

# Interim Consolidated Financial Statements

## Q2 Fiscal 2023

February 28, 2023



**TITAN**  
**LOGIX**

### **Notice of No Auditor Review of Interim Condensed Consolidated Financial Statements**

These interim condensed consolidated financial statements and related notes for the period ended February 28, 2023, 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 condensed consolidated financial statements.

|                                                   | February 28,<br>2023<br>\$ | August 31,<br>2022<br>\$ |
|---------------------------------------------------|----------------------------|--------------------------|
| <b>ASSETS</b>                                     |                            |                          |
| <b>Current assets</b>                             |                            |                          |
| Cash and cash equivalents (note 4)                | 11,579,936                 | 9,267,106                |
| Short term investments (note 5)                   | -                          | 3,500,000                |
| Accounts receivable                               | 693,656                    | 833,508                  |
| Inventories                                       | 1,602,829                  | 1,301,745                |
| Prepaid expenses                                  | 80,651                     | 135,470                  |
| Marketable securities (note 6)                    | 1,430,750                  | 1,503,500                |
| <b>Total current assets</b>                       | <b>15,387,822</b>          | <b>16,541,329</b>        |
| <b>Non-current assets</b>                         |                            |                          |
| Limited recourse capital notes (note 7)           | 1,753,863                  | -                        |
| Property, plant and equipment                     | 182,707                    | 194,328                  |
| Right-of-use assets                               | 171,063                    | 235,988                  |
| Intangible assets                                 | 440,598                    | 527,637                  |
| <b>Total assets</b>                               | <b>17,936,053</b>          | <b>17,499,282</b>        |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                            |                          |
| <b>Current liabilities</b>                        |                            |                          |
| Accounts payable and accrued liabilities          | 493,323                    | 536,843                  |
| Income tax payable                                | 10,416                     | 10,380                   |
| Current portion of lease obligations (note 8)     | 138,674                    | 136,415                  |
| <b>Total current liabilities</b>                  | <b>642,413</b>             | <b>683,638</b>           |
| <b>Non-current liabilities</b>                    |                            |                          |
| Lease obligations (note 8)                        | 47,509                     | 117,321                  |
| <b>Total liabilities</b>                          | <b>689,922</b>             | <b>800,959</b>           |
| <b>Shareholders' equity</b>                       |                            |                          |
| Share capital (note 9)                            | 5,730,279                  | 5,730,279                |
| Contributed surplus                               | 858,094                    | 815,208                  |
| Retained earnings                                 | 10,657,758                 | 10,152,836               |
| <b>Total shareholders' equity</b>                 | <b>17,246,131</b>          | <b>16,698,323</b>        |
| <b>Total liabilities and shareholders' equity</b> | <b>17,936,053</b>          | <b>17,499,282</b>        |

