

Management's Discussion and Analysis
Q1 Fiscal 2022

November 30, 2021



TITAN
LOGIX

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) has been prepared by management as of January 19, 2022. It updates the annual MD&A included in our 2021 annual report and should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes for the period ended November 30, 2021 as well as the audited consolidated financial statements and MD&A included in the Company's 2021 annual report for fiscal year ended August 31, 2021. The Company prepares and files its condensed consolidated interim financial statements in Canadian dollars and in accordance with International Financial Reporting Standards (IFRS). This MD&A compares the Company's fiscal 2022 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, 2021 as well as the 2021 annual audited financial statements and MD&A and additional information regarding Titan Logix Corp. are available at www.sedar.com and on the Company's website at www.titanlogix.com. Titan Logix Corp.'s board members and its audit committee have reviewed and approved the discussion in this MD&A.

Cautionary Note Regarding Forward-Looking Statements

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

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

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

CORPORATE OVERVIEW

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

For over 25 years, Titan Logix Corp. has designed and manufactured advanced measurement solutions to help businesses reduce risk and maximize efficiencies in bulk liquids transportation. Titan's TD Series of tank level monitors are a market leader in mobile fluid measurement, and are known for their high level of accuracy, rugged design, and solid-state reliability. Our solutions are designed for hazardous and non-hazardous applications, and we serve customers in a wide range of applications including petroleum, environmental solutions, chemical, and agriculture. We proudly deliver our mobile tanker solutions to market through partnerships with Original Equipment Manufacturers (OEMs), dealers, and private fleets across Canada, the United States, and Mexico.

Titan currently serves the petroleum, chemical, and water markets with the TD80™ and TD100™ series of mobile gauges, delivering accurate level measurement, overfill protection, and a wide variety of integrated control capabilities while avoiding costly downtime for repair and maintenance. Building on our years of success in the crude oil market, our strategy is to grow our business through partnerships with customers, dealers, and OEMs, addressing unique challenges in transporting liquids safely and efficiently. Our next generation of TD products is focused on delivering this same reliable operation on a technology platform that enables our customers to mobilize their data as part of a complete Supply Chain Management (SCM) solution.

QUARTERLY HIGHLIGHTS

- Revenues for the first quarter of fiscal 2022 were \$624,134, a \$225,050 or a 27% decrease from the \$849,184 recorded in the comparative period. The decrease in revenue was primarily a result of a delay in demand for the Company's GWR products due to a slow recovery of the tanker manufacturing market that is experiencing supply chain issues and labour shortages.
- Gross profit for the first quarter of fiscal 2022 decreased by \$51,290 to \$329,883 or 53% of revenue compared to \$381,173 or 45% of revenue in the comparative period. This decrease in gross profit is primarily due to the decrease in unit demand and revenue. The increase in the gross profit percentage is the result of a price increase effective June 2021 and lower overhead costs.
- Total expenses in the first quarter of fiscal 2022 decreased by \$48,159 to \$633,894 as compared with \$682,143 in the comparative prior period. This decrease in total expenses was primarily due to foreign currency exchange gains as compared to losses in the comparative prior period. The Company continued with its cost containment efforts while focusing on sales and marketing programs and product development including enhancing digital capabilities.
- In the first quarter of fiscal 2022, the Company reported an operating loss before other items of \$304,101 compared to an operating loss of \$300,970 in the first quarter of fiscal 2021. Adjusted for interest income and other items, the net loss after income taxes for the first quarter was \$162,958 in fiscal 2021 compared to a net loss after taxes of \$142,488 in the prior period. In the fiscal quarter the decrease in sales and gross profit was offset by the reduction in total expenses and the increase in the loss after income taxes was due to lower interest rates and the resulting decrease in income earned on GIC investments.
- During the fiscal quarter the Company continued its participation in the CEWS program. Total benefits received from wage subsidy programs in the first quarter of fiscal 2022 amounted to \$76,281 as compared with \$113,835 in the comparative prior period.

