

Management's Discussion and Analysis Fiscal 2017



August 31, 2017



COMPANY PROFILE

Founded in 1979, Titan Logix Corp. ("Titan" or "the Company") is a developer, manufacturer and marketer of innovative fluid measurement and management solutions. The Company's products include Guided Wave Radar (GWR) gauges for level measurement and overflow prevention, primarily for use in the mobile tanker truck market, level gauges for storage tanks, and communication systems for remote alarming and control. Our products are mainly used in the upstream/midstream oil and gas industry. Secondary industries for our products include the aviation, waste fluid collection, and chemical industries.

Titan's products are all developed to be a part of a complete asset management solution. The ultimate solution will consist of Titan's products integrated with best-in-class third party solutions to enable complete fluid management throughout each stage of their fluid handling processes. This is captured by our slogan "Advanced Technology Fluid Management Solutions, In the Field, On the Road, In the Office"TM.

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

Titan's solutions have traditionally focused upon the "On the Road" mobile level sensor solutions. We maintain capacity to seamlessly integrate with "In the Field" stationary level sensor solutions, that to date, have been third party offerings. Titan's recently launched telematics offerings are initiating a full fledged entry into the "In the Office" offerings of our vision.

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

MISSION

Titan's mission is to provide our customers with innovative, integrated, and advanced technology solutions to enable them to manage their fluid assets more effectively in the field, on the road, and in the office.



MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) has been prepared by management as of November 29, 2017, and provides readers with an understanding of Titan Logix Corp.'s business and compares its 2017 financial results with the previous year. The following MD&A of the consolidated results of operations, financial position, and changes in cash flows should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the years ended August 31, 2017 and 2016. The Company prepares and files its consolidated financial statements in Canadian dollars and in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements and MD&A, as well as additional information regarding Titan Logix Corp., are available at www.sedar.com and on the Company's website at www.titanlogix.com. Titan Logix Corp.'s board members and its audit committee have reviewed and approved the discussion in this MD&A.

Cautionary Note Regarding Forward-Looking Statements

Some of the information contained in this MD&A may contain forward-looking statements. These forward-looking statements may include, among others, statements regarding our plans, costs, objectives or economic performance, or the assumptions underlying any of the foregoing. Forward-looking statements are based on information available at the time they are made, on the date of this report, and should not be read as guarantees of future performance or results as they are subject to risks and uncertainties, many of them beyond our control. We do not undertake any obligation to publicly update or to revise any forward-looking statements except as expressly required by applicable securities laws.

Such risks and uncertainties include, but are not limited to the following:

- *Titan's ability to successfully market to current and new customers;*
- *Industry competition;*
- *Technological developments;*
- *Uncertainties as to Titan's ability to implement its strategic plan;*
- *Titan's ability to obtain raw materials from suppliers;*
- *The impact of general economic and industry conditions;*
- *Fluctuations in oil and gas prices;*
- *Fluctuations in the level of oil and gas industry expenditures that affect demand for Titan's products and services;*
- *Fluctuations in currency rates;*
- *The ability to attract and retain key personnel or management;*
- *Expansion of products by internal growth, partnerships or acquisitions;*
- *Incorrect assessment of value of acquisitions;*
- *Inability to complete strategic acquisitions of additional business;*
- *Stock market volatility;*
- *Obtaining required approvals from regulatory authorities;*
- *Titan's ability to achieve an acceptable return on investment from new product development costs in a timely manner;*
and,
- *Other risks described under the heading "Business Risks and Uncertainties" in this document.*



AN OVERVIEW OF TITAN LOGIX CORP.'S MARKETS AND PRODUCTS

Titan's mission is to provide its customers with innovative, integrated, and advanced technology solutions to enable them to manage their fluid assets more effectively in the field, on the road and in the office. Titan's products help our customers have a safer work environment, to more effectively and efficiently do their work, and increase their bottom line.

Titan has provided fluid measurement and control solutions to its clients for over 30 years. During this period, we have recognized that our clients require a complete solution that enables real-time monitoring of their liquid assets at each stage in the process as they move their products to market. Some of these monitored requirements include:

- Total product volume on board/left on board;
- Theft control;
- Product identification;
- Geographic location;
- Product handling and delivery details;
- Safety metrics.

To fulfill these requirements, Titan offers fit for purpose solutions engineered to seamlessly integrate into our customers' applications across their entire fluid handling process.

Guided Wave Radar level gauging technologies are core to Titan's total fluid asset management solution. Operating independently or as part of a fully integrated system, these liquid level gauging devices provide time-sensitive measurements and control of fluid assets. Titan provides a variety of application specific technology solutions based on fluid characteristics and customer specific needs and preferences.

Titan's strategy is to research, design, develop and acquire fluid management products that are:

- Safe to install, operate, and maintain;
- Cost effective to implement; that are not complicated;
- Technologically superior to competing products;
- Flexible in application to integrate within any system, be it Titan produced or third party;
- Forward thinking and scalable to meet customer needs today and tomorrow.

