



**TITAN MINING CORPORATION**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019**  
(Unaudited)

**TITAN MINING CORPORATION**  
**Condensed Consolidated Interim Statement of Financial Position**  
*(Expressed in thousands of US dollars - Unaudited)*

|  | Note | March 31,<br>2019 | December 31,<br>2018 |
|--|------|-------------------|----------------------|
| <b>Assets</b>                                      |      |                   |                      |
| Current assets                                     |      |                   |                      |
| Cash and cash equivalents                          | \$   | 2,393             | \$ 2,290             |
| Trade and other receivables                        | 4    | 3,267             | 1,123                |
| Inventories  | 5    | 2,524             | 2,702                |
| Other current assets                               |      | 746               | 989                  |
|  |      | 8,930             | 7,104                |
| Non-current assets                                 |      |                   |                      |
| Mineral properties, plant and equipment            | 6    | 70,722            | 64,254               |
| Right-of-use assets                                | 7a   | 1,443             | -                    |
| Restricted cash                                    |      | 1,734             | 1,732                |
| Other assets                                       |      | -                 | 111                  |
| <b>Total assets</b>                                | \$   | <b>82,829</b>     | \$ <b>73,201</b>     |
| <b>Liabilities</b>                                 |      |                   |                      |
| Current liabilities                                |      |                   |                      |
| Accounts payable and accrued liabilities           | \$   | 9,309             | \$ 7,956             |
| Lease liabilities                                  | 7b   | 928               | -                    |
| Debt   | 8    | 9,990             | 4,241                |
| Deferred rental contribution                       | 3    | -                 | 436                  |
| Warrant derivative liability                       | 9a   | -                 | 1,099                |
| Acquisition obligations                            |      | 1,025             | 1,025                |
|  |      | 21,252            | 14,757               |
| Non-current liabilities                            |      |                   |                      |
| Loan from related party                            | 9a   | 17,251            | 14,809               |
| Lease liabilities                                  | 7b   | 489               | -                    |
| Debt   |      | -                 | 721                  |
| Other payables                                     | 9c   | 187               | 367                  |
| Deferred rental contribution                       | 3    | -                 | 916                  |
| Reclamation and remediation provision              |      | 15,061            | 14,392               |
| <b>Total liabilities</b>                           |      | <b>54,240</b>     | <b>45,962</b>        |
| <b>Shareholders' equity</b>                        |      |                   |                      |
| Equity attributable to shareholders of the Company |      |                   |                      |
| Share capital                                      |      | 51,859            | 51,859               |
| Reserves   |      | 3,422             | 2,335                |
| Deficit  |      | (26,692)          | (26,955)             |
| <b>Total equity</b>                                |      | <b>28,589</b>     | <b>27,239</b>        |
| <b>Total liabilities and shareholders' equity</b>  | \$   | <b>82,829</b>     | \$ <b>73,201</b>     |

The notes form an integral part of these unaudited condensed consolidated interim financial statements.

**TITAN MINING CORPORATION****Condensed Consolidated Interim Statement of Loss and Comprehensive Loss***(Expressed in thousands of US dollars - Unaudited)*

|   | Three months ended March 31, |          |
|---|------------------------------|----------|
|   | 2019                         | 2018     |
| <b>Revenue</b>  |                              |          |
| Provisional pricing adjustments                           | \$ 2,797                     | \$ -     |
| <b>Other operating expenses</b>                           |                              |          |
| General and administration expenses                       | 1,073                        | 1,232    |
| Exploration and evaluation expenses                       | 2,052                        | 363      |
|   | 3,125                        | 1,595    |
| <b>Other expenses (income)</b>                            |                              |          |
| Interest and other finance expenses                       | 773                          | -        |
| Accretion expense   | 97                           | 88       |
| Gain on warrant derivative liability                      | (71)                         | -        |
| Interest income   | (10)                         | (71)     |
| Foreign exchange income                                   | (28)                         | (30)     |
|   | 761                          | (13)     |
| <b>Net loss for the period</b>                            | 1,089                        | 1,582    |
| <b>Other comprehensive loss</b>                           |                              |          |
| Items that may be reclassified to profit or loss:         |                              |          |
| Unrealized loss on translation to reporting currency      | 64                           | 411      |
| <b>Total comprehensive loss for the period</b>            | \$ 1,153                     | \$ 1,993 |
| <b>Basic and diluted loss per share (in \$US)</b>         | \$ 0.01                      | \$ 0.02  |
| <b>Weighted average shares outstanding (in thousands)</b> | 101,971                      | 101,971  |

