Management's Discussion and Analysis Q3 Fiscal 2019

titan logix corp.

May 31, 2019

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 overfill 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 designed to be a part of a complete Supply Chain Management (SCM) solution. The ultimate solution consists of Titan's products integrated with best-in-class data management to enable end-to-end Industrial Internet of Things (IIoT) solutions for our customers' SCM.

Titan provides advanced technology fluid management solutions, In the Field, On the Road and In the Office.

- 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 gather data related to their fluid assets remotely from the convenience of their dispatch center or other back office environment through a wired or wireless connection to meet their needs such as SCM.

Titan's solutions have traditionally focused on mobile level sensor technology. Titan's recently launched telematics product, the Titan Gateway, enables data from its mobile sensors to be collected, managed and packaged for business intelligence and control.

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

VISION

Titan's vision is to be a "Catalyst for Transformative Thinking" for our customers by becoming leaders in the gathering, management and analysis of data. Titan will focus on providing data driven solutions for Supply Chain Management of goods and service supplied to oil and gas, and the transportation industries. We will make it easier to use our GWR technology as part of third-party systems. We will develop strategic partnerships and search for strategic acquisitions to advance the vision and strategy of the company.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) has been prepared by management as of July 18, 2019. It updates the annual MD&A included in our 2018 annual report and should be read in conjunction with the unaudited interim consolidated financial statements and notes for the period ended May 31, 2019 as well as the audited consolidated financial statements and MD&A included in the Company's 2018 annual report for fiscal year ended August 31, 2018. The Company prepares and files its interim consolidated financial statements in Canadian dollars and in accordance with International Financial Reporting Standards (IFRS). This MD&A compares the Company's fiscal 2019 third quarter results to the previous year's third quarter. We have not provided an update where an item is not material or where there has been no material change from the discussion in our annual MD&A.

The condensed consolidated interim financial statements and MD&A for the nine months ended May 31, 2019, as well as the 2018 annual audited financial statements and MD&A and 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.*

QUARTERLY HIGHLIGHTS

- Revenues for the third quarter of fiscal 2019 ending May 31, 2019 improved to $1,316,403, a $89,558 or 7% increase from the $1,226,845 recorded in the comparative prior period. This improvement is primarily due to an increase in demand, as a result of the increase in oil prices, for the Company's guided wave radar (GWR) product line in the mobile tanker truck market in the U.S.
- The gross profit for the third quarter of fiscal 2019 increased by $82,724 to $741,723 or 56% of revenue compared to $658,999 or 54% of revenue in the comparative prior period. This improvement is primarily due to the increase in revenue.
- The operating loss before other items was $158,774 compared to an operating loss of $48,673 in the comparative prior period. This increase in the operating loss before other items was primarily due to an increase in engineering expenses and G&A costs which were offset by the improved revenue and a decrease in marketing and sales costs.
- Net earnings after income taxes were $16,311 compared to $105,432 in the prior period. This decrease in net earnings was primarily a result of the increase in engineering and G&A costs.

FISCAL 2019 Q3 RESULTS OF OPERATIONS

($000's, except gross margin (%) and per share amounts)	Three months ended May 31,				Nine months ended May 31,			
	2019	2018	**Increase (Decrease)**		**2019**	2018	**Increase (Decrease)**	
	$	$	**$**	**%**	**$**	$	**$**	**%**
Revenue	**1,316**	1,227	89	7	**4,197**	3,047	1,150	38
Cost of sales	**574**	568	6	1	**1,923**	1,448	475	33
Gross profit	**742**	659	83	13	**2,274**	1,599	675	42
Gross margin	**56%**	54%			**54%**	52%		
Expenses								
General and administration	**452**	341	111	33	**1,341**	1,053	288	27
Marketing and sales	**195**	273	(78)	(28)	**563**	747	(184)	(25)
Engineering	**204**	61	143	236	**513**	126	387	307
Depreciation and amortization	**85**	43	42	98	**253**	165	88	54
Loss (gain) on foreign exchange	**(35)**	(9)	(26)	(276)	**(35)**	(37)	2	(5)
Total expenses	**901**	708	193	27	**2,635**	2,054	581	28
Operating loss before other items	**(159)**	(49)	(110)	226	**(361)**	(455)	94	(21)
Finance income and other items	**175**	154	21	14	**498**	327	171	52
Net earnings (loss)	**16**	105	(89)	(85)	**137**	(128)	265	(207)
EPS - Diluted	**0.00**	0.00	0.00		**0.00**	(0.00)	0.00	

Revenue and gross profit

The Company's revenue is largely derived from instrument sales of its GWR product line of technologies (TD80/TD100, 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. Due to improved industry conditions, revenues increased by 7% to $1,316,403 for the three month period ended May 31, 2019, as compared to $1,226,845 for the three month period ended May 31, 2018 and increased by 38% to $4,196,792 for the nine month period ended May 31, 2019 as compared to $3,046,845 in the comparative period. The improvement in revenues is primarily due to the increase in demand for instruments in the U.S. market and to a lesser degree, sales to the Canadian market. In the current fiscal quarter revenues generated from the Canadian market increased to $519,973 compared to $476,420 in the comparative prior period. For the nine months ended May 31, 2019, year-over-year Canadian revenues increased by 10% to $1,558,557 and accounted for 12% of the year-over-year improvement.

