



Management's Discussion and Analysis
Fiscal 2019

AUGUST 31, 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) has been prepared by management as of November 19, 2019. 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 2019 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, 2019 and 2018. The Company prepares and files its consolidated financial statements in Canadian dollars and in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements and MD&A, as well as additional information regarding Titan Logix Corp., are available at www.sedar.com and on the Company's website at www.titanlogix.com. Titan Logix Corp.'s board members and its audit committee have reviewed and approved 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;*
- *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.*

THE TITAN VISION, BRAND PROMISE AND CORE VALUES

Titan Logix Corp.'s VISION is to be a "Catalyst for Transformative Thinking" for our customers. We do this by enabling our customers to be leaders in the gathering, management and analysis of data, making their businesses decisions smarter, faster, more adaptable to change. We are continually transforming our thinking as well as that of our customers. We help them to be more efficient, more profitable and to lead in their respective industries.

Our Brand Promise: "Making you smarter. With data that works."

Titan Logix has four core values that are integrated into the work we do and are the cornerstone of our strong corporate culture. Our commitment to; **Be Curious, Be Collaborative, Have an Innovative Mindset, and Own It** are instrumental in inspiring our team and guiding our decisions and actions for a successful future.

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.

Titan focuses on providing data driven solutions for Supply Chain Management (SCM) of goods and service supplied to oil and gas, and the transportation industries. Titan's solutions had traditionally focused on mobile level sensor technology. Our recently launched cloud connected products enable data from our mobile level sensor technology to be collected, managed and packaged for business intelligence and control. The ultimate solution consists of Titan's products integrated with best-in-class data management to enable end-to-end Industrial Internet of Things (IIoT) solutions for our customers' SCM.

For almost 30 years, Titan Logix Corp. has designed and manufactured advanced technology instruments for businesses that transport corrosive, hazardous and/or valuable liquids while ensuring accurate, automated inventory management of these assets. Our technology is designed to reduce the risks of hazardous, costly, and time-consuming overfills. Titan's TD Series of tank gauges are the market leader in mobile fluid measurement, and are known for their rugged, solid-state reliability with no floats or moving parts that can fail in challenging environments. These Guided Wave Radar (GWR) level gauging technologies are a part of a complete IIoT supply chain management solution. Operating independently or as part of a fully integrated data collection and analytics system, these liquid level gauging devices provide time-sensitive data for business decision and control.

We have recognized that our clients require a complete solution that enables real-time monitoring of their assets at each stage in the process as they move their products to market. Titan's IIoT solution offerings enable customers to monitor their fluid assets from the convenience of their dispatch center, back office environment, or through a mobile device. Titan's data Gateway for mobile tankers, provides the ability to transmit the asset data from Titan's TD100™, Finch II and LoadMaxx products. The Titan Gateway can collect real time data on driver performance, fluid level and weight inventories, alarm conditions, and GPS location data and transmit it to cloud services. Through cloud based technology this data can be displayed on web enabled dashboards to provide customers with a unique view into the productivity, environmental compliance, and driver behavior. The supply chain management solution equips business managers with a variety of business intelligence and data analytics to more effectively measure, manage and enhance the performance of their mobile tanker fleet.

We currently serve the crude oil, produced water, refined fuel, used oil collection, aircraft refueling, chemical, and vacuum markets. New drilling activity employs mobile tankers to deliver necessary process fluids to well sites. The initial well head activity requires offsite transfer of process water for treatment or disposal. The production well heads not directly connected to pipeline networks require mobile transfer of crude oil to pipeline terminals and processing. Each stage stimulates mobile tanker activity. These liquids are transported in many shapes and sizes of mobile tankers. Each of these tankers requires a level measurement and overflow prevention system to enable rolling-stock inventory management, ensure against overfills (which would result in high-impact environmental incidents), protect equipment from damage, improve the efficiency of the operation and help ensure driver safety. Titan's TD80™ and TD100™ provides these valuable features. Titan's main sales channel for our transport products is through mobile tank Original Equipment Manufacturers (OEMs), dealers, and channel partners in Canada, the U.S. and Mexico.

Titan Logix in partnership with Pedigree Technologies have created an industry leading supply chain management solution for the management of produced water at the wellsite, as well as fresh and wastewater created during drilling and fracking operations.

