Titanium Corporation Inc.

Condensed Interim Financial Statements
(Unaudited)
February 29, 2016 and August 31, 2015

April 28, 2016

To the Shareholders of
Titanium Corporation Inc.

The condensed interim financial statements of Titanium Corporation Inc. as at and for the three and six month periods ended February 29, 2016 have been compiled by management.

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

Titanium Corporation Inc.
Statement of Financial Position

(expressed in Canadian dollars)

	February 29, 2016 $	August 31, 2015 $
Assets		
Current assets		
Cash and cash equivalents	893,302	883,099
Goods and services tax receivable	-	8,333
Prepaid expenses	3,415	9,460
	896,717	900,892
Equipment	12,161	14,026
Deferred financing costs (note 6)	494,477	-
Total assets	1,403,355	914,918
Liabilities		
Current liabilities		
Trade and other payables	42,959	23,775
Accrued liabilities	216,575	262,576
Deferred compensation (note 5)	117,406	705,354
	376,940	991,705
Loan facility (note 6)	500,000	-
Total liabilities	876,940	991,705
Shareholders' Equity		
Share capital (note 7)	61,137,222	60,256,945
Contributed surplus	15,843,991	14,757,098
Deficit	(76,454,798)	(75,090,830)
Total shareholders' equity	526,415	(76,787)
Total liabilities and shareholders' equity	1,403,355	914,918

Reporting entity and going concern (note 1)

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

Titanium Corporation Inc.

Statement of Loss and Comprehensive Loss

For the three and six month periods ended February 29, 2016 and February 28, 2015

(expressed in Canadian dollars)

	Three month periods ended February 29 and February 28,		Six month periods ended February 29 and February 28,	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Expenses and losses				
General and administrative (note 10)	493,058	568,463	910,530	984,060
Research and development (note 10)	172,339	198,911	305,561	312,236
Amortization, interest and finance expenses (note 6)	101,133	1,998	150,518	3,804
	766,530	769,372	1,366,609	1,300,100
Other income				
Interest	(1,138)	(9,066)	(2,641)	(11,786)
Net loss and comprehensive loss	765,392	760,306	1,363,968	1,288,314
Basic and diluted loss per share (note 8)	0.01	0.01	0.02	0.02

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

Titanium Corporation Inc.

Statement of Changes in Shareholders' Equity
For the six month period ended February 29, 2016 and February 28, 2015

(expressed in Canadian dollars)

	Share capital $	Contributed surplus $	Deficit $	Shareholders' equity $
Balance – September 1, 2015	60,256,945	14,757,098	(75,090,830)	(76,787)
Comprehensive loss for the period	-	-	(1,363,968)	(1,363,968)
Equity-based compensation	-	910,323	-	910,323
Proceeds on exercise of stock options	506,375	-	-	506,375
Fair value of stock options exercised	336,422	(336,422)	-	-
Fair value of DSUs released	37,480	(37,480)	-	-
Fair value of warrants (note 7)	-	550,472	-	550,472
Balance – February 29, 2016	61,137,222	15,843,991	(76,454,798)	526,415

	Share capital $	Contributed surplus $	Deficit $	Shareholders' equity $
Balance – September 1, 2014	60,256,945	14,729,832	(72,629,517)	2,357,260
Comprehensive loss for the period	-	-	(1,288,314)	(1,288,314)
Equity-based compensation	-	27,266	-	27,266
Balance – February 28, 2015	60,256,945	14,757,098	(73,917,831)	1,096,212

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

Titanium Corporation Inc.

Statement of Cash Flows

For the three and six month periods ended February 29, 2016 and February 28, 2015

(expressed in Canadian dollars)

	Three month period ended February 29(28),		Six month periods ended February 29(28),	
	2016 **$**	**2015** **$**	**2016** **$**	**2015** **$**
Cash (used in) provided by				
Operating activities				
Net loss for the period	(765,392)	(760,306)	(1,363,968)	(1,288,314)
Items not affecting cash				
Amortization	933	1,636	1,865	3,272
Equity-based compensation	29,659	9,925	29,659	27,266
Deferred compensation expense	155,022	-	292,717	-
Amortization of loan issue costs(note 6)	78,640	-	120,446	-
	(501,138)	(748,745)	(919,281)	(1,257,776)
Net change in non-cash working capital items				
Change in research tax credits receivable	-	-	-	177,843
Goods and services tax receivable	-	(5,488)	8,333	(2,082)
Prepaid expenses and other assets	10,246	12,433	6,045	24,867
Trade and other payables and accrued liabilities	(138,849)	130,949	(26,818)	58,626
	(629,741)	(610,851)	(931,721)	(998,522)
Financing activities				
Exercise of stock options	-	-	506,375	-
Loan facility (note 6)	500,000	-	500,000	-
Deferred loan issue costs(note 6)	(6,315)	-	(64,451)	-
	493,685	-	941,924	-
(Decrease) increase in cash and cash equivalents	(136,056)	(610,851)	10,203	(998,522)
Cash and cash equivalents – beginning of period	1,029,358	2,221,981	883,099	2,609,652
Cash and cash equivalents – end of period	893,302	1,611,130	893,302	1,611,130