Sales to the U.S. for the three months ended May 31, 2019 increased to $796,430 as compared to $750,425 in the comparative three-month period. Sales to the U.S. for the nine month period ending May 31, 2019 increased by $1,010,389 or 62% to $2,638,235 as compared to $1,627,846 in the comparative period. These sales accounted for 61% of the revenues in the third quarter of fiscal 2019 (2018 – 61%) and 63% (2018 – 53%) for the nine months ended May 31, 2019. These sales are transacted in U.S. dollar currency and any change in the exchange rate affects the value at which transactions are recorded. Revenue was recorded at an average exchange rate of $1.32 Canadian during the nine months ended May 31, 2019, compared with $1.27 Canadian for the comparative prior period.

As a percentage of revenue, sales of the Company's GWR product line of technologies contributed 92% to sales in the third quarter of fiscal 2019 and year to date. This compares with 93% and 91% in the corresponding prior periods.

Due to increased unit sales, gross profit improved to $741,723, or 56% as a percentage of sales for the third quarter of fiscal 2019 compared with $658,999, or 54% of sales for the previous year's third quarter. Gross profit improved to $2,274,069, or 54% as a percentage of sales for the nine month period ended May 31, 2019 compared with $1,598,822, or 52% of sales for the comparative period.

Expenses, general and administration

General and administrative expenses (G&A) for the third quarter of fiscal 2019 were $451,972, an increase of $111,338 or 33% from the $340,634 recorded in the third quarter of fiscal 2018. General and administrative expenses for the nine month period were $1,340,790 an increase of $288,127 or 27% from the $1,052,663 recorded in the comparable prior period. The increase in the current quarter is primarily a result of an increase in share-based compensation and bad debt expense. The year-over-year increase is primarily a result of executive termination costs recorded in the first quarter of the fiscal year and the increase in share-based compensation and bad debt expense. G&A, as a percentage of revenue, was 34% for the third quarter of fiscal 2019 and 32% for the nine months ended May 31, 2019 compared to 28% and 35% respectively for the same periods of fiscal 2018.

Expenses, marketing and sales

Marketing and sales expenses for the third quarter of fiscal 2019 were $195,302 a decrease of $77,604 or 28% from the $272,906 recorded in the third quarter of fiscal 2018. Marketing and sales expenses for the nine month period were $562,813 a decrease of $184,591 or 25% from the $747,404 recorded in the comparable prior period. The decrease in the current quarter and year-over-year is primarily a result of decreased compensation due to a restructure of the workforce and lower trade show expenses compared to the prior period. As a percentage of revenue, marketing and sales expenses was 15% for the third quarter of fiscal 2019 and 13% for the nine month period as compared to 22% and 25% respectively for the same periods of fiscal 2018.

Expenses, engineering

Engineering expenses are incurred primarily for product enhancements including product cost reductions, new product research and the preparation and introduction of new third-party products into Titan's product suite. Engineering expenses for the third quarter were $203,729, an increase of $143,099 when compared with $60,630 in the third quarter of fiscal 2018. Engineering expenses for the nine month period were $512,827 an increase of $386,805 from the $126,022 recorded in the comparable prior period. The increase in the current quarter and year-over-year is primarily due to engineering time dedicated to product enhancements, compared with time dedicated to capitalized product development activities in the previous fiscal periods. During the fiscal year Titan completed its battery back-up solution which allows for remote power capability and facilitates the use of GWR and Gateway products in data critical operations where local power is an issue. In addition, Titan has initiated product improvement efforts to reduce hardware costs and improve its hardware architecture by developing an open communications protocol allowing its devices to connect seamlessly to third party process control and data management solutions.

Expenses, depreciation and amortization

Depreciation and amortization expenses included in operating expenses in the first nine months of fiscal 2019 totalled $253,672 compared to $165,202 in the comparable period of fiscal 2018. This increase in depreciation and amortization expenses is largely due to the amortization of product development costs for recently commercialized products. Additional depreciation expenses recorded in cost of sales in the current nine month period totalled $9,770, compared to $8,781 in the comparable nine month period.