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

On behalf of the Board

"Grant Reeves"  
Director

"Helen Cornett"  
Director

|                                                            | Three months ended |                  | Six months ended |                  |
|------------------------------------------------------------|--------------------|------------------|------------------|------------------|
|                                                            | February 28        | February 28      | February 28      | February 28      |
|                                                            | 2023               | 2022             | 2023             | 2022             |
|                                                            | \$                 | \$               | \$               | \$               |
| <b>Revenue</b>                                             | <b>1,521,908</b>   | <b>1,087,797</b> | <b>3,025,028</b> | <b>1,711,931</b> |
| <b>Cost of sales</b>                                       | <b>722,756</b>     | <b>459,019</b>   | <b>1,389,255</b> | <b>753,270</b>   |
| <b>Gross profit</b>                                        | <b>799,152</b>     | <b>628,778</b>   | <b>1,635,773</b> | <b>958,661</b>   |
| <b>Expenses</b>                                            |                    |                  |                  |                  |
| General and administration                                 | 336,232            | 564,883          | 639,202          | 830,783          |
| Marketing and sales                                        | 196,536            | 162,848          | 417,765          | 340,420          |
| Engineering                                                | 140,104            | 100,275          | 221,465          | 242,722          |
| Depreciation of property, plant and equipment              | 7,798              | 8,158            | 16,145           | 17,796           |
| Depreciation right-of-use assets                           | 13,287             | 13,288           | 26,575           | 26,575           |
| Amortization of intangible assets                          | 43,585             | 43,374           | 87,039           | 101,461          |
| Loss (gain) on foreign exchange                            | (25,581)           | 10,909           | (102,404)        | (22,038)         |
| <b>Total expenses</b>                                      | <b>711,961</b>     | <b>903,735</b>   | <b>1,305,787</b> | <b>1,537,719</b> |
| <b>Operating earnings (loss) before other items</b>        | <b>87,191</b>      | <b>(274,957)</b> | <b>329,986</b>   | <b>(579,058)</b> |
| <b>Other items</b>                                         |                    |                  |                  |                  |
| Unrealized loss on marketable securities (note 6)          | (121,250)          | -                | (72,750)         | -                |
| Unrealized loss on limited recourse capital notes (note 7) | (27,007)           | -                | (27,007)         | -                |
| Finance income (note 10)                                   | 156,908            | 142,373          | 283,300          | 288,136          |
| Interest on leases                                         | (2,585)            | (4,223)          | (5,587)          | (8,843)          |
| Loss on impairment of property, plant, and equipment       | (3,020)            | -                | (3,020)          | -                |
| <b>Total other items</b>                                   | <b>3,046</b>       | <b>138,150</b>   | <b>174,936</b>   | <b>279,293</b>   |
| <b>Earnings (loss) before income taxes</b>                 | <b>90,237</b>      | <b>(136,807)</b> | <b>504,922</b>   | <b>(299,765)</b> |
| <b>Income tax expense</b>                                  | <b>-</b>           | <b>-</b>         | <b>-</b>         | <b>-</b>         |
| <b>Earnings (loss) and comprehensive earnings (loss)</b>   | <b>90,237</b>      | <b>(136,807)</b> | <b>504,922</b>   | <b>(299,765)</b> |
| <b>Earnings (loss) per share (note 12)</b>                 |                    |                  |                  |                  |
| Basic and diluted                                          | 0.00               | (0.00)           | 0.02             | (0.01)           |

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

|                                       | Common<br>Shares<br># | Share<br>Capital<br>\$ | Contributed<br>Surplus<br>\$ | Retained<br>Earnings<br>\$ | Total<br>Equity<br>\$ |
|---------------------------------------|-----------------------|------------------------|------------------------------|----------------------------|-----------------------|
| Balance, August 31, 2022              | 28,536,132            | 5,730,279              | 815,208                      | 10,152,836                 | <b>16,698,323</b>     |
| Share-based compensation (note 9 (c)) |                       |                        | 42,886                       |                            | <b>42,886</b>         |
| Net earnings                          | -                     | -                      | -                            | 504,922                    | <b>504,922</b>        |
| <b>Balance, February 28, 2023</b>     | <b>28,536,132</b>     | <b>5,730,279</b>       | <b>858,094</b>               | <b>10,657,758</b>          | <b>17,246,131</b>     |

  

|                                       | Common<br>Shares<br># | Share<br>Capital<br>\$ | Contributed<br>Surplus<br>\$ | Retained<br>Earnings<br>\$ | Total<br>Equity<br>\$ |
|---------------------------------------|-----------------------|------------------------|------------------------------|----------------------------|-----------------------|
| Balance, August 31, 2021              | 28,536,132            | 5,730,279              | 780,708                      | 9,026,975                  | <b>15,537,962</b>     |
| Share-based compensation (note 9 (c)) |                       |                        | 34,500                       |                            | <b>34,500</b>         |
| Net loss                              | -                     | -                      | -                            | (299,765)                  | <b>(299,765)</b>      |
| <b>Balance, February 28, 2022</b>     | <b>28,536,132</b>     | <b>5,730,279</b>       | <b>815,208</b>               | <b>8,727,210</b>           | <b>15,272,697</b>     |

