Quarterly Report
Q1 Fiscal 2022

November 30, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) has been prepared by management as of January 19, 2022. It updates the annual MD&A included in our 2021 annual report and should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes for the period ended November 30, 2021 as well as the audited consolidated financial statements and MD&A included in the Company's 2021 annual report for fiscal year ended August 31, 2021. The Company prepares and files its condensed consolidated interim financial statements in Canadian dollars and in accordance with International Financial Reporting Standards (IFRS). This MD&A compares the Company's fiscal 2022 first quarter results to the previous year's first quarter. We have not provided an update where an item is not material or where there has been no material change from the discussion in our annual MD&A.

The condensed consolidated interim financial statements and MD&A for the three months ended November 30,2021 as well as the 2021 annual audited financial statements and MD&A and additional information regarding Titan Logix Corp. are available at www.sedar.com and on the Company's website at www.titanlogix.com. Titan Logix Corp.'s board members and its audit committee have reviewed and approved the discussion in this MD&A.

Cautionary Note Regarding Forward-Looking Statements

Some of the information contained in this MD&A may contain forward-looking statements. These forward-looking statements may include, among others, statements regarding our plans, costs, objectives or economic performance, or the assumptions underlying any of the foregoing. Forward-looking statements are based on information available at the time they are made, on the date of this report, and should not be read as guarantees of future performance or results as they are subject to risks and uncertainties, many of them beyond our control. We do not undertake any obligation to publicly update or to revise any forward-looking statements except as expressly required by applicable securities laws.

Such risks and uncertainties include, but are not limited to the following:

- *Titan's ability to successfully market to current and new customers;*
- *Industry competition;*
- *Technological developments;*
- *Uncertainties as to Titan's ability to implement its strategic plan;*
- *Titan's ability to obtain raw materials from suppliers;*
- *The impact of general economic and industry conditions;*
- *The impact of pandemics and natural disasters;*
- *Fluctuations in oil and gas prices;*
- *Fluctuations in the level of oil and gas industry expenditures that affect demand for Titan's products and services;*
- *Fluctuations in currency rates;*
- *The ability to attract and retain key personnel or management;*
- *Expansion of products by internal growth, partnerships or acquisitions;*
- *Incorrect assessment of value of acquisitions;*
- *Inability to complete strategic acquisitions of additional business;*
- *Stock market volatility;*
- *Obtaining required approvals from regulatory authorities;*
- *Titan's ability to achieve an acceptable return on investment from new product development costs in a timely manner; and,*
- *Other risks described under the heading "Business Risks and Uncertainties" in this document.*

## CORPORATE OVERVIEW

Founded in 1979, Titan Logix Corp. ("Titan" or "the Company") is a public company listed on the TSX Venture Exchange and its shares trade under the symbol TLA.

For over 25 years, Titan Logix Corp. has designed and manufactured advanced 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. We proudly delivery our mobile tanker solutions to market through partnerships with Original Equipment Manufacturers (OEMs), dealers, and private fleets across Canada, the United States, and Mexico.

Titan currently serves the petroleum, chemical, and water markets with the TD80™ and TD100™ series of mobile gauges, delivering accurate level measurement, overfill protection, and a wide variety of integrated control capabilities while avoiding costly downtime for repair and maintenance. Building on our years of success in the crude oil market, our strategy is to grow our business through partnerships with customers, dealers, and OEMs, addressing unique challenges in transporting liquids safely and efficiently. Our next generation of TD products is focused on delivering this same reliable operation on a technology platform that enables our customers to mobilize their data as part of a complete Supply Chain Management (SCM) solution.

