# Interim Consolidated Financial Statements
## Q2 Fiscal 2021

February 28, 2021

Notice of No Auditor Review of Interim Consolidated Financial Statements

These interim condensed consolidated financial statements and related notes for the period ended February 28, 2021 have been prepared by and are the responsibility of management of Titan Logix Corp. The auditors of Titan Logix Corp. have not audited or reviewed these interim consolidated financial statements.

| | February 28, 2021 $ | August 31, 2020 $ |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents (note 4) | 9,710,456 | 9,383,679 |
| Accounts receivable | 485,526 | 606,719 |
| Inventories | 951,798 | 1,033,533 |
| Prepaid expenses | 60,748 | 116,349 |
| Income tax recoverable | 7,845 | - |
| Current portion of investment in secured loan (note 5) | 385,606 | 385,363 |
| Total current assets | 11,601,979 | 11,525,643 |
| Non-current assets | | |
| Property, plant and equipment | 258,217 | 271,221 |
| Right-of-use assets | 430,765 | 503,040 |
| Intangible assets | 846,720 | 1,045,862 |
| Investment in secured loan (note 5) | 3,236,279 | 3,365,341 |
| Total assets | 16,373,960 | 16,711,107 |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 369,438 | 430,210 |
| Income tax payable | - | 788 |
| Current portion of finance lease obligations (note 6) | 127,026 | 130,850 |
| Total current liabilities | 496,464 | 561,848 |
| Non-current liabilities | | |
| Finance lease obligations (note 6) | 319,642 | 383,940 |
| Total liabilities | 816,106 | 945,788 |
| Equity | | |
| Share capital (note 7) | 5,730,279 | 5,730,279 |
| Contributed surplus | 780,708 | 780,708 |
| Retained earnings | 9,046,867 | 9,254,332 |
| Total equity | 15,557,854 | 15,765,319 |
| Total liabilities and equity | 16,373,960 | 16,711,107 |

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

On behalf of the Board

"Alvin Pyke"
Director

"Helen Cornett"
Director

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | February 28 2021 $ | February 29 2020 $ | February 28 2021 $ | February 29 2020 $ |
| Revenue | 749,602 | 1,311,053 | 1,598,786 | 2,719,429 |
| Cost of sales | 396,549 | 616,459 | 864,560 | 1,285,619 |
| Gross profit | 353,053 | 694,594 | 734,226 | 1,433,810 |
| Expenses | | | | |
| General and administration | 230,877 | 296,334 | 471,815 | 583,015 |
| Marketing and sales | 146,075 | 275,185 | 353,208 | 558,766 |
| Engineering | 103,955 | 341,643 | 235,932 | 523,300 |
| Depreciation of property, plant and equipment | 9,654 | 5,744 | 19,002 | 11,356 |
| Depreciation right-of-use assets | 16,829 | 16,866 | 33,925 | 33,732 |
| Amortization of intangible assets | 68,215 | 69,675 | 138,290 | 139,392 |
| Loss (gain) on foreign exchange | 32,758 | (17,520) | 38,334 | (18,223) |
| Total expenses | 608,363 | 987,927 | 1,290,506 | 1,831,338 |
| Operating (loss) before other items | (255,310) | (293,333) | (556,280) | (397,528) |
| Other items | | | | |
| Finance income (note 8) | 196,144 | 178,675 | 361,540 | 359,793 |
| Interest on finance leases | (5,811) | (7,462) | (12,042) | (15,325) |
| Loss on disposal of property, plant and equipment | - | - | (683) | - |
| Total other items | 190,333 | 171,213 | 348,815 | 344,468 |
| Loss before income taxes | (64,977) | (122,120) | (207,465) | (53,060) |
| Income tax expense | - | - | - | - |
| Net loss and comprehensive loss | (64,977) | (122,120) | (207,465) | (53,060) |
| Earnings (loss) per share (note 10) | | | | |
| Basic | 0.00 | 0.00 | (0.01) | 0.00 |
| Diluted | 0.00 | 0.00 | (0.01) | 0.00 |

