

**TITUS ENERGY CORP.**  
**1435 CORNWALL STREET**  
**REGINA, SASKATCHEWAN**  
**S4R 5B3**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 29, 2014**

*The following discussion is management's assessment and analysis of the results and financial condition of Titus Energy Corp. (Formerly Titus Capital Corp.) (the "Company"), and should be read in conjunction with the accompanying financial statements and related notes for the period ended May 31, 2014 prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial data in this MD&A is in accordance with IFRS and all figures are reported in Canadian dollars unless otherwise indicated.*

*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 September 29, 2014.*

**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 was classified as a reporting issuer and Capital Pool Company as defined by Policy 2.4 of the TSX Venture Exchange ("the Exchange") until it completed its Qualifying Transaction on December 20, 2012. Effective December 21, 2012, the 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 as a Capital Pool Company and has changed its name to "Titus Energy Corp.". The Company's trading symbol is TIS. Effective December 21, 2012, the common shares of "Titus Energy Corp." commenced trading on the Exchange. The Company is classified as a Tier 2 Junior Oil and Gas Exploration company and will be involved in the oil and gas resource exploration and development sector. The Company's registered address is 1435 Cornwall Street, Regina, Saskatchewan, S4R 5B3.

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.

**2. SELECTED ANNUAL INFORMATION**

| In Canadian dollars      | <b>31May14<br/>IFRS</b> | <b>31May13<br/>IFRS</b> | <b>31May12<br/>IFRS</b> |
|--------------------------|-------------------------|-------------------------|-------------------------|
| <b>Interest Income</b>   | \$4,834                 | \$17,410                | \$16,692                |
| <b>Loss for the year</b> | \$(177,513)             | \$(246,817)             | \$(58,947)              |
| <b>Loss per Share</b>    | \$(0.01)                | \$(0.02)                | \$(0.01)                |
| <b>Total Assets</b>      | \$1,133,968             | \$1,320,481             | \$1,565,298             |
| <b>Total Liabilities</b> | \$1,000                 | \$10,000                | \$8,000                 |
| <b>Working Capital</b>   | \$49,050                | \$1,255,963             | \$1,557,298             |

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.

As per above, the 2010 figures represent only a partial financial year as the company's inception date was in February of 2010. The loss for the year increased significantly for the year ended May 31, 2011 due to the completion of the Company's first full financial year and the listing of the Company's shares on the TSX

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Venture Exchange on December 7, 2010. In addition to the IPO financing, the Company also completed a subsequent financing that resulted in a marked increase in the total assets. These assets were and continue to be comprised of primarily cash and receivables from the Government of Canada (i.e. HST/GST) in the 2011 and 2012 financial years. In 2013, the Company successfully completed its Qualifying Transaction, which resulted in another significant increase in the loss for the year as compared to the prior year. Liabilities have remained stable from year to year while the total assets have decreased slightly. Another item of note is the increase in interest income in 2012 and 2013 from prior years. This was the result of the Company allotting subscription proceeds to a guaranteed investment certificate while in the process of trying to source and complete a Qualifying Transaction.

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 (prepared in accordance with IFRS and reported in Canadian Dollars):

|                          | 31May14     | 28Feb14     | 30Nov13     | 31Aug13     | 31May13     | 28Feb12     | 30Nov12     | 31Aug12     |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Interest Income</b>   | \$643       | \$956       | \$1,211     | \$2,024     | \$16,678    | \$566       | \$166       | -           |
| <b>Operating Costs</b>   | \$(40,138)  | \$(27,047)  | \$(72,600)  | \$(42,562)  | \$(87,188)  | \$(113,176) | \$(47,938)  | \$(15,925)  |
| <b>Net Loss</b>          | \$(39,495)  | \$(26,091)  | \$(71,389)  | \$(40,538)  | \$(56,344)  | \$(126,610) | \$(47,938)  | \$(15,925)  |
| <b>Total Assets</b>      | \$1,133,968 | \$1,172,872 | \$1,198,554 | \$1,279,943 | \$1,320,481 | \$1,381,195 | \$1,500,715 | \$1,549,372 |
| <b>Total Liabilities</b> | \$(1,000)   | \$(409)     | \$(NIL)     | \$10,000    | \$10,000    | \$370       | \$7,280     | \$8,000     |
| <b>Working Capital</b>   | \$49,050    | \$91,545    | \$973,936   | \$1,049,825 | \$1,255,963 | \$1,367,754 | \$1,493,435 | \$1,541,372 |
| <b>Loss per share</b>    | \$(0.00)    | \$(0.00)    | \$(0.01)    | \$(0.00)    | \$(0.01)    | \$(0.01)    | \$(0.00)    | \$(0.00)    |

Notes:

- o The Company was incorporated February 17, 2010
- o Company has no business operations or revenues.
- o The Company completed its Qualifying Transaction as at December 20, 2012. Subsequent to this, expenditures were restricted as per Policy 2.4 of the TSX Venture Exchange.

