



QUARTER 1 2009

A large, stylized yellow globe with a grid of latitude and longitude lines is positioned in the lower right quadrant. It is surrounded by several smaller, semi-transparent yellow circles of varying sizes, some of which are arranged in a trail-like pattern extending towards the upper left.

creating

instrumentation solutions — everyday

## COMPANY PROFILE

Founded in 1979, Titan Logix Corp. has evolved into an advanced technology industrial instrumentation and controls company. We focus on designing, manufacturing, distributing and servicing instrumentation and automation solutions. These are primarily for the oil and gas, chemical and transportation industries, which for many years have relied on manual intervention. Due to rising costs, concerns and awareness about the environment, the importance of spill prevention and technological advancements - to list but a few reasons - demand for our products appears to be accelerating.

Titan Logix Corp. has an established operating infrastructure and a range of related specialty products. We have salespeople in Alberta and Saskatchewan, who service our Canadian market, as well as in the U.S.A. Our salespeople work as a team to sell our products through dealers, distributors, tank manufacturers and fabricators, service companies, engineering companies and directly to end users. The products we specialize in are:

- Transport Instruments: guided wave radar liquid gauging and control systems for mobile tankers;
- Level and Flow Instruments: mechanical and electronic liquid level gauging systems for storage tanks and industrial process vessels;
- Burner Controls: electronic burner management systems for atmospheric industrial heaters; and
- Telemetry and Control Products: communication and control systems enabling remote telemetry and management of site processes.

Titan Logix Corp. is a public company listed on the TSX Venture Exchange and its shares trade under the symbol, TLA.



## VISION

To be the global market share leader in advanced mobile tank level measurement, control and asset management while growing our market share in burner management and level gauging.

## MISSION

To provide the petroleum and aviation ground support industries with advanced technology solutions to automate essential measurement and control processes safely and efficiently.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three month period ended November 30, 2008.

This Management's Discussion and Analysis (MD&A) of the financial condition and operating results of Titan Logix Corp. has been prepared as of January 8, 2009. It updates the annual MD&A included in our 2008 annual report and should be read in conjunction with the unaudited interim consolidated financial statements and notes for the period ended November 30, 2008 as well as the audited consolidated financial statements and MD&A for the company's 2008 fiscal year ended August 31, 2008. 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. This MD&A compares the company's first quarter results to the previous year's first quarter. The corporation prepares and files its interim consolidated financial statements in Canadian dollars and in accordance with Canadian generally accepted accounting principles (GAAP).

The interim consolidated financial statements and MD&A, as well as the 2008 annual audited financial statements and MD&A are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the company's website at [www.titanlogix.com](http://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 interim 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 intend, nor do we undertake any obligation, to update or revise any forward-looking statements in this interim MD&A to reflect subsequent information, events, or circumstances.*

## Titan At a Glance

NOVEMBER 30, 2008

### Financial highlights, Year-to-Date

	Three months ended November 30, 2008	Three months ended November 30, 2007
<b>Revenues and Earnings</b>		
Sales	\$2,703,616	\$2,067,932
Gross Profit	1,125,857	764,274
Earnings before income taxes	443,188	16,968
Net earnings and comprehensive income	325,743	11,077
<b>Expenses</b>		
General and administration	400,009	305,299
Product development costs	94,382	86,076
Marketing and sales	320,625	293,939
<b>Per Common Share</b>		
Basic earnings per share	0.01	0.00
Diluted earnings per share	0.01	0.00
<b>Financial Ratios</b> (using earnings before income taxes)		
% Return on sales	16.4%	0.8%
% Return on shareholders' equity	6.3%	0.3%
% Return on total assets	5.4%	0.2%
<b>Closing Financial Position</b>		
	<b>At November 30, 2008</b>	<b>At August 31, 2008</b>
Total shareholders' equity	\$7,090,257	\$6,763,523
Total assets	8,234,287	7,673,546

## FINANCIAL PERFORMANCE AND OPERATING RESULTS FOR THE FIRST QUARTER

It is important to our long-term success to have a disciplined measurement of our financial performance.

Our financial measures include percentage changes in revenues and net earnings, productivity and balance sheet items such as cash position and shareholders' equity.

Our non-financial measures include customer satisfaction, employee work environment and communication processes.