Titan's revenue from its current primary market - mobile tank gauging for the crude oil industry - is linked to the economic conditions of the energy industry and the level of drilling activity. The Company follows oil rig drilling activity and crude oil prices as a long-range market indicator for its forecasting.

CORE BUSINESS COMPETENCIES

IN THE FIELD

"In the Field" refers to Titan's solution offerings for storage tanks and process vessels. Level gauging and control technologies for storage tanks and process vessels provide our customers with inventory control as well as overflow prevention, through pump shut downs and alarms. By using Titan provided products, customers benefit from improved control of their processes, increased efficiencies, cost savings, greater operator and plant safety, and more solutions for environmental protection. At this time, the primary market we serve in this category is fluid storage and control in the upstream, midstream and downstream oil and gas industry. We do this through third party guided wave and free space radar level gauges.

ON THE ROAD

"On the Road" refers to our solution offerings for mobile tanker trucks and trailers. We currently serve the oil and gas, refined fuel, used oil collection, aircraft refueling, chemical, and vacuum markets. The oilfield fluid transport market, Titan's primary market, focuses on the transportation of various liquids involved in oilfield operations such as crude oil, produced water, well fracturing chemicals, and waste liquids. New drilling activity employs mobile tankers to deliver necessary process fluids to well sites. The initial well head activity requires offsite transfer of process water for treatment or disposal. The production well heads not directly



connected to pipeline networks require mobile transfer of crude oil to pipeline terminals and processing. Each stage stimulates mobile tanker activity. These liquids are transported in various mobile tankers. Each of these tankers requires a level measurement and overflow prevention system to enable rolling-stock inventory management, ensure against overfills (which would result in high-impact environmental incidents), protect equipment against damage, improve the efficiency of the operation and help ensure driver safety. Titan's TD80™ provides this functionality.

Traditional methods of measuring liquid levels and volumes in transport tankers and protecting against overfills rely on manual techniques and tools such as dipsticks or mechanical float-based gauges, and in some cases electronic switches or float based electronic gauges. These devices are often inaccurate, prone to failure, and may result in spills causing losses in inventory and environmental liability. Accordingly, the demand continues to rise for automated solutions that provide reliable, high accuracy liquid level measurement, inventory management and overflow prevention.

Since 1990, Titan Logix Corp. has designed and manufactured advanced technology instruments for businesses that transport corrosive, hazardous or expensive liquids while ensuring accurate, automated inventory management of their assets combined with reduced risks of hazardous, costly, and time-consuming overfills.

Guided Wave Radar (GWR) technology forms the basis of Titan's transport products, such as the TD80™, which has been in use in mobile tankers in the petroleum, petrochemical, and aviation ground support industries since 1999. The TD80™ liquid level gauges are core technologies needed to automate essential measurement and control processes safely and efficiently. Guided Wave Radar uses the principle of Time Domain Reflectometry (TDR): pulses of electromagnetic energy are 'launched' by a transmitter, guided along a probe mounted in tank containing liquid. These pulses reflect off the surface of the liquid and return up the probe to the receiver electronics. The measurement of the total 'flight' time of the pulses, calculated to a high degree of accuracy, yield a precise level and volume measurement of the liquid in the vessel.

Titan's main sales channel for our transport products is through mobile tank Original Equipment Manufacturers (OEMs), dealers, and channel partners in Canada, the U.S. and Mexico.

IN THE OFFICE

"In the Office" refers to Titan's solution offerings that enable customers to monitor their On the Road fluid assets from the convenience of their dispatch center, back office environment, or through a mobile device. Titan's recently developed Gateway for mobile tankers, provides remote data communications from Titan's TD80, Finch II and AirWeigh products. The Titan Gateway enables driver performance, fluid level and weight inventories, alarm conditions, and GPS location data to be wirelessly transmitted to the 'cloud'. This data is displayed on web enabled dashboards to provide customers with a unique view into the productivity, environmental compliance, and safety of their drivers. This solution supplies managers with the tools to more effectively measure, manage and enhance the performance of their mobile tanker fleet.



SELECTED ANNUAL FINANCIAL INFORMATION

Years ended August 31 (audited)	2017 \$	2016 \$	2015 \$
Revenue	3,512,527	3,972,800	13,302,783
Net (loss) earnings before income taxes	(989,725)	(4,475,425)	1,825,572
Net (loss) earnings	(982,388)	(3,697,254)	1,140,268
EPS – Basic and diluted	(0.03)	(0.14)	0.04
Total assets	16,685,920	17,701,465	20,506,303
Long-term liabilities	26,504	91,058	455,064
Dividends	nil	nil	nil

2017 HIGHLIGHTS

The Company's net loss after tax was \$982,388, a decrease of \$2,714,867 when compared to the net loss of \$3,697,254 in fiscal 2016. The significant improvement in results was positively impacted by:

- A decrease in operating expenses by \$1,766,939 (40%) to \$2,636,679 from expenses of \$4,403,618 in the previous year, due to cost cutting initiatives. This decrease includes a compensation saving of \$981,555 due to staff rationalizations resulting in a significant reduction in the work force while retaining core engineering, sales and support teams.
- An increase in other items due to a gain of \$477,054 in fiscal 2017 when compared to a loss of \$960,372 in fiscal 2016. This improvement was primarily due to:
 - a decrease in impairments of assets recorded in fiscal 2017 to \$14,056 as compared to \$1,115,482 in fiscal 2016.
 - a gain on sale of \$307,275 from the sale of the TPZ3310 and 3500 Controller product line in fiscal 2017.
- An increase in gross margin to 33% as compared to 22% in fiscal 2016, primarily due to a decrease in technical service and support engineering costs, and labour savings achieved due to a reduction in the workforce.

FISCAL 2017 RESULTS OF OPERATIONS

	Year ended August 31			
	2017	2016	Increase (Decrease)	
	\$	\$	\$	%
Revenue	3,512,527	3,972,800	(460,273)	(12)
Cost of sales	2,342,627	3,084,235	(741,608)	(24)
Gross profit	1,169,900	888,565	281,335	32
Gross margin (%)	33	22		49
Expenses				
General and administration	1,417,237	2,033,651	(616,414)	(30)
Marketing and sales	767,744	1,375,821	(608,077)	(44)
Engineering	96,736	549,910	(453,174)	(82)
Depreciation and amortization	336,759	482,394	(145,635)	(30)
Loss (gain) on foreign exchange	18,203	(38,158)	56,361	(148)
Total expenses	2,636,679	4,403,618	(1,766,939)	(40)
Net loss	(982,388)	(3,697,254)	2,714,866	73
EPS - Diluted	(0.03)	(0.14)	.11	79



Revenue and gross profit

The Company's revenue is largely derived from instrument sales of its GWR product line of technologies (TD80, Finch II and related components) throughout Canada and the U.S. These technologies are sold primarily into the mobile tanker truck market, servicing upstream/midstream customers and designated as Titan's "On the Road" solution offering. For fiscal 2017 revenue declined by \$460,273 or 12% to \$3,512,527 as compared to \$3,972,800 for fiscal 2016. The year-over-year decrease in revenues and the continued weak sales in the current fiscal year can be attributed to continued weak demand for the GWR product line in the new tanker construction market both in Canada and the U.S. As a percentage of revenue, sales of the GWR product line contributed 83% to sales in fiscal 2017 as compared with 79% in fiscal 2016. The increase in sales of this product line as a percentage of revenue is primarily due to the reduction in the revenue from the TPZ and 3500 Controller product line sold and related service revenue.

Sales outside of Canada, primarily to the U.S, for fiscal 2017 were \$1,738,854, a decrease of \$451,166 or 21% when compared with sales of \$2,190,020 in the comparative prior period. Canadian sales for fiscal 2017 were \$1,773,673, a decrease of \$9,107 or 1% when compared with sales of \$1,782,780 in fiscal 2016. Sales outside of Canada are transacted in U.S. dollars and are subject to exchange fluctuations against the Company's Canadian dollar functional currency; therefore, any significant change in the U.S. dollar exchange rate impacts the reported Canadian dollar amount of sales. These fluctuations in the exchange rate had an immaterial impact on recorded revenues in fiscal 2017. Revenue was recorded at an average exchange rate of 1.32 Canadian in fiscal 2017 and fiscal 2016.

Gross profit was \$1,169,900 for fiscal 2017 compared with \$888,565 for the previous year. As a percentage of sales, gross margin improved year-over-year to 33% as compared with 22% in fiscal 2016. The improvement in gross margin year-over-year reflects the decrease in the cost of sales as a percentage of revenue. Cost of sales decreased by \$741,608 or 24% to \$2,342,627 in fiscal 2017 as compared to fiscal 2016. Cost of sales consists primarily of materials, direct labour and production overhead costs. Cost of sales also includes expenses for service and engineering related support and sustainment costs. The reduction in cost of sales was primarily due to a decrease in technical service and support engineering related costs, combined with labour savings achieved due to a reduction in the workforce. These savings partially offset production overhead costs related to spare capacity of the production facility and the increase in costs of materials as a percentage of sales. The gross profit was also negatively impacted in fiscal 2017 by the discontinuation of some products which contributed to a \$128,145 write-down on inventory. This compares to a write-down of inventory of \$119,082 in the comparative prior year.

Expenses, general and administration

General and administrative expenses (G&A) for fiscal 2017 were \$1,417,237, a decrease of \$616,414 or 30% from the \$2,033,651 recorded in fiscal 2016. The decrease year-over-year is primarily a result of cost savings in compensation, director fees, insurance premiums, professional fees, rent and office costs from the closure of the Saskatchewan facility and lower bad debt expense. G&A, as a percentage of revenue, was 40% for fiscal 2017 compared to 51% for fiscal 2016, reflecting the impact of the reductions made commensurate with the reduction in revenue over the past two years.

