Titanium Corporation Inc.

Condensed Interim Financial Statements
(Unaudited)

March 31, 2018 and December 31, 2017

May 22, 2018

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 March 31, 2018 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)

	March 31, 2018 $	December 31, 2017 $
Assets		
Current assets		
Cash and cash equivalents	3,006,388	1,997,731
Short term investments	2,033,336	3,038,108
Goods and services tax receivable	18,014	19,506
Prepaid expenses	66,764	31,964
	5,124,502	5,087,309
Equipment	9,044	9,653
Total assets	5,133,546	5,096,692
Liabilities		
Current liabilities		
Trade and other payables	339,054	215,969
Accrued liabilities	136,745	154,043
Deferred compensation (note 5)	206,090	341,552
Total liabilities	681,889	711,654
Shareholders' Equity		
Share capital (note 7)	71,929,728	70,418,766
Contributed surplus	16,579,842	16,470,130
Deficit	(84,057,913)	(82,503,498)
Total shareholders' equity	4,451,657	4,385,398
Total liabilities and shareholders' equity	5,133,546	5,096,962

Subsequent events (note 14)

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 March 31, 2018 and February 28, 2017

(expressed in Canadian dollars)

	Three month periods ended	
	March 31, 2018	February 28, 2017
	$	$
Expenses and losses		
General and administrative (note 11)	599,905	484,706
Research and development (note 4 and 11)	968,167	157,484
Amortization and finance expenses (note 11)	2,276	275,195
	1,570,348	917,385
Other income		
Interest	(15,933)	(8,618)
Net loss and comprehensive loss	1,554,415	908,767
Basic and diluted loss per share (note 9)	0.02	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 month period ended March 31, 2018 and the four month period ended December 31, 2017

(expressed in Canadian dollars)

	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	-	-	(1,554,415)	(1,554,415)
Equity-based compensation	-	133,136	-	133,136
Deferred Compensation settled with RSUs/DSUs	-	324,025	-	324,025
Proceeds on exercise of stock options	463,513	-	-	463,513
Proceeds on exercise of warrants	700,000	-	-	700,000
Fair value of stock options exercised	242,882	(242,882)	-	-
Fair value of warrants exercised	104,567	(104,567)	-	-
Balance – March 31, 2018	71,929,728	16,579,842	(84,057,913)	4,451,657

	Share capital $	Contributed surplus $	Deficit $	Shareholders' equity $
Balance – September 1, 2017	68,002,318	17,030,434	(81,048,546)	3,984,207
Comprehensive loss for the four month period	-	-	(1,454,953)	(1,454,953)
Equity-based compensation	-	283,019	-	283,019
Proceeds on exercise of stock options	560,625	-	-	560,625
Proceeds on exercise of warrants	1,012,500	-	-	1,012,500
Fair value of stock options exercised	292,851	(292,851)	-	-
Fair value of warrants exercised	550,472	(550,472)	-	-
Balance – December 31, 2017	70,418,766	16,470,130	(82,503,498)	4,385,398

Titanium Corporation Inc.

Statement of Cash Flows

For the three month periods ended March 31, 2018 and February 28, 2017

(expressed in Canadian dollars)

	Three month periods ended	
	March 31, 2018	**February 28, 2017**
	$	**$**
Cash (used in) provided by		
Operating activities		
Net loss for the period	(1,554,415)	(908,767)
Items not affecting cash		
Amortization	609	525
Accrued interest income	12,867	(2,912)
Equity-based compensation	133,137	49,433
Amortization of debt issue costs (note 6)	-	270,432
	(1,433,536)	(591,289)
Net change in non-cash working capital items		
Deferred compensation expense (note 5)	188,563	193,993
Goods and services tax receivable	1,492	(12,973)
Prepaid expenses and other assets	(34,800)	76,487
Trade and other payables and accrued liabilities	118,653	(149,758)
	(1,159,628)	(483,540)
Investing activities		
Redemption (purchase) of short-term investments	1,004,722	(3,000,000)
Financing activities		
Common shares issued, net of issue costs	-	6,356,696
Loan facility and accrued interest (note 6)	-	(1,005,918)
Exercise of stock options	463,513	5,382
Exercise of warrants	700,000	-
	1,163,513	5,356,160
Increase in cash and cash equivalents	1,008,657	1,872,620
Cash and cash equivalents – beginning of period	1,997,731	206,748
Cash and cash equivalents – end of period	3,006,388	2,079,368

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 903 8th Avenue, SW, Calgary, Alberta, T2P 0P7 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 May 22, 2018. These 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.

The Company changed its fiscal year end from August 31 to December 31. As such, the period ended March 31, 2018 is the first reporting period in the new fiscal year. The comparative three month interim period for purposes of reporting in the transition year is February 28, 2017.

