Management's Discussion and Analysis Q1 Fiscal 2018

titan logix corp.

November 30, 2017

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 overfill 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 all developed to be a part of a complete asset management solution. The ultimate solution will consist of Titan's products integrated with best-in-class third party solutions to enable complete fluid management throughout each stage of their fluid handling processes. This is captured by our slogan "Advanced Technology Fluid Management Solutions, In the Field, On the Road, 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 monitor their fluid assets remotely from the convenience of their dispatch center or other back office environment through a wired or wireless connection.

Titan's solutions have traditionally focused upon the "On the Road" mobile level sensor solutions. We maintain capacity to seamlessly integrate with "In the Field" stationary level sensor solutions, that to date, have been third party offerings. Titan's recently launched telematics offerings are initiating a full fledged entry into the "In the Office" offerings of our vision.

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

MISSION

Titan's mission is to provide our customers with innovative, integrated, and advanced technology solutions to enable them to manage their fluid assets more effectively in the field, on the road, and in the office.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) has been prepared by management as of January 22, 2018. It updates the annual MD&A included in our 2017 annual report and should be read in conjunction with the unaudited interim consolidated financial statements and notes for the period ended November 30, 2017 as well as the audited consolidated financial statements and MD&A included in the Company's 2017 annual report for fiscal year ended August 31, 2017. 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 2018 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, 2017, as well as the 2017 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

- Due to the slowdown in the mobile tanker truck new construction market the weakness in demand experienced in the prior two years continued into fiscal 2018. Revenues for the first quarter of fiscal 2018 improved slightly to $882,140, a $58,481 increase from the $823,659 recorded in the comparative prior period.
- The gross profit for the first fiscal quarter of fiscal 2018 improved to $410,935 or 47% of revenue compared to $273,072 or 33% of revenue in the comparative prior period, an increase of $137,863. This significant improvement is due to both a reduction in production costs and fixed overhead allocated to inventory units.
- The operating loss before other items in the first quarter of fiscal 2018 was $251,847, a decrease of 30% compared to $361,019 in the comparative prior period. This substantial improvement in the operating loss before other items was primarily due to the improvement in the gross profit.
- Despite the improvement in gross profit the net loss after taxes for the first quarter of fiscal 2018 was $186,093 compared with net income of $18,794 for the comparative prior period that was due primarily to a gain of $335,434 recorded on the sale of the TPZ3310 product line.
- The Company invested $7,006,837 in certain fixed income and equity securities to generate cash to fund operations and product development. $5,000,000 was invested in a secured loan with an expected rate of return of 9% per year, based on prevailing floating rates during the term of the loan and, subject to any early repayment. A further $2,000,000 was invested in equity securities with an expected rate of return of 5%.

FISCAL 2018 Q1 RESULTS OF OPERATIONS

	Three months ended November 30,			
	2017	**2016**	**Increase (Decrease)**	
	$	**$**	**$**	**%**
Revenue	**882,140**	823,659	58,481	7
Cost of sales	**471,205**	550,587	(79,382)	(14)
Gross profit	**410,935**	273,072	137,863	50
Gross margin (%)	**47**	33		
Expenses				
General and administration	**335,241**	371,281	(36,040)	(10)
Marketing and sales	**251,997**	193,497	58,500	30
Engineering	**40,345**	20,876	19,469	93
Depreciation and amortization	**69,450**	89,374	(19,924)	(22)
(Gain) on foreign exchange	**(34,611)**	(40,937)	6,326	(15)
Total expenses	**662,422**	634,091	28,331	4
Operating loss before other items	**(251,487)**	(361,019)	109,532	(30)
Other items	**65,394**	379,813	(314,419)	(83)
Net (loss) earnings	**(186,093)**	18,794	(204,887)	(1090)
EPS - Diluted	**(0.01)**	0.00	(0.01)	

Revenue and gross profit

The Company's revenue is largely derived from instrument sales of its GWR product line of technologies (TD80, 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 and designated as Titan's "On the Road" solution offering. Due to continued weak demand for the GWR product line in the new tanker construction market both in Canada and the U.S. the Company did not realize any significant improvements in revenues in the current fiscal quarter. For the first quarter of fiscal 2018 revenue increased by 7% to $882,140 as compared to $823,659 for the first quarter of fiscal 2017. This slight increase in revenues is largely due to improved sales into the Canadian market and offset with the negative foreign currency impact due to the strengthening of the Canadian dollar on revenues generated outside of Canada. As a percentage of revenue, sales of the GWR product line contributed 90% to sales in the first quarter of fiscal 2018 as compared with 81% in the comparable first quarter of fiscal 2017. The increase in sales of this product line as a percentage of revenue is primarily due to the reduction in the revenue from the TPZ and 3500 Controller product line sold and other storage tank products.