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

1 Reporting entity and Going Concern

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

The Company's principal business office is Suite 510, 840 6 Avenue, SW, Calgary, Alberta, T2P 3E5 and the Company's registered office is located at Suite 2400, 525 8th Ave SW Calgary, AB T2P 1G1. The Company's common shares are listed on the Toronto Stock Venture Exchange under the ticker symbol "TIC".

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

The financial statements are prepared using International Financial Reporting Standards ("IFRS") that are applicable to a going concern which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. The Company is considered to be a development stage enterprise as it has yet to earn any revenues from its planned operations. The Company is devoting substantially all of its efforts toward commercializing its proprietary technology. The recoverability of amounts expended on R&D is dependent on the ability of the Company to complete pre-commercialization activities, commercialization at oil sands sites, and achieve future profitable operations. In addition, for the six months ended February 29, 2016, the company reported a loss of $1,363,968 and an accumulated deficit of $76,454,798. The Company is dependent on raising funds through the issuance of shares, loans, government grants and/or attracting partners in order to undertake further development and commercialization of its technology. These circumstances could cast significant doubt on the ability of the company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. While the Company has been successful in obtaining the necessary financing to develop the business to this point including recent loan facilities, there are no assurances that the Company will be successful in the future in these endeavours.

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

2 Basis of presentation

These financial statements of the Company have been approved by the Board of Directors on April 28, 2016. These financial statements are presented in Canadian dollars, which is the Company's functional currency.

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

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

3 Significant accounting policies

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

Critical accounting estimates and judgements

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

a) Fair value of stock options

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

b) Fair value of warrants

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

New standards and amendments issued but not yet adopted

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

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

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

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

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

4 Government assistance

Scientific Research and Experimental Development (SR&ED) Tax Incentive Program

The Alberta SR&ED tax credit program provides a refundable tax credit to qualified corporations that incur eligible R&D expenditures in the province of Alberta. The Company received funds related to its 2013 claim in the amount of $177,843 on October 28, 2014.

5 Deferred Compensation

In order to preserve cash, the Company made arrangements with its directors and officers to receive a portion of their cash compensation in the form of either Restricted Share Units ("RSUs") or Deferred Share Units ("DSUs"). The deferred compensation liability is the value of accrued compensation that will be settled with the issuance of either RSUs or DSUs. The Company issued in aggregate 965,370 RSUs and DSUs for the settlement of approved deferred compensation of $880,665. The remaining balance of $117,406 represents an estimated accrual for deferred compensation that will be approved and settled in the future. Upon settlement, the outstanding liability is reclassified to contributed surplus. The vesting provisions, expiry date and the number of RSUs and DSUs to be issued remain subject to further determination of the Compensation Committee and shall be formally granted upon such determination.

6 Loan Facilities and Deferred Financing Costs

On October 9, 2015 the Company entered into loan agreements (the "Loan Agreements") with with Mossco Capital Inc., an affiliated Canadian resident corporation controlled by Mr. Moss Kadey ("Mossco") and David Macdonald, two of its independent directors (together, the "Lenders") pursuant to which the Lenders agreed to lend to the Company the aggregate principal amount of up to $1,500,000 (collectively, the "Loans"). The Loans, when drawn, are repayable in full by Titanium to the Lenders on October 9, 2017. Titanium may permanently repay all or part of the Loans at any time without notice or penalty. Mossco agreed to advance up to $1,000,000 and Mr. Macdonald agreed to advance up to $500,000. The proceeds from the Loans are to be used for general corporate purposes as approved by the Company's Board of Directors in its annual budget. Interest accrues on the Loans at the rate of 12% per annum from the date of advance, standby fees at the rate of 3% per annum on any undrawn balances of the Loans (both payable monthly), and drawdown fees of 2.0% at the time of each advance of $500,000. As at February 29, 2016, the Company has drawn down $500,000 of the Loan Facilities, and has recorded an interest charge in the amount of $602. Related interest, drawdown fees and standby fees incurred during the six month period ended February 29, 2016 on the undrawn balances of the Loans were $28,082 and are included as other operating expenses.

