

Consolidated Financial Statements
Fiscal 2023

August 31, 2023



TITAN
LOGIX



KINGSTON
ROSS
PASNAK LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Suite 1500, 9888 Jasper Avenue NW
Edmonton, Alberta T5J 5C6
T. 780.424.3000 | F. 780.429.4817 | W. krpgroup.com

November 15, 2023
Edmonton, Alberta

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 subsidiaries (the Company), which comprise the statements of financial position as at August 31, 2023 and 2022, and the consolidated statements of earnings and comprehensive earnings, changes in shareholders' equity and cash flows for the years then ended, 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, 2023 and 2022, and the consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

Existence and valuation of equity investments

We refer to the financial statement summary of significant accounting policies on various equity investments recorded at fair value and related disclosure in Notes 8 and 9.

At August 31, 2023, the Company held various equity investments which were recorded at fair value through profit and loss in accordance with IFRS 9 at a collective reported value of \$2,897,870. These equity investments were considered a key audit matter due to the nature and quantum of the investments held and the estimates and judgements involved in determination of the fair value.

The Company has specific procedures for determining the treatment and valuation of the equity investments.

To address the risk for material misstatement on the equity investments, our audit procedures included, amongst other procedures:

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Independent Auditor's Report to the Shareholders of Titan Logix Corp. *(continued)*

- Reviewing management assessment of meeting the criteria to be classified as an equity investment;
- Reviewing purchase and related supporting documentation to verify the ownership of the equity investments;
- Evaluating the appropriateness of the valuation methodology and value source information used by management to calculate the fair value of the equity investments; and
- Performing recalculation of the fair value of the equity investments at August 31, 2023.

We assessed the adequacy of the Company's disclosures related to equity investments.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, which includes Management's Discussion and Analysis.

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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 the consolidated financial statements in accordance with IFRS, 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 the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to 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 but 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.

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Independent Auditor's Report to the Shareholders of Titan Logix Corp. *(continued)*

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:

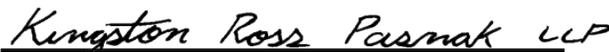
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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 the 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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


Kingston Ross Pasmak LLP
Chartered Professional Accountants

(in CAD \$, except where otherwise noted)

	August 31, 2023 \$	August 31, 2022 \$
ASSETS		
Current assets		
Cash and cash equivalents (note 4)	9,771,382	9,267,106
Short term investments (note 5)	1,820,425	3,500,000
Accounts receivable (note 6)	935,702	833,508
Inventories (note 7)	1,432,323	1,301,745
Prepaid expenses	200,742	135,470
Marketable securities (note 8)	1,164,000	1,503,500
Total current assets	15,324,574	16,541,329
Non-current assets		
Limited recourse capital notes (note 9)	1,733,870	-
Property, plant and equipment (note 10)	167,176	194,328
Right-of-use assets (note 11)	768,169	235,988
Intangible assets (note 12)	353,528	527,637
Total assets	18,347,317	17,499,282
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 14)	685,606	536,843
Income tax payable	6,421	10,380
Current portion of lease obligations (note 15)	96,265	136,415
Total current liabilities	788,292	683,638
Non-current liabilities		
Lease obligations (note 15)	681,476	117,321
Total liabilities	1,469,768	800,959
Shareholders' equity		
Share capital (note 17)	5,730,279	5,730,279
Contributed surplus	911,500	815,208
Retained earnings	10,235,770	10,152,836
Total shareholders' equity	16,877,549	16,698,323
Total liabilities and shareholders' equity	18,347,317	17,499,282

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

On behalf of the Board

"Helen Cornett"
Director

"Grant Reeves"
Director

Consolidated Statements of Earnings and Comprehensive Earnings

(in CAD \$, except where otherwise noted)

For the years ended August 31,	2023	2022
	\$	\$
Revenue (note 26)	6,214,348	4,328,588
Cost of sales	3,130,696	1,935,824
Gross profit	3,083,652	2,392,764
Expenses		
General and administration	1,369,047	1,450,033
Marketing and sales	980,995	639,582
Engineering	730,030	347,247
Depreciation of property, plant and equipment (notes 10 and 20)	33,199	36,159
Depreciation of right-of-use assets (notes 11 and 20)	52,311	53,150
Amortization of intangible assets (notes 12 and 20)	174,109	188,204
(Gain) loss on foreign exchange	(90,752)	(95,951)
Total expenses	3,248,939	2,618,424
Operating loss before other items	(165,287)	(225,660)
Other items		
Unrealized gain (loss) on marketable securities (note 8)	(339,500)	732,250
Unrealized loss on limited recourse capital notes (note 9)	(47,000)	-
Finance income (note 18)	647,227	639,520
Interest on leases	(9,485)	(16,077)
Loss on impairment of property, plant and equipment (note 10)	(3,021)	(4,172)
Total other items	248,221	1,351,521
Earnings before income taxes	82,934	1,125,861
Income tax expense (note 16)	-	-
Earnings and comprehensive earnings	82,934	1,125,861
Earnings per share (note 20)		
Basic and diluted	0.00	0.04