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 gain of $35,357 on foreign currency exchange in the nine months ended May 31, 2019 consisting of a realized gain on exchange of $18,875 and an unrealized gain of $16,482. This compares to a gain of $37,122 in the previous fiscal year which consisted of a $10,224 realized gain on exchange and an unrealized gain of $26,898.

Operating loss and net loss

In the current fiscal quarter, the Company recorded an operating loss before other items and income taxes of $158,774. This compares to an operating loss of $48,673 in the comparative prior period. The operating loss for the first nine months of fiscal 2019 was $360,676 as compared to an operating loss of $455,347 in the comparative prior period. The increase in operating loss in the current fiscal quarter was primarily due to the increase in engineering and G&A expenses, offset by the improved revenue and decrease in sales and marketing expenses. The year-over year improvement was primarily due to revenue and gross profit improvements. These improvements were offset by the increase in G&A due to executive termination costs and engineering expenses.

Net earnings after income taxes were $16,311 in the third quarter of fiscal 2019 compared to $105,432 in the comparative prior period. The net earnings after tax for the first nine months of fiscal 2019 was $137,442. This compares to a net loss of $128,509 in the comparative prior nine month period. This improvement year-over-year from net losses to net earnings was largely due to the improvements in revenue and gross profit combined with the increase in finance income to $498,118 for the nine months ended May 31, 2019 from $392,810 in the comparative period.

Product development costs

The Company continues to invest in development activities to support and grow its current product line. Total engineering expenditures are comprised of two components; engineering expenditures expensed in the statement of earnings, and engineering expenditures deferred and capitalized. Total expenditures for engineering amounted to $203,729 for the third quarter of fiscal 2019 and $512,827 year-to-date. This compares with $203,194 and $602,415 respectively in the comparative prior periods. The reduction in total engineering costs is due to a reduction in field trial and consulting costs. During the fiscal period development activities focused on product improvement efforts to reduce hardware costs and improve hardware architecture for increased connectivity. These activities did not meet the criteria for capitalization and were expensed and included in the statement of earnings, whereby in the nine month period ended May 31, 2018 engineering related expenditures of $476,393 were capitalized and included on the statement of financial position.

SUMMARY OF QUARTERLY RESULTS

($000's, except per share amount)

Fiscal year	2019			2018				2017
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	**1,316**	**1,405**	**1,475**	1,448	1,227	938	882	989
Gross profit	**742**	**760**	**772**	619	659	529	411	290
Operating earnings (loss) before other items and income taxes	**(159)**	**4**	**(206)**	28	(49)	(155)	(251)	(380)
Net earnings (loss) before income taxes	**16**	**167**	**(46)**	185	105	(48)	(186)	(346)
Net earnings (loss)	**16**	**167**	**(46)**	125	105	(48)	(186)	(338)
EPS - Basic	**0.00**	**0.01**	**(0.00)**	0.00	0.00	0.00	(0.01)	(0.01)
EPS - Diluted	**0.00**	**0.01**	**(0.00)**	0.00	0.00	0.00	(0.01)	(0.01)

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

The Company has withstood the difficult conditions in the mobile tanker truck market. Increases in oil prices in the last fiscal year has resulted in an increase in the trucking of oilfield liquids and an increase in demand for the Company's guided wave radar (GWR) product line in the mobile tanker truck market resulting in an increase in quarterly revenue. The operating losses in fiscal

2017 and the first half of fiscal 2018 reflected the negative impact of lower oil and gas prices and the low demand for new crude oil tankers.

The improved quarterly gross profit in fiscal 2019 and 2018 when compared to fiscal 2017 is primarily a result of increased sales combined with the reduction in production and overhead costs due to cost reduction initiatives undertaken in fiscal 2017. Gross profits in the fourth quarters of fiscal 2018 and fiscal 2017 were negatively impacted by impairments of inventory of $137,617 and $90,221, respectively.

The operating loss before other items and income taxes in the first quarter of fiscal 2019 reflects the increase in operating expenses resulting from increased general and administration compensation costs due to executive termination costs and increased engineering expenses.

FINANCIAL CONDITION AND LIQUIDITY

The Company's principal cash requirements are for ongoing operating costs, working capital and product development costs. 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 and product development. As needed, the Company will assess and select funding mechanisms for long term growth including additional R&D projects, expansion of the sales channels and corporate development activities.

Total assets of the Company were $16,788,876 on May 31, 2019 as compared to $16,750,962 on August 31, 2018. Cash and cash equivalents increased by $880,317 to $7,151,195. Collections from customers decreased accounts receivable by $124,947 and inventories decreased by $120,514 due to the increase in revenue. Total liabilities decreased by $183,528. As at May 31, 2019, Titan had positive working capital (current assets less current liabilities) of $10,879,822 compared to $10,065,265 at August 31, 2018. The long-term portion of the investment in a secured loan is $3,874,783.

