



TITAN LOGIX

Management's Discussion and Analysis Q1 Fiscal 2020

November 30, 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) has been prepared by management as of January 22, 2020. It updates the annual MD&A included in our 2019 annual report and should be read in conjunction with the unaudited interim consolidated financial statements and notes for the period ended November 30, 2019 as well as the audited consolidated financial statements and MD&A included in the Company's 2019 annual report for fiscal year ended August 31, 2019. The Company prepares and files its interim consolidated financial statements in Canadian dollars and in accordance with International Financial Reporting Standards (IFRS). This MD&A compares the Company's fiscal 2020 first quarter results to the previous year's first 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 three months ended November 30, 2019, as well as the 2019 annual audited financial statements and MD&A and additional information regarding Titan Logix Corp. are available at www.sedar.com and on the Company's website at www.titanlogix.com. Titan Logix Corp.'s board members and its audit committee have reviewed and approved the discussion in this MD&A.

Cautionary Note Regarding Forward-Looking Statements

Some of the information contained in this MD&A may contain forward-looking statements. These forward-looking statements may include, among others, statements regarding our plans, costs, objectives or economic performance, or the assumptions underlying any of the foregoing. Forward-looking statements are based on information available at the time they are made, on the date of this report, and should not be read as guarantees of future performance or results as they are subject to risks and uncertainties, many of them beyond our control. We do not undertake any obligation to publicly update or to revise any forward-looking statements except as expressly required by applicable securities laws.

Such risks and uncertainties include, but are not limited to the following:

- *Titan's ability to successfully market to current and new customers;*
- *Industry competition;*
- *Technological developments;*
- *Uncertainties as to Titan's ability to implement its strategic plan;*
- *Titan's ability to obtain raw materials from suppliers;*
- *The impact of general economic and industry conditions;*
- *Fluctuations in oil and gas prices;*
- *Fluctuations in the level of oil and gas industry expenditures that affect demand for Titan's products and services;*
- *Fluctuations in currency rates;*
- *The ability to attract and retain key personnel or management;*
- *Expansion of products by internal growth, partnerships or acquisitions;*
- *Incorrect assessment of value of acquisitions;*
- *Inability to complete strategic acquisitions of additional business;*
- *Stock market volatility;*
- *Obtaining required approvals from regulatory authorities;*
- *Titan's ability to achieve an acceptable return on investment from new product development costs in a timely manner;*
- *and,*
- *Other risks described under the heading "Business Risks and Uncertainties" in this document.*

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 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 recognize that our clients require a complete SCM solution that enables real-time monitoring of their assets, goods and services at each stage in the supply chain life cycle. Titan's IIoT SCM solutions enable customers to monitor the movement and transfer of assets from the convenience of their dispatch center, back office environment, or through a mobile device, in real time. 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 data can be displayed on web enabled dashboards to provide customers with a unique, instantaneous view into the supply chain status, detailing productivity, environmental compliance, and driver behavior among many other performance indicators. 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. Producing wells not directly connected to pipeline networks (stand-alone wells) require mobile transport of crude oil to pipeline terminals processing facilities. As well, process water created during drilling, and continuous operation needs to be transported to treatment and disposal facilities. All products and bi-products must be trucked away from these stand-alone wells; this need 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's strategy is a 3-step process. Step 1 is to work with our customers to identify required data. Step 2 is to research, design, develop and/or acquire field (edge) sensors (data generators) or data sources that are:

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

Step 3 we create a path to gather and present this data for our customers. The ultimate goal is to remove the human touch from data generated during supply chain operation.

Building upon a solid foundation in advanced fluid management for mobile tankers we are developing 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.