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**TITAN MINING CORPORATION**  
**Condensed Consolidated Interim Statement of Changes in Equity**  
*(Expressed in thousands of US dollars - Unaudited)*

|  | Note | Share capital  |           | Reserves                   |                                 |          | Total       | Deficit   | Total equity |
|--|------|----------------|-----------|----------------------------|---------------------------------|----------|-------------|-----------|--------------|
|  |      | Number ('000s) | Amount    | Share options and warrants | Currency translation adjustment |          |             |           |              |
| Balance, January 1, 2018                         |      | 101,971        | \$ 51,834 | \$ 956                     | \$ (211)                        | \$ 745   | \$ (11,098) | \$ 41,481 |              |
| Share-based compensation                         |      | -              | -         | 283                        | -                               | 283      | -           | 283       |              |
| Total comprehensive loss for the period          |      | -              | -         | -                          | (411)                           | (411)    | (1,582)     | (1,993)   |              |
| Balance, March 31, 2018                          |      | 101,971        | \$ 51,834 | \$ 1,239                   | \$ (622)                        | \$ 617   | \$ (12,680) | \$ 39,771 |              |
| Balance, January 1, 2019, as previously reported |      | 101,971        | \$ 51,859 | \$ 2,741                   | \$ (406)                        | \$ 2,335 | \$ (26,955) | \$ 27,239 |              |
| Impact of change in accounting policy            | 3    | -              | -         | -                          | -                               | -        | 1,352       | 1,352     |              |
| Adjusted balance, January 1, 2019                |      | 101,971        | \$ 51,859 | \$ 2,741                   | \$ (406)                        | \$ 2,335 | \$ (25,603) | \$ 28,591 |              |
| Issue of share purchase warrants                 | 9a   | -              | -         | 1,028                      | -                               | 1,028    | -           | 1,028     |              |
| Share-based compensation                         |      | -              | -         | 123                        | -                               | 123      | -           | 123       |              |
| Total comprehensive loss for the period          |      | -              | -         | -                          | (64)                            | (64)     | (1,089)     | (1,153)   |              |
| Balance, March 31, 2019                          |      | 101,971        | \$ 51,859 | \$ 3,892                   | \$ (470)                        | \$ 3,422 | \$ (26,692) | \$ 28,589 |              |

The notes form an integral part of these unaudited condensed consolidated interim financial statements.

**TITAN MINING CORPORATION**  
**Condensed Consolidated Interim Statement of Cash Flows**  
*(Expressed in thousands of US dollars - Unaudited)*