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

|                                                             | Three months ended |                  | Six months ended  |                  |
|-------------------------------------------------------------|--------------------|------------------|-------------------|------------------|
|                                                             | February 28        | February 28      | February 28       | February 28      |
|                                                             | 2023               | 2022             | 2023              | 2022             |
|                                                             | \$                 | \$               | \$                | \$               |
| <b>Cash provided by (used in)</b>                           |                    |                  |                   |                  |
| <b>Operating activities</b>                                 |                    |                  |                   |                  |
| Net earnings (loss)                                         | 90,237             | (136,807)        | 504,922           | (299,765)        |
| Non-cash items included in net earnings (loss)              |                    |                  |                   |                  |
| Interest on leases                                          | 2,585              | 4,223            | 5,587             | 8,843            |
| Depreciation of property, plant and equipment               | 10,093             | 11,143           | 20,735            | 23,862           |
| Depreciation of right-of-use assets                         | 32,462             | 32,463           | 64,925            | 64,926           |
| Amortization of intangible assets                           | 43,585             | 43,374           | 87,039            | 101,461          |
| Unrealized loss on marketable securities (note 6)           | 121,250            | -                | 72,750            | -                |
| Unrealized loss on limited recourse capital notes (note 7)  | 27,007             | -                | 27,007            | -                |
| Share-based compensation (note 9 (c))                       | 26,703             | 34,500           | 42,886            | 34,500           |
| Loss on impairment of property, plant, and equipment        | 3,020              | -                | 3,020             | -                |
| Finance income (note 10)                                    | (156,908)          | (142,373)        | (283,300)         | (288,136)        |
| Changes in non-cash operating working capital (note 13)     | 170,807            | (148,389)        | (149,897)         | (138,903)        |
| <b>Net cash provided by (used in) operating activities</b>  | <b>370,841</b>     | <b>(301,866)</b> | <b>395,674</b>    | <b>(493,212)</b> |
| <b>Investing activities</b>                                 |                    |                  |                   |                  |
| Proceeds on maturity of short term investment (note 5)      | -                  | -                | 3,500,000         | -                |
| Purchase of limited recourse capital notes (note 7)         | (1,780,870)        | -                | (1,780,870)       | -                |
| Payments received on investment in secured note             | -                  | 105,000          | -                 | 205,000          |
| Finance income received (note 10)                           | 156,908            | 107,454          | 283,300           | 218,188          |
| Purchase of property, plant and equipment                   | (2,200)            | (950)            | (12,134)          | (950)            |
| <b>Net cash provided by (used in) investing activities</b>  | <b>(1,626,162)</b> | <b>211,504</b>   | <b>1,990,296</b>  | <b>422,238</b>   |
| <b>Financing activities</b>                                 |                    |                  |                   |                  |
| Payment of lease obligation (note 8)                        | (36,570)           | (36,570)         | (73,140)          | (73,140)         |
| <b>Net cash used in financing activities</b>                | <b>(36,570)</b>    | <b>(36,570)</b>  | <b>(73,140)</b>   | <b>(73,140)</b>  |
| <b>Net (decrease) increase in cash and cash equivalents</b> | <b>(1,291,891)</b> | <b>(126,932)</b> | <b>2,312,830</b>  | <b>(144,114)</b> |
| Cash and cash equivalents, beginning of period              | 12,871,827         | 9,769,122        | 9,267,106         | 9,786,304        |
| <b>Cash and cash equivalents, end of period</b>             | <b>11,579,936</b>  | <b>9,642,190</b> | <b>11,579,936</b> | <b>9,642,190</b> |

The accompanying notes are an integral part of these unaudited 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.

For over 25 years, Titan Logix Corp. has designed and manufactured mobile liquid measurement solutions to help businesses reduce risk and maximize efficiencies in bulk liquids transportation. Titan's TD Series of tank level monitors are a market leader in mobile fluid measurement, and are known for their high level of accuracy, rugged design, and solid-state reliability. Our solutions are designed for hazardous and non-hazardous applications, and we serve customers in a wide range of applications including petroleum, environmental solutions, chemical, and agriculture.

