



TITAN LOGIX

Interim Consolidated Financial Statements Q1 Fiscal 2021

November 30, 2020



Notice of No Auditor Review of Interim Consolidated Financial Statements

These interim consolidated financial statements and related notes for the period ended November 30, 2020 have been prepared by and are the responsibility of management of Titan Logix Corp. The auditors of Titan Logix Corp. have not audited or reviewed these interim consolidated financial statements.

	November 30, 2020 \$	August 31, 2020 \$
ASSETS		
Current assets		
Cash and cash equivalents (note 4)	9,548,354	9,383,679
Accounts receivable	553,571	606,719
Inventories	864,650	1,033,533
Prepaid expenses	80,748	116,349
Current portion of investment in secured loan (note 5)	385,484	385,363
Total current assets	11,432,807	11,525,643
Non-current assets		
Property, plant and equipment	271,057	271,221
Right-of-use assets	466,768	503,040
Intangible assets	975,787	1,045,862
Investment in secured loan (note 5)	3,278,655	3,365,341
Total assets	16,425,074	16,711,107
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	320,517	430,210
Income tax payable	788	788
Current portion of finance lease obligations (note 6)	128,949	130,850
Total current liabilities	450,254	561,848
Non-current liabilities		
Finance lease obligations (note 6)	351,989	383,940
Total liabilities	802,243	945,788
Equity		
Share capital (note 7)	5,730,279	5,730,279
Contributed surplus	780,708	780,708
Retained earnings	9,111,844	9,254,332
Total equity	15,622,831	15,765,319
Total liabilities and equity	16,425,074	16,711,107

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

On behalf of the Board

"Alvin Pyke"
Director

"Helen Cornett"
Director

For the three months ended November 30,	2020 \$	2019 \$
Revenue	849,184	1,408,376
Cost of sales	468,011	669,160
Gross profit	381,173	739,216
Expenses		
General and administration	240,938	286,681
Marketing and sales	207,133	283,581
Engineering	131,977	181,657
Depreciation of property, plant and equipment	9,348	5,612
Depreciation of right-of-use assets	17,096	16,866
Amortization of intangible assets	70,075	69,717
Loss (gain) on foreign exchange	5,576	(703)
Total expenses	682,143	843,411
Operating (loss) before other items	(300,970)	(104,195)
Other items		
Finance income (note 8)	165,396	181,118
Interest on finance leases	(6,231)	(7,863)
Loss on disposal of property, plant and equipment	(683)	-
Total other items	158,482	173,255
(Loss) earnings before income taxes	(142,488)	69,060
Income tax expense	-	-
Net (loss) earnings and comprehensive (loss) earnings	(142,488)	69,060
(Loss) earnings per share (note 10)		
Basic	(0.00)	0.00
Diluted	(0.00)	0.00

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

	Common Shares #	Share Capital \$	Contributed Surplus \$	Retained Earnings \$	Total Equity \$
Balance, August 31, 2020	28,536,132	5,730,279	780,708	9,254,332	15,765,319
Net (loss)	-	-	-	(142,488)	(142,488)
Balance, November 30, 2020	28,536,132	5,730,279	780,708	9,111,844	15,622,831

	Common Shares #	Share Capital \$	Contributed Surplus \$	Retained Earnings \$	Total Equity \$
Balance, August 31, 2019	28,536,132	5,730,279	770,208	9,832,688	16,333,175
Net earnings	-	-	-	69,060	69,060
Balance, November 30, 2019	28,536,132	5,730,279	770,208	9,901,748	16,402,235

