

**TITUS CAPITAL CORP.**  
**SUITE 313 - 515 WEST PENDER STREET**  
**VANCOUVER, BRITISH COLUMBIA**  
**V6B 6H5**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**January 23, 2013**

*The following discussion is management's assessment and analysis of the results and financial condition of Titus Capital Corp. (the "Company"), and should be read in conjunction with the accompanying unaudited condensed interim financial statements and related notes. The preparation of financial data is in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") and all figures are reported in Canadian dollars unless otherwise indicated. Previously the Company prepared its interim and annual financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Company's fiscal 2012 comparatives in this MD&A have been presented in accordance with IFRS. As the Company's transition date was June 1, 2011, fiscal 2010 comparative information included in this MD&A has not been restated.*

*Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied. The effective date of this report is January 23, 2013.*

**1. INCORPORATION AND CONTINUANCE OF OPERATIONS:**

The Company was incorporated under the British Columbia Business Corporations Act on February 17, 2010 as Titus Capital Corp. and is classified as a reporting issuer and Capital Pool Company as defined by Policy 2.4 of the TSX Venture Exchange ("the Exchange"). Currently the Company is listed on the TSX Venture Exchange (the "Exchange") trading under the symbol "TIS.P". The Company's registered address is 313-515 West Pender Street, Vancouver BC, V6B 6H5.

The Company has no source of operating revenues and its capacity to operate as a going concern in the near-term will likely depend on its ability to continue raising equity financing and to ultimately complete a QT.

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 TSX Venture.

The Company's principal business activity is to identify and evaluate opportunities for an acquisition of an asset, assets or a business that will meet the definition of a QT as defined by the regulatory authorities.

**2. SELECTED ANNUAL INFORMATION**

	<b>31May12</b>	<b>31May11</b>	<b>31May10</b>
<b>Interest Income</b>	\$16,692	-	-
<b>Net Gain/Loss for the year</b>	\$(58,947)	\$(101,050)	\$(5,420)
<b>Loss per Share</b>	\$(0.01)	\$(0.06)	\$(0.00)
<b>Total Assets</b>	\$1,565,298	\$1,628,576	\$119,580
<b>Total Liabilities</b>	\$8,000	\$12,331	\$5,000
<b>Working Capital</b>	\$1,557,298	\$1,616,245	\$114,580

Notes: The Company was incorporated on February 17, 2010 so as at May 31, 2010 it had not completed a full financial year. These figures are determined from inception to the decided year end of May 31. The Company completed its IPO in November 2010 and became a Capital Pool Company, trading on the TSX Venture Exchange.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates, which have been made using careful judgment. Actual results may differ from these estimates.

### 3. QUARTERLY INFORMATION

The following tables summarize the Company's financial information for the last eight quarters:

	30Nov12	31Aug12	31May12	29Feb12	30Nov11	31Aug11	31May11	28Feb11
<b>Interest Income</b>	\$166	-	\$7,592	\$3,500	\$1,400	\$4,200	-	-
<b>Operating Costs</b>	\$(47,938)	\$(15,925)	\$(48,935)	\$(11,353)	\$(7,150)	\$(8,201)	\$(25,527)	\$(22,515)
<b>Net Loss</b>	\$(47,938)	\$(15,925)	\$(41,343)	\$(7,853)	\$(5,750)	\$(4,001)	\$(25,527)	\$(22,515)
<b>Total Assets</b>	\$1,500,715	\$1,549,372	\$1,565,298	\$1,585,606	\$1,602,389	\$1,615,244	\$1,628,576	\$253,404
<b>Total Liabilities</b>	\$7,280	\$8,000	\$8,000	\$(NIL)	\$(NIL)	\$3,000	\$12,331	\$6,482
<b>Working Capital</b>	\$1,493,435	\$1,541,372	\$1,557,298	\$1,585,606	\$1,602,389	\$1,612,244	\$1,616,245	\$246,922

Notes:

- o The Company was incorporated February 17, 2010
- o Company has no business operations or revenues.
- o During the quarters, corporate expenditures were restricted to costs associated with equity financing, administrative costs to maintain the company in good standing and costs to identify and evaluate potential business opportunities.

### Second Quarter Results

The Company's common shares commenced trading in the third quarter on December 7, 2010, under the trading symbol TIS.P. Titus is now considered a capital pool company as defined in the policies of the TSX Venture Exchange. The Company has not commenced operations and has no assets other than cash. The Company will use the net proceeds of the initial public offering to identify and evaluate potential Qualifying Transactions, as such term is defined in the policies of the TSX Venture Exchange.