#### Fourth Quarter Results

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.

On December 20, 2012, the Company received final TSX approval for the abovementioned transaction. 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 as a Capital Pool Company and has changed its name to “Titus Energy Corp.”. The company’s trading symbol remains TIS. Effective as at opening on Friday, December 21<sup>st</sup>, 2012, the common shares of “Titus Energy Corp.” commenced trading on

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the TSX Venture Exchange. The Company is classified as a Tier 2 Junior Oil and Gas Exploration company and will be involved in the oil and gas resource exploration and development sector.

A work over was completed on the wells in addition to a seismic survey over the Prevail Property in fiscal 2014. The Company has not yet received the results of the survey and expects them in the near future. Titus has met its obligations with respect to the Prevail Property Agreement and has fully vested its 30% interest in the Property.

Since the completion of the QT, no additional events or items occurred that affected the Company's financial condition, cash flows, or results of operations.

In the fourth quarter ended May 31, 2014, 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:

There were no additional property acquisitions that occurred during the quarter.

Stock option grants within the 4<sup>th</sup> quarter were as follows:

There were no grants to report.

Other:

***Prevail Project***

The Prevail Property consists of various working interests in 2,280 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.

The Vendor is the operator of the Prevail Property and as at May 31, 2014, has completed the required work in its entirety on the Prevail Property on behalf of this Agreement. Deposits had been made by Titus during fiscal 2013 and 2014 that were used for a seismic survey that was conducted over the property as well as equipment purchase and rental for surface production and down hole work. To date, Titus is in compliance with the requirements of the agreement with Term Oil and the subsequent extension addendum and continues to work with the Vendor to advance the project.

**Background on Period to Period Variations**

Titus Capital Corp. was incorporated on February 17, 2010 under the British Columbia Corporations Act and was listed on the TSX Venture Exchange as a CPC under Exchange Policy 2.4 on December 7, 2010. The Company subsequently completed a brokered private placement with Union Securities Ltd. of Vancouver, BC during the year ended May 31, 2011. During the year ended May 31, 2012, the operating costs of the Company remained low and consistent as a result of minimum activity other than the sourcing of an appropriate Qualifying Transaction. Working capital decreased slightly over this period as a result of the day to day activities of the Company attributed to operating costs. Operating costs increased more significantly from the period ended November 30, 2012 to the period ended November 30, 2013 largely as a result of the due diligence process, successful identification and completion of the QT on December 20, 2012 as well as increased activity pertaining to the Prevail Property. In fiscal 2013 the Company met its obligations with respect to the Prevail Property Agreement and fully vested its 30% interest in the Property. Exploration expenditures increased significantly in fiscal 2014 as a result of the completion

of the well work-overs and a seismic survey over the Property. Since inception, the Company has also earned investment income from period to period as a direct result of the Company's investment in various GICs.

The financial statements have in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

### **Changes in Accounting Policies including Initial Adoption**

The financial statements presented in this MD&A has been prepared in accordance with International Financial Reporting Standards. Our significant accounting policies and basis of presentation are set out in Note 2 of the audited financial statements of the Company, as at and for the year ended May 31, 2014 and 2013.

#### ***Adoption of new accounting standards***

The following standards, amendments and interpretations have been adopted by the Company as of June 1, 2013. There was no impact on the financial statements as a result of the adoption of these standards, amendments and interpretations:

- a) IFRS 10 Consolidated Financial Statements (New; to replace consolidation requirements in IAS 27) as amended in 2009) and SIC-12);
- b) IFRS 11 Joint Arrangements (New; to replace IAS 31 and SIC-13);
- c) 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);
- d) IFRS 13 Fair Value Measurement (New; to replace fair value measurement guidance in other IFRSs); and
- e) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (New).