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

For the three months ended November 30,	2020	2019
	\$	\$
Cash provided by (used in)		
Operating activities		
Net (loss) earnings	(142,488)	69,060
Non-cash items included in net (loss) earnings		
Interest on finance leases	6,231	7,863
Depreciation of property, plant and equipment	12,612	9,693
Depreciation of right-of-use assets	36,272	36,041
Amortization of intangible assets	70,075	69,717
Loss on disposal of property, plant and equipment	683	-
Finance income (note 8)	(165,396)	(181,118)
Changes in non-cash working capital (note 11)	147,939	(214,998)
Net cash (used in) operating activities	(34,072)	(203,742)
Investing activities		
Proceeds on maturity of short term investments	-	2,041,227
Payments received on investment in secured loan (note 5)	100,000	100,000
Finance income received and receivable (note 8)	151,961	173,133
Purchase of property, plant and equipment	(13,231)	(2,924)
Proceeds from disposal of property, plant and equipment	100	-
Net cash provided by investing activities	238,830	2,311,436
Financing activities		
Payment of finance lease obligation (note 6)	(40,083)	(41,199)
Net cash (used in) financing activities	(40,083)	(41,199)
Net increase in cash and cash equivalents	164,675	2,066,495
Cash and cash equivalents, beginning of period	9,383,679	7,171,837
Cash and cash equivalents, end of period	9,548,354	9,238,332

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

1. NATURE OF OPERATIONS

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

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

In March 2020, the World Health Organization declared a world-wide pandemic resulting from the outbreak of coronavirus, specifically identified as "COVID-19". Many countries had enacted emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, temporary restriction on all non-essential business, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The Company has assessed the economic impacts of the COVID-19 pandemic on its consolidated financial statements. As at November 30, 2020, management has determined that the Company's ability to execute its medium and longer term plans, the economic viability of its assets and the carrying value of its long-lived assets are not materially impacted. The full extent of the impact that the COVID-19 outbreak may have on the Company will depend on future developments that are highly uncertain and that cannot be predicted with confidence. Management is closely monitoring the impact of the pandemic on all aspects of its business.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed consolidated interim financial statements for the three months ended November 30, 2020 and November 30, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). They have been prepared in accordance with IAS 34, "Interim Financial Reporting" and do not contain all necessary annual disclosures in accordance with IFRS.

The unaudited condensed consolidated interim financial statements of the Company for the three months ended November 30, 2020 were authorized for issue in accordance with a resolution of the directors on January 20, 2021.

Principles of consolidation

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

Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

As at	November 30, 2020 \$	August 31, 2020 \$
Cash on hand and balances with banks	1,580,885	1,416,210
Guaranteed investment certificates	7,967,469	7,967,469
	9,548,354	9,383,679

5. INVESTMENTS
Investment in secured loan

As at	November 30, 2020 \$	August 31, 2020 \$
August 31, 2020		\$ 3,750,704
Principal repayments		(100,000)
Amortization of commitment fee and amendment fee		13,435
November 30, 2020		\$ 3,664,139
As at	November 30, 2020 \$	August 31, 2020 \$
Current portion of investment in secured loan	385,484	385,363
Long-term portion of investment in secured loan	3,278,655	3,365,341
	3,664,139	3,750,704

On November 6, 2017, the Company entered into a loan participation agreement with Greypoint Capital Inc. (as administrative agent) and Greypoint Capital L.P. (as co-lender). Pursuant to the loan participation agreement, the Company has co-invested \$5 million of a \$10 million five-year secured loan to a company in the energy services industry (the "Borrower"). The loan is secured by a first priority security interest in the Borrower's real estate and equipment and a second priority security interest on the working capital assets of the Borrower. The loan is for a 60-month term and bears interest at the 30-day bankers' acceptance rate plus 9.5% (2019 – 7.5%), with a payment of \$33,333 principal plus interest paid monthly. The Borrower may prepay the loan at any time subject to set terms. Principal repayments of \$100,000 were received in the three months ended November 30, 2020 (November 30, 2019 - \$100,000). The terms of the agreement included an upfront commitment fee from the Borrower of \$75,000 and therefore the Company recorded the initial value of the investment in secured loan at an amortized cost of \$4,925,000. The \$75,000 commitment fee is amortized over the term of the loan and included in interest income.

In December 2018, May 2019 and July 2020, the credit agreement with the Borrower was amended for covenant terms, subject to an amendment fee. The amendment fees of \$112,500 are amortized over the remaining term of the loan and included in finance income.

