

Management's Discussion and Analysis Q2 Fiscal 2019



February 28, 2019



COMPANY PROFILE

Founded in 1979, Titan Logix Corp. ("Titan" or "the Company") is a developer, manufacturer and marketer of innovative fluid measurement and management solutions. The Company's products include Guided Wave Radar (GWR) gauges for level measurement and overflow prevention, primarily for use in the mobile tanker truck market, level gauges for storage tanks, and communication systems for remote alarming and control. Our products are mainly used in the upstream/midstream oil and gas industry. Secondary industries for our products include the aviation, waste fluid collection, and chemical industries.

Titan's products are designed to be a part of a complete Supply Chain Management (SCM) solution. 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.

Titan provides advanced technology fluid management solutions, In the Field, On the Road and In the Office.

- In the Field: "In the Field" refers to Titan's solution offerings for storage tanks and process vessels.
- On the Road: "On the Road" refers to Titan's solution offerings for mobile tanker trucks and trailers.
- In the Office: "In the Office" refers to Titan's solution offerings that enable customers to gather data related to their fluid assets remotely from the convenience of their dispatch center or other back office environment through a wired or wireless connection to meet their needs such as SCM.

Titan's solutions have traditionally focused on mobile level sensor technology. Titan's recently launched telematics product, the Titan Gateway, enables data from its mobile sensors to be collected, managed and packaged for business intelligence and control.

Titan Logix Corp. is a public company listed on the TSX Venture Exchange and its shares trade under the symbol TLA.

VISION

Titan's vision is to be a "Catalyst for Transformative Thinking" for our customers by becoming leaders in the gathering, management and analysis of data. Titan will focus on providing data driven solutions for Supply Chain Management of goods and service supplied to oil and gas, and the transportation industries. We will make it easier to use our GWR technology as part of third-party systems. We will develop strategic partnerships and search for strategic acquisitions to advance the vision and strategy of the company.



MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) has been prepared by management as of April 16, 2019. It updates the annual MD&A included in our 2018 annual report and should be read in conjunction with the unaudited interim consolidated financial statements and notes for the period ended February 28, 2019 as well as the audited consolidated financial statements and MD&A included in the Company's 2018 annual report for fiscal year ended August 31, 2018. 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 2019 second quarter results to the previous year's second 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 six months ended February 28, 2019, as well as the 2018 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.*



QUARTERLY HIGHLIGHTS

- Revenues for the second quarter of fiscal 2019 ending February 28, 2019 improved to \$1,404,828, a \$466,968 or 50% increase from the \$937,860 recorded in the comparative prior period. 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. as a result of the increase in oil prices.
- The gross profit for the second quarter of fiscal 2019 increased by \$231,191 to \$760,079 or 54% of revenue compared to \$528,888 or 56% of revenue in the comparative prior period. This improvement is primarily due to the increase in revenue.
- In the current fiscal quarter, the Company improved from an operating loss of \$155,187 in the comparative prior period to an operating income before other items of \$3,933. This improvement in the operating income before other items was primarily due to revenue and gross profit improvements combined with a decrease in sales and G&A expenses which offset an increase in engineering costs.
- Net earnings after income taxes were \$167,263. This compares with a net loss after taxes of \$47,848 in the prior period. This improvement was primarily a result of the increase in revenue and gross profit improvements.