The overall solution will help customers track and monitor produced water movement while simultaneously helping automate transportation logistics, improve safety and environmental concerns, and accuracy across the supply chain from ticketing through invoicing. We put the right numbers in front of the customer, measured with unmatched precision, so that the focus can be on what matters and make the best decisions for the business. Titan's solution saves time and operating costs by reducing or shrinking the scrap or overage in the wastewater management process. Our advanced technology hardware measures the data from source to disposal and the leading-edge software orchestrates and helps manage and track the supply chain across vendors instantaneously. Exploration and production (E&P) companies are beginning to understand the value proposition that comes with the implementation of our joint produced water SCM solution.

Titan's strategy is to research, design, develop and/or acquire field sensor products (data generators) that are:

- Safe to install, operate, and maintain;
- Simple and cost effective to implement;
- Best in class technologically;
- Flexible in application;
- Designed to be system agnostic and platform independent;
- Forward thinking and scalable to meet customer needs today and tomorrow.

Building upon a solid foundation in advanced fluid management for mobile tankers we will develop applications internally and seek out technology partners externally. Our strategy is to diversify our portfolio of IIoT applications supporting supply chain management solutions beyond fluid management to other supply.

SELECTED ANNUAL FINANCIAL INFORMATION

Years ended August 31 (audited)	2019 \$	2018 \$	2017 \$
Revenue	5,570,924	4,494,588	3,512,527
Net earnings (loss) before income taxes	160,538	56,639	(989,725)
Net earnings (loss)	109,960	(3,781)	(982,388)
EPS – Basic and diluted	0.00	0.00	(0.03)
Total assets	16,928,069	16,750,962	16,685,920
Long-term liabilities	nil	nil	26,504
Dividends	nil	nil	nil

2019 HIGHLIGHTS

- Revenues for fiscal 2019 improved to \$5,570,924, a \$1,076,336 or 24% increase from the \$4,494,588 recorded in fiscal 2018. This improvement is primarily due to an increase in demand for the Company's guided wave radar (GWR) product line in the mobile tanker truck market in the U.S.
- The gross profit for fiscal 2019 increased by \$730,981 to \$2,948,884 or 53% of revenue compared to \$2,217,903 or 49% of revenue in fiscal 2018. This improvement is primarily due to the increase in revenue.
- The operating loss before other items was \$507,755 compared to an operating loss of \$427,607 in fiscal 2018. This increase in the operating loss before other items was primarily due to an increase in engineering expenses and employee termination costs included in G&A which were offset by the improved revenue and a decrease in marketing and sales costs.
- Net earnings after income taxes was \$109,960 compared to a net loss after taxes of \$3,781 in fiscal 2018. This improvement was primarily a result of the increase in finance income, combined with the increase in revenue and gross profit.
- During the last half of fiscal 2019 the Company completed development and released the battery back-up option for the TD100™ and Gateway products. This option provides flexibility and is a more cost-effective installation for its customers. The battery solution facilitates the use of GWR and Gateway products in other data critical operations where availability of local power is an issue.

FISCAL 2019 RESULTS OF OPERATIONS

	Year ended August 31			
	2019	2018	Increase (Decrease)	
	\$	\$	\$	%
Revenue	5,570,924	4,494,588	1,076,336	24
Cost of sales	2,622,040	2,276,685	345,355	15
Gross profit	2,948,884	2,217,903	730,981	33
Gross margin (%)	53	49		
Expenses				
General and administration	1,637,799	1,352,163	285,636	21
Marketing and sales	849,429	935,625	(86,196)	(9)
Engineering	658,711	186,423	472,288	253
Depreciation and amortization	334,550	222,385	112,165	50
(Gain) on foreign exchange	(23,850)	(51,086)	27,236	(53)
Total expenses	3,456,639	2,645,510	811,129	31
Net earnings (loss)	109,960	(3,781)	113,741	(3,008)
EPS - Diluted	0.00	0.00	0.00	

Revenue and gross profit

The Company's revenue is largely derived from instrument sales of its GWR product line of technologies (TD80™/TD100™, Finch II and related components) throughout Canada and the U.S. These technologies are sold primarily into the mobile tanker truck market, servicing upstream/midstream customers. Due to improved industry conditions, revenue increased by 24% to \$5,570,924 for fiscal 2019, as compared to \$4,494,588 for fiscal 2018. The year-over-year improvement in revenues is primarily due to the increase in demand for instruments in the U.S. market. Revenues generated from the Canadian market decreased slightly to \$1,849,722 as compared to \$1,984,531 in fiscal 2018.