QUARTERLY HIGHLIGHTS

- Revenues for the first quarter of fiscal 2020 ending November 30, 2019 were \$1,408,376, a \$67,185 or 5% decrease from the \$1,475,561 recorded in the comparative period. 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. 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.
- The gross profit for the first quarter of fiscal 2020 decreased slightly to \$739,216 compared to \$772,267 in the comparative prior period. This decrease is primarily due to the decrease in revenue. Gross profit remained at 52% of revenue for the first quarter of fiscal 2020 compared to the prior period.
- The operating loss before other items was \$104,195, an improvement of 49% compared to \$205,835 in the comparative prior period. This improvement in the operating loss before other items was primarily due to a decrease in G&A costs due to the decrease in executive termination costs recorded in the prior period.
- Net earnings after income taxes was \$69,060 compared to a net loss after taxes of \$46,132 in the prior period. This improvement was primarily a result of the decrease in G&A costs and the increase in finance income.

FISCAL 2020 Q1 RESULTS OF OPERATIONS

	Three months ended November 30,			
	2019	2018	Increase (Decrease)	
	\$	\$	\$	%
Revenue	1,408,376	1,475,561	(67,185)	(5)
Cost of sales	669,160	703,294	(34,134)	(5)
Gross profit	739,216	772,267	(33,051)	(4)
Gross margin (%)	52	52		
Expenses				
General and administration	286,681	559,301	(272,620)	(49)
Marketing and sales	283,581	212,466	71,115	33
Engineering	181,657	142,628	39,029	27
Depreciation and amortization	92,195	84,288	7,907	9
(Gain) on foreign exchange	(703)	(20,581)	19,878	(97)
Total expenses	843,411	978,102	(134,691)	(14)
Net earnings (loss)	69,060	(46,132)	115,192	(250)
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. Primarily due to industry conditions in Canada, revenue decreased by 5% to \$1,408,376 for the first quarter of fiscal 2020, as compared to \$1,475,561 for the first quarter of fiscal 2019. The decrease in sales in the Canadian market was offset by an increase in demand for instruments in the U.S. market.

Sales to the U.S. for the three months ended November 30, 2019 increased by \$129,506 or 14% to \$1,036,075 as compared to \$906,569 in the comparative period. These sales accounted for 74% of the revenues in the first quarter of fiscal 2020 (2019 – 61%). These sales are transacted in U.S. dollar currency and any change in the exchange rate affects the value at which transactions are recorded. Revenue was recorded at an average exchange rate of \$1.32 Canadian during the current quarter, compared with \$1.30 Canadian for the comparative prior period.

As a percentage of revenue, sales of the Company's GWR product line of technologies contributed 91% to sales in the first quarter of fiscal 2020 and in the comparative period in fiscal 2019.

Due to decreased unit sales, gross profit decreased to \$739,216, or 52% as a percentage of sales for the first quarter of fiscal 2020 compared with \$772,267, or 52% as a percentage of sales for the comparative period.

Expenses, general and administration

General and administrative expenses (G&A) for the first quarter of fiscal 2020 were \$286,681, a decrease of \$272,620 or 49% from the \$559,301 recorded in the first quarter of fiscal 2019. The decrease is primarily a result of executive termination costs recorded in the first quarter of the prior fiscal year. In addition, the Company's adoption of IFRS 16, the lease standard, resulted in lower rent expense in G&A expenses and higher depreciation and amortization expense from the depreciation of the right-of-use assets in the current quarter. The comparative quarter has not been restated to reflect the new standard consistent with the transition elections followed. G&A, as a percentage of revenue, was 20% for the first quarter of fiscal 2020 compared to 38% for the comparable three-month period.

Expenses, marketing and sales

Marketing and sales expenses for the first quarter of fiscal 2020 were \$283,581 an increase of \$71,115 or 33% from the \$212,466 recorded in the first quarter of fiscal 2019. The increase is primarily due to an increase in compensation costs due to the addition of a salesperson in the U.S. and the related increase in travel costs. As a percentage of revenue, marketing and sales expenses were 20% for the first quarter of fiscal 2020 as compared to 14% for the comparable three-month period.