No additional events or items occurred that affected the Company's financial condition, cash flows, or results of operations. Although the Company raised capital during the prior quarter, the Company may encounter difficulty sourcing future financing in light of the economic downturn. Furthermore, this downturn could adversely affect the Company's ability to complete the acquisition of its potential Qualifying Transaction.

As at November 30, 2012, expenses increased in comparison to the same quarter in the prior year due to the announcement of the Company's intended QT. Share capital remained static. In future, the Company expects increased activity in order to complete the viable Qualifying Transaction.

In the second quarter ended November 30, 2012, the Company completed the following equity financings:

There were no equity financings that occurred during the quarter.

In addition, the Company acquired the following properties:

The Company did not acquire properties, however it announced its intention to pursue a viable Qualifying Transaction.

Stock option grants within the 2<sup>nd</sup> quarter were as follows:

There were no grants to report.

Other:

***Announcement of Agreement in Principle on October 19, 2012***

Titus signed an Agreement in Principle on October 15, 2012 (the "Agreement in Principle" or the "agreement") with Term Oil Ltd. ("Term Oil") of Regina, Saskatchewan, an arms' leaseholder of oil properties in southern Saskatchewan, providing for the acquisition of a thirty percent (30%) undivided interest in the Prevail Project. Consideration for the interest is a work program commitment of \$750,000 to reactivate three selected wells and drill one infill location. This transaction constitutes Titus' qualifying transaction pursuant to the applicable policies of the TSX Venture Exchange (the "TSXV") and is hereinafter referred to as the "Qualifying Transaction". The Qualifying Transaction will not be subject to the approval of the shareholders of the Company. The Qualifying Transaction is an arm's length transaction. Term Oil and Titus and its officers are not related parties pursuant to the applicable securities laws and TSXV policies.

**Conditions to be Satisfied**

The conditions to be satisfied or completed prior to or upon the completion of the Qualifying Transaction include the following:

- (a) the completion of a due diligence review of the Project by Titus;
- (b) the receipt of all necessary consents and approvals;
- (c) the receipt of all requisite regulatory approvals from the TSXV and the securities regulatory authorities with respect to the Qualifying Transaction;
- (d) the confirmation that no adverse material change in the business, affairs, financial conditions or operations of Titus will have occurred between the date of the Agreement in Principle and the Closing Date;
- (e) Titus will have a maximum of 12,720,000 Shares issued and outstanding on a fully diluted basis prior to the Closing Date;
- (f) Titus will have net assets of a minimum of \$750,000 held in escrow to be transferred to Term Oil upon closing of the Qualifying Transaction; and
- (g) all directors and officers of Titus holding office as of the date of the Agreement in Principle will remain as such subsequent to the completion of the Qualifying Transaction.

**Share Capital**

In connection with its IPO in 2010, Titus granted to Union Securities Ltd. of Vancouver, Canada a non-transferable agent's option to acquire 250,000 common shares at a price of \$0.10 per share, exercisable until November 30, 2012. Additionally, Union was granted a non-transferable agent's option to acquire 445,200 common shares at a price of \$0.20 per share in connection with the subsequent private placement. These options are exercisable until May 13, 2013.

Concurrent to the acquisition, Titus does not intend to raise additional working capital.

Following the Qualifying Transaction, there will be an aggregate of 12,720,000 Titus issued and outstanding. This will be comprised of 2,800,000 shares issued as seed capital at \$0.05 per share, 2,500,000 shares issued at the closing of Titus' initial public offering on November 30, 2012 at a price of \$0.10 per share and 7,420,000 issued as private placement shares at \$0.20 per share.

In addition, Titus will have 695,200 agent's options to acquire Titus Shares and 200,000 incentive stock options to acquire Titus Shares.

Following the Qualifying Transaction, the current shareholders of Titus will hold approximately 78.0% of the issued and outstanding Titus Shares.

### **Prevail Project**

The Prevail Property consists of various working interests in 2280 acres of land in southwestern Saskatchewan, containing eight producing well and a number of shut-in and/or suspended wells. Production is subject to either Crown or freehold royalties, and in one case, a gross overriding royalty. Oil bearing zones lie in Lloydminster Sand, which is a clastic unit of Lower Cretaceous age and is part of the Mannville Group. The zone was formed within a shoreline to shallow shelf environment and in this area is approximately 10m thick. Total gross remaining proved developed producing heavy oil reserves of 80 MSTB have been estimated for the Lloydminster Zone based on decline analysis of their past production performance. Additional probable reserves of 117 MSTB have been estimated for the same Lloydminster Zone. Total production from the eight wells currently averages 59 STB/d as is expected to gradually decline to each well's economic limit.