|   | Note | Three months ended March 31, |                  |
|---|------|------------------------------|------------------|
|   |      | 2019                         | 2018             |
| <b>Operating activities</b>                             |      |                              |                  |
| Loss for the period                                     |      | \$ (1,089)                   | \$ (1,582)       |
| Interest and borrowing expense accruals                 |      | 559                          | -                |
| Amortization of borrowing and transaction costs         |      | 168                          | -                |
| Share-based compensation                                |      | 109                          | 283              |
| Accretion   |      | 97                           | 88               |
| Interest expense on lease liabilities                   | 7c   | 45                           | -                |
| Gain on warrant derivative liability                    |      | (71)                         | -                |
| Depreciation of right-of-use assets                     |      | 85                           | -                |
| Amortization of deferred rental contribution            |      | -                            | (20)             |
| Interest income accrual on restricted cash              |      | (2)                          | -                |
| Unrealized foreign exchange loss (income)               |      | 16                           | (10)             |
|   |      | (83)                         | (1,241)          |
| Changes in non-cash working capital:                    |      |                              |                  |
| Trade and other receivables                             |      | (2,144)                      | (120)            |
| Inventories   |      | 515                          | (175)            |
| Other current assets                                    |      | 243                          | (737)            |
| Accounts payable and accrued liabilities                |      | (440)                        | (3,128)          |
| <b>Net cash used in operating activities</b>            |      | <b>(1,909)</b>               | <b>(5,401)</b>   |
| <b>Financing activities</b>                             |      |                              |                  |
| Proceeds from bank indebtedness                         | 8a   | 6,000                        | -                |
| Proceeds from related party loan                        | 9a   | 1,900                        | -                |
| Payment of lease liabilities                            | 7d   | (261)                        | -                |
| Payment of interest, borrowing and transaction costs    |      | (163)                        | -                |
| Repayment of equipment loans                            |      | (20)                         | -                |
| Deferred rental contributions received                  |      | -                            | 346              |
| <b>Net cash provided by financing activities</b>        |      | <b>7,456</b>                 | <b>346</b>       |
| <b>Investing activities</b>                             |      |                              |                  |
| Additions to mineral properties, plant and equipment    |      | (5,380)                      | (8,134)          |
| <b>Net cash used in investing activities</b>            |      | <b>(5,380)</b>               | <b>(8,134)</b>   |
| Effect of foreign exchange on cash and cash equivalents |      | (64)                         | (408)            |
| <b>Increase (decrease) in cash and cash equivalents</b> |      | <b>103</b>                   | <b>(13,597)</b>  |
| Cash and cash equivalents, beginning of period          |      | 2,290                        | 25,168           |
| <b>Cash and cash equivalents, end of period</b>         |      | <b>\$ 2,393</b>              | <b>\$ 11,571</b> |
| Supplementary cash flow information (note 13)           |      |                              |                  |

The notes form an integral part of these unaudited condensed consolidated interim financial statements.

**TITAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended March 31, 2019**

*(Expressed in thousands of US dollars, unless otherwise indicated - Unaudited)*

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Titan Mining Corporation (“Titan” or the “Company”) was incorporated on October 15, 2012 under the laws of British Columbia and is a natural resources company engaged in the acquisition, exploration, development and production of mineral properties. The Company holds a 100% indirect ownership interest in the Empire State Mine in Northern New York State, United States.

The Company’s common shares are listed on the Toronto Stock Exchange and trade under the symbol “TI”. The Company’s head office is located at 555-999 Canada Place, Vancouver, BC, Canada V6C 3E1.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of operations. These condensed consolidated interim financial statements do not reflect the adjustments to carrying values of assets and liabilities that would be necessary should the going concern assumption prove to be inappropriate, and these adjustments could be material.

As at March 31, 2019, the Company had cash and cash equivalents of \$2,393, negative working capital of \$12,322, a net loss for the three months ended March 31, 2019 of \$1,089, and a deficit of \$26,692. During the three months ended March 31, 2019, the Company had cash outflows from operating activities of \$1,909 and cash outflows from investing activities of \$5,380. The Company received proceeds of \$6,000 under its credit arrangement and loan proceeds of \$1,900 from a company controlled by Titan’s Executive Chairman. As at March 31, 2019, the Company was in breach of certain financial covenants required under the credit arrangement with the Bank of Nova Scotia (note 8a and note 14).

Based on the Company’s plan for Empire State Mine’s operations and continued exploration drilling programs, and its current level of corporate overheads, the Company will require additional funding within the next twelve months. The Company has historically raised funds principally through the sale of securities and most recently, through the credit arrangement and advances from a related party. The Company expects that it will continue to obtain funding through similar or other means depending on market conditions and other relevant factors at the time. However, there can be no assurance that the Company will be able to obtain such additional funding or obtain it on acceptable terms. This material uncertainty casts significant doubt about the Company’s ability to continue as a going concern.

**2. BASIS OF PRESENTATION**

**a) Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting using accounting policies consistent with the International Financial Reporting Standards issued by the International Accounting Standards Board (“IFRS”). Accordingly, they do not include all the information and notes to the consolidated financial statements required by IFRS for complete financial statements and should be read in conjunction with the Company’s most recent audited consolidated financial statements.

On May 14, 2019, the Company’s Board of Directors approved these condensed consolidated interim financial statements for issuance.

**b) Basis of presentation**

The accounting policies used in the preparation of these financial statements are the same as those applied in the Company’s most recent audited consolidated annual financial statements for the year ended December 31, 2018, except as disclosed in note 3.