FISCAL 2019 Q2 RESULTS OF OPERATIONS

(\$000's, except gross margin (%) and per share amounts)	Three months ended February 28,				Six months ended February 28,			
	2019	2018	Increase (Decrease)		2019	2018	Increase (Decrease)	
	\$	\$	\$	%	\$	\$	\$	%
Revenue	1,405	938	467	50	2,880	1,820	1,060	58
Cost of sales	645	409	236	58	1,348	880	468	53
Gross profit	760	529	231	44	1,532	940	592	63
Gross margin	54%	56%			53%	52%		
Expenses								
General and administration	330	377	(47)	(13)	889	712	177	25
Marketing and sales	155	223	(68)	(30)	368	475	(107)	(23)
Engineering	166	25	141	565	309	65	244	373
Depreciation and amortization	84	52	32	60	168	122	46	38
Loss (gain) on foreign exchange	21	7	14	199	0	(27)	27	(101)
Total expenses	756	684	72	11	1,734	1,347	387	29
Operating earnings (loss) before other items	4	(155)	159	(103)	(202)	(407)	205	(50)
Finance income and other items	163	107	56	52	323	173	150	87
Net earnings (loss)	167	(48)	215	(450)	121	(234)	355	(152)
EPS - Diluted	0.01	0.00	0.01		0.00	(0.01)	0.01	

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, revenues increased by 50% to \$1,404,828 for the three month period ended February 28, 2019, as compared to \$937,860 for the three month period ended February 28, 2018 and increased by 58% to \$2,880,389 for the six month period ended February 28, 2019 as compared to \$1,820,000 in the comparative period. The improvement in revenues is primarily due to the increase in demand for instruments in the U.S. market and to a lesser degree, sales to the Canadian market. In the current fiscal quarter revenues generated from the Canadian market remained steady at \$469,592 compared to \$489,233 in the comparative prior period. For the six months ended February 28, 2019, year-over-year Canadian revenues increased by 10% to \$1,038,584 and accounted for 9% of the year-over-year improvement.

Sales to the U.S. for the three months ended February 28, 2019 increased by \$486,609 or 108% to \$935,236 as compared to \$448,627 in the comparative three-month period. Sales to the U.S. for the six month period ending February 28, 2019 increased



by \$964,385 or 110% to \$1,841,805 as compared to \$877,420 in the comparative period. These sales accounted for 67% of the revenues in the second quarter of fiscal 2019 (2018 – 48%) and 64% (2018 – 48%) for the six months ended February 28, 2019. 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 six months ended February 28, 2019, compared with \$1.26 Canadian for the comparative prior period.

As a percentage of revenue, sales of the Company's GWR product line of technologies contributed 93% to sales in the second quarter of fiscal 2019 and 92% year to date. This compares with 91% and 90% in the corresponding prior periods.

Due to increased unit sales, gross profit improved to \$760,079, or 54% as a percentage of sales for the second quarter of fiscal 2019 compared with \$528,888, or 56% of sales for the previous year's second quarter. Gross profit improved to \$1,532,346, or 53% as a percentage of sales for the six month period ended February 28, 2019 compared with \$939,823, or 52% of sales for the comparative period.

Expenses, general and administration

General and administrative expenses (G&A) for the second quarter of fiscal 2019 were \$329,517, a decrease of \$47,271 or 13% from the \$376,788 recorded in the second quarter of fiscal 2018. General and administrative expenses for the six month period were \$888,818 an increase of \$176,789 or 25% from the \$712,029 recorded in the comparable prior period. The decrease in the current quarter is primarily a result of a decrease in compensation, professional fees and consulting fees. The year-over-year increase is primarily a result of executive termination costs recorded in the first quarter of the fiscal year. G&A, as a percentage of revenue, was 23% for the second quarter of fiscal 2019 and 31% for the six months ended February 28, 2019 compared to 40% and 39% respectively for the same periods of fiscal 2018.