## 2. BASIS OF PRESENTATION

### Statement of compliance

These unaudited condensed consolidated interim financial statements for the six months ended February 28, 2023 and February 28, 2022 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, 2023 were authorized for issue in accordance with a resolution of the directors on April 19, 2023.

### 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 unaudited condensed consolidated interim financial statements.

### Functional and presentation currency

The unaudited 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 unaudited 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, 2022.

## 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

| As at                                                                      | February 28,<br>2023<br>\$ | August 31,<br>2022<br>\$ |
|----------------------------------------------------------------------------|----------------------------|--------------------------|
| Cash on hand and balances with banks                                       | 869,752                    | 898,664                  |
| Guaranteed investment certificates (GICs) and other high interest deposits | 10,710,184                 | 8,368,442                |
|                                                                            | <b>11,579,936</b>          | <b>9,267,106</b>         |

During the six months ended February 28, 2023, the Company's investments in GICs and high interest deposits, including its GICs classified as short term investments (note 5), generated finance income of \$276,014 (six months ended February 28, 2022 - \$33,573) (note 10).

## 5. INVESTMENTS

### Short term investments

| As at                                     | February 28,<br>2023 | August 31,<br>2022 |
|-------------------------------------------|----------------------|--------------------|
|                                           | \$                   | \$                 |
| Guaranteed investment certificates (GICs) | -                    | 3,500,000          |

Short term investments consist of guaranteed investment certificates (GICs) not cashable on demand, or with original maturities greater than three months.

## 6. MARKETABLE SECURITIES

Marketable securities consist of shares of publicly traded companies and are reported at their fair market value. The Company's investments at fair market value are as follows:

|                | Number of<br>shares | February 28,<br>2023<br>Fair value<br>\$ | Number of<br>shares | August 31,<br>2022<br>Fair value<br>\$ |
|----------------|---------------------|------------------------------------------|---------------------|----------------------------------------|
| Bri-Chem Corp. | 2,425,000           | 1,430,750                                | 2,425,000           | 1,503,500                              |

In fiscal 2022, pursuant to its loan participation agreement with Greypoint Capital Inc, and a concurrent transaction with other participants in the loan, the Company acquired 2,425,000 common shares in Bri-Chem Corp. for an investment cost of \$771,250. For the six months ended February 28, 2023, the Company recorded an unrealized loss of \$72,750 on the marketable securities (six months ended February 29, 2022 - \$nil, August 31, 2022 - unrealized gain \$732,250).

## 7. LIMITED RECOURSE CAPITAL NOTES

The Company's investment in limited recourse capital notes (LRCNs) are reported at their fair market value and are as follows:

|                                | Number of<br>units | February 28,<br>2023<br>Fair value<br>\$ | Number of<br>units | August 31,<br>2022<br>Fair value<br>\$ |
|--------------------------------|--------------------|------------------------------------------|--------------------|----------------------------------------|
| Limited recourse capital notes | 1,900,000          | 1,753,863                                | -                  | -                                      |

In February 2023, the Company invested \$1,780,870 on 1,900,000 units or \$0.9373 per unit, in limited resource capital notes with an annual interest rate of 4.3%, and an effective rate of 6.72%. Interest is payable semi-annually for the initial period ending but excluding November 15, 2025. The interest will then be reset every five years at a rate equal to the prevailing five-year Government of Canada Yield plus 3.943%. The note matures on November 15, 2080. This investment has been classified as a long-term investment due to its long-term maturity and represents an investment of cash that is not required for current operations and the Company's intention not to liquidate its investment in the short-term. For the six months ended February 28, 2023, the Company recorded an unrealized loss of \$27,007 on the LRCNs (six months ended February 29, 2022 - \$nil). During the six months ended February 28, 2023, the Company's investments in LRCNs generated interest income of \$1,119 (six months ended February 28, 2022 - \$nil) (note 10).