Expenses, marketing and sales

Marketing and sales expenses for fiscal 2017 were \$767,744 a decrease of \$608,077 or 44% from the \$1,375,821 recorded in fiscal 2016. The decrease year-over-year is primarily a result of cost savings in compensation, reduced travel, trade show and advertising expenses and reduced intellectual property related professional fee expenses compared to the prior period. As a percentage of revenue, marketing and sales expenses were 22% for fiscal 2017 as compared to 35% for fiscal 2016.

Expenses, engineering

Engineering expenses are incurred primarily for new product research and the preparation and introduction of new third-party products into Titan's product suite. Engineering expenses for fiscal 2017 were \$96,736 a decrease of \$453,174 or 82% when compared with \$549,910 in fiscal 2016.

In fiscal 2016 the Company undertook an extensive review of its development and engineering activities. As a result of this review projects were rationalized and re-prioritized with the objective to focus on the development of new and upgraded products. The significant decrease in engineering expenses as compared with the previous fiscal year is primarily due to an increase in time dedicated to project development activities along with cost reduction initiatives including a reduction in staff.



Expenses, depreciation and amortization

Depreciation and amortization expenses included in operating expenses in fiscal 2017 totalled \$336,759 compared to \$482,394 in the previous fiscal year. Additional depreciation expenses recorded in cost of sales in fiscal 2017 totalled \$13,894, compared to \$38,694 in the previous fiscal year. The decrease in depreciation and amortization is primarily a result of the disposal and impairment of assets recorded since the third quarter of fiscal 2016.

Expenses, foreign exchange

Changes in the value of the Canadian dollar during the period and management of conversion of receipts from U.S. revenue resulted in a loss of \$18,203 on foreign currency exchange in fiscal 2017 consisting of a realized loss on exchange of \$15,984 and an unrealized loss of \$2,219. This compares to a gain of \$38,158 in the previous fiscal year which consisted of a \$67,635 realized gain on exchange offset by an unrealized loss of \$29,477.

Operating loss and net loss

The operating loss before other items and income taxes was \$1,466,779 for fiscal 2017 as compared to an operating loss before other items and income taxes of \$3,515,053 in fiscal 2016. Due to cost reduction initiatives in the prior fiscal year, the decrease in the operating loss is primarily attributable to the reduction in total expenses, which decreased by \$1,766,939 year-over-year. This decrease in expenses combined with the reduction in production costs included in cost of sales and the resulting improvement in gross profit, accounted for the significant improvement in the operating loss. Despite these improvements in the cost structure, the Company incurred an operating loss, largely due to continued weaker demand for the Company's products and the resulting lower revenues.

Due to uncertainties related to the realization of tax loss carry-forwards no provision for deferred income tax recovery was recorded in the current fiscal year. The recovery recorded in fiscal 2017 of \$7,337 was due to a change in prior year estimates. This compares to income tax recoveries of \$778,171 recorded for fiscal 2016 due to the availability of loss carry-backs applied to previous taxable years.

The net loss after income taxes was \$982,388 in fiscal 2017 as compared to a net loss of \$3,697,254 in fiscal 2016. This significant 73% reduction in the net loss is primarily due to the reduction in total expenses and improved gross profit, combined with the \$307,275 gain on the sale of the TPZ 3310 and 3500 controller product line and the decrease in impairments of product development costs and property, plant and equipment. In fiscal 2016 an intangible asset impairment loss of \$940,924 was recognized as a result of a reduction in the recoverable amount of product development costs and an impairment loss of \$174,558 was recognized for property, plant and equipment no longer in use as compared to impairments of equipment recognized in fiscal 2017 of \$14,056. These decreases to net loss were partially offset by the difference in income tax recoveries.

Product development costs

The Company continues to invest in development activities to support and maintain its current product line and the development and introduction of new products. Total engineering related expenditures amounted to \$783,035 for fiscal 2017 and \$190,414 for the fourth quarter of fiscal 2017 compared to \$956,259 and \$199,437 for the previous year's comparable periods. As part of its review of engineering activities in 2016, cost reduction initiatives were undertaken, which included a reduction in engineering staff. As engineering costs are primarily labour related, the reduction in total expenditures is primarily due to this reduction in staff.

During the year, the Company continued to invest in development activities for the ongoing development of its next generation of digital GWR propriety products. During the fiscal year, the Company invested \$686,299 on development activities as compared with \$406,349 for fiscal 2016. This increase in development expenditures is primarily due an increase in time dedicated to project activity as compared to the prior fiscal year and a decrease in time dedicated to research and new product introductions, which are included in expenses.