Expenses, engineering

Engineering expenses are incurred primarily for product enhancements including product cost reductions, new product research and the preparation and introduction of new third-party products into Titan's product suite. Engineering expenses for the first quarter of fiscal 2020 were \$181,657 an increase of \$39,029 from the \$142,628 recorded in the first quarter of the prior fiscal year. The increase is primarily a result of increased material costs and an increase in compensation costs due to the addition of a software architect with extensive experience with data systems. During the fiscal quarter Titan continued to work on the Modbus communications protocols. These activities did not meet the criteria for capitalization and were expensed and included in the statement of earnings.

Expenses, depreciation and amortization

Depreciation and amortization expenses included in operating expenses in the first quarter of fiscal 2020 totalled \$92,125 compared to \$84,288 in the comparable period of fiscal 2019. Additional depreciation expenses recorded in cost of sales in the first quarter of fiscal 2020 totalled \$23,256, compared to \$3,259 in the comparable period. This increase in depreciation and amortization expenses is largely due to the adoption of the IFRS 16 lease standard which resulted in depreciation of \$16,866 included in operating expense and depreciation of \$19,175 included in cost of sales for right-of-use assets in the first quarter of fiscal 2020 compared to \$nil in the comparative 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 \$703 on foreign currency exchange in the three months ended November 30, 2019 consisting of a realized gain on exchange of \$5,902 and an unrealized loss of \$5,199. This compares to a gain of \$20,581 on foreign currency exchange in the previous year consisting of a realized gain on exchange of \$5,367 and an unrealized gain of \$15,214.

Operating loss and net earnings

The operating loss before other items and income taxes was \$104,195 for the first quarter of fiscal 2020 as compared to an operating loss before other items and income taxes of \$205,835 in the comparative prior period. The improvement in the operating loss was primarily due the decrease in G&A due to executive termination costs recorded in the prior period. These improvements were offset by the decrease in revenue and an increase in marketing and sales costs and engineering expenses.

The net earnings after income taxes was \$69,060 for the first three months of fiscal 2020 as compared to a net loss of \$46,132 in the comparative three month period. The improvement was primarily due to the decrease in G&A expense combined with the increase in finance income to \$181,118 from \$159,703 in the comparative period. The increase in finance income is primarily from an increase in interest income on the investment in the secured loan. The increase in finance income was offset by the interest on finance leases of \$7,863 in the first quarter of fiscal 2020 compared to \$nil in the comparative period. The interest on finance leases is attributable to the adoption of IFRS 16 on September 1, 2019, the new lease standard, which resulted in the recognition of discounted lease liabilities on the consolidated statement of financial position. As a result of the new standard, the Company now recognizes lease interest on the lease liabilities.

SUMMARY OF QUARTERLY RESULTS

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

Fiscal year	2020	2019				2018		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	1,408	1,375	1,316	1,405	1,475	1,448	1,227	938
Gross profit	739	675	742	760	772	619	659	529
Operating earnings (loss) before other items and income taxes	(104)	(147)	(159)	4	(206)	28	(49)	(155)
Net earnings (loss) before income taxes	69	24	16	167	(46)	185	105	(48)
Net earnings (loss)	69	(28)	16	167	(46)	125	105	(48)
EPS - Basic	0.00	(0.00)	0.00	0.01	(0.00)	0.00	0.00	0.00
EPS - Diluted	0.00	(0.00)	0.00	0.01	(0.00)	0.00	0.00	0.00

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

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 positive 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 in fiscal 2018. 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.

FINANCIAL CONDITION AND LIQUIDITY

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

Total assets of the Company were \$17,442,846 on November 30, 2019 as compared to \$16,928,069 on August 31, 2019. Cash and cash equivalents increased by \$2,066,495 to \$9,238,332 primarily due to a GIC maturity classified as cash and cash equivalents. Collections from customers decreased accounts receivable by \$45,010 and inventories increased by \$111,672 due to component lead time and anticipated demand. Total liabilities increased by \$445,717 primarily due to the recognition of lease liabilities of \$613,870 from the adoption of IFRS 16. As at November 30, 2019, Titan had positive working capital (current assets less current liabilities) of \$11,115,587 compared to \$11,008,143 at August 31, 2019.

