



FLUID MANAGEMENT SOLUTIONS
FIELD • ROAD • OFFICE

Interim Consolidated Financial Statements
Q1 Fiscal 2017

November 30, 2016





Notice of No Auditor Review of Interim Consolidated Financial Statements

These interim consolidated financial statements and related notes for the period ended November 30, 2016 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 financial statements.



Condensed Consolidated Interim Statements of Financial Position

As at November 30, 2016 and August 31, 2016

(unaudited)

Q1 2017 Financial Statements

	November 30, 2016 \$	August 31, 2016 \$
ASSETS		
Current assets		
Cash and cash equivalents	14,049,492	12,788,278
Short term investments	-	1,000,000
Accounts receivable	502,001	412,076
Inventories	1,316,062	1,529,192
Prepaid expenses	100,546	139,922
Corporate tax recoverable	396,386	396,386
Assets held for sale (note 3)	-	162,974
Total current assets	16,364,487	16,428,828
Non-current assets		
Property, plant and equipment	366,623	402,963
Non-current assets held for sale (note 3)	-	40,943
Intangible assets	912,563	828,731
Total assets	17,643,673	17,701,465
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	483,528	521,583
Current portion of finance lease obligations	46,787	46,618
Total current liabilities	530,315	568,201
Non-current liabilities		
Finance lease obligations	45,342	91,058
Total liabilities	575,657	659,259
Equity		
Share capital (note 4)	5,566,479	5,566,479
Contributed surplus	773,846	766,830
Retained earnings	10,727,691	10,708,897
Total equity	17,068,016	17,042,206
Total liabilities and equity	17,643,673	17,701,465

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

On behalf of the Board

"Douglas Carruthers"
Director

"Warren White"
Director



Condensed Consolidated Interim Statements of Earnings and Comprehensive Income

For the three months ended November 30, 2016 and November 30, 2015

(unaudited)

Q1 2017 Financial Statements

	November 30, 2016 \$	November 30, 2015 \$
Revenue	823,659	1,577,787
Cost of sales	550,587	968,037
Gross profit	273,072	609,750
Expenses		
General and administration	371,281	466,837
Marketing and sales	193,497	403,548
Engineering	20,876	170,689
Depreciation of property, plant and equipment	21,583	41,287
Amortization of intangible assets	67,791	77,614
Gain on foreign exchange	(40,937)	(47,055)
Total expenses	634,091	1,112,920
Operating loss before other items and income taxes	(361,019)	(503,170)
Other items		
Gain on disposal of property, plant and equipment	5,554	208
Gain on disposal of non-current assets held for sale (note 3)	335,434	-
Interest revenue	39,675	38,000
Interest on finance leases	(850)	(2,549)
Total other items	379,813	35,659
Earnings (loss) before income taxes	18,794	(467,511)
Income tax recovery	-	(116,656)
Net earnings (loss) and comprehensive income (loss)	18,794	(350,855)
Earnings (loss) per share (note 5)		
Basic	0.00	(0.01)
Diluted	0.00	(0.01)

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



Condensed Consolidated Interim Statements of Equity

For the three months ended November 30, 2016 and November 30, 2015
(unaudited)

Q1 2017 Financial Statements

	Common Shares #	Share Capital \$	Contributed Surplus \$	Retained Earnings \$	Total Equity \$
Balance, August 31, 2016	28,286,132	5,566,479	766,830	10,708,897	17,042,206
Share-based compensation	-	-	7,016	-	7,016
Net earnings	-	-	-	18,794	18,794
Balance, November 30, 2016	28,286,132	5,566,479	773,846	10,727,691	17,068,016

	Common Shares #	Share Capital \$	Contributed Surplus \$	Retained Earnings \$	Total Equity \$
Balance, August 31, 2015	25,648,440	4,098,882	722,649	14,406,151	19,227,682
Share-based compensation	-	-	6,326	-	6,326
Net loss	-	-	-	(350,855)	(350,855)
Balance, November 30, 2015	25,648,440	4,098,882	728,975	14,055,296	18,883,153

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



Condensed Consolidated Interim Statements of Cash Flows
 For the three months ended November 30, 2016 and November 30, 2015
 (unaudited)

Q1 2017 Financial Statements

	November 30, 2016 \$	November 30, 2015 \$
Cash provided by (used in)		
Operating activities		
Net earnings (loss)	18,794	(350,855)
Items not affecting cash		
Deferred tax recovery	-	(24,030)
Depreciation of property, plant and equipment	25,718	50,961
Amortization of intangible assets	67,791	77,614
Share-based compensation	7,016	6,326
Gain on disposal of property, plant and equipment	(5,554)	(208)
Gain on disposal of non-current assets held for sale (note 3)	(335,434)	-
Changes in non-cash working capital (note 7)	287,500	(47,443)
Net cash provided by (used in) operating activities	65,831	(287,635)
Investing activities		
Maturity of short term investment	1,000,000	-
Purchase of property, plant and equipment	(950)	(10,989)
Acquisition of intangible assets	(476)	(26,102)
Proceeds from disposal of property, plant and equipment	8,436	208
Proceeds from disposal of non-current assets held for sale (note 3)	346,377	-
Product development costs capitalized	(151,148)	(83,465)
Net cash provided by (used in) investing activities	1,202,239	(120,348)
Financing activities		
Payment of finance lease obligation	(6,856)	(14,389)
Net cash used in financing activities	(6,856)	(14,389)
Increase (decrease) in cash and cash equivalents	1,261,214	(422,372)
Cash and cash equivalents, beginning of period	12,788,278	14,773,897
Cash and cash equivalents, end of period	14,049,492	14,351,525
Non cash transactions		
Equipment purchased under finance lease	-	27,025