In the fourth quarter of fiscal 2017 the Company completed development of the Titan Gateway for mobile tankers. The Titan Gateway enables telematics opportunities and "In the Office" solutions such as driver performance, fluid level and weight inventories, alarm conditions, and GPS location data to be wirelessly transmitted to the 'cloud' and into the back office of fleet operators. The Titan Gateway provides remote data communications from Titan's TD80, Finch II and AirWeigh products.



Fourth Quarter Results

For the fourth quarter of fiscal 2017 revenue increased by 40% to \$988,773 as compared to \$706,279 in the comparative prior period in fiscal 2016. The increase in revenue during the quarter was largely as a result of an increase in TD80 retrofit sales in both geographic regions. Canadian sales in the fiscal quarter were \$525,034 or 53% of sales, an increase of \$134,013 or 34% when compared with sales of \$391,021 or 55% of sales in the comparative quarter of fiscal 2016. Sales outside of Canada, primarily to the U.S., in the fourth quarter were \$463,739, an increase of \$148,481 or 47% when compared to \$315,258 in the comparative quarter of fiscal 2016.

Gross profit was \$290,084 for the fourth quarter of fiscal 2017 compared with \$10,870 for the comparative prior period. As a percentage of sales gross profit improved to 29% compared with 2% of sales in the fourth quarter of fiscal 2016. The increase in gross profit is primarily as a result of the increase in revenue and labour savings achieved due to a reduction in the workforce and the decrease in labour costs, which included severance payments in the prior fiscal year. The increase was partially offset by production overhead costs related to spare capacity of the production facility.

General and administrative expenses for the fourth quarter of fiscal 2017 were \$317,347 a decrease of \$161,129 or 34% from the \$478,476 recorded in the comparable prior period. The decrease is primarily a result of cost savings in compensation, insurance premiums, professional fees, rent and office costs from the closure of the Saskatchewan facility and lower bad debt expenses. G&A, as a percentage of revenue, was 32% for the fourth quarter ended August 31, 2017 compared to 68% for the same period of fiscal 2016.

Marketing and sales expenses for the fourth quarter of fiscal 2017 were \$171,152, a decrease of \$70,701 or 29% from the \$241,853 recorded in the comparable prior period. The decrease is primarily a result of cost savings in compensation, reduced travel, trade show and advertising expenses and reduced intellectual property related professional fee expenses compared to the prior period. As a percentage of revenue, marketing and sales expenses were 17% for the fourth quarter of fiscal 2017 as compared to 34% for the same period of fiscal 2016.

Engineering expenses for the fourth quarter of fiscal 2017 were \$15,836 for new product research and the preparation and introduction of new third-party products into Titan's product suite. This compares with \$72,686 in the same period of fiscal 2016. This decrease in engineering expenses as compared with the previous fiscal year is primarily due to an increase in time dedicated to project development activities along with cost reduction initiatives including a reduction in staff.

Net loss and comprehensive loss in fiscal 2017's fourth quarter was \$338,268 after tax, compared to an after tax net loss of \$1,888,482 reported for the fourth quarter of fiscal 2016. This significant reduction in the net loss is primarily due to the decrease in impairments of product development costs and property, plant and equipment. In the fourth quarter of fiscal 2016 an intangible asset impairment loss of \$940,924 was recognized as a result of a reduction in the recoverable amount of product development costs and an impairment loss of \$174,558 was recognized for property, plant and equipment no longer in use as compared to impairments of equipment recognized in the fourth quarter of fiscal 2017 of \$14,056. The net loss was also reduced due to the increase in revenue, improved gross profit and lower operating expenses. These decreases to net losses were slightly offset by income tax recoveries of \$89,853 recorded in the fourth quarter of fiscal 2016 compared to \$7,337 in income tax recoveries recorded in the fourth quarter of fiscal 2017.

SUMMARY OF QUARTERLY RESULTS

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

Fiscal year	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	989	828	872	824	706	744	945	1,578
Gross profit	290	258	349	273	11	99	169	610
Operating loss before other items and income taxes	(380)	(381)	(344)	(361)	(905)	(1,106)	(1,001)	(503)
Net (loss) earnings before income taxes	(346)	(336)	(327)	19	(1,977)	(1,063)	(967)	(468)
Net (loss) earnings	(338)	(336)	(327)	19	(1,888)	(799)	(659)	(351)
EPS - Basic	(0.01)	(0.01)	(0.01)	0.00	(0.07)	(0.03)	(0.03)	(0.01)
EPS - Diluted	(0.01)	(0.01)	(0.01)	0.00	(0.07)	(0.03)	(0.03)	(0.01)

Quarterly financial data is derived from the Company's consolidated financial statements and are prepared in accordance with IFRS.

The Company continues to face ongoing difficult conditions in the mobile tanker truck market throughout the last eight consecutive quarters. Fiscal 2017's quarterly TD80 and ancillary product sales, the Company's Guided Wave Radar signature product line, improved slightly compared to the last two quarters of fiscal 2016, however are still materially lower than eight quarters ago. The Company's quarterly revenues and operating loss for the last eight quarters continue to reflect the negative impact of lower oil and gas prices and the subsequent collapse in demand for new crude oil tankers.