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

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| | Common Shares # | Share Capital $ | Contributed Surplus $ | Retained Earnings $ | **Total Equity $** |
|---|---|---|---|---|---|
| Balance, August 31, 2020 | 28,536,132 | 5,730,279 | 780,708 | 9,254,332 | 15,765,319 |
| Net (loss) | - | - | - | (207,465) | (207,465) |
| **Balance, February 28, 2021** | 28,536,132 | 5,730,279 | 780,708 | 9,046,867 | 15,557,854 |

| | Common Shares # | Share Capital $ | Contributed Surplus $ | Retained Earnings $ | Total Equity $ |
|---|---|---|---|---|---|
| Balance, August 31, 2019 | 28,536,132 | 5,730,279 | 770,208 | 9,832,688 | 16,333,175 |
| Share-based compensation | | | 10,500 | | 10,500 |
| Net (loss) | - | - | - | (53,060) | (53,060) |
| **Balance, February 29, 2020** | 28,536,132 | 5,730,279 | 780,708 | 9,779,628 | 16,290,615 |

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

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | February 28 2021 $ | February 29 2020 $ | February 28 2021 $ | February 29 2020 $ |
| Cash provided by (used in) | | | | |
| Operating activities | | | | |
| Net (loss) | (64,977) | (122,120) | (207,465) | (53,060) |
| Non-cash items included in net (loss) earnings | | | | |
| Interest on finance leases | 5,811 | 7,462 | 12,042 | 15,325 |
| Depreciation of property, plant and equipment | 12,914 | 9,826 | 25,526 | 19,519 |
| Depreciation of right-of-use assets | 36,003 | 36,042 | 72,275 | 72,083 |
| Amortization of intangible assets | 68,215 | 69,675 | 138,290 | 139,392 |
| Loss on disposal of property, plant and equipment | - | - | 683 | - |
| Share-based compensation | - | 10,500 | - | 10,500 |
| Finance income (note 8) | (196,144) | (178,675) | (361,540) | (359,793) |
| Changes in non-cash working capital (note 11) | 41,185 | 415,255 | 189,124 | 200,257 |
| Net cash (used in) provided by operating activities | (96,993) | 247,965 | (131,065) | 44,223 |
| Investing activities | | | | |
| Proceeds on maturity of short term investments | - | - | - | 2,041,227 |
| Payments received on investment in secured note (note 6) | 100,000 | 100,000 | 200,000 | 200,000 |
| Finance income received and receivable (note 8) | 138,398 | 170,715 | 290,359 | 343,848 |
| Purchase of property, plant and equipment | (74) | (2,809) | (13,305) | (5,733) |
| Proceeds from disposal of property, plant and equipment | - | - | 100 | - |
| Receipt of investment tax credits | 60,852 | - | 60,852 | - |
| Net cash provided by investing activities | 299,176 | 267,906 | 538,006 | 2,579,342 |
| Financing activities | | | | |
| Payment of finance lease obligation | (40,081) | (40,082) | (80,164) | (81,281) |
| Net cash (used in) financing activities | (40,081) | (40,082) | (80,164) | (81,281) |
| Net increase in cash and cash equivalents | 162,102 | 475,789 | 326,777 | 2,542,284 |
| Cash and cash equivalents, beginning of period | 9,548,354 | 9,238,332 | 9,383,679 | 7,171,837 |
| Cash and cash equivalents, end of period | 9,710,456 | 9,714,121 | 9,710,456 | 9,714,121 |

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

## 1. NATURE OF OPERATIONS

Titan Logix Corp. (the "Company") is a public company incorporated and domiciled in Canada and its common shares trade on the TSX Venture Exchange under the symbol TLA. The head office for the Company is located in Edmonton, Alberta, Canada. The address of the Company's registered office is #2600 10180 101 Street, Edmonton, AB T5J 3Y2.

Titan Logix Corp. is a developer, manufacturer and marketer of innovative fluid measurement and management solutions. The Company's Guided Wave Radar (GWR) solutions are primarily used in the upstream/midstream oil and gas industry. Secondary industries for its products include the aviation, waste fluid collection, and chemical industries. The Company's products are designed to be part of a complete Supply Chain Management solution. The ultimate solution consists of the Company's products integrated with best-in-class data management to enable end-to-end Industrial Internet of Things solutions for its customers' Supply Chain Management.