During the three months ended November 30, 2020, the Company's investment in the secured loan to Greypoint Capital Inc. generated finance income of \$114,126 (November 30, 2019 - \$128,868) (note 8).

6. FINANCE LEASE OBLIGATIONS

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

Lease liabilities

	\$
Balance at August 31, 2020	514,790
Finance costs	6,231
Lease payments	(40,083)
Balance at November 30, 2020	480,938
Lease liabilities due within one year	128,949
Lease liabilities due beyond one year	351,989

7. SHARE CAPITAL
a) Authorized

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

b) Issued

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

c) Share-based compensation

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

At November 30, 2020, the Company has 300,000 (August 31, 2020 – 300,000) options outstanding, which expire on dates between April 2024 and January 2025. The continuity of the Company's outstanding and exercisable options is as follows:

	Three months ended November 30, 2020		Twelve months ended August 31, 2020	
	Number of options outstanding #	Weighted average exercise price \$	Number of options outstanding #	Weighted average exercise price \$
Outstanding, beginning of period	300,000	0.56	420,000	0.62
Granted	-	-	50,000	0.49
Forfeited	-	-	(170,000)	0.68
Outstanding, end of period	300,000	0.56	300,000	0.56
Exercisable, end of period	300,000	0.56	300,000	0.56

The following table summarizes information about stock options outstanding and exercisable as at November 30, 2020.

Exercise price	Options outstanding	Average remaining life (in years)	Options vested	Options not vested
\$ 0.57	250,000	3.39	250,000	-
\$ 0.49	50,000	4.16	50,000	-
Total, end of period	300,000		300,000	-

During the three months ended November 30, 2020 and November 30, 2019 no options were granted.

8. FINANCE INCOME

For the three months ended November 30,	2020	2019
	\$	\$
Interest from investment in secured loan	114,126	128,868
Interest from investments in guaranteed investment certificates	50,957	41,209
Other interest income	313	11,041
	165,396	181,118

9. NATURE OF EXPENSES

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

For the three months ended November 30,	2020	2019
	\$	\$
Employee salaries and benefits		
Included in cost of sales	82,209	138,156
Included in total expenses	368,024	533,457
Total employee salaries and benefits	450,233	671,613
Depreciation and amortization		
Included in cost of sales	22,440	23,256
Included in total expenses	96,519	92,195
Total depreciation and amortization	118,959	115,451

During the three months ended November 30, 2020, in response to the COVID-19 pandemic the Company received wage subsidy funding through the Government of Canada's, Canada Emergency Wage Subsidy ("CEWS") that was available to any employer, subject to eligibility criteria, whose business has been adversely affected by COVID-19. Payroll expenses for the three months ended November 30, 2020 were reduced by \$113,835 with respect to the CEWS program (November 30, 2019: \$nil).

10. (LOSS) EARNINGS PER SHARE

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

For the three months ended November 30,	2020	2019
	\$	\$
Net (loss) earnings (numerator for basic and diluted (loss) earnings per share)	(142,488)	69,060
Weighted average number of shares outstanding – basic (denominator for basic (loss) earnings 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) earnings per share)	28,536,132	28,536,132
Basic (loss) earnings per share	(0.00)	0.00
Effect of dilutive securities	0.00	0.00
Diluted (loss) earnings per share	(0.00)	0.00

For the three months ended November 30, 2020, there were 300,000 antidilutive options (2019 – 420,000). The average market value of the Company's shares for purposes of this calculation were based on quoted market prices for the period during which the options were outstanding.

11. CHANGE IN NON-CASH OPERATING WORKING CAPITAL

For the three months ended November 30,	2020	2019
	\$	\$
Accounts receivable	53,148	45,010
Inventories	168,883	(111,672)
Prepaid expenses	35,601	19,817
Accounts payable and accrued liabilities	(109,693)	(168,153)
	147,939	(214,998)

12. RELATED PARTY TRANSACTION
Key Management Personnel Compensation

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

For the three months ended November 30,	2020	2019
	\$	\$
Salaries and short-term employee benefits	95,043	123,301
	95,043	123,301

During the three months ended November 30, 2020 and 2019, there were no long-term employee benefits or post-employment benefits recognized. Short-term employee benefits consist of salaries, consulting fees, bonuses, director fees, and all other short-term benefits. Salaries for the three months ended November 30, 2020 were reduced by \$12,673 with respect to Government of Canada's, CEWS program (November 30, 2019: \$nil).

