

**TITUS ENERGY CORP.**

**1435 CORNWALL  
STREET REGINA,  
SASKATCHEWAN  
S4R 5B3**

**MANAGEMENT'S DISCUSSION AND  
ANALYSIS**

**December 8, 2015**

*The following discussion is management's assessment and analysis of the results and financial condition of Titus Energy Corp. (the "Company"), and should be read in conjunction with the accompanying financial statements and related notes for the period ended May 31, 2015 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 December 8, 2015.*

**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. Effective as at the close of business on December 5, 2014, the common shares of Titus Energy Corp. were voluntarily delisted from the TSX Venture Exchange pursuant to shareholder approval provided on November 19, 2014 at the Company's Annual and Special Meeting. 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.

**OVERVIEW**

The Company 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.

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.

Three infill wells were drilled and completed on the property in April of 2015. These wells were drilled with an investment by a third party. Titus maintains a 30% working interest of the Term share therefore the net share to Titus will be 15% of production. Term also contributed \$28,000 towards the work overs of existing wells on a revolving short-term loan basis.

## OVERVIEW (continued)

### *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 classic 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 are 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 November 30, 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, the Company 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.

## SELECTED ANNUAL INFORMATION

In Canadian dollars	31MAY15 IFRS	31MAY14 IFRS	31MAY13 IFRS
<b>Interest Income</b>	\$0	\$4,834	\$17,410
<b>Loss for the year</b>	\$(27,677)	\$(177,513)	\$(246,817)
<b>Loss per Share</b>	\$(0.00)	\$(0.01)	\$(0.02)
<b>Total Assets</b>	\$1,117,557	\$1,133,968	\$1,320,481
<b>Total Liabilities</b>	\$12,266	\$1,000	\$10,000
<b>Working Capital</b>	\$19,873	\$49,050	\$1,255,963

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures are stated in Canadian Dollars. 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.

## SELECTED QUARTERLY FINANCIAL 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):

	31May15	28Feb15	30Nov14	31Aug14	31May14	28Feb14	30Nov13	31Aug13
<b>Interest Income</b>	\$0	\$0	\$0	\$0	\$643	\$956	\$1,211	\$2,024
<b>Operating Costs</b>	\$(15,929)	\$(2,532)	\$(9,198)	\$(18)	\$(40,138)	\$(27,047)	\$(72,600)	\$(42,562)
<b>Net Loss</b>	\$(15,929)	\$(2,532)	\$(9,198)	\$(18)	\$(39,495)	\$(26,091)	\$(71,389)	\$(40,538)
<b>Total Assets</b>	\$1,117,557	\$1,120,527	\$1,124,752	\$1,133,950	\$1,133,968	\$1,172,872	\$1,198,554	\$1,279,943
<b>Total Liabilities</b>	\$(12,266)	\$(4,391)	\$0	\$(1,000)	\$(1,000)	\$(409)	\$(NIL)	\$10,000
<b>Working Capital</b>	\$19,873	\$32,218	\$39,334	\$49,032	\$49,050	\$91,545	\$973,936	\$1,049,825
<b>Loss per Share</b>	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.01)	\$(0.00)

## CRITICAL ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING PRINCIPLES

The Company's accounting policies are presented in Note 2 to the audited annual consolidated financial statements for the year ended May 31, 2015. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

The preparation of the audited annual consolidated financial statements using accounting policies consistent with International Financial Reporting Standards ("IFRS") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), requires management to make estimates and assumptions which affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to determining the recoverability of mineral property interests, environmental obligations, and the determination of the valuation allowance for future tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

## **RESULTS OF OPERATIONS**

At May 31, 2015 total assets were \$1,117,557 as compared to \$1,133,968 as at May 31, 2014.

The Company has no operating revenues. During the period ended May 31, 2015, the Company earned \$0 in interest income compared to \$4,834 in the prior period.

During the year ended May 31, 2015, the Company had a net loss of \$27,677 compared to a net loss of \$177,513 for the year ended May 31, 2014. Office and administration fees were \$1,829 as compared to \$72,212 for the previous year. This decrease is the result of a significant decrease in operations, resulting in lower office and administration fees in the year.

The following are details of the other major changes in operating expenses during the year ended May 31, 2015:

- During the year ended May 31, 2015, the Company paid \$Nil (2014 – \$15,000) in management fees to a former director of the Company as the former director no longer charged the Company fees in the current year;
- During the year ended May 31, 2015, the Company paid \$5,561 (2014 - \$15,394) in filing fees due to decreased operations in the year and voluntary delisting; and
- The Company paid \$Nil (2014 - 62,000) in consulting fees to a former director of the Company. No fees were incurred in the current year as the former director no longer charged fees in the year.

## **LIQUIDITY AND CAPITAL RESOURCES**

At May 31, 2015, the Company had cash of \$809 compared to cash of \$46,551 as at May 31, 2014. The Company had working capital of \$19,873 at May 31 2015 (2014 – \$49,050). During the period ended May 31, 2015, the company did not obtain any long-term debt or equity financing. Currently, the Company has limited 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. The Company has previously raised funds through equity financing to fund its operations.

The Company will rely on collection of funds on loan to finance the completion of the closing transactions. 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 capital markets.

The Company has no assets other than cash deposits and a short term loan receivable from an arm's length party. Management believes the Company will have sufficient working capital at this time to meet its current financial obligations.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

## OUTSTANDING SHARE DATA

As at May 31, 2015, there were 12,725,000 common shares outstanding and nil stock options outstanding. 840,000 shares are currently held in escrow and released pursuant to the Escrow Agreement dated September 21, 2010. As at May 31, 2015, 1,960,000 common shares had been released from escrow.

The following information is provided as at May 31, 2015:

Authorized – unlimited number of common shares without par value

Issued and outstanding common shares – 12,725,000

Warrants – Nil

Stock options – 200,000 with an exercise price of \$0.15 and expiry date of June 1, 2015

The following information is provided as at December 8, 2015:

Authorized – unlimited number of common shares without par value

Issued and outstanding common shares – 12,725,000

Warrants – Nil

Stock options – Nil

## 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, 2015	May 31, 2014
Management fees paid to the former director of the Company	\$ nil	\$ 15,000
Consulting fees paid to a former director of the Company	nil	61,000
Geological consulting fees paid to a former director of the Company	nil	18,000
Office and administration services paid to a company controlled by a former common director	nil	60,500
	<b>\$ nil</b>	<b>\$ 154,500</b>

## PROPOSED TRANSACTIONS

There are no proposed transactions at this time.

## 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.

### ***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 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 GST 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 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.

## **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.

### **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).