## 8. 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, 2022            | 253,736        |
| Finance costs                         | 5,587          |
| Lease payments                        | (73,140)       |
| <b>Balance at February 28, 2023</b>   | <b>186,183</b> |
| Lease liabilities due within one year | 138,674        |
| Lease liabilities due beyond one year | 47,509         |

## 9. 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, 2022 – 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, 2022 – 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. Stock based compensation expense is measured at the grant date based on the estimated fair-value of the grant and recognized as an expense over the vesting period in selling, general and administration expenses in the Consolidated Statements of Earnings (Loss) and Comprehensive Earnings (Loss).

On November 24, 2022 350,000 stock options were granted at an exercise price of \$0.51, expire on November 24, 2027, with vesting over a one to five year period. The terms of the stock option grant include vesting terms. These include annual defined performance metrics, certain share price targets and subject to Board discretion and approval. The fair value of each stock option grant was estimated on the grant date using the Black-Scholes pricing model with following weighted average assumptions; an expected life of 5 years, share volatility of 45.7% and a risk free interest rate of 3.32%. The weighted average grant date value of \$0.20 per common share was estimated on November 24, 2022 using the Black-Scholes Option Pricing Model.

Stock based compensation of \$42,886 was recorded during the period related to the vesting of options granted August 31, 2022 and November 24, 2022. At February 28, 2023, the Company has 1,300,000 (August 31, 2022 – 950,000) options outstanding, which expire on dates between April 2024 and November 2027. The continuity of the Company's outstanding and exercisable options is as follows:

|                                   | Six months ended<br>February 28,<br>2023 |                                          | Twelve months ended<br>August 31,<br>2022 |                                             |
|-----------------------------------|------------------------------------------|------------------------------------------|-------------------------------------------|---------------------------------------------|
|                                   | Number of<br>options<br>outstanding<br># | Weighted average<br>exercise price<br>\$ | Number of<br>options<br>outstanding<br>#  | Weighted<br>average<br>exercise price<br>\$ |
| Outstanding, beginning of period  | 950,000                                  | 0.52                                     | 300,000                                   | 0.56                                        |
| Granted                           | 350,000                                  | 0.51                                     | 750,000                                   | 0.49                                        |
| Forfeited                         | -                                        | -                                        | (100,000)                                 | 0.57                                        |
| <b>Outstanding, end of period</b> | <b>1,300,000</b>                         | <b>0.51</b>                              | <b>950,000</b>                            | <b>0.51</b>                                 |
| <b>Exercisable, end of period</b> | <b>350,000</b>                           | <b>0.52</b>                              | <b>350,000</b>                            | <b>0.52</b>                                 |

The following table summarizes information about stock options outstanding and exercisable as at February 28, 2023.

| Exercise price              | Options<br>outstanding | Average<br>remaining life<br>(in years) | Options<br>vested | Options<br>not vested |
|-----------------------------|------------------------|-----------------------------------------|-------------------|-----------------------|
| \$ 0.57                     | 250,000                | 1.15                                    | 250,000           | -                     |
| \$ 0.49                     | 50,000                 | 1.92                                    | 50,000            | -                     |
| \$ 0.47                     | 150,000                | 3.91                                    | 150,000           | -                     |
| \$ 0.50                     | 600,000                | 4.51                                    | -                 | 600,000               |
| \$ 0.51                     | 350,000                | 4.74                                    | -                 | 350,000               |
| <b>Total, end of period</b> | <b>1,300,000</b>       |                                         | <b>350,000</b>    | <b>950,000</b>        |

**10. FINANCE INCOME**

|                                                                    | Three months ended   |                      | Six months ended     |                      |
|--------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                                    | February 28,<br>2023 | February 28,<br>2022 | February 28,<br>2023 | February 28,<br>2022 |
|                                                                    | \$                   | \$                   | \$                   | \$                   |
| Interest from investments in GICs and other high interest deposits | 153,025              | 16,888               | 276,014              | 33,573               |
| Interest from investments in LRCNs                                 | 1,119                | -                    | 1,119                | -                    |
| Interest from investment in secured loan                           | -                    | 123,951              | -                    | 251,134              |
| Other interest income                                              | 2,764                | 1,534                | 6,167                | 3,429                |
|                                                                    | <b>156,908</b>       | <b>142,373</b>       | <b>283,300</b>       | <b>288,136</b>       |

In fiscal 2022 finance income included interest earned from the Company's investment in a secured loan to Greypoint Capital Inc. As the loan was fully repaid on May 9, 2022 no finance income was earned from the loan for the six months ended February 28, 2023 (six months ended February 28, 2022 - \$251,134).