## QUARTERLY HIGHLIGHTS

- Revenues for the first quarter of fiscal 2022 were $624,134, a $225,050 or a 27% decrease from the $849,184 recorded in the comparative period. The decrease in revenue was primarily a result of a delay in demand for the Company's GWR products due to a slow recovery of the tanker manufacturing market that is experiencing supply chain issues and labour shortages.
- Gross profit for the first quarter of fiscal 2022 decreased by $51,290 to $329,883 or 53% of revenue compared to $381,173 or 45% of revenue in the comparative period. This decrease in gross profit is primarily due to the decrease in unit demand and revenue. The increase in the gross profit percentage is the result of a price increase effective June 2021 and lower overhead costs.
- Total expenses in the first quarter of fiscal 2022 decreased by $48,159 to $633,894 as compared with $682,143 in the comparative prior period. This decrease in total expenses was primarily due to foreign currency exchange gains as compared to losses in the comparative prior period. The Company continued with its cost containment efforts while focusing on sales and marketing programs and product development including enhancing digital capabilities.
- In the first quarter of fiscal 2022, the Company reported an operating loss before other items of $304,101 compared to an operating loss of $300,970 in the first quarter of fiscal 2021. Adjusted for interest income and other items, the net loss after income taxes for the first quarter was $162,958 in fiscal 2021 compared to a net loss after taxes of $142,488 in the prior period. In the fiscal quarter the decrease in sales and gross profit was offset by the reduction in total expenses and the increase in the loss after income taxes was due to lower interest rates and the resulting decrease in income earned on GIC investments.
- During the fiscal quarter the Company continued its participation in the CEWS program. Total benefits received from wage subsidy programs in the first quarter of fiscal 2022 amounted to $76,281 as compared with $113,835 in the comparative prior period.

## FISCAL 2022 Q1 RESULTS OF OPERATIONS

| | Three months ended November 30 | | | |
|---|---|---|---|---|
| | 2021 | 2020 | Increase (Decrease) | |
| | $ | $ | $ | % |
| **Revenue** | **624,134** | 849,184 | (225,050) | (27) |
| Cost of sales | **294,251** | 468,011 | (173,760) | (37) |
| **Gross profit** | **329,883** | 381,173 | (51,290) | (13) |
| Gross margin (%) | **53%** | 45% | | |
| **Expenses** | | | | |
| General and administration | **265,900** | 240,938 | 24,962 | 10 |
| Marketing and sales | **177,572** | 207,133 | (29,561) | (14) |
| Engineering | **142,447** | 131,977 | 10,470 | 8 |
| Depreciation and amortization | **81,012** | 96,519 | (15,507) | (16) |
| (Gain) loss on foreign exchange | **(32,947)** | 5,576 | (38,523) | (691) |
| **Total expenses** | **633,984** | 682,143 | (48,159) | (7) |
| Finance income | **145,763** | 165,396 | (19,633) | (12) |
| Other items | **(4,620)** | (6,914) | 2,294 | 33 |
| **Net loss** | **(162,958)** | (142,488) | 20,470 | 14 |
| EPS – Basic and Diluted | **(0.01)** | (0.00) | (0.01) | |

**Revenue and gross profit**

The Company's revenue is primarily derived from instrument sales of its GWR product line of technologies (TD80™/TD100™, Finch II and related components) throughout Canada and the U.S. These technologies are sold into the mobile tanker truck market, servicing upstream/midstream customers. The Company's revenue in the first quarter of fiscal 2022 decreased by $225,050 or 27% to $624,134, as compared to $849,184 for the first quarter of fiscal 2021. The reduction in revenue reflects OEM tanker builds and after-market retrofits supply chain issues and labour shortages slowing the recovery of the tanker manufacturing market which delays demand for our GWR product line of technologies.

Revenues generated from the Canadian market increased by $6,397 or 3% to $228,196 as compared to $221,799 in the comparative prior period. Sales to the U.S, decreased by $231,447 or 37% to $395,938 as compared to $627,385 in the comparative period. These sales accounted for 63% of the revenues in the first quarter of fiscal 2022 (2021 – 74%). These sales are transacted in U.S. dollar currency and any change in the exchange rate affects the value at which transactions are recorded. Revenue was recorded at an average exchange rate of $1.26 Canadian during the three months ended November 30, 2021, compared with $1.32 Canadian for the prior period.

As a percentage of revenue, sales of the Company's GWR product line of technologies contributed 92% to sales in the first quarter of fiscal 2022. This compares to 96% in the comparative prior period.

Gross profit decreased by $51,290 to $329,883 or 53% as a percentage of sales for the first quarter of fiscal 2022 compared with $381,173, or 45% as a percentage of sales for the comparative period. The decrease in gross profit is primarily due to the decrease in unit demand and revenue. The increase in the gross profit percentage is the result of a price increase effective June 2021 and lower overhead costs.

