



Condensed Interim Financial Statements
(Unaudited)

June 30, 2019 and December 31, 2018

**To the Shareholders of
Titanium Corporation Inc.**

The condensed interim financial statements of Titanium Corporation Inc. (the “Company”) as at and for the three and six month periods ended June 30, 2019 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 - Unaudited

(expressed in Canadian dollars)

	June 30, 2019	December 31, 2018
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	4,805,081	841,357
Goods and services tax receivable	16,093	132,965
Prepaid expenses	55,025	17,514
	<u>4,876,199</u>	<u>991,836</u>
Equipment	<u>7,102</u>	<u>8,194</u>
Total assets	<u>4,883,301</u>	<u>1,000,030</u>
Liabilities		
Current liabilities		
Trade payables and other accrued liabilities	273,773	1,534,709
Deferred compensation (note 5)	258,668	250,240
Total liabilities	<u>532,441</u>	<u>1,784,949</u>
Shareholders' Equity		
Share capital (note 6)	75,444,733	71,998,590
Contributed surplus	18,544,212	17,332,100
Deficit	<u>(89,638,086)</u>	<u>(90,115,609)</u>
Total shareholders' equity (deficit)	<u>4,350,859</u>	<u>(784,919)</u>
Total liabilities and shareholders' equity	<u>4,883,301</u>	<u>1,000,030</u>
Subsequent events (note 11)		

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

Titanium Corporation Inc.

Statements of (Income) Loss and Comprehensive (Income) Loss - Unaudited

For the three and six month periods ended June 30, 2019 and 2018

(expressed in Canadian dollars)

	Three-month periods ended		Six-month periods ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	\$	\$	\$	\$
Expenses and losses				
General and administrative (note 9)	550,156	581,204	1,105,247	1,181,109
Research and development expense (recovery) (note 4 and 9)	(589,615)	2,479,204	(1,567,441)	3,449,037
Amortization	546	-	1,093	610
	(38,912)	3,060,408	(461,100)	4,630,756
Other income				
Interest	(13,015)	(15,442)	(16,421)	(31,375)
Net (income) loss and comprehensive (income) loss	<u>(51,928)</u>	<u>3,044,966</u>	<u>(477,522)</u>	<u>4,599,381</u>
Basic and diluted (income) loss per share (note 7)	<u>\$(0.005)</u>	<u>\$0.04</u>	<u>\$(0.005)</u>	<u>\$0.06</u>

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

Titanium Corporation Inc.

Statements of Changes in Shareholders' Equity - Unaudited

For the six month period ended June 30, 2019 and 2018

(expressed in Canadian dollars)

	Share capital \$	Contributed surplus \$	Deficit \$	Shareholders' equity \$
Balance – January 1, 2019	71,998,590	17,332,100	(90,115,609)	(784,919)
Comprehensive income for the period	-	-	477,522	477,522
Issuance of common shares net of share issue costs	4,056,475		-	4,056,475
Fair value of warrants issued in connection with common shares	(610,330)	610,330	-	-
Equity-based compensation	-	268,505	-	268,505
Deferred Compensation settled with RSUs/DSUs	-	333,276	-	333,276
Balance – June 30, 2019	75,444,735	18,544,211	(89,638,087)	4,350,849

	Share capital \$	Contributed surplus \$	Deficit \$	Shareholders' equity \$
Balance – January 1, 2018	70,418,766	16,470,130	(82,503,498)	4,385,398
Comprehensive loss for the period	-	-	(4,599,381)	(4,599,381)
Equity-based compensation	-	281,259	-	281,259
Deferred compensation settled with RSUs/DSUs	-	441,712	-	441,712
Proceeds on exercise of warrants	700,000	-	-	700,000
Proceeds on exercise of stock options	463,513	-	-	463,513
Fair value of warrants exercised	104,567	(104,567)	-	-
Fair value of stock options exercised	242,882	(242,882)	-	-
Balance – June 30, 2018	71,929,728	16,845,652	(87,102,879)	1,672,501

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

Titanium Corporation Inc.

