

Management's Discussion and Analysis

Q2 Fiscal 2022

February 28, 2022



TITAN
LOGIX

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) has been prepared by management as of April 20, 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 February 28, 2022 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 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, 2022 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 in the second quarter of fiscal 2022 increased by \$338,195 or 45% to \$1,087,797, from the \$749,602 recorded in the comparative prior period. This increase was primarily due to increased demand and volume increases for the GWR product line from the crude oil sector due to an increased confidence in the global supply chain for tanker OEMs.
- Gross profit for the second quarter of fiscal 2022 increased by \$275,725 to \$628,778 or 58% of revenue compared to \$353,053 or 47% of revenue in the comparative period. This increase in gross profit is primarily due to the increase in unit demand and revenue. The increase in the gross profit percentage is the result of price increases combined with lower overhead costs.
- Total expenses in the second quarter of fiscal 2022 increased by \$295,372 to \$903,735 as compared with \$608,363 in the comparative prior period. This increase in total expenses was primarily due to executive termination costs. The Company continues to focus on cost management, particularly with respect to discretionary spending. Investment in sales and marketing programs and product development focusing on enhancing digital capabilities is ongoing.
- In the second quarter of fiscal 2022, the Company reported an operating loss before other items of \$274,957 compared to an operating loss of \$255,310 in the second quarter of fiscal 2021. Adjusted for interest income and other items, the net loss after income taxes for the second quarter was \$136,807 in fiscal 2022 compared to a net loss after taxes of \$64,977 in the prior period. The increase in revenue and gross profit in the quarter and year-over-year was offset by the increase 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 wound-down its participation in the CEWS program. No benefits were received in the second quarter of fiscal 2022, and \$76,281 was received for the six-month period for fiscal 2022. This compares with \$70,012 and \$183,847 in the comparative prior periods.

FISCAL 2022 Q2 RESULTS OF OPERATIONS

(\$000's, except gross margin (%) and per share amounts)	Three months ended February 28,				Six months ended February 28,			
	2022	2021	Increase (Decrease)		2022	2021	Increase (Decrease)	
	\$	\$	\$	%	\$	\$	\$	%
Revenue	1,088	750	338	45	1,712	1,599	113	7
Cost of sales	459	397	62	16	753	865	(112)	(13)
Gross profit	629	353	276	78	959	734	225	31
Gross margin (%)	58%	47%			56%	46%		
Expenses								
General and administration	565	231	334	145	831	472	359	76
Marketing and sales	163	146	17	11)	340	353	(13)	(4)
Engineering	100	104	(4)	(4)	243	236	7	3
Depreciation and amortization	65	94	(29)	(31)	146	191	(45)	(24)
Loss (gain) on foreign exchange	11	33	(22)	(67)	(22)	38	(60)	(158)
Total expenses	904	608	296	49	1,538	1,290	248	19
Finance income	142	196	(54)	(28)	288	362	(74)	(20)
Other items	(4)	(6)	(2)	(27)	(9)	(12)	(3)	(27)
Net loss	(137)	(65)	72	111	(300)	(207)	93	45
EPS – Basic and Diluted	0.00	0.00	0.00		(0.01)	(0.01)	0.00	

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 second quarter of fiscal 2022 increased by \$338,195 or 45% to \$1,087,797, as compared to \$749,602 for the second quarter of fiscal 2021. Revenue for the six month period ended February 28, 2022 increased by 7% to \$1,711,931 as compared to \$1,598,786 for the comparative period. The increase in revenue in the quarter and year-over-year was primarily a combination of the increase in demand and volume increases for GWR products from the crude oil sector due to an increased confidence in the global supply chain for tanker OEMs.

In the current fiscal quarter revenues generated from the Canadian market increased by \$85,239 or 63% to \$220,875 as compared to \$135,636 in the comparative prior period. For the six months ended February 28, 2022, year-over-year Canadian revenues increased by 26% to \$449,071 and accounted for 81% of the year-over-year increase in revenues. Sales to the U.S. for the three months ended February 28, 2022 increased by \$252,956 or 41% to \$866,922 as compared to \$613,966 in the comparative period. Sales to the U.S. for the six month period ending February 28, 2022 increased by \$21,509 or 2% to \$1,262,860 as compared to \$1,241,351 in the comparative period. These sales accounted for 80% of the revenues in the second quarter of fiscal 2022 (2021 – 82%) and 74% for the six months February 28, 2022 (2021 – 78%). 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 \$1.27 Canadian during the six months ended February 28, 2022, compared with \$1.30 Canadian for the prior period.

As a percentage of revenue, sales of the Company's GWR product line of technologies contributed 98% to sales in the second quarter of fiscal 2022 and 96% year to date. This compares to 95% in the corresponding prior periods.

