

Management's Discussion and Analysis

Q3 Fiscal 2022

May 31, 2022



TITAN
LOGIX

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) has been prepared by management as of July 20, 2022. It updates the annual MD&A included in our 2021 annual report and should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes for the period ended May 31, 2022 as well as the audited consolidated financial statements and MD&A included in the Company's 2021 annual report for fiscal year ended August 31, 2021. The Company prepares and files its condensed consolidated interim financial statements in Canadian dollars and in accordance with International Financial Reporting Standards (IFRS). This MD&A compares the Company's fiscal 2022 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, 2022 as well as the 2021 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;*
- *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 advanced measurement solutions to help businesses reduce risk and maximize efficiencies in bulk liquids transportation. Titan's TD Series of tank level monitors are a market leader in mobile fluid measurement, and are known for their high level of accuracy, rugged design, and solid-state reliability. Our solutions are designed for hazardous and non-hazardous applications, and we serve customers in a wide range of applications including petroleum, environmental solutions, chemical, and agriculture. 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, delivering accurate level measurement, overfill protection, and a wide variety of integrated control capabilities while avoiding costly downtime for repair and maintenance. Building on our years of success in the crude oil market, our strategy is to grow our business through partnerships with customers, dealers, and OEMs, addressing unique challenges in transporting liquids safely and efficiently. Our next generation of TD products is focused on delivering this same reliable operation on a technology platform that enables our customers to mobilize their data as part of a complete Supply Chain Management (SCM) solution.

QUARTERLY HIGHLIGHTS

- Revenues in the third quarter of fiscal 2022 increased by \$227,904 or 21% to \$1,292,204, from the \$1,064,300 recorded in the comparative prior period. This increase was primarily due to increased demand and volume increases for the GWR product line from the crude oil sector due to increased confidence in the global supply chain for tanker OEMs.
- Gross profit for the third quarter of fiscal 2022 increased by \$155,333 to \$713,497 or 55% of revenue compared to \$558,164 or 52% of revenue in the comparative period. This increase in gross profit is primarily due to the increase in unit demand and revenue. The increase in the gross profit percentage is the result of price increases combined with lower overhead costs.
- Total expenses in the third quarter of fiscal 2022 decreased by \$132,160 to \$566,073 as compared with \$698,233 in the comparative prior period. This decrease in total expenses was primarily due to a reduction in engineering costs and reduction in the loss on foreign exchange partially offset by an increase in general and administration expenses. The Company continues to focus on cost management, particularly with respect to discretionary spending. Investment in sales and marketing programs and product development focusing on enhancing product capabilities is ongoing.
- In the third quarter of fiscal 2022, the Company reported an operating income before other items of \$147,424 compared to an operating loss of \$140,069 in the third quarter of fiscal 2021. Adjusted for interest income and other items, the net earnings after income taxes for the third quarter was \$403,414 compared to net earnings after taxes of \$6,178 in the prior period. The quarterly improvement in the operating income before other items reflects the increase in revenue and gross profit combined with the decrease in total expenses. This improvement in the operating income combined with the impact of the increase in finance income from the early settlement of its secured loan investment resulted in the increase in the earnings after taxes. On May 9th, the Company's investment in its secured loan was repaid in full. This included the principal amount of \$3,200,000, accrued interest of \$137,420, plus a make whole fee, representing an additional three months of interest of \$90,242.
- During the fiscal year the Company wound-down its participation in the Canada Emergency Wage Subsidy ("CEWS") program. No benefits were received in the third quarter of fiscal 2022, and \$76,281 was received for the nine-month period for fiscal 2022. This compares with \$161,900 and \$345,747 in the comparative prior periods.

FISCAL 2022 Q3 RESULTS OF OPERATIONS

(\$000's, except gross margin (%) and per share amounts)	Three months ended May 31,				Nine months ended May 31,			
	2022	2021	Increase (Decrease)		2022	2021	Increase (Decrease)	
	\$	\$	\$	%	\$	\$	\$	%
Revenue	1,292	1,064	228	21	3,004	2,663	341	13
Cost of sales	579	506	73	14	1,332	1,371	(39)	(3)
Gross profit	713	558	155	28	1,672	1,292	380	29
Gross margin (%)	55%	52%			56%	49%		
Expenses								
General and administration	286	216	70	33	1,117	687	430	62
Marketing and sales	141	160	(19)	(12)	481	513	(32)	(6)
Engineering	66	144	(78)	(54)	309	380	(71)	(19)
Depreciation and amortization	65	88	(23)	(26)	212	280	(68)	(24)
Loss (gain) on foreign exchange	7	90	(83)	(92)	(15)	129	(143)	(112)
Total expenses	566	698	(132)	(19)	2,104	1,989	115	6
Finance income	260	152	108	71	548	513	35	7
Other items	(4)	(5)	(1)	(29)	(13)	(18)	(5)	(30)
Net earnings (loss)	403	6	397	6,430	104	(201)	305	151
EPS – Basic and Diluted	0.01	0.00	0.01		0.00	(0.01)	0.01	

Revenue and gross profit

The Company's revenue is primarily 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 into the mobile tanker truck market, servicing upstream/midstream customers. The Company's revenue in the third quarter of fiscal 2022 increased by \$227,904 or 21% to \$1,292,204, as compared to \$1,064,300 for the third quarter of fiscal 2021. Revenue for the nine month period ended May 31, 2022 increased by 13% to \$3,004,135 as compared to \$2,663,086 for the comparative period. The increase in revenue in the quarter and year-over-year was primarily a combination of 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.

In the current fiscal quarter revenues generated from the Canadian market decreased by \$86,582 or 23% to \$290,904 as compared to \$377,486 in the comparative prior period. For the nine months ended May 31, 2022, year-over-year Canadian revenues increased by 1% to \$739,975 and accounted for 2% of the year-over-year increase in revenues. Sales to the U.S. for the three months ended May 31, 2022 increased by \$314,486 or 46% to \$1,001,300 as compared to \$686,814 in the comparative period. Sales to the U.S. for the nine month period ending May 31, 2022 increased by \$335,995 or 17% to \$2,264,160 as compared to \$1,928,165 in the comparative period. These sales accounted for 77% of the revenues in the third quarter of fiscal 2022 (2021 – 65%) and 75% for the nine months May 31, 2022 (2021 – 72%). 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 the nine months ended May 31, 2022, compared with \$1.28 Canadian for the prior period.

As a percentage of revenue, sales of the Company's GWR product line of technologies contributed 97% to sales in the third quarter of fiscal 2022 and 96% year to date. This compares to 97% and 96% in the corresponding prior periods.

Gross profit increased by \$155,333 to \$713,497 or 55% as a percentage of sales for the third quarter of fiscal 2022 compared with \$558,164, or 52% as a percentage of sales for the comparative period. Gross profit increased by \$379,768 to \$1,672,158 or 56% as a percentage of sales for the nine month period compared with \$1,292,390, or 49% as a percentage of sales for the comparative period. The increase in gross profit in the current fiscal quarter and year-over-year is primarily due to the increase in unit demand and revenue. The increase in the gross profit as a percentage of revenue in the current fiscal quarter and year-over-year is the result of price increases in the prior year combined with lower overhead costs.

Expenses, general and administration

General and administrative expenses (G&A) for the third quarter of fiscal 2022 were \$285,907, an increase of \$70,343 or 33% from the \$215,564 recorded in the third quarter of fiscal 2021. The increase in the current quarter is primarily due to increased payroll expenses, director fees and professional fees. Payroll expenses in the current quarter did not include benefits of CEWS subsidies compared with benefits of \$30,484 recorded in the comparable period. General and administrative expenses for the nine month period were \$1,116,690 an increase of \$429,311 or 62% from the \$687,379 recorded in the comparable prior period. The increase year-over-year is primarily an increase in payroll expenses due to severance costs associated with executive termination combined with an increase in director and professional fees. The year-over-year increase was partially offset by a decrease in one-time consulting costs for the implementation of the new ERP system in the prior period. General and administration expenses include the benefit of CEWS subsidies of \$13,884 in the nine month period ending May 31, 2022 compared with \$67,999 in the comparable prior period. G&A, as a percentage of revenue, was 22% for the third quarter and 37% for the nine months ended May 31, 2022 compared to 20% and 26% respectively for the same periods of fiscal 2021.

Expenses, marketing and sales

Marketing and sales expenses for the third quarter of fiscal 2022 were \$141,034 a decrease of \$19,072 or 12% from the \$160,106 recorded in the comparative prior period. Marketing and sales expenses for the nine month period were \$481,454 a decrease of \$31,860 or 6% from the \$513,314 recorded in the comparable prior period. The decrease in the current quarter and year-over-year reflects lower payroll related expenses due to a change in the sales and marketing team combined with a reduction in discretionary costs. The year-over-year 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 subsidies of \$22,522 were received in the nine month period ending May 31, 2022 compared with \$63,854 in the comparable prior period. As a percentage of revenue, marketing and sales expenses were 11% for the third quarter of fiscal 2022 and 16% for the nine months ended May 31, 2022 compared to 15% and 19% respectively for the same periods of fiscal 2021.

Expenses, engineering

Engineering expenses for the third quarter of fiscal 2022 were \$66,186 a decrease of \$77,626 or 54% from the \$143,812 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. Engineering expenses for the nine month period were \$308,908 a decrease of \$70,836 from the \$379,744 recorded in the comparable prior period. The year-over-year decrease is primarily due to the lower salary expenses and was partially offset by an increase in consulting costs and a decrease in refundable tax credits. Development tax credits of \$71,497 were earned in the nine month period as compared to \$96,360 in the comparable period. CEWS benefits of \$30,001 were received in the nine month period ending May 31, 2022 compared to \$143,014 in the comparable prior period.

Expenses, depreciation and amortization

Depreciation and amortization expenses included in operating expenses in the first nine months of fiscal 2022 totalled \$211,591 compared to \$279,726 in the previous prior period. Additional depreciation expenses recorded in cost of sales in the current nine month period totalled \$66,481, compared to \$67,308 in the comparable 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 \$14,851 on foreign currency exchange in the nine months ended May 31, 2022 consisting of a realized gain on exchange of \$3,001 and an unrealized gain of \$11,850. This compares to a loss of \$128,576 on foreign currency exchange in the previous period consisting of a unrealized loss on exchange of \$146,224 and a realized gain of \$17,648.

Operating income (loss) and net earnings (loss)

The operating income before other items and income taxes was \$147,424 for the third quarter of fiscal 2022 as compared to an operating loss before other items and income taxes of \$140,069 in the comparative prior period. The operating loss for the first nine months of fiscal 2022 was \$431,634 as compared to an operating loss of \$696,349 in the comparative prior period. The improvement in operating income in the current fiscal quarter was due to the increase in revenue and gross profit combined with the decrease in total expenses, whereas the year-over-year improvement was primarily due to the gross profit impact of increased sales, which offset the slight increase in expenses.

Net earnings after income taxes were \$403,414 in the current quarter as compared to net earnings of \$6,178 in the comparable prior period. Net earnings after tax for the first nine months of fiscal 2022 were \$103,649 compared to a net loss of \$201,287 in the comparative prior period. The increase in the earnings after income taxes in the current fiscal quarter and year-over year was largely due to the impact of higher gross margins earned due to the increase in revenues. The third quarter of the fiscal year was further impacted by the decrease in expenses and the increase in finance income. Finance income increased by \$108,164 to \$259,810 compared with \$151,646 in the corresponding prior period. This increase was primarily due to a make whole fee, representing three months of additional interest, or \$ 90,242, recorded upon the early repayment of its secured loan investment on May 9, 2022. In the nine month period, the Company benefited from CEWS subsidies in the amount of \$76,281 compared to \$345,747 from CEWS subsidies in the comparable period.

SUMMARY OF QUARTERLY RESULTS

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

Fiscal year	2022			2021				2020
	Q3	Q2	Q1	Q4	Q3	Q3	Q1	Q4
Revenue	1,292	1,088	624	871	1,064	750	849	609
Gross profit	713	629	330	547	558	353	381	355
Operating income (loss) before other items and income taxes	147	(275)	(304)	(154)	(140)	(255)	(301)	(262)
Net earnings (loss) before income taxes	403	(137)	(163)	(11)	6	(65)	(142)	(108)
Net earnings (loss)	403	(137)	(163)	(26)	6	(65)	(142)	(108)
EPS – Basic and Diluted	0.01	(0.00)	(0.01)	(0.00)	0.00	(0.00)	(0.00)	(0.00)

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 \$16,373,965 on May 31, 2022 as compared to \$16,273,707 on August 31, 2021. Cash and cash equivalents increased by \$118,101 to \$9,904,405. Accounts receivable increased by \$9,268 and inventories increased by \$216,934. Total liabilities decreased by \$37,891. As at May 31, 2022, Titan had positive working capital (current assets less current liabilities) of \$14,779,774 compared to \$11,386,485 at August 31, 2021. The increase in working capital is primarily a result of the receipt in the quarter of the remaining principal on the Company's investment in secured loan.

Summary of Cash Flows

Operating Activities

Net cash flows used in operating activities for the nine-month fiscal period totalled \$285,029, compared to \$313,374 used in the comparative period. This decrease in cash flows used in operating activities is primarily due to the net earnings offset by changes in non-cash operating working capital accounts.

Non-cash operating 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 operating working capital used in the amount of \$165,967 in the nine-month fiscal period is largely a result of an increase of inventory to meet anticipated demand offset by the increase in accounts payable. This compares with non-cash working capital provided in the comparable period in the amount of \$35,941, largely as a result of cash flow from a consumption of inventory, offset by the increase in accounts receivables and a decrease in accounts payable.

Investing Activities

Net cash flows generated in investing activities for the nine-month fiscal period totalled \$512,840, compared with \$744,991 generated in the comparative prior period. This decrease in cash in the nine month period as compared with the corresponding prior period is mainly due to the net changes in cash flow on the Company's investment in the secured loan. In the nine month period cash was generated on the repayment of the Company's principal investment in the secured loan of \$3,471,666, and finance income of \$542,124. 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 \$291,667 and finance income of \$408,748 in the comparable prior period.

Financing Activities

Net cash flows used in financing activities for the nine-month fiscal period amounted to \$109,710 for payment of lease obligations as compared to \$116,734 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

	July 20, 2022	May 31, 2022	August 31, 2021
Common shares issued and outstanding	28,536,132	28,536,132	28,536,132
Options outstanding	350,000	350,000	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 (nine months ended May 31, 2021 – no options were granted). The weighted average grant date fair value of \$0.23 was estimated on January 24, 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 nine month period 100,000 options were forfeited.

BUSINESS OUTLOOK

Demand for Titan's products is closely linked to industry demand for new mobile unit tanker builds from original equipment manufacturers (OEMs). New tanker builds have been constrained by supply chain conditions and rising input costs across the entire industry, resulting in increased lead-times and significant delays in new tanker construction. These factors impact the timing of order receipt for our products and revenue. Despite the supply chain impact on new mobile tanker builds, market conditions remain relatively unchanged from the previous quarter with continued strong demand for our products. In order to maintain revenues in view of the uncertainty of order receipt timing Titan supports our dealer and OEM partners with on-hand inventory and next day delivery of our tank gauging and overfill prevention solutions.

In order to grow and expand our market share into new markets and new digital applications the Company plans to build upon its success of its industry-leading technology found in the TD80™ and TD100™ gauges. Development is ongoing on its new product line with added capabilities that combine with the same features found in the TD80™ and TD100™ gauges. The technology, currently named the T-Lite, builds upon a solid foundation of accurate, reliable measurement, while adding feature rich functionality through wireless connectivity in a scalable package. Field trials of the T-Lite system are ongoing with an official release date to be announced once the technology has been field proven.

The Company is currently in the process of finalizing its long-term strategic growth plan that focuses on adjacent market opportunities in the mobile liquid measurement space. The Company has a strong balance sheet to purchase accretive products and services that will accelerate growth as those opportunities are developed.

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, competition and impact of pandemics as described in the Company's business risks and uncertainties in its 2021 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 2021 annual report.

ADDITIONAL INFORMATION

Additional information relating to Titan Logix Corp., including its 2021 Audited Financial Statements, is available on SEDAR at www.sedar.com or on its website, www.titanlogix.com.

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