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

Consolidated Statements of Changes in Shareholders' Equity

(in CAD \$, except where otherwise noted)

	Common Shares #	Share Capital \$	Contributed Surplus \$	Retained Earnings \$	Total Shareholders' Equity \$
Balance at August 31, 2021	28,536,132	5,730,279	780,708	9,026,975	15,537,962
Share-based compensation	-	-	34,500	-	34,500
Earnings and comprehensive earnings	-	-	-	1,125,861	1,125,861
Balance at August 31, 2022	28,536,132	5,730,279	815,208	10,152,836	16,698,323
Share-based compensation	-	-	96,292	-	96,292
Earnings and comprehensive earnings	-	-	-	82,934	82,934
Balance at August 31, 2023	28,536,132	5,730,279	911,500	10,235,770	16,877,549

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

Consolidated Statements of Cash Flows
(in CAD \$, except where otherwise noted)

For the years ended August 31,	2023	2022
	\$	\$
Cash provided by (used in)		
Operating activities		
Net earnings	82,934	1,125,861
Non-cash items included in net earnings		
Interest on leases	9,485	16,077
Impairment of inventory (note 7)	64,984	16,870
Depreciation of property, plant and equipment (note 10)	42,251	48,004
Depreciation of right-of-use assets (note 11)	128,239	129,851
Amortization of intangible assets (note 12)	174,109	188,204
Unrealized loss (gain) on marketable securities (note 8)	339,500	(732,250)
Unrealized loss on limited recourse capital notes (note 9)	47,000	-
Share-based compensation (note 17 (c))	96,292	34,500
Loss on impairment of property, plant and equipment (note 10)	3,021	4,172
Finance income (note 18)	(647,227)	(639,520)
Changes in non-cash working capital (note 21)	(218,224)	(395,851)
Net cash provided (used) in operating activities	122,364	(204,082)
Investing activities		
Proceeds (purchase) of short term investment (note 5)	1,679,575	(3,500,000)
Financing fee received on secured loan (note 13)	-	5,000
Payments received on investment in secured loan (note 13)	-	3,466,666
Finance income received (note 19)	647,227	633,698
Purchase of marketable securities (note 8)	-	(771,250)
Purchase of limited recourse capital notes (note 9)	(1,780,870)	-
Purchase of property, plant and equipment (note 10)	(18,120)	(2,950)
Net cash provided (used) by investing activities	527,812	(168,836)
Financing activities		
Payment of lease obligation (note 13)	(145,900)	(146,280)
Net cash used in financing activities	(145,900)	(146,280)
Net increase (decrease) in cash and cash equivalents	504,276	(519,198)
Cash and cash equivalents, beginning of year	9,267,106	9,786,304
Cash and cash equivalents, end of year	9,771,382	9,267,106

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.

For over 25 years, Titan Logix Corp. has designed and manufactured mobile liquid measurement solutions to help businesses reduce risk and maximize efficiencies in bulk liquids transportation. Titan's TD Series of tank level monitors are a market leader in mobile fluid measurement, and are known for their high level of accuracy, rugged design, and solid-state reliability. Our solutions are designed for hazardous and non-hazardous applications, and we serve customers in a wide range of applications including petroleum, environmental solutions, chemical, and agriculture.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements for the year ended August 31, 2023 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, 2023, were authorized for issue in accordance with a resolution of the directors on November 15, 2023.

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 applied prospectively.

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*

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. Management monitors progress of internal research and development projects by using a project management system.

The Company's management monitors at each reporting period or when relevant facts and circumstances develop 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.

2. BASIS OF PRESENTATION (cont'd)

Significant accounting estimates and judgments (cont'd)

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 earnings 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 assets 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.

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.

2. BASIS OF PRESENTATION (cont'd)**Estimates (cont'd)***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 marketable securities

Marketable securities are held for investment and liquidity purposes. The Company recognized its investment in marketable securities at fair value through profit or loss to reflect its business model for managing these instruments. Marketable securities are valued using quoted market prices, thus minimal estimation is required. Purchases and sales of marketable securities are recorded on the trade date and the transaction costs are expensed as incurred. Realized and unrealized gains and losses on these securities are included in other items in the Statement of Earnings and Comprehensive Earnings.

f) Valuation of investment in limited recourse capital notes

Limited recourse capital notes (LRCNs) are held for investment and liquidity purposes. The Company recognized its LRCNs at fair value through profit or loss to reflect its business model for managing these instruments. LRCNs are valued with reference to quoted market bids provided by a third-party independent dealer in the secondary market, as the LRCNs are not listed on any securities exchange. It has been determined that broker pricing is appropriate for these investments as there is sufficient trading volume to demonstrate that the fair values quotes are appropriate. Purchases and sales of LRCNs are recorded on the trade date and the transaction costs are expensed as incurred. Realized gains and losses on these investments are included in other items in the Statement of Earnings and Comprehensive Earnings.