The improved quarterly gross profit in fiscal 2017 when compared to the last two quarters of fiscal 2016 is primarily a result of the increased revenue and the decrease in cost of sales from the reduction in production labour costs due to cost reduction initiatives undertaken in fiscal 2016. In addition, the gross profit for the third and fourth quarters of fiscal 2016 was negatively impacted by a larger percentage of the fixed overhead not being absorbed in the cost of built product. Due to the decline in the demand for the Company's TD80, the production facility is not operating at full capacity. In addition, an impairment of inventory of \$119,082 was recorded in the fourth quarter of fiscal 2016. Fiscal 2017's fourth quarter was negatively impacted by an impairment of inventory of \$90,221.

The fiscal 2017 improved quarterly operating losses before other items and income taxes as compared to fiscal 2016 reflect the significant reduction in operating expenses resulting from management's cost reduction initiatives combined with the improvement in quarterly gross profit.

The significant increase in the loss in the fourth quarter of fiscal 2016 relates primarily to an intangible asset impairment loss of \$940,924 recognized as a result of a reduction in the recoverable amount of product development costs. The increase to a net earnings position in the first quarter of fiscal 2017 is primarily due to the \$307,275 gain on sale of the assets related to the TPZ 3310 and 3500 Controller product lines sold in conjunction with the closing of Titan's under-performing Saskatchewan warehouse and service facility.

FINANCIAL CONDITION AND LIQUIDITY

The Company's principal cash requirements are for ongoing operating costs, working capital and capital expenditures. The Company intends to fund its liquidity needs primarily from cash flow from operations and when necessary from cash on hand. Management continues to work on maintaining an optimal inventory level and the timely collection of accounts receivable to minimize its working capital requirements. As well, the Company will continue to focus on cost management and control programs. The Company expects that current cash balances and funds from operations will be sufficient in the near-term to meet anticipated obligations and to fund intended capital expenditures. As needed, the Company will assess and select funding mechanisms for long term growth including additional R&D projects, expansion of the distribution channels and corporate development activities.

Total assets of the Company were \$16,685,920 on August 31, 2017 as compared to \$17,701,465 on August 31, 2016. Cash, cash equivalents and short-term investments decreased by \$260,451 to \$13,527,827. Accounts receivable increased by \$149,959 and inventories decreased by \$605,232. Total liabilities decreased by \$148,200. As at August 31, 2017, Titan had positive working capital (current assets less current liabilities) of \$14,663,433 compared to \$15,860,627 at August 31, 2016.



Summary of Cash Flows

Operating Activities

Net cash flows used in operating activities totalled \$118,854, a \$1,829,553 decrease compared to cash flows used in operating activities of \$1,948,407 in fiscal 2016. This decrease in cash flows used in operating activities is primarily due to the improvement in the net loss, when excluding non-cash items, combined with cash generated from changes in non-cash working capital accounts.

Non-cash working capital generated or consumed is largely a result of the timing of cash receipts and payments in the normal course of business. Non-cash working capital generated in the amount of \$668,261 in fiscal 2017 is largely a result of cash flow generated from the consumption of inventory and a reduction in income tax recoveries. This compares with non-cash working capital generated in fiscal 2016 in the amount of \$325,163, largely as a result of cash flow generated from the collection of accounts receivable balances and the consumption of inventory, offset by the recording of income tax recoveries.

Investing Activities

Net cash flows generated from investing activities amounted to \$787,476 in fiscal 2017, primarily due to the maturity of \$1,000,000 of short-term investments and proceeds of \$474,234 from the sale of assets, offset by cash used for product development. This compares with \$1,405,481 used for the purchase of \$1,000,000 of short-term investments in the prior year combined with cash used for product development.

The Company continued with its product development program and incurred product development costs of \$686,299 in fiscal 2017 as compared to \$406,349 in fiscal 2016. This increase in product development expenditures was primarily due to an increase in time dedicated to project activities.

Financing Activities

Net cash flows generated from financing activities amounted to \$70,927 in fiscal 2017. This compares with \$1,368,269 of cash flow generated in fiscal 2016. This decrease in cash flows from financing activities was primarily due to \$1,374,897 of net cash received pursuant to a private placement resulting in the issuance of 2,307,692 common shares in fiscal 2016. Net cash generated in the current fiscal year was primarily from proceeds upon the exercise of stock options resulting in the issuance of 250,000 common shares, offset by finance lease obligations.

CONTRACTUAL OBLIGATIONS

The Company has no commitments for future capital assets and its only financial obligations are finance lease obligations on company vehicles and operating leases for office equipment, office spaces and its manufacturing facility.

OFF-BALANCE SHEET ARRANGEMENTS

The Company did not enter into any off-balance sheet arrangements during the current or comparable reporting period.