## **4. BASIS OF PRESENTATION AND ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")**

### ***Statement of compliance***

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 November 30, 2011.

### ***Basis of measurement***

These unaudited condensed interim financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these unaudited condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### ***Share-based payments***

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black-Scholes pricing model. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

### ***Significant accounting judgments and estimates***

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The unaudited condensed interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the inputs used in accounting for share-based compensation expense in the statements of loss and comprehensive loss.

#### ***Income taxes***

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss. Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Exchange differences arising on translation of foreign operations are transferred directly to the Company's foreign currency translation reserve in the statement of comprehensive income. These differences are recognized in the profit or loss in the period in which the operation is disposed.

#### ***Financial instruments***

Financial instruments are classified into one of the following categories: fair-value-through-profit-and-loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. Financial instruments are measured in the statement of financial position at fair value, except for loans and receivables, held-to-maturity investments, and other financial liabilities, which are measured at amortized cost. Subsequent measurement of financial instruments measured at fair value is dependent upon initial classification as follows: (1) fair-value-through-profit-and-loss financial assets are measured at fair value with changes in fair value recognized in net loss; (2) available-for-sale financial instruments are measured at fair value with changes in fair value recognized in other comprehensive income until the instrument is derecognized or impaired.

The Company's financial instruments consist of cash, taxes recoverable and accounts payable. Cash and taxes recoverable are classified as loans and receivables. Accounts payable is classified as other financial liabilities. Refer to Note 6 for additional disclosure.

#### ***Share capital***

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity.

#### ***Cash and cash equivalents***

Cash and cash equivalents include deposits and guaranteed investment certificates held with banks that are available on demand.

***Recent accounting standards not yet effective***

The International Accounting Standards Board ("IASB") intends to replace IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39") in its entirety with IFRS 9- *Financial Instruments* ("IFRS 9") in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments, and is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. In November 2009 and October 2010, IFRS 9 (2009) and IFRS 9 (2010) were issued, respectively, which address the classification and measurement of financial assets and financial liabilities. IFRS 9 (2009) requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. IFRS 9 (2010) requires that financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. IFRS 9 (2009) and IFRS 9 (2010) are effective for the Company on June 1, 2013. Early adoption is permitted and the standard is required to be applied retrospectively. The Company does not expect a significant impact upon implementation of the standard. In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 10 - *Consolidated Financial Statements*, IFRS 11 - *Joint Arrangements*, IFRS 12 - *Disclosure of Interests in Other Entities*, IAS 27 - *Separate Financial Statements (2011)*, IFRS 13 - *Fair Value Measurement* and amended IAS 28 - *Investments in Associates and Joint Ventures (2011)*. Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

## **5. RESULTS OF OPERATIONS**

At November 30, 2012 total assets were \$1,500,715 as compared to \$1,565,298 at May 31, 2012.

The Company has no operating revenues. During this quarter the Company also earned \$166 in interest income compared to \$1,400 for the same in the prior year.

During the period ended November 30, 2012 the Company had a net loss of \$47,938 compared to a net loss of \$5,750 for the same period ended November 30, 2011. General and administration expenses were \$48,103 as compared to \$7,150 for the same quarter in the previous year. This significant increase in expenses was a direct result of the increased activity as related to QT investigations. Expenses are expected to increase in the future as related to the investigation and completion of a potential Qualifying Transactions.

## **6. FINANCIAL CONDITION / LIQUIDITY**

At November 30, 2012, the Company had cash of \$1,475,544 compared to cash of \$1,591,932 as at November 30, 2011. The Company has no off-balance sheet financing. The Company has no long-term debt. This decrease is due to the completion of the initial public offering of the Company, completion of the above-mentioned private placement, completion of a full financial year and an increase in activity as related to the investigation of the proposed Qualifying Transaction. Share capital also increased as a result in the previous year, however has remained static since the year ended May 31, 2011.

At this time, the Company has no operating revenues, and does not anticipate any operating revenues until the Company is able to find, acquire, place in production, and operate a resource property. Historically, the Company has raised funds through equity financing to fund its operations.

There is no present market for the Company's securities. Subject to the Company's success in the completion of a QT, the Company may need to raise additional cash for working capital or other expenses. In the interim, the Company will have no revenue other than interest on cash deposits and significant expenses are expected in the identification and acquisition of a qualifying asset. In addition, as a result of the Company's activities, unanticipated problems or expenses could result and require additional capital requirements, subject to TSX Venture Exchange policies and approvals. Although the Company did not raise capital during the most recent quarter or subsequent to the completion of the IPO, it is acknowledged that the Company may encounter difficulty sourcing future financings in light of the recent economic downturn.