g) 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.

h) 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, 2023 and August 31, 2022 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 include cash deposits in financial institutions, guaranteed investment certificates (GICs) and other deposits that are readily convertible to cash. At August 31, 2023, GICs are one year term investments cashable within three months with interest rates from 5.55% to 5.7% and high interest deposits are cashable with three months' notice with interest rates of 6.25%.

c) Short term investments

Short term investments consist of guaranteed investment certificates and other deposits not cashable within three months of their acquisition. At August 31, 2023, GICs are one year term investments cashable within three months of August 31, 2023 with interest rates of 5.4%.

d) Accounts receivable

Trade and other receivables, due to their short-term nature, are carried at the original transaction amount. 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.

f) Marketable securities

Marketable securities consist of shares of publicly traded companies and are reported at their fair market value using quoted market prices with realized and unrealized gains and losses on these securities included in other items in the Statement of Earnings and Comprehensive Earnings.

g) Limited recourse capital notes

Limited recourse capital notes represent an investment of cash that is not required for current operations and are reported at their fair market value with reference to quoted market bids provided by a third-party independent dealer in the secondary market, as the LRCNs are not listed on any securities exchange. Realized and unrealized gains and losses on these securities included in other items in the Statement of Earnings and Comprehensive Earnings. This investment has been classified as a long-term investment due to its long-term maturity.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

h) 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.

i) 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 earnings. 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 earnings. 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)**j) 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.

k) 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 \$7,000) 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.

l) 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)**m) 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.

n) 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.

o) Financial instruments

On initial recognition financial assets and financial liabilities are measured at their fair value plus transaction costs. 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 (FVTPL). 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 and accounts receivable are classified at amortized cost and are measured at amortized cost using the effective interest method, less any impairment. Marketable securities, short term investments and limited recourse capital notes are classified at fair value through profit or loss.

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's financial liabilities consist of accounts payable and accrued liabilities and lease obligations 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.

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.

p) Comprehensive earnings

Comprehensive earnings 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 earnings, and accordingly, comprehensive earnings and net earnings are equal.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**q) 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 earnings 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.

r) 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 2022, 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, funding was received through Alberta and Government of Canada wage and training grant programs. Wage subsidies are recorded as a reduction of salary expense.

s) 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.

t) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of earnings 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.

u) Earnings per share

Basic earnings per share is calculated by dividing net earnings by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect the potential dilution that would occur if stock options were exercised. Diluted earnings per share is calculated by dividing net earnings 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.

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 earnings per share.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)
v) New standards and interpretations not yet adopted

The following new accounting pronouncements have been issued but are not effective and may have an impact on the Company's consolidated financial statements in the future:

IAS 1 – Amendments to IAS 1 - Presentation of Financial Statements, affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. The Company's management does not expect any material impact to the Company's financial statements.

IAS 8 - Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, are applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The amendments effective for annual periods beginning on or after January 1, 2023, with early application permitted. The Company's management does not expect any material impact to the Company's financial statements.

IAS 12 – Amendments to IAS 12 – Income taxes, implements a so-called "comprehensive balance sheet method" of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test. The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. The Company's management does not expect any material impact to the Company's financial statements.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

As at	August 31, 2023 \$	August 31, 2022 \$
Cash on hand and balances with banks	286,662	898,664
Guaranteed investment certificates (GICs) and other high interest deposits	9,484,720	8,368,442
	9,771,382	9,267,106

5. SHORT TERM INVESTMENTS

As at	August 31, 2023 \$	August 31, 2022 \$
Guaranteed investment certificates (GICs)	1,820,425	3,500,000
	1,820,425	3,500,000

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

6. ACCOUNTS RECEIVABLE

As at	August 31, 2023 \$	August 31, 2022 \$
Trade receivables	837,027	780,073
Allowance for doubtful accounts	-	(10,785)
Net trade receivables	837,027	769,288
Other receivables	98,675	64,220
	935,702	833,508

During the year ended August 31, 2023, the allowance for doubtful accounts reduced by \$10,785 (2022 - \$44,725) resulting from the specific receivables being written off. Other receivables include accrued interest on GIC and other investments and subsidy funding through various government programs.

7. INVENTORIES

As at	August 31, 2023 \$	August 31, 2022 \$
Raw materials	432,231	401,583
Finished goods	1,000,092	900,162
	1,432,323	1,301,745

During the year ended August 31, 2023, inventory write-downs of \$64,984 (2022 - \$16,870) were included in cost of sales. There were no reversals of write-downs recorded in prior periods (2022 - \$nil). During the 2023 fiscal year, the carrying amount of inventory charged to costs of sales was \$2,611,591 (2022 - \$1,524,104).