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

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

The fair value of the warrants of $550,472 and the cash debt issue costs of $64,451 has been deferred and is being amortized on a straight line basis over the term of the loan facility. During the six month period ended February 29, 2016, the Company recorded amortization of deferred financing costs of $120,446.

7 Share capital

Authorized

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

	February 29, 2016		August 31, 2015	
	Common shares #	Amount $	Common shares #	Amount $
Balance – beginning of period	64,425,040	60,256,945	64,425,040	60,256,945
Exercise of stock options for cash	700,000	506,375	-	-
Reallocation from contributed surplus relating to the exercise of stock options	-	336,422	-	-
Reallocation from contributed surplus relating to the redemption of DSUs	61,207	37,480	-	-
Balance – end of period	65,186,247	61,137,222	64,425,040	60,256,945

Equity-based compensation

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

The equity plan is comprised of the following components:

Stock options

Once a stock option is granted, the compensation expense for options granted is based on the estimated fair value of the options at the time of grant. The expense is recognized as a component of general and administrative and research and development expenses over the vesting periods of the options with a corresponding increase to contributed surplus within shareholders' equity. Upon exercise of the stock option, both the consideration received and the fair value of the option are recognized as share capital.

Deferred share units ("DSUs")

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

Restricted share units ("RSUs")

As part of the Company's long-term incentives for officers and other key employees, the RSU plan provides participants with the opportunity to acquire RSUs in order to participate in the long term success of the Company. The vesting schedule and term (not to exceed 10 years) of RSU awards are specified by the Board of Directors on the grant date and provide for a nominal award price (exercise price) which is reflected in the award notice. Once the award is vested, the RSU can be settled, at the option of the holder along with the exercise price, with the issuance of the Company's common shares. The compensation expense for RSUs awarded is based on the fair value of the award, less required exercise price, at the time of grant and is amortized over the specified vesting period. The fair value means, at any date, the higher of (i) weighted average price per share at which the common shares have traded on the TSXV during the last five (5) trading days prior to the relevant date and (ii) the closing price of the common shares on the date prior to the relevant date. The cost is recognized as a component of general and administration and/or research and development expense with a corresponding increase to contributed surplus, within shareholders' equity. Upon redemption, the fair value of the award is reclassified from contributed surplus to share capital.

Summary of stock based awards

As of February 29, 2016, the Company was entitled to grant 6,518,625 stock based awards within the 10% rolling plan, of which 4,067,168 have been granted. Of the total granted and outstanding as at February 29, 2016, 2,775,000 were issued as stock options, 648,566 were issued as DSUs and 643,602 were issued as RSUs. The components of stock based compensation are summarized below:

Summary of stock options

A summary of the Company's stock option activity for the periods ended February 29, 2016 and August 31, 2015 is as follows:

	February 29, 2016		August 31, 2015	
	Number of common stock options #	Weighted average exercise price $	Number of common stock options #	Weighted average exercise price $
Outstanding – September 1	3,658,400	1.28	3,815,400	1.25
Granted	1,700,000	0.41	-	-
Options exercised	(700,000)	0.72	-	-
Options expired	(1,883,400)	1.62	(157,000)	0.45
Options outstanding	2,775,000	0.66	3,658,400	1.28
Options exercisable	1,075,000	1.05	3,658,400	1.28

The following table summarizes the options outstanding as at February 29, 2016:

Range of exercise price	Number of common shares #	Weighted average remaining contractual life years	Weighted average exercise price $	Number of options exercisable #	Weighted average exercise price $
0.00 – 0.99	1,700,000	4.96	$0.41	-	$0.41
1.00 – 1.99	1,075,000	2.07	$1.05	1,075,000	$1.05
	2,775,000	3.85	$0.66	1,075,000	$1.05

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

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

Stock-based compensation expense has been presented in the statement of loss and comprehensive loss as a non-cash component of research and development and general and administrative expense (note 10). The fair value of each stock option is accounted for in the statement of loss and comprehensive loss, over the vesting period of the options, and the related credit is recorded in contributed surplus.