In March 2020, the World Health Organization declared a world-wide pandemic resulting from the outbreak of coronavirus, specifically identified as "COVID-19". Many countries had enacted emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, temporary restriction on all non-essential business, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The Company has assessed the economic impacts of the COVID-19 pandemic on its consolidated financial statements. As at February 28, 2021, management has determined that the Company's ability to execute its medium and longer term plans, the economic viability of its assets and the carrying value of its long-lived assets are not materially impacted. The full extent of the impact that the COVID-19 outbreak may have on the Company will depend on future developments that are highly uncertain and that cannot be predicted with confidence. Management is closely monitoring the impact of the pandemic on all aspects of its business.

## 2. BASIS OF PRESENTATION

### Statement of compliance

These condensed consolidated interim financial statements for the six months ended February 28, 2021 and February 29, 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). They have been prepared in accordance with IAS 34, "Interim Financial Reporting" and do not contain all necessary annual disclosures in accordance with IFRS.

The unaudited condensed consolidated interim financial statements of the Company for the six months ended February 28, 2021 were authorized for issue in accordance with a resolution of the directors on April 20, 2021.

### Principles of consolidation

These unaudited condensed consolidated interim financial statements include the financial statements of Titan Logix Corp. and its wholly owned subsidiary, Titan Logix USA Corp. The financial statements for the subsidiary are prepared for the same reporting period as the parent company using consistent accounting policies. All intercompany transactions and balances have been eliminated in the preparation of these consolidated financial statements.

### Functional and presentation currency

The condensed consolidated interim financial statements are presented in Canadian dollars which is the functional currency of Titan Logix Corp. and its subsidiary.

## 3. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements, in all material respects, follow the same accounting policies and method of application as the annual audited consolidated financial statements of the preceding fiscal year. Accordingly, these unaudited condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended August 31, 2020.

## 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

| As at | February 28, 2021 $ | August 31, 2020 $ |
|---|---|---|
| Cash on hand and balances with banks | 6,929,517 | 1,416,210 |
| Guaranteed investment certificates | 2,780,939 | 7,967,469 |
| | 9,710,456 | 9,383,679 |

## 5. INVESTMENTS

### Investment in secured loan

| As at | |
|---|---|
| August 31, 2020 | $ 3,750,704 |
| Principal repayments | (200,000) |
| Amortization of commitment fee and amendment fee | 26,803 |
| Payment in kind interest | 44,378 |
| February 28, 2021 | $ 3,621,885 |

| As at | February 28, 2021 $ | August 31, 2020 $ |
|---|---|---|
| Current portion of investment in secured loan | 385,606 | 385,363 |
| Long-term portion of investment in secured loan | 3,236,279 | 3,365,341 |
| | 3,621,885 | 3,750,704 |

On November 6, 2017, the Company entered into a loan participation agreement with Greypoint Capital Inc. (as administrative agent) and Greypoint Capital L.P. (as co-lender). Pursuant to the loan participation agreement, the Company has co-invested $5 million of a $10 million five-year secured loan to a company in the energy services industry (the "Borrower"). The loan is secured by a first priority security interest in the Borrower's real estate and equipment and a second priority security interest on the working capital assets of the Borrower. The loan is for a 60-month term and bears interest at the 30-day bankers' acceptance rate plus 9.5% (2019 – 7.5%), with a payment of $33,333 principal plus interest paid monthly. The Borrower may prepay the loan at any time subject to set terms. Principal repayments of $200,000 were received in the six months ended February 28, 2021 (February 29, 2020 - $200,000). The terms of the agreement included an upfront commitment fee from the Borrower of $75,000 and therefore the Company recorded the initial value of the investment in secured loan at an amortized cost of $4,925,000. The $75,000 commitment fee is amortized over the term of the loan and included in interest income. In December 2018, May 2019 and July 2020, the credit agreement with the Borrower was amended for covenant terms, subject to an amendment fee. The amendment fees of $112,500 are amortized over the remaining term of the loan and included in finance income. The July 2020 amendment included a 2.0% payment-in-kind interest on the loan until loan maturity.

