



**TITAN MINING CORPORATION**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 and 2017**  
(Unaudited)

### **Notice of no Auditor Review of Interim Financial Statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of Titan Mining Corporation as at June 30, 2018, and for the three and six months ended June 30, 2018, have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada ("CPA Canada") for a review of interim financial statements by an entity's auditor.

**TITAN MINING CORPORATION**  
**Condensed Consolidated Interim Statements of Financial Position**  
*(Unaudited)*  
*(In thousands of U.S. Dollars)*

<b>ASSETS</b>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Current assets		
Cash and cash equivalents	\$ 4,505	\$ 25,168
Trade and other receivables (Note 6)	1,058	187
Inventories (Note 7)	1,957	311
Other current assets	817	218
	<u>8,337</u>	<u>25,884</u>
Mineral properties, plant and equipment (Note 8)	48,068	33,122
Restricted cash	1,729	1,729
Other assets (Note 12)	100	100
<b>TOTAL ASSETS</b>	<b>\$ 58,234</b>	<b>\$ 60,835</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 6,020	\$ 3,631
Acquisition obligations (Note 13.b.ii)	1,025	1,025
	<u>7,045</u>	<u>4,656</u>
Deferred rental contribution (Note 9)	306	-
Reclamation and remediation provision (Note 10)	14,101	14,698
	<u>21,452</u>	<u>19,354</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	\$ 51,859	\$ 51,834
Reserves	1,026	745
Deficit	<u>(16,103)</u>	<u>(11,098)</u>
	<u>36,782</u>	<u>41,481</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 58,234</b>	<b>\$ 60,835</b>

Commitments and contingencies (Note 13)  
Subsequent event (Note 16)

The accompanying notes are an integral part of these consolidated interim financial statements.

**TITAN MINING CORPORATION**  
**Condensed Consolidated Interim Statements of Comprehensive Loss**  
*(Unaudited)*  
*(In thousands of U.S. Dollars)*

	<b>Three months ended June</b>		<b>Six months ended</b>	
	<b>30</b>		<b>June 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>REVENUE</b>				
Provisional pricing adjustment (Note 4)	\$ (909)	\$ -	\$ (909)	\$ -
<b>OTHER OPERATING EXPENSES (Note 5)</b>				
General and administration expenses	1,435	438	2,667	684
Exploration and evaluation expenses	832	829	1,195	1,392
Care and maintenance costs	-	1,483	-	2,509
	<u>2,267</u>	<u>2,750</u>	<u>3,862</u>	<u>4,585</u>
<b>OTHER EXPENSES/(INCOME)</b>				
Interest and other finance expenses	178	100	178	200
Accretion expense (Note 10)	97	86	186	172
Interest income	(27)	(9)	(98)	(24)
Acquisition obligation amendment fee	-	500	-	500
Other	(2)	3	(32)	2
	<u>246</u>	<u>680</u>	<u>234</u>	<u>850</u>
<b>NET LOSS FOR THE PERIOD</b>	<b><u>3,422</u></b>	<b><u>3,430</u></b>	<b><u>5,005</u></b>	<b><u>5,435</u></b>
<b>OTHER COMPREHENSIVE LOSS (GAIN):</b>				
Unrealized loss/(gain) on translation to reporting currency	20	(9)	430	(83)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b><u>\$ 3,442</u></b>	<b><u>\$ 3,421</u></b>	<b><u>\$ 5,435</u></b>	<b><u>\$ 5,352</u></b>
<b>LOSS PER SHARE</b>				
Basic and diluted	<u>\$ 0.03</u>	<u>\$ 0.06</u>	<u>\$ 0.05</u>	<u>\$ 0.09</u>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (in thousands)</b>				
Basic and diluted	<u>101,971</u>	<u>62,347</u>	<u>101,971</u>	<u>62,347</u>

The accompanying notes are an integral part of these consolidated interim financial statements.