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



Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended November 30, 2016 and November 30, 2015

(unaudited)

Q1 2017 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.

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 currently used in the oil and gas, waste fluid collection, chemical and aviation industries.

The core focus of the business is:

- In the Field - Solution offerings for storage tanks and process vessels.
- On the Road - Solution offerings for mobile tanker trucks and trailers.
- In the Office - Solution offerings that enable customers to monitor their fluid assets remotely from the convenience of their dispatch center or other back office environment through a wired or wireless connection.

The unaudited interim consolidated financial statements of the Company for the three months ended November 30, 2016 were authorized for issue in accordance with a resolution of the directors on January 16, 2017.

2. BASIS OF PRESENTATION

These condensed consolidated interim financial statements for the three months ended November 30, 2016 and November 30, 2015 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 condensed consolidated interim financial statements are presented in Canadian dollars which is the functional currency of Titan Logix Corp. and its subsidiaries.

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 condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended August 31, 2016.

3. DISPOSAL OF ASSETS HELD FOR SALE

In September 2016 the Company sold assets related to its TPZ 3310 and 3500 Controller product lines. These products were "In the Field" level measurement gauges and alarm systems for the oilfield storage and control industry. Management's strategy is to focus resource investments on the future sales prospect of its other more current product lines. Under the terms of the sale agreement of the Company received proceeds of \$450,294 prior to a holdback of \$52,100. The carrying value of assets sold included inventory of \$156,017 and property, plant and equipment of \$10,943. The sale of the assets resulted in a gain on disposal of \$335,434. The divestiture of these product lines is not expected to have a material impact on the Company's future earnings. In conjunction with this divestiture the Company closed its branch in Lampman, SK. The Company continues to offer other level measurement solutions for the oilfield storage industry.

4. SHARE CAPITAL

a) Authorized

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

b) Issued

The Company has 28,286,132 issued common shares (August 31, 2016 – 28,286,132).



Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended November 30, 2016 and November 30, 2015

(unaudited)

Q1 2017 Financial Statements

4. SHARE CAPITAL (cont'd)

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, 2016 – 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.

The Company has 1,005,000 (August 31, 2016 – 1,005,000) options outstanding, which expire on dates between January 2017 and February 2021.

The continuity of the Company's outstanding and exercisable options is as follows:

	Three months ended November 30, 2016		Twelve months ended August 31, 2016	
	Number of options outstanding #	Weighted average exercise price \$	Number of options outstanding #	Weighted average exercise price \$
Outstanding, beginning of period	1,005,000	0.64	1,145,000	0.64
Granted	-	-	475,000	0.59
Exercised	-	-	(330,000)	0.15
Forfeited	-	-	(285,000)	1.10
Outstanding, end of period	1,005,000	0.64	1,005,000	0.64
Exercisable, end of period	730,000	0.67	730,000	0.67

The following table summarizes information about stock options outstanding and exercisable as at November 30, 2016.

Exercise price	Options outstanding	Average remaining life (in years)	Options vested	Options not vested
\$ 0.38	130,000	0.13	130,000	-
\$ 0.37	120,000	0.17	120,000	-
\$ 0.70	40,000	0.80	40,000	-
\$ 0.63	20,000	1.14	20,000	-
\$ 1.28	60,000	2.12	60,000	-
\$ 1.14	60,000	3.14	60,000	-
\$ 0.85	100,000	3.74	100,000	-
\$ 0.65	100,000	4.12	100,000	-
\$ 0.57	375,000	4.18	100,000	275,000
Total, end of period	1,005,000		730,000	275,000



Notes to the Condensed Consolidated Interim Financial Statements
 For the three months ended November 30, 2016 and November 30, 2015
(unaudited)

Q1 2017 Financial Statements

4. SHARE CAPITAL (cont'd)

d) Share-based compensation (cont'd)

No options were granted during the three months ended November 30, 2016 or November 30, 2015.

Compensation expense is recognized evenly over the vesting period of stock options. Share based compensation and corresponding credit to contributed surplus of \$7,016 was recorded for the three months ended November 30, 2016 (three months ended November 30, 2015 - \$6,326).