8. MARKETABLE SECURITIES

Marketable securities consist of shares of publicly traded companies and are reported at their fair market value. The Company's investments at fair market value are as follows:

	August 31, 2023		August 31, 2022
Number of Shares	Fair Value \$	Number of Shares	Fair Value \$
Bri-Chem Corp.	2,425,000	1,164,000	2,425,000
	2,425,000	1,164,000	1,503,500

In 2022 the Company exercised 1,250,000 common share purchase warrants in Bri-Chem Corp. at a price of \$0.10 per common share through a secured loan participation agreement with Greypoint Capital Inc. (note 13). An additional 1,175,000 common share warrants were then purchased from other participants in the secured loan for a price of \$0.45 per warrant. The Company immediately exercised all 2,425,000 warrants to acquire common shares in Bri-Chem Corp for an investment cost of \$771,250.

During the 2023 fiscal year, the Company recorded an unrealized loss of \$339,500 (2022- unrealized gain of \$732,250) attributable to changes in the fair value of the shares of Bri-Chem.

9. LIMITED RECOURSE CAPITAL NOTES

The Company's investment in limited recourse capital notes (LRCNs) are reported at their fair market value and are as follows:

	Number of units	August 31, 2023 Fair Value \$	Number of units	August 31, 2022 Fair Value \$
Limited recourse capital notes	1,900,000	1,733,870	-	-
	1,900,000	1,733,870	-	-

In February 2023, the Company invested \$1,780,870 for 1,900,000 units or \$0.9373 per unit, in limited resource capital notes with an annual interest rate of 4.3%, and an effective rate of 6.72%. Interest is payable semi-annually for the initial period ending but excluding November 15, 2025. The interest will then be reset every five years at a rate equal to the prevailing five-year Government of Canada Yield plus 3.943%. The notes mature on November 15, 2080. In fiscal 2023, the Company recorded an unrealized loss of \$47,000 on the LRCNs (2022 - \$nil) and generated interest income of \$42,774 (2022 - \$nil) (note 19).

10. PROPERTY, PLANT AND EQUIPMENT

	Land \$	Production and computer equipment \$	Research and development equipment \$	Office furniture and equipment \$	Automotive equipment \$	Leasehold improvements \$	Total \$
Cost							
As at August 31, 2021	30,000	400,186	149,517	9,611	20,147	90,622	700,083
Additions	-	2,000	950	-	-	-	2,950
Disposals	-	(4,214)	-	-	-	-	(4,214)
Impairments	-	(8,919)	(19,246)	-	-	-	(28,165)
As at August 31, 2022	30,000	389,053	131,221	9,611	20,147	90,622	670,654
Additions	-	1,386	-	-	-	16,734	18,120
Impairments	-	(26,220)	-	-	-	-	(26,220)
As at August 31, 2023	30,000	364,219	131,221	9,611	20,147	107,356	662,554
Accumulated depreciation							
As at August 31, 2021	-	287,396	123,845	2,027	20,147	23,114	456,529
Depreciation	-	22,728	5,231	1,918	-	18,127	48,004
Disposals	-	(4,214)	-	-	-	-	(4,214)
Impairments	-	(7,713)	(16,280)	-	-	-	(23,993)
As at August 31, 2022	-	298,197	112,796	3,945	20,147	41,241	476,326
Depreciation	-	17,154	3,575	1,870	-	19,652	42,251
Impairments	-	(23,199)	-	-	-	-	(23,199)
As at August 31, 2023	-	292,152	116,371	5,815	20,147	60,893	495,378
Net book value							
As at August 31, 2022	30,000	90,856	18,425	5,666	-	49,381	194,328
As at August 31, 2023	30,000	72,067	14,850	3,796	-	46,463	167,176

10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Company reviews the categories of property, plant and equipment annually or when specific factors relating to impairment or obsolescence are present. For fiscal 2023 impairment charges of \$3,021 for items of property, plant and equipment were recognized to reduce the carrying amount to \$nil (2022 - \$4,172).

11. RIGHT-OF-USE ASSETS

	Building \$	Office equipment \$	Total \$
Cost			
As at August 31, 2021	617,874	7,946	625,820
As at August 31, 2022	617,874	7,946	625,820
Lease renewal	660,420	-	660,420
Disposals	-	(7,946)	(7,946)
As at August 31, 2023	1,278,294	-	1,278,294
Accumulated depreciation			
As at August 31, 2021	255,835	4,146	259,981
Depreciation	127,779	2,072	129,851
As at August 31, 2022	383,614	6,218	389,832
Depreciation	126,511	1,728	128,239
Disposals	-	(7,946)	(7,946)
As at August 31, 2023	510,125	-	510,125
Net book value			
As at August 31, 2022	234,260	1,728	235,988
As at August 31, 2023	768,169	-	768,169

12. INTANGIBLE ASSETS

	Technology licenses \$	Product development costs \$	Total \$
Cost			
As at August 31, 2021	104,660	1,604,715	1,709,375
De-recognition	(28,072)	-	(28,072)
As at August 31, 2022	76,588	1,604,715	1,681,303
As at August 31, 2023	76,588	1,604,715	1,681,303
Accumulated depreciation			
As at August 31, 2021	82,326	911,208	993,534
Depreciation	3,799	184,405	188,204
De-recognition	(28,072)	-	(28,072)
As at August 31, 2022	58,053	1,095,613	1,153,666
Depreciation	4,408	169,701	174,109
As at August 31, 2023	62,461	1,265,314	1,327,775
Net book value			
As at August 31, 2022	18,535	509,102	527,637
As at August 31, 2023	14,127	339,401	353,528

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.