**TITAN MINING CORPORATION**  
**Condensed Consolidated Interim Statements of Changes in Equity**  
*(Unaudited)*  
*(In thousands of U.S. Dollars)*

	Share Capital		Reserves				
	Number of Shares (000s)	Amount	Share Option Reserve	Currency Translation Adjustment	Total	Deficit	Total Equity
Balances as at January 1, 2017	62,347	\$ 10,369	\$ -	\$ (77)	\$ (77)	\$ (66)	\$ 10,226
Share based compensation	-	-	134	-	134	-	134
Total comprehensive loss for the period	-	-	-	83	83	(5,435)	(5,352)
Balance, as at June 30, 2017	62,347	\$ 10,369	\$ 134	\$ 6	\$ 140	\$ (5,501)	\$ 5,008
Balances as at January 1, 2018	101,971	\$ 51,834	\$ 956	\$ (211)	\$ 745	\$ (11,098)	\$ 41,481
Refund of share issuance costs	-	25	-	-	-	-	25
Share based compensation	-	-	711	-	711	-	711
Total comprehensive loss for the period	-	-	-	(430)	(430)	(5,005)	(5,435)
Balance as at June 30, 2018	101,971	\$ 51,859	\$ 1,667	\$ (641)	\$ 1,026	\$ (16,103)	\$ 36,782

The accompanying notes are an integral part of these consolidated interim financial statements.

**TITAN MINING CORPORATION**  
**Condensed Consolidated Interim Statements of Cash Flows**  
*(Unaudited)*  
*(In thousands of U.S. Dollars)*

	<b>Six months ended June 30</b>	
	<b>2018</b>	<b>2017</b>
<b>OPERATING ACTIVITIES</b>		
Loss for the period	\$ (5,005)	\$ (5,434)
Items not involving cash:		
Accretion (Note 9)	185	172
Acquisition obligation amendment fee	-	500
Depreciation	-	587
Stock based compensation	711	134
Amortization of deferred rental contribution	(40)	-
Unrealized foreign exchange (gain)/loss	(2)	12
Borrowing costs	166	200
	<b>(3,985)</b>	<b>(3,829)</b>
Changes in non-cash working capital:		
Trade and other receivables	(883)	(117)
Other current assets	(620)	(151)
Inventories	(1,645)	-
Accounts payable and accrued liabilities	(679)	(152)
<b>Cash used by operating activities</b>	<b>(7,812)</b>	<b>(4,249)</b>
<b>FINANCING ACTIVITIES:</b>		
Payment of borrowing costs	(166)	(167)
Refund of share issuance costs	25	-
Deferred rental contributions received	346	-
Payment of acquisition obligations	-	(2,052)
<b>Cash provided (used) by financing activities</b>	<b>205</b>	<b>(2,219)</b>
<b>INVESTING ACTIVITIES:</b>		
Construction in progress	(12,643)	(420)
Purchases of property, plant and equipment	-	(67)
Purchase of other assets	-	(14)
<b>Cash (used) by investing activities</b>	<b>(12,643)</b>	<b>(501)</b>
Effect of foreign exchange on cash and cash equivalents	(413)	37
<b>Decrease in cash and cash equivalents</b>	<b>(20,663)</b>	<b>(6,932)</b>
Cash and cash equivalents, beginning of period	25,168	8,157
<b>Cash and cash equivalents, end of period</b>	<b>\$ 4,505</b>	<b>\$ 1,225</b>
<b>Non-cash investing and financing activities</b>		
Change in accounts payable and accrued liabilities with respect to construction in progress	\$ 3,086	\$ 14
Change in reclamation and remediation asset	\$ 783	\$ 302

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**TITAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three and six months ended June 30, 2018 and 2017**

*(Unaudited)*

*(In thousands of U.S. Dollars, unless otherwise indicated)*

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**1. NATURE OF OPERATIONS**

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 Mines in Northern New York State, United States, which it acquired on December 30, 2016.

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.

On March 9, 2018, the Company’s wholly owned subsidiary, St Lawrence Zinc Company LLC, changed its name to Empire State Mines, LLC (“ESM”).

**2. BASIS OF PRESENTATION**

a) Statement of compliance

These 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 (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Accordingly, they do not include all of 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.

Under the authority delegated to them by the Board of Directors, the Audit Committee authorized these financial statements for issue on August 13, 2018.