Gross profit increased by \$275,725 to \$628,778 or 58% as a percentage of sales for the second quarter of fiscal 2022 compared with \$353,053, or 47% as a percentage of sales for the comparative period. Gross profit increased by \$224,435 to \$958,661 or 56% as a percentage of sales for the six month period compared with \$734,226, or 46% as a percentage of sales for the comparative period. The increase in gross profit in the current fiscal quarter and year-over-year is primarily due to the increase in unit demand and revenue. The increase in the gross profit as a percentage of revenue in the current fiscal quarter and year-over-year is the result of price increases in the prior year combined with lower overhead costs.

Expenses, general and administration

General and administrative expenses (G&A) for the second quarter of fiscal 2022 were \$564,883, an increase of \$334,006 or 145% from the \$230,877 recorded in the second quarter of fiscal 2021. General and administrative expenses for the six month period were \$830,783 an increase of \$358,968 or 76% from the \$471,815 recorded in the comparable prior period. The increase in the current quarter and year-over-year is primarily an increase in payroll expenses due to severance costs associated with executive termination combined with an increase in professional fees. The year-over-year increase was 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 six month period ending February 28, 2022 compared with \$37,515 in the comparable prior period. G&A, as a percentage of revenue, was 52% for the second quarter and 49% for the six months ended February 28, 2022 compared to 31% and 30% respectively for the same periods of fiscal 2021.

Expenses, marketing and sales

Marketing and sales expenses for the second quarter of fiscal 2022 were \$162,848 an increase of \$16,773 or 11% from the \$146,075 recorded in the comparative prior period. The increase in the current quarter is primarily a result of increased travel and trade show costs due to a reduction in restrictions associated with the COVID-19 pandemic and partially offset by a decrease in website development costs. Marketing and sales expenses for the six month period were \$340,420 a decrease of \$12,788 or 4% from the \$353,208 recorded in the comparable prior period. This year-over-year decrease reflects lower payroll related expenses due to a restructure of the sales and marketing team combined with a reduction in website development costs. These year-over-year cost reductions were partially offset by the increase in travel costs. CEWS subsidies of \$22,522 were received in the six month period ending February 28, 2022 compared with \$37,472 in the comparable prior period. As a percentage of revenue, marketing and sales expenses were 15% for the second quarter of fiscal 2022 and 20% for the six months ended February 28, 2022 compared to 19% and 22% respectively for the same periods of fiscal 2021.

Expenses, engineering

Engineering expenses for the second quarter of fiscal 2022 were \$100,275 a decrease of \$3,680 or 4% from the \$103,955 recorded in the comparative prior period. This slight decrease is primarily due to lower salary expenses due to the decrease in the number of engineers on staff, combined with a decrease in product development consulting costs. These reductions in the current fiscal quarter largely offset the decrease in development refundable tax credits earned in the fiscal quarter. Engineering expenses for the six month period were \$242,722 an increase of \$6,790 from the \$235,932 recorded in the comparable prior period. This slight increase is primarily due to the year to date increase in product development consulting costs combined with a decrease in refundable tax credits. These cost increases were largely offset by a decrease in salary expenses. Development tax credits of \$47,445 were earned in the second quarter and \$71,497 in the six month period as compared to \$96,360 in the comparable quarter and six month period. CEWS benefits of \$30,001 were received in the six month period ending February 28, 2022 compared to \$70,149 in the comparable prior period. The Company expects its engineering expenses to remain consistent through the fiscal year as the Company finalizes its development of a low cost, non-hazard classified versions of its TD100™ transmitter, the T-Lite, which is currently in field trials.

Expenses, depreciation and amortization

Depreciation and amortization expenses included in operating expenses in the first six months of fiscal 2022 totalled \$145,832 compared to \$191,217 in the previous prior period. Additional depreciation expenses recorded in cost of sales in the current six month period totalled \$44,417, compared to \$44,874 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 \$22,038 on foreign currency exchange in the six months ended February 28, 2022 consisting of a realized gain on exchange of \$24,452 and an unrealized loss of \$2,414. This compares to a loss of \$38,334 on foreign currency exchange in the previous period consisting of a realized loss on exchange of \$318 and an unrealized loss of \$38,016.

Operating loss and net loss

The operating loss before other items and income taxes was \$274,957 for the second quarter of fiscal 2022 as compared to an operating loss before other items and income taxes of \$255,310 in the comparative prior period. The operating loss for the first six months of fiscal 2022 was \$579,058 as compared to an operating loss of \$566,280 in the comparative prior period. The slight

increase in the loss in the current fiscal quarter and year-over-year was largely due to the increase in general and administrative expenses which largely offset the improvement in revenue and gross profit.

The net loss after income taxes was \$136,807 in the current quarter as compared to a net loss of \$64,977 in the comparable prior period. The net loss after tax for the first six months of fiscal 2022 was \$299,765 compared to a net loss of \$207,465 in the comparative prior period. The increase in the loss after income taxes was due to lower GIC interest rates resulting in lower returns on investment deposits. Interest earned was \$288,136 in the first six months of fiscal 2022 compared to \$361,540 in the prior period. In the six month period, the Company benefited from CEWS subsidies in the amount of \$76,281 compared to \$183,847 from CEWS subsidies in the comparable period.