Expenses, marketing and sales

Marketing and sales expenses for the second quarter of fiscal 2019 were \$155,045 a decrease of \$67,456 or 30% from the \$222,501 recorded in the second quarter of fiscal 2018. Marketing and sales expenses for the six month period were \$367,511 a decrease of \$106,987 or 23% from the \$474,498 recorded in the comparable prior period. The decrease in the current quarter and year-over-year is primarily a result of decreased compensation, trade show expenses and third-party product trial costs compared to the prior period. As a percentage of revenue, marketing and sales expenses was 11% for the second quarter of fiscal 2019 and 13% for the six month period as compared to 24% and 26% respectively for the same periods of 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 the second quarter were \$166,470, an increase of \$141,423 when compared with \$25,047 in the second quarter of fiscal 2018. Engineering expenses for the six month period were \$309,098 an increase of \$243,706 from the \$65,392 recorded in the comparable prior period. The increase in the current quarter and 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 periods. During the fiscal year 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 the first six months of fiscal 2019 totalled \$168,599 compared to \$122,234 in the comparable period of fiscal 2018. This increase in depreciation and amortization expenses in the current fiscal quarter is largely due to the amortization of product development costs for recently commercialized products. Additional depreciation expenses recorded in cost of sales in the current six month period totalled \$6,515, compared to \$5,290 in the comparable six month 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 loss of \$222 on foreign currency exchange in the six months ended February 28, 2019 consisting of a realized gain on exchange of \$14,964 and an unrealized loss of \$15,186. This compares to a gain of \$27,656 in the previous fiscal year which consisted of a \$6,522 realized gain on exchange and an unrealized gain of \$21,134.

Operating loss and net loss

In the current fiscal quarter, the Company recorded operating income before other items and income taxes of \$3,933. This compares to an operating loss before other items and income taxes of \$155,187 in the comparative prior period. The operating loss for the first six months of fiscal 2019 was \$201,902 as compared to an operating loss of \$406,674 in the comparative prior period. The improvement from an operating loss to operating income in the current fiscal quarter was due to the increase in gross profit combined with a reduction in G&A and sales expenses, which offset the increase in engineering expenses. The year-over year improvement was primarily due to revenue and gross profit improvements. These improvements were offset by the increase in G&A due to executive termination costs and engineering expenses.

Net earnings after income taxes were \$167,263 in the second quarter of fiscal 2019 and \$121,131 for the first six months of fiscal 2019. This compares to a net loss of \$47,848 and \$233,941 respectively, in the comparative prior periods. This improvement from net losses to net earnings was largely due to the improvements in revenue and gross profit combined with the increase in finance income to \$323,033 for the six months ended February 28, 2019 from \$238,705 in the comparative period.

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 \$166,470 for the second quarter of fiscal 2019 and \$309,098 year-to-date. This compares with \$196,342 and \$399,221 respectively in the comparative prior periods. The reduction in total engineering costs is due to a reduction in field trial, compensation and consulting costs. During the fiscal period 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 the six month period ended February 28, 2018 engineering related expenditures of \$333,829 were capitalized and included on the statement of financial position.

SUMMARY OF QUARTERLY RESULTS

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

Fiscal year	2019		2018				2017	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	1,405	1,475	1,448	1,227	938	882	989	828
Gross profit	760	772	619	659	529	411	290	258
Operating earnings (loss) before other items and income taxes	4	(206)	28	(49)	(155)	(251)	(380)	(381)
Net earnings (loss) before income taxes	167	(46)	185	105	(48)	(186)	(346)	(336)
Net earnings (loss)	167	(46)	125	105	(48)	(186)	(338)	(336)
EPS - Basic	0.01	(0.00)	0.00	0.00	0.00	(0.01)	(0.01)	(0.01)
EPS - Diluted	0.01	(0.00)	0.00	0.00	0.00	(0.01)	(0.01)	(0.01)

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

The Company has withstood the difficult conditions in the mobile tanker truck market. Increases in oil prices in the last fiscal year 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. The operating losses in fiscal



2017 and the first half of fiscal 2018 reflected the negative impact of lower oil and gas prices and the low demand for new crude oil tankers.

The improved quarterly gross profit in fiscal 2019 and 2018 when compared to fiscal 2017 is primarily a result of increased sales combined with the reduction in production and overhead costs due to cost reduction initiatives undertaken in fiscal 2017. Gross profits in the fourth quarters of fiscal 2018 and fiscal 2017 were negatively impacted by impairments of inventory of \$137,617 and \$90,221, 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 costs and 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 sales channels and corporate development activities.

