

Consolidated Financial Statements  
Fiscal 2021

August 31, 2021



TITAN  
LOGIX

**Grant Thornton LLP**

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**Independent Auditor's Report**

To the Shareholders of Titan Logix Corp.

**Opinion**

We have audited the consolidated financial statements of Titan Logix Corp. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2021, and August 31, 2020, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years ended August 31, 2021 and August 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of the Company as at August 31, 2021 and August 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years ended August 31, 2021 and August 31, 2020 in accordance with International Financial Reporting Standards.

**Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Information other than the consolidated financial statements and auditor's report thereon**

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Heather Murk.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Edmonton, Canada  
November 16, 2021

Chartered Professional Accountants

	August 31, 2021 \$	August 31, 2020 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 4)	9,786,304	9,383,679
Accounts receivable (note 5)	730,072	606,719
Inventories (note 6)	924,329	1,033,533
Prepaid expenses	41,924	116,349
Current portion of investment in secured loan (note 10)	385,865	385,363
<b>Total current assets</b>	<b>11,868,494</b>	<b>11,525,643</b>
<b>Non-current assets</b>		
Property, plant and equipment (note 7)	243,554	271,221
Right-of-use assets (note 8)	365,839	503,040
Intangible assets (note 9)	715,841	1,045,862
Investment in secured loan (note 10)	3,079,979	3,365,341
<b>Total assets</b>	<b>16,273,707</b>	<b>16,711,107</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 11)	338,539	430,210
Income tax payable	13,267	788
Current portion of lease obligations (note 12)	130,203	130,850
<b>Total current liabilities</b>	<b>482,009</b>	<b>561,848</b>
<b>Non-current liabilities</b>		
Lease obligations (note 12)	253,736	383,940
<b>Total liabilities</b>	<b>735,745</b>	<b>945,788</b>
<b>Shareholders' equity</b>		
Share capital (note 15)	5,730,279	5,730,279
Contributed surplus	780,708	780,708
Retained earnings	9,026,975	9,254,332
<b>Total shareholders' equity</b>	<b>15,537,962</b>	<b>15,765,319</b>
<b>Total liabilities and shareholders' equity</b>	<b>16,273,707</b>	<b>16,711,107</b>

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

On behalf of the Board

"Alvin Pyke"  
Director

"Helen Cornett"  
Director

For the years ended August 31,	2021 \$	2020 \$
<b>Revenue</b>	<b>3,533,624</b>	<b>4,110,035</b>
<b>Cost of sales</b>	<b>1,694,148</b>	<b>1,939,218</b>
<b>Gross profit</b>	<b>1,839,476</b>	<b>2,170,817</b>
<b>Expenses</b>		
General and administration	950,338	1,139,624
Marketing and sales	733,252	829,602
Engineering	601,168	1,067,211
Depreciation of property, plant and equipment (notes 7 and 17)	39,061	27,959
Depreciation of right-of-use assets (notes 8 and 17)	60,499	67,464
Amortization of intangible assets (notes 9 and 17)	269,169	278,699
Loss on foreign exchange	36,304	11
<b>Total expenses</b>	<b>2,689,791</b>	<b>3,410,570</b>
Operating loss before other items	(850,315)	(1,239,753)
<b>Other items</b>		
Loss on impairment of property, plant and equipment (note 7)	-	(5,549)
Loss on disposal of property, plant and equipment (note 7)	(2,127)	-
Finance income (note 16)	663,109	695,975
Interest on leases	(22,453)	(29,029)
<b>Total other items</b>	<b>638,529</b>	<b>661,397</b>
<b>Loss before income taxes</b>	<b>(211,786)</b>	<b>(578,356)</b>
<b>Income tax expense (note 14)</b>	<b>15,571</b>	<b>-</b>
<b>Loss and comprehensive loss</b>	<b>(227,357)</b>	<b>(578,356)</b>
<b>Loss per share (note 18)</b>		
Basic and diluted	(0.01)	(0.02)

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

	Common Shares #	Share Capital \$	Contributed Surplus \$	Retained Earnings \$	Total Shareholders' Equity \$
Balance at August 31, 2019	28,536,132	5,730,279	770,208	9,832,688	16,333,175
Share-based compensation	-	-	10,500	-	10,500
Net loss	-	-	-	(578,356)	(578,356)
Balance at August 31, 2020	28,536,132	5,730,279	780,708	9,254,332	15,765,319
Net loss	-	-	-	(227,357)	(227,357)
Balance at August 31, 2021	28,536,132	5,730,279	780,708	9,026,975	15,537,962

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

For the years ended August 31,	2021 \$	2020 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss	(227,357)	(578,356)
Non-cash items included in net loss		
Interest on leases	22,453	29,029
Impairment of inventory (note 6)	15,370	1,537
Depreciation of property, plant and equipment (note 7)	52,296	44,286
Depreciation of right-of-use assets (note 8)	137,201	144,166
Amortization of intangible assets (note 9)	269,169	278,699
Share-based compensation (note 15)	-	10,500
Loss on disposal/impairment of property, plant and equipment	2,127	5,549
Finance income (note 16)	(663,109)	(695,975)
Changes in non-cash working capital (note 19)	(34,286)	83,072
<b>Net cash used in operating activities</b>	<b>(426,136)</b>	<b>(677,493)</b>
<b>Investing activities</b>		
Financing fee received on secured loan (note 10)	25,000	50,000
Payments received on investment in secured loan (note 10)	400,000	400,000
Finance income received (note 16)	522,969	662,562
Proceeds on maturity of short term investments	-	2,041,227
Purchase of property, plant and equipment (note 7)	(26,856)	(103,009)
Proceeds from disposal of property, plant and equipment	100	-
Receipt of investment tax credits	60,852	-
<b>Net cash provided by investing activities</b>	<b>982,065</b>	<b>3,050,780</b>
<b>Financing activities</b>		
Payment of lease obligation (note 12)	(153,304)	(161,445)
<b>Net cash used in financing activities</b>	<b>(153,304)</b>	<b>(161,445)</b>
<b>Net increase in cash and cash equivalents</b>	<b>402,625</b>	<b>2,211,842</b>
Cash and cash equivalents, beginning of year	9,383,679	7,171,837
<b>Cash and cash equivalents, end of year</b>	<b>9,786,304</b>	<b>9,383,679</b>
Income tax paid	3,092	14,694