Statements of Cash Flows - Unaudited

For the three and six month periods ended June 30, 2019 and 2018

(expressed in Canadian dollars)

	Three-month periods ended		Six-month periods ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	\$	\$	\$	\$
Cash (used in) provided by				
Operating activities				
Net income(loss) for the period	51,927	(3,044,966)	477,522	(4,599,381)
Items not affecting cash				
Amortization	546	-	1,093	610
Accrued interest income		(2,401)		(15,219)
Equity-based compensation	113,176	148,122	268,505	281,259
	165,649	(2,899,244)	747,120	(4,332,730)
Net change in non-cash working capital items				
Deferred compensation expense (note 5)	176,425	188,896	341,704	377,459
Goods and services tax receivable	33,919	(47,644)	116,872	(46,152)
Prepaid expenses	6,856	821	(37,511)	(33,979)
Trade payables and other accrued liabilities	50,760	1,622,926	(1,260,936)	1,741,579
	433,609	(1,134,245)	(92,751)	(2,293,823)
Investing activities				
Redemption (purchase) of short-term investments	-	-	-	1,004,722
Financing activities				
Common shares issued, net of issue costs	4,262,640	-	4,262,640	-
Share issue costs	(206,165)	-	(206,165)	-
Exercise of stock options	-	-	-	463,513
Exercise of warrants	-	-	-	700,000
	4,056,475	-	4,056,475	2,168,235
Increase (decrease) in cash and cash equivalents	4,490,084	(1,134,245)	3,963,724	(125,588)
Cash and cash equivalents – beginning of period	314,997	3,006,388	841,357	1,997,731
Cash and cash equivalents – end of period	4,805,081	1,872,143	4,805,081	1,872,143

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

Titanium Corporation Inc.

Notes to Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2019 and 2018

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 736 8th Avenue, SW, Calgary, Alberta, T2P 1H4 and the Company’s registered office is located at Suite 2400, 525 8th Avenue, SW, Calgary, Alberta, T2P 1G1. The Company’s common shares are listed on the TSX 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 enables 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 and is working towards the first commercial implementation of the CVW™ technology at an oil sands site.

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 these endeavours in the future.

2 Basis of presentation

These financial statements of the Company have been approved by the Board of Directors on August 27, 2019. The financial statements are presented in Canadian dollars, which is the Company’s functional currency and follow the same accounting policies and methods of application as the most recent annual audited financial statements except as noted in note 3.

The condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and IFRIC interpretations. These financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2018. The financial statements have been prepared under the historical cost convention except as detailed in the Company’s accounting policies disclosed in note 3 in the annual financial statements.

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 Company’s

Titanium Corporation Inc.

Notes to Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2019 and 2018

accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

3 Significant accounting policies

These condensed interim financial statements have been prepared following the same accounting policies and methods of computation as the most recent audited financial statements for the year ended December 31, 2018 except as noted below. Significant accounting policies are described in note 3 of the December 31, 2018 audited 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) Government grants and partner project contributions

The recovery of government grants and partner project contributions requires judgement to determine when reasonable assurance exists that the Company has complied with conditions contained in the applicable contribution agreements.

b) Recognition of intangible assets

Determining the commencement of capitalization of development costs requires judgement to determine when conditions exist to capitalize costs related to the development of intangible assets.

c) 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.

d) 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.

Titanium Corporation Inc.

Notes to Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2019 and 2018

Changes in Accounting Policies

Effective January 1, 2019, IFRS 16, “Leases” (IFRS 16”) was a new standard applicable for lease accounting. It was determined that the new standard did not have any impact on the Company’s financial statements at January 1, 2019, however, any future lease transactions will be accounted for under the new standard.

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 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.