During the six months ended February 28, 2021, the Company's investment in the secured loan to Greypoint Capital Inc. generated finance income of $269,387 (February 29, 2020 - $255,483) (note 8).

## 6. FINANCE LEASE OBLIGATIONS

The Company has leases and lease liabilities for land, building and office equipment. The leases have been discounted using a 4.95% interest rate.

### Lease liabilities

| | $ |
|---|---|
| Balance at August 31, 2020 | 514,790 |
| Finance costs | 12,042 |
| Lease payments | (80,164) |
| Balance at February 28, 2021 | 446.668 |
| Lease liabilities due within one year | 127,026 |
| Lease liabilities due beyond one year | 319,642 |

## 7. SHARE CAPITAL

### a) Authorized

The Company has authorized an unlimited number of common shares without par value.

### b) Issued

The Company has 28,536,132 issued common shares (August 31, 2020 – 28,536,132).

### c) Share-based compensation

The Company has a stock option plan for directors, officers, employees and consultants and permits the issue of options to purchase common shares of the Company. Subject to approval by the Board of Directors and the TSX Venture Exchange, a maximum of 3,000,000 (August 31, 2020 – 3,000,000) common shares are reserved for issue under this plan. The number of options and exercise price is set by the Board of Directors of the Company at the time of issue, provided that the exercise price shall not be less than the market price of the common shares on the stock exchange on which such shares are traded. The options issued vest in accordance with vesting schedules determined at the time of grant and may be exercised for a period not longer than five years from the time of issue.

At February 28, 2021, the Company has 300,000 (August 31, 2020 – 300,000) options outstanding, which expire on dates between April 2024 and January 2025. The continuity of the Company's outstanding and exercisable options is as follows:

| | Six months ended February 28, 2021 | | Twelve months ended August 31, 2020 | |
|---|---|---|---|---|
| | Number of options outstanding # | Weighted average exercise price $ | Number of options outstanding # | Weighted average exercise price $ |
| Outstanding, beginning of period | 300,000 | 0.56 | 420,000 | 0.62 |
| Granted | - | - | 50,000 | 0.49 |
| Forfeited | - | - | (170,000) | 0.68 |
| Outstanding, end of period | 300,000 | 0.56 | 300,000 | 0.56 |
| Exercisable, end of period | 300,000 | 0.56 | 300,000 | 0.56 |

The following table summarizes information about stock options outstanding and exercisable as at February 28, 2021.

| Exercise price | Options outstanding | Average remaining life (in years) | Options vested | Options not vested |
|---|---|---|---|---|
| $ 0.57 | 250,000 | 3.15 | 250,000 | - |
| $ 0.49 | 50,000 | 3.92 | 50,000 | - |
| Total, end of period | 300,000 | | 300,000 | - |

During the six months ended February 28, 2021 no options were granted. During the six months ended February 29, 2020, 50,000 stock options were granted with a weighted average estimated value of $0.21 per common share as determined using the Black-Scholes Option Pricing Model. These options were granted on January 27, 2020 at an exercise price of $0.49 and expire on January 27, 2025. These options vested immediately.

During the six months ended February 29, 2020, 20,000 stock options that had a weighted average exercise price of $1.14 were forfeited.

## 8. FINANCE INCOME

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | February 28, 2021 | February 29, 2020 | February 28, 2021 | February 29, 2020 |
| | $ | $ | $ | $ |
| Interest from investment in secured loan | 155,261 | 126,615 | 269,387 | 255,483 |
| Interest from investments in guaranteed investment certificates | 35,218 | 43,124 | 86,175 | 84,333 |
| Other interest income | 5,665 | 8,936 | 5,978 | 19,977 |
| | 196,144 | 178,675 | 361,540 | 359,793 |

## 9. NATURE OF EXPENSES

The Company presents certain expenses in the Consolidated Statements of Earnings (Loss) and Comprehensive Earnings (Loss) by function. The following table presents these expenses by nature.