**11. NATURE OF EXPENSES**

The Company presents certain expenses in the Condensed 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,<br>2023 | February 28,<br>2022 | February 28,<br>2023 | February 28,<br>2022 |
|                                             | \$                   | \$                   | \$                   | \$                   |
| <b>Employee salaries and benefits</b>       |                      |                      |                      |                      |
| Included in cost of sales                   | 124,664              | 71,173               | 238,687              | 122,868              |
| Included in total expenses                  | 383,680              | 623,617              | 672,786              | 992,333              |
| <b>Total employee salaries and benefits</b> | <b>508,344</b>       | <b>694,790</b>       | <b>911,473</b>       | <b>1,115,201</b>     |
| <b>Depreciation and amortization</b>        |                      |                      |                      |                      |
| Included in cost of sales                   | 21,470               | 22,160               | 42,940               | 44,417               |
| Included in total expenses                  | 64,670               | 64,820               | 129,759              | 145,832              |
| <b>Total depreciation and amortization</b>  | <b>86,140</b>        | <b>86,980</b>        | <b>172,699</b>       | <b>190,249</b>       |

In fiscal 2022 in response to the COVID-19 pandemic the Company received wage subsidy funding through the Government of Canada's, Canada Emergency Wage Subsidy ("CEWS"). In the six-month period ended February 29, 2022 payroll expenses were reduced by \$76,281. As the Company's participation in the program ended in the previous fiscal year no payroll reductions were recorded in the six month period ended February 28, 2023.

**12. EARNINGS (LOSS) PER SHARE**

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

|                                                                                                                | Three months ended   |                      | Six months ended     |                      |
|----------------------------------------------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                                                                                | February 28,<br>2023 | February 28,<br>2022 | February 28,<br>2023 | February 28,<br>2022 |
|                                                                                                                | \$                   | \$                   | \$                   | \$                   |
| Net earnings (loss)<br>(numerator for basic and diluted earnings (loss) per share)                             | 90,237               | (136,807)            | 504,922              | (299,765)            |
| Weighted average number of shares outstanding – basic<br>(denominator for basic earnings (loss) per share)     | 28,536,132           | 28,536,132           | 28,536,132           | 28,536,132           |
| Effect of dilutive securities<br>Stock options converted to common shares                                      | 924,931              | -                    | 1,007,222            | -                    |
| Weighted average number of shares outstanding – diluted<br>(denominator for diluted earnings (loss) per share) | 29,461,063           | 28,536,132           | 29,543,354           | 28,536,132           |

**12. EARNINGS (LOSS) PER SHARE (cont'd)**

|                                   | <b>Three months ended</b>    |                              | <b>Six months ended</b>      |                              |
|-----------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|                                   | <b>February 28,<br/>2023</b> | <b>February 28,<br/>2022</b> | <b>February 28,<br/>2023</b> | <b>February 28,<br/>2022</b> |
|                                   | <b>\$</b>                    | <b>\$</b>                    | <b>\$</b>                    | <b>\$</b>                    |
| Basic earnings (loss) per share   | <b>0.00</b>                  | (0.00)                       | <b>0.02</b>                  | (0.01)                       |
| Effect of dilutive securities     | <b>0.00</b>                  | -                            | <b>0.00</b>                  | -                            |
| Diluted earnings (loss) per share | <b>0.00</b>                  | (0.00)                       | <b>0.02</b>                  | (0.01)                       |

For the six months ended February 28, 2023, there were 150,000 antidilutive options (2022 – 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.