Summary of Cash Flows

Operating Activities

Net cash flows generated from operating activities for the nine-month fiscal period totalled $120,522, compared to $520,042 used in the comparative period. The improvement in cash flows from operating activities was primarily due to the improvement in net earnings, when excluding non-cash items and investing activities.

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 $133,756 in the nine month fiscal period is largely a result of cash flow generated from the decrease in accounts receivable and the consumption of inventory, offset by the decrease in accounts payable. This compares with non-cash working capital used in the comparable period in the amount of $206,813, largely as a result of cash flow used for inventory investments and an increase in accounts receivables, offset by an increase in accounts payable and decreases in prepaids.

Investing Activities

Net cash flows generated in investing activities year-to-date totalled $786,299 primarily as a result of payments received on the investment in a secured loan and finance income. This compares with $7,824,546 used in the comparative prior period primarily due to a $4,925,000 investment in secured loan (net of a $75,000 upfront commitment fee), a $3,000,000 GIC purchase as short term investments combined with cash used for product development, and partially offset by finance income and payments received on the secured note.

Financing Activities

Net cash flows used in financing activities in the first nine months of fiscal 2019 amounted to $26,504 for finance lease obligations as compared to $12,462 in the comparable period.

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

	July 18, 2019	**May 31, 2019**	**August 31, 2018**
Common shares issued and outstanding	28,536,132	28,536,132	28,536,132
Options outstanding	420,000	420,000	180,000

BUSINESS OUTLOOK

The Company continues to evolve its GWR and Gateway products to penetrate new markets while remaining competitive in its primary market of crude oil hauling. Titan's existing channel selling partners are supportive of the brand and add significant value in maintaining a strong market share of the new tanker construction market. This positive trend of its existing business will sustain the Company with current revenue levels expected to continue at a steady pace for the upcoming fiscal year. The Company's product evolution will lead to new opportunities in other market segments such as the petrochemical and fuel supply chains. Titan has initiated programs to diversify its product lines, geographical presence and market segments. Management has refocused its team to accelerate the penetration of these markets and revenue streams. Titan's relationship with its software technology partner, Pedigree Technologies, has led to the development of a supporting, collaborative team with the vision of being a dominant player in the produced water SCM solution in the fracking industry. Titan will now focus on developing secondary markets for its products in other SCM solutions and digital oilfield operations. The company will see revenue from its digital oilfield initiative in the upcoming quarter. Titan continues to engage in conversations with potential strategic acquisition targets that are aligned with the corporate vision of providing digital oilfield solutions for its customers.

The Titan Gateway provides connection to the internet and cloud technologies for Titan's TD100™, Finch II and other edge sensor technologies, aggregating data for use in critical business applications and processes. Revenue is currently being generated from the sale of the Gateway as part of the produced water SCM solution. Titan's expanded vision of data management has opened market opportunities to tap into the wave of data mining and analytics for business control solutions and can drive both new and retrofit decisions of its major customers. Titan is identifying and negotiating partnerships with target companies immersed in the digital oilfield with an eye to becoming the go-to company for data generation devices required by its existing and future customers. Titan's focus on providing timely, accurate, relevant data to its customers through IIoT solutions will enhance its market penetration in the target markets. Titan will continue to search for other opportunities to generate recurring revenue from its IIoT solution efforts. Titan has initiated product improvement efforts to reduce hardware costs, improve its hardware architecture by developing an open communications protocol allowing its devices to connect seamlessly to third party process control and data management solutions. The Company has rolled out the battery back-up option for the TD100 and Gateway products. This option provides flexibility and is a more cost-effective installation for its customers. The battery solution facilitates the use of GWR and Gateway products in other data critical operations where availability of local power is an issue.

BUSINESS RISKS AND UNCERTAINTIES

Titan Logix Corp. faces risks that have the potential of affecting its financial condition, results of operations and cash flow. The Board and management of the Company take prudent measures to mitigate risks which may affect the Company. The Company's sales are substantially derived from one product line and as a result, a sudden or sustained decline in demand for, or production of, the product could have a material adverse effect on the Company's financial condition and results of operations. Events which could cause a drop in demand include industry factors, market economic conditions and competition as described in the Company's business risks and uncertainties in its 2018 annual report. Events that could cause an interruption in the Company's ability to produce the product include supply shortages and proprietary protections. A complete discussion of business risk factors faced by the Company can be found in the "Business Risks and Uncertainties" section of the MD&A portion of its 2018 annual report. There have been no significant changes to the Company's business risks and uncertainties described in its 2018 annual report.

ADDITIONAL INFORMATION

Additional information relating to Titan Logix Corp., including its 2018 Audited Financial Statements, is available on SEDAR at www.sedar.com or on its website, www.titanlogix.com.

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