The Company has no assets other than cash deposits and has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants. Management believes the Company has sufficient working capital at this time to meet its current financial obligations.

## 7. CAPITAL RESOURCES

The Company completed its initial public offering for 2,500,000 common shares at \$0.10 per share for gross proceeds of \$250,000. The agent was paid a commission of 10% of the gross proceeds of the offering and a corporate finance fee of \$10,000, legal fees of \$10,700 and reimbursed its expenses incurred and granted an agent's option to acquire that number of Common Shares of the Company as is equal to 10% of the total number of shares (250,000 options) sold under the offering at an exercise price of \$0.10 per share for a period of 24 months from the date of listing of the common Shares on the TSX Venture.

On May 13, 2011, the Company closed a private placement and issued 7,420,000 common shares at a price of \$0.20 per share for aggregate gross proceeds of \$1,485,000. In connection with this private placement, the Company paid cash commission of \$88,600 and granted 445,200 warrants. Each warrant is exercisable into one common share of the Company at a price of \$0.20 for a period of two years.

The Company's principal business activity upon the successful completion of the Offering will be to identify and evaluate opportunities for an acquisition of an asset, assets or a business that will meet the definition of a QT as defined by the regulatory authorities.

## 8. OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## 9. OUTSTANDING SHARE DATA

As at May 31, 2011, May 31, 2012 and January 23, 2012, there were 12,725,000 common shares outstanding. 2,800,000 shares are held in escrow and will be released pursuant to the Escrow Agreement dated September 21, 2010. There were no shares issued in the year ended May 31, 2012 or the period ended November 30, 2012.

(a) Authorized:

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

(b) Issued voting common shares:

	Number of Shares	Amount \$
<b>Balance, May 31, 2010</b>	2,800,000	140,000
Issued for initial public offering	2,500,000	200,655

Issued for cash by private placement	7,425,000	1,346,731
<b>Balance May 31, 2011, May 31, 2012 and October 16, 2012</b>	<b>12,725,000</b>	<b>1,687,386</b>

(c) 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.

(d) Warrants

As at November 30, 2012, 695,200 warrants are outstanding with a weighted average life and weighted average exercise price of 0.29 years and \$0.16, respectively.

(e) 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 \$5,926 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%.

The weighted average life and weighted average exercise price of the options are 2.50 years and \$0.15, respectively. At November 30, 2012, all of these options were exercisable.

## 10. TRANSACTIONS WITH RELATED PARTIES

During the period ended November 30, 2012 the Company paid or accrued fees for office services of \$15,500 (2011 - \$15,000) to a company owned 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. These transactions are permissible under with Section 8.2 of TSX Venture Policy 2.4 governing payments by CPC's to related parties.

At November 30, 2012, \$Nil (2011 - \$Nil) is owing to this company and included in trade payables and accrued liabilities.

## 11. PROPOSED TRANSACTIONS

The Company is continually exploring new acquisitions; however, the Company has no other proposed business or financing transactions other than pursuing the completion of a QT to report at this time.



## 12. FINANCIAL INSTRUMENTS

### *Fair Value Measurement*

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 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices).
- Level 3 – inputs for the asset or liability 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. Taxes recoverable and accounts payable are held at carrying value which approximates 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 processes.

### Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk is on its cash and guaranteed investment certificates. The Company reduces its credit risk by maintaining its bank accounts and guaranteed investment certificates at a large international financial institution. The maximum exposure to credit risk is equal to the fair value or carrying value of the Company's financial assets.

### Liquidity Risk

The Company's cash is invested in business accounts and is available on demand. The Company's guaranteed investment certificates are redeemable on demand. Management has concluded that the Company has adequate financial resources to settle obligations as at August 31, 2012.

### Market Risk

The only significant market risk to which the Company is exposed is interest rate risk. The Company's cash earns interest at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates as a result of the short-term nature of these instruments. The Company's future earned interest is exposed to short-term rates.

## MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, business opportunity and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or return capital to its shareholders. The Company is not exposed to externally imposed capital requirements.