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



## 1. NATURE OF OPERATIONS

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

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

In March 2020, the World Health Organization declared a world-wide pandemic resulting from the outbreak of coronavirus, specifically identified as "COVID-19". Many countries had enacted emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, temporary restriction on all non-essential business, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The Company has assessed the economic impacts of the COVID-19 pandemic on its consolidated financial statements. As at August 31, 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 consolidated financial statements for the year ended August 31, 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements of the Company for the year ended August 31, 2021 were authorized for issue in accordance with a resolution of the directors on November 16, 2021.

### Principles of consolidation

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

### Significant accounting estimates and judgments

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets, liabilities, revenue and expenses. These estimates and judgments are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The estimation of anticipated future events involves uncertainty and, consequently, the estimates used in preparation of the consolidated financial statements may change as future events unfold, more experience is acquired or the Company's operating environment changes. Actual results may differ from these estimates under different assumptions or conditions. Estimates and judgments are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

### Judgments

The following are the critical judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in these consolidated financial statements.

#### a) *Internally generated research and development costs*

Management monitors progress of internal research and development projects by using a project management system. Significant judgment is required in distinguishing research from the development phase. Development costs are recognized as an asset when all the criteria for capitalization are met, whereas research costs are expensed as incurred.



## 2. BASIS OF PRESENTATION (cont'd)

### Significant accounting estimates and judgments (cont'd)

#### *a) Internally generated research costs (cont'd)*

To distinguish the research project phase from the development phase, it is the Company's policy to require a forecast of sales to be generated by the intangible asset to support the capitalization criteria. The forecast is then incorporated into the Company's overall budget forecast once the capitalization of development costs commences. This ensures that managerial accounting, impairment testing procedures and accounting for internally generated intangible assets is based on the same data.

The Company's management also monitors at each reporting period whether the recognition requirements for development costs continue to be met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical challenge after the time of recognition.

#### *b) Determination of cash generating units*

The Company tests certain intangible assets when there are indicators of impairment. Management uses judgment in determining the cash-generating units (CGU). For the purpose of assessing impairment of intangible assets, assets are grouped at the lowest level of separately identified independent cash inflows which make up the CGU.

#### *c) Impairment of intangible assets*

The Company assesses impairment at each reporting period by evaluating the circumstances specific to the organization that may lead to impairment of assets. Judgments are required to assess when impairment indicators, or reversal indicators, exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of future cash flows, future costs, discount rates and other relevant assumptions.

#### *d) Deferred income taxes*

Judgments are made by management to determine the likelihood of whether deferred tax assets at the end of the reporting period will be realized from future taxable earnings. Assessing the recoverability of deferred tax assets requires the Company to make significant judgments and estimates related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in the statement of loss in the period in which the change occurs.

The Company follows the liability method for calculating deferred taxes. Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty.

### Estimates

The following are the key estimates and their assumptions concerning the sources of estimation uncertainty during the reporting periods, that have a significant risk of causing adjustments to the carrying amounts of the assets and liabilities.

#### *a) Valuation and impairment of intangible assets*

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. An impairment loss is recognized when the amount of an asset's or CGU's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost of disposal and the value in use. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. Actual results may vary from these estimates and may cause adjustments to the Company's assets in following years.

## 2. BASIS OF PRESENTATION (cont'd)

### Estimates (cont'd)

#### *b) Useful lives of property, plant and equipment and intangible assets*

The amounts recorded for depreciation of property and equipment and amortization of intangible assets are based on estimates of the useful lives of the assets and residual values. The Company depreciates property, plant and equipment and amortizes intangible assets over the estimated useful lives of the assets. In determining the estimated useful life of these assets, significant judgment is required. Judgment is required to determine whether events or circumstances warrant a revision to the remaining periods of depreciation and amortization. The Company considers expectations of the in-service period of these assets in determining these estimates. The Company assesses the estimated useful life of these assets on an annual basis to ensure they match the anticipated life of an asset from a revenue producing perspective. If the Company determines that the useful life of an asset is different from the original assessment, changes to depreciation and amortization will be applied prospectively. The estimates of cash flows used to assess the potential impairment of these assets are also subject to measurement uncertainty. A significant change in these estimates and judgments could result in a material change to depreciation and amortization expense or impairment charges.

#### *c) Valuation of inventory*

Raw materials and finished goods inventories are measured at the lower of cost and net realizable value. Net realizable value approximates the estimated selling price less all estimated costs of completion and necessary costs to complete the sale. Finished goods costs include the Company's allocation of overhead. This allocation is based on estimated annual production levels determined through management's judgement of the normal capacity of the production facilities.

Allowances are made against obsolete or damaged inventories and charged to cost of sales. The reversal of any write-down of inventory arising from an increase in net realizable value would be recognized as a reduction in cost of sales in the period in which the reversal occurred. The valuation of inventory is based on management's best estimate including historical experience relating to the ultimate selling prices less costs to sell the inventory.