**13. CHANGE IN NON-CASH OPERATING WORKING CAPITAL**

|                                          | <b>Three months ended</b>    |                              | <b>Six months ended</b>      |                              |
|------------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|                                          | <b>February 28,<br/>2023</b> | <b>February 28,<br/>2022</b> | <b>February 28,<br/>2023</b> | <b>February 28,<br/>2022</b> |
|                                          | <b>\$</b>                    | <b>\$</b>                    | <b>\$</b>                    | <b>\$</b>                    |
| Accounts receivable                      | <b>143,681</b>               | (218,324)                    | <b>139,852</b>               | 67,489                       |
| Inventories                              | <b>(92,851)</b>              | (1,335)                      | <b>(301,084)</b>             | (179,620)                    |
| Prepaid expenses                         | <b>22,558</b>                | (31,766)                     | <b>54,819</b>                | (81,709)                     |
| Accounts payable and accrued liabilities | <b>97,383</b>                | 103,036                      | <b>(43,520)</b>              | 54,937                       |
| Income tax payable                       | <b>36</b>                    | -                            | <b>36</b>                    | -                            |
|                                          | <b>170,807</b>               | (148,389)                    | <b>(149,897)</b>             | (138,903)                    |

**14. 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 period was as follows:

|                                           | <b>Three months ended</b>    |                              | <b>Six months ended</b>      |                              |
|-------------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|                                           | <b>February 28,<br/>2023</b> | <b>February 28,<br/>2022</b> | <b>February 28,<br/>2023</b> | <b>February 28,<br/>2022</b> |
|                                           | <b>\$</b>                    | <b>\$</b>                    | <b>\$</b>                    | <b>\$</b>                    |
| Salaries and short-term employee benefits | <b>179,922</b>               | 118,649                      | <b>300,788</b>               | 247,220                      |
| Termination benefits                      | -                            | 253,000                      | -                            | 253,000                      |
| Share-based compensation (note 8 (c))     | <b>26,703</b>                | 34,500                       | <b>42,886</b>                | 34,500                       |
|                                           | <b>206,625</b>               | 406,149                      | <b>343,674</b>               | 534,720                      |

During the six months ended February 28, 2023 and 2022, 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. In fiscal 2022 the Company's participation in the Government of Canada's, CEWS program ended. As a result no related reductions to salaries for the six months ended February 28, 2023 were recorded (six months ended February 28, 2022 - \$7,507).

## 15. 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 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,<br>2023<br>\$ | August 31,<br>2022<br>\$ |
|---------------------|----------------------------|--------------------------|
| Share capital       | 5,730,279                  | 5,730,279                |
| Contributed surplus | 858,094                    | 815,208                  |
| Retained earnings   | 10,657,758                 | 10,152,836               |
|                     | <b>17,246,131</b>          | <b>16,698,323</b>        |

## 16. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, marketable securities, limited recourse capital notes, the prior year's 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 and the lease liability approximate their carrying value as the effective interest rates approximates the market interest rates. The fair value of the LRCNs is determined with reference to quoted market bids provided by a third-party independent dealer in the secondary market, as the LRCNs are not listed on any securities exchange. It has been determined that broker pricing is appropriate for these investments as there is sufficient trading volume to demonstrate that the fair values quotes are appropriate.

## 17. 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, interest rate, currency and equity price 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. Estimates of sensitivities and risk exposure measures are included for certain risks, such as the sensitivity due to specific changes in interest rate levels projected and market prices as at the valuation date. Actual results can differ from these estimates.

### 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, 2023 of \$704,441 (August 31, 2022 - \$844,293). The Company's allowance for doubtful accounts as at February 28, 2023 amounted to \$10,785 (August 31, 2022 - \$10,785). As at February 28, 2023, the percentages of past due trade accounts receivable were as follows: 6% past due 61 to 90 days (August 31, 2022 - 5%) and 1% past due greater than 90 days (August 31, 2022 - 2%) 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.

**17. FINANCIAL RISK MANAGEMENT (cont'd)****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, 2023 of \$493,323 and lease obligations of \$186,183 (August 31, 2022 – accounts payable and accrued liabilities of \$536,843 and lease obligations of \$253,736).