FISCAL 2022 Q1 RESULTS OF OPERATIONS

	Three months ended November 30			
	2021	2020	Increase (Decrease)	
	\$	\$	\$	%
Revenue	624,134	849,184	(225,050)	(27)
Cost of sales	294,251	468,011	(173,760)	(37)
Gross profit	329,883	381,173	(51,290)	(13)
Gross margin (%)	53%	45%		
Expenses				
General and administration	265,900	240,938	24,962	10
Marketing and sales	177,572	207,133	(29,561)	(14)
Engineering	142,447	131,977	10,470	8
Depreciation and amortization	81,012	96,519	(15,507)	(16)
(Gain) loss on foreign exchange	(32,947)	5,576	(38,523)	(691)
Total expenses	633,984	682,143	(48,159)	(7)
Finance income	145,763	165,396	(19,633)	(12)
Other items	(4,620)	(6,914)	2,294	33
Net loss	(162,958)	(142,488)	20,470	14
EPS – Basic and Diluted	(0.01)	(0.00)	(0.01)	

Revenue and gross profit

The Company's revenue is primarily derived from instrument sales of its GWR product line of technologies (TD80™/TD100™, Finch II and related components) throughout Canada and the U.S. These technologies are sold into the mobile tanker truck market, servicing upstream/midstream customers. The Company's revenue in the first quarter of fiscal 2022 decreased by \$225,050 or 27% to \$624,134, as compared to \$849,184 for the first quarter of fiscal 2021. The reduction in revenue reflects OEM tanker builds and after-market retrofits supply chain issues and labour shortages slowing the recovery of the tanker manufacturing market which delays demand for our GWR product line of technologies.

Revenues generated from the Canadian market increased by \$6,397 or 3% to \$228,196 as compared to \$221,799 in the comparative prior period. Sales to the U.S., decreased by \$231,447 or 37% to \$395,938 as compared to \$627,385 in the comparative period. These sales accounted for 63% of the revenues in the first quarter of fiscal 2022 (2021 – 74%). 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 \$1.26 Canadian during the three months ended November 30, 2021, compared with \$1.32 Canadian for the prior period.

As a percentage of revenue, sales of the Company's GWR product line of technologies contributed 92% to sales in the first quarter of fiscal 2022. This compares to 96% in the comparative prior period.

Gross profit decreased by \$51,290 to \$329,883 or 53% as a percentage of sales for the first quarter of fiscal 2022 compared with \$381,173, or 45% as a percentage of sales for the comparative period. The decrease in gross profit is primarily due to the decrease in unit demand and revenue. The increase in the gross profit percentage is the result of a price increase effective June 2021 and lower overhead costs.

Expenses, general and administration

General and administrative expenses (G&A) for the first quarter of fiscal 2022 were \$265,900, an increase of \$24,962 or 10% from the \$240,938 recorded in the comparative prior period. The increase is primarily a result of increased compensation costs and professional fees. These increases were partially offset by a decrease in one-time consulting costs for the implementation of the new ERP system in the prior period. General and administration expenses include the benefit of CEWS subsidies of \$13,884 in the current fiscal quarter compared with \$23,437 in the prior period. G&A, as a percentage of revenue, was 43% for the first quarter of fiscal 2022 compared to 28% for the same period of fiscal 2021.

Expenses, marketing and sales

Marketing and sales expenses for the first quarter of fiscal 2022 were \$177,572 a decrease of \$29,561 or 14% from the \$207,133 recorded in the comparative prior period. The reduction reflects lower compensation and marketing costs partially offset by an increase in travel costs. CEWS subsidies of \$22,522 were received in the current fiscal quarter compared with \$23,159 in the prior period. As a percentage of revenue, marketing and sales expenses were 28% for the first quarter of fiscal 2022 as compared to 24% for the same period of fiscal 2021.

Expenses, engineering

Engineering expenses for the first quarter of fiscal 2022 were \$142,447 an increase of \$10,470 or 8% from the \$131,977 recorded in the comparative prior period. The increase is primarily due to increased costs for development consulting services. CEWS benefits of \$30,001 were received in the current fiscal quarter compared to \$43,386 in the prior period. Alberta Innovates funded \$5,625 of project costs compared to \$16,875 in the comparative period and tax refunds of \$24,052 for Scientific Research and Experimental Development (SR&ED) were recorded in the first quarter of fiscal 2022. Engineering projects include the development of a low cost, non-hazard classified versions of its TD100™ transmitter and the development of products for its software portfolio.

Expenses, depreciation and amortization

Depreciation and amortization expenses included in operating expenses in the first quarter of fiscal 2022 totalled \$81,012 compared to \$96,519 in the previous prior period. Additional depreciation expenses recorded in cost of sales in the quarter totalled \$22,257, compared to \$22,440 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 \$32,947 on foreign currency exchange in first quarter of fiscal 2022 consisting of a realized gain on exchange of \$10,367 and an unrealized gain of \$22,580. This compares to a loss of \$5,576 on foreign currency exchange in the previous period consisting of a realized gain on exchange of \$1,432 and an unrealized loss of \$7,008.