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**c) Use of judgments and estimates**

In preparing these condensed interim financial statements, management has made judgments and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual amounts incurred by the Company may differ from these values.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2018, except as disclosed in note 3.

**3. SIGNIFICANT ACCOUNTING POLICIES**

Except for the changes described below, the accounting policies applied are consistent with those of the previous financial year.

**Policy applicable from January 1, 2019**

IFRS 16 – Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive right, then the asset is not identified.
- The Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - The Company has the right to operate the asset; or
  - The Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered, or changed, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component based on their relative stand-alone prices.

The Company recognizes a right-to-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful life of the right-to-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise prices under a purchase price option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Impact of transition to IFRS 16**

The Company has applied IFRS 16 using the modified retrospective approach and, accordingly, the comparative information has not been restated and continues to be reported under IAS 17 and related interpretations.

On transition to IFRS 16, the Company elected to apply the new definition of a lease to all its contracts.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

There were no leases classified as finance leases at transition.

On initial application, the Company recognized right-of-use assets of and lease obligations of \$2,272. Deferred rental contribution of \$1,352 was derecognized, with the cumulative effect recognized in retained earnings at January 1, 2019. When measuring lease liabilities, the Company discounted the remaining lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied was 9.9%.

The following table reconciles the Company's operating lease obligations at December 31, 2018, as previously disclosed in the Company's consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 at January 1, 2019.



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|  |    |       |
|--|----|-------|
| Operating lease commitments at December 31, 2018                   | \$ | 2,106 |
| Recognized under new lease definition                              |    | 432   |
|  | \$ | 2,538 |
| Discounted using the incremental borrowing rate at January 1, 2019 |    | (266) |
| Lease liabilities recognized at January 1, 2019                    | \$ | 2,272 |

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**4. TRADE AND OTHER RECEIVABLES**

|                   | March 31,<br>2019 | December 31,<br>2018 |
|-------------------|-------------------|----------------------|
| Trade receivables | \$ 3,232          | \$ 984               |
| GST receivable    | 35                | 43                   |
| Other receivables | -                 | 96                   |
|                   | \$ 3,267          | \$ 1,123             |

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**5. INVENTORIES**

|                        | March 31,<br>2019 | December 31,<br>2018 |
|------------------------|-------------------|----------------------|
| Ore in stockpiles      | \$ 183            | \$ 32                |
| Concentrate stockpiles | 298               | 905                  |
| Materials and supplies | 2,043             | 1,765                |
|                        | \$ 2,524          | \$ 2,702             |

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**TITAN MINING CORPORATION**  
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**6. MINERAL PROPERTY, PLANT AND EQUIPMENT**

|  | Mineral<br>properties | Plant and<br>equipment | Land     | Construction<br>in progress | Total     |
|--|-----------------------|------------------------|----------|-----------------------------|-----------|
| <b>Cost</b>  |                       |                        |          |                             |           |
| As at January 1, 2018                                | \$ 3,695              | \$ 24,985              | \$ 1,081 | \$ 4,537                    | \$ 34,298 |
| Additions  | -                     | 258                    | -        | 58,956                      | 59,214    |
| Transfers between categories                         | -                     | 785                    | -        | (785)                       | -         |
| Transfer to production inventories                   | -                     | -                      | -        | (937)                       | (937)     |
| Transfer from materials and supplies inventories     | -                     | 311                    | -        | -                           | 311       |
| Change in reclamation and remediation provision      | -                     | (697)                  | -        | -                           | (697)     |
| Capitalized revenue                                  | -                     | -                      | -        | (23,653)                    | (23,653)  |
| As at December 31, 2018                              | \$ 3,695              | \$ 25,642              | \$ 1,081 | \$ 38,118                   | \$ 68,536 |
| Additions  | -                     | 2,315                  | -        | 12,088                      | 14,403    |
| Transfers between categories                         | -                     | 169                    | -        | (169)                       | -         |
| Transfer from production inventories                 | -                     | -                      | -        | 456                         | 456       |
| Change in reclamation and remediation provision      | -                     | 572                    | -        | -                           | 572       |
| Disposals  | -                     | -                      | -        | (1,385)                     | (1,385)   |
| Capitalized revenue                                  | -                     | -                      | -        | (6,616)                     | (6,616)   |
| As at March 31, 2019                                 | \$ 3,695              | \$ 28,698              | \$ 1,081 | \$ 42,492                   | \$ 75,966 |
| <b>Accumulated depreciation</b>                      |                       |                        |          |                             |           |
| As at January 1, 2018                                | -                     | 1,176                  | -        | -                           | 1,176     |
| Depreciation capitalized to construction in progress | 127                   | 2,979                  | -        | -                           | 3,106     |
| As at December 31, 2018                              | \$ 127                | \$ 4,155               | \$ -     | \$ -                        | \$ 4,282  |
| Depreciation capitalized to construction in progress | 37                    | 925                    | -        | -                           | 962       |
| As at March 31, 2019                                 | \$ 164                | \$ 5,080               | \$ -     | \$ -                        | \$ 5,244  |
| Net book value at December 31, 2018                  | \$ 3,568              | \$ 21,487              | \$ 1,081 | \$ 38,118                   | \$ 64,254 |
| Net book value at March 31, 2019                     | \$ 3,531              | \$ 23,618              | \$ 1,081 | \$ 42,492                   | \$ 70,722 |