### 13. FIRST TIME ADOPTION OF IFRS

In 2010, the CICA Handbook was revised to incorporate IFRS, and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these unaudited condensed interim financial statements. In these financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS. The effect of the Company’s transition to IFRS is summarized as follows:

#### (a) Transition elections

The Company has applied the following transition exceptions and exemptions to full retrospective application of IFRS:

##### i. *Business combinations*

IFRS 1 provides the option for a first time adopter to elect not to apply IFRS 3 - *Business Combinations* (“IFRS 3”) to past business combinations that occurred before July 1, 2010 (“Transition Date”). The retrospective basis would require the restatement of prior acquisitions that meet the definition of a business combination under IFRS 3. The Company elected to adopt IFRS 3 effective July 1, 2010, and there are no adjustments required on the transition date.

##### ii. *Share-based payments*

IFRS 1 permits the application of IFRS 2 - *Share-based Payments* (“IFRS 2”), to equity instruments granted on or before November 7, 2002, that had not vested by the Transition Date. The Company elected to apply IFRS 2 to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. There were no unvested options as at the Transition Date; therefore, there is no adjustment required.

##### iii. *Estimates*

In accordance with IFRS 1, an entity’s estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company’s IFRS estimates as of July 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

#### (b) Reconciliation of assets, liabilities, equity, comprehensive income and cash flows of the Company from those reported under Canadian GAAP to IFRS

There are no material differences between the statements of financial position, equity, total comprehensive loss and cash flows presented under IFRS and Canadian GAAP as at July 1, 2010, for the three months ended and as at September 30, 2010 and the year ended June 30, 2011 except for the following:

- Under Canadian GAAP, expenditures that were incurred in connection with the Company’s IPO were considered share issue costs and recorded as a charge to share capital. Under IFRS, costs that relate to the listing of the Company’s existing shares are expensed in the period incurred. Accordingly, \$5,000 and \$15,000 of costs incurred during the year ended May 31, 2011 were reclassified as consulting expense and filing fees respectively. (see Note 9 of Financials).

### 16. FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company’s financial instruments include cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued liabilities, loans payable, and an amount due to related party. The carrying value of these financial instruments approximates their fair market value because of the short maturity of these instruments. Unless otherwise noted, it is management’s opinion that the Company is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

## **17. LEGAL PROCEEDINGS**

The Company is not involved in any legal proceedings.

## **18. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Company's President & Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures as well as internal controls over financial reporting for the Company.

### ***Disclosure Controls and Procedures***

Disclosure controls and procedures have been designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to management including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. The Company's CEO and CFO have concluded, based on their evaluation as of the end of the year that the disclosure controls and procedures are effective to provide reasonable assurance that material information related to the Company is made known to them by others. It should be noted that while the Company's CEO and CFO believe that the disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

### ***Internal Controls over Financial Reporting***

The CEO and CFO of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Company has assessed the design of the internal control over financial reporting and during this process the Company identified a certain weakness in internal controls over financial reporting which is as follows:

- Due to the limited number of staff, it is not feasible to achieve complete segregation of incompatible duties

The weakness in the Company's internal controls over financial reporting results in a more than remote likelihood that a material misstatement would not be prevented or detected. Management and the Board of Directors work to mitigate the risk of a material misstatement in financial reporting; however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

### **Subsequent Events**

Effective as at opening on Friday December 21<sup>st</sup>, 2012, the TSX Venture Exchange accepted for filing the Company's Qualifying Transaction (the "QT") and related transactions, all as principally described in its filing statement dated December 6, 2012 (the "Filing Statement"). As a result, the Company is no longer considered a Capital Pool Company and has changed its name to "Titus Energy Corp.". The company trading symbol remains TIS. Effective as at the opening on Friday, December 21, 2012, the common shares of "Titus Energy Corp." commenced trading on the TSX Venture Exchange. The Company is classified as a Tier 2 Junior Mineral Exploration company.

### **Risks and Uncertainties**

The Company has a limited history of operations and has not yet entered into an agreement to complete a qualifying transaction. The Company is currently evaluating options and until such a time as they enter into an agreement to complete a QT there is no guarantee that such a transaction will be completed. There can be no assurance that the Company will be able to obtain adequate financing or that the terms of such financing will be favourable.

### **Cautionary Statement**

This MD&A may contain “forward looking statements” that reflect the Company’s current expectations and projections about its future results. When used in this MD&A, words such as “estimate”, “intend”, “expect”, “anticipate” and similar expressions are intended to identify forward looking statements, which, by their very nature, are not guarantees of the Company’s future, operational or financial performance, and are subject to risk and uncertainties and other factors that could cause the Company’s actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward looking statements.

Readers are cautioned not to place undue reliance on these forward looking statements which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risk and uncertainties, including the risk and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward looking statements whether as a result of new information, future events or otherwise.

For further information about Titus Capital Corp. please visit Sedar at [www.sedar.com](http://www.sedar.com).