Sales outside of Canada, primarily to the U.S, for fiscal 2019 increased by \$1,211,145 or 48% to \$3,721,202 as compared to \$2,510,057 in fiscal 2018. These sales accounted for 67% of the revenues in fiscal 2019 (2018 – 56%). These sales are transacted in U.S. dollar currency and any change in the exchange rate affects the value at which transactions are recorded. Revenue was recorded at an average exchange rate of \$1.32 Canadian during fiscal 2019, compared with \$1.28 Canadian for the prior year.

As a percentage of revenue, sales of the Company's GWR product line of technologies contributed 91% to sales in fiscal 2019 and in fiscal 2018.

Due to increased unit sales, gross profit improved to \$2,948,884, or 53% as a percentage of sales for fiscal 2019 compared with \$2,217,903, or 49% as a percentage of sales for the previous year. Cost of sales increased by \$345,355 to \$2,622,040 in fiscal 2019, as compared to fiscal 2018. Cost of sales consists primarily of materials, direct labour and production overhead costs. Cost of sales also includes expenses for service and engineering related support and sustainment costs. The increase in the cost of sales year-over-year was primarily due to the increase in units sold and resulting product costs.

Expenses, general and administration

General and administrative expenses (G&A) for fiscal 2019 were \$1,637,799, an increase of \$285,636 or 21% from the \$1,352,163 recorded in fiscal 2018. The increase is primarily a result of executive termination costs recorded in the first quarter of the fiscal year and the increase in share-based compensation and bad debt expense. G&A, as a percentage of revenue, was 29% for fiscal 2019 compared to 30% for fiscal 2018.

Expenses, marketing and sales

Marketing and sales expenses for fiscal 2019 were \$849,429 a decrease of \$86,196 or 9% from the \$935,625 recorded in fiscal 2018. The decrease year-over-year is primarily a result of decreased compensation due to restructuring of the workforce during the year and lower trade show expenses compared to the prior period. As a percentage of revenue, marketing and sales expenses were 15% for fiscal 2019 as compared to 21% for fiscal 2018.

Expenses, engineering

Engineering expenses are incurred primarily for product enhancements including product cost reductions, new product research and the preparation and introduction of new third-party products into Titan's product suite. Engineering expenses for fiscal 2019 were \$658,711 an increase of \$472,288 from the \$186,423 recorded in fiscal 2018. The increase year-over-year is primarily due to engineering time dedicated to product enhancements, compared with time dedicated to capitalized product development activities in the previous fiscal period. During the fiscal year Titan completed its battery back-up solution which allows for remote power capability and facilitates the use of GWR and Gateway products in data critical operations where local power is an issue. In addition, Titan has initiated product improvement efforts to reduce hardware costs and improve its hardware architecture by developing an open communications protocol allowing its devices to connect seamlessly to third party process control and data management solutions.

Expenses, depreciation and amortization

Depreciation and amortization expenses included in operating expenses in fiscal 2019 totalled \$334,550 compared to \$222,385 in the previous fiscal year. This increase in depreciation and amortization expenses is largely due to the amortization of product development costs for recently commercialized products. Additional depreciation expenses recorded in cost of sales in fiscal 2019 totalled \$16,531, compared to \$12,838 in the previous fiscal year.

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 \$23,850 on foreign currency exchange in fiscal 2019 consisting of a realized gain on exchange of \$15,200 and an unrealized gain of \$8,650. This compares to a gain of \$51,086 on foreign currency exchange in the previous year consisting of a realized gain on exchange of \$19,209 and an unrealized gain of \$31,877.

Operating loss and net earnings

The operating loss before other items and income taxes was \$507,755 for fiscal 2019 as compared to an operating loss before other items and income taxes of \$427,607 in fiscal 2018. The increase in the operating loss was primarily due the increase in G&A due to executive termination costs and the increase in engineering expenses, which offset the growth in revenue and improved gross profit.

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. Due to profitable operations, current tax expense of \$50,578 was recorded in fiscal 2019 as compared to current tax expenses of \$60,420 recorded in fiscal 2018.

The net earnings after income taxes was \$109,960 for fiscal 2019 as compared to a net loss of \$3,781 in fiscal 2018. During the fiscal year, revenue and gross profit improvements were offset with increases in G&A and engineering expenses. As a result, earnings improvement was primarily due to the increase in finance income to \$685,090 for fiscal 2019 from \$550,218 in the comparative period. The fiscal 2019 year-over-year increase in finance income of \$134,872 is primarily from an increase in interest income on the investment in the secured loan and investments in guaranteed investment certificates.