#### *d) Valuation of accounts receivables*

The valuation of accounts receivable is based on management's best estimate of the provision for doubtful accounts. Management monitors receivables for indications of impairment on an ongoing basis. The Company recognizes a loss allowance for expected credit losses using the simplified approach which permits the use of the lifetime expected loss provision for all trade receivables.

#### *e) Valuation of investment in secured loan*

The Company originally recognized its investment in the secured loan at fair value less transaction costs. The valuation of the investment in secured loan is based on management's best estimate of the collectability of the principal balance as per the terms of the loan participation agreement. Management monitors the investment in secured loan for indications of impairment on an ongoing basis.

#### *f) Share-based compensation*

The Company measures the cost of equity settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires the determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The Company uses a Black-Scholes Option Pricing Model. This fair value estimate also requires determining the most appropriate inputs to the valuation model including the estimated expected life of the stock option, volatility, and dividend yield. The expected volatility is based on the historical volatility of the Company's shares over a period commensurate with the expected term of the share option. The risk-free interest rate for the expected life of the option is based on the yield available on government bonds, with an approximate equivalent remaining term at the end of the grant. Historical data is used to estimate the expected life of the option. As well, the Company estimates its forfeiture rate for equity settled transactions based on historical experience in order to determine the compensation expense arising from the share-based awards. The cost of equity-settled transactions is recognized in the consolidated statement of earnings over the period in which the service condition is fulfilled with the corresponding adjustment added to the contributed surplus account. No expense is recognized for awards that do not vest.

## 2. BASIS OF PRESENTATION (cont'd)

### Estimates (cont'd)

#### *g) Warranties*

The Company estimates a provision for warranty costs as the actual future claims to fulfill warranty expenses are unknown. Management bases its estimate on historical costs associated with warranty costs as well as the number of expected warranty claims outstanding. At August 31, 2021 and August 31, 2020 no material warranty claims were expected and therefore no provision was recorded.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of measurement

These consolidated financial statements have been prepared mainly under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. Other measurement bases used are described in the applicable accounting policies below.

#### a) Foreign currency

Transactions in currencies other than Canadian dollars, the Company's functional and presentation currency, are translated at exchange rates prevailing at the time the transactions occurred. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction. Titan Logix USA Corp. is a foreign subsidiary which has the Canadian dollar as its functional currency. All assets and liabilities of the foreign operations are translated to the functional currency at the exchange rate at the reporting date. Revenues and expenses are translated at the rate at the date of the transaction. Exchange gains and losses on foreign currency differences are recognized in earnings in the period incurred.

#### b) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, balances with banks and investments in guaranteed investment certificates cashable on demand or with original maturities of three months or less.

#### c) Short term investments

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

#### d) Accounts receivable

Trade and other receivables are carried at the original amount due from customers, which is considered to be fair value, less allowances for doubtful accounts. Allowance for doubtful accounts is based on a review of all outstanding amounts, where significant doubt about collectability exists, including an analysis of historical bad debts, customer creditworthiness, and any changes in customers' ability to pay. Bad debts identified as uncollectible are included within general and administration expense.

#### e) Inventories

Inventory of raw materials, work-in-progress and finished goods are stated at the lower of cost, determined on a weighted average basis, or net realizable value. Net realizable value is the amount that would be realized from the sale of the inventory in the ordinary course of business. The cost of work-in-process inventory and finished goods inventory includes the cost of raw material, labor and applicable production overhead costs based on the normal capacity of the production facilities. Obsolete and excess inventory is recorded at the lower of cost or net realizable value. When the applicable cost of the inventories exceeds the net realizable value, inventory is written down to the net realizable value and is subsequently written back up to the original cost if the net realizable value exceeds the book value. All write-downs and reversals are charged to cost of sales.

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### g) Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset. When significant parts of property, plant and equipment have different useful lives, they are accounted for as individual components of an asset and depreciated according to their specific useful lives.

Property, plant and equipment is depreciated over the estimated useful life of the asset using the following annual rates and methods:

Production and computer equipment	20% declining balance
Research and development equipment	20% declining balance
Office furniture and equipment	Straight-line over 5 years
Automotive equipment	20% declining balance
Leasehold improvements	Straight-line over the term of the lease

Gains and losses on disposals of property, plant and equipment are determined by comparing the disposal proceeds with the carrying amount of the assets and are recognized as other gains or losses in earnings.

#### h) Intangible assets

##### *Product development costs:*

Intangible assets include costs incurred primarily for the development and production of new or substantially improved assets. These costs are capitalized as intangible assets provided they meet all of the following recognition requirements:

- Completion of the intangible asset is technically feasible so that it can be made available for sale;
- The Company has the intent and ability to complete the intangible asset and use or sell it;
- The intangible asset will generate probable future economic benefits which requires that there be a market for the sale of the right to use the intangible asset;
- There are adequate technical, financial and other resources to complete the development of the intangible asset; and
- The expenditure attributable to the development of the intangible asset can be measured reliably.

Capitalized costs include the cost of materials consumed in development activities and payroll and employee benefit expenses associated with product development. Capitalized costs also include third-party development costs.

Upon product commercialization, capitalized product development costs are amortized over their estimated useful life of four to seven years. Amortization expense is recorded as part of amortization in the statement of loss. However, if at any time a product is deemed no longer commercially viable, the balance of the related deferred cost is expensed in the statement of loss. Useful lives and amortization methods are reviewed at each financial year-end and adjusted if appropriate.