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

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after January 1, 2014 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 is a new standard that replaces IAS 39 for classification and measurement of financial assets, effective for annual periods beginning on or after January 1, 2018; and
- b) IFRIC 20 Levies is an interpretation of IAS 37 "Provisions, contingent liabilities, and contingent assets." The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## **5. RESULTS OF OPERATIONS**

At May 31, 2014 total assets were \$1,133,968 as compared to \$1,320,481 as at May 31, 2013.

The Company has no operating revenues. During the year ended May 31, 2014, the Company also earned \$4,834 in interest income compared to \$17,410 in the prior year.

During the year ended May 31, 2014, the Company had a net loss of \$177,513 compared to a net loss of \$246,817 for the year ended May 31, 2013. General and administration were \$182,347 as compared to \$264,227 for the same quarter in the previous year. This decrease in expenses was primarily the result of the completion of the QT and its associated professional fees during the same period in the prior year.

The following are details of the major changes in operating expenses during the year ended May 31, 2014:

- During the year ended May 31, 2014, the Company paid \$72,212 (2013 – \$67,662) in office and

administrative fees.

- During the year ended May 31, 2014, the Company paid \$15,394 (2013 - \$21,138) in filing fees.
- The Company paid \$61,000 (2013 - \$5,200) in consulting fees to a former director of the Company.
- The Company paid \$Nil (2013 - \$16,267) in property investigation costs as the Company spent funds on its Prevail Property, which it had the legal rights to explore.

Expenses are expected to increase in the future as the company intends to de-list.

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

At May 31 2014, the Company had cash of \$46,551 compared to cash of \$1,144,673 as at May 31, 2013. The Company has no off-balance sheet financing. During the period ended May 31, 2014 and 2013, the company did not obtain any long-term debt or equity financing. This decrease is due to the completion of the Qualifying Transaction, an increase in corporate activities and payments made towards the Prevail Property work program and seismic survey. Currently, the Company has sufficient working capital to fund its day to day activities and to meet its financial requirements for the upcoming financial year.

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.

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. In addition, as a result of the Company's activities, unanticipated problems or expenses could result and require additional capital requirements, subject to the Exchange policies and approvals. Although the Company did not raise capital during the most recent year, 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.

## **8. OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

## **9. OUTSTANDING SHARE DATA**

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As at May 31, 2014 and September 29, 2014, there were 12,725,000 common shares outstanding and 200,000 stock options outstanding. 1,680,000 shares are currently held in escrow and are released pursuant to the Escrow Agreement dated September 21, 2010. There were no shares issued in the period ended May 31, 2014.

Authorized:

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

Issued voting common shares:

|   | Number of<br>Shares | Amount<br>\$     |
|---|---------------------|------------------|
| <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, 2014, 2013, 2012 and 2011</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. 10% of this escrow (280,000) were released upon completion of the QT on December 20, 2012. As at May 31, 2014, 1,680,000 shares remain in escrow for future release.

(d) 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 1 year (2013 – 2 years) and \$0.15 (2013 - \$0.15), respectively. At May 31, 2014 and September 29, 2014, all of these options were exercisable.

## 10. TRANSACTIONS WITH RELATED PARTIES

The Company incurred the following transactions with the directors and officers of the Company and companies controlled by directors of the Company:

|   | May 31,<br>2014   | May 31,<br>2013   |
|---|-------------------|-------------------|
| Management fees paid to the former director of the Company                                  | \$ 15,000         | \$ 60,000         |
| Consulting fees paid to a former director of the Company                                    | 61,000            | 5,200             |
| Geological consulting fees paid to a former director of the Company                         | 18,000            | 4,500             |
| Geological consulting fees paid to the former President of the Company                      | -                 | 20,000            |
| Office and administration services paid to a company controlled by a former common director | 60,500            | 43,000            |
|   | <b>\$ 154,500</b> | <b>\$ 132,700</b> |

## 11. PROPOSED TRANSACTIONS

The Company is continually exploring new acquisitions; however, the Company has no other proposed business 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. GST receivable is 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 May 31, 2014.

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.

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.

### **13. 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.

### **14. LEGAL PROCEEDINGS**

The Company is not involved in any legal proceedings.

**Subsequent Events**

There are no events to report at this time.

**Risks and Uncertainties**

The Company has a limited history of operations. There can be no assurance that the Company will be able to obtain adequate financing or that the terms of such financing will be favorable.



**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. Except as required by law, 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 Energy Corp. please visit Sedar at [www.sedar.com](http://www.sedar.com).