Operating loss and net loss

For the first quarter of fiscal 2022 the operating loss before other items and income taxes was \$304,101 as compared to an operating loss before other items and income taxes of \$300,970 in the comparative prior period. For the first quarter of fiscal 2022 the net loss after income taxes was \$162,958 as compared to a net loss of \$142,488 in the comparable prior period. During the fiscal quarter total expense reductions offset the drop in revenue and gross margins, and the increase in the loss after income taxes was due to lower GIC interest rates resulting in lower returns on investment deposits. The reduction in returns on its GIC investments was slightly offset by an increase in interest earned on the secured loan and other interest bearing accounts. Interest earned was \$145,763 in the first quarter of fiscal 2022 compared to \$165,396 in the prior period. In the fiscal quarter, the Company benefited from CEWS subsidies in the amount of \$76,281 compared to \$113,835 from CEWS subsidies in the comparable quarter.

SUMMARY OF QUARTERLY RESULTS

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

Fiscal year	2022	2021				2020		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	624	871	1,064	750	849	609	782	1,311
Gross profit	330	547	558	353	381	355	382	695
Operating loss before other items and income taxes	(304)	(154)	(140)	(255)	(301)	(262)	(580)	(293)
Net earnings (loss) before income taxes	(163)	(11)	6	(65)	(142)	(108)	(417)	(122)
Net earnings (loss)	(163)	(26)	6	(65)	(142)	(108)	(417)	(122)
EPS – Basic and Diluted	(0.01)	(0.00)	0.00	(0.00)	(0.00)	(0.00)	(0.01)	0.00

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

FINANCIAL CONDITION AND LIQUIDITY

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

Total assets of the Company were \$16,030,700 on November 30, 2021 as compared to \$16,273,707 on August 31, 2021. Cash and cash equivalents decreased by \$17,182 to \$9,769,122. Accounts receivable decreased by \$285,813 and inventories increased by \$178,285. Total liabilities decreased by \$80,049. As at November 30, 2021, Titan had positive working capital (current assets less current liabilities) of \$14,373,207 compared to \$11,386,485 at August 31, 2021. The increase in working capital is a result of the 60-month term on the Company's investment in secured loan ending on November 5, 2022 and the expectation that the remaining principal will be received by the end of the term.

Summary of Cash Flows**Operating Activities**

Net cash flows used in operating activities for the three-month fiscal period totalled \$191,346, compared to \$34,072 used in the comparative period. This increase in cash flows used in operating activities is primarily due to the 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 provided in the amount of \$9,486 in the three-month fiscal period is largely a result of cash flow from a collection of accounts receivables, offset by the increase of inventory and prepaids and the decrease in accounts payable. This compares with non-cash working capital provided in the comparable period in the amount of \$147,939, largely as a result of cash flow from a consumption of inventory and the collection of accounts receivables, offset by the decrease in accounts payable.

Investing Activities

Net cash flows generated in investing activities for the three-month fiscal period totalled \$210,734 as a result of the finance income and repayments of \$100,000 received on the secured note. This compares with \$238,830 generated in the comparative prior period primarily as a result of the finance income and repayments of principal received on the secured note offset by capital equipment purchases.

Financing Activities

Net cash flows used in financing activities for the three-month fiscal period amounted to \$36,570 for payment of lease obligations as compared to \$40,083 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

	January 19, 2022	August 31, 2021	August 31, 2020
Common shares issued and outstanding	28,536,132	28,536,132	28,536,132
Options outstanding	300,000	300,000	420,000

During the three-month fiscal period and the comparable prior period, no stock options were granted or forfeited

IMPACT OF COVID-19 PANDEMIC

In March 2020, the World Health Organization declared a world-wide pandemic resulting from the outbreak of coronavirus, specifically identified as "COVID-19". Many countries enacted emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, temporary restriction on all non-essential business, self-imposed quarantine periods and social distancing, caused material disruption to businesses globally resulting in an economic slowdown. The Company has assessed the economic impacts of the COVID-19 pandemic on its interim consolidated financial statements. As at November 30, 2021, management has determined that the Company's ability to execute its medium and longer term plans, the economic viability of its assets and the carrying value of its long-lived assets are not materially impacted.

The impact of COVID-19 resulted in a decrease in demand for our products and the Company has experienced a material decline in revenues and gross profit in the year. Cost containment efforts were implemented in order to mitigate the impact of the decline in revenues and gross profit. The Company reduced discretionary spending and downsized production costs to match current demand. The Company received subsidy funding through the Government of Canada's - Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS") that was available to any Canadian employer and business, subject to eligibility criteria, whose business has been adversely affected by COVID-19.