Development costs not meeting the criteria for capitalization and expenditures during the research phase of an internal project are expensed in the period in which they are incurred. Costs associated with maintaining intangible assets such as minor updates and repairs are expensed as incurred.

##### *Other intangible assets:*

Acquired intangible assets including licenses and computer software are measured on initial recognition at cost and are carried at cost less accumulated amortization and any accumulated impairment losses. All other intangible assets are considered to have finite useful lives. Other intangible assets are amortized on a straight-line basis over the period of their estimated useful lives as follows:

Technology licenses	Term of the license agreement (10 to 20 years)
Software licenses	Term of the license agreement (1 to 3 years)
Software	Expected life of the software system (3 to 5 years)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### i) Impairment of non-financial assets

Property, plant and equipment and finite life intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If indicators of impairment exist, the recoverable amount of the asset is estimated. For the purposes of assessing impairment, property, plant and equipment and intangible assets are grouped into cash generating units (CGUs). CGUs are the smallest identifiable group of assets that generate cash flows that are independent of the cash flows of other groups of assets. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Value in use of each CGU is determined using estimated discounted cash flows, which include estimates of future cash flows and a determination of the discount rate. The fair value less costs of disposal is based on available data from sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

For the purpose of measuring recoverable amounts where the recoverable amount of an asset cannot be determined, the assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs).

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

#### j) Leases

For any new contracts the Company considers whether a contract is, or contains, a lease. A lease is defined as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When applying this definition, the Company assesses whether a contract meets the following:

- The contract involves an identified asset that is explicitly or implicitly identified in the contract and is physically distinct;
- The Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset, having the right to direct how and for what purpose the asset is used throughout the period of use.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Right-of-use assets are measured at cost, which is equal to the amount of the initial measurement of the lease liability, less any incentives received, plus any lease payments made at, or before the commencement date and initial direct costs and asset restoration costs, if any. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease liability is initially measured at the present value of the lease payments which may include; fixed lease payments and payments to exercise an extension or termination option, if the Company is reasonably certain to exercise either of these options. The present value of the liability is discounted using the interest rate implicit in the lease or, if that rate is not readily determined, the Company's incremental borrowing rate. Lease liabilities are subsequently measured at amortized cost using the effective interest method. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to earnings or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The lease liability is reduced as payments are made against the principal portion of the lease.

Short-term leases that have a lease term of 12 months or less and leases of low-value assets (less than \$5,000) are not recognized as right-of-use assets and lease liabilities. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### k) Warranty provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions for warranty costs are recognized at the time the necessity of such provision is evident and measured at management's best estimate of the expenditure required to settle the obligation. All provisions are reviewed at the end of the reporting period, and are discounted to present value where the time value of money is material.

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### l) Revenue recognition

The Company generates revenues from product sales. Revenue for the sale of product is recognized at the point in time when control or ownership of the product is transferred to the customer, generally when the products are shipped, and when collectability is probable. The Company's standard warranty period is not considered to be a distinct performance obligation. Warranties are accounted for as warranty obligations and the estimated cost of satisfying them is recognized at the time the necessity of such provision is evident. Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities. The Company does not have any revenue contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As such, the Company does not adjust any of the transaction prices for the time value of money.

#### m) Cost of sales

Cost of sales includes the cost of components, direct and indirect labor, a proportionate share of overhead cost, the costs associated with delivery, warranty costs, inventory valuation adjustments, depreciation and engineering costs related to product support and enhancements.

#### n) Financial instruments

The Company initially measures financial assets and financial liabilities at fair value. Transaction costs that are directly attributable to the issuance of financial assets or liabilities are accounted for as part of the carrying value at inception (except for transaction costs related to financial instruments recorded as fair value through profit or loss ("FVTPL") financial assets which are expensed as incurred).

The classification and methods of measurement subsequent to initial recognition of the financial assets and financial liabilities are: amortized cost; fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPTL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Company's financial assets which consist of cash and cash equivalents, accounts receivable, and investment in secured loan are classified at amortized cost and are measured at amortized cost using the effective interest method, less any impairment.

A financial asset is derecognized when the Company no longer has the rights to the contractual cash flows due to expiration of that right or the transfer of the risks and rewards of ownership to another party.

The Company recognizes a loss allowance for expected credit losses on its financial assets. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, informed credit assessments, and forward looking information. In applying this forward-looking information in the expected loss impairment model, a three-stage approach is applied to measure the allowance for credit losses.

- Stage 1: Represents financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk.
- Stage 2: Represents financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low.
- Stage 3: Represents financial assets that have objective evidence of impairment at the reporting date.

Twelve-month expected credit losses are recognized for the first category while lifetime expected credit losses are recognized for the second category. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The Company's financial liabilities consist of accounts payable and accrued liabilities which have been classified as financial liabilities at amortized cost and are measured at amortized cost using the effective interest method.

A financial liability is derecognized when the obligation is discharged, cancelled, or expired.



**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****o) Comprehensive loss**

Comprehensive loss is the change in shareholders' equity (net assets) of the Company during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period, except those resulting from investments by owners and distributions to owners. The Company does not have other comprehensive loss, and accordingly, comprehensive loss and net loss are equal.

**p) Share-based compensation**

The Company grants stock options to directors, employees or other people who provide management services to the Company. The stock options are equity settled. The cost of the stock options granted are measured at their fair value at the date on which they were granted. The fair value is estimated using the Black-Scholes Option Pricing Model, taking into account market conditions relating to the Company's shares. Compensation expense is recognized over the vesting period in the statement of loss with a corresponding increase in contributed surplus. No expense is recognized for awards that do not vest. Any consideration received upon exercise of stock options is recorded as an increase in share capital together with a transfer of the amount recorded in contributed surplus to share capital.