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 four month period ended December 31, 2017. 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 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 four month period ended December 31, 2017. Significant accounting policies are described in Note 3 of the December 31, 2017 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.

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 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, for fiscal years commencing on or after that date with early adoption permitted.

The Company is currently evaluating the impact of adopting this standard on its financial statements but does not anticipate this new standard will have a significant effect on the financial statements.

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 engineering design project for the implementation of Titanium's CVW™ technology at Canadian Natural Resource Limited's ("Canadian Natural") Horizon site. The contribution agreement provides for funding up to the lesser of $5.0 million or 50% of the cost of the engineering design project. In addition, the Company has an agreement with Canadian Natural to fund up to $3.7 million of the project costs. The Company is acting as 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. The costs related to the project are recognized as R&D expenses when incurred. The Company commenced the project and started incurring eligible expenditures related to the project. As at March 31, 2018 the Company estimates government and partner contributions for their share of eligible project expenditures is approximately $643,000. These amounts will be received by the Company upon completion of agreed milestones outlined in the contribution agreements (note 14).

5 Deferred Compensation

The Company has made 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 month period ended March 31, 2018, $188,563 (February 28, 2017 $193,993) was recognized as deferred compensation expense. The deferred compensation liability of $206,090 represents an estimated accrual for deferred compensation that will be approved and settled in the future through the issuance of RSUs or DSUs (subsequent events note 14). Upon settlement, the outstanding liability is reclassified to contributed surplus.

6 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 Titanium's 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"). Mossco agreed to advance up to $1,000,000 and Mr. Macdonald agreed to advance up to $500,000. On December 16, 2016, the Company repaid the Loans together with accrued interest in the amount of $1,005,920 from proceeds received on the closing of a Rights Offering. The repayment of the Loans terminated the Loan Agreements and eliminated all the Company's outstanding debt obligations and related security encumbrances.

7 Share capital

Authorized

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

	Three month period March 31, 2018		Four Month Period December 31, 2017	
	Common shares #	Amount $	Common shares #	Amount $
Opening Balance – Jan 1, 2018 and Sep 1, 2017	80,494,374	70,418,766	79,169,374	68,002,318
Issued for cash on exercise of stock options	482,500	463,513	575,000	560,625
Issued for cash on exercise of warrants	1,000,000	700,000	750,000	1,012,500
Reallocation from contributed surplus relating to exercise stock options	-	242,882	-	292,851
Reallocation from contributed surplus relating to exercise of warrants	-	104,567	-	550,472
Closing Balance –	81,976,874	71,929,728	80,494,374	70,418,766

On December 19, 2016, the Company closed its fully subscribed rights offering with the issuance of 13,069,062 common shares for gross aggregate proceeds of $6,534,531 ($0.50 per share). In connection with the offering, and in consideration for the purchase commitment under the standby purchase agreement, the Company issued 2,675,000 common share purchase warrants exercisable at $0.70 per common share for a period of two years expiring December 21, 2018 (note 8).

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 a stock option, both the consideration received, and the fair value of the options 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.

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 March 31, 2018 and December 31, 2017 are as follows:

	March 31, 2018 #	**December 31, 2017** #
Equity Award Pool (10% of common shares outstanding)	8,197,687	8,049,437
Less Awards Granted:		
Stock Options	(2,900,000)	(3,282,500)
DSUs	(1,142,311)	(1,142,311)
RSUs	(1,284,840)	(1,014,798)
Available Pool	2,870,536	2,609,828

Summary of stock options

A summary of the Company's stock option activity for the periods ended March 31, 2018 and December 31, 2017 is as follows:

	March 31, 2018		December 31, 2017	
	Number of common stock options #	Weighted average exercise price $	Number of common stock options #	Weighted average exercise price $
Outstanding – Jan 1, 2018 and Sep 1, 2017	3,282,500	$ 0.74	3,857,500	$ 0.78
Granted	100,000	$ 1.12	-	-
Options exercised	(482,500)	$ 0.96	(575,500)	$ 0.98
Options outstanding	2,900,000	$ 0.72	3,282,500	$ 0.74
Options exercisable	1,650,000	$0.41	2,132,500	$ 0.53

The following table summarizes the options outstanding as at March 31, 2018:

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	1,650,000	2.9	$0.41	1,650,000	$0.41
1.00 – 1.99	1,250,000	4.2	$1.12	-	-
	2,900,000	3.4	$0.72	1,650,000	$0.41

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 11). 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 March 31, 2018 and December 31, 2017 is as follows:

	March 31, 2018		December 31, 2017	
	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, 2018 and Sep 1, 2017	1,142,311	$0.76	1,080,281	$0.73
Granted	-	-	62,030	$1.33
Redeemed/released	-	-	-	-
DSUs outstanding	1,142,311	$0.76	1,142,311	$0.76