4 Government Grants and Project Cost Recovery

On October 19, 2017, the Company entered into a contribution agreement with Emissions Reduction Alberta (“ERA”) to fund a portion of the cost of the Front End Engineering and Design (“FEED”) project for the implementation of Titanium's CVW™ technology at Canadian Natural Resources Limited’s (“Canadian Natural”) Horizon site. The contribution agreement provided for funding up to the lesser of \$5.0 million or 50% of the cost of the FEED project. In addition, the Company had an agreement with Canadian Natural to fund up to \$3.7 million of the project costs. The Company was the lead proponent and overall project manager, responsible for contracting with engineering and other firms required for the project, managing and funding these contracts, project controls, reporting progress against agreed milestones and collecting partner funding contributions upon milestone achievement from ERA and Canadian Natural. Eligible costs related to the project are recognized as R&D expenses when incurred and recovery of project costs are recognized with the collection of ERA and Canadian Natural contributions. During the three-month period ended June 30, 2019, \$964,534 was recognized as a recovery of project costs incurred for the fifth and final milestone. The recovery of project costs related to the fifth milestone occurred on April 12, 2019 with the receipt of \$544,169 from ERA and \$420,365 from Canadian Natural on May 9, 2019. The project was completed on February 28, 2019 with final reporting completed in May 2019. Overall project costs were \$9,927,070 of eligible and in-kind contributions as of February 28, 2019, the project completion date. As of June 30, 2019, the Company received a total of \$7,510,205 of in-kind and cash contributions towards total project costs. This consisted of \$3,970,836 from ERA and \$3,539,369 from Canadian Natural. . Subsequent to the quarter end, on July 19, 2019, \$990,870 was received from ERA representing the 20% holdback on contributions (note 11).

5 Deferred Compensation

The Company has arrangements with its directors and officers to receive all or part of their cash compensation in the form of either Restricted Share Units (“RSUs”) or Deferred Share Units (“DSUs”). During the three- and six-month periods ended June 30, 2019, \$176,424 (June 30, 2018 \$188,869) and \$341,704 (June 30, 2018 \$377,459), respectively, was recognized as deferred compensation expense. The deferred compensation liability of \$258,668 at June 30, 2019 (June 30, 2018 \$277,299) represents an estimated accrual for deferred compensation that will be approved and settled in the future through the issuance of RSUs or DSUs. Upon settlement, the outstanding liability is reclassified to contributed surplus.

Titanium Corporation Inc.

Notes to Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2019 and 2018

6 Share capital

Authorized

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

	Six-month period June 30, 2019		Year Ended December 31, 2018	
	Common shares #	Amount \$	Common shares #	Amount \$
Opening Balance – Jan 1,	82,076,874	71,998,590	80,494,374	70,418,766
Proceeds on issuance of common shares, net of issue costs	6,089,485	4,056,475		
Fair value of warrants issued in connection with common share issuance	-	(610,330)		
Issued for cash on exercise of stock options	-	-	582,500	504,513
Issued for cash on exercise of warrants	-	-	1,000,000	700,000
Fair value of warrants exercised	-	-	-	104,567
Fair value of stock options exercised	-	-	-	270,744
Closing Balance –	88,166,359	75,444,735	82,076,874	71,998,590

On May 9 and 30, 2019, the Company closed in two tranches, a non-brokered private placement with the issuance of 6,089,485 units for gross aggregate proceeds of \$4,262,640 (\$0.70 per share). Each unit consisted of one common share of the Company and one half of one common share purchase warrant. The Company issued an aggregate of 3,044,742 common share purchase warrants. Each whole warrant is exercisable to purchase one common share at a price of \$1.40 per common share until May 9 (2,913,242) and May 30 (131,500), 2022. Related to the offering, the Company incurred \$206,165 in cash costs for the offering consisting of legal, selling commissions, exchange listing, and other fees. The share issue costs were recorded as a charge against share capital.

Warrants

In connection with the private placement on May 9 and 30, 2019, the Company issued 3,044,742 common share purchase warrants exercisable at \$1.40 per common share for a period of three years expiring May 9 (2,913,242) and May 30 (131,500), 2022. A value of \$610,330 was attributed to the warrants issued to investors in connection with the private placement based on the Black-Scholes pricing model and was recorded as part of contributed surplus on the statement of financial position. If the warrants are exercised before expiry, the fair value will be reclassified as share capital. The assumptions used in the Black-Scholes pricing model for the fair value of the warrants were as follows:

Risk free interest rate	1.57%
Expected life	3.0
Expected volatility	74.58%
Fair value per whole warrant	\$0.20

Titanium Corporation Inc.

