TITAN MINING CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

UNAUDITED – PREPARED BY MANAGEMENT

TITAN MINING CORPORATION
Condensed Consolidated Interim Statements of Financial Position
Unaudited
(Expressed in thousands of Unites States dollars)

	Note		September 30, 2018		December 31, 2017
Assets					
Current assets					
Cash and cash equivalents		$	607	$	25,168
Trade and other receivables	6		998		187
Inventories	7		2,224		311
Other current assets			761		218
			4,590		25,884
Non-current assets					
Mineral properties, plant and equipment	8, 9		52,184		33,122
Restricted cash			1,729		1,729
Other assets	13		100		100
Total assets		$	58,603	$	60,835
Liabilities					
Current liabilities					
Bank indebtedness	9	$	3,811	$	-
Accounts payable and accrued liabilities			7,099		3,631
Deferred rental contribution	10		454		-
Acquisition obligations			1,025		1,025
			12,389		4,656
Non-current liabilities					
Deferred rental contribution	10		1,068		-
Reclamation and remediation provision	11		13,772		14,698
Total liabilities		$	27,229		19,354
Shareholders' equity					
Equity attributable to shareholders of the Company					
Share capital		$	51,859		51,834
Reserves	12		1,600		745
Deficit			(22,085)		(11,098)
Total equity		$	31,374		41,481
Total liabilities and shareholders' equity		$	58,603	$	60,835

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 14)
Subsequent events (Note 18)

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

TITAN MINING CORPORATION
Condensed Consolidated Interim Statements of Comprehensive Loss
Unaudited
(Expressed in thousands of Unites States dollars unless otherwise stated)

	Note	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Revenue					
Provisional pricing adjustment	4	$ (300)	$ -	$ (1,208)	$ -
Other operating expenses	5				
General and administration expenses		$ 2,049	$ 856	$ 4,719	$ 1,539
Exploration and evaluation expenses		3,551	269	4,746	1,661
Care and maintenance costs		-	1,706	-	4,214
		5,600	2,831	9,465	7,414
Other expenses (income)					
Interest and other finance expenses		(48)	126	130	327
Accretion expense	11	100	84	286	257
Interest income		(11)	(3)	(108)	(27)
Acquisition obligation amendment fee		-	25	-	525
Other		38	6	6	8
		79	238	314	1,090
Net loss for the period		$ 5,979	$ 3,069	$ 10,987	$ 8,504
Other comprehensive loss (income)					
Items that may be reclassified to profit or loss:					
Unrealized loss (gain) on translation to reporting currency		(24)	(30)	406	(113)
Comprehensive loss for the period		$ 5,955	$ 3,039	$ 11,393	$ 8,391
Basic and diluted net loss per share (in $US)		$ 0.06	$ 0.05	$ 0.11	$ 0.14
Weighted average number of shares outstanding (in thousands)		101,971	62,347	101,971	62,347

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

TITAN MINING CORPORATION
Condensed Consolidated Interim Statements of Cash Flows
Unaudited
(Expressed in thousands of Unites States dollars)

	Note	Nine months ended September 30, 2018	2017
Operating activities			
Loss for the period		$ (10,987)	$ (8,504)
Items not involving the use (receipt) of cash			
Stock based compensation	5	1,261	617
Accretion	11	286	257
Amortization of deferred rental contribution	10	(123)	-
Borrowing and transactions costs		129	327
Unrealized foreign exchange (gain) loss		(1)	15
Acquisition obligation amendment fee		-	525
Depreciation		-	880
		1,552	2,621
Changes in non-cash working capital			
Trade and other receivables		(811)	(124)
Inventories		(1,913)	-
Other current assets		(525)	(64)
Accounts payable and accrued liabilities		877	147
Net cash used in operating activities		(11,807)	(5,924)
Financing activities			
Proceeds from bank indebtedness	9	4,000	-
Payment of borrowing and transaction costs		(318)	(234)
Deferred rental contributions received	10	1,645	-
Share issuance costs refunded		25	-
Increase in acquisition obligations		-	675
Payment of acquisition obligations		-	(2,052)
Net cash provided by (used in) financing activities		5,352	(1,611)
Investing activities			
Acquisition of mineral properties, plant and equipment	8	(17,774)	(508)
Acquisition of other assets		-	(71)
Net cash used in investing activities		(17,774)	(579)
Effect of foreign exchange on cash and cash equivalents		(332)	5
Decrease in cash and cash equivalents		(24,561)	(8,109)
Cash and cash equivalents, beginning of period		25,168	8,157
Cash and cash equivalents, end of period		$ 607	$ 48

Supplementary cash flow information (note 17)

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

TITAN MINING CORPORATION

Condensed Consolidated Interim Statements of Changes in Equity

Unaudited

(Expressed in thousands of Unites States dollars)