**c) Interest rate risk**

Interest rate risk is the risk that changes in interest rates will cause fluctuations in the fair values or future cash flows of a financial instrument. The Company's exposure to changes to interest rates relates primarily to investments in cash and cash equivalents, LRCNs and in the prior fiscal year, the secured loan. While the Company is exposed to global interest rate fluctuations, it is most affected by fluctuation in Canadian interest rates. At February 28, 2023, based on management's sensitivity analysis, a one-half percent change in market interest rates would have had an impact of approximately \$29,853 (February 28, 2022 – \$29,071) on the Company's net earnings.

Future fair values on the LRCNs depend on many factors, including interest rates, the market for similar securities, and general economic conditions. Prevailing interest rates will affect the fair value of the LRCNs, related future cash flows will not change. Assuming all other factors remain unchanged, the market value of the LRCNs would be expected to decline as prevailing interest rates for similar securities rise and would be expected to increase as prevailing interest rates for similar securities decline. Spreads over the Government of Canada Yield and comparable benchmark rates of interest for similar securities will also affect the market value of the LRCNs.

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. The Company typically invests in highly liquid investment grade fixed income securities, with the primary objective of minimizing the potential risk of principal loss.

**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, 2023, the Company held net financial assets of US\$1,411,299 (February 28, 2022 - US\$1,454,959) 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 \$96,032 (February 28, 2022 - \$92,375).

**e) Equity price risk**

The Company is exposed to equity price risk as the result of changes in market conditions and fluctuations in market prices that may affect the market value of its marketable and limited recourse capital notes held for investment purposes. These securities are classified and accounted for as fair value through profit and loss and carried at fair value. The Company is required to measure the fair value of its investment at the end of each reporting period. This process could result in significant write-downs of the Company's portfolio investment over one or more reporting periods, particularly during periods of overall market instability.

At February 28, 2023, the fair value of \$1,430,750 representing the Company's equity investment in Bri-Chem Corp is subject to equity price risk (February 28, 2022 - \$nil). This investment is listed on the TSX and based on management's market price sensitivity analysis, a five percent improvement/decline in the listed price of Bri-Chem Corp. at the reporting date would have resulted in an approximate \$71,538 unrealized gain/loss recorded to net earnings (February 28, 2022 – \$nil).

The fair value of the LRCNs is determined with reference to quoted market bids provided by third-party independent brokers in secondary markets, as the LRCNs are not listed on any securities exchange and do not have an established trading market. Based on quoted market prices at February 28, 2023 the fair value of the LRCNs was determined to be \$1,753,863.

The Board of Directors is responsible for the management and oversight of its investments. As part of its risk management strategy, extensive corporate governance policies and practices have been applied. The primary investment objective is to optimize the return on surplus cash while preserving the Company's capital and supporting the Company's liquidity requirements.

**18. SEGMENTED REPORTING**

The Company operates substantially all its activities in one reportable segment, mobile liquid measurement solutions, which include the developing, manufacturing and marketing of mobile liquid measurement 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,<br>2023 | February 28,<br>2022 | February 28,<br>2023 | February 28,<br>2022 |
|                         | \$                   | \$                   | \$                   | \$                   |
| Canada                  | 459,893              | 220,875              | 977,989              | 449,071              |
| United States and other | 1,062,015            | 866,922              | 2,047,039            | 1,262,860            |
|                         | <b>1,521,908</b>     | <b>1,087,797</b>     | <b>3,025,028</b>     | <b>1,711,931</b>     |

For the six months ended February 28, 2023 revenue from 2 single customer made up 22% of total revenue (customer 1 – 12%, customer 2 – 10%) in the period and for the six months ended February 28, 2022, revenue from a single customer made up 22% of total revenue in the period.

At February 28, 2023, all non-current assets were held in Canada.

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**Exchange Listing:**

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

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Chairperson of the Board

**Helen Cornett, CPA, CA**  
Audit Committee Chairperson

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

**Robert Tasker, BAsC, Engineering, MBA**

**Officers:**

**Nicholas Forbes**  
Chief Executive Officer

**Angela Schultz, CPA, CMA**  
Chief Financial Officer

**Auditors:**

Kingston Ross Pasnak LLP

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