Impairment
Product development costs

At August 31, 2023, and 2022, all product development costs were being amortized as the developed products had been commercialized. The Company determined that no indicators of impairment or impairment reversals existed in both periods fiscal years presented and, therefore no asset impairment test was required.

13. INVESTMENT IN SECURED NOTE

As at	August 31, 2023 \$	August 31, 2022 \$
Beginning of the year	-	3,465,844
Amendment fee	-	(5,000)
Principal repayments	-	(3,466,666)
Amortization of commitment and amendment fees	-	86,929
Payment in kind interest	-	(81,107)
End of the year	-	-

13. INVESTMENT IN SECURED NOTE (cont'd)

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 co-invested \$5 million of a \$10 million five-year secured loan to a company in the energy services industry (the "Borrower"). The loan was 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 was for a 60-month term bearing interest at the 30-day bankers' acceptance rate plus 9.5% (2021 – 9.5%), with a payment of \$33,333 principal plus interest paid monthly. The Borrower could prepay the loan at any time subject to set terms. 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 was amortized over the term of the loan and included in interest income. In December 2018, May 2019, July 2020, April 2021 and January 2022 the credit agreement with the Borrower was amended for covenant terms, subject to an amendment fee. Cumulative amendment fees of \$142,500 were 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 to be repaid at loan maturity. Accrued loan and PIK interest were added to the principal amount to be repaid. The credit agreement with the Borrower was contractually due on November 5, 2022.

In 2022, the loan was fully repaid. Principal repayments of \$3,466,666 were recorded in the year ended August 31, 2022. In addition, receipts of PIK and accrued loan interest of \$137,420 plus a make-whole fee representing three months interest of \$90,242 were recorded. In 2022, the Company's investment in the secured loan to Greypoint Capital Inc. generated finance income of \$473,785.

The loan participation agreement with Greypoint Capital Inc. and subsequent amendments provided for the entitlement of 1,250,000 common share warrants of the Borrower, each warrant representing the right to purchase one common share of the Borrower at an exercise price of \$0.10 per common share (note 8). The warrants expire July 16, 2024 and were exercised on August 26, 2022.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	August 31, 2023 \$	August 31, 2022 \$
Trade payables	384,480	384,878
Other payables and accrued liabilities	301,126	151,965
	685,606	536,843

The Company maintains a general security agreement with its chartered bank with respect to corporate credit cards. At August 31, 2023 and 2022 total credit available was \$115,500 and the balance drawn at August 31, 2023 was \$7,957 (2022 - \$8,293). Other payables and accrued liabilities are primarily comprised of accrued professional and regulatory fees and employee and payroll liabilities.

15. LEASE OBLIGATIONS

As at	August 31, 2023 \$	August 31, 2022 \$
Beginning of the year	253,736	383,939
Finance costs	9,485	16,077
Lease renewal	660,420	-
Lease payments	(145,900)	(146,280)
End of the year	777,741	253,736
Lease liabilities due within one year	96,265	136,415
Lease liabilities due beyond one year	681,476	117,321
	777,741	253,736

15. LEASE OBLIGATIONS (cont'd)

The Company has lease liabilities for land, building and office equipment. The leases have been discounted using the incremental borrowing rate of 7% (2022 - 4.95%). Future minimum lease payments at August 31, 2023 are as follows:

	Within one year \$	One to six years \$	Total \$
Lease payments	147,766	805,214	952,980
Finance charges	(51,501)	(123,738)	(175,239)
	96,265	681,476	777,741

16. INCOME TAXES
a) Income tax expense

For the years ended August 31,	2023 \$	2022 \$
Deferred tax expense		
Origination and reversal of temporary differences	(150,703)	(106,632)
Change in unrecognized deductible temporary differences	150,703	106,632
Total income tax expense	-	-

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,	2023 \$	2022 \$
Earnings before income taxes	82,934	1,125,861
Statutory income tax rate	21.00%	23.00%
Expected income taxes	19,090	258,675
Increase (decrease) resulting from:		
Non-deductible expenses	131,613	(149,602)
Change in unrecognized assets	(150,703)	(106,632)
Other	-	(2,441)
Income tax expense	-	-

16. INCOME TAXES (cont'd)
b) Deferred tax assets and liabilities

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

As at	August 31, 2023 \$	August 31, 2022 \$
Non-capital losses	156,739	333,965
Intangible assets, net of investment tax credits	(81,196)	(121,203)
Property, plant and equipment and right-of-use assets	(164,090)	(44,344)
Marketable securities	(90,333)	(168,418)
Lease obligation	178,880	(168,418)
Income tax expense	-	(168,418)

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

As at	August 31, 2023 \$	August 31, 2022 \$
Deductible temporary differences	(681,472)	(1,452,021)
Tax losses	1,308,030	1,874,714
	626,558	422,693

For the year ended August 31, 2023, the Company has \$1,308,030 (2022 - \$1,963,260) of Canadian non-capital loss carry forwards, of which \$186,611 have not been recognized and begin to expire in 2036 (2022 - \$841,841; expire in 2036). 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.