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | February 28, 2021 | February 29, 2020 | February 28, 2021 | February 29, 2020 |
| | $ | $ | $ | $ |
| Employee salaries and benefits | | | | |
| Included in cost of sales | 102,363 | 127,747 | 184,572 | 265,903 |
| Included in total expenses | 354,629 | 537,453 | 722,653 | 1,070,910 |
| Total employee salaries and benefits | 456,992 | 665,200 | 907,225 | 1,336,813 |
| | | | | |
| Depreciation and amortization | | | | |
| Included in cost of sales | 22,434 | 23,258 | 44,874 | 46,514 |
| Included in total expenses | 94,698 | 92,285 | 191,217 | 184,480 |
| Total depreciation and amortization | 117,132 | 115,543 | 236,091 | 230,994 |

During the six months ended February 28, 2021, in response to the COVID-19 pandemic the Company received wage subsidy funding through the Government of Canada's, Canada Emergency Wage Subsidy ("CEWS"). This program was available to any employer, subject to eligibility criteria, whose business has been adversely affected by COVID-19. Payroll expenses for the three months ended February 28, 2021 were reduced by $70,012 (six months ended February 28, 2021 - $183,847) with respect to the CEWS program (February 29, 2020 - $nil).

## 10. (LOSS) EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted (loss) earnings per share:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | February 28, 2021 | February 29, 2020 | February 28, 2021 | February 29, 2020 |
| | $ | $ | $ | $ |
| Net (loss) (numerator for basic and diluted (loss) per share) | (64,977) | (122,120) | (207,465) | (53,060) |
| Weighted average number of shares outstanding – basic (denominator for basic (loss) per share) | 28,536,132 | 28,536,132 | 28,536,132 | 28,536,132 |
| Effect of dilutive securities | | | | |
| Stock options converted to common shares | - | - | - | - |
| Weighted average number of shares outstanding – diluted (denominator for diluted (loss) per share) | 28,536,132 | 28,536,132 | 28,536,132 | 28,536,132 |
| | | | | |
| Basic (loss) earnings per share | (0.00) | (0.00) | (0.01) | (0.00) |
| Effect of dilutive securities | - | - | - | - |
| Diluted (loss) earnings per share | (0.00) | (0.00) | (0.01) | (0.00) |

## 10. (LOSS) EARNINGS PER SHARE (cont'd)

For the six months ended February 28, 2021, there were 300,000 antidilutive options (2020 – 450,000). The average market value of the Company's shares for purposes of this calculation were based on quoted market prices for the period during which the options were outstanding.

## 11. CHANGE IN NON-CASH OPERATING WORKING CAPITAL

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | February 28, 2021 $ | February 29, 2020 $ | February 28, 2021 $ | February 29, 2020 $ |
| Accounts receivable | 68,045 | 170,109 | 121,193 | 215,119 |
| Inventories | (87,148) | 110,149 | 81,735 | (1,523) |
| Prepaid expenses | 20,000 | 29,559 | 55,601 | 49,376 |
| Accounts payable and accrued liabilities | 48,921 | 116,167 | (60,772) | (51,986) |
| Income tax payable | (8,633) | (10,729) | (8,633) | (10,729) |
| | 41,185 | 415,255 | 189,124 | 200,257 |

## 12. RELATED PARTY TRANSACTION

Key Management Personnel Compensation

The Company's key management personnel include its directors and executive. Compensation to key management personnel of the Company for the year was as follows:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | February 28, 2021 $ | February 29, 2020 $ | February 28, 2021 $ | February 29, 2020 $ |
| Salaries and short-term employee benefits | 103,048 | 128,198 | 198,091 | 251,499 |
| Share-based compensation | - | 10,500 | - | 10,500 |
| | 103,048 | 138,698 | 198,091 | 261,999 |

During the six months ended February 28, 2021 and 2020, there were no long-term employee benefits or post-employment benefits recognized. Short-term employee benefits consist of salaries, consulting fees, bonuses, director fees, and all other short-term benefits. Salaries for the three months ended February 28, 2021 were reduced by $7,612 (six months ended February 28, 2021 - $20,285) with respect to Government of Canada's, CEWS program (February 29, 2020 - $nil).