Total assets of the Company were \$16,671,833 on February 28, 2019 as compared to \$16,750,962 on August 31, 2018. Cash and cash equivalents increased by \$468,321 to \$6,739,199. Accounts receivable increased by \$44,904 and inventories decreased by \$141,128 due to the increase in revenue. Total liabilities decreased by \$200,260. As at February 28, 2019, Titan had positive working capital (current assets less current liabilities) of \$10,599,401 compared to \$10,065,265 at August 31, 2018. The long-term portion of the investment in a secured loan is \$3,979,920.

Summary of Cash Flows

Operating Activities

Net cash flows used in operating activities for the six-month fiscal period totalled \$70,464, compared to \$350,401 in the comparative period. The cash flows used in operating activities was lower primarily due to the improvement in net 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 \$43,676 in the six month fiscal period is largely a result of cash flow used for the decrease in accounts payable and increase in accounts receivable balances, offset by the consumption of inventory. This compares with non-cash working capital used in the comparable period in the amount of \$79,636, largely as a result of cash flow used for inventory investments, offset by an increase in accounts payable and decreases in accounts receivable.

Investing Activities

Net cash flows generated in investing activities year-to-date totalled \$542,715 primarily as a result of payments received on the investment in a secured loan and finance income. This compares with \$5,015,457 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) 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 the first six months of fiscal 2019 amounted to \$3,930 for finance lease obligations as compared to \$10,590 in the comparable period.



CONTRACTUAL OBLIGATIONS

The Company has no commitments for future capital assets and its only financial obligations are finance lease obligations on company vehicles and 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

	April 16, 2019	February 28, 2019	August 31, 2018
Common shares issued and outstanding	28,536,132	28,536,132	28,536,132
Options outstanding	120,000	180,000	180,000

BUSINESS OUTLOOK

The Company continues to remain competitive in the current market. Original Equipment Manufacturers are building new tankers at a steady pace. Titan's sensors are maintaining their strong market share of the new tanker construction market. This upward trend of its existing business will sustain the Company with current revenue levels expected to continue for the upcoming fiscal year. The Company's reputation as the industry leader in its traditional market segment has led to the emergence of new opportunities in other markets. Titan will continue to gravitate towards the diversification of its product lines, geographical presence and market segments. In addition to the focus on new market opportunities the Company has targeted additional revenue streams through its diversity program to bolster its top line numbers. Management has refocused its team to accelerate the penetration of these markets and revenue streams. Along with our software technology partner, Pedigree Technologies, Titan is developing a secondary market for our GWR products as part of a supply chain management solution for the management of fresh and produced water for fracking operations. We are forecasting revenue from this new initiative to occur in the last half of fiscal 2019. Titan will continue to hunt for strategic acquisition targets that are aligned with the corporate vision of data collection and management.

Titan's recently released Gateway provides connection of the TD100™, Finch II and AirWeigh products to the IIoT. Initial revenue from the sale of the Gateway product is expected through the produced water initiative. 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 second generation IIoT products with an eye to becoming the go-to company for data generation devices required by its existing and future customers. Titan's focus on providing timely, accurate, relevant data to its customers through IIoT solutions will enhance its market penetration in the markets it seeks to play in. Titan will continue to search for other opportunities to generate recurring revenue from its IIoT solution efforts. Titan has initiated product improvement efforts to reduce hardware costs, 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. The Company is nearing completion for the testing of a battery back-up option to allow for remote power capability. The battery solution will facilitate the use of GWR and Gateway products in other data critical operations where local power is an issue.

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 2018 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 2018 annual report. There have been no significant changes to the Company's business risks and uncertainties described in its 2018 annual report.



ADDITIONAL INFORMATION

Additional information relating to Titan Logix Corp., including its 2018 Audited Financial Statements, is available on SEDAR at www.sedar.com or on its website, www.titanlogix.com.

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Chief Executive Officer

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