Effective April 1, 2018, the Company determined that certain mineral property, plant and equipment were operating as management intended and, as such, the Company began to depreciate these assets over their estimated useful lives. These assets were used in the commissioning of the #4 mine and, as such, the depreciation expense associated with these assets was capitalized to construction in progress.

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**For the three months ended March 31, 2019**

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**7. LEASES**

**a) Right-of-use assets**

|                        | Office space | Equipment | Total    |
|------------------------|--------------|-----------|----------|
| As at January 1, 2019  | \$ 1,410     | \$ 862    | \$ 2,272 |
| Additions              | -            | -         | -        |
| Changes to lease terms | (655)        | -         | (655)    |
| Depreciation           | (84)         | (90)      | (174)    |
| As at March 31, 2019   | \$ 671       | \$ 772    | \$ 1,443 |

The Company shares office space with other companies related to it by virtue of certain directors and management in common (note 9b). During the three months ended March 31, 2019, there were changes to the amount of office space attributable to the Company as reflected in changes in lease terms in the table above.

**b) Lease liabilities**

The maturity analysis of the Company's contractual undiscounted lease liabilities as at March 31, 2019 is as follows:

|                   | < 1 year | 1 to 3 years | > 3 years | Total    |
|-------------------|----------|--------------|-----------|----------|
| Lease liabilities | \$ 971   | \$ 553       | \$ 21     | \$ 1,545 |

**c) Amounts recognized in Statement of Loss**

|  | Three months ended March 31, 2019 |
|--|-----------------------------------|
| Interest on lease liabilities          | \$ 45                             |
| Expenses relating to short-term leases | \$ 27                             |

**d) Amounts recognized in Statement of Cash Flows**

|                              | Three months ended March 31, 2019 |
|------------------------------|-----------------------------------|
| Payment of lease liabilities | \$ 261                            |
| Short-term lease payments    | \$ 27                             |

**8. DEBT**

**a) Bank indebtedness**

On January 21, 2019, the Company and the Bank of Nova Scotia ("Lender") amended the \$15,000 secured credit agreement (the "Credit Facility") whereby a maximum of \$10,000 (the "Available Credit") was available to the Company on a revolving basis. Prior to March 31, 2019, the Lender was permitted to reduce the maximum amount available to \$6,000, subject to the business and financial plan provided by the Company. The interest rate on the Available Credit is either LIBOR plus 4.25% or the Lender's base rate plus 3.25%, and the standby fee is 0.8% of the unadvanced portion of the Credit Facility. If the amount available is reduced to \$6,000, the interest rate changes to LIBOR plus 2.25% or the Lender's base rate plus 1.25%, and the standby fee is 0.5625% of the unadvanced portion of the Credit Facility. A \$6,000 guarantee has been provided by a company controlled by Titan's Executive Chairman. The Available Credit was fully drawn as the Company received an additional \$6,000 of proceeds during the three months ended March 31, 2019.