## 13. CAPITAL MANAGEMENT

The Company manages its capital to safeguard the Company's ability to continue as a going concern, to provide an adequate return to shareholders, and to preserve the financial flexibility in order to fund growth and expansionary opportunities that may arise. The Company's capital management practices are focused on preserving a solid capital base and a strong statement of financial position. The Company's capital consists of its finance lease obligations (less current portion) and its shareholders' equity which is comprised of issued shares, contributed surplus and retained earnings. The Company is not subject to any externally imposed capital requirements. The Company manages and maintains its capital structure based on current economic conditions. In order to maintain or adjust its capital structure, the Company may attempt to raise additional funds by issuing additional equity securities or assuming additional indebtedness. There were no changes to management's capital management objectives, practices or policies in the period.

| As at | February 28, 2021 $ | August 31, 2020 $ |
|---|---|---|
| Share capital | 5,730,279 | 5,730,279 |
| Contributed surplus | 780,708 | 780,708 |
| Retained earnings | 9,046,867 | 9,254,332 |
| | 15,557,854 | 15,765,319 |

## 14. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT

The Company's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, investment in secured loan, accounts payable and accrued liabilities and lease liabilities. The carrying amounts of the current financial assets and current financial liabilities recognized in the Company's consolidated financial statements at the end of the reporting period approximate their fair value due to their short period to maturity. Using the effective interest rate method, the fair value of the secured loan approximates its carrying value as the effective interest rate approximates the market interest rate.

## 15. FINANCIAL RISK MANAGEMENT

The Company is exposed to a number of risks as a result of holding financial instruments. These risks include credit risk, liquidity risk and market risk. The nature of the financial risks and the Company's strategy for managing these risks has not changed significantly from the prior period. The Company does not use financial derivatives.

### a) Credit risk

Credit risk arises from the possibility that the entities to which the Company provides services may experience financial difficulty and be unable to fulfill their obligations. Financial instruments that potentially subject the Company to credit risk include cash and cash equivalents, accounts receivable and investment in secured loan. The Company's cash on deposit and short-term investments are held with reputable financial institutions, from which management believes the risk of loss is low. The Company's maximum exposure to credit risk is as indicated by the carrying amount of its cash, cash equivalents, accounts receivable and investment in secured loan. The Company has a credit policy and regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss. The Company carries out credit evaluations of its customers who receive credit and carries adequate provisions for possible losses arising from credit risk associated with financial assets.

The Company's maximum exposure to credit risk for accounts receivable is the carrying value of its accounts receivable balance at February 28, 2021 of $541,036 (August 31, 2020 - $662,229). The Company's allowance for doubtful accounts as at February 28, 2021 amounted to $55,510 (August 31, 2020 - $55,510). As at February 28, 2021, the percentages of past due trade accounts receivable were as follows: 3% past due 61 to 90 days (August 31, 2020– 13%) and 12% past due greater than 90 days (August 31, 2020 – 10%) prior to including the allowance for doubtful accounts. It is management's view that these balances, net of the allowance for doubtful accounts, have a low risk of not being collected.

The Company's maximum exposure to credit risk for its investment in secured loan is the carrying value of the investment in secured loan's balance at February 28, 2021 of $3,711,045 (August 31, 2020 - $3,866,667). In investing in the secured loan, the Company considered the Company's future liquidity requirements and evaluated whether the Company had plans to sell the investment in the secured loan before recovery. The Company considered general industry conditions, the credit worthiness and credit history of the Borrower. The Company also considered specific conditions related to the financial health of and business outlook for the Borrower, including business outlook, industry and sector performance, changes in technology, and operational and financing cash flow factors. The Company also took into consideration security interest issued as collateral. The Company's investment in secured loan is subject to compliance with reasonable and customary positive and negative covenants for loans of its nature. As at February 28, 2021, the Borrower is in compliance with all terms of the loan agreement. Management monitors the investment in secured loan for indications of impairment on an ongoing basis including the extended impact of COVID-19 on the Borrower's business.

### b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due or to fund the programs and commitments that the Company has planned. The Company manages liquidity risk through management of its capital structure in conjunction with cash flow forecasting including anticipated investing and financing activities. The Company believes that internally generated cash flows and current cash balances will be sufficient to cover its normal operating and capital expenditures for the current fiscal year. The Company's contractual obligations related to financial liabilities are its accounts payable and accrued liabilities balance at February 28, 2021 of $369,438 and finance lease obligations of $446.668 (August 31, 2020 – accounts payable and accrued liabilities of $430,210 and finance lease obligations of $514,790).