OUTSTANDING SHARE DATA

Titan Logix Corp. has authorization to issue an unlimited number of common shares with no par value. The common shares of the Company trade on the TSX Venture Exchange under the symbol "TLA".

Issued and Outstanding

	November 29, 2017	August 31, 2017	August 31, 2016
Common shares issued and outstanding	28,536,132	28,536,132	28,286,132
Options outstanding	505,000	545,000	1,005,000

During fiscal 2017, 250,000 stock options were exercised and 210,000 forfeited. For the year ended August 31, 2017, the Company has recorded stock option compensation expense of \$21,243 as compared to \$87,281 in the previous fiscal year.



BUSINESS OUTLOOK

The 2016-17 recovery of the market price of WTI Crude Oil from the 2014 extreme lows is resulting in some increase in U.S. and Canadian drilling activity as operators increase their drilling programs. However, the oil price collapse in 2014, stranded a significant backlog of new fully equipped tanker trucks and trailers on dealer lots. This backlog must be absorbed before the new tanker construction market will begin to recover. Titan is seeing a slight pickup in its customer's activity in reaction to the industry adjustment to stable commodity prices; however, there are no short-term expectations of significant improvements to revenues generated by a demand driven upswing in trailer construction. Titan continues to maintain its market share for level measurement and control devices in a significantly smaller crude oil tanker new construction market in the face of continuing low crude oil prices.

Titan's proprietary TD80/Finch II/RCM technologies continue to be widely accepted. Leveraging Titan's large install base and market share, the Company is focused on generating new revenue stream opportunities via existing tanker retrofit sales and by exploring new market alternatives for product sales in other than crude oil applications. Titan recently developed the Titan Gateway for mobile tankers, providing remote data communications from Titan's TD80, Finch II and AirWeigh products. Titan's Gateway increases marketplace opportunities by linking our widely respected legacy sensor technologies to the worldwide cloud/web. The Company's traditional market's interest in universal 'Internet of Things' solutions is driving both new and retrofit decisions. The new Gateway telematics introduction to the market is generating pilot trials and is expected to continue progressing well. The Company is also prospecting new opportunities in both the complimentary upstream and downstream storage tank markets.

Product development is progressing on Titan's next generation digital Guided Wave Radar product, the TD100, and market introduction is expected in fiscal 2018's third quarter. This digital renewal of the TD80 legacy is opening doors to improved reliability and expanded capabilities for the next generation of Titan customers.

SUBSEQUENT EVENT

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, Titan has agreed to co-invest \$5 million of a \$10 million five-year secured loan to a company in the energy services industry (the "Borrower"). The loan will be 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 expected rate of return on the loan is approximately 9% per year during the term of the loan, subject to any early repayment, based on prevailing floating rates.

With the \$5 million reduction in working capital Titan still maintains a strong balance sheet that will support strategic initiatives going forward and continues to explore new business opportunities to leverage Titan's expertise and capital.

BUSINESS RISKS AND UNCERTAINTIES

Titan Logix Corp. faces a number of risks that have the potential of affecting its financial condition, results of operations and cash flow. In addition to risks described elsewhere in this MD&A, the Company is exposed to various business risks which include but are not limited to the following:

Industry Factors

Titan is highly dependent upon exploration and development activity in the oil and gas industry and therefore is exposed to all of the risks associated with the uncertainties of that industry. The demand and price for Titan products depend on the activity level in the oil and gas sector, which is influenced by numerous factors over which Titan has no control, including: commodity prices; expectations about future commodity prices; the ability of oil and gas companies to raise equity capital or debt financing; supply and demand; and local and international economic, regulatory and political conditions. Global demand for hydrocarbon related products such as gasoline and natural gas impacts the worldwide drilling activity. Reduction in drilling activity results in lower demand for Titan's products.

The primary catalysts to expenditures and activity levels in the energy industry are oil and gas prices which, in turn, are influenced by supply and demand expectations. The ability to forecast the price of crude oil or natural gas is extremely difficult as many global factors affecting commodity prices are beyond the control of the Company. The Company attempts to mitigate the risk factor by



assessing current drilling activity reports and future predictions from the industry associations and reporting bodies when creating product demand forecasts.

OEM production levels will vary in accordance with market demand. Reduced production levels may result in a reduced demand for Titan's products.

Economic Downturns

Economic downturns can have a negative impact on Titan's business since customers may reduce capital expenditure programs or may experience difficulty in paying for products purchased. The demand for the products distributed by the Company can vary in accordance with general economic cycles. Downturns in the North American economy, a primary market for the Company's future growth, or lack of continued improvement in the economy could have a material adverse effect on the Company's financial condition and on the results of operations.

Supply Shortages

Titan manufactures products using components supplied by a number of major suppliers. It is not customary in the industrial products distribution industry to have long-term contracts with major suppliers. Supply shortages can occur at times because of production difficulties, unanticipated demand or delivery delays and may have a short-term adverse material effect on Titan's results of operations and subsequent financial condition.

