

TITUS CAPITAL CORP.
(A Capital Pool Company)

Condensed Interim Financial Statements
Three months ended August 31, 2012

(Expressed in Canadian Dollars)
(unaudited)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

TITUS CAPITAL CORP.
(A Capital Pool Company)
Condensed interim statements of financial position
(Expressed in Canadian dollars)

	Notes	August 31, 2012	May 31, 2012
ASSETS			
Current assets			
Cash and cash equivalents		\$ 1,548,023	\$ 1,565,298
Taxes recoverable		1,349	
Prepaid expense			
TOTAL ASSETS		1,549,372	1,565,298
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities		8,000	8,000
TOTAL LIABILITIES		8,000	8,000
EQUITY			
Share capital	3	1,687,386	1,687,386
Share subscription receivable			
Share-based payment reserve	3	35,329	35,329
Deficit		(181,342)	(165,417)
TOTAL EQUITY		1,541,372	1,557,298
TOTAL LIABILITIES AND EQUITY		\$ 1,549,372	\$ 1,565,298

Nature and continuance of operations (Note 1)

Approved by the Board of Directors and authorized for issue November 1, 2012.

Approval on behalf of the Board of Directors:

“Anita Algie”

Director

“Reza Mohammed”

Director

TITUS CAPITAL CORP.
(A Capital Pool Company)
Condensed interim statements of loss and comprehensive loss
(Expressed in Canadian dollars)

	Notes	Three months periods ended	
		August 31, 2012	August 31, 2011
Expenses			
Bank Charges		\$ 55	\$ 48
Consulting			
Filing fees		624	
Office and administration	4	15,246	8,153
Professional fees			
Stock-based compensation	3	-	
		15,925	8,201
Other Item			
Interest Income			4,200
Net and comprehensive loss		\$ (15,925)	\$ (4,001)
Weighted average number of common shares outstanding – Basic and Diluted		9,925,000	3,748,219
Loss per share – basic and diluted		\$ (0.00)	\$ (0.00)

TITUS CAPITAL CORP.
(A Capital Pool Company)
Condensed interim statements of changes in equity
(Expressed in Canadian dollars)

	Notes	Share capital		Subscriptions receivable	Share- based payment reserve	Deficit	Total
		Number of shares	Amount				
Balance at June 1, 2011		12,725,000	\$ 1,667,386		\$ 35,329	\$ (86,470)	\$ 1,616,245
Net loss and comprehensive loss						(4,001)	(4,001)
Balance at August 31, 2011		12,725,000	\$ 1,667,386		\$ 35,329	\$ (90,471)	\$ 1,612,244
Balance at June 1, 2012		12,725,000	\$ 1,687,386		\$ 35,329	\$ (165,417)	\$ 1,557,298
Net loss and comprehensive loss						(15,925)	(15,925)
Balance at August 31, 2012		12,725,000	\$ 1,687,386		\$ 35,329	\$ (181,342)	\$ 1,541,372

TITUS CAPITAL CORP.
(A Capital Pool Company)
Condensed interim statements of cash flows
(Expressed in Canadian dollars)

	Three months periods ended	
	August 31, 2012	August 31, 2011
Operating activities		
Net loss	\$ (15,925)	\$ (4,001)
Adjustments for non-cash items:		
Stock-based compensation		
Changes in non-cash working capital items:		
Taxes recoverable	(1,349)	900
Trade payables and accrued liabilities		(9,331)
Net cash flows used in operating activities	(17,275)	(12,432)
Financing Activities		
Proceeds from share issuance, net of costs		
Net cash flows provided by financing activities		
Change in cash and cash equivalents	(17,275)	(12,432)
Cash and cash equivalents, beginning	1,565,298	1,624,194
Cash and cash equivalents, ending	\$ 1,548,023	\$ 1,606,962
Cash and cash equivalents consist of:		
Cash	\$ 48,023	\$ 402,762
Guaranteed investment certificates:	\$ 1,500,000	\$ 1,204,200

1. NATURE AND CONTINUANCE OF OPERATIONS:

Titus Capital Corp. (the “Company”) was incorporated under the British Columbia Business Corporations Act on February 17, 2010 and is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the “Exchange”).