**Expenses, general and administration**

General and administrative expenses (G&A) for the first quarter of fiscal 2022 were $265,900, an increase of $24,962 or 10% from the $240,938 recorded in the comparative prior period. The increase is primarily a result of increased compensation costs and professional fees. These increases were partially offset by a decrease in one-time consulting costs for the implementation of the new ERP system in the prior period. General and administration expenses include the benefit of CEWS subsidies of $13,884 in the current fiscal quarter compared with $23,437 in the prior period. G&A, as a percentage of revenue, was 43% for the first quarter of fiscal 2022 compared to 28% for the same period of fiscal 2021.

**Expenses, marketing and sales**

Marketing and sales expenses for the first quarter of fiscal 2022 were $177,572 a decrease of $29,561 or 14% from the $207,133 recorded in the comparative prior period. The reduction reflects lower compensation and marketing costs partially offset by an increase in travel costs. CEWS subsidies of $22,522 were received in the current fiscal quarter compared with $23,159 in the prior period. As a percentage of revenue, marketing and sales expenses were 28% for the first quarter of fiscal 2022 as compared to 24% for the same period of fiscal 2021.

**Expenses, engineering**

Engineering expenses for the first quarter of fiscal 2022 were $142,447 an increase of $10,470 or 8% from the $131,977 recorded in the comparative prior period. The increase is primarily due to increased costs for development consulting services. CEWS benefits of $30,001 were received in the current fiscal quarter compared to $43,386 in the prior period. Alberta Innovates funded $5,625 of project costs compared to $16,875 in the comparative period and tax refunds of $24,052 for Scientific Research and Experimental Development (SR&ED) were recorded in the first quarter of fiscal 2022. Engineering projects include the development of a low cost, non-hazard classified versions of its TD100™ transmitter and the development of products for its software portfolio.

**Expenses, depreciation and amortization**

Depreciation and amortization expenses included in operating expenses in the first quarter of fiscal 2022 totalled $81,012 compared to $96,519 in the previous prior period. Additional depreciation expenses recorded in cost of sales in the quarter totalled $22,257, compared to $22,440 in the comparable period.

**Expenses, foreign exchange**

Changes in the value of the Canadian dollar during the period and management of conversion of receipts from U.S. revenue resulted in a gain of $32,947 on foreign currency exchange in first quarter of fiscal 2022 consisting of a realized gain on exchange of $10,367 and an unrealized gain of $22,580. This compares to a loss of $5,576 on foreign currency exchange in the previous period consisting of a realized gain on exchange of $1,432 and an unrealized loss of $7,008.

**Operating loss and net loss**

For the first quarter of fiscal 2022 the operating loss before other items and income taxes was $304,101 as compared to an operating loss before other items and income taxes of $300,970 in the comparative prior period. For the first quarter of fiscal 2022 the net loss after income taxes was $162,958 as compared to a net loss of $142,488 in the comparable prior period. During the fiscal quarter total expense reductions offset the drop in revenue and gross margins, and the increase in the loss after income taxes was due to lower GIC interest rates resulting in lower returns on investment deposits. The reduction in returns on its GIC investments was slightly offset by an increase in interest earned on the secured loan and other interest bearing accounts. Interest earned was $145,763 in the first quarter of fiscal 2022 compared to $165,396 in the prior period. In the fiscal quarter, the Company benefited from CEWS subsidies in the amount of $76,281 compared to $113,835 from CEWS subsidies in the comparable quarter.

## SUMMARY OF QUARTERLY RESULTS

($000's, except per share amount)

| Fiscal year | **2022** | **2021** | | | | **2020** | | |
|---|---|---|---|---|---|---|---|---|
| | **Q1** | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
| Revenue | **624** | 871 | 1,064 | 750 | 849 | 609 | 782 | 1,311 |
| Gross profit | **330** | 547 | 558 | 353 | 381 | 355 | 382 | 695 |
| Operating loss before other items and income taxes | **(304)** | (154) | (140) | (255) | (301) | (262) | (580) | (293) |
| Net earnings (loss) before income taxes | **(163)** | (11) | 6 | (65) | (142) | (108) | (417) | (122) |
| Net earnings (loss) | **(163)** | (26) | 6 | (65) | (142) | (108) | (417) | (122) |
| EPS – Basic and Diluted | **(0.01)** | (0.00) | 0.00 | (0.00) | (0.00) | (0.00) | (0.01) | 0.00 |