Management is continuing its plan to enhance our product lines to facilitate expansion into new markets in both Canada and the U.S. To promote expansion into the U.S. and to improve customer service, Titan has selected finished goods strategically located in the U.S. for rapid delivery to its valued customers. This initiative is improving our customer service and there are plans to continue increasing this effort. In addition to this initiative, we employed a salesperson in December in the Dallas/Fort Worth area of Texas in the U.S. making it necessary to activate our subsidiary Titan Logix USA Corp. (formerly MIR Gauges Inc.).

### Revenues and net earnings

For the first three months of fiscal 2009, which ended November 30, 2008, our sales were \$2,703,616, up \$635,684 or 31% from \$2,067,932 in the first three months of fiscal 2008.

Our Lampman, Saskatchewan operations had another strong quarter. Sales of \$871,561 were 36% higher than \$642,649 in the first quarter of the previous year and accounted for 32% of Titan's total revenues.

Total sales to the U.S. for this period were \$510,528, down slightly by \$5,611 or 1% compared to \$516,139 in the previous year. \$252,000 of the previous year's first quarter sales were from a discontinued line of communication system product. The sales of our flagship products to the U.S. saw a significant rise of 99% in the period ended November 30, 2008 from the previous year.

Sales revenues from our level and flow instruments, which currently sell primarily in Western Canada, were 3% higher in the first quarter of fiscal 2009 compared to the first quarter of fiscal 2008. Transport instruments, which include the guided wave radar line of products rose by 128% primarily due to our penetration into the U.S. market. Burner control systems were up by 31% and telemetry and control products grew by 50% in the first three months of fiscal 2009 compared to the first three months of fiscal 2008.

Gross profit in the three months ended November 30, 2008 was \$1,125,857 compared to \$764,274 in the first three months of the previous year. The 42% margin is more in line with our targets than the 37% margin in the previous year's first quarter.

For the three months ended November 30, 2008, net earnings and comprehensive income was \$325,743 (\$0.01 per diluted share) compared to \$11,077 (\$nil per diluted share) in the first three months of the previous year. This is higher than expected due to a change in the timing of pre-planned expenditures and a gain on exchange of foreign currency.

Titan's financial results in the first quarter of the previous fiscal year were a result of a decline in general operating activity in the oil and gas industry in Alberta, which is our primary market. The current trend in profitability, which began in Titan's third and fourth quarters of the previous fiscal year, is continuing into the new fiscal year. The profitability in Titan's third and fourth quarters of fiscal 2008 reflects the increase in activity that the industry and our company experienced. The Saskatchewan branch sales have been improving throughout fiscal 2008 and into our first quarter of fiscal 2009. This is due to a rise in oil well drilling activity in the Bakken formation in southeastern Saskatchewan.

### Expenses

For the quarter, ending November 30, 2008, total expenses were \$701,995, down by 8%, compared to \$763,636 in the first quarter of the prior year. The reason for this drop is due to a gain of \$125,557 on foreign currency exchange in this quarter compared to a loss of \$60,943 in the first quarter of the previous year.

### Expenses, general and administrative

General and administration expenses were \$400,009 in the three months ended November 30, 2008 compared to \$305,299 in the comparable period of fiscal 2008. Expenses were higher due to increases in consulting fees and employee compensation as well as general market related increases in areas such as insurance, property taxes, and professional fees.

### Expenses, product development

Product development expense was \$94,382 compared to \$86,076 for the first quarter of the previous year. Additional costs for the three months ended November 30, 2008 and 2007 of \$127,521 and \$133,064 respectively were associated with the development of our next generation of guided wave radar products. We have recorded them as deferred development costs. These costs meet the generally accepted accounting criteria for deferral of development costs, including reasonable assurance regarding recoverability. The company will amortize these costs on a straight-line basis over four years, commencing in the year in which the new products are commercialized.

## Expenses, marketing and sales

Marketing and sales expenses in the three months ended November 30, 2008 were up \$26,686 to \$320,625 from \$293,939 in the comparable period of fiscal 2008. This is mainly due to higher compensation from increased sales compared to the previous year and additional training expenditures. Reduced spending on advertising helped offset the increase.

## Expenses, other

Changes in the value of the Canadian dollar during the year and management of conversion of receipts from U.S. sales

resulted in a gain of \$125,557 on foreign currency exchange in the first three months of fiscal 2009. This compares to a loss of \$60,943 in the first three months of fiscal 2008.