Notes to Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2019 and 2018

Equity-based compensation

The Company has equity plans for its directors, officers, employees and consultants to encourage ownership of common shares and align with the longer-term interest of Company shareholders. The equity plans are 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 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 "rolling" equity-based plans that 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 plans are subject to annual approval by the Company's shareholders.

The equity plans are comprised of the following components:

a) Stock options

Once a stock option is granted, the compensation costs for options granted is based on the estimated fair values of the options at the time of grant. The cost is recognized as a component of general and administrative or 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.

b) DSUs

As part of the Company's long-term incentives for non-executive directors, a deferred share unit plan was established representing a component of director compensation. DSU awards vest immediately upon grant and are settled with the issuance of one common share for one DSU when a director's service ceases. The compensation expense for DSUs awarded to non-executive directors is based on the fair values 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.

c) RSUs

As part of the Company's long-term incentives for officers and other key employees of the Company, a restricted share unit plan was established representing a component of compensation. 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 for RSU awards is specified by the Board of Directors on the grant date. Once the award is vested, the RSU can be settled, at the option of the holder, with the issuance of one common share in exchange for one RSU. The compensation expense for RSUs awarded is based on the fair values of the award at the time of grant and 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.

Titanium Corporation Inc.

Notes to Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2019 and 2018

Summary of equity plan awards

The number of common shares issuable under all plans at any time is limited to 10% (rolling) of the issued and outstanding common shares of the Company in the aggregate. A summary of the equity plans as at June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019 #	December 31, 2018 #
Equity Award Pool (10% of common shares outstanding)	8,816,636	8,207,687
Less Awards Granted:		
Stock Options	(4,680,000)	(3,875,000)
DSUs	(1,738,004)	(1,472,223)
RSUs	(1,639,520)	(1,302,542)
Available Pool	<u>759,112</u>	<u>1,557,922</u>

Summary of stock options

A summary of the Company's stock option activity for the periods ended June 30, 2019 and December 31, 2018 is as follows:

	June 30, 2019		December 31, 2018	
	Number of common stock options #	Weighted average exercise price \$	Number of common stock options #	Weighted average exercise price \$
Outstanding – Jan 1, 2019 and 2018	3,875,000	\$ 0.74	3,282,500	\$ 0.74
Granted	805,000	\$ 0.69	1,225,000	\$ 0.83
Options exercised	-	-	(582,500)	\$ 0.87
Options expired	-	-	(50,000)	\$ 1.07
Options outstanding	<u>4,680,000</u>	<u>\$ 0.74</u>	<u>3,875,000</u>	<u>\$ 0.74</u>
Options exercisable	<u>2,625,002</u>	<u>\$ 0.65</u>	<u>1,916,668</u>	<u>\$ 0.55</u>

The following table summarizes the options outstanding as at June 30, 2019:

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 – 0.49	1,550,000	1.68	\$0.41	1,550,000	\$0.41
0.50 – 0.99	1,930,000	4.34	\$0.80	375,002	\$0.80
1.00 – 1.50	1,200,000	2.97	\$1.12	700,000	\$1.10
	<u>4,680,000</u>	<u>3.11</u>	<u>\$0.74</u>	<u>2,625,002</u>	<u>\$0.65</u>

Titanium Corporation Inc.

Notes to Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2019 and 2018

Stock-based compensation expense has been presented in the statement of (income) loss and comprehensive (income) loss as a non-cash component of research and development and/or 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.

The weighted average assumptions used in the Black-Scholes pricing model for the fair value of stock option grants were as follows:

	June 30, 2019	December 31, 2018
Exercise price of stock option	\$0.69	\$0.83
Risk free interest rate	1.41%	2.06%
Expected life (years)	4.3	4.4
Expected volatility	93.14%	94.17%
Fair value per stock option	\$0.47	\$0.57

Summary of DSUs

A summary of the DSU activity for the periods ended June 30, 2019 and December 31, 2018 is as follows:

	June 30, 2019		December 31, 2018	
	Number of DSUs #	Weighted average share price at time of grant \$	Number of DSUs #	Weighted average share price at time of grant \$
Outstanding Jan 1, 2019 and 2018	1,472,223	\$0.78	1,142,311	\$0.76
Granted	265,781	\$0.60	329,912	\$0.85
DSUs outstanding	1,738,004	\$0.75	1,472,223	\$0.78

Titanium Corporation Inc.