Summary of DSUs

A summary of the DSU activity for the periods ended February 29, 2016 and August 31, 2015 is as follows:

	February 29, 2016		August 31, 2015	
	Number of DSUs #	Weighted average share price at time of grant $	Number of DSUs #	Weighted average share price at time of grant $
Outstanding – September 1	388,012	0.91	370,447	0.90
Granted	321,761	0.81	17,565	1.03
Redeemed/released	(61,207)	0.89	-	-
DSUs outstanding	648,566	0.86	388,012	0.91

Summary of RSUs

A summary of the RSU activity for the periods ended February 29, 2019 and August 31, 2015 is as follows:

	February 29, 2016			August 31, 2015		
	Number of RSUs #	Exercise price $	Weighted Average share price at time of grant $	Number of RSUs #	Exercise price $	Weighted Average share price at time of grant $
Outstanding September 1	-		-	-	-	-
Granted	643,602	$0.0001	0.96	-	-	-
RSUs outstanding	643,602	$0.0001	0.96	-	-	-

Warrants

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

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

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

8 Basic and diluted loss per share

Weighted average number of common shares outstanding

As the Company incurred losses for the three month period ended November 30, 2015 and November 30, 2014, the impact of potentially issuable common shares upon the exercise of options would be anti-dilutive, therefore basic and diluted loss per share are the same.

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

	Three month period ended February 29(28),		Six month period ended February 29(28),	
	2016 $	2015 $	2016 $	2015 $
Net loss and comprehensive loss	765,392	760,306	1,363,968	1,288,314
Weighted average number of common shares for basic and diluted loss per share	65,186,247	64,425,040	64,970,313	64,425,040
Basic and diluted loss per share	$ 0.01	$ 0.01	$ 0.02	$ 0.02

9 Segmented information

Operating segments

The Company has one reporting segment engaged in researching and developing a separation process for the recovery of heavy minerals, bitumen, solvent and water from oil sands froth treatment tailings. As the operations comprise a single reporting segment, amounts disclosed in the financial statements represent those of the single reporting unit. In addition all of the Company's equipment is located in Canada.

10 Expenses by nature

General and administrative expenses consist of the following:

	Three month period ended February 29(28,		Six month period ended February 29(28,	
	2016 **$**	**2015** **$**	**2016** **$**	**2015** **$**
Compensation and benefits	162,582	203,365	305,444	392,328
Consulting and professional fees	90,687	180,406	171,950	289,138
Stock based compensation (note 7)	21,808	9,925	21,808	24,040
Deferred compensation expense (note 5)	130,496	-	257,774	-
Directors' fees	-	55,550	-	94,172
Rent, insurance and office	25,940	26,508	48,841	51,841
Investor relations and regulatory	40,926	68,699	76,951	86,524
Travel	20,619	24,010	27,762	46,017
	493,058	568,463	910,530	984,060

Research and development expenses consist of the following:

	Three month period ended February 29(28),		Six month period ended February 29(28),	
	2016 **$**	**2015** **$**	**2016** **$**	**2015** **$**
Compensation and benefits	102,460	138,396	201,296	230,639
Deferred compensation	24,526		34,943	
Pilot plant, rent and other	37,502	60,515	61,471	78,371
Stock based compensation (note 7)	7,851	-	7,851	3,226
	172,339	198,911	305,561	312,236

Amortization, interest and finance expenses:

	Three month period ended February 29(28),		Six month period ended February 29(28),	
	2016 **$**	**2015** **$**	**2016** **$**	**2015** **$**
Accretion of loan issue costs (note 6)	78,640	-	120,446	-
Standby and draw down charges (note 6)	21,671	-	28,082	-
Amortization of fixed asset	933	1,636	1,865	3,272
Foreign exchange (gain)loss	(111)	362	125	532
	101,133	1,998	150,518	3,804

11 Capital management

The Company considers its shareholders' equity as its capital, which at February 29, 2016 totalled $526,415 (August 31, 2015 – ($76,787)). The Company does not have any bank debt or externally imposed capital requirements except those described in note 6, Loan Facilities and Deferred Financing Costs. The Company's capital management objectives are to manage its cash and cash equivalents prudently; to minimize the expenditures on general and administrative costs to ensure funds are available to continue to advance the commercialization of an oil sands project; and to access available government funding for research and development and commercialization.

Management reviews its capital management approach on an ongoing basis and believes that its current approach, given the relative size and stage of the Company, is appropriate. There were no changes in the Company's approach to capital management during the six month period ended February 29, 2016. Refer to note 1 for a discussion of material uncertainties that may impact the company's ability to continue as a going concern.