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, 2017, except as disclosed in Note 3.

c) Reclassifications

Certain reclassifications have been made to the prior year’s financial statements to enhance comparability with the current year’s financial statements as the ESM transition from the development stage into the production stage. As a result, certain line items have been amended in the statement of loss and comprehensive loss and the related notes to the financial statements to reflect the presentation of income and expenses according to their function. Comparative figures have been adjusted to conform to the current year’s presentation.

d) Use of judgements and estimates

In preparing these interim financial statements, management has made judgements 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.

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The significant judgements 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, 2017.

e) New accounting pronouncements

IFRS 16 – Leases

IFRS 16 replaces IAS 17, Leases effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The new model requires the recognition of almost all lease contracts on a lessee's statement of financial position as a lease liability reflecting future lease payments and a 'right-of-use asset' with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. The Company is currently evaluating the impact of the adoption of IFRS 16.

**3. SIGNIFICANT ACCOUNTING POLICIES**

During the period, the Company initially applied new policies for revenue recognition and inventory. Furthermore, as a result of the application of IFRS 9, Financial Instruments, the Company has amended the relevant accounting policies. These new and amended significant accounting policies are as follows:

a) Financial instruments

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss ("FVTPL"). For financial liabilities, IFRS 9 retains the measurement categories of FVTPL and other financial liabilities. All financial instruments are initially recorded at fair value, less directly attributable transaction costs, and the Company determines each financial instrument's classification upon initial recognition. Measurement in subsequent periods depends on the financial instrument's classification:

- Cash and cash equivalents are subsequently measured at amortized cost.
- Trade receivables, presented in trade and other receivables, relate to the zinc concentrate sales contracts where the receivable amounts vary based on the underlying commodity prices. Trade receivables are classified as FVTPL and are recorded at fair value at each reporting period based on expected future prices until the date of final settlement. The changes in fair value are recorded in revenues.
- Other receivables, presented in trade and other receivables, are subsequently measured at amortized cost.
- Restricted cash is subsequently measured at amortized cost.
- Accounts payable and accrued liabilities are subsequently measured at amortized cost.
- Acquisition obligations are subsequently measured at amortized cost.

b) Revenue

Revenue is generated from the sale of zinc concentrate. The Company has no revenue in the comparative periods.



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The Company does not sell on commercial terms that requires it to provide freight services after the date at which control of the product passes to the customer. As such, the Company's sole performance obligation relates to the delivery of zinc concentrates to its customer with each separate shipment representing a separate performance obligation. Revenue is recognized at the point in time when the customer obtains control of the product. Control is achieved when the product is delivered to the customer; the Company has a present right to payment for the product; significant risks and rewards of ownership have transferred to the customer according to contract terms; and there is no unfulfilled obligation that could affect the customer's acceptance of the product.

The amount of revenue recorded is based on the expected final pricing of the shipment, as specified in the pricing terms with the customer; and the net amount of metal for which the Company will receive payment ("payable zinc"). Adjustments are made in subsequent periods based on fluctuations in expected final pricing until the date of final settlement ("provisional pricing adjustments"). These provisional pricing adjustments (both gains and losses) are recorded in revenue in the consolidated income statements and in trade receivables on the consolidated statements of financial position.

c) Inventory

Production inventories

Ore stock, work-in-process ("WIP") and finished metal inventories are measured at the lower of cost and net realizable value. Cost is determined on a weighted average basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories shall be recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs. During the pre-commercial start up period, these expenses are capitalized to construction in progress net of any pre-commercial sales revenue.

Materials and supplies

Materials and supplies inventory is measured at the lower of cost and net realizable value. Costs include acquisition, freight and other directly attributable costs. A periodic review is undertaken to determine the extent of any provision for obsolescence.

Critical spares

Critical spares are parts that are not expected to be used during the life of the mine but are kept on site in order to prevent a significant interruption of normal operations. These parts are included in plant and equipment and depreciated over the same period as the part of plant and equipment with which they are associated.

**4. REVENUE – PROVISIONAL PRICING ADJUSTMENT**

**TITAN MINING CORPORATION**  
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**For the three and six months ended June 30, 2018 and 2017**

*(Unaudited)*

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Revenue for the three and six months ended June 30, 2018 is comprised of negative provisional pricing adjustments resulting in a loss for the period. Revenue realized during the commissioning phase of the ESM is recorded as a credit to mineral property, plant and equipment (Note 8).