Product development costs

The Company continues to invest in development activities to support and grow its current product line. Total engineering expenditures are comprised of two components; engineering expenditures expensed in the statement of earnings, and engineering expenditures deferred and capitalized. Total expenditures for engineering amounted to \$658,711 for fiscal 2019. This compares with \$778,989 in the comparative fiscal year. The reduction in total engineering costs is due to a reduction in field trial and consulting costs. During the fiscal year development activities focused on product improvement efforts to reduce hardware costs and improve hardware architecture for increased connectivity. These activities did not meet the criteria for capitalization and were expensed and included in the statement of earnings, whereby in fiscal 2018 engineering related expenditures of \$592,566 were capitalized and included on the statement of financial position.

Fourth Quarter Results

For the fourth quarter of fiscal 2019 revenue was \$1,374,132 as compared to \$1,447,743 in the comparative prior period in fiscal 2018. This decrease was largely due to a decrease in revenues experienced in the Canadian market, which offset the growth experienced in the U.S. market. As a result of the increased demand for the GWR product line in the new tanker construction market in the U.S., sales in the U.S. in the fourth quarter were \$1,082,967, an increase of \$200,756 or 23% when compared to \$882,211 in the comparative quarter of fiscal 2018. In western Canada the oil and natural gas industry continues to struggle with a combination of low commodity pricing and a lack of access to new markets. As a result, Canadian sales in the fiscal quarter were \$291,165 or 21% of sales, a decrease of \$274,367 or 49% when compared with sales of \$565,532 or 39% of sales in the comparative quarter of fiscal 2018.

Gross profit was \$674,815 for the fourth quarter of fiscal 2019 compared with \$619,081 for the comparative prior period. As a percentage of sales gross profit improved to 49% compared with 43% of sales in the fourth quarter of fiscal 2018. The increase in gross profit is primarily as a result of the decrease in inventory impairments to \$64,349 in the fourth quarter of fiscal 2019 compared with inventory impairments of \$137,617 in the comparative prior period.

General and administrative expenses for the fourth quarter of fiscal 2019 were \$297,009 a decrease of \$2,491 or 1% from the \$299,500 recorded in the comparable prior period. G&A, as a percentage of revenue, was 22% for the fourth quarter ended August 31, 2019 compared to 21% for the same period of fiscal 2018.

Marketing and sales expenses for the fourth quarter of fiscal 2019 were \$286,616, an increase of \$98,395 or 52% from the \$188,221 recorded in the comparable prior period. The increase is primarily a result of increased compensation, travel and marketing costs. As a percentage of revenue, marketing and sales expenses were 21% for the fourth quarter of fiscal 2019 as compared to 13% for the same period of fiscal 2018.

Engineering expenses for the fourth quarter of fiscal 2019 were \$145,884 for product enhancements including new product research and product cost reductions. This compares with \$60,401 in the same period of fiscal 2018. This increase in engineering expenses as compared with the previous fiscal year is primarily due to engineering time dedicated to product enhancements, compared with time dedicated to capitalized product development activities in the previous fiscal period.

Net loss and comprehensive loss in fiscal 2019's fourth quarter was \$27,482 after tax, compared to an after tax net earnings of \$124,728 reported for the fourth quarter of fiscal 2018. This decrease in net earnings was primarily due to the increase in marketing and sales expenses combined with the increase in engineering expenses.

SUMMARY OF QUARTERLY RESULTS

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

Fiscal year	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	1,375	1,316	1,405	1,475	1,448	1,227	938	882
Gross profit	675	742	760	772	619	659	529	411
Operating earnings (loss) before other items and income taxes	(147)	(159)	4	(206)	28	(49)	(155)	(251)
Net earnings (loss) before income taxes	24	16	167	(46)	185	105	(48)	(186)
Net earnings (loss)	(28)	16	167	(46)	125	105	(48)	(186)
EPS - Basic	(0.00)	0.00	0.01	(0.00)	0.00	0.00	0.00	(0.01)
EPS - Diluted	(0.00)	0.00	0.01	(0.00)	0.00	0.00	0.00	(0.01)

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

The Company has withstood the difficult conditions in the mobile tanker truck market. Increases in oil prices since the beginning of fiscal 2018 has resulted in an increase in the trucking of oilfield liquids and an increase in demand for the Company's guided wave radar (GWR) product line in the mobile tanker truck market resulting in an increase in quarterly revenue and a return to net earnings.