Environmental and Insurance Risk

Titan manufactures and sells products that have an impact on the environment. The Company maintains high quality standards at its production facilities and uses only reputable suppliers for raw materials and other products. Titan also maintains insurance coverage for its assets and operations, including general liability, product pollution, property, business interruption, boiler and machinery, automobile, directors and officers and other insurance. However, product failures could result in warranty and liability claims and the loss of customers. Correcting such failures or paying for such claims could require significant capital resources and have an adverse effect on operating results.

Key Employees

Future success depends on the continued efforts and performance of Titan's executive team, management team and key employees. Failure to attract and retain key employees with the necessary skills could have an adverse material impact upon the future of the business, its operating results, and its financial condition. Labour shortages may limit the growth of the Company's business and could negatively affect margins and profitability.

Employee Safety and Health

The Company's employees may face health and safety risks and hazards in the workplace, which could result in injury or lost time in the course of their employment. Alternatively, the Company could be exposed to civil and/or statutory liability to employees arising from injuries or deaths because of inadequate health and safety policies and practices. The Company cannot fully protect against all these risks, nor are all these risks insurable. The Company may become liable for damages arising from these events against any non-insured risks.

Entering New Business Lines

The Company may enter into new business lines with new acquisitions or other opportunities for growth. There is no guarantee that these new business lines will be successful in the marketplace to which they are directed. Management makes its best efforts to research and forecast future profitability of any new business ventures prior to commencing in any new endeavor, however there are underlying risks at the time of entry. The success of a new venture is also dependent on the areas of sales and marketing, customer demand, market stability, existing barriers to entry, and other factors of product introduction.



Markets and Competition

Titan is continually pursuing new customers and markets in a highly competitive environment. The market is expected to remain competitive. Titan's competition varies by product line, customer classification and geographic market. Certain companies that compete with Titan have more established and larger sales and marketing organizations, larger technical staff and significantly greater financial resources than Titan. There can be no assurance that the Company's marketing strategy will be successful.

A significant portion of the Company's revenue is derived from one product line. Consequently, a sudden decline in demand for, or production of, the product could have a material adverse effect on the Company's financial condition and results of operation.

Credit Risk

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

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.

Product and Technology Enhancements

Our future growth depends on our ability to enhance our existing products, to develop new proprietary technology that addresses the varied needs of our prospective customers and to respond to technological advances, emerging industry standards and practices in a timely and cost-effective manner. The development of technology involves significant technical and business risks. There can be no assurance that Titan will be successful in meeting customer demands in respect of performance and costs through continuous improvements in products or that Titan will have the resources available to meet continuing demands. No assurances can be given that Titan's competitors will not achieve technological advantages. The Company may fund additional research and development activities; however, there is no guarantee of return.

Proprietary Protection

Titan relies on patents, confidentiality procedures and other measures to protect its proprietary information (intellectual property). There are risks inherent in maintaining proprietary advantage and efforts to protect it may not prevent attempts to copy aspects of the technology or to obtain and use information, that Titan regards proprietary, by others.

Litigation may be necessary to enforce our intellectual property rights or defend against claims of infringement or invalidity. Intellectual property laws provide limited protection. The laws of some foreign countries do not protect proprietary rights as fully as do the laws of Canada.

Some of our intellectual property is licensed on a non-exclusive basis from third parties who may also license the same intellectual property to others, including our competitors. If necessary or desirable, we may seek further licenses under the patents or other intellectual property of others. However, there are no assurances that such licenses will be obtained or that the terms of any offered licenses would be acceptable.



Foreign Exchange and Foreign Sales

The Company's products are marketed and sold in the U.S. and some other foreign countries which expose the Company to currency exchange risks. 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. In addition to exchange risk, international sales are subject to inherent risks such as regulatory requirements, delays from custom brokers or government agencies, or other trade barriers. The Company is also subject to risks related to cultural, political, legal and economic factors.

ADDITIONAL INFORMATION

Additional information relating to Titan Logix Corp., including its 2017 Audited Financial Statements, is available on SEDAR at www.sedar.com or on its website, www.titanlogix.com.

**Corporate Address:**

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

Branch Address:

Overland Park, Kansas
United States of America
Phone: (877) 462-4085

Exchange Listing:

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

Investor Information:

Investor Relations, Titan Logix Corp.
4130 – 93 Street
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
600, 530 – 8th Avenue SW, Calgary, Alberta, Canada
T2P 3S8
Telephone: 1-800-564-6253

Directors:

S. Grant Reeves, BA
Chairperson of the Board

Helen Cornett, CPA, CA
Audit Committee Chairperson

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

Alvin Pyke, P.Eng.

Douglas Carruthers, BA
Chief Executive Officer

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

Officers:

Douglas Carruthers, BA
Chief Executive Officer

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

Angela Schultz, CPA, CMA
Chief Financial Officer

Auditors:

Grant Thornton LLP

www.titanlogix.com