

# Management's Discussion and Analysis Fiscal 2022

August 31, 2022



TITAN  
LOGIX

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) has been prepared by management as of November 16, 2022. The MD&A provides readers with an understanding of the vision of Titan Logix Corp. ("Titan" or "the Company"), its business strategy and core purpose and compares Titan's 2022 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, 2022 and 2021. 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](http://www.sedar.com) and on the Company's website at [www.titanlogix.com](http://www.titanlogix.com). Titan Logix Corp.'s board members and its audit committee have reviewed and approved this MD&A narrative.

### 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;*
- *The impact of pandemics and natural disasters;*
- *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.*

## CORPORATE OVERVIEW

Founded in 1979, Titan Logix Corp. ("Titan" or "the Company") is a public company listed on the TSX Venture Exchange and its shares trade under the symbol TLA.

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 liquid 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. We proudly deliver our mobile tanker solutions to market through partnerships with Original Equipment Manufacturers (OEMs), dealers, and private fleets across Canada, the United States, and Mexico.

Titan currently serves the petroleum, chemical, and water markets with the TD80™ and TD100™ series of mobile gauges, offering fleet operators accurate level measurement, reliable overfill protection, and a variety of automation, integration, and control capabilities for their tanker truck operations. Building on our years of success in the crude oil market, our strategy is to grow our business into other liquid commodity verticals through investment in market, product, and channel partner development. Our next generation of TD products will leverage our accurate, reliable, and proven guided wave radar (GWR) technology and connect to Titan Data Services (TDS), a cloud-based software platform designed to help customers manage their bulk liquid inventory. TDS will provide customers with an easy integration into their existing transportation management system (TMS), positioning Titan to be the leader in mobile liquid measurement solutions for the bulk liquids transport industry in North America.

## SELECTED ANNUAL FINANCIAL INFORMATION

Years ended August 31 (audited)	2022 \$	2021 \$	2020 \$
Revenue	4,328,588	3,533,624	4,110,035
Net earnings (loss) before income taxes	1,125,861	(211,786)	(578,356)
Net earnings (loss)	1,125,861	(227,357)	(578,356)
EPS – Basic and diluted	0.04	(0.01)	(0.02)
Total assets	17,499,282	16,273,707	16,711,107
Long-term liabilities	117,321	253,736	383,940
Dividends	nil	nil	nil

## 2022 HIGHLIGHTS

- Revenues for the fiscal year improved over the previous fiscal year as the demand for the GWR product line continued to strengthen, resulting in a \$794,964 or a 22% increase in the Company's revenues for the fiscal year compared to the previous fiscal year. Revenues in fiscal 2022 were \$4,328,588, compared with the \$3,533,624 recorded in fiscal 2021. This increase in demand for the GWR was due to an improvement in the global supply chain for tanker OEMs from the crude oil sector.
- Gross profit in fiscal 2022 increased by \$553,288 to \$2,392,764 or 55% of revenue compared to \$1,839,476 or 52% of revenue in fiscal 2021. This increase in gross profit is primarily due to the increase in unit demand and revenue. The increase in the gross profit percentage is primarily the result of a price increase.
- Total expenses in fiscal 2022 decreased by \$71,367 to \$2,618,424 as compared with \$2,689,791 in the comparative prior year. This decrease in total expenses was primarily due to a reduction in engineering costs, a realized gain on foreign exchange compared with a foreign exchange loss, and lower sales and marketing expenses. These reductions were partially offset by an increase in general and administration expenses. General and administrative expenses increased primarily due to one-time costs combined with an increase in director, professional fees and travel expenditures. One-time costs in the fiscal year include \$253,000 of payroll expenses due to severance expense associated with executive termination and transaction fees of \$53,000 related to the acquisition of Bri-Chem Corp. common share purchase warrants.

- The operating loss before other items for fiscal 2022 was \$225,660 compared to \$850,315 in fiscal 2021. The significant improvement in the operating loss before other items for fiscal 2022 was largely due to higher gross profits from increased volumes for the GWR product line.
- August 26, 2022 the Company announced the exercise of 2,425,000 common share purchase warrants in Bri-Chem Corp for a total consideration of \$771,250. At August 31, 2022 its investment in Bri-Chem Corp. was recorded at a fair market value of \$1,503,500 and accounting for its investment at fair value through profit or loss, the Company recorded an unrealized gain on its investment of \$732,250. The Company considers its share purchase in Bri-Chem Corp to be held for investment purposes, which will allow the Company to participate in the broader energy sector that is expected to experience strong fundamentals over the next few years.
- Net earnings after income taxes for fiscal 2022 amounted to \$1,125,861 compared to a net loss after taxes of \$227,357 in fiscal 2021. The increase in the net earnings was primarily due to the significant improvement in the operating loss before other items combined with the unrealized gain on the investment in Bri-Chem Corp. common share purchase warrants. Excluding this unrealized gain and the one-time executive severance, the adjusted net earnings after income taxes would have been \$646,611 compared with a loss after income taxes of \$227,357 an increase of \$873,968 or 384%, largely due to growth in demand for the GWR product line and the increase in gross profit.
- On May 9, 2022 the Company's investment in its secured loan was fully repaid early. Principal repayments of \$3,466,666 were recorded for the fiscal year-ended August 31, 2022. Accrued loan interest, plus additional interest in the form of payment in kind interest and a make-whole fee representing three months interest was received. At August 31, 2022 the Company's investment in the secured loan generated finance income of \$473,785 as compared with \$531,174 in fiscal 2021.
- During the fiscal year the Company wound-down its participation in the Canada Emergency Wage Subsidy ("CEWS") program. Total benefits received from wage subsidy programs in fiscal 2022 amounted to \$76,281 as compared with \$463,373 in fiscal 2021.

## FISCAL 2022 RESULTS OF OPERATIONS

	Year ended August 31			
	2022	2021	Increase (Decrease)	
	\$	\$	\$	%
<b>Revenue</b>	<b>4,328,588</b>	3,533,624	794,964	22
Cost of sales	<b>1,935,824</b>	1,694,148	241,676	14
<b>Gross profit</b>	<b>2,392,764</b>	1,839,476	553,288	30
Gross margin (%)	<b>55%</b>	52%		
<b>Expenses</b>				
General and administration	<b>1,450,033</b>	950,338	499,695	53
Marketing and sales	<b>639,582</b>	733,252	(93,670)	(13)
Engineering	<b>347,247</b>	601,168	(253,921)	(42)
Depreciation and amortization	<b>277,513</b>	368,729	(91,216)	(25)
(Gain) loss on foreign exchange	<b>(95,951)</b>	36,304	(132,255)	(364)
<b>Total expenses</b>	<b>2,618,424</b>	2,689,791	(71,367)	(3)
Unrealized gain on marketable securities	<b>732,250</b>	-	732,250	100
Finance income	<b>639,520</b>	663,109	(23,589)	(4)
Other items	<b>(20,249)</b>	(24,580)	(4,331)	(18)
Income tax	<b>-</b>	(15,571)	(15,571)	(100)
<b>Net earnings (loss)</b>	<b>1,125,861</b>	(227,357)	1,353,218	595
EPS – Basic and Diluted	<b>0.04</b>	(0.01)	0.05	

**Revenue and gross profit**

The Company's revenue is primarily derived from instrument sales of its GWR product line of technologies (TD100™, Finch II and related components) throughout Canada and the U.S. These technologies are sold into the bulk liquids transport industry, serving fleets of liquid tanker trucks. The Company's revenue in the current fiscal year increased by \$794,964 or 22% to \$4,328,588, as compared to \$3,533,624 for fiscal 2021. The increase in revenue was primarily due to the increase in demand and volume increases for GWR products from the crude oil sector due to increased confidence in the global supply chain for tanker OEMs.

Revenues generated from the Canadian market decreased by \$27,929 or 3% to \$985,474 as compared to \$1,013,403 in fiscal 2021. Sales to the U.S, increased by \$822,893 or 33% to \$3,343,114 as compared to \$2,520,221 in fiscal 2021. These sales accounted for 77% of the revenues in fiscal 2022 (2021 – 71%). 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 \$1.27 Canadian during fiscal 2022 and for the prior year.

As a percentage of revenue, sales of the Company's GWR product line of technologies contributed 97% to sales in fiscal 2022. This compares to 96% in fiscal 2021.

Gross profit in the current fiscal year increased to \$2,392,764, or 55% as a percentage of sales compared with \$1,839,476, or 52% as a percentage of sales for the comparative prior year. This increase in gross profit is primarily due to the increase in unit demand and revenue. The increase in the gross profit percentage is primarily the result of price increases.

**Expenses, general and administration**

General and administrative expenses (G&A) for fiscal 2022 were \$1,450,033, an increase of \$499,695 or 53% from the \$950,338 recorded in fiscal 2021. The increase is primarily due to an increase in one-time costs combined with an increase in director fees, legal fees for general corporate purposes and travel expenses. One time costs in the fiscal year include \$253,000 of payroll expenses due to severance costs associated with executive termination and transaction fees of \$53,000 related to the acquisition of Bri-Chem Corp. common share purchase warrants. General and administration expenses include the benefit of CEWS subsidies of \$13,884 in the current fiscal year compared with \$86,588 in fiscal 2021. G&A, as a percentage of revenue, was 33% for fiscal 2022 compared to 27% for fiscal 2021.

**Expenses, marketing and sales**

Marketing and sales expenses were \$639,582 a decrease of \$93,670 or 13% from the \$733,252 recorded in fiscal 2021. The reduction reflects lower payroll related expenses due to a change in the sales and marketing team. The cost reductions were partially offset by an increase in trade show and travel costs due to a reduction in restrictions associated with the COVID-19 pandemic. CEWS and US wage benefits of \$22,522 were received in fiscal 2022 compared with \$90,108 in fiscal 2021. As a percentage of revenue, marketing and sales expenses were 15% for fiscal 2022 as compared to 21% for fiscal 2021.

**Expenses, engineering**

Engineering expenses in the current fiscal year were \$347,247 a decrease of \$253,921 or 42% from the \$601,168 recorded in fiscal 2021. The decrease is primarily due to lower salary expenses due to the decrease in the number of engineers on staff and was partially offset by a decrease in government grants and Alberta Innovates funding. Development government grants of \$71,497 were received in the current fiscal year as compared to \$96,360 in the comparable year and Alberta Innovates funded \$5,625 of project costs compared to \$74,500 in fiscal 2021. CEWS benefits of \$30,001 were received in fiscal 2022 compared to \$198,649 in fiscal 2021. Product development activities include developing software capabilities and sustaining engineering efforts on existing product lines. Pilot trials of the T-Lite product line concluded in 2022. It was determined that the T-Lite product was not commercially viable, however the development of the Titan Data Services (TDS) platform will remain a key component to the company's strategic growth efforts. Titan expects engineering expenses to increase as we execute on our strategic growth plan.

**Expenses, depreciation and amortization**

Depreciation and amortization expenses included in operating expenses in fiscal 2022 totalled \$277,513 compared to \$368,729 in the previous fiscal year. Additional depreciation expenses recorded in cost of sales in fiscal 2022 totalled \$88,546, compared to \$89,937 in the comparable year.

**Expenses, foreign exchange**

Changes in the value of the Canadian dollar during the year and management of conversion of receipts from U.S. revenue resulted in a foreign currency exchange gain of \$95,951 in fiscal 2022 compared to a foreign currency loss of \$36,304 in the previous fiscal year. The foreign currency gain consists of a realized gain of \$20,439 and an unrealized gain of \$75,512. This compares to a realized loss of \$3,580 and an unrealized loss of \$32,724 in the previous fiscal year.

**Operating loss**

In fiscal 2022 the operating loss before other items and income taxes was \$225,660 as compared to an operating loss before other items and income taxes of \$850,315 in fiscal 2021. The improvement in the operating loss was primarily due to higher gross profits resulting from an increase in demand for the GWR product line. In fiscal 2022, the Company benefited from CEWS subsidies in the amount of \$76,281 compared to \$463,373 from CEWS subsidies in fiscal 2021.

**Net earnings**

Net earnings after income taxes for fiscal 2022 amounted to \$1,125,861 compared to a net loss after taxes of \$227,357 in fiscal 2021. This significant improvement reflects the impact of the improvement in the operating loss, combined with the impact of other items, primarily the unrealized gain of \$732,250 on the exercise of the Bri-chem Corp. common share purchase warrants. Excluding this item, the adjusted net earnings after income taxes would have been \$393,611 compared with a loss after income taxes of \$227,357 an increase of \$620,968 or 273%, largely due to growth in demand for the GWR product line and the increase in gross profit.

**Other items – Unrealized gain on marketable securities**

On August 26, 2022 the Company announced the exercise of 2,425,000 common share purchase warrants in Bri-Chem Corp. then held by the Company for a total consideration of \$771,250. The Company recorded the investment at fair market value on August 31, 2022 of \$1,503,500 and due to the accounting for the investment through fair value through profit or loss recognized an unrealized gain of \$732,250.

**Other items – Finance income**

Interest earned in fiscal 2022 was \$639,520 compared with \$663,109 in the prior fiscal year. The slight decrease in the interest earned in the fiscal year was largely due to the reduction in scheduled loan interest on the secured loan, due to the early repayment of the loan on May 9, 2022, offset with increased interest earned on GIC's. Despite the early repayment of the secured loan, finance income of \$473,785, was earned on the loan compared with \$531,174 in the previous fiscal year. Interest earned on the loan included loan interest, additional interest earned in the form of payment in kind interest, and due to the early repayment, a make whole fee, representing three months of additional interest, or \$90,242. Over the life of the secured loan the Company generated finance income of \$2,346,339 for an average annual return of 10.4%.

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. Primarily due to the forgiveness in fiscal 2021 of the U.S. Paycheck Protection Program loan received in fiscal 2020, current tax expense of \$15,571 was recorded in fiscal 2021.

**Fourth Quarter Results**

For the fourth quarter of fiscal 2022 revenue was \$1,324,453 as compared to \$870,538 in the comparative prior period. This improvement was primarily due to demand for the GWR product line improving from still low pandemic demand in the fourth quarter of fiscal 2021. Sales into the U.S. in the fourth quarter were \$1,078,954, an increase of \$486,898 or 82% when compared to \$592,056 in the comparative quarter of fiscal 2021. Canadian sales in the fiscal quarter were \$245,499, a decrease of \$32,983 or 12% when compared with sales of \$278,482 in the comparative quarter of fiscal 2021.

Gross profit increased by \$173,520 to \$720,606 or 54% as a percentage of sales for the fourth quarter of fiscal 2022 compared with \$547,086, or 63% as a percentage of sales for the comparative period. The increase in gross profit in the current fiscal quarter is primarily due to the increase in unit demand and revenue. The decrease in the gross profit as a percentage of revenue is the result of increases in component costs due to inflationary pressures and overhead costs.

General and administrative expenses for the fourth quarter of fiscal 2022 were \$333,343 an increase of \$70,384 or 27% from the \$262,959 recorded in the comparative prior period. The increase in the fourth quarter was primarily due to one-time transaction costs of \$53,000 incurred for the purchase and exercise of the Bri-Chem common share purchase warrants combined with increased executive payroll expenses and director fees. G&A, as a percentage of revenue, was 25% for the fourth quarter ended August 31, 2022 compared to 30% for the same period of fiscal 2021.

Marketing and sales expenses for the fourth quarter of fiscal 2022 were \$158,128, a decrease of \$61,810 or 28% from the \$219,938 recorded in the comparative prior period. This decrease in expenses is primarily due to lower payroll related expenses due to a change in the sales and marketing team combined with a reduction in travel expenses. The cost reductions were partially offset by an increase in promotional marketing expenses. As a percentage of revenue, marketing and sales expenses were 12% for the fourth quarter of fiscal 2022 as compared to 25% for the same period of fiscal 2021.

Engineering expenses for the fourth quarter of fiscal 2022 were \$38,339, a decrease of \$183,085 or 83% when compared with \$221,424 recorded in the comparative prior period. This decrease is primarily due to lower salary expenses due to the decrease in the number of engineers on staff, combined with a decrease in product development consulting costs partially offset by a decrease in Alberta Innovates funding.

Operating income before other items and income taxes for the fourth quarter of fiscal 2022 was \$205,974 as compared to an operating loss before other items and income taxes of \$153,966 for the comparative prior period. The improvement in the operating loss was primarily due was due to the increase in revenue and gross profit combined with the decrease in total expenses. Net earnings and comprehensive earnings in the fourth quarter of fiscal 2022 was \$1,022,212 after tax, compared to an after tax net loss of \$26,070 reported in the comparable prior period. This increase in net earnings was primarily due to the \$732,250 unrealized gain on marketable securities combined with the improved operating income. Interest income in the fiscal quarter was \$91,574 compared with \$149,924 in the prior period.

## SUMMARY OF QUARTERLY RESULTS

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

Fiscal year	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	1,324	1,292	1,088	624	871	1,064	750	849
Gross profit	721	713	629	330	547	558	353	381
Operating income (loss) before other items and income taxes	206	147	(275)	(304)	(154)	(140)	(255)	(301)
Net earnings (loss) before income taxes	1,022	403	(137)	(163)	(11)	6	(65)	(142)
Net earnings (loss)	1,022	403	(137)	(163)	(26)	6	(65)	(142)
EPS – Basic and Diluted	0.04	0.01	(0.00)	(0.01)	(0.00)	0.00	(0.00)	(0.00)

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

## 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 distribution channels and corporate development activities.

Total assets of the Company were \$17,499,282 on August 31, 2022 as compared to \$16,273,707 on August 31, 2021. Cash and cash equivalents decreased by \$519,198. Accounts receivable increased by \$103,436 and inventories increased by \$394,286. Total liabilities increased by \$65,214. As at August 31, 2022, Titan had positive working capital (current assets less current liabilities) of \$15,857,691 compared to \$11,386,485 at August 31, 2021.

### **Summary of Cash Flows**

#### **Operating Activities**

Net cash flows used in operating activities totalled \$204,082, compared to \$426,136 used in fiscal 2021. This decrease in cash flows used in operating activities is primarily due to the increase in net earnings, partially offset by changes in non-cash operating 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 used in the amount of \$395,851 in fiscal 2022, is largely a result of an increase of inventory to meet anticipated demand and an increase in accounts receivable due to increased orders in the fourth quarter offset by the increase in accounts payable. This compares with non-cash working capital provided in fiscal 2021 in the amount of \$34,286, largely a result of cash flow from an increase of accounts receivables and decrease in accounts payable, offset by the consumption of inventory and decrease in prepaid expenses.

#### **Investing Activities**

Net cash flows used in investing activities for fiscal 2022 totalled \$168,836 as compared with \$982,065 generated in fiscal 2021. The cash used in investing activities in fiscal 2022 was primarily due to the Company's investment in Bri-chem Corp. and investment in GICs of proceeds from the early repayment of the Company's loan investment.

On May 9, 2022 cash of \$3,466,666 was received as the principal amount of its investment in its secured loan was fully repaid. Cash generated from the repayment was used for the reinvestment in a \$3,500,000 short-term GIC. This compares with cash generated from principal repayments on the secured loan of \$400,000 in fiscal 2021. Interest income generated from the secured loan investment amounted to \$473,785 as compared with \$531,174 in fiscal 2021.

In the fourth quarter of the fiscal year \$771,250 of cash was used to acquire 2,425,000 common shares of Bri-chem Corp. Forming part of the covenant amendments to the loan agreement with Greypoint Capital Inc., the Company was entitled to 1,250,000 common share purchase warrants, each warrant representing the right to purchase one common share of Bri-Chem Corp. at an exercise price of \$0.10 per common share. In August 2022, the Company purchased an additional 1,175,000 warrants from other participants in the secured loan for a purchase price of \$0.45 per warrant. On August 26, 2022, the Company then immediately exercised all 2,425,000 common share purchase warrants then held by the Company at an exercise price of \$0.10. The total cost of the investment was \$771,250.

In order to optimize the return on surplus cash, at August 31, 2022 \$11,868,442 had been invested in high liquid GIC's and high interest deposit accounts. As these investments have maturities of less than one year, they are considered current assets and included in the cash and short term investment balances on the consolidated statement of financial position. These investments currently have a yield of approximately 4.7%. In fiscal 2022 the Company generated \$159,774 of cash on its GICs and high interest deposit investments as compared with \$97,448 in fiscal 2021.

#### **Financing Activities**

Net cash flows used in financing activities in fiscal 2022 amounted to \$146,280 for payment of lease obligations as compared to \$153,304 in the comparable period.

### **CONTRACTUAL OBLIGATIONS**

The Company has no commitments for future capital assets and its only financial obligations are 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 16, 2022	August 31, 2022	August 31, 2021
Common shares issued and outstanding	28,536,132	28,536,132	28,536,132
Options outstanding	950,000	950,000	300,000

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 weighted average grant date fair value of \$0.23 was estimated on January 24, 2022 using the Black-Scholes pricing model. On August 31, 2022 600,000 stock options were granted at an exercise price of \$0.50, with vesting over a period from 1 year to 5 years, provided defined performance metrics are achieved and certain share price targets are achieved, and expire on August 31, 2027. The weighted average grant date fair value of \$0.17 was estimated on August 31, 2022 using the Black-Scholes pricing model. The Company recorded stock based compensation of \$34,500 in respect of the stock options granted and vested. During the year ended August 31, 2022 100,000 stock options that had a weighted average exercise price of \$0.57 were forfeited. During the year ended August 31, 2021 no options were granted or forfeited.

## BUSINESS OUTLOOK

Leading into fiscal 2023, tanker OEM market data reveals a significant backlog in orders for new construction, signaling a strong demand for liquid tankers. We are starting to see an improvement in the supply chain conditions, which will result in a higher build and delivery rate from OEMs. Titan expects the demand for tankers, coupled with the strong price of oil to translate into demand for its GWR product line, comparable to pre-pandemic levels seen in 2019. While the availability of input materials is starting to recover, the high cost of input materials persists. As a result, our dealers are reporting that many Crude Oil fleet operators are looking to the used tanker market to fill demand, which drives retrofit opportunities for Titan's GWR business. Titan has done an excellent job securing the necessary materials, and partnerships, to meet customer demand amidst the challenges in fiscal 2022.

The company has approved a long-term strategic growth plan to position Titan as the leader in mobile liquid measurement solutions. The strategy focuses on deploying Titan's resources in 3 strategic areas:

- Product and market development to diversify Titan's business into identified, addressable, mobile liquid markets outside of the crude and used oil segments
- Develop a cloud-connected product offering to bring new value to existing customers of the TD series products, and a differentiated offering to adjacent markets
- Evaluate investment, and acquisition opportunities that align with Titan's strategic roadmap

The refined fuels and chemical transport markets provide steady growth on new construction and have large footprints for retrofit opportunities. Customers in these adjacent liquid markets are seeking a differentiated solution for managing their mobile liquid inventories. Titan has been and will continue to work with fleet operators in these markets to define the next generation of TD series products that drive operational efficiencies while reducing risk.

The development of Titan Data Services (TDS) serves as the backbone for Titan's cloud-connected strategy. Bulk transportation customers are seeking operational efficiencies through digital toolsets in every facet of their business. Our strategy will focus on our core competencies in mobile liquid measurement solutions through cloud-connected products on new and existing GWR product lines and seamless data integration points through TDS.

Titan continues to invest in sales and marketing efforts through our OEM and dealer network through tailored marketing campaigns, digital training solutions, and an improved customer experience. We remain diligent in our efforts to strengthen the Titan brand as the most accurate, reliable, and trusted partner in mobile liquid measurement solutions.

Titan's balance sheet remains strong as we transition out of the COVID-19 pandemic and into stable market conditions in the Energy sector. The exercising of the Bri-Chem warrants on August 26, 2022, following repayment of the term loan on May 9, 2022, leaves Titan in a strong overall position to explore new investment and strategic acquisition opportunities, while remaining free of obligations in the current, inflationary market conditions. Titan will continue to invest in market, and product development to fuel growth and diversification into new mobile liquid market segments.

## **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.

### **Pandemics**

The occurrence of pandemics, such as the outbreak of the novel coronavirus COVID-19 in any of the areas in which the Company, its customers or its suppliers operate could cause interruptions in the Company's operations. In addition, pandemics, natural disasters or other unanticipated events could negatively impact the demand for, and price of, oil and natural gas which in turn could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

### **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 operations.

**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.

**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.

**Interest Rate Risk**

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

**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.

**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 securities held mainly for investment purposes. These securities 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. 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.

**Product and Technology Enhancements**

The Company's future growth depends on its ability to enhance its existing products, to develop new proprietary technology that addresses the varied needs of its 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.

**Cyber Risk**

In the ordinary course of business Titan collects and stores sensitive data, including intellectual property, proprietary business information and identifiable personal information of its employees and customers. Unauthorized access to the Company's computer systems could result in the theft or publication of confidential information or the deletion or modification of records or could otherwise cause interruptions in the Company's operations. In addition, despite the Company's implementation of security measures, its systems are vulnerable to damages from computer viruses, natural disasters, unauthorized access, cyber-attack and other similar disruptions. Any such system failure, accident or security breach could disrupt the Company's operations, decrease performance, increase costs, damage Titan's reputation, and we could be subject to liability. Any of these consequences could have an adverse effect on the Company's business, financial condition, results of operations and cash flow.

**Proprietary Protection**

Titan relies on 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 its 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. If necessary or desirable, we may seek 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 2022 Audited Financial Statements, is available on SEDAR at [www.sedar.com](http://www.sedar.com) or on its website, [www.titanlogix.com](http://www.titanlogix.com).

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Stock Symbol: TLA

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## 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, BAsC, Engineering, MBA**

## Officers:

**Nicholas Forbes**  
Chief Executive Officer

**Angela Schultz, CPA, CMA**  
Chief Financial Officer

## Auditors:

Kingston Ross Pasnak LLP

[www.titanlogix.com](http://www.titanlogix.com)