Notes to Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2019 and 2018

Summary of RSUs

A summary of the RSU activity for the periods ended June 30, 2019 and December 31, 2018 is as follows:

	June 30, 2019			December 31, 2018		
	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 - Jan 1, 2019 and 2018	1,312,822	\$0.0001	\$0.81	1,014,798	\$0.0001	\$0.70
Granted	326,698	\$0.0001	\$0.53	298,024	\$0.0001	\$1.17
RSUs outstanding	1,639,520	\$0.0001	\$0.75	1,312,822	\$0.0001	\$0.81

7 Basic and diluted loss per share

Weighted average number of common shares outstanding

As the Company had income for the three and six-month periods ended June 30, 2019, the basic and fully diluted income per share is presented for the current period. For the three and six-month periods ended June 30, 2018 the Company incurred a loss and the impact of potentially issuable common shares upon the exercise of options and common share purchase warrants 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 periods ended		Six-month periods ended	
	June 30, 2019 \$	June 30, 2018 \$	June 30, 2019 \$	June 30, 2018 \$
Net income (loss) and comprehensive income (loss)	51,928	(3,044,966)	477,522	(4,599,381)
Weighted average number of common shares for basic income (loss) per share	85,495,887	81,976,874	83,795,825	81,688,393
Weighted average number of common shares for diluted income(loss) per share ¹	90,423,411	-	88,723,349	-
Basic income (loss) per share	\$ 0.0006	\$ (0.04)	\$ 0.0057	\$ (0.06)
Fully diluted income (loss) per share	\$ 0.0057	-	\$ 0.0054	-

¹A total of 2,325,000 stock options are excluded from the per share calculations as they are anti-dilutive at June 30, 2019.

Titanium Corporation Inc.

Notes to Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2019 and 2018

8 Segmented information

Operating segments

The Company has one reporting segment engaged in researching, developing and commercializing 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 periods ended		Six-month periods ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	\$	\$	\$	\$
Compensation and benefits	194,525	184,748	388,756	377,335
Directors' fees – deferred compensation (note 5)	89,063	92,709	172,125	185,084
Equity-based compensation (note 7)	65,646	77,457	160,092	153,801
Consulting and professional fees	46,139	49,216	90,659	114,320
Deferred compensation expense (note 5)	62,362	63,812	119,579	127,625
Rent, insurance and office	31,049	31,917	62,313	79,540
Investor relations and regulatory	26,029	64,257	61,348	106,305
Travel	35,343	17,088	50,375	37,099
	550,156	581,204	1,105,247	1,181,109

Research and development expenses consist of the following:

	Three-month periods ended		Six-month periods ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	\$	\$		
Projects, rent and other	127,915	2,641,592	404,134	3,358,385
Compensation and benefits	174,474	164,724	354,942	328,596
Equity-based compensation (note 7)	47,530	70,665	108,414	127,458
Deferred compensation expense (note 5)	25,000	32,375	50,000	64,750
<i>R&D Subtotal</i>	374,919	2,909,356	917,489	3,879,189
Recovery of project costs	(964,534)	(430,152)	(2,484,930)	(430,152)
R&D (recovery) costs, net	(589,615)	2,479,204	(1,567,441)	3,449,037

Titanium Corporation Inc.

Notes to Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2019 and 2018

10 Capital management

The Company considers its shareholders' equity (deficit) as its capital, which at June 30, 2019 totalled \$4,350,859 (December 31, 2018 – \$(784,919)). 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 to ensure funds are available to continue to advance the commercialization of CVW™ projects; 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.

11 Subsequent Events

The Company announced on August 1, 2019 receipt of the final payment of \$991,000 related to the \$5.0 million grant from Emissions Reduction Alberta ("ERA") for partial funding of the Front End Engineering Design ("FEED") phase of the CVW™ Horizon Project. The payment represents a 20% holdback by ERA which was subject to final project reporting and completion of a third-party audit of project costs.