Quarterly financial data is derived from the Company's consolidated financial statements and is prepared in accordance with IFRS

## FINANCIAL CONDITION AND LIQUIDITY

The Company's principal cash requirements are for ongoing operating costs, working capital and product development costs. The Company intends to fund its liquidity needs primarily from cash flow from operations and when necessary from cash on hand. Management continues to work on maintaining an optimal inventory level and the timely collection of accounts receivable to minimize its working capital requirements. As well, the Company will continue to focus on cost management and control programs. The Company expects that current cash balances and funds from operations will be sufficient in the near-term to meet anticipated obligations and to fund intended capital expenditures and product development. As needed, the Company will assess and select funding mechanisms for long term growth including additional R&D projects, expansion of the distribution channels and corporate development activities.

Total assets of the Company were $16,030,700 on November 30, 2021 as compared to $16,273,707 on August 31, 2021. Cash and cash equivalents decreased by $17,182 to $9,769,122. Accounts receivable decreased by $285,813 and inventories increased by $178,285. Total liabilities decreased by $80,049. As at November 30, 2021, Titan had positive working capital (current assets less current liabilities) of $14,373,207 compared to $11,386,485 at August 31, 2021. The increase in working capital is a result of the 60-month term on the Company's investment in secured loan ending on November 5, 2022 and the expectation that the remaining principal will be received by the end of the term.

### Summary of Cash Flows

Operating Activities

Net cash flows used in operating activities for the three-month fiscal period totalled $191,346, compared to $34,072 used in the comparative period. This increase in cash flows used in operating activities is primarily due to the changes in non-cash operating working capital accounts.

Non-cash operating working capital generated or consumed is largely a result of the timing of cash receipts and payments in the normal course of business. Non-cash operating working capital provided in the amount of $9,486 in the three-month fiscal period is largely a result of cash flow from a collection of accounts receivables, offset by the increase of inventory and prepaids and the decrease in accounts payable. This compares with non-cash working capital provided in the comparable period in the amount of $147,939, largely as a result of cash flow from a consumption of inventory and the collection of accounts receivables, offset by the decrease in accounts payable.

Investing Activities

Net cash flows generated in investing activities for the three-month fiscal period totalled $210,734 as a result of the finance income and repayments of $100,000 received on the secured note. This compares with $238,830 generated in the comparative prior period primarily as a result of the finance income and repayments of principal received on the secured note offset by capital equipment purchases.

Financing Activities

Net cash flows used in financing activities for the three-month fiscal period amounted to $36,570 for payment of lease obligations as compared to $40,083 in the comparable period.

## CONTRACTUAL OBLIGATIONS

The Company has no commitments for future capital assets and its only financial obligations are operating leases for office equipment, office spaces and its manufacturing facility.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company did not enter into any off-balance sheet arrangements during the current or comparable reporting period.

## OUTSTANDING SHARE DATA

Titan Logix Corp. has authorization to issue an unlimited number of common shares with no par value. The common shares of the Company trade on the TSX Venture Exchange under the symbol "TLA".

Issued and Outstanding

| | January 19, 2022 | August 31, 2021 | August 31, 2020 |
|---|---|---|---|
| Common shares issued and outstanding | 28,536,132 | 28,536,132 | 28,536,132 |
| Options outstanding | 300,000 | 300,000 | 420,000 |

During the three-month fiscal period and the comparable prior period, no stock options were granted or forfeited

## IMPACT OF COVID-19 PANDEMIC

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 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, 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 interim consolidated financial statements. As at November 30, 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 impact of COVID-19 resulted in a decrease in demand for our products and the Company has experienced a material decline in revenues and gross profit in the year. Cost containment efforts were implemented in order to mitigate the impact of the decline in revenues and gross profit. The Company reduced discretionary spending and downsized production costs to match current demand. The Company received subsidy funding through the Government of Canada's - Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS") that was available to any Canadian employer and business, subject to eligibility criteria, whose business has been adversely affected by COVID-19.