**5. OTHER OPERATING EXPENSES**

**a) General and administration expenses**

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Salaries and benefits	\$ 444	\$ 189	\$ 982	\$ 305
Share based compensation	428	134	711	134
Professional fees	254	63	381	150
Office and administration	221	50	457	82
Investor relations	88	2	136	13
	\$ 1,435	\$ 438	\$ 2,667	\$ 684

**b) Exploration and evaluation expenses**

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Salaries and benefits	\$ 100	\$ 79	\$ 131	\$ 92
Drilling	700	607	947	1,099
Other	32	143	117	201
	\$ 832	\$ 829	\$ 1,195	\$ 1,392

**c) Care and maintenance expenses**

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Site expenditures	\$ -	\$ 1,190	\$ -	\$ 1,922
Depreciation	-	293	-	587
	\$ -	\$ 1,483	\$ -	\$ 2,509

**6. TRADE AND OTHER RECEIVABLES**

	June 30, 2018	December 31, 2017
Trade receivables	\$ 744	\$ -
GST receivable	182	137
Due from related party	43	38
Other receivables	89	12
	\$ 1,058	\$ 187

**7. INVENTORIES**

	June 30, 2018	December 31, 2017
Ore in stockpiles	\$ 168	\$ -
Concentrate stockpiles	654	-

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Materials and supplies		1,135		311
	\$	1,957	\$	311

**8. MINERAL PROPERTY, PLANT AND EQUIPMENT**

	Mineral Properties	Plant and Equipment	Land	Construction in progress	Total
<b>Cost</b>					
As at December 31, 2016	\$ 3,695	\$ 23,938	\$ 1,082	\$ -	\$ 28,715
Additions	-	1,047	-	4,537	5,584
As at December 31, 2017	3,695	24,985	1,082	4,537	34,299
Additions	-	-	-	28,432	28,432
Transfers between categories		625		(625)	-
Transfer to production inventories				(822)	(822)
Change of reclamation and remediation asset	-	(783)	-	-	(783)
Capitalized revenue				(10,651)	(10,651)
As at June 30, 2018	\$ 3,695	\$ 24,827	\$ 1,082	\$ 20,871	\$ 50,475
<b>Accumulated depreciation</b>					
As at December 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	979	-	-	979
Depreciation capitalized to CIP	-	198	-	-	198
As at December 31, 2017	-	1,177	-	-	1,177
Depreciation capitalized to CIP	51	1,179	-	-	1,230
As at June 30, 2018	51	\$ 2,356	\$ -	\$ -	\$ 2,407
Net book value at December 31, 2017	\$ 3,695	\$ 23,809	\$ 1,082	\$ 4,537	\$ 33,122
Net book value at June 30, 2018	\$ 3,644	\$ 22,471	\$ 1,082	\$ 20,871	\$ 48,068

On November 1, 2017 the Company determined the technical and commercial feasibility of the ESM #4 mine. Following an assessment that no impairment existed at that time, the Company transferred its mineral properties from being classified as exploration and evaluation assets accounted for under IFRS 6 to development assets.

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 for the three months ended June 30, 2018.

**9. DEFERRED RENTAL CONTRIBUTION**

Deferred rental contribution represents the unamortized balance of an amount received from a company previously related through certain common directors and management with respect to the provisions of agreements governing certain shared operating leases. The amount is being amortized to office and administrative expense over the remaining term of the leases. The following is a summary of changes in deferred rental contribution:

**TITAN MINING CORPORATION**  
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*(Unaudited)*

*(In thousands of U.S. Dollars, unless otherwise indicated)*

	June 30, 2018	
Balance, start of period	\$	-
Deferred rental contribution received		346
Amortization of deferred rental contribution		(40)
Balance, end of period	\$	306

**10. RECLAMATION AND REMEDIATION PROVISION**

	Six months ended June 30, 2018	Year ended ended December 31, 2017
Balance, beginning of the period	\$ 14,698	\$ 14,111
Accretion	186	342
Change in estimates	(783)	245
Balance, end of period	\$ 14,101	\$ 14,698

As at June 30, 2018 and December 31, 2017, the ultimate amounts for future site reclamation and remediation are uncertain, the best estimate of these obligations is based on the information currently available, including current legislation, third party estimates, and management estimates. The amounts and timing of the mine closure obligations will vary depending on several factors including future operations and the ultimate life of the ESM, future economic conditions, and changes in applicable environmental regulations.