## Income taxes

We have reduced total future tax assets in the first quarter of fiscal 2009 by \$117,445 as compared to \$5,891 in the first quarter of fiscal 2008.

## SELECTED ANNUAL INFORMATION

Years ended August 31 (audited)	2008 \$	2007 \$	2006 \$	2005 \$
Sales	7,974,131	8,922,386	7,071,349	5,584,826
Gross profit	3,001,022	4,075,683	2,801,541	2,248,974
Earnings before income taxes	267,542	1,260,946	440,882	339,635
Net earnings	145,288	2,930,088	440,882	339,635
Basic earnings per share	0.01	0.13	0.03	0.02
Diluted earnings per share	0.01	0.12	0.02	0.02
Total assets	7,673,546	7,623,875	4,327,231	2,900,178
Long-term liabilities	nil	nil	345,218	427,483
Dividends	nil	nil	nil	nil

## SUMMARY OF QUARTERLY RESULTS

(\$000's, except per share amount)

Fiscal year	2009		2008			2007		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	2,704	2,139	2,160	1,607	2,068	2,729	1,845	2,059
Gross profit	1,126	834	863	539	764	1,436	821	886
Earnings (loss) before income taxes	443	344	118	(212)	17	613	103	242
Net earnings (loss) and comprehensive income	326	222	118	(206)	11	2,282	103	242
Basic earnings per share	0.01	0.01	0.00	(0.01)	0.00	0.10	0.00	0.01
Diluted earnings per share	0.01	0.01	0.00	(0.01)	0.00	0.09	0.00	0.01

Quarterly financial data is derived from the Company's interim consolidated financial statements and is prepared in accordance with Canadian generally accepted accounting principles.

## LIQUIDITY AND CAPITAL RESOURCES

At November 30, 2008, working capital was \$4,594,069 compared to \$4,259,064 at August 31, 2008. Cash and cash equivalents on November 30, 2008 were \$1,839,381 compared to \$1,633,147 on August 31, 2008.

Due to increased sales, accounts receivable rose to \$1,742,853 from the August 31, 2008 balance of \$1,327,309. Accounts payable and accrued liabilities also rose by \$234,007 to \$1,144,030 from the balance of \$910,023 at the end of fiscal 2008.

Inventories include raw material, finished goods, work-in-progress, and resale items. At November 30, 2008, inventory was relatively unchanged at \$1,843,017 from \$1,827,591 on August 31, 2008.

Cash flow from operations during the quarter ended November 30, 2008 was \$334,469 as compared to cash used of \$75,097 for the first quarter of fiscal year 2008. The increase in cash flow from operations is primarily due to the rise in profitability for the three months ended November 30, 2008 as compared to the first three months of the previous fiscal year.

During the quarter ending November 30, 2008, Titan invested \$17,781 in property, plant and equipment as compared to \$12,041 for the quarter ended November 30, 2007. Titan recorded deferred product development costs of \$127,521 in the first quarter of fiscal 2008 and \$133,064 in the comparative period of the previous year.

Titan expects that funds from operations will be sufficient in the short and long-term to meet planned organic growth, anticipated obligations and to fund intended capital expenditures.

## OFF-BALANCE SHEET ARRANGEMENTS

Titan has no off-balance sheet arrangements.

## RELATED PARTY TRANSACTIONS

Titan had no related party transactions in the first quarter of fiscal 2009 or fiscal 2008.

## 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". At January 8, 2009, Titan had 24,713,440 common shares issued and outstanding.

The Board of Directors may grant options to purchase up to 3,000,000 common shares. At the date of this report 510,000 stock options were outstanding that are potentially convertible to an equal number of common shares at an average exercise price of \$0.20 per common share.

Titan uses the Black-Scholes option valuation model to calculate the estimated fair value of stock options at the date of grant. The company has recorded compensation expense of \$991 (2008 -\$2,781) in respect of stock options granted and vested during the quarter ended November 30, 2008.

## TITAN LOGIX CORP.'S BUSINESS OUTLOOK

Our Vision, Mission, and Values provide Titan's management team and all our employees with the important framework to pursue our objectives and execute our business priorities.

Our priorities in our current fiscal year are to build business strength, continue to improve productivity and processes, and continue to improve internal and external communications.