Summary of RSUs

A summary of the RSU activity for the periods ended March 31, 2018 and December 31, 2017 is as follows:

	March 31, 2018			December 31, 2017		
	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, 2018 and September 1	1,014,798	$0.0001	$0.70	991,311	$0.0001	$0.68
Granted	270,042	$0.0001	$1.20	23,487	$0.0001	$1.33
Exercised	-	-	-	-	-	-
RSUs outstanding	1,284,840	$0.0001	$0.81	1,014,798	$0.0001	$0.70

8 Warrants

In connection with the rights offering on which closed on December 19, 2016, and in consideration for the purchase commitment by certain investors under the standby purchase agreement, the Company issued 2,675,000 common share purchase warrants exercisable at $0.70 per common share for a period of two years expiring December 21, 2018. A value of $279,717 was attributed to the warrants issued to standby purchasers in connection with the rights offering based on the Black-Scholes pricing model and was recorded as part of contributed surplus on the statement of financial position. On February 16, 2018, 1,000,000 common share purchase warrants were exercised for gross proceeds of $700,000 and $104,567 of the fair value of the common share purchase warrants was reclassified to share capital. The remaining 1,675,000 common share purchase warrants that are outstanding expire on December 21, 2018.

9 Basic and diluted loss per share

Weighted average number of common shares outstanding

As the Company incurred losses for each of the three month periods ended March 31, 2018 and February 28, 2017, 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:

	March 31, 2018 $	February 28, 2017 $
Net loss and comprehensive loss	(1,554,415)	908,767
Weighted average number of common shares for basic and diluted loss per share	81,396,707	76,251,461
Basic and diluted loss per share	0.02	0.01

10 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.

11 Expenses by nature

General and administrative expenses consist of the following:

	Three month periods ended	
	March 31, 2018	February 28, 2017
	$	$
Compensation and benefits	192,587	134,003
Directors' fees – deferred compensation (note 5)	92,375	70,500
Equity-based compensation (note 7)	76,344	37,385
Consulting and professional fees	65,104	59,619
Deferred compensation expense (note 5)	63,813	88,993
Rent, insurance and office	47,623	26,689
Investor relations and regulatory	42,048	46,303
Travel	20,011	18,214
	599,905	484,706

Research and development expenses consist of the following:

	Three month periods ended	
	March 31, 2018	February 28, 2017
	$	$
Projects, rent and other	715,127	20,980
Compensation and benefits	163,872	89,956
Equity-based compensation (note 7)	56,793	12,048
Deferred compensation expense (note 5)	32,375	34,500
	968,167	157,484

Amortization, interest and finance expenses:

	Three month periods ended	
	March 31, 2018	February 28, 2017
	$	$
Amortization of loan issue costs (note 6)	-	269,082
Standby and draw down charges (note 6)	-	828
Interest	-	4,749
Amortization of fixed assets	609	525
Foreign exchange loss	1,667	11
	2,276	275,195

12 Capital management

The Company considers its shareholders' equity as its capital, which at March 31, 2018 totalled $4,451,657 (December 31, 2017 – $4,385,398). The Company does not have any bank debt or externally imposed capital requirements. The Company's capital management objectives are to manage its cash, cash equivalents and short-term investments 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.

13 Commitments – FEED Study Project with Emissions Reduction Alberta and Canadian Natural

On October 19, 2017, the Company entered into a contribution agreement with ERA whereby ERA has agreed to contribute up to the lesser of $5.0 million or 50% of the cost of the engineering design project for implementation of Titanium's CVW™ technology at Canadian Natural's Horizon site. On September 28, 2017 Canadian Natural confirmed its commitment to fund up to $3.7 million with the signing of a Front End Engineering Design ("FEED") Study Agreement. With the ERA contribution, in addition to the financial commitments of each of Canadian Natural ($3.7 million) and Titanium ($1.5 million), the estimated $10.2 million project cost is fully funded.

14 Subsequent Events

i. Deferred Compensation

a) On April 2, 2018 the Company issued RSUs and DSUs under each of the Company's shareholder approved RSU Plan and DSU Plan, respectively for the settlement of an aggregate of $117,688 in deferred compensation. The Company issued 8,401 RSUs to an officer for settlement of $7,813 of deferred compensation and 118,146 DSUs to non-executive directors for settlement of $109,875 of deferred compensation. As a result of the issuance of these equity awards, the deferred compensation liability was reduced in aggregate by $117,688 and the corresponding credit was included as contributed surplus.

ii. Government Grant and Partner Contributions

On May 18, 2018, the Company received $430,150 in gross proceeds from ERA as their contribution towards the achievement of the first milestone for the engineering design project.