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The Credit Facility is subject to covenants that require the Company to maintain interest coverage ratio of not less than 4.0 to 1.0; total leverage ratio of not more than 2.5 to 1; and tangible net worth of an amount greater than or equal \$30 million plus 50% of consolidated net income. On March 31, 2019, the Company was in default of these covenants. Furthermore, the Company failed to provide the Lender with an updated business and financial plan resulting in a reduction of the maximum credit limit to \$6,000, and the Company did not repay the outstanding advances in excess of this reduced limit.

On April 9, 2019, the Company received a waiver of the above noted events of default and further amended the Credit Facility (note 14).

**b) Equipment loans**

The Company financed the purchase of equipment with 36-month loans that bear interest at 5.95%. In March 2019, the Company returned two pieces of the financed equipment and used the proceeds to eliminate the outstanding balance of the equipment loans.

In March 2019, the Company financed the purchase of maintenance software. This loan has a term of 36 months and is non-interest bearing.

**9. RELATED PARTY TRANSACTIONS**

**a) Loan from related party**

On November 30, 2018, the Company entered a credit agreement with a company controlled by Titan's Executive Chairman, to establish a \$18,710 subordinate general security credit facility ("Loan"). On January 21, 2019, the Company issued 2,500,000 warrants to a company controlled by Titan's Executive Chairman pursuant to the credit agreement.

\$1,900 was drawn on the Loan in the first quarter leaving \$1,115 available as at March 31, 2019.

**b) Management company**

The Company shares office space, equipment, personnel and various administrative services with other companies related to it by virtue of certain directors and management in common. These related parties comprise Tethyan Resources Plc ("Tethyan") since February 1, 2019, Arizona Mining Inc. ("Arizona Mining") until August 10, 2018, NewCastle Gold Ltd. ("NewCastle") until December 22, 2017, and Armor Minerals Inc. These services have been provided through a management company ("Manco"), which is equally owned by the related companies.

The Company has determined that Manco is a joint arrangement whereby the related companies have joint control of the arrangement. The joint operators have rights to the assets, and obligations for the liabilities, of Manco. Each joint operator accounts for its share of assets, liabilities, income and expenses on a line-by-line basis.

Provisions of agreements governing certain shared leases required both NewCastle and Arizona Mining to make a payment to Manco upon each company's change of control to cover its share of the outstanding lease commitment. The NewCastle payment was redistributed to the remaining shareholders of Manco in the three months ended March 31, 2018.

|   | Three months ended March 31, |        |
|---|------------------------------|--------|
|   | 2019                         | 2018   |
| Deferred rental contributions received from Newcastle | \$ -                         | \$ 346 |

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**TITAN MINING CORPORATION**  
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*(Expressed in thousands of US dollars, unless otherwise indicated - Unaudited)*

**c) Key management personnel compensation**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company, and comprises the Company's Executive Chairman, Chief Executive Officer, President, Chief Financial Officer, Chief Operating Officer and Directors.

|                          | Three months ended March 31, |               |
|--------------------------|------------------------------|---------------|
|                          | 2019                         | 2018          |
| Salaries and benefits    | \$ 243                       | \$ 212        |
| Share-based compensation | 278                          | 132           |
| Directors' fees          | 49                           | 149           |
|                          | <u>\$ 570</u>                | <u>\$ 493</u> |

  

|  | March 31,     | December 31,  |
|--|---------------|---------------|
|  | 2019          | 2018          |
| Salaries and benefits payable              | \$ 18         | \$ 59         |
| Termination benefits payable – current     | 299           | 220           |
| Termination benefits payable – non-current | 187           | 367           |
|  | <u>\$ 504</u> | <u>\$ 646</u> |

**10. CONTINGENCIES**

- a) On December 30, 2016, pursuant to the agreement between the Company and Star Mountain (the "Purchase Agreement"), the Company acquired 100% of the issued and outstanding shares of Balmat Holdings Corp. and its wholly owned subsidiary, St. Lawrence Zinc Company, LLC, which own the Empire State Mine.