**q) Government assistance**

The Company has access to government programs that provide funding for a portion of salaries paid out to employees. Government grants are recognized when there is a reasonable assurance that the grant will be received and the Company will comply with all conditions related to the grant. A grant without specified future performance conditions is recognized in earnings when the grant proceeds are receivable. Government grants in the form of forgivable loans are treated as a government grant when there is reasonable assurance that the Company will meet the terms for forgiveness of a loan. In fiscal 2021, the Company received wage subsidy funding through the Government of Canada's, Canada Emergency Wage Subsidy ("CEWS") that was available to any employer, subject to eligibility criteria, whose business has been adversely affected by COVID-19. In addition, in fiscal 2020, the Company's wholly owned subsidiary received approval and funding under its application for the United States Small Business Administration, Paycheck Protection Program pursuant to the U.S. Coronavirus Aid, Relief, and Economic Security Act. Wage subsidies are recorded as a reduction of salary expense.

**r) Investment tax credits**

The Company is eligible for certain investment tax credits relating to qualifying scientific research and experimental development (SRED) expenditures. Based on the technical merit of its claim and management's assessment of the certainty of realization, tax benefits associated with investment tax credits are recorded as a reduction in research and development expenses or as a reduction in product development costs capitalized depending on the nature of the expenditure.

**s) Income taxes**

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

**Current tax**

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted, or substantively enacted, at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax is computed on the basis of tax profit which differs from net profit.

**Deferred tax**

The Company follows the liability method for calculating deferred taxes. Under this method, deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination and where, at the time of the transaction, neither accounting profit nor taxable profit was affected. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**t) Loss per share**

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted loss per share reflect the potential dilution that would occur if stock options were exercised. Diluted loss per share is calculated by dividing net loss available to common shareholders by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding arising from the exercise of potentially dilutive stock options outstanding during the period.



**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**
**t) Loss per share (cont'd)**

The Company uses the treasury method for outstanding options which assumes that the proceeds that could be obtained upon exercise of options are used to purchase the Company's common shares at the average market price during the period. Anti-dilutive amounts are not considered in computing diluted loss per share.

**4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include the following components:

As at	August 31, 2021 \$	August 31, 2020 \$
Cash on hand and balances with banks	7,505,365	1,416,210
Guaranteed investment certificates	2,280,939	7,967,469
	<b>9,786,304</b>	<b>9,383,679</b>

**5. ACCOUNTS RECEIVABLE**

As at	August 31, 2021 \$	August 31, 2020 \$
Trade receivables	722,637	422,918
Allowance for doubtful accounts	(55,510)	(55,510)
Net trade receivables	667,127	367,408
Other receivables	62,945	239,311
	<b>730,072</b>	<b>606,719</b>

During the year ended August 31, 2021, the allowance for doubtful accounts was increased for bad debt expense of \$nil (2020 -\$12,722), which is included in general and administration expenses. During the year ended August 31, 2021, the allowance for doubtful accounts was reduced by receivables written off of \$nil (2020 - \$10,856). Other receivables include accrued interest on GIC and other investments and subsidy funding through various government programs.

**6. INVENTORIES**

As at	August 31, 2021 \$	August 31, 2020 \$
Raw materials	322,925	278,346
Work in progress and finished goods	601,404	755,187
	<b>924,329</b>	<b>1,033,533</b>

During the year ended August 31, 2021, inventory write-downs of \$15,370 (2020 - \$1,537) were included in cost of sales. There were no reversals of write-downs that were taken in previous periods (2020 - \$nil). During the year ended August 31, 2021, the carrying amount of inventory charged to costs of sales was \$1,384,987 (2020 - \$1,564,862).

**7. PROPERTY, PLANT AND EQUIPMENT**

	Land	Production and computer equipment	Research and development equipment	Office furniture and equipment	Automotive equipment	Leasehold improvements	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
As at August 31, 2019	30,000	432,080	152,890	47,482	20,147	83,796	766,395
Additions	-	13,286	-	2,634	-	87,089	103,009
Impairments	-	(57,514)	(4,827)	(49,389)	-	(80,263)	(191,993)
As at August 31, 2020	30,000	387,852	148,063	727	20,147	90,622	677,411
Additions	-	16,518	1,454	8,884	-	-	26,856
Disposals	-	(4,184)	-	-	-	-	(4,184)
<b>As at August 31, 2021</b>	<b>30,000</b>	<b>400,186</b>	<b>149,517</b>	<b>9,611</b>	<b>20,147</b>	<b>90,622</b>	<b>700,083</b>
<b>Accumulated depreciation</b>							
As at August 31, 2019	-	286,779	113,684	47,239	20,147	80,499	548,348
Depreciation	-	30,005	7,844	1,694	-	4,743	44,286
Impairments	-	(53,591)	(3,916)	(48,674)	-	(80,263)	(186,444)
As at August 31, 2020	-	263,193	117,612	259	20,147	4,979	406,190
Depreciation	-	26,160	6,233	1,768	-	18,135	52,296
Disposals	-	(1,957)	-	-	-	-	(1,957)
<b>As at August 31, 2021</b>	<b>-</b>	<b>287,396</b>	<b>123,845</b>	<b>2,027</b>	<b>20,147</b>	<b>23,114</b>	<b>456,529</b>
<b>Net book value</b>							
As at August 31, 2020	30,000	124,659	30,451	468	-	85,643	271,221
<b>As at August 31, 2021</b>	<b>30,000</b>	<b>112,790</b>	<b>25,672</b>	<b>7,584</b>	<b>-</b>	<b>67,508</b>	<b>243,554</b>

During the year ended August 31, 2021, the Company identified indicators of impairment due to the business impact of COVID-19. Therefore, an impairment analysis was performed on the property, plant and equipment. The Company estimated the recoverable amount using the fair value less costs of disposal approach. The Company estimated fair value using market information and discounted cash flow projections, which is known as the income approach. The income approach used the CGU's projection and estimated operating results and discounted cash flows based on a discount rate that reflects current market conditions. As the recoverable amount exceeded the carrying value of the CGU, no impairment was required. The Company did not identify any assets that were considered obsolete and therefore no impairment charges were recorded for the year ended August 31, 2021.