17. 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, 2023 \$	#	August 31, 2022 \$
Issued, beginning and end of year	28,536,132	5,730,279	28,536,132	5,730,279

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 (2022 - 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.

17. SHARE CAPITAL (cont'd)
c) Share-based compensation (cont'd)

On November 24, 2022 350,000 stock options were granted at an exercise price of \$0.51, expire on November 24, 2027, with vesting over a one to five year period. The terms of the stock option grant include vesting terms. These include annual defined performance metrics, certain share price targets and subject to Board discretion and approval. The fair value of each stock option grant was estimated on the grant date using the Black-Scholes pricing model with following weighted average assumptions; an expected life of 5 years, share volatility of 45.7% and a risk free interest rate of 3.32%. The weighted average grant date value of \$0.20 per common share was estimated on November 24, 2022 using the Black-Scholes Option Pricing Model.

On August 31, 2022 600,000 stock options were granted at an exercise price of \$0.50, expire on August 31, 2027, with vesting over a one to five year period. The terms of the stock option grant include vesting terms. These include annual defined performance metrics, certain share price targets and subject to Board discretion and approval. The fair value of each stock option grant was estimated on the grant date using the Black-Scholes pricing model with following weighted average assumptions; an expected life of 5 years, share volatility of 45.9% and a risk free interest rate of 3.40%. The weighted average grant date value of \$0.17 per common share was estimated on August 31, 2022 using the Black-Scholes Option Pricing Model. Based on the vesting conditions no stock based compensation was recorded during the year related to the options granted on August 31, 2022.

On January 24, 2022 150,000 stock options were granted at an exercise price of \$0.47, with immediate vesting on the grant date and expire on January 24, 2027. The fair value of each stock option grant was estimated on the grant date using the Black-Scholes pricing model with following weighted average assumptions; an expected life of 5 years, share volatility of 55.5% and a risk free interest rate of 1.55%. The weighted average grant date value of \$0.23 per common share was estimated on January 24, 2022 using the Black-Scholes Option Pricing Model. Stock based compensation of \$34,500 was recorded during the year related to the vesting of options granted January 24, 2022.

In 2022, 100,000 stock options that had a weighted average exercise price of \$0.57 were forfeited. At August 31, 2023, the Company has 1,300,000 (2022 – 950,000) options outstanding, which expire on dates between April 2024 and November 2027. Stock based compensation of \$96,292 was recorded during the 2023 fiscal year related to the vesting conditions of outstanding options (2022- \$34,500).

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

	August 31, 2023		August 31, 2022	
	Number of options outstanding #	Weighted average exercise price \$	Number of options outstanding #	Weighted average exercise price \$
Outstanding, beginning of the year	950,000	0.51	300,000	0.56
Granted	350,000	0.51	750,000	0.49
Forfeited	-	-	(100,000)	0.57
Outstanding, end of year	1,300,000	0.51	950,000	0.51
Exercisable, end of year	350,000	0.52	350,000	0.52

The following table summarizes information about stock options outstanding and exercisable as at August 31, 2023.

Exercise price	Options outstanding	Average	
		remaining life (in years)	Options vested
\$0.57	150,000	0.64	150,000
\$0.49	50,000	1.41	50,000
\$0.47	150,000	3.40	150,000
\$0.50	600,000	4.00	-
\$0.51	350,000	4.24	600,000
			350,000
Total, end of year	1,300,000		350,000
			950,000

17. SHARE CAPITAL (cont'd)
c) Share-based compensation (cont'd)

The following table summarizes information about stock options outstanding and exercisable as at August 31, 2022.