SUMMARY OF QUARTERLY RESULTS

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

Fiscal year	2022		2021				2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	1,088	624	871	1,064	750	849	609	782
Gross profit	629	330	547	558	353	381	355	382
Operating loss before other items and income taxes	(275)	(304)	(154)	(140)	(255)	(301)	(262)	(580)
Net earnings (loss) before income taxes	(137)	(163)	(11)	6	(65)	(142)	(108)	(417)
Net earnings (loss)	(137)	(163)	(26)	6	(65)	(142)	(108)	(417)
EPS – Basic and Diluted	(0.00)	(0.01)	(0.00)	0.00	(0.00)	(0.00)	(0.00)	(0.01)

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 \$15,999,082 on February 28, 2022 as compared to \$16,273,707 on August 31, 2021. Cash and cash equivalents decreased by \$144,114 to \$9,642,190. Accounts receivable decreased by \$67,489 and inventories increased by \$179,620. Total liabilities decreased by \$9,360. As at February 28, 2022, Titan had positive working capital (current assets less current liabilities) of \$14,322,945 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 six-month fiscal period totalled \$493,212, compared to \$131,065 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 used in the amount of \$138,903 in the six-month fiscal period is largely a result of an increase of inventory and prepaids, offset by the collection of accounts receivables and the increase in accounts payable. This compares with non-cash working capital provided in the comparable period in the amount of \$189,124, largely as a result of cash flow from a consumption of inventory and the collection of accounts receivables, offset by a decrease in accounts payable.

Investing Activities

Net cash flows generated in investing activities for the six-month fiscal period totalled \$422,238 as a result of the finance income and repayments and amendment fees of \$205,000 received on the secured note. This compares with \$538,006 generated in the comparative prior period primarily as a result of the finance income and repayments of principal received on the secured note.

Financing Activities

Net cash flows used in financing activities for the six-month fiscal period amounted to \$73,140 for payment of lease obligations as compared to \$80,164 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

	April 20, 2022	February 28, 2022	August 31, 2021
Common shares issued and outstanding	28,536,132	28,536,132	28,536,132
Options outstanding	350,000	450,000	300,000

On January 24, 2022 150,000 stock options were granted at an exercise price of \$0.47, with immediate vesting on the grant date and expire on January 24, 2027 (six months ended February 28, 2021 – no options were granted). The weighted average grant date fair value of \$0.23 was estimated on January 24, 2022 using the Black-Scholes pricing model. The Company recorded stock based compensation of \$34,500 in respect of the stock options granted and vested. Following the six month period, on March 5, 2022, 100,000 options were forfeited.

IMPACT OF COVID-19 PANDEMIC

The ongoing COVID-19 global pandemic, and actions taken by governmental authorities in response thereto caused material disruption to businesses globally resulting in an economic slowdown followed by an uncertain recovery, disruptions to global supply chains, reductions in trade volumes and increased political and economic instability. While energy prices and demand have recently recovered from lows experienced in the last two years, volatility in energy prices may recur and impact the demand for the Company's products. Management of the Company continues to focus on promoting employee health and safety, serving our customers and ensuring business continuity. As conditions continue to fluctuate around the world, with vaccine administration rising, governments and organizations have responded by adjusting their restrictions and guidelines accordingly. Management is closely monitoring the impact of the pandemic on all aspects of its business. The Company has given consideration to the impact of COVID-19 on its interim consolidated financial statements. As at February 28, 2022, 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.

BUSINESS OUTLOOK

Market intelligence from tanker OEMs and North American Dealers indicate a strong demand for new tanker builds, resulting in an increase in demand for gauging and overfill prevention solutions in the crude oil sector. Supply chain constraints and fluctuating lead-times continue to stifle fulfillment of the demand across the entire industry. The Company is responding to these sporadic conditions by increasing our finished goods inventory levels.

As a market leader with proven experience in liquid measurement and overflow prevention the Company is well positioned to expand and grow the business. Our current strategy is to leverage our position in our core business. We will continue to invest in sales and marketing and future product development. Our sales focus is to support our market partners and position and strengthen our ability to increase TD100™ sales to our current customers.

In order to grow and expand our market share into new markets and new digital applications the Company plans to build upon its success of its industry-leading technology found in the TD80™ and TD100™ gauges. Development is ongoing on its new product line with added capabilities that combine with the same features found in the TD80™ and TD100™ gauges. The technology, currently named the T-Lite, builds upon a solid foundation of accurate, reliable measurement, while adding feature rich functionality through wireless connectivity in a scalable package. Field trials of the T-Lite system are ongoing with an official release date to be announced once the technology has been field proven.

The Company is currently in the process of developing its long-term strategic growth plan that focuses on adjacent market opportunities in the mobile liquid measurement space. The Company has a strong balance sheet to purchase accretive products and services that will accelerate growth as those opportunities are developed.

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.

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www.titanlogix.com