Titanium Corporation Inc.

Condensed Interim Financial Statements
(Unaudited)

November 30, 2016 and August 31, 2016

January 25, 2017

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, 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)

	November 30, 2016 $	August 31, 2016 $
Assets		
Current assets		
Cash and cash equivalents	206,748	594,743
Accounts receivable and goods and services tax receivable	7,678	15,774
Prepaid expenses	80,718	44,922
	295,144	655,439
Equipment	7,675	10,296
Total assets	302,819	665,735
Liabilities		
Current liabilities		
Trade and other payables	77,061	54,274
Accrued liabilities	192,131	159,697
Deferred compensation (note 4)	327,865	320,871
	597,057	534,842
Loan facility (note 5)	735,487	659,293
Total liabilities	1,332,544	1,194,135
Shareholders' Equity		
Share capital (note 6	61,256,332	61,247,412
Contributed surplus	16,480,685	16,245,998
Deficit	(78,766,742)	(78,021,810)
Total shareholders' equity (deficit)	(1,029,725)	(528,400)
Total liabilities and shareholders' equity	302,819	665,735

Reporting entity and recoverability (note 1)

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

Titanium Corporation Inc.

Statement of Loss and Comprehensive Loss

For the three month periods ended November 30, 2016 and 2015

(expressed in Canadian dollars)

	Three month periods ended November 30,	
	2016	**2015**
	$	**$**
Expenses and losses		
General and administrative (note 9)	442,899	427,889
Research and development (note 9)	189,375	122,805
Amortization and finance expenses (note 9)	112,828	49,385
	745,102	600,079
Other income		
Interest	(170)	(1,503)
Net loss and comprehensive loss	744,932	598,576
Basic and diluted loss per share (note 7)	0.01	0.01

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

Titanium Corporation Inc.

Statement of Changes in Shareholders' Equity

For the three months period ended November 30, 2016 and 2015

(expressed in Canadian dollars)

	Share capital $	Contributed surplus $	Deficit $	Shareholders' equity $
Balance – September 1, 2016	61,247,412	16,245,998	(78,021,810)	(528,400)
Comprehensive loss for the period	-	-	(744,932)	(744,932)
Equity-based compensation	-	238,294	-	238,295
Proceeds on exercise of stock options	5,313	-	-	5,313
Fair value of stock options exercised	3,607	(3,607)	-	-
Balance – November 30, 2016	61,256,332	16,480,685	(78,766,742)	(1,029,725)

	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	-	-	(598,576)	(598,576)
Equity-based compensation	-	551,484	-	551,484
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 6)	-	550,472	-	550,472
Balance – November 30, 2015	61,137,222	15,485,151	(75,689,406)	932,968

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

Titanium Corporation Inc.

Statement of Cash Flows

For the three month periods ended November 30, 2016 and 2015

(expressed in Canadian dollars)

	Three month period ended November 30,	
	2016 $	2015 $
Cash (used in) provided by		
Operating activities		
Net loss for the period	(744,932)	(598,576)
Items not affecting cash		
Amortization	2,620	932
Equity-based compensation	76,904	-
Deferred compensation expense	168,384	137,695
Amortization of debt issue costs(note 9)	76,193	41,806
	(420,831)	(418,143)
Net change in non-cash working capital items		
Change in research tax credits receivable	-	-
Goods and services tax receivable	8,096	8,333
Prepaid expenses and other assets	(35,796)	-
Trade and other payables and accrued liabilities	55,223	107,830
	(393,308)	(301,980)
Financing activities		
Exercise of stock options	5,313	506,375
Deferred debt issue costs(note 5)	-	(58,136)
	5,313	448,239
(Decrease)increase in cash and cash equivalents	(387,995)	146,259
Cash and cash equivalents – beginning of period	594,743	883,099
Cash and cash equivalents – end of period	206,748	1,029,358

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

Titanium's mission is "Creating Value from Waste™" ("CVW™"). The Company has developed innovative CVW™ technologies to recover valuable heavy minerals, bitumen, solvent and water from oil sands waste tailings. The recovery of bitumen, associated solvents and water from froth treatment tailings streams results 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. Until commercial operations are established, the Company will continue to incur losses and 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. While the Company has been successful in obtaining the necessary financing to develop the business to this point, there are no assurances that the Company will be successful in the future in these endeavours.