Management of the Company enacted a COVID-19 business continuity plan including safety protocol and remote working arrangements and only experienced minimal disruptions to its business operations. As conditions continue to fluctuate around the world, with vaccine administration rising, governments and organizations have responded by adjusting their restrictions and guidelines accordingly. Our focus remains on promoting employee health and safety, serving our customers and ensuring business continuity. Management is closely monitoring the impact of the pandemic on all aspects of its business. We carefully assess, and reassess, conditions to determine when employees can safely return to our offices, and as a result have fully reopened our offices.

At this point, management cannot reasonably estimate the duration, complexity, or severity of this pandemic, which could have a material adverse impact on the Company's business, results of operations, financial position and cash flows. Other possible effects may include disruptions in the demand for our products, absenteeism in the Company's labor workforce, unavailability of products and supplies used in operations, and a decline in the fair value of assets held by the Company. The full extent of the impact that the COVID-19 outbreak may have on the Company continues to be uncertain and cannot be predicted with confidence.

## BUSINESS OUTLOOK

Our market assessment for OEM tanker builds and after-market retrofits indicate supply chain issues and labour shortages will slow the recovery of the tanker manufacturing market which delays demand for our TD-series product line. Higher oil prices and increased rig counts have traditionally led to greater demand for oil tankers and our products, although lagging for the clearing out of existing stock. Industry sources suggest North American crude oil output will see tangible increases this year as consumption return to pre-pandemic levels. We will continue to focus on sales and marketing efforts to support our market partners to capitalize on these increases. The Company completed an assessment in the first quarter of fiscal 2022 of its operating strategy and performance during the pandemic and determined the strategic direction of the Company should emphasize its core markets and capabilities to achieve profitability and increase shareholder value. The Company has a strong balance sheet to purchase accretive products and services that will accelerate growth as those opportunities are developed.

The Company is committed to continued investment in future product development including its new product line that combines the same industry-leading technology found in the TD-80 and TD-100 gauges with additional capabilities to grow and expand our offering into new markets and new digital applications. The technology, currently named the T-LITE, is being piloted with early-stage market partners across a wide range of commodities. The T-LITE system builds upon a solid foundation of accurate, reliable measurement, while adding feature rich functionality through wireless connectivity in a scalable package. The Company plans to continue field trials and harden the technology before announcing an official release date.

## BUSINESS RISKS AND UNCERTAINTIES

Titan Logix Corp. faces risks that have the potential of affecting its financial condition, results of operations and cash flow. The Board and management of the Company take prudent measures to mitigate risks which may affect the Company. The Company's sales are substantially derived from one product line and as a result, a sudden or sustained decline in demand for, or production of, the product could have a material adverse effect on the Company's financial condition and results of operations. Events which could cause a drop in demand include industry factors, market economic conditions, competition and impact of pandemics as described in the Company's business risks and uncertainties in its 2021 annual report. Events that could cause an interruption in the Company's ability to produce the product include supply shortages and proprietary protections. A complete discussion of business risk factors faced by the Company can be found in the "Business Risks and Uncertainties" section of the MD&A portion of its 2021 annual report.

## ADDITIONAL INFORMATION

Additional information relating to Titan Logix Corp., including its 2021 Audited Financial Statements, is available on SEDAR at www.sedar.com or on its website, www.titanlogix.com.

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

These interim condensed consolidated financial statements and related notes for the period ended November 30, 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 condensed consolidated financial statements.

| | November 30, 2021 $ | August 31, 2021 $ |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents (note 4) | **9,769,122** | 9,786,304 |
| Accounts receivable | **444,259** | 730,072 |
| Inventories | **1,102,614** | 924,329 |
| Prepaid expenses | **91,867** | 41,924 |
| Current portion of investment in secured loan (note 5) | **3,400,873** | 385,865 |
| **Total current assets** | **14,808,735** | 11,868,494 |
| **Non-current assets** | | |
| Property, plant and equipment | **230,835** | 243,554 |
| Right-of-use assets | **333,376** | 365,839 |
| Intangible assets | **657,754** | 715,841 |
| Investment in secured loan (note 5) | **-** | 3,079,979 |
| **Total assets** | **16,030,700** | 16,273,707 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | **290,440** | 338,539 |
| Income tax payable | **13,267** | 13,267 |
| Current portion of lease obligations (note 6) | **131,821** | 130,203 |
| **Total current liabilities** | **435,528** | 482,009 |
| **Non-current liabilities** | | |
| Lease obligations (note 6) | **220,168** | 253,736 |
| **Total liabilities** | **655,696** | 735,745 |
| **Shareholders' equity** | | |
| Share capital (note 7) | **5,730,279** | 5,730,279 |
| Contributed surplus | **780,708** | 780,708 |
| Retained earnings | **8,864,017** | 9,026,975 |
| **Total shareholders' equity** | **15,375,004** | 15,537,962 |
| **Total liabilities and shareholders' equity** | **16,030,700** | 16,273,707 |