The improved quarterly gross profits in fiscal 2019 when compared to the first half of fiscal 2018 is primarily a result of increased sales combined with the reduction in production and overhead costs due to cost reduction initiatives undertaken. Gross profits in the fourth quarters of fiscal 2019 and fiscal 2018 were negatively impacted by impairments of inventory of \$64,349 and \$137,617, respectively.

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

FINANCIAL CONDITION AND LIQUIDITY

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

Total assets of the Company were \$16,928,069 on August 31, 2019 as compared to \$16,750,962 on August 31, 2018. Cash and cash equivalents increased by \$900,959 to \$7,171,837. Accounts receivable increased by \$115,222 and inventories decreased by \$111,960 due to the increase in sales. Total liabilities decreased by \$16,853. As at August 31, 2019, Titan had positive working capital (current assets less current liabilities) of \$11,008,143 compared to \$10,065,265 at August 31, 2018.

Summary of Cash Flows**Operating Activities**

Net cash flows used in operating activities totalled \$97,067, compared to \$554,521 used in fiscal 2018. This decrease in cash flows used in operating activities is primarily due to the reduction in cash used in changes in non-cash working capital accounts, and the improvement in the earnings, when excluding non-cash items and investing activities.

Non-cash working capital generated or consumed is largely a result of the timing of cash receipts and payments in the normal course of business. Non-cash working capital used in the amount of \$38,164 in fiscal 2019 is largely a result of cash flow used for an increase in accounts receivables, offset by the consumption of inventory and a reduction in income taxes recoverable. This compares with non-cash working capital used in fiscal 2018 in the amount of \$405,995, largely as a result of cash flow used for inventory investments and an increase in accounts receivable, offset by an increase in accounts payable.

Investing Activities

Net cash flows generated in investing activities, totalled \$1,024,530 primarily as a result of payments received on the investment in a secured loan and finance income. This compares with \$6,688,057 used in the comparative prior period primarily due to a \$4,925,000 investment in secured loan (net of a \$75,000 upfront commitment fee), a \$2,000,000 GIC purchase as short term investments combined with cash used for product development, and partially offset by finance income and payments received on the secured note.

Financing Activities

Net cash flows used in financing activities in fiscal 2019 amounted to \$26,504 for finance lease obligations as compared to \$14,371 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 19, 2019	August 31, 2019	August 31, 2018
Common shares issued and outstanding	28,536,132	28,536,132	28,536,132
Options outstanding	420,000	420,000	180,000

During fiscal 2019, 300,000 stock options were granted and 60,000 forfeited. For the year ended August 31, 2019, the Company has recorded stock option compensation expenses of \$84,000 in respect of stock options granted and vested as compared to a reversal to stock option compensation expense of \$31,865 in the comparable period.

BUSINESS OUTLOOK

In the past year Titan Logix has gone through a transformation of its management team and its vision for the future and has experienced positive fiscal 2019 results. The Company has invested in its staff and its technologies to better position itself for sustainability and growth in future years. Titan is beginning to focus its efforts to penetrate new markets with its TD100™ GWR product line. New sales in both the traditional crude market and new markets will fill the revenue bucket as the company tools up for Industrial Internet of Things (IIoT) product development. In the past year and the next Titan has and will continue to invest in its TD100™ technology such as the newly completed smart battery backup module and the currently in development, Modbus communications protocol. We believe that these product enhancements will help us further deploy our hardware in non-traditional markets.

In Canada, the inability of government and industry to get pipelines built could potentially lead to an increase in oil movement by mobile tankers. We believe that this will drive new tanker builds leading to new TD100™ sales. In the U.S., sales remain strong and the Company is gaining new customers who have traditionally used a competitor's product. On the IIoT front Titan's relationship with its software technology partner, Pedigree Technologies, continues to evolve and the business model is beginning to take shape. The Titan produced water application is generating interest from industry. The Company's evolution from being a pure hardware provider to an IIoT solutions provider will lead to new opportunities in other markets. As an example, industrial water use is facing scrutiny from environmental activists and the general public. The most prominent of which is the handling and management of water for use in drilling operations and the resulting produced water. Regulation of this industry is beginning to take form. The adoption of Titan's IIoT technology for improved control and reporting of water use, will bring valuable data to those who want to see improvement in the management of this valuable resource.