Exercise price	Options outstanding	Average remaining life (in years)	Options vested	Options not vested
\$0.57	150,000	1.64	150,000	-
\$0.49	50,000	2.41	50,000	-
\$0.47	150,000	4.40	150,000	-
\$0.50	600,000	5.00	-	600,000
Total, end of year	950,000		350,000	600,000

18. FINANCE INCOME

For the years ended August 31,	2023 \$	2022 \$
Interest from investments in GICs and other high interest deposits	591,351	159,774
Interest from investments in LRCNs	42,774	-
Interest from investment in secured loan	-	473,785
Other interest income	13,103	5,961
	647,227	639,520

19. NATURE OF EXPENSES

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

For the years ended August 31,	2023 \$	2022 \$
Employee salaries and benefits		
Included in cost of sales	471,723	315,995
Included in total expenses	1,810,400	1,520,854
Total employee salaries and benefits	2,282,123	1,836,849
Depreciation and amortization		
Included in cost of sales	84,980	88,546
Included in total expenses	259,619	277,513
Total depreciation and amortization	344,599	366,059

20. EARNINGS PER SHARE

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

For the years ended August 31,	2023	2022
	\$	\$
Net earnings (numerator for basic and diluted earnings per share)	82,934	1,125,861
Weighted average number of shares outstanding - basic (denominator for basic earnings per share)	28,536,132	28,536,132
Effect of dilutive securities		
Stock options converted to common shares	941,185	-
Weighted average number of shares outstanding - diluted (denominator for diluted earnings per share)	29,477,317	28,536,132
Basic earnings per share	0.00	0.04
Effect of dilutive securities	0.00	0.00
Diluted earnings per share	0.00	0.04

For the year ended August 31, 2023, there were 150,000 antidilutive options (2022 – 950,000). 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.

21. CHANGES IN NON-CASH WORKING CAPITAL

For the years ended August 31,	2023	2022
	\$	\$
Accounts receivable	(102,194)	(103,436)
Inventories	(195,562)	(394,286)
Prepaid expenses	(65,272)	(93,546)
Income tax recoverable (payable)	(3,959)	(2,887)
Accounts payable and accrued liabilities	148,763	198,304
	(218,224)	(395,851)

22. RELATED PARTY TRANSACTIONS

The Company did not have any transactions with related parties in either the 2023 or 2022 fiscal years. The Company's key management personnel include its directors and executive officers. Compensation to key management personnel of the Company for the year was as follows:

For the years ended August 31,	2023	2022
	\$	\$
Salaries and short-term employee benefits	681,507	506,772
Termination benefits	-	253,000
Share-based compensation	96,292	34,500
	777,799	794,272

During the years ended August 31, 2023 and 2022, 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. At August 31, 2023, \$44,500 of salaries and short-term employee benefits were included in accounts payable and accrued liabilities (2022 - \$nil).

23. 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 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, 2023 \$	August 31, 2022 \$
Share capital	5,730,279	5,730,279
Contributed Surplus	911,500	815,208
Retained earnings	10,235,770	10,152,836
	16,877,549	16,698,323

24. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT

The Company's financial instruments consist of cash and cash equivalents, short term investments, accounts receivable, marketable securities, limited recourse capital notes, 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 lease liability approximates its carrying value as the effective interest rates approximates the market interest rates. The fair value of the LRCNs is determined with reference to quoted market bids provided by a third-party independent dealer in the secondary market, as the LRCNs are not listed on any securities exchange. It has been determined that broker pricing is appropriate for these investments as there is sufficient trading volume to demonstrate that the fair values quotes are appropriate.

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the observable inputs used to value the instrument:

- Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3 – Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment considering factors specific to an asset or liability and may affect placement within the fair value hierarchy. The following tables present information on the Company's financial assets and liabilities and discloses the fair value hierarchy of the valuation techniques used to determine this fair value for all periods presented.

As at August 31, 2023

	Fair Value	Classification	Level
Cash and cash equivalents	9,771,382	Amortized cost	N/A
Short term investments	1,820,425	FVTPL	2
Accounts receivable	935,702	Amortized cost	N/A
Marketable securities	1,164,000	FVTPL	1
Limited recourse capital notes	1,733,870	FVTPL	2
Accounts payable and accrued liabilities	685,606	Amortized cost	N/A
Lease liabilities	777,741	Amortized cost	N/A

24. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT (cont'd)
As at August 31, 2022

	Fair Value	Classification	Level
Cash and cash equivalents	9,267,106	Amortized cost	N/A
Short term investments	3,500,000	FVTPL	2
Accounts receivable	833,508	Amortized cost	N/A
Marketable securities	1,503,500	FVTPL	1
Accounts payable and accrued liabilities	685,606	Amortized cost	N/A
Lease liabilities	777,741	Amortized cost	N/A

25. FINANCIAL RISK MANAGEMENT

The Company is exposed to several risks as a result of holding financial instruments. These risks include credit risk, liquidity risk, interest rate, currency and equity price risk. The nature of the financial risks and the Company's strategy for managing these risks has not changed significantly from the prior period. The Company does not use financial derivatives. Estimates of sensitivities and risk exposure measures are included for certain risks, such as the sensitivity due to specific changes in interest rate levels projected and market prices as at the valuation date. Actual results can differ from these estimates.