	Share Capital		Reserves				
	Number of Shares (000s)	Amount	Share Option Reserve	Currency Translation Adjustment	Total	Deficit	Total equity
Balance, January 1, 2017	62,347	$ 10,368	$ -	$ (77)	$ (77)	$ (66)	$ 10,225
Stock based compensation			617	-	617	-	617
Total comprehensive loss for the period	-	-	-	113	113	(8,504)	(8,391)
Balance, September 30, 2017	62,347	$ 10,368	$ 617	$ 36	$ 653	$ (8,570)	$ 2,451
Balance, January 1, 2018	101,971	$ 51,834	$ 956	$ (211)	$ 745	$ (11,098)	$ 41,481
Refund of share issue costs	-	25	-	-	-	-	25
Stock based compensation	-	-	1,261	-	1,261	-	1,261
Total comprehensive loss for the period	-	-	-	(406)	(406)	(10,987)	(11,393)
Balance, September 30, 2018	101,971	$ 51,859	$ 2,217	$ (617)	$ 1,600	$ (22,085)	$ 31,374

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

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 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").

These condensed consolidated interim financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of operations. These 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.

At September 30, 2018 the Company had cash and cash equivalents of $607, negative working capital of $7,799, a net loss for the nine months ended September 30, 2018 of $10,987, and a deficit of $22,085. As at September 30, 2018, the Company was in breach of certain financial covenants required under the credit arrangement with The Bank of Nova Scotia (the "Lender", see note 9). In October and November 2018, the Company received loans of $3,710 and an advance of $2,932 from a company controlled by Titan's Executive Chairman (note 18). Based on the Company's plan for achieving commercial production and continued exploration drilling programs, the Company will require additional funding in the fourth quarter of 2018. 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 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.

The Board of Directors authorized these condensed consolidated interim financial statements for issue on November 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 periods' financial statements as ESM is transitioning 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.

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 other than the estimated life of mine which has been extended by nine months as a result of lower than estimated ore production during the nine months ended September 30, 2018.

e) New accounting pronouncements

<u>IFRS 16 – Leases</u>

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 nine months ended September 30, 2018, 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. The transition to IFRS 9 did not impact the Company's measurement of financial assets and liabilities. 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.

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 Statements of Comprehensive Loss and in trade receivables on the consolidated statements of financial position.

c) Inventory

<u>Production inventories</u>

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 is 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.

(Expressed in thousands of Unites States dollars, unless otherwise indicated)

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

Revenue for the three and nine months ended September 30, 2018 is comprised of negative provisional pricing adjustments. Revenue realized during the commissioning phase of ESM is recorded as a credit to mineral properties, plant and equipment (note 8).

5. OTHER OPERATING EXPENSES

a) General and administration expenses

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Salaries and benefits	$ 1,109	$ 245	$ 2,092	$ 549
Share based compensation	549	483	1,261	617
Professional fees	91	40	472	189
Office and administration	203	77	660	160
Investor relations	97	11	234	24
	$ 2,049	$ 856	$ 4,719	$ 1,539

b) Exploration and evaluation expenses

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Salaries and benefits	$ 285	$ -	$ 416	$ 92
Drilling	3,118	259	4,065	1,434
Other	148	10	265	135
	$ 3,551	$ 269	$ 4,746	$ 1,661

c) Care and maintenance expenses

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Site expenditures	$ -	$ 1,413	$ -	$ 3,334
Depreciation	-	293	-	880
	$ -	$ 1,706	$ -	$ 4,214

(Expressed in thousands of Unites States dollars, unless otherwise indicated)

6. TRADE AND OTHER RECEIVABLES

		September 30, 2018		December 31, 2017
Trade receivables	$	798	$	-
GST receivable		198		137
Due from related party		-		38
Other receivables		2		12
	$	998	$	187

7. INVENTORIES

		September 30, 2018		December 31, 2017
Ore in stockpiles	$	32	$	-
Concentrate stockpiles		255		-
Materials and supplies		1,937		311
	$	2,224	$	311

8. MINERAL PROPERTY, PLANT AND EQUIPMENT

		Mineral Properties		Plant and Equipment		Land		Construction in progress		Total
Cost										
As at December 31, 2017	$	3,695	$	24,985	$	1,081	$	4,537	$	34,298
Additions		-		88		-		41,947		42,035
Transfers between categories		-		785		-		(785)		-
Transfer to production inventories		-		-		-		(287)		(287)
Change of reclamation and remediation provision		-		(1,212)		-		-		(1,212)
Capitalized revenue		-		-		-		(19,314)		(19,314)
As at September 30, 2018	$	3,695	$	24,646	$	1,081	$	26,098	$	55,520
Accumulated depreciation										
As at December 31, 2017	$	-	$	1,176	$	-	$	-	$	1,176
Depreciation capitalized to construction in progress		95		2,065		-		-		2,160
As at September 30, 2018	$	95	$	3,241	$	-	$	-	$	3,336
Net book value at December 31, 2017	$	3,695	$	23,809	$	1,081	$	4,537	$	33,122
Net book value at September 30, 2018	$	3,600	$	21,405	$	1,081	$	26,098	$	52,184

On November 1, 2017 the Company determined the technical and commercial feasibility of 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 accounted for under IAS 38 and IAS 16.