At June 30, 2018, the estimated future cash flows have been adjusted using an inflation rate of 2.0% (December 31, 2017 - 2.0%) and have been discounted using a discount rate of 2.85% (December 31, 2017 - 2.40%). At June 30, 2018, the total undiscounted amount for the estimated future cash flows is \$19,463 (December 31, 2017 - \$19,495).

**11. RESERVES**

Share options

	Options (000s)	Weighted average exercise price (C\$)
Outstanding as at December 31, 2017	5,965	1.40
Granted	1,650	1.40
Forfeited	(640)	1.40
Outstanding as at June 30, 2018	6,975	1.40
Exercisable as at June 30, 2018	650	1.40

For the three and six months ended June 30, 2018, the Company recognized stock-based compensation of \$428 and \$711, respectively (June 30, 2017 - \$134 and \$134).

For the options granted in the six months ended June 30, 2018, the weighted average fair value was estimated at \$0.62 (C\$0.79) (June 30, 2017 - \$0.44 (C\$0.59)) per option based on the Black-Scholes option pricing model using the following weighted average assumptions:

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Assumptions	2018	2017
Risk-free interest rate	2.05%	0.98%
Expected life	5 years	5 years
Expected volatility <sup>(1)</sup>	71.58%	71.50%
Grant date share price	C\$ 1.34	C\$ 1.40
Expected dividend yield	-	-

<sup>(1)</sup> The expected volatility was based on comparable companies.

**12. RELATED PARTY TRANSACTIONS**

a) Key management personnel

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 Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Directors.

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Salaries and benefits	\$ 198	\$ 145	\$ 559	\$ 259
Stock based compensation	195	114	327	114
	\$ 393	\$ 259	\$ 886	\$ 373

As at June 30, 2018, the Company's payable included \$6 that was payable to the Company's key management (December 31, 2017 - nil).

b) Other related party transactions

The Company shares office space, equipment, personnel and various administrative services with other companies -- Arizona Mining Inc. ("Arizona Mining"), NewCastle Gold Ltd (until December 22, 2017) and Armor Minerals Inc. -- related to it by virtue of certain directors and management in common. These services have been mainly provided through a management company, which is equally owned by the related companies. Advances are made to the management company to fund these services. Costs incurred by the management company are allocated between the companies based on time incurred and use of services and are charged at cost.

Transactions with related companies:

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Reimbursement, at cost, of third party expenses incurred by related parties on behalf of the Company				
The management company				
Investor relations	\$ 15	\$ 2	\$ 29	\$ 6
Office and administration expenses	86	38	182	61
Salaries and benefits	412	105	742	133
Other expenses	15	-	15	-
	\$ 528	\$ 145	\$ 968	\$ 200
Arizona Mining				
Property investigation	\$ -	\$ -	\$ -	\$ 22

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At June 30, 2018 accounts receivable included \$43 outstanding (December 31, 2017 - \$41) with respect to these arrangements

As at June 30, 2018, the Company's accounts payable included \$3 that was payable to Arizona Mining (December 31, 2017 - \$3) related to expenses incurred on the Company's behalf.

Other assets of \$100 (December 31, 2017 - \$100) relate to the Company's share of jointly-owned assets (primarily leasehold improvements and furniture and equipment) held by the management company.

The Company began prospecting for base metals in an area of New Mexico in 2017 after being introduced to the area pursuant to an agreement with Arizona Mining Inc. ("Arizona") and/or its wholly owned subsidiary Arizona Minerals Inc., companies previously related by virtue of certain common directors and management. The agreement enables the Company to explore the area and take title to any claims subject to a back-in right whereby Arizona Mining can acquire a 60% interest in the claims on payment of two times the exploration expenditures at that time. In accordance with the agreement, the agreement terminates and is of no further effect with Titan retaining interest in the claims on the earlier of (i) a written termination notice by Arizona, (ii) a change of control of Arizona or (iii) expiry of three years. Subsequent to June 30, 2018, as a result of a change of control of Arizona on August 10, 2018 the agreement terminated with Titan retaining interest in the claims.