At August 31, 2020, the Company identified indicators of asset impairment, therefore impairment charges of \$5,549 were recognized in 2020 to reduce the carrying amount of the assets to their fair value less costs of disposal.

The key assumptions used in estimating fair value less costs of disposal are the comparability of assets used in the sales comparison approach and any adjustments made to take into account differences, as well as the estimated costs of disposal.

**8. RIGHT-OF-USE ASSETS**

	Building \$	Office equipment \$	Total \$
<b>Cost</b>			
As at September 1, 2019	639,260	7,946	647,206
Additions	-	-	-
As at August 31, 2020	639,260	7,946	647,206
Disposals	(21,386)	-	(21,386)
<b>As at August 31, 2021</b>	<b>617,874</b>	<b>7,946</b>	<b>625,820</b>
<b>Accumulated depreciation</b>			
As at September 1, 2019	-	-	-
Depreciation	142,093	2,073	144,166
As at August 31, 2020	142,093	2,073	144,166
Depreciation	135,128	2,073	137,201
Disposals	(21,386)	-	(21,386)
<b>As at August 31, 2021</b>	<b>255,835</b>	<b>4,146</b>	<b>259,981</b>
<b>Net book value</b>			
As at August 31, 2020	497,167	5,873	503,040
<b>As at August 31, 2021</b>	<b>362,039</b>	<b>3,800</b>	<b>365,839</b>

**9. INTANGIBLE ASSETS**

	Technology licenses \$	Software \$	Product development costs \$	Total \$
<b>Cost</b>				
As at August 31, 2019	104,660	20,456	1,665,567	1,790,683
Disposals	-	(20,456)	-	(20,456)
As at August 31, 2020	104,660	-	1,665,567	1,770,227
SR&ED, investment tax credits	-	-	(60,852)	(60,852)
<b>As at August 31, 2021</b>	<b>104,660</b>	<b>-</b>	<b>1,604,715</b>	<b>1,709,375</b>
<b>Accumulated amortization</b>				
As at August 31, 2019	74,662	20,373	371,087	466,122
Amortization	3,829	83	274,787	278,699
Disposals	-	(20,456)	-	(20,456)
As at August 31, 2020	78,491	-	645,874	724,365
Amortization	3,835	-	265,334	269,169
<b>As at August 31, 2021</b>	<b>82,326</b>	<b>-</b>	<b>911,208</b>	<b>993,534</b>
<b>Net book value</b>				
As at August 31, 2020	26,169	-	1,019,693	1,045,862
<b>As at August 31, 2021</b>	<b>22,334</b>	<b>-</b>	<b>693,507</b>	<b>715,841</b>

Once an intangible asset is fully amortized, the gross amount and related accumulated amortization are de-recognized from the accounts. The Company currently does not have any intangible assets with indefinite useful lives.

**9. INTANGIBLE ASSETS (cont'd)**
**Impairment**
**Product development costs**

At August 31, 2021 and August 31, 2020, all product development costs were being amortized as the developed products had been commercialized. The Company determined that an indicator of asset impairment existed at August 31, 2021 and 2020, namely the business impact of COVID-19. Therefore, an asset impairment test was performed. The Company estimated the recoverable amount using the fair value less costs of disposal approach. The recoverable amount of the Company's CGU exceeded the carrying value and therefore no impairment was required at August 31, 2021 and 2020.

**10. INVESTMENTS**
**Investment in secured loan**

As at	August 31, 2021 \$	August 31, 2020 \$
<b>Beginning of the year</b>	<b>3,750,704</b>	<b>4,167,291</b>
Amendment fee	(25,000)	(50,000)
Principal repayments	(400,000)	(400,000)
Amortization of commitment and amendment fees	59,033	33,413
Payment in kind interest	81,107	-
<b>End of the year</b>	<b>3,465,844</b>	<b>3,750,704</b>
Current portion of investment in secured loan	385,865	385,363
Long-term portion of investment in secured loan	3,079,979	3,365,341
	<b>3,465,844</b>	<b>3,750,704</b>

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 \$400,000 (2020 - \$400,000) were received in the year ended August 31, 2021. 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 (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.

During the year ended August 31, 2021, the Company's investment in the secured loan to Greypoint Capital Inc. generated finance income of \$531,174 (2020 - \$487,012) (note 16).

**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

As at	August 31, 2021 \$	August 31, 2020 \$
Trade payables	99,054	199,234
Other payables and accrued liabilities	239,485	230,976
	<b>338,539</b>	<b>430,210</b>

Other payables and accrued liabilities are primarily comprised of royalties payable and employee and payroll liabilities.