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

On behalf of the Board

"Grant Reeves"
Director

"Helen Cornett"
Director

| For the three months ended November 30, | **2021** **$** | 2020 $ |
|---|---|---|
| **Revenue** | **624,134** | 849,184 |
| **Cost of sales** | **294,251** | 468,011 |
| **Gross profit** | **329,883** | 381,173 |
| **Expenses** | | |
| General and administration | **265,900** | 240,938 |
| Marketing and sales | **177,572** | 207,133 |
| Engineering | **142,447** | 131,977 |
| Depreciation of property, plant and equipment | **9,638** | 9,348 |
| Depreciation of right-of-use assets | **13,287** | 17,096 |
| Amortization of intangible assets | **58,087** | 70,075 |
| (Gain) loss on foreign exchange | **(32,947)** | 5,576 |
| Total expenses | **633,984** | 682,143 |
| Operating loss before other items | **(304,101)** | (300,970) |
| **Other items** | | |
| Finance income (note 8) | **145,763** | 165,396 |
| Interest on leases | **(4,620)** | (6,231) |
| Loss on disposal of property, plant and equipment | **-** | (683) |
| Total other items | **141,143** | 158,482 |
| **Loss before income taxes** | **(162,958)** | (142,488) |
| **Income tax expense** | **-** | - |
| **Net loss and comprehensive loss** | **(162,958)** | (142,488) |
| **Loss per share (note 10)** | | |
| Basic and Diluted | **(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, 2021 | 28,536,132 | 5,730,279 | 780,708 | 9,026,975 | **15,537,962** |
| Net loss | - | - | - | (162,958) | **(162,958)** |
| **Balance, November 30, 2021** | **28,536,132** | **5,730,279** | **780,708** | **8,864,017** | **15,375,004** |

| | 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 | - | - | - | (142,488) | **(142,488)** |
| **Balance, November 30, 2020** | **28,536,132** | **5,730,279** | **780,708** | **9,111,844** | **15,622,831** |

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

| For the three months ended November 30, | **2021** | 2020 |
|---|---|---|
| | **$** | $ |
| **Cash provided by (used in)** | | |
| **Operating activities** | | |
| Net loss | **(162,958)** | (142,488) |
| Non-cash items included in net loss | | |
| Interest on leases | **4,620** | 6,231 |
| Depreciation of property, plant and equipment | **12,719** | 12,612 |
| Depreciation of right-of-use assets | **32,463** | 36,272 |
| Amortization of intangible assets | **58,087** | 70,075 |
| Loss on disposal of property, plant and equipment | **-** | 683 |
| Finance income (note 8) | **(145,763)** | (165,396) |
| Changes in non-cash operating working capital (note 11) | **9,486** | 147,939 |
| **Net cash used in operating activities** | **(191,346)** | (34,072) |
| **Investing activities** | | |
| Payments received on investment in secured loan (note 5) | **100,000** | 100,000 |
| Finance income received (note 8) | **110,734** | 151,961 |
| Purchase of property, plant and equipment | **-** | (13,231) |
| Proceeds from disposal of property, plant and equipment | **-** | 100 |
| **Net cash provided by investing activities** | **210,734** | 238,830 |
| **Financing activities** | | |
| Payment of lease obligation (note 6) | **(36,570)** | (40,083) |
| **Net cash used in financing activities** | **(36,570)** | (40,083) |
| **Net (decrease) increase in cash and cash equivalents** | **(17,182)** | 164,675 |
| Cash and cash equivalents, beginning of period | **9,786,304** | 9,383,679 |
| **Cash and cash equivalents, end of period** | **9,769,122** | 9,548,354 |

*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.

For over 25 years, Titan Logix Corp. has designed and manufactured advanced 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.