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 and nine months ended September 30, 2018.

9. BANK INDEBTEDNESS

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

The Credit Facility will be available to the Company on a revolving basis up to maximum amounts to finance the working capital and general corporate requirement on terms including the following:

- $5,000 will be available on closing until first shipment (completed), $10,000 will be available from first shipment until commercial production (as defined in the agreement) and $15,000 on and after commercial production;
- If drawn, the Company can choose to either pay the interest equal to LIBOR plus 4.0% - 4.5% or the Lender's base rate plus 3.0% to 3.5%;
- The Company is also required to pay a standby fee on the unadvanced portion of the Credit Facility with a rate ranging from 0.6% to 1.2%;
- 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 to $30 million plus 50% of consolidated net income (if positive) for the December 31, 2017 fiscal quarter and for each fiscal quarter thereafter.

  Effective August 7, 2018, the Credit Facility agreement was amended 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.

  On September 30, 2018, the Company was in event of default as it did not meet its interest coverage ratio and total leverage ratio.
- The maturity date is April 3, 2020.

During the three and nine months ended September 30, 2018, the Company has withdrawn $4,000. The Company incurred $302 of transaction costs associated with the Credit Facility which have been included in the carrying value of the Credit Facility and will be amortized to the maturity date.

10. 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:

	September 30, 2018	December 31, 2017
Balance, start of period	$ -	$ -
Deferred rental contribution received	1,645	-
Amortization of deferred rental contribution	(123)	-
Balance, end of period	$ 1,522	$ -
Current	$ 454	-
Non-current	1,068	-
	$ 1,522	-

11. **RECLAMATION AND REMEDIATION PROVISION**

	September 30, 2018	December 31, 2017
Balance, beginning of the period	$ 14,698	$ 14,111
Accretion	286	342
Change in estimates	(1,212)	245
Balance, end of period	$ 13,772	$ 14,698

As at September 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 (note 2d). The amounts and timing of the mine closure obligations will vary depending on several factors including future operations and the ultimate life of ESM, future economic conditions, and changes in applicable environmental regulations.

At September 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 3.05% (December 31, 2017 – 2.40%). The estimated life of mine also has been extended by nine months as the result of lower than estimated ore production during the nine months ended September 30, 2018. At September 30, 2018, the total undiscounted amount for the estimated future cash flows is $19,314 (December 31, 2017 – $19,495).

12. **RESERVES**

Stock options

For the three and nine months ended September 30, 2018, the Company recognized stock-based compensation of $549 and $1,261, respectively (September 30, 2017 – $483 and $617).

	2018		2017	
	Number of Options (000s)	Weighted Average Exercise Price (in C$)	Number of Options (000s)	Weighted Average Exercise Price (in C$)
Balance, start of period	5,965	$1.40	-	-
Granted	4,030	$1.40	5,675	$1.40
Forfeited	(885)	$1.40	(25)	$1.40
Balance, end of period	9,110	$1.40	5,650	$1.40

As at September 30, 2018, 800,000 options are exercisable (December 31, 2017 – 650,000).

(Expressed in thousands of Unites States dollars, unless otherwise indicated)

For the options granted during the nine months ended September 30, 2018, the weighted average fair value was estimated at US$0.59 (C$0.76) (September 30, 2017 - US$0.44 (C$0.59)) per option based on the Black-Scholes option pricing model using the following weighted average assumptions:

Assumptions	2018	2017
Risk-free interest rate	2.15%	0.98%
Expected life	5 years	5 years
Expected volatility(1)	71.65%	71.50%
Grant date share price	C$ 1.30	C$ 1.40
Expected dividend yield	-	-

(1) The expected volatility was based on comparable companies.

13. RELATED PARTY TRANSACTIONS

a) 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 September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Salaries and benefits	$ 831	$ 168	$ 1,210	$ 427
Stock based compensation	502	426	829	540
Directors' fees	33	-	212	-
	$ 1,366	$ 594	$ 2,251	$ 967

As a result of the termination of the employment of one of the Company's executives, the Company has recognized an additional salaries and benefits expense of $612 in the three and nine months ended September 30, 2018.

b) Other related party transactions

The Company shares office space, equipment, personnel and various administrative services with other companies, Arizona Mining Inc. ("Arizona Mining", until August 10, 2018), 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.