### 13. COMMITMENTS AND CONTINGENCIES

#### a) Commitments

The Company's commitments as at June 30, 2018 and their approximate timing of payment are as follows:

	2018	2019	2020	2021	2022	Total
Operating lease obligations	\$ 347	\$ 488	\$ 383	\$ 207	\$ 68	\$ 1,493
Advance royalties on mineral rights	37	37	37	37	37	185
	\$ 384	\$ 525	\$ 420	\$ 244	\$ 105	\$ 1,678

#### b) Contingencies

- i. 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 U.S. District Court for the District of Colorado against certain parties and Star Mountain. The Company is not a named party in this 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 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 \$28.3 million." The Company believes these claims are wholly without merit.
- ii. 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

**TITAN MINING CORPORATION**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three and six months ended June 30, 2018 and 2017**

*(Unaudited)*

*(In thousands of U.S. Dollars, unless otherwise indicated)*

debts owing by Star Mountain to Aviano aggregating approximately \$0.8 million. 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 the ESM 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. 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.

**14. FINANCIAL INSTRUMENTS**

	Fair value hierarchy	June 30, 2018		December 31, 2017	
		Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial Assets</b>					
Cash and cash equivalents	n/a	\$ 4,505	\$ 4,505	\$ 25,168	\$ 25,168
Trade receivables	Level 2	744	744	-	-
Other receivables	n/a	314	314	187	187
Restricted cash	n/a	1,729	1,729	1,729	1,729
<b>Financial Liabilities</b>					
Accounts payable and accrued liabilities	n/a	\$ 6,020	\$ 6,020	\$ 3,631	\$ 3,631
Acquisition obligations	n/a	1,025	1,025	1,025	1,025

Fair value is based on available public market information or, when such information is not available, estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate credit risk.

All financial instruments for which fair value is recognised or disclosed are categorized within a fair value hierarchy based on the lowest level input that is significant to the fair value measurement as whole. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority.

**15. SEGMENTED INFORMATION**

The Company operates in one reportable segment being the acquisition, exploration and development of mineral properties. All of the Company's non-current assets are located in the United States other than other assets of \$100 which are located in Canada.

**16. SUBSEQUENT EVENT**

**Credit Facility**

In April 2018, the Company entered into a credit agreement for \$15,000 (the "Credit Facility") with the Bank of Nova Scotia (the "Lender").

## **TITAN MINING CORPORATION**

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The Credit Facility will be available to the Company on a revolving basis up to maximum amounts and on terms including the following financial covenants that require the Company to maintain an interest coverage ratio of not less than 4 to 1, total leverage ratio of not more than 2.5 to 1 and tangible net worth of an amount greater than or equal to \$30,000 plus 50% of consolidated net income (if positive) for the December 31, 2017, fiscal quarter and for each fiscal quarter thereafter. Subsequent to June 30, 2018, the credit facility agreement was amended. The Company and the Lender revised the agreement to reflect that the financial covenants related to interest coverage and leverage ratios under the original agreement are not applicable for periods prior to September 30, 2018.

#### **Mining Claims in New Mexico, USA.**

The Company began prospecting for base metals in an area of New Mexico in 2017 after being introduced to the area pursuant to an agreement with Arizona Mining Inc. ("Arizona") and/or its wholly owned subsidiary Arizona Minerals Inc., companies previously related by virtue of certain common directors and management. The agreement enables the Company to explore the area and take title to any claims subject to a back-in right whereby Arizona Minerals can acquire a 60% interest in the claims on payment of two times the exploration expenditures at that time. In accordance with the agreement, the agreement terminates and is of no further effect with Titan retaining interest in the claims on the earlier of (i) a written termination notice by Arizona, (ii) a change of control of Arizona or (iii) expiry of three years. Subsequent to June 30, 2018, as a result of a change of control of Arizona on August 10, 2018 the agreement terminated with Titan retaining interest in the claims.