Appropriate individual, departmental and company-wide activities are focusing on synchronizing sales forecasting and manufacturing activities; establishing communication and task management systems that are efficient and productive; and strengthening our sales force to meet our markets' demands.

For the remainder of our 2009 fiscal year, Titan will continue to focus on growth in the following areas:

- Increase market penetration of its flagship products in current domestic markets with emphasis on areas of southeastern Saskatchewan and southwestern Manitoba;
- Continue expanding sales into targeted North American geographical markets;
- Continue product development and enhancing the features of existing products to better serve existing markets now and into the future; and
- Continue development of additional guided wave radar technology products to meet the needs of other niche markets in the mobile tanker industry.

In the area of new product development, we were granted R&D funding for \$600,000 from Ottawa-based Precarn Incorporated, in association with Alberta Advanced Education and Western Economic Diversification. Building upon the Deice-Stik™ platform, we will have the opportunity to accelerate our work on enhancing the features of Deice-Stik™ as we address building on the smart system and asset management aspects of the product. There are two field trials in progress which are proving to be successful.

Additional guided wave radar products for mobile applications are in various stages of development including two which we are scheduling for Canadian Standards Association (CSA) approvals in the second to third quarter of this fiscal year. Field trials of some of these products have been underway. We will report further developments in the future.

Titan has developed a communication interface module to enable the TD80™ Guided Wave Radar liquid level gauge to integrate into an asset management system for mobile tankers. Field trial installations are proceeding well. We are expecting an additional one in association with a potential U.S. based business development partner to commence in the second quarter. This technology enables the remote reporting of level measurement and alarm information. It also expands our understanding of, and will increase our exposure to, markets tied to asset management – a key component of our company's vision.

We are continuing our effort to grow our market share in burner management applications using the FGI 351™. Sales continue to improve, as customers have been very satisfied with our product and service. Plans are to continue expanding our distribution base.

In addition to our normal business activities, Titan is actively exploring ways to grow beyond solely organic means. Discussions are ongoing with several companies. Our company's vision, mission and values provide the framework to set the stage for non-organic growth. Business development activities are centered primarily on our new guided wave radar technology products. We are currently working with a U.S. based company on tying in our guided wave radar product line into a complete asset management system.

The purpose of these discussions with companies identified as potential business partners is to create a joint venture, merger or acquisition or licensing opportunities that enable Titan to meet a larger set of needs for our current and potential customers, develop opportunities to gain additional market coverage and provide increased effectiveness and efficiencies to our overall operations.

## BUSINESS RISKS AND UNCERTAINTIES

Titan Logix Corp. faces a number of risks that have the potential of affecting its financial condition, results of operations and cash flow. When evaluating Titan's business, one should consider the company's business risks and uncertainties. The company's business risks and uncertainties, described in our 2008 annual report, have not changed substantially. Of key concern to our business is the dependence on market economic conditions and the current downturn in the global economies that experts predict will continue to put pressure on businesses and households worldwide over the next nine to twelve months. We continue to emphasize prudence in spending to our staff, while taking advantage of opportunities that will enhance the company's value to our shareholders.

## DISCLOSURE CONTROLS AND PROCEDURES

As required by Multilateral Instrument 52-109, management carried out an evaluation of the effectiveness of the design and operation of the company's disclosure controls and procedures as of November 30, 2008. Based on that evaluation the company's management, including the Chief Executive Officer and the Chief Financial Officer, have concluded that the disclosure controls are effective in providing reasonable assurance that all material information, which is required to be filed, has been made known to them in a timely fashion. The required information was effectively recorded, processed, summarized and reported and the disclosure controls and procedures are effective in ensuring that information required to be disclosed in the reports that the company files is accumulated and communicated to management as appropriate to allow for timely decisions regarding required disclosure.

## CHANGES IN ACCOUNTING POLICIES

The Company adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 3031, Inventories; Section 1535, Capital Disclosures; Section 3862, Financial Instruments – Disclosures; and Section 3863, Financial Instruments – Presentation on September 1, 2008.

### Section 3031, Inventories

Section 3031 requires inventory to be measured at the lower of cost and net realizable value and provides guidance on the determination of cost, including allocation of overheads and other costs including amortization to inventory. Allocation of fixed production overheads to the costs of conversion are made based on the normal capacity of the production facilities.