On or about March 12, 2018, the Company received a letter from legal counsel to SGS Acquisition Company Limited ("SGS") dated March 9, 2018. The letter states that in 2016 SGS filed an action in the US District Court for the District of Colorado against certain parties and Star Mountain. The Company is not a named party in that case. SGS alleges the Company (a) has obligations to SGS under mutual indemnification provisions to Star Mountain for the breach of any representations, warranties or breaches of covenants under the Purchase Agreement and (b) failed to conduct its due diligence in connection with the Purchase agreement, which interfered with SGS's ability to recover from Star Mountain. SGS is not a party to the Purchase Agreement. SGS states that "the net economic benefits lost to SGS resulting from Star Mountain's acts, and by extension, the Company, amount to approximately \$28,300." The Company believes these claims are wholly without merit.

- b) The acquisition obligation owing to Star Mountain remains outstanding pending the outcome of a claim brought against Star Mountain by Aviano Financial Group LLC ("Aviano"). The Company received notice on October 10, 2017 that Aviano, a creditor of Star Mountain, intended to amend a pre-existing action initially filed in February 2017 in Colorado against Star Mountain to collect debts owing by Star Mountain to Aviano aggregating approximately \$800. The amended action of Aviano against Star Mountain was filed in the state of Colorado on October 12, 2017, adding claims for damages and a claim to set aside the conveyance of Empire State Mine by Star Mountain to the Company alleging that it was a fraudulent conveyance. In addition, the Aviano notice stated that it intends to file an analogous action in New York alleging fraudulent conveyance, naming Star Mountain and the Company as defendants. As at the date hereof, no litigation has been commenced by Aviano against the Company. Pursuant to the Purchase Agreement, Star Mountain has agreed to indemnify the Company against certain claims including the proposed action by Aviano against the Company. The Company believes that the claim of fraudulent conveyance is wholly without merit and Star Mountain believes the claim of fraudulent conveyance is wholly without merit and that it intends to defend against the amended action and assert counterclaims against Aviano.

## **TITAN MINING CORPORATION**

### **Notes to the Condensed Consolidated Interim Financial Statements**

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On or about February 21, 2018, Star Mountain filed a Voluntary Petition for Non-Individuals Filing Bankruptcy in the United States Bankruptcy Court for the District of Arizona. The filing of the bankruptcy case stayed the SGS and Aviano litigation against Star Mountain. The bankruptcy court directed the appointment of an Examiner. As part of the Examiner's investigation, the Examiner has been and will investigate whether the bankruptcy estate of Star Mountain has claims against the Company and others arising out of the Purchase Agreement. The Court appointed Examiner has not yet filed a report with respect to the results of his investigation.

The Company believes that the potential claim of fraudulent conveyance of the bankruptcy estate is wholly without merit. Irrespective of the merits of the claim, if a fraudulent conveyance claim is resolved adversely against the Company or Star Mountain, this could materially adversely affect the Company by terminating its interest in Empire State Mine or by potentially resulting in a damage claim. Such a result would have a significant negative impact on the Company and could have a material effect on these financial statements.

- c) During 2018, disputes arose between Dumas Contracting USA Inc. and related parties (collectively, "Dumas") and the Company in relation to various matters concerning or relating to the Amended and Restated Empire State Mine Rehabilitation and Contract Mining Project Contract dated August 16, 2018 ("Contract"), certain equipment and equipment leases and performance guarantees provided by Dumas and the Company. Dumas, as claimant, served a Claimant's Notice of Arbitration/Notice of Request to Arbitrate on the Company ("Arbitral Proceedings"); and filed with the Clerk of St. Lawrence County, New York a Notice of Mechanic's Lien dated November 20, 2018 against the premises ("Lien Proceedings"). Dumas, as plaintiff, commenced legal proceedings against the Company ("Legal Proceedings"); and Dumas, as lienor, filed with the Clerk of St. Lawrence County, New York a Notice of Mechanic's Lien dated November 20, 2018 against the premises ("Dumas Lien Proceedings").

On January 11, 2019, the Company entered into a settlement agreement with Dumas whereby the Company must pay Dumas a settlement sum in instalments in 2019. The settlement sum bears interest at the base rate for Canadian dollar commercial loans plus 2%. On March 26, 2019, there was an amendment to the settlement agreement which set out a revised payment schedule and increased the interest rate to 12%. Furthermore, should the Company enter into new or amended financing facilities, a lump sum of 20% of the then outstanding balance shall be paid immediately, and that amount shall be deducted from the last payments on the revised payment schedule, with all other payments to be made as scheduled until the current outstanding balance is paid in full.