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 November 30, 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 unaudited condensed consolidated interim financial statements for the three months ended November 30, 2021 and November 30, 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 three months ended November 30, 2021 were authorized for issue in accordance with a resolution of the directors on January 19, 2022.

**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 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, 2021.

**4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include the following components:

| As at | **November 30, 2021 $** | August 31, 2021 $ |
|---|---|---|
| Cash on hand and balances with banks | **7,488,183** | 7,505,365 |
| Guaranteed investment certificates | **2,280,939** | 2,280,939 |
| | **9,769,122** | 9,786,304 |

**5. INVESTMENTS**

**Investment in secured loan**

| As at | |
|---|---|
| **August 31, 2021** | **$ 3,465,844** |
| Principal repayments | (100,000) |
| Amortization of commitment fee and amendment fee | 17,475 |
| Payment in kind interest | 17,554 |
| **November 30, 2021** | **$ 3,400,873** |

| As at | **November 30, 2021 $** | August 31, 2021 $ |
|---|---|---|
| Current portion of investment in secured loan | **3,400,873** | 385,865 |
| Long-term portion of investment in secured loan | **-** | 3,079,979 |
| | **3,400,873** | 3,465,844 |

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% (2020 – 9.5%), 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 $100,000 were received in the three months ended November 30, 2021 (November 30, 2020 - $100,000). 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, July 2020, and April 2021 the credit agreement with the Borrower was amended for covenant terms, subject to an amendment fee. The cumulative amendment fees of $137,500 (November 30, 2020 - $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 (PIK) interest on the loan until loan maturity. The PIK interest is accrued on the loan by being added to the principal amount to be repaid or the Borrower will have the option to pay monthly.

The credit agreement with the Borrower is contractually due on November 5, 2022 and therefore is classified as a current asset at November 30, 2021.

During the three months ended November 30, 2021, the Company’s investment in the secured loan to Greypoint Capital Inc. generated finance income of $127,183 (November 30, 2020 - $114,126) (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, 2021 | 383,939 |
| Finance costs | 4,620 |
| Lease payments | (36,570) |
| **Balance at November 30, 2021** | **351,989** |
| Lease liabilities due within one year | 131,821 |
| Lease liabilities due beyond one year | 220,168 |

## 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, 2021 – 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, 2021 – 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 November 30, 2021, the Company has 300,000 (August 31, 2021 – 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:

| | | **Three months ended November 30, 2021** | | Twelve months ended August 31, 2021 |
|---|---|---|---|---|
| | **Number of options outstanding #** | **Weighted average exercise price $** | Number of options outstanding # | Weighted average exercise price $ |
| Outstanding, beginning of period | **300,000** | **0.56** | 300,000 | 0.56 |
| **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 November 30, 2021.

| Exercise price | **Options outstanding** | **Average remaining life (in years)** | **Options vested** | **Options not vested** |
|---|---|---|---|---|
| $ 0.57 | 250,000 | 2.39 | 250,000 | - |
| $ 0.49 | 50,000 | 3.16 | 50,000 | - |
| **Total, end of period** | **300,000** | | **300,000** | **-** |

During the three months ended November 30, 2021 and November 30, 2020 no options were granted.

## 8. FINANCE INCOME

| For the three months ended November 30, | **2021** | 2020 |
|---|---|---|
| | **$** | $ |
| Interest from investment in secured loan | **127,183** | 114,126 |
| Interest from investments in guaranteed investment certificates | **5,730** | 50,957 |
| Other interest income | **12,850** | 313 |
| | **145,763** | 165,396 |

## 9. NATURE OF EXPENSES

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

| For the three months ended November 30, | **2021** | 2020 |
|---|---|---|
| | **$** | $ |
| **Employee salaries and benefits** | | |
| Included in cost of sales | **51,695** | 82,209 |
| Included in total expenses | **368,716** | 368,024 |
| **Total employee salaries and benefits** | **420,411** | 450,233 |
| | | |
| **Depreciation and amortization** | | |
| Included in cost of sales | **22,257** | 22,440 |
| Included in total expenses | **81,012** | 96,519 |
| **Total depreciation and amortization** | **103,269** | 118,959 |

During the three months ended November 30, 2021 and November 30, 2020, 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 November 30, 2021 were reduced by $76,281 with respect to the CEWS program (November 30, 2020: $113,835).