Summary of Cash Flows

Operating Activities

Net cash flows used in operating activities for the three-month fiscal period totalled \$203,742, compared to \$428,215 used in the comparative period. 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 \$214,998 in the three-month fiscal period is largely a result of cash flow used for an increase in inventories and decrease in accounts payable. This compares with non-cash working capital used in the comparable period in the amount of \$309,927, largely as a result of cash flow used for the decrease in accounts payable, inventory investments and an increase in accounts receivable balances.

Investing Activities

Net cash flows generated in investing activities, totalled \$2,311,436 primarily as a result the maturity of \$2,041,227 of short term investments combined with finance income and payments received on the secured note. This compares with \$253,450 generated in the comparative prior period primarily as a result of finance income and payments received on the secured note.

Financing Activities

Net cash flows used in financing activities in the first three months of fiscal 2020 amounted to \$41,199 for payment of finance lease obligations as compared to \$1,946 in the comparable period. Presentation of cash flows in the current quarter reflects the Company's adoption of IFRS 16, the lease standard. Previously lease payments were reflected in operating cash flows, now lease payments are partially reflected as interest expense (also in operating cash flows) and partially as the repayment of finance lease obligations in financing cash flows. The comparative period has not been restated for the adoption of the new standard consistent with the transition election chosen.

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

	January 22, 2020	November 30, 2019	August 31, 2019
Common shares issued and outstanding	28,536,132	28,536,132	28,536,132
Options outstanding	420,000	420,000	420,000

BUSINESS OUTLOOK

Titan Logix is focusing on its vision of the future and for the second year in a row, has experienced positive fiscal results in its core business. The Company's investment in its staff has made a significant improvement in the Company's corporate culture over the last year. New sales in both the traditional crude market and new markets will continue to fill the revenue bucket as the company focuses on product development and increases its investment in engineering IIoT solutions. The TD100™ GWR product line upgrade and enhancement program is continuing. It's first upgrade project, the development of the Modbus communications protocol is on track and expected to be completed and ready for sale in the first quarter of fiscal 2021. In parallel, Titan is gearing up for its software business and has recently hired an additional software developer whose primary task is to architect Titan's cloud-based data management application and tools. The Company has also contracted a premier Amazon Web Services (AWS) implementer to ensure its cloud architecture meets the criteria for scalability, speed and accuracy. Project completion is being targeted for the fourth quarter of fiscal 2020. This increase in capital committed to these initiatives is expected to advance growth opportunities in non-traditional markets in fiscal 2021.

We believe that environmental interests with their continued influence on federal government policy will hamper the recovery of oil and gas business in Western Canada. We have focused our efforts south of the border in this current Canadian economic climate. This is reflected in our revenue streams. In the U.S., sales remain strong and the Company is gaining new customers who have traditionally used a competitor's product. In this calendar year Titan stepped up its efforts and resource allocation to its new software

product lines. The Company's evolution from being a pure hardware provider to an IIoT solutions provider will lead to new opportunities in other markets. Industrial water used in drilling operations and the resulting produced water is one example of these new markets. The adoption of Titan's IIoT technology for improved control and regulatory reporting of water use will bring valuable data to those who want to see improvement in the management of this valuable resource. Titan is expecting results from this first non-traditional market, the water market initiative, late in fiscal 2020.

In addition to its organic growth plans the Company will continue to seek strategic acquisition targets whose technology aligns with the corporate vision.

BUSINESS RISKS AND UNCERTAINTIES

Titan Logix Corp. faces risks that have the potential of affecting its financial condition, results of operations and cash flow. The Board and management of the Company take prudent measures to mitigate risks which may affect the Company. The Company's sales are substantially derived from one product line and as a result, a sudden or sustained decline in demand for, or production of, the product could have a material adverse effect on the Company's financial condition and results of operations. Events which could cause a drop in demand include industry factors, market economic conditions and competition as described in the Company's business risks and uncertainties in its 2019 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 2019 annual report. There have been no significant changes to the Company's business risks and uncertainties described in its 2019 annual report.

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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