Upon payment of the first instalment, the Arbitral Proceedings were dismissed and title in the four pieces of equipment were transferred to the Company. Upon payment of the entire settlement sum and accrued interest, the Lien Proceedings and Dumas Lien Proceedings will be dismissed. Upon payment of the entire settlement sum and accrued interest, as well as the demobilization and return of a bolter to Dumas, the Legal Proceedings will be dismissed.

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**11. FINANCIAL INSTRUMENTS**

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments, other than those whose carrying amounts are a reasonable approximation of fair value:

|                              | March 31, 2019  |            | December 31, 2018 |            |
|------------------------------|-----------------|------------|-------------------|------------|
|                              | Carrying amount | Fair value | Carrying amount   | Fair value |
| <b>Financial liabilities</b> |                 |            |                   |            |
| Lease liabilities            | 1,417           | 1,425      | -                 | -          |
| Bank indebtedness            | 9,934           | 10,084     | 3,912             | 4,087      |
| Equipment loans              | 56              | 43         | 1,050             | 1,050      |
| Loan from related party      | 17,251          | 18,004     | 14,809            | 15,715     |

Management assessed that the fair values of cash and cash equivalents, other receivables, and accounts payable approximate their carrying amounts due to the short-term maturities of these instruments, and the fair value of acquisition obligations approximate their carrying value as they are non-interest bearing. Trade receivables subject to provisional pricing are already carried at fair value.

Fair values of the Company's lease liabilities, bank indebtedness, equipment loans, and loan from related-party are determined by using discounted cash flow models that use discount rates that reflect the issuer's borrowing rate as at the end of the reporting period.

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (interest rate, yield curves), or inputs that are derived principally from or corroborated observable market data or other means.

Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

All financial instruments measured at fair value use Level 2 valuation techniques.

There have been no transfers between fair value levels during the reporting period.

**12. SEGMENTED INFORMATION**

The Company operates one reportable segment, the Empire State Mine.

The Company's non-current assets located in the United States total \$72,878 and those located in Canada total \$1,021.

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**13. SUPPLEMENTARY CASH FLOW INFORMATION**

|   | Three months ended March 31, |          |
|---|------------------------------|----------|
|   | 2019                         | 2018     |
| <b>Non-cash investing and financing activities</b>  |                              |          |
| Change in accounts payable and accrued liabilities with respect to construction in progress | \$ 1,313                     | \$ 5,020 |
| Change in accounts payable and accrued liabilities with respect to inventories              | \$ 336                       | -        |
| Equipment purchases financed with debt  | \$ 341                       | -        |
| Proceeds on sale of equipment used to repay debt  | \$ 1,318                     | -        |
| Proceeds on sale of equipment used to reduce accounts payable                               | \$ 37                        | -        |
| Change in reclamation and remediation asset   | \$ 572                       | -        |
| Non-cash additions to construction in progress  | \$ 104                       | -        |

**14. SUBSEQUENT EVENT**

On April 9, 2019, the Company and the Lender amended the Credit Facility (note 8a) whereby the available credit limit means \$10,000 until May 31, 2019, and \$6,000 on and after May 31, 2019. If at any time the amount of the outstanding advances exceeds the available credit limit, the Company shall immediately pay the Lender the amount by which the available credit limit is exceeded.

The interest rate on the Credit Facility is either LIBOR plus 4.25% or the Lender's base rate plus 3.25% and, effective May 31, 2019, either LIBOR plus 2.25% or the Lender's base rate plus 1.25%. Each of these amounts shall be increased by 2% per annum if the Company fails to pay any amount owing when due. The Company shall pay a standby fee of 0.8% on the unadvanced portion of the Credit Facility and, effective May 31, 2019, a standby fee of 0.5625%.

The Lender waived the interest coverage ratio, the total leverage ratio and the tangible net worth covenant for the fiscal quarters ended December 31, 2018 and March 31, 2019.