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, 2023 of \$935,702 (2022 - \$844,293). The Company's allowance for doubtful accounts at August 31, 2023 amounted to \$nil (2022 - \$10,785). At August 31, 2023, the percentages of past due trade accounts receivable were as follows: 8% past due 61 to 90 days (2022– 5%) and 0% past due greater than 90 days (2022 – 2%) prior to including the allowance for doubtful accounts. The highest amounts of trade receivables outstanding were from two customers and amounted to 10% each, of the Company's accounts receivables at August 31, 2023 (2022 – two customers amounted to 29% and 8%, respectively). It is management's view that trade accounts receivable 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. The Company's contractual obligations related to financial liabilities are its accounts payable and accrued liabilities balance at August 31, 2023 of \$685,606 and lease obligations of \$777,741 (2022 – accounts payable and accrued liabilities of \$536,843 and lease obligations of \$253,736).

c) Interest rate risk

Interest rate risk is the risk that changes in interest rates will cause fluctuations in the fair values or future cash flows of a financial instrument. The Company's exposure to changes to interest rates relates primarily to investments in cash and cash equivalents, LRCNs and in the prior fiscal year, the secured loan. While the Company is exposed to global interest rate fluctuations, it is most affected by fluctuation in Canadian interest rates. At August 31, 2023, based on management's sensitivity analysis, a one-half percent change in market interest rates would have had an impact of approximately \$63,889 (August 31, 2022 – \$59,859) on the Company's net earnings.

25. FINANCIAL RISK MANAGEMENT (cont'd)**c) Interest rate risk (cont'd)**

Future fair values on the LRCNs depend on many factors, including interest rates, the market for similar securities, and general economic conditions. Prevailing interest rates will affect the fair value of the LRCNs, related future cash flows will not change. Assuming all other factors remain unchanged, the market value of the LRCNs would be expected to decline as prevailing interest rates for similar securities rise and would be expected to increase as prevailing interest rates for similar securities decline. Spreads over the Government of Canada Yield and comparable benchmark rates of interest for similar securities will also affect the market value of the LRCNs.

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. The Company typically invests in highly liquid investment grade fixed income securities, with the primary objective of minimizing the potential risk of principal loss.

d) Currency risk

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

At August 31, 2023, the Company held net financial assets of US\$1,340,890 (2022 - US\$1,496,952) 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 \$90,718 (2022 - \$98,133).

e) Equity price risk

The Company is exposed to equity price risk as the result of changes in market conditions and fluctuations in market prices that may affect the market value of its marketable securities and limited recourse capital notes (LRCNs) held for investment purposes. These investments are classified and accounted for as fair value through profit and loss and carried at fair value. The Company is required to measure the fair value of its investment at the end of each reporting period. This process could result in significant write-downs of the Company's portfolio investment over one or more reporting periods, particularly during periods of overall market instability.

At August 31, 2023, the fair value of \$1,164,000 representing the Company's equity investment in Bri-Chem Corp is subject to equity price risk (2022 - \$1,503,500). This investment is listed on the TSX and based on management's market price sensitivity analysis, a five percent improvement/decline in the listed price of Bri-Chem Corp. at the reporting date would have resulted in an approximate \$58,200 unrealized gain/loss recorded to net earnings (2022 - \$75,175).

The fair value of the LRCNs is determined with reference to quoted market bids provided by third-party independent brokers in secondary markets, as the LRCNs are not listed on any securities exchange and do not have an established trading market. Based on quoted market prices at August 31, 2023 the fair value of the LRCNs was determined to be \$1,733,870 (2022 - \$nil).

The Board of Directors is responsible for the management and oversight of its investments. As part of its risk management strategy, extensive corporate governance policies and practices have been applied. The primary investment objective is to optimize the return on surplus cash while preserving the Company's capital and supporting the Company's liquidity requirements.

26. 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.

	2023	2022
Revenues	\$	\$
Canada	2,134,068	985,474
United States and other	4,080,280	3,343,114
	6,214,348	4,328,588

For the year ended August 31, 2023, revenue from 2 single customers made up 20% of total revenue in the period (10% each) and for the year ended August 31, 2022, revenue from 3 single customers made up 37% of total revenue in the period (16%, 11% and 10% respectively).

At August 31, 2023 and August 31, 2022 all non-current assets were held in Canada.

Corporate Address:

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

Exchange Listing:

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

Investor Information:

Investor Relations, Titan Logix Corp.
4130 – 93 Street NW
Edmonton, Alberta, Canada T6E 5P5
Phone: (780) 462-4085; Fax: (780) 450-8369
Email: invest@titanlogix.com

Transfer Agent:

Computershare Investor Services Inc.
Stock Transfer Services
800, 324 – 8th Avenue SW, Calgary, Alberta, Canada
T2P 2Z2
Telephone: 1-800-564-6253

Directors:

S. Grant Reeves, BA
Chairperson of the Board

Helen Cornett, CPA, CA
Audit Committee Chairperson

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

Robert Tasker, BSc, Engineering, MBA

Officers:

Nicholas Forbes
Chief Executive Officer

Michael Martin CPA, CA
Chief Financial Officer

Auditors:

Kingston Ross Pasnak LLP

www.titanlogix.com