### c) Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk arising from fluctuations in interest rates received on its cash and cash equivalents and its investment in secured loan. The Company manages interest rate risk by maximizing the interest earned in excess funds while maintaining the liquidity necessary to maintain day-to-day operating cash flow requirements.

At February 28, 2021, based on management's interest rate risk sensitivity analysis, a one-half percent change in market interest rates would have had an impact of approximately $28,406 (February 29, 2020 – $28,892) on the Company's net earnings.

15. FINANCIAL RISK MANAGEMENT (cont'd)

c) Market risk (cont'd)

Currency risk

Foreign currency risk arises from fluctuations in the value of foreign currencies and the degree of volatility of these currencies relative to the Canadian dollar. The Company is subject to foreign currency risk in that it has both current assets and liabilities denominated in foreign currencies. It is management's opinion that a change in foreign currency exchange rates could affect the Company's results of operations and cash flows, but would not materially impair or enhance its ability to pay its foreign exchange obligations. The Company does not use hedging tools to reduce its exposure to foreign currency risk.

At February 28, 2021, the Company held net financial assets of US$1,302,803 (February 29, 2020 - US$1,073,099) that were exposed to foreign exchange risk. Based on the Company's foreign currency exposures, with other variables unchanged, a five percent appreciation/ depreciation in the Canadian dollar would have impacted net earnings by approximately $82,630 (February 29, 2020 - $72,053).

16. SEGMENTED REPORTING

The Company operates substantially all of its activities in one reportable segment, technology fluid management solutions, which include the developing, manufacturing and marketing of innovative fluid measurement and management solutions. Operating segments are defined as components of the Company for which separate financial information is available that is evaluated regularly by the chief operating decision makers in allocating resources and assessing performance. The chief operating decision maker of the Company is the Chief Executive Officer.

Segmented information is provided on the basis of geographic segments as the Company sells into two primary geographic regions: Canada and the United States.

| Revenues | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | February 28, 2021 | February 29, 2020 | February 28, 2021 | February 29, 2020 |
| | $ | $ | $ | $ |
| Canada | 135,636 | 486,835 | 357,435 | 859,136 |
| United States and other | 613,966 | 824,218 | 1,241,351 | 1,860,293 |
| | 749,602 | 1,311,053 | 1,598,786 | 2,719,429 |

For the six month periods ended February 28, 2021 and February 28, 2020 revenue from a single customer made up 14% of total revenue in the period.

At February 28, 2021, non-current assets held in Canada were $4,768,284 (August 31, 2020 - $5,174,232) and in the United States were $3,697 (August 31, 2020 - $11,232).

TITAN LOGIX

## Corporate Address:

4130 – 93 Street NW
Edmonton, Alberta, Canada T6E 5P5
Phone: (780) 462-4085; Fax: (780) 450-8369

## Branch Address:

Overland Park, Kansas
United States of America
Phone: (877) 462-4085

## Exchange Listing:

The Toronto Venture Stock Exchange (TSX-V)
Stock Symbol: TLA

## Investor Information:

Investor Relations, Titan Logix Corp.
4130 – 93 Street NW
Edmonton, Alberta, Canada T6E 5P5
Phone: (780) 462-4085; Fax: (780) 450-8369
Email: invest@titanlogix.com

## Transfer Agent:

Computershare Investor Services Inc.
Stock Transfer Services
800, 324 – 8th Avenue SW, Calgary, Alberta, Canada
T2P 2Z2
Telephone: 1-800-564-6253

## Directors:

S. Grant Reeves, BA
Chairperson of the Board

Helen Cornett, CPA, CA
Audit Committee Chairperson

Victor Lee, P.Eng.
Executive Compensation and Corporate Governance Committee Chairperson

Alvin Pyke, P.Eng.
Chief Executive Officer

## Officers:

Alvin Pyke, P. Eng.
Chief Executive Officer

Angela Schultz, CPA, CMA
Chief Financial Officer

## Auditors:

Grant Thornton LLP

www.titanlogix.com