5. EARNINGS PER SHARE

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

	Three months ended	
	November 30, 2016	November 30, 2015
Net earnings (loss) (numerator for basic and diluted earnings per share)	\$ 18,794	\$ (350,855)
Weighted average number of shares outstanding – basic (denominator for basic earnings per share)	28,286,132	25,648,440
Effect of dilutive securities Stock options converted to common shares	62,102	396,933
Weighted average number of shares outstanding – diluted (denominator for diluted earnings per share)	28,348,234	26,045,373
Basic earnings (loss) per share	\$ 0.00	\$ (0.01)
Effect of dilutive securities	-	-
Diluted earnings (loss) per share	\$ 0.00	\$ (0.01)

For the three months ended November 30, 2016 there were 755,000 antidilutive options (three months ended November 30, 2015 – 425,000 options). 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.

6. INCOME TAXES

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the period.



Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended November 30, 2016 and November 30, 2015

(unaudited)

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7. CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended	
	November 30, 2016	November 30, 2015
	\$	\$
Accounts receivable	(89,925)	(83,190)
Inventories	376,104	136,171
Prepaid expenses	39,376	28,391
Accounts payable and accrued liabilities	(38,055)	(22,941)
Corporate tax payable	-	(105,874)
	287,500	(47,443)

8. RELATED PARTY TRANSACTION

Key Management Personnel Compensation

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

	Three months ended	
	November 30, 2016	November 30, 2015
	\$	\$
Salaries and short-term employee benefits	147,731	97,693
Share-based compensation	7,016	-
	154,747	115,439

Short-term employee benefits consist of salaries, bonuses, director fees, and all other short-term benefits. There were no long-term employee benefits, post-employment benefits or termination benefits recognized in the three months ended November 30, 2016 or the three months ended November 30, 2015.

9. 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.

	November 30, 2016	August 31, 2016
	\$	\$
Finance lease obligations	45,342	91,058
Share capital	5,566,479	5,566,479
Contributed surplus	773,846	766,830
Retained earnings	10,727,691	10,708,897
	17,113,358	17,133,264



Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended November 30, 2016 and November 30, 2015

(unaudited)

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10. FINANCIAL INSTRUMENTS AND 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.

The fair value of the cash and cash equivalents, accounts receivables and accounts payable and accrued liabilities approximates their carrying value.

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, short term investments and accounts receivable. 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, short term investments and accounts receivable. The Company has a credit policy and regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss. The Company carries out credit evaluations of its customers 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, 2016 of \$473,066 (August 31, 2016 - \$432,241). The Company's allowance for doubtful accounts as at November 30, 2016 amounted to \$23,165 (August 31, 2016 - \$20,165). As at November 30, 2016, the percentages of past due trade accounts receivable were as follows: 2% past due 61 to 90 days (August 31, 2016 - 5%) and 16% past due greater than 90 days (August 31, 2016 - 16%) 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.

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.

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 short term investments. The Company manages interest rate risk by maximizing the interest earned in excess funds while maintaining the liquidity necessary to maintain day-to-day operating cash flow requirements.

Based on management's interest rate risk sensitivity analysis, a one-half percent change in market interest rates would have had an impact of approximately \$15,045 (three months ended November 30, 2015 - \$14,051) 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.



Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended November 30, 2016 and November 30, 2015

(unaudited)

Q1 2017 Financial Statements

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont.)

At November 30, 2016, the Company held net financial assets of US\$1,216,962 (November 30, 2015 - US\$2,536,462) 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 \$81,713 (three months ended November 30, 2015 - \$169,347).

11. GEOGRAPHIC INFORMATION

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 maker in allocating resources and assessing performance. The chief operating decision makers of the Company are the President and Chief Executive Officer. The Company operates substantially all its activities in one reportable segment, technology fluid management solutions, which include the manufacturing and marketing of advanced technology fluid management solutions enabling customers to manage their fluid assets integrating the field, road and office into one system.

For the three months ended November 30, 2016, revenue from a single customer made up 18% of total revenue in the period (three months ended November 30, 2015, revenue from a single customer made up 16% of total revenue in the period).

Geographic information:

Revenues	Three months ended	
	November 30, 2016	November 30, 2015
	\$	\$
Canada	367,832	696,967
United States and other	455,827	880,820
	823,659	1,577,787

Non-current assets at November 30, 2016 held in Canada were \$1,252,449 (August 31, 2016- \$1,241,391) and in the United States were \$26,737 (August 31, 2016- \$31,246).

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Exchange Listing:

The Toronto Venture Stock Exchange (TSX-V)
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Directors:

S. Grant Reeves, BA
Chairperson of the Board

Helen Cornett, CPA, CA
Audit Committee Chairperson

Warren J. White, CPA, MBA
Executive Compensation and Corporate Governance
Committee Chairperson

Charles Buehler

Douglas Carruthers, BA
Chief Executive Officer

Officers:

Douglas Carruthers, BA
Chief Executive Officer

Greg McGillis, P.Eng., EE
President and Chief Technology Officer

Angela Schultz, CPA, CMA
Chief Financial Officer

Auditors:

Grant Thornton LLP

www.titanlogix.com