The Company continues to engage in conversations with potential strategic acquisition targets that are aligned with the corporate vision. Titan's expanded vision of data management has opened market opportunities to tap into the wave of data mining and analytics for business control solutions and can drive both new and retrofit decisions of its major customers. Titan is identifying and negotiating partnerships with target companies immersed in the digital oilfield revolution with an eye to becoming the go-to company for IIoT technology. Titan's focus on providing timely, accurate, relevant data to its customers will enhance its market penetration in the target markets.

BUSINESS RISKS AND UNCERTAINTIES

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

Industry Factors

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

The primary catalysts to expenditures and activity levels in the energy industry are oil and gas prices which, in turn, are influenced by supply and demand expectations. The ability to forecast the price of crude oil or natural gas is extremely difficult as many global factors affecting commodity prices are beyond the control of the Company. The Company attempts to mitigate the risk factor by assessing current drilling activity reports and future predictions from the industry associations and reporting bodies when creating product demand forecasts.

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

Economic Downturns

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

Supply Shortages

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

Environmental and Insurance Risk

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

Key Employees

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

Employee Safety and Health

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

Entering New Business Lines

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

Markets and Competition

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

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

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

CHANGES IN ACCOUNTING POLICIES

IFRS 9 - Financial Instruments

The Company adopted IFRS 9 retrospectively on September 1, 2018. The adoption of this standard did not have a significant impact to the consolidated financial statements. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

IFRS 9 has eliminated the previous IAS 39 categories for held to maturity, loans and receivables and available for sale financial assets. A financial asset is now classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPTL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the new standard are never separated. Instead the hybrid financial instrument as a whole is assessed for classification.

Below is a summary showing the classification and measurement basis of the Company's financial instruments as at September 1, 2018 as a result of IFRS 9 adoption, including a comparison to IAS 39 classification and measurement basis.

Financial Instrument	IAS 39	IFRS 9
Financial Assets		
Cash and cash equivalents	Loans and receivables (amortized cost)	Amortized cost
Short term investments	Loans and receivables (amortized cost)	Amortized cost
Accounts receivable	Loans and receivables (amortized cost)	Amortized cost
Investment in secured loan	Loans and receivables (amortized cost)	Amortized cost
Financial Liabilities		
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost

IFRS 9 also introduces a new model for the measurement of impairment of financial assets based on expected credit losses which replaces the incurred losses impairment model applied under IAS 39. The Company's trade and other receivables and its investment in secured loan are subject to the expected credit loss model under IFRS 9. The loss allowance for trade receivables without a significant financing component classified at amortized cost are measured using the simplified approach and records a loss allowance as the lifetime expected credit losses. Under the simplified approach, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, informed credit assessments, and forward looking information. The adoption of the expected credit loss impairment model did not have a significant impact on the carrying amounts of the Company's financial assets on the transition date.

IFRS 15 - Revenue from Contracts with Customers

The Company adopted IFRS 15 – Revenue from Contracts with Customers on September 1, 2018 using the modified retrospective approach where the cumulative impact of adoption would be recognized in retained earnings as of September 1, 2018 and comparatives would not be restated. IFRS 15 replaced IAS 11 Construction Contracts, IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes. This standard outlines a single comprehensive model for determining the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

Under IAS 18, the previous standard, the amount of revenue was equal to the fair value of the consideration received or receivable, which was the price negotiated with the customer. Under IFRS 15, the transaction price is equal to the amount of consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer, which will continue to be the price negotiated with the customer.

The Company generates revenues from product sales. Under IAS 18, the Company recognized revenue to the extent that it was probable that the economic benefits would flow to the Company, the revenue could reliably be measured and the Company maintained no continuing managerial involvement to the degree usually associated with ownership. This was typically when goods were delivered and the title had passed. Revenue comprised the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue was shown net of sales tax, returns and discounts. Provisions for estimated product returns were based on historical experience.

Under IFRS 15, the Company recognizes revenue for the sale of product at the point in time when control or ownership of the product is transferred to the customer, generally when the products are shipped, and when collectability is probable. The Company's standard warranty period is not considered to be a distinct performance obligation. Warranties are accounted for as warranty obligations and the estimated cost of satisfying them is recognized at the time the necessity of such provision is evident. The adoption of IFRS 15 had no material impact on the timing or the amount of sales revenue or warranty provisions recognized. The adoption of this standard did not have a material impact on the Company's financial statements, and as such did not result in any adjustment in the amounts previously recognized in the consolidated financial statements.

ADDITIONAL INFORMATION

Additional information relating to Titan Logix Corp., including its 2019 Audited Financial Statements, is available on SEDAR at www.sedar.com or on its website, www.titanlogix.com.

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