13. CAPITAL MANAGEMENT

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

As at	November 30, 2020	August 31, 2020
	\$	\$
Share capital	5,730,279	5,730,279
Contributed surplus	780,708	780,708
Retained earnings	9,111,844	9,254,332
	15,622,831	15,765,319

14. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT

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

15. FINANCIAL RISK MANAGEMENT

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

a) Credit risk

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

The Company's maximum exposure to credit risk for accounts receivable is the carrying value of its accounts receivable balance at November 30, 2020 of \$609,081 (August 31, 2020 - \$662,229). The Company's allowance for doubtful accounts as at November 30, 2020 amounted to \$55,510 (August 31, 2020 - \$55,510). As at November 30, 2020, the percentages of past due trade accounts receivable were as follows: 8% past due 61 to 90 days (August 31, 2020- 13%) and 17% past due greater than 90 days (August 31, 2020 - 10%) prior to including the allowance for doubtful accounts. It is management's view that these balances, net of the allowance for doubtful accounts, have a low risk of not being collected.

The Company's maximum exposure to credit risk for its investment in secured loan is the carrying value of the investment in secured loan's balance at November 30, 2020 of \$3,766,667 (August 31, 2020 - \$3,866,667). In investing in the secured loan, the Company considered the Company's future liquidity requirements and evaluated whether the Company had plans to sell the investment in the secured loan before recovery. The Company considered general industry conditions, the credit worthiness and credit history of the Borrower. The Company also considered specific conditions related to the financial health of and business outlook for the Borrower, including business outlook, industry and sector performance, changes in technology, and operational and financing cash flow factors. The Company also took into consideration security interest issued as collateral. The Company's investment in secured loan is subject to compliance with reasonable and customary positive and negative covenants for loans of its nature. As at November 30, 2020, the Borrower is in compliance with all terms of the loan agreement. Management monitors the investment in secured loan for indications of impairment on an ongoing basis including the extended impact of COVID-19 on the Borrower's business.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due or to fund the programs and commitments that the Company has planned. The Company manages liquidity risk through management of its capital structure in conjunction with cash flow forecasting including anticipated investing and financing activities. The Company believes that internally generated cash flows and current cash balances will be sufficient to cover its normal operating and capital expenditures for the current fiscal year. The Company's contractual obligations related to financial liabilities are its accounts payable and accrued liabilities balance at November 30, 2020 of \$320,517 and finance lease obligations of \$480,938 (August 31, 2020 - accounts payable and accrued liabilities of \$430,210 and finance lease obligations of \$514,790).

c) Market risk**Interest rate risk**

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

At November 30, 2020, based on management's interest rate risk sensitivity analysis, a one-half percent change in market interest rates would have had an impact of approximately \$14,330 (November 30, 2019 - \$15,250) on the Company's net earnings.

Currency risk

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

15. FINANCIAL RISK MANAGEMENT (cont'd)

c) Market risk (cont'd)

At November 30, 2020, the Company held net financial assets of US\$1,102,393 (November 30, 2019 - US\$1,146,301) 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 \$71,463 (November 30, 2019 - \$76,166).

16. SEGMENTED REPORTING

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

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

Revenues

For the three months ended November 30

	2020	2019
	\$	\$
Canada	221,799	372,301
United States and other	627,385	1,036,075
	849,184	1,408,376

For the three months ended November 30, 2020 revenue from a single customer made up 17% of total revenue in the period and for the three months ended November 30, 2019, revenue from a single customer of the Company made up 15% of total revenue in the period.

At November 30, 2020, non-current assets held in Canada were \$4,984,828 (August 31, 2020 - \$5,174,232) and in the United States were \$7,439 (August 31, 2020 - \$11,232).

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Exchange Listing:

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

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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