## 12. 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

As at	August 31, 2021 \$	August 31, 2020 \$
<b>Beginning of the year</b>	<b>514,790</b>	647,206
Finance costs	22,453	29,029
Lease payments	(153,304)	(161,445)
<b>End of the year</b>	<b>383,939</b>	514,790
Lease liabilities due within one year	130,203	130,850
Lease liabilities due beyond one year	253,736	383,940
	<b>383,939</b>	514,790

Future minimum lease payments at August 31, 2021 are as follows:

	Within one year \$	One to five years \$	Total \$
Lease payments	146,280	265,900	412,180
Finance charges	16,078	12,163	28,241
<b>Net present value</b>	<b>130,202</b>	<b>253,737</b>	<b>383,939</b>

## 13. CREDIT FACILITIES

The Company maintains a general security agreement with its chartered bank with respect to corporate credit cards held. At August 31, 2021 and 2020 total credit available was \$100,000.

## 14. INCOME TAXES

### a) Income tax expense

For the years ended August 31,	2021 \$	2020 \$
Current tax expense		
Current period	13,267	-
Adjustment for prior years	2,304	-
Deferred tax expense		
Origination and reversal of temporary differences	(68,210)	(134,063)
Change in tax rates	-	-
Change in unrecognized deductible temporary differences	68,210	134,063
<b>Total income tax expense</b>	<b>15,571</b>	-

**14. INCOME TAXES (cont'd)**

**a) Income tax expense (cont'd)**

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates of 23% to income before tax. These differences result from the following items:

For the years ended August 31,	2021 \$	2020 \$
Loss before income taxes	(211,786)	(578,356)
Statutory income tax rate	23.00%	23.00%
Expected income taxes	(48,711)	(133,022)
Increase (decrease) resulting from:		
Non-deductible expenses	(11,061)	7,312
Change in unrecognized assets	68,210	134,063
Change in tax rates and rate differences	(8,671)	(14,809)
Change in estimates related to previous years	2,304	(6,115)
Other	13,500	12,571
<b>Income tax expense</b>	<b>15,571</b>	<b>-</b>

**b) Deferred tax assets and liabilities**

The components of the Company's deferred tax asset (liability) are as follows:

As at	August 31, 2021 \$	August 31, 2020 \$
Non-capital losses	255,232	350,714
Lease obligations and accruals	-	3,805
Intangible assets, net of investment tax credits	(159,507)	(234,529)
Property, plant and equipment and right-of-use assets	(84,143)	(116,274)
Government assistance	(11,582)	(3,716)
	-	-

Deferred tax assets have not been recognized in respect of the following items:

As at	August 31, 2021 \$	August 31, 2020 \$
Deductible temporary differences	2,796,630	1,782,121
Tax losses	1,345,916	2,019,278
	4,142,546	3,801,399

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits.

For the year ended August 31, 2021, the Company has \$2,941,607 (2020 - \$3,522,056) of Canadian non-capital loss carryforwards, of which \$1,351,480 have not been recognized and begin to expire in 2036 (2020 - \$420,130; expire in 2036).

**15. SHARE CAPITAL**
**a) Authorized**

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

**b) Issued**

The continuity of the Company's issued common shares is as follows:

	#	August 31, 2021 \$	#	August 31, 2020 \$
Issued, beginning of year	28,536,132	5,730,279	28,536,132	5,730,279
<b>Issued, end of year</b>	<b>28,536,132</b>	<b>5,730,279</b>	<b>28,536,132</b>	<b>5,730,279</b>

**c) Share-based compensation**

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

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

	Number of options outstanding #	August 31, 2021 Weighted average exercise price \$	Number of options outstanding #	August 31, 2020 Weighted average exercise price \$
Outstanding, beginning of year	300,000	0.56	420,000	0.62
Granted	-	-	50,000	0.49
Forfeited	-	-	(170,000)	0.68
<b>Outstanding, end of year</b>	<b>300,000</b>	<b>0.56</b>	<b>300,000</b>	<b>0.56</b>
<b>Exercisable, end of year</b>	<b>300,000</b>	<b>0.56</b>	<b>300,000</b>	<b>0.56</b>

The following table summarizes information about stock options outstanding and exercisable as at August 31, 2021.

Exercise price	Options outstanding	Average remaining life (in years)	Options vested	Options not vested
\$ 0.57	250,000	2.64	250,000	-
\$ 0.49	50,000	3.41	50,000	-
<b>Total, end of year</b>	<b>300,000</b>		<b>300,000</b>	<b>-</b>



**15. SHARE CAPITAL (cont'd)**

The following table summarizes information about stock options outstanding and exercisable as at August 31, 2020.

Exercise price	Options outstanding	Average remaining life (in years)	Options vested	Options not vested
\$ 0.57	250,000	3.64	250,000	-
\$ 0.49	50,000	4.41	50,000	-
<b>Total, end of year</b>	<b>300,000</b>		<b>300,000</b>	<b>-</b>

During the year ended August 31, 2021 no options were granted. During the year ended August 31, 2020, 50,000 stock options were granted with a weighted average grant date fair value of \$0.21 per common share as determined using the Black-Scholes Option Pricing Model with an expected volatility of 47.5%. These options were granted on January 27, 2020 at an exercise price of \$0.49 and expire on January 27, 2025. These options vested immediately.

During the year ended August 31, 2021 no stock options were forfeited (year ended August 31, 2020 - 170,000 stock options that had a weighted average exercise price of \$0.68 were forfeited).