## 10. LOSS PER SHARE

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

| For the three months ended November 30, | **2021** | 2020 |
|---|---|---|
| | **$** | $ |
| Net loss<br>(numerator for basic and diluted loss per share) | **(162,958)** | (142,488) |
| Weighted average number of shares outstanding – basic<br>(denominator for basic loss per share) | **28,536,132** | 28,536,132 |
| Effect of dilutive securities | | |
| Stock options converted to common shares | **-** | - |
| Weighted average number of shares outstanding – diluted<br>(denominator for diluted loss per share) | **28,536,132** | 28,536,132 |
| Basic loss per share | **(0.01)** | (0.00) |
| Effect of dilutive securities | **0.00** | 0.00 |
| Diluted loss per share | **(0.01)** | (0.00) |

For the three months ended November 30, 2021, there were 300,000 antidilutive options (2020 – 300,000). 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

| For the three months ended November 30, | **2021**<br>**$** | 2020<br>$ |
|---|---|---|
| Accounts receivable | **285,813** | 53,148 |
| Inventories | **(178,285)** | 168,883 |
| Prepaid expenses | **(49,943)** | 35,601 |
| Accounts payable and accrued liabilities | **(48,099)** | (109,693) |
| | **9,486** | 147,939 |

## 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 period was as follows:

| For the three months ended November 30, | **2021**<br>$ | 2020<br>$ |
|---|---|---|
| Salaries and short-term employee benefits | **128,571** | 95,043 |
| | **128,571** | 95,043 |

During the three months ended November 30, 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 November 30, 2021 were reduced by $7,507 with respect to Government of Canada's, CEWS program (November 30, 2020: $12,673).

## 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 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 | **November 30,**<br>**2021**<br>**$** | August 31,<br>2021<br>$ |
|---|---|---|
| Share capital | **5,730,279** | 5,730,279 |
| Contributed surplus | **780,708** | 780,708 |
| Retained earnings | **8,864,017** | 9,026,975 |
| | **15,375,004** | 15,537,962 |

## 14. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT

The Company's financial instruments consist of cash and cash equivalents, 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 November 30, 2021 of $499,769 (August 31, 2021 - $785,582). The Company's allowance for doubtful accounts as at November 30, 2021 amounted to $55,510 (August 31, 2021 - $55,510). As at November 30, 2021, the percentages of past due trade accounts receivable were as follows: 7% past due 61 to 90 days (August 31, 2021– 4%) and 11% past due greater than 90 days (August 31, 2021 – 20%) 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 November 30, 2021 of $3,465,328 (August 31, 2021 - $3,547,774). 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 November 30, 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 November 30, 2021 of $290,440 and lease obligations of $351,989 (August 31, 2021 – accounts payable and accrued liabilities of $338,539 and lease obligations of $383,939).

### 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 November 30, 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 $14,671 (November 30, 2020 – $14,330) on the Company's net earnings.

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.

**15. FINANCIAL RISK MANAGEMENT (cont'd)**

**c) Market risk (cont'd)**

At November 30, 2021, the Company held net financial assets of US$1,344,180 (November 30, 2020 - US$1,102,393) 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 $85,974 (November 30, 2020 - $71,463).

**16. SEGMENTED REPORTING**

The Company operates substantially all 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**

| For the three months ended November 30 | **2021** | 2020 |
|---|---|---|
| | **$** | $ |
| Canada | **228,196** | 221,799 |
| United States and other | **395,938** | 627,385 |
| | **624,134** | 849,184 |

For the three months ended November 30, 2021 revenue from a single customer made up 20% of total revenue in the period and for the three months ended November 30, 2020, revenue from a single customer made up 17% of total revenue in the period.

At November 30, 2021, non-current assets held in Canada were $1,218,846 (August 31, 2021 - $4,401,930) and in the United States were $3,119 (August 31, 2021 - $3,283).

## Corporate Address:

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

## Branch Address:

**Denver, Colorado**
**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

**Robert Tasker,** BASc, Engineering, MBA

## Officers:

**Nicholas Forbes,** BCom
Chief Executive Officer

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

## Auditors:

Grant Thornton LLP

www.titanlogix.com