Management of the Company enacted a COVID-19 business continuity plan including safety protocol and remote working arrangements and only experienced minimal disruptions to its business operations. As conditions continue to fluctuate around the world, with vaccine administration rising, governments and organizations have responded by adjusting their restrictions and guidelines accordingly. Our focus remains on promoting employee health and safety, serving our customers and ensuring business continuity. Management is closely monitoring the impact of the pandemic on all aspects of its business. We carefully assess, and reassess, conditions to determine when employees can safely return to our offices, and as a result have fully reopened our offices.

At this point, management cannot reasonably estimate the duration, complexity, or severity of this pandemic, which could have a material adverse impact on the Company's business, results of operations, financial position and cash flows. Other possible effects may include disruptions in the demand for our products, absenteeism in the Company's labor workforce, unavailability of products and supplies used in operations, and a decline in the fair value of assets held by the Company. The full extent of the impact that the COVID-19 outbreak may have on the Company continues to be uncertain and cannot be predicted with confidence.

BUSINESS OUTLOOK

Our market assessment for OEM tanker builds and after-market retrofits indicate supply chain issues and labour shortages will slow the recovery of the tanker manufacturing market which delays demand for our TD-series product line. Higher oil prices and increased rig counts have traditionally led to greater demand for oil tankers and our products, although lagging for the clearing out of existing stock. Industry sources suggest North American crude oil output will see tangible increases this year as consumption return to pre-pandemic levels. We will continue to focus on sales and marketing efforts to support our market partners to capitalize on these increases. The Company completed an assessment in the first quarter of fiscal 2022 of its operating strategy and performance during the pandemic and determined the strategic direction of the Company should emphasize its core markets and capabilities to achieve profitability and increase shareholder value. The Company has a strong balance sheet to purchase accretive products and services that will accelerate growth as those opportunities are developed.

The Company is committed to continued investment in future product development including its new product line that combines the same industry-leading technology found in the TD-80 and TD-100 gauges with additional capabilities to grow and expand our offering into new markets and new digital applications. The technology, currently named the T-LITE, is being piloted with early-stage market partners across a wide range of commodities. The T-LITE system builds upon a solid foundation of accurate, reliable measurement, while adding feature rich functionality through wireless connectivity in a scalable package. The Company plans to continue field trials and harden the technology before announcing an official release date.

BUSINESS RISKS AND UNCERTAINTIES

Titan Logix Corp. faces risks that have the potential of affecting its financial condition, results of operations and cash flow. The Board and management of the Company take prudent measures to mitigate risks which may affect the Company. The Company's sales are substantially derived from one product line and as a result, a sudden or sustained decline in demand for, or production of, the product could have a material adverse effect on the Company's financial condition and results of operations. Events which could cause a drop in demand include industry factors, market economic conditions, competition and impact of pandemics as described in the Company's business risks and uncertainties in its 2021 annual report. Events that could cause an interruption in the Company's ability to produce the product include supply shortages and proprietary protections. A complete discussion of business risk factors faced by the Company can be found in the "Business Risks and Uncertainties" section of the MD&A portion of its 2021 annual report.

ADDITIONAL INFORMATION

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

Corporate Address:

4130 – 93 Street
Edmonton, Alberta, Canada T6E 5P5
Phone: (780) 462-4085; Fax: (780) 450-8369

Branch Address:

Overland Park, Kansas
United States of America
Phone: (877) 462-4085

Exchange Listing:

The Toronto Venture Stock Exchange (TSX-V)
Stock Symbol: TLA

Investor Information:

Investor Relations, Titan Logix Corp.
4130 – 93 Street
Edmonton, Alberta, Canada T6E 5P5
Phone: (780) 462-4085; Fax: (780) 450-8369
Email: invest@titanlogix.com

Transfer Agent:

Computershare Investor Services Inc.
Stock Transfer Services
800, 324 – 8th Avenue SW, Calgary, Alberta, Canada
T2P 2Z2
Telephone: 1-800-564-6253

Directors:

S. Grant Reeves, BA
Chairperson of the Board

Helen Cornett, CPA, CA
Audit Committee Chairperson

Victor Lee, P.Eng.
Executive Compensation and Corporate Governance
Committee Chairperson

Robert Tasker, BAsC, Engineering, MBA

Officers:

Nicholas Forbes, BCom
Chief Executive Officer

Angela Schultz, CPA, CMA
Chief Financial Officer

Auditors:

Grant Thornton LLP

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