject to shareholder approval, to exchange the previously issued cash settled DSUs for share-settled DSUs. Had the approval of the plan occurred on November 30, 2013 the impact on financial statements would have been a reclassification on the statement of financial position of the deferred compensation of $174,168 (August 31, 2013 $196,667) to contributed surplus. There is no impact on the statement of loss.

RSU Plan

On December 15, 2013 the Board approved and ratified the adoption by the Company of the restricted share units ("RSU") plan. The RSU plan was designed to provide certain officers and other key employees of the Company with the opportunity to acquire RSUs in order to participate in the long-term success of the Company, reduce cash compensation, and to promote greater alignment with Shareholders. On December 16, 2013 the Company announced that it has granted an aggregate of $122,812 RSUs with the issuance of 245,624 RSUs to certain key officers of the Company. The RSUs were priced at the closing price of the Company's common shares on December 13, 2013, $.050 being the last trading day preceding the grant. Had the RSU's been granted on November 30, 2013 the impact of the RSU plan on the November 30, 2013 financial statements would have been a reclassification on the statement of financial position of $122,812 from accrued liabilities to contributed surplus. There is no impact on the statement of loss.