Subsequent to November 30, 2016 (note 11) the Company completed a fully subscribed rights offering raising $6,534,531 in aggregate gross proceeds, issuing 13,069,062 common shares. A portion of the proceeds ($1,005,918) were used to repay the outstanding loan facility, eliminating all of the Company's outstanding debt obligations.

2 Basis of presentation

These financial statements of the Company have been approved by the Board of Directors on January 25, 2017. 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 Titanium'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, 2016. Significant accounting policies are described in Note 3 of the August 31, 2016 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.

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.

IFRS 16 – "Leases". This is a new standard whereby a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset ("ROU") is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. This accounting treatment will typically produce a front-loaded expense profile. The new standard is effective January 1, 2019, with early adoption permitted.

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

4 Deferred Compensation

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") in order to preserve cash. The deferred compensation liability was recognized as the value of accrued and approved compensation. The balance of $327,865 (August 31, 2016 - $320,871), 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 by the Compensation Committee of the Company's Board of Directors and shall be formally granted upon such determination.

5 Loan Facilities and Deferred Financing Costs

On October 9, 2015, the Company entered into loan agreements (the "Loan Agreements") 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") considered to be related parties. The Lenders agreed to lend 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 November 30, 2016, the Company has drawn down $1,000,000 of the Loan Facilities (August 31, 2016 - $1,000,000). 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.

	November 30, 2016 $	August 31, 2016 $
Loan payable	1,000,000	1,000,000
Deferred financing costs	(264,513)	(340,707)
Net carrying value	735,487	659,293

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 6) 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 expired on February 9, 2016.

The fair value of the warrants of $550,472 and the cash debt issue costs of $58,136, has been deferred and is being amortized on an effective interest rate method over the term of the loan facility. During the period ended November 30, 2016, the Company recorded amortization of deferred financing costs of $76,193.

On December 16, 2016 (note 11) the full value of the loan along with outstanding accrued interest ($1,005,918) was repaid to the Lenders eliminating all of the Company's outstanding debt obligations.

6 Share capital

Authorized

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

	November 30, 2016		August 31, 2016	
	Common shares #	Amount $	Common shares #	Amount $
Balance – September 1	65,332,812	61,247,412	64,425,040	60,256,945
Issued for cash on exercise of stock options	12,500	5,313	700,000	506,375
Reallocation from contributed surplus relating to fair value of stock options	-	3,607	-	336,422
Issue and reallocation of fair value from contributed surplus relating to redemption of DSUs	-	-	207,772	147,670
Balance	65,345,312	61,256,332	65,332,812	61,247,412

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 12, 2015 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 a 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) the 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) the 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 November 30, 2016, the Company was entitled to grant 6,534,531 stock based awards within the 10% rolling plan, of which 4,668,363 have been granted. Of the total granted and outstanding as at November 30, 2016, 2,837,500 were issued as stock options, 841,971 were issued as DSUs and 988,892 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 November 30, 2016 and August 31, 2016 is as follows:

	November 30, 2016		August 31, 2016	
	Number of common stock options #	Weighted average exercise price $	Number of common stock options #	Weighted average exercise price $
Outstanding – September 1	2,850,000	$0.65	3,658,400	$1.28
Granted	-	-	1,775,000	$0.41
Options exercised	(12,500)	$0.43	(700,000)	$0.72
Options expired	-	-	(1,883,400)	$1.62
Options outstanding	2,837,500	$ 0.65	2,850,000	$ 0.65
Options exercisable	1,925,000	$ 0.65	1,641,666	$0.83

The following table summarizes the options outstanding as at November 30, 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	1,762,500	4.23	$0.41	850,000	$0.41
1.00 – 1.99	1,075,000	1.32	$1.05	1,075,000	$1.05
	2,837,500	3.13	$0.65	1,925,000	$0.77

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 9). 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 November 30, 2016 and August 31, 2016 is as follows:

	November 30, 2016		August 31, 2016	
	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	647,102	0.74	388,012	0.91
Granted	194,869	0.56	466,863	0.67
Redeemed/released	-	-	(207,773)	0.88
DSUs outstanding	841,971	0.70	647,102	0.74

Summary of RSUs

A summary of the RSU activity for the periods ended November 30, 2016 and August 31, 2016 is as follows:

	November 30, 2016			August 31, 2016		
	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	895,502	$0.0001	0.87	-		-
Granted	93,390	$0.0001	0.56	895,502	$0.0001	0.87
RSUs outstanding	988,892	$0.0001	0.84	895,502	$0.0001	0.87

Warrants

In connection with the loan facilities (note 5) 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. Fair value of the warrants has been deferred and is amortized

using the effective interest rate method over the term of the loan facility as finance expense and offset against the loan payable.
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

7 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, 2016 and November 30, 2015, the impact of potentially issuable common shares upon the exercise of options would be anti-dilutive, therefore basic and diluted loss per share are the same.

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

	November 30, 2016 $	November 30, 2015 $
Net loss and comprehensive loss	744,932	598,576
Weighted average number of common shares for basic and diluted loss per share	65,341,467	64,766,486
Basic and diluted loss per share	0.01	0.01

8 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.

9 Expenses by nature

General and administrative expenses consist of the following:

	Three month period ended November 30	
	2016 $	2015 $
Compensation and benefits	130,530	142,862
Deferred compensation expense (note 6)	78,394	73,195
Equity-based compensation (note 6)	58,204	-
Investor relations and regulatory	18,283	36,025
Consulting and professional fees	63,362	81,263
Directors' fees – deferred compensation (note 6)	55,490	64,500
Travel	11,604	7,143
Rent, insurance and office	27,032	22,901
	442,899	427,889

Research and development expenses consist of the following:

	Three month period ended November 30	
	2016 $	2015 $
Pilot plant, rent and other	49,575	23,969
Compensation and benefits	86,600	88,419
Deferred compensation expense (note 6)	34,500	10,417
Equity-based compensation (note 6)	18,700	-
	189,375	122,805

Amortization, interest and finance expenses:

	Three month period ended November 30	
	2016 $	2015 $
Amortization of loan issue costs (note 5)	76,193	41,806
Standby and draw down charges (note 5)	3,740	6,411
Interest	30,258	-
Amortization of fixed assets	2,620	1,168
Foreign exchange loss	17	-
	112,828	49,385

10 Capital management

The Company considers its shareholders' equity as its capital, which at November 30, 2016 totalled ($1,029,725), (August 31, 2016 – ($528,400)). The Company does not have any bank debt or externally imposed capital requirements except those described in note 5, Loan Facilities. 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 a CVW™ 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. The Company announced (see note 11) on December 19, 2016 that it closed its fully subscribed Rights Offering with the issuance of 13,069,062 common shares for gross aggregate proceeds of $6,534,531. With the closing of the offering, the Company used a portion of the aggregate gross proceeds of the offering ($1,005,918) to repay the outstanding principal amounts of the loans.

11 Subsequent Events

Rights Offering Closing and Loan Repayment

On December 19, 2016 the Company announced that it closed its fully subscribed Rights Offering with the issuance of 13,069,062 common shares for gross aggregate proceeds of $6,534,531. With the closing of the offering, the Company used a portion of the aggregate gross proceeds of the offering ($1,005,918) to repay the outstanding principal amounts of the loans (and all accrued and unpaid interest thereon) owing to Mossco and Mr. David Macdonald. The effect of such payment was to eliminate all the Company's outstanding debt obligations and related security encumbrances.

In connection with the offering, and in consideration for the purchase commitment under the standby purchase agreement, the Company issued 2,550,000 common share purchase warrants exercisable at $0.70 per common share for a period of two years after the closing of the rights offering.

During the three months ended November 30, 2016, included in prepaid expenses is $51,974 of legal fees and issues costs related to the rights offering transaction. These costs have been reclassified to share issue costs on the closing date of the transaction.