**16. FINANCE INCOME**

For the years ended August 31,	2021	2020
	\$	\$
Interest from investment in secured loan	531,174	487,012
Interest from investments in guaranteed investment certificates	97,448	185,866
Other interest income	34,487	23,097
	<b>663,109</b>	<b>695,975</b>

**17. NATURE OF EXPENSES**

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

For the years ended August 31,	2021	2020
	\$	\$
<b>Employee salaries and benefits</b>		
Included in cost of sales	329,336	374,920
Included in total expenses	1,530,932	1,801,178
<b>Total employee salaries and benefits</b>	<b>1,860,268</b>	<b>2,176,098</b>
<b>Depreciation and amortization</b>		
Included in cost of sales	89,937	93,029
Included in total expenses	368,729	374,122
<b>Total depreciation and amortization</b>	<b>458,666</b>	<b>467,151</b>

During the years ended August 31, 2021, in response to the COVID-19 pandemic the Company received wage subsidy funding through the Government of Canada's, Canada Emergency Wage Subsidy ("CEWS"). This program was available to any employer, subject to eligibility criteria, whose business has been adversely affected by COVID-19. Payroll expenses for the year ended August 31, 2021 were reduced by \$463,373 with respect to the CEWS program (year ended August 31, 2020: - \$440,656 reduction with respect to CEWS and the United States Small Business Paycheck Protection Program). In April 2020, the Company qualified for the Paycheck Protection Program loan ("PPP") in the United States which had been made available by the US Small Business Administration to eligible US businesses that have been affected by the COVID-19 crisis by the COVID-19 pandemic. As at August 31, 2021, the entire PPP loan has been forgiven. The amount of \$86,354 had been recorded when received within the net loss in the Statement of Loss and Comprehensive Loss during the year ended August 31, 2020.

## 18. LOSS PER SHARE

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

For the years ended August 31,	2021	2020
	\$	\$
Net loss (numerator for basic and diluted loss per share)	(227,357)	(578,356)
Weighted average number of shares outstanding – basic (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 (denominator for diluted loss per share)	28,536,132	28,536,132
Basic loss per share	(0.01)	(0.02)
Effect of dilutive securities	0.00	0.00
Diluted loss per share	(0.01)	(0.02)

For the year ended August 31, 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.

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

For the years ended August 31,	2021	2020
	\$	\$
Accounts receivable	(123,353)	360,154
Inventories	93,834	(109,208)
Prepaid expenses	74,425	(3,978)
Income tax recoverable (payable)	12,479	(14,726)
Accounts payable and accrued liabilities	(91,671)	(149,170)
	(34,286)	83,072

## 20. RELATED PARTY TRANSACTIONS

### Key Management Personnel Compensation

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

For the years ended August 31,	2021	2020
	\$	\$
Salaries and short-term employee benefits	401,129	436,261
Share-based compensation	-	10,500
	401,129	446,761

During the years ended August 31, 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 year were reduced by \$46,819 with respect to Government of Canada's, CEWS (year ended August 31, 2020: \$40,656).

## 21. 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 year.

As at	August 31, 2021 \$	August 31, 2020 \$
Share capital	5,730,279	5,730,279
Contributed surplus	780,708	780,708
Retained earnings	9,026,975	9,254,332
	<b>15,537,962</b>	<b>15,765,319</b>

## 22. 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.

## 23. 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 August 31, 2021 of \$785,582 (2020 - \$662,219). The Company's allowance for doubtful accounts as at August 31, 2021 amounted to \$55,510 (2020 - \$55,510). As at August 31, 2021, the percentages of past due trade accounts receivable were as follows: 4% past due 61 to 90 days (2020– 13%) and 20% past due greater than 90 days (2020 – 10%) prior to including the allowance for doubtful accounts. It is management's view that these balances, net of the allowance for doubtful accounts, have a low risk of not being collected.

The Company's maximum exposure to credit risk for its investment in secured loan is the carrying value of the investment in secured loan's balance at August 31, 2021 of \$3,547,774 (August 31, 2020 - \$3,866,667). In investing in the secured loan, the Company considered the Company's future liquidity requirements and evaluated whether the Company had plans to sell the investment in the secured loan before recovery. The Company considered general industry conditions, the credit worthiness and credit history of the Borrower. The Company also considered specific conditions related to the financial health of and business outlook for the Borrower, including business outlook, industry and sector performance, changes in technology, and operational and financing cash flow factors. The Company also took into consideration security interest issued as collateral. The Company's investment in secured loan is subject to compliance with reasonable and customary positive and negative covenants for loans of its

## 23. FINANCIAL RISK MANAGEMENT (cont'd)

### a) Credit risk (cont'd)

nature. As at August 31, 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 August 31, 2021 of \$338,539 and lease obligations of \$383,939 (2020 – accounts payable and accrued liabilities of \$430,210 and lease obligations of \$514,790).

### c) Market risk

#### Interest rate risk

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

At August 31, 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 \$57,787 (2020 – \$59,010) 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.

At August 31, 2021, the Company held net financial assets of US\$1,120,127 (2020 - US\$990,743) 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 \$70,663 (2020 - \$64,606).

## 24. SEGMENTED REPORTING

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

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

	2021	2020
Revenues	\$	\$
Canada	1,013,403	1,132,829
United States and other	2,520,221	2,977,206
	<b>3,533,624</b>	<b>4,110,035</b>

For the year ended August 31, 2021, revenue from a single customer made up 13% of total revenue in the period and for the year ended August 31, 2020, revenue from a single customer of the Company made up 12% of total revenue.

At August 31, 2021, non-current assets held in Canada were \$4,401,930 (2020 - \$5,174,232) and in the United States were \$3,283 (2020 - \$11,232).

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United States of America  
Phone: (877) 462-4085

## Exchange Listing:

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

## Investor Information:

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## Directors:

**S. Grant Reeves, BA**  
Chairperson of the Board

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

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

**Alvin Pyke, P.Eng.**  
Chief Executive Officer

## Officers:

**Alvin Pyke, P. Eng.**  
Chief Executive Officer

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

## Auditors:

Grant Thornton LLP

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