The standard also requires the consistent use of either first-in, first-out (FIFO) or weighted average cost formula to measure the cost of inventories and requires the reversal of previous write-downs of inventory to net realizable value when economic changes support an increased value. There is no significant impact on the Company's interim financial statements from its adoption of Section 3031.

### Section 1535, Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's objectives, policies and processes for managing capital, and whether the entity has complied with any externally imposed capital requirements, and, if not, the consequences of such non-compliance. The adoption of this new standard did not have an impact on the Company's financial position or results of its operations.

## Section 3862, Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation

Section 3862 and Section 3863 together comprise a complete set of disclosure and presentation requirements for an increased emphasis on disclosures about the nature and extent of risk arising from financial instruments and how an entity manages those risks. Section 3862 requires disclosure of additional detail by financial asset and liability category. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. The adoption of this new standard did not have an effect on the Company's financial position, results of its operations or its cash flow.

## RECENT ACCOUNTING PRONOUNCEMENTS

The following are recent accounting pronouncements issued but not yet adopted by the Company.

### Convergence with International Financial Reporting Standards

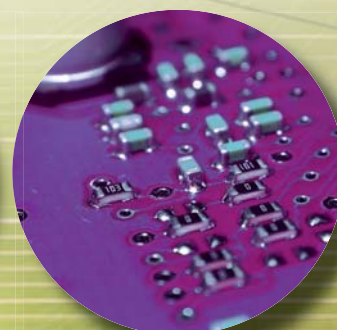
In 2006, Canada's accounting standards board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. On February 13, 2008 the AcSB confirmed that effective for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011 International Financial Reporting Standards (IFRS) will replace Canada's current Generally Accepted Accounting Principles (GAAP) for all publicly accountable profit-oriented enterprises. The company is currently evaluating the impact of this changeover on its consolidated financial statements.

## Section 3064, Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, Goodwill and intangible assets, replacing Section 3062 of the same name and Section 3450, Research and development costs. The new pronouncement establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from those that were included in the previous section. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008, specifically September 1, 2009 for the Company. The Company is currently evaluating the impact of the new standard on its consolidated financial position.

## ADDITIONAL INFORMATION

Additional information relating to Titan Logix Corp., including its 2008 Annual Report, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on its website, [www.titanlogix.com](http://www.titanlogix.com).



TITAN LOGIX CORP.

Consolidated Balance Sheets

As at November 30, 2008 and August 31, 2008

(unaudited) November 30 2008 \$	(audited) August 31 2008 \$
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**ASSETS**

**Current assets**

Cash and cash equivalents	1,839,381	1,633,147
Accounts receivable	1,742,583	1,327,309
Inventories (note 4)	1,843,017	1,827,591
Prepaid expenses	87,260	155,182
Future income taxes	225,858	225,858
	5,738,099	5,169,087

**Property, plant and equipment**

**Intangible assets**

**Deferred product development costs (note 5)**

**Future income taxes**

	473,326	488,743
	106,421	109,351
	678,737	551,216
	1,237,704	1,355,149
	<b>8,234,287</b>	<b>7,673,546</b>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**Current liabilities**

Accounts payable and accrued liabilities	1,144,030	910,023
	1,144,030	910,023

**Shareholders' Equity**

Share capital (note 6)	3,695,961	3,695,961
Contributed surplus (note 6)	425,342	424,351
Retained earnings	2,968,954	2,643,211
	7,090,257	6,763,523
	<b>8,234,287</b>	<b>7,673,546</b>

See accompanying notes to interim consolidated financial statements

**TITAN LOGIX CORP.**  
**Consolidated Statements of Earnings and Comprehensive Income and Retained Earnings**  
**for the three months ended November 2008 and 2007**

	(unaudited) Three months ended November 30 2008 \$	(unaudited) Three months ended November 30 2007 \$
<b>Sales</b>	2,703,616	2,067,932
<b>Cost of sales</b>	1,577,759	1,303,658
	1,125,857	764,274
<b>Expenses</b>		
General and administration	400,009	305,299
Marketing and sales	320,625	293,939
Product development costs	94,382	86,076
Amortization of property, plant and equipment	10,562	16,251
Amortization of intangible assets	1,974	1,128
(Gain) loss on foreign exchange	(125,557)	60,943
	701,995	763,636
	423,862	638
<b>Other items</b>		
Gain on disposal of property, plant, and equipment	10,458	-
Interest revenue	8,868	16,330
	19,326	16,330
<b>Earnings before income taxes</b>	<b>443,188</b>	<b>16,968</b>
<b>Income taxes</b>		
Current	-	-
Future	117,445	5,891
	117,445	5,891
<b>Net earnings and comprehensive income</b>	<b>325,743</b>	<b>11,077</b>
<b>Retained earnings - beginning of period</b>	<b>2,643,211</b>	<b>2,497,923</b>
<b>Retained earnings - end of period</b>	<b>2,968,954</b>	<b>2,509,000</b>
<b>Basic earnings per share</b>	<b>\$0.01</b>	<b>\$0.00</b>
<b>Diluted earnings per share</b>	<b>\$0.01</b>	<b>\$0.00</b>
<b>Weighted average number of shares outstanding</b>	<b>24,713,440</b>	<b>24,229,440</b>

See accompanying notes to interim consolidated financial statements

**TITAN LOGIX CORP.**  
**Interim Consolidated Statements of Cash Flows**  
**For the three months ended November 30, 2008 and 2007**

	(unaudited) Three months ended November 30 2008 \$	(unaudited) Three months ended November 30 2007 \$
<b>Increase (decrease) in cash and cash equivalents</b>		
<b>Operating activities</b>		
Net earnings	325,743	11,077
Items not affecting cash		
Amortization of property, plant and equipment	23,230	16,251
Amortization of intangible assets	1,974	1,128
Amortization of property, plant and equipment included in product development expense	3,359	3,382
Amortization of intangible assets included in product development expense	956	957
Stock-based compensation	991	2,781
Gain on disposal of property, plant and equipment	(10,458)	-
Future income taxes	117,445	5,891
	463,240	41,467
Net change in non-cash working capital items (note 7)	(128,771)	(116,564)
Net cash provided by (used in) operating activities	334,469	(75,097)
<b>Financing activities</b>		
Net cash provided by financing activities	-	-
<b>Investing activities</b>		
Acquisition of property, plant and equipment	(17,781)	(12,041)
Acquisition of intangible assets	-	(25,350)
Proceeds from disposal of property, plant, and equipment	17,067	-
Deferred product development costs	(127,521)	(133,064)
Net cash used in investment activities	(128,235)	(170,455)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>206,234</b>	<b>(245,552)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1,633,147</b>	<b>1,628,841</b>
<b>Cash and cash equivalents, end of period</b>	<b>1,839,381</b>	<b>1,383,289</b>

Supplemental cash flow information (note 7)

See accompanying notes to interim consolidated financial statements

## TITAN LOGIX CORP.

### Notes to the Interim Consolidated Financial Statements For the three months ended November 30, 2008 (unaudited)

#### 1. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). They do not include all the disclosures as required for annual financial statements under Canadian generally accepted accounting principles. Accordingly, these unaudited interim financial statements and notes should be read in conjunction with the most recent audited annual financial statements and notes for the year ended August 31, 2008. The interim consolidated financial statements follow the same significant accounting policies as described and used in the annual audited financial statements for the year ended August 31, 2008 except for the policies discussed in Note 2 below.

The preparation of the interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from those estimates and assumptions.

#### 2. ACCOUNTING POLICY CHANGES

The company adopted the following accounting policies in the current period.

##### a) Inventories

Effective September 1, 2008, the Company adopted CICA Handbook Section 3031, *Inventories*. This standard requires inventory to be measured at the lower of cost and net realizable value and provides guidance on the determination of cost, including allocation of overheads and other costs including amortization to inventory. Allocation of fixed production overheads to the costs of conversion are made based on the normal capacity of the production facilities. The standard also requires the consistent use of either first-in, first-out (FIFO) or weighted average cost formula to measure the cost of inventories and requires the reversal of previous write-downs of inventory to net realizable value when economic changes support an increased value. There is no significant impact on the Company's interim financial statements from its adoption of Section 3031.

##### b) Capital disclosures

The Company adopted CICA Handbook Section 1535, *Capital Disclosures* effective September 1, 2008 which establishes standards for disclosing information about an entity's objectives, policies and processes for managing capital, and whether the entity has complied with any externally imposed capital requirements, and, if not, the consequences of such non-compliance. The adoption of this new standard did not have an impact on the Company's financial position or results of its operations. The new disclosures are included in note 8.

##### c) Financial instruments disclosure and presentation

Effective September 1, 2008, the Company adopted the CICA Handbook Section 3862, *Financial Instruments – Disclosures* and Section 3863 *Financial Instruments – Presentation*, which together comprise a complete set of disclosure and presentation requirements for an increased emphasis on disclosures about the nature and extent of risk arising from financial instruments and how an entity manages those risks. Section 3862 requires disclosure of additional detail by financial asset and liability category. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. The adoption of this new standard did not have an effect on the Company's financial position, results of its operations or its cash flow. The new disclosures are included in note 9.

## TITAN LOGIX CORP.

### Notes to the Interim Consolidated Financial Statements For the three months ended November 30, 2008 (unaudited)

#### 3. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENT

##### a) Goodwill and intangibles

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and intangible assets*, replacing Section 3062 of the same name and Section 3450, Research and development costs. The new pronouncement establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from those that were included in the previous section. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008, specifically September 1, 2009 for the Company. The Company is currently evaluating the impact of the new standard on its consolidated financial position.

##### b) International Financial Reporting Standards

In 2006, Canada's accounting standards board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. On February 13, 2008 the AcSB confirmed that effective for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011 International Financial Reporting Standards (IFRS) will replace Canadian GAAP for all publicly accountable profit-oriented enterprises. The Company is currently evaluating the impact of this changeover on its consolidated financial statements.

#### 4. INVENTORIES

Inventories are comprised of the following:

	November 30, 2008	August 31, 2008
Raw materials	\$ 904,007	\$ 693,823
Work in progress and finished goods	939,010	1,133,768
	\$ 1,843,017	\$ 1,827,591

Inventories expensed in cost of sales for the three months ended November 30, 2008 were \$1,130,176 (November 30, 2007 - \$828,239). In the three months ended November 30, 2008 and 2007 there were no inventory write-downs or reversals of write-downs that were taken in previous periods.

#### 5. DEFERRED PRODUCT DEVELOPMENT COSTS

The company has certain costs that meet the criteria for deferral and amortization of product development costs. On commercialization of each product the related development costs are amortized over four years.

Balance - August 31, 2008	\$ 551,216
Additions	127,521
Balance - November 30, 2008	\$ 678,737

## TITAN LOGIX CORP.

### Notes to the Interim Consolidated Financial Statements For the three months ended November 30, 2008 (unaudited)

#### 6. SHARE CAPITAL

Authorized

Unlimited common shares without par value

Issued

	Number of Shares		Amount
Balance, August 31, 2008	24,713,440	\$	3,695,961
Balance, November 30, 2008	24,713,440	\$	3,695,961

#### a) Contributed surplus

During the period, contributed surplus has changed as follows:

Balance - August 31, 2008	\$	424,351
Stock based compensation - options vested		991
Balance - November 30, 2008	\$	425,342

#### b) Stock options

The following is a continuity of stock options outstanding:

	Number of Shares		Weighted average exercise price
Outstanding - August 31, 2008	510,000	\$	0.20
Outstanding - November 30, 2008	510,000	\$	0.20
Exercisable - November 30, 2008	480,000	\$	0.20

The Company has recorded stock based compensation in the amount of \$991 on options that vested during the first quarter of 2009 and were granted in previous years.

## TITAN LOGIX CORP.

### Notes to the Interim Consolidated Financial Statements For the three months ended November 30, 2008 (unaudited)

#### 7. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended November 30 2008	Three months ended November 30 2007
<b>Change in non-cash working capital:</b>		
Accounts receivable	\$ (415,274)	\$ 134,067
Inventories	(15,426)	(40,512)
Prepaid expenses	67,922	21,120
Accounts payable and accrued liabilities	234,007	(231,239)
	<u>\$ (128,771)</u>	<u>\$ (116,564)</u>

<b>Interest received</b>	\$ 7,440	\$ 12,559
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	November 30 2008	August 31 2008
<b>Cash and cash equivalents consist of</b>		
Cash on hand and balances with banks	\$ 915,681	\$ 717,337
Term deposit	923,700	915,810
	<u>\$ 1,839,381</u>	<u>\$ 1,633,147</u>

#### 8. CAPITAL MANAGEMENT

The Company's capital management objectives are to ensure that the Company is capitalized in a manner which supports working capital needs, business expansion and other strategic objectives while maximizing shareholder returns. The Company's capital management practices are focused on preserving a solid capital base and a strong balance sheet. Management's definition of capital includes the Company's total shareholders' equity. 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.

As at November 30, 2008, shareholders' equity was \$7,090,257, (August 31, 2008 - \$6,763,523).

## TITAN LOGIX CORP.

### Notes to the Interim Consolidated Financial Statements For the three months ended November 30, 2008 (unaudited)

#### 9. FINANCIAL INSTRUMENTS

The Company has determined that the fair value of its financial assets, which include cash, and accounts receivable and the fair value of its financial liabilities, which include accounts payable and accrued liabilities, approximates their respective carrying amounts as at the balance sheet date because of the short term nature of these instruments.

The Company is exposed to a number of risks as a result of holding financial instruments. These risks include credit risk, liquidity risk and 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.

##### a) Credit risk

Financial instruments that potentially subject the Company to credit risk include cash and cash equivalents and accounts receivable. The Company's cash on deposit and short term investments are held with reputable financial institutes, from which management believes the risk of loss is remote. The Company's exposure to credit risk is as indicated by the carrying amount of its accounts receivable. 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 which receive credit and carries adequate provisions for possible losses arising from credit risk associated with financial assets.

At November 30, 2008 accounts receivable aged greater than 90 days totalled \$37,750 (August 31, 2008 - \$16,203) and is considered collectable. The Company's trade receivable balance at November 30, 2008 was \$1,758,624 (August 31, 2008 - \$1,344,646). The Company's allowance for doubtful accounts as at November 30, 2008 amounted to \$27,240 (August 31, 2008 - \$27,240).

##### 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 will be sufficient to cover its normal operating and capital expenditures.

At November 30, 2008 the Company's accounts payable and accrued liabilities totalled \$1,144,030 (August 31, 2008 - \$910,023), all of which fall due for payment within one year of the balance sheet date.

##### c) Price risk

###### Interest rate risk

Interest rate risk is the risk that the fair value of 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. 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.

Based on the Company's financial assets at November 30, 2008 a one percent change in market interest rates is not expected to have a material impact on the Company's net earnings.

## TITAN LOGIX CORP.

### Notes to the Interim Consolidated Financial Statements For the three months ended November 30, 2008 (unaudited)

#### 9. FINANCIAL INSTRUMENTS (cont'd)

##### Currency risk

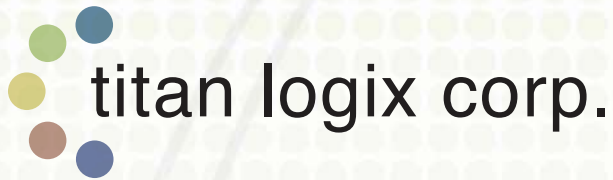
Foreign currency risk arises from fluctuations in the value of foreign currencies and the degree of volatility of these currencies relative to the Canadian dollar. The Company is subject to foreign currency risk in that it has both current assets and liabilities denominated in foreign currencies. It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

At November 30, 2008 the Company held net financial assets of \$360,412 US that were exposed to foreign exchange risk.

#### 10. SEGMENTED INFORMATION

##### Geographic Information

		<b>Three months ended November 30 2008</b>	<b>Three months ended November 30 2007</b>
<hr/>			
Sales			
Canada and other	\$	2,193,088	\$ 1,551,793
United States		510,528	516,139
	\$	<u>2,703,616</u>	<u>\$ 2,067,932</u>



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## EXCHANGE LISTING

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

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## DIRECTORS

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Chairman

**Harvey R. Ramstead, MEng, PEng,**  
Audit Committee Chairman

**Sargent H. Berner, BA, LLB, LLM**

**Les J. Evans,**  
President and Chief Executive Officer

**R.W. (Bob) Logan, PEng**

## OFFICERS

**Les J. Evans,**  
President and Chief Executive Officer

**Angela Schultz, CMA,**  
Vice President of Finance and Administration and  
Chief Financial Officer

**Greg McGillis, PEng, EE,**  
Vice President of Operations and Business Development



[www.titanlogix.com](http://www.titanlogix.com)