The Company reimbursed the management company, at cost, for the following expenses:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Salaries and benefits	$ 498	$ 96	$ 1,240	$ 229
Office and administration expenses	230	59	412	121
Investor relations	8	8	37	14
Other expenses	27	-	42	-
	$ 763	$ 163	$ 1,731	$ 364

(Expressed in thousands of Unites States dollars, unless otherwise indicated)

During the nine months ended September 30, 2018, the deferred rental contribution received (note 10) was received by the management company, then paid to the Company.

At September 30, 2018 accounts payable and accrued liabilities include $2 outstanding with respect to these arrangements. At December 31, 2017 accounts receivable included $41 outstanding with respect to these arrangements and an amount payable to Arizona Mining of $3, related to the reimbursement of 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 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 Mining, (ii) a change of control of Arizona Mining or (iii) expiry of three years. On August 10, 2018, as a result of a change of control of Arizona Mining the agreement terminated with Titan retaining interest in the claims.

During the three and nine months ended September 30, 2017, the Company incurred interest expense of $113 and $327, respectively, with respect to amounts borrowed from a company control by Titan's Executive Chairman ("Augusta"). On December 30, 2016, the company entered into a debenture agreement (the "Original Debenture") with Augusta in connection with the acquisition of ESM. The Original Debenture was payable at the earlier of a demand for payment by and December 31, 2017 and bore interest at 12% per annum with the interest payable on a monthly basis in arrears. In August 2017 and September 2017, the Company entered into additional debenture agreements (the "Additional Debentures") to borrow up to an additional $800 from Augusta. The Additional Debentures had an upfront fee due upon funding of 2% and have the same terms and conditions as the Original Debenture. During the three and nine months ended September 30, 2017, the Company incurred upfront fees of $13 with respect to the Additional Debentures.

14. COMMITMENTS AND CONTINGENCIES

a) Commitments

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

	2018	2019	2020	2021	2022	Total
Operating lease obligations	$ 125	$ 348	$ 243	$ 72	$ 38	$ 826
Advance royalties on mineral rights	9	37	37	37	37	157
	$ 134	$ 385	$ 280	$ 109	$ 75	$ 983

b) Contingencies

i. 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 from Star Mountain.

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 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.

(Expressed in thousands of Unites States dollars, unless otherwise indicated)

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 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 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.

The Company believes that claim of fraudulent conveyance is wholly without merit and Star Mountain has informed the Company that Star Mountain believes that the claim of fraudulent conveyance is wholly without merit and that it intends to defend against the amended action and assert counterclaims against Aviano. Irrespective of the merits of the claim, if the fraudulent conveyance claim is resolved adversely against the Company or Star Mountain, this could materially adversely affect the Company by terminating its interest in the Empire State Mine Project and the Company's ability to develop the Empire State Mines. Such a result would have a significant negative impact on the Company and could have a material effect on these financial statements.

15. FINANCIAL INSTRUMENTS

		September 30, 2018		December 31, 2017	
	Fair value hierarchy	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets					
Cash and cash equivalents	Level 1	$ 607	$ 607	$ 25,168	$ 25,168
Trade receivables	Level 2	798	798	-	-
Other receivables	Level 1	200	200	187	187
Restricted cash	Level 1	1,729	1,729	1,729	1,729
Liabilities					
Accounts payable and accrued liabilities	Level 1	$ 7,099	$ 7,099	$ 3,631	$ 3,631
Bank indebtedness	Level 1	3,811	3,811	-	-
Acquisition obligations	Level 1	1,025	1,025	1,025	1,025

(Expressed in thousands of Unites States dollars, unless otherwise indicated)

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.

16. 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.

17. SUPPLEMENTARY CASH FLOW INFORMATION

	Nine months ended September 30,			
		2018		2017
Non-cash investing and financing activities				
Change in accounts payable and accrued liabilities with respect to construction in progress	$	2,501	$	198
Change in reclamation and remediation asset	$	1,212	$	187

18. SUBSEQUENT EVENTS

Related party loans and advance

In October 2018, the Company entered into loan agreements with a company controlled by Titan's Executive Chairman totaling $3,710. The loans are unsecured, and bear interest at 8% per annum and will be immediately due and payable by the Company on the earlier of (i) one year from the date of the advance, (ii) a change of control of the Company and (iii) the date the Company completes a financing of $10,000 or more by way of sale of securities from the treasury of the Company or through the issuance of debt or other form of financing. On November 13, 2018, the Company received an advance of $2,932 from a company controlled by Titan's Executive Chairman.