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or business for future investment, with the exception that up to 30% of the gross proceeds or \$210,000, whichever is less, may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction (“QT”) by the Company as defined under the policies of the Exchange.

These unaudited condensed financial interim statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at August 31, 2012, the Company had not completed its QT and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon its ability to complete a QT and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Statement of compliance and conversion to International Financial Reporting Standards

The interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Therefore, these financial statements Comply with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting”.

The same accounting policies and methods of computation were followed in the preparation of these interim condensed financial statements for the three months period ended August 31, 2011.

3. STANDARDS ISSUED BUT NOT YET APPLIED

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after June 1, 2012 or later periods. The following new standards, amendments and interpretations that have not been early adopted in these financial statements, are not expected to have a material effect on the Company’s future results and financial position:

- a) IFRS 9 Financial Instruments (New; to replace IAS 39 and IFRIC 9);
- b) IFRS 10 Consolidated Financial Statements (New; to replace consolidation requirements in IAS 27 (as amended in 2008) and SIC-12);
- c) IFRS 11 Joint Arrangements (New; to replace IAS 31 and SIC-13);
- d) IFRS 12 Disclosure of Interests in Other Entities (New; to replace disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31);
- e) IFRS 13 Fair Value Measurement (New; to replace fair value measurement guidance in other IFRSs);
- f) IAS 1 Presentation of Financial Statements,
- g) IAS 19 Employee Benefits (Amended in 2011);
- h) IAS 27 Separate Financial Statements (Amended in 2011);
- i) IAS 28 Investments in Associates and Joint Ventures (Amended in 2011); and
- j) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (New).

4. SHARE CAPITAL

Authorized share capital

Unlimited number of voting common shares without nominal or par value.

Issued common shares

	<u>Shares</u>	<u>Amount</u>
Balance on inception		
Issued for cash by private placement	2,800,000	\$140,000
Issued for cash in initial public offering	2,500,000	200,655
Issued for cash by private placement	7,425,000	1,345,731
Balance, August 31, 2011	12,725,000	1,686,386
Balance, August 31, 2012	12,725,000	\$1,686,386

Shares held in escrow

Under the requirements of the Exchange, 2,800,000 common shares are held in escrow and will be released in stages over a period of three years from the date of acceptance by the Exchange of the Company's QT.

Warrants

As at August 31, 2012, there are 695,200 warrants outstanding with a weighted average life and weighted average exercise price of 0.54 years and \$0.16, respectively.

Stock options

The Company has established a stock option plan for its directors, officers and technical consultants under which the Company may grant options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company.

During the year ended May 31, 2011, the Company granted a total of 200,000 options to the directors and officers of the Company. The options are exercisable at a price of \$0.15 per share for a period of five years following the date of issue.

The fair value of these options at the date of grants was \$5,946 and was estimated using the Black-Scholes options pricing model with the following weighted average assumptions: expected life of five years, risk-free interest rate of 2.68%; expected dividend yield of 0% and an expected volatility of 100%.

At August 31, 2012, the weighted average life and weighted average exercise price of the options are 2.75 years and \$0.15, respectively. At August 31, 2012, all of these options were exercisable.

5. RELATED PARTY TRANSACTIONS

During the period ended August 31, 2012, the Company paid or accrued fees for office services of \$7,500 (2011 - \$7,500) to a company controlled by a director.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Unless otherwise stated, all amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

At August 31, 2012, \$Nil (2011 - \$2,800; 2010 - \$Nil) is owing to this company and included in trade payables and accrued liabilities.

6. FINANCIAL INSTRUMENTS

The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly
- Level 3 – Inputs that are not based on observable market data.

All of the Company's financial instruments that are held at fair value are categorized as Level 1. Amounts receivable and trade and other payables are held at carrying value with approximate fair value due to the short-term nature of these instruments.

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with one major bank in Canada so there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Company's secondary exposure to risk on its sales tax receivable is minimal since it is recoverable from the Canadian government.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Company's functional currency. The Company only operates in Canada and is therefore not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash and cash equivalents balances at variable rates. The risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company attempts to ensure there is sufficient access to funds to meet on-going business requirements, taking into account its current cash position and potential funding sources.

7. MANAGEMENT OF CAPITAL

The Company manages the capital structure and makes adjustments to it depending on changes in economic conditions, business opportunity and risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the small size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements.