

Management's Discussion and Analysis

Q3 Fiscal 2023

May 31, 2023



TITAN
LOGIX

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) has been prepared by management as of July 19, 2023. It updates the annual MD&A included in our 2022 annual report and should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes for the period ended May 31, 2023 as well as the audited consolidated financial statements and MD&A included in the Company's 2022 annual report for fiscal year ended August 31, 2022. 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 2023 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, 2023 as well as the 2022 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 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 TD100™ series of mobile gauges, offering fleet operators accurate level measurement, reliable overflow 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.

QUARTERLY HIGHLIGHTS

- Revenues for the third quarter of fiscal 2023 improved over the comparative prior period as the demand for the GWR product line continued to strengthen, resulting in a \$335,730 or a 26% increase in the Company's revenues for the third quarter. Revenues in the third quarter were \$1,627,934, compared with the \$1,292,204 recorded in the comparative prior period. This increase in demand for the GWR was due to an improvement in the global supply chain, and a persistent backlog for new tanker builds in crude oil, recycled oil, and aviation refueling sectors.
- Gross profit for the third quarter of fiscal 2023 was \$777,794 or 48% of revenue compared to \$713,497 or 55% of revenue in the comparative prior period. The 7% reduction in gross profit as a percentage of sales resulted from an increase in unit manufacturing input costs due to inflationary price increases in components.
- Total expenses in the third quarter of fiscal 2023 increased by \$324,018 to \$890,091 as compared with \$566,073 in the comparative prior period. This increase in total expenses was primarily due to an increase in development investments to promote future growth and the expansion of the sales and marketing team to grow the customer base and support new product investments.
- During the fiscal quarter the development team focused on the expansion of its current GWR platform with a new feature supporting a multi compartment unit. This new feature will potentially expand the Company's offering to a new market, tankers with more than two storage compartments, a common configuration in recycled oil and refined fuel markets.
- In the third quarter of fiscal 2023, the Company reported an operating loss before other items of \$112,297 compared to operating income of \$147,424 in the comparative prior period. The operating loss before other items for the third quarter of fiscal 2023 was due to the reduction in the gross profit percentage combined with the increase in total expenses.
- Net loss after income taxes for the third quarter of fiscal 2023 amounted to \$412,271 compared to net earnings after taxes of \$403,414 in the comparative prior period. The increase in the net loss was largely due to the recording of a \$460,750 unrealized loss on the investment in Bri-Chem Corp. common shares, slightly offset with finance income of \$179,531, combined with the operating loss before other items of \$112,297. At August 31, 2022, the Company recorded a \$732,250 unrealized gain on its investment in Bri-Chem Corp. common shares.

FISCAL 2023 Q3 RESULTS OF OPERATIONS

| (\$000's, except gross margin (%) and per share amounts) | Three months ended May 31, | | | | Nine months ended May 31, | | | |
|--|----------------------------|--------------|---------------------|-------|---------------------------|--------------|---------------------|------|
| | 2023 | 2022 | Increase (Decrease) | | 2023 | 2022 | Increase (Decrease) | |
| | \$ | \$ | \$ | % | \$ | \$ | \$ | % |
| | | | | | | | | |
| Revenue | 1,628 | 1,292 | 336 | 26 | 4,653 | 3,004 | 1,649 | 55 |
| Cost of sales | 850 | 579 | 271 | 47 | 2,239 | 1,332 | 907 | 68 |
| Gross profit | 778 | 713 | 65 | 9 | 2,414 | 1,672 | 742 | 44 |
| Gross margin (%) | 48% | 55% | | | 52% | 56% | | |
| Expenses | | | | | | | | |
| General and administration | 335 | 286 | 49 | 17 | 974 | 1,117 | (143) | (13) |
| Marketing and sales | 245 | 141 | 104 | 74 | 663 | 481 | 182 | 38 |
| Engineering | 238 | 66 | 172 | 260 | 459 | 309 | 150 | 49 |
| Depreciation and amortization | 65 | 65 | - | - | 195 | 212 | (17) | (8) |
| (Gain) loss on foreign exchange | 7 | 7 | - | - | (95) | (15) | (80) | 541 |
| Total expenses | 890 | 566 | 324 | 57 | 2,196 | 2,104 | 92 | 4 |
| Unrealized loss on securities | (477) | - | 477 | 100 | (577) | - | 577 | 100 |
| Finance income | 180 | 260 | (80) | (31) | 463 | 548 | (85) | (15) |
| Other items | (2) | (4) | (2) | (43) | (11) | (13) | (2) | (15) |
| Net earnings (loss) | (412) | 403 | (815) | (202) | 93 | 104 | (11) | (11) |
| EPS – Basic and Diluted | (0.01) | 0.01 | (0.02) | | 0.00 | 0.00 | 0.00 | |

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 third quarter of fiscal 2023 increased by \$335,730 or 26% to \$1,627,934, as compared to \$1,292,204 for the third quarter of fiscal 2022. Revenue for the nine month period ended May 31, 2023 increased by 55% to \$4,652,962 as compared to \$3,004,135 for the comparative period. The increase in revenue in the quarter and year-over-year was primarily due to the increase in demand for GWR products as delivery rates for new tanker builds are ramping up at the OEM level across the crude oil, recycled oil, and aviation refueling sectors.

In the current fiscal quarter revenues generated from the Canadian market increased by \$206,643 or 71% to \$497,547 as compared to \$290,904 in the comparative prior period. For the nine months ended May 31, 2023, year-over-year Canadian revenues increased by 99% to \$1,475,536 and accounted for 45% of the year-over-year increase in revenues. Sales to the U.S. for the three months ended May 31, 2023 increased by \$129,087 or 13% to \$1,130,387 as compared to \$1,001,300 in the comparative period. Sales to the U.S. for the nine month period ending May 31, 2023 increased by \$913,266 or 40% to \$3,177,426 as compared to \$2,264,160 in the comparative period. These sales accounted for 69% of the revenues in the third quarter of fiscal 2023 (2022 – 77%) and 68% for the nine months May 31, 2023 (2022 – 75%). 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 \$1.36 Canadian during the nine months ended May 31, 2023, compared with \$1.27 Canadian for the prior period.

As a percentage of revenue, sales of the Company's GWR product line of technologies contributed 100% to sales in the third quarter of fiscal 2023 and 99% year to date. This compares to 97% and 96% in the comparative prior periods. Titan will continue to focus its sales efforts on mobile liquid measurement solutions for the tanker truck market.

Gross profit for the third quarter of fiscal 2023 increased by \$64,297 to \$777,794 compared with \$713,497, for the comparative period. For the nine month period gross profit increased by \$741,409 to \$2,413,567 from the \$1,672,158 in the comparative prior period. The increase in the current fiscal quarter and year-over-year is primarily due to the increase in unit demand and revenue. Gross profit as a percentage of revenue decreased by 7% to 48% in the fiscal quarter as compared with 55% in the comparative prior period and decreased by 4% year-over-year to 52% as compared with 56% in the comparative prior period. The favorable impact of increases in revenue was largely offset by the increase in the manufacturing unit costs due to inflationary price increases in component costs, primarily electronics.

Expenses, general and administration

General and administrative expenses (G&A) for the third quarter of fiscal 2023 were \$335,084, an increase of \$49,177 or 17% from the \$285,907 recorded in the comparative prior period. The increase in the current quarter is primarily due to executive recruitment costs, increased travel and executive compensation costs, including stock based compensation. General and administrative expenses for the nine month period were \$974,286 a decrease of \$142,404 or 13% from the \$1,116,690 recorded in the comparable prior period. The year-over-year decrease is primarily due to executive termination costs recorded in the prior period and partially offset by increased travel costs, stock based compensation and executive recruitment costs incurred in the current periods. G&A, as a percentage of revenue, was 21% for the third quarter and for the nine months ended May 31, 2023 compared to 22% and 37% respectively for the same periods of fiscal 2022.

Expenses, marketing and sales

Marketing and sales expenses for the third quarter of fiscal 2023 were \$244,856 an increase of \$103,822 or 74% from the \$141,034 recorded in the comparative prior period. Marketing and sales expenses for the nine month period were \$662,621 an increase of \$181,167 or 38% from the \$481,454 recorded in the comparable prior period. The increase in the current quarter and year-over-year is primarily a result of additions to the sales and marketing team to support new product initiatives and promotional marketing costs. These increases were partially offset by a decrease in travel costs. As a percentage of revenue, marketing and sales expenses were 15% for the third quarter of fiscal 2023 and 14% for the nine months ended May 31, 2023 compared to 11% and 16% respectively for the same periods of fiscal 2022.

Expenses, engineering

Engineering expenses for the third quarter of fiscal 2023 were \$238,055 an increase of \$171,869 from the \$66,186 recorded in the comparative prior period. Engineering expenses for the nine month period were \$459,520 an increase of \$150,612 from the \$308,908 recorded in the comparable prior period. The increase in the current quarter and year-over-year is primarily due to increased compensation expenses due to staffing additions necessary to maintain and improve its product offering combined with a reduction in development government grants. The year-over-year increase was partially offset by a decrease in development consulting services. During the fiscal quarters product development focussed on the development and launch of the multi-compartment Finch II, which expands Titan's offering to tankers with more than two storage compartments, a common configuration in recycled oil and refined fuel markets.

Expenses, depreciation and amortization

Depreciation and amortization expenses included in operating expenses in the first nine months of fiscal 2023 totalled \$194,694 compared to \$211,591 in the previous prior period. Additional depreciation expenses recorded in cost of sales in the current nine months totalled \$63,417, compared to \$66,481 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 \$95,243 on foreign currency exchange in the nine months ended May 31, 2023 consisting of a realized gain on exchange of \$65,647 and an unrealized gain of \$29,596. This compares to a gain of \$14,851 on foreign currency exchange in the previous period consisting of a realized gain on exchange of \$3,001 and an unrealized gain of \$11,850.

Operating income and net earnings

Operating loss before other items and income taxes for the third quarter of fiscal 2023 was \$112,297 as compared to an operating income before other items and income taxes of \$147,424 for the comparative prior period. In the fiscal quarter unit cost increases largely offset the growth in revenue and the decrease in the operating income in the current quarter was primarily due to the gross margin contraction combined with an increase in total expenses. The operating income for the first nine months of fiscal 2023 was \$217,689 as compared to an operating loss of \$431,634 in the comparative prior period. The year-over-year improvement in operating income was primarily due to the increase in revenue and gross profit.

Net loss and comprehensive loss in the third quarter of fiscal 2023 was \$412,271 after tax, compared to an after tax net earnings of \$403,414 reported in the comparable prior period. This decrease in net earnings in the fiscal quarter was due to the decrease in operating income before other items and the impact of unrealized losses on investments recorded in other items. Other items included \$179,531 of investment income generated in the fiscal quarter, compared with \$259,810 in the comparative prior period. and \$477,342 of unrealized losses on the investment in Bri-Chem Corp common shares and the Limited Recourse Capital Notes

(LRCNs), whereas in the prior comparable period, no unrealized losses on investments were recorded, and the investment income contributed to the improvement in earnings.

Net earnings and comprehensive earnings for the first nine months of fiscal 2023 were \$92,651 after tax compared to \$103,649 in the comparative prior period. In the nine month period a loss of \$125,038 recorded in other items contributed to a decrease in net earnings compared with a positive contribution of \$535,283 from other items in the comparable prior period. Other items in the current nine month period included a \$533,500 unrealized loss recorded on the investment in Bri-Chem Corp. common shares and an unrealized loss of \$43,599 on the investment in the LRCNs, offset by finance income generated of \$462,831. In the comparative prior period, no unrealized losses were recorded and finance income of \$547,946 offset the operating loss of \$431,634, resulting in earnings of \$103,649. At August 31, 2022, the Company recorded a \$732,250 unrealized gain on its investment in Bri-Chem Corp. common shares.

SUMMARY OF QUARTERLY RESULTS

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

| Fiscal year | 2023 | | | 2022 | | | | 2021 |
|---|--------|-------|-------|-------|-------|--------|--------|--------|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 |
| Revenue | 1,628 | 1,522 | 1,503 | 1,324 | 1,292 | 1,088 | 624 | 871 |
| Gross profit | 778 | 799 | 837 | 721 | 713 | 629 | 330 | 547 |
| Operating income (loss) before other items and income taxes | (112) | 87 | 243 | 206 | 147 | (275) | (304) | (154) |
| Net earnings (loss) before income taxes | (412) | 90 | 415 | 1,022 | 403 | (137) | (163) | (11) |
| Net earnings (loss) | (412) | 90 | 415 | 1,022 | 403 | (137) | (163) | (26) |
| EPS – Basic and Diluted | (0.01) | 0.00 | 0.01 | 0.04 | 0.01 | (0.00) | (0.01) | (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 continually focuses 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 \$17,687,208 on May 31, 2023 as compared to \$17,499,282 on August 31, 2022. Cash and short term investments decreased by \$980,805 to \$11,786,301. Accounts receivable decreased by \$11,793 and inventories increased by \$272,370. Total liabilities increased by \$25,686. As at May 31, 2023, Titan had positive working capital (current assets less current liabilities) of \$14,426,287 compared to \$15,857,691 at August 31, 2022. The decrease in working capital is a result of the investment in Limited Recourse Capital Notes, longer term fixed income securities.

Summary of Cash Flows

Operating Activities

Net cash flows generated in operating activities for the nine-month fiscal period totalled \$459,078, compared to \$285,029 used in the comparative period. This increase in cash flows generated in operating activities is primarily due to the increase in operating earnings and 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 \$86,311 in the nine-month fiscal period is largely a result of an increase of inventory to meet anticipated demand, partially offset by the increase in accounts payable and accrued liabilities. This compares with non-cash working capital used in the comparable period in the amount of \$165,967, largely a result of an increase of inventory offset by the increase in accounts payable.

Investing Activities

Net cash flows generated from investing activities for the nine-month fiscal period totalled \$349,402 compared with \$512,840 in the comparative prior period. In the nine month period a GIC for \$3,500,000 matured and in the second quarter \$1,780,870 was invested in highly liquid investment grade Limited Capital Recourse Notes with a stated annual interest rate of 4.3% and an effective rate of 6.72%. Interest on the LRCNs is payable semi-annually, for the initial period ending on but excluding November 15, 2025. The interest rate will then be reset every five years at a rate equal to the prevailing five-year Government of Canada Yield plus 3.943%. The notes mature on November 15, 2080. The balance of the GIC was reinvested and current GICs and high interest savings are earning average annual interest of 5.46%. A GIC of \$1,820,425 is classified as short term investments and the remaining GICs are classified as cash and cash equivalent as they are cashable within 90 days of investment.

Financing Activities

Net cash flows used in financing activities for the nine-month fiscal period and the comparable period amounted to \$109,710 for payment of lease obligations.

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 19, 2023 | May 31, 2023 | August 31, 2022 |
|--------------------------------------|----------------------|---------------------|------------------------|
| Common shares issued and outstanding | 28,536,132 | 28,536,132 | 28,536,132 |
| Options outstanding | 1,300,000 | 1,300,000 | 950,000 |

On November 24, 2022 350,000 stock options were granted at an exercise price of \$0.51, 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 November 24, 2027. The weighted average grant date fair value of \$0.20 was estimated on November 24, 2022 using the Black-Scholes pricing model. Stock based compensation of \$69,589 was recorded during the period related to the vesting of options granted August 31, 2022 and November 24, 2022.

BUSINESS OUTLOOK

Titan expects the demand to remain strong in the crude oil, recycled oil, and aviation refueling markets. Titan offers a more accurate, reliable, and maintenance free solution to customers seeking overflow protection and continuous level monitoring. Our solutions reduce the total cost of ownership (TCO) to the customer when compared to a competitor's offer.

The Company is executing its 3-year strategic roadmap to expand its unique offering to new markets and develop a digitally enabled, vertical strategy. Highlights include:

- The early success of Titan's multi-compartment Finch II creates a strong foundation for bringing continuous level to the refined fuels market, where customers can benefit from knowing accurate levels across all compartments, in real time. We are working with OEM partners and fleet operators to test the product-market fit, with an expectation that some future investment will be required to penetrate the broader market with scale.
- With the addition of Wi-Fi and Bluetooth capability to the Finch II Display, Titan will be focusing on the development of our digital strategy, which leverages our core capabilities in liquid level monitoring and the value that real-time inventory visibility brings to customers in bulk liquids transportation. In Q4, Titan will focus on some of the technical, and market requirements to mobilize and integrate liquid level data with several, industry-leading technology partners.

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 2022 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 2022 annual report.

ADDITIONAL INFORMATION

Additional information relating to Titan Logix Corp., including its 2022 Audited Financial Statements, is available on SEDAR at www.sedar.com or on its website, www.titanlogix.com.

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www.titanlogix.com