Sales outside of Canada, primarily to the U.S, for the first quarter of fiscal 2018 were $431,234, a decrease of $24,593 or 5% when compared with sales of $455,827 in the comparable three-month period. Demand in the U.S. region remained relatively flat and this decrease in revenues is largely due to the negative impact of the strengthening of the Canadian dollar. Sales outside of Canada are transacted in U.S. dollars and are subject to exchange fluctuations against the Company's Canadian dollar functional currency; therefore, any significant change in the U.S. dollar exchange rate impacts the reported Canadian dollar amount of sales. Average exchange rate differences accounted for 4% of the decrease. The average foreign currency exchange rate of 1.26 Canadian was used to translate these revenues in the current quarter. This compares with 1.32 in the comparative prior period. Canadian sales for the first quarter of fiscal 2018 were $450,906, an increase of $83,074 or 23% when compared with sales of $367,832 in the comparable three-month period.

Gross profit was $410,935 for the first quarter of fiscal 2018 compared with $273,072 for the previous year's first quarter. As a percentage of sales, gross margin improved in the current quarter to 47% as compared with 33% in the first quarter of fiscal 2017. The improvement in gross margin reflects the decrease in the cost of sales as a percentage of revenue. Cost of sales decreased by $79,382 or 14% to $471,205 for the first quarter of fiscal 2018 as compared to $550,587 in the comparable three-month period. Cost of sales consists primarily of materials, direct labour and production overhead costs. Cost of sales also includes expenses for service and engineering related support and sustainment costs. The reduction in cost of sales was primarily due to a decrease in production overhead costs from the closure of the Saskatchewan warehouse and service facility in the first quarter of fiscal 2017 combined with a higher percentage of the fixed overhead costs being absorbed in the cost of finished goods due to an increase in built product in the quarter. To meet required lead times the Company carries a certain level of finished goods inventory. Based on the changes to this level overhead costs are absorbed in the cost of finished good or expensed.

Expenses, general and administration

General and administrative expenses (G&A) for the first quarter of fiscal 2018 were $335,241, a decrease of $36,040 or 10% from the $371,281 recorded in the first quarter of fiscal 2017. The decrease is primarily a result of a decrease in IT consulting fees and professional fees. G&A, as a percentage of revenue, was 38% for the first quarter of fiscal 2018 compared to 45% in the comparable three-month period.

Expenses, marketing and sales

Marketing and sales expenses for the first quarter of fiscal 2018 were $251,997 an increase of $58,500 or 30% from the $193,497 recorded in the first quarter of fiscal 2017. The increase is primarily a result of increased trade show expenses, third-party product trial costs and compensation compared to the prior period. As a percentage of revenue, marketing and sales expenses was 29% for the first quarter of fiscal 2018 compared to 23% in the comparable three-month period.

Expenses, engineering

Engineering expenses are incurred primarily for 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 2018 were $40,345 an increase of $19,469 or 93% when compared with $20,876 in the first quarter of fiscal 2017. The increase in engineering expenses as compared with the previous fiscal period is primarily due to increased cost for the preparation and introduction of new third-party products partially offset by an increase in time dedicated to capitalized project development activities.

Expenses, depreciation and amortization

Depreciation and amortization expenses included in operating expenses in the first quarter of fiscal 2018 totalled $69,450 compared to $89,374 in the first quarter of fiscal 2017. This decrease in depreciation and amortization expenses in the current fiscal quarter is largely due to the reduction in intangible assets including software and fully amortized product development costs. Additional depreciation expenses recorded in cost of sales in the current quarter totalled $2,611, compared to $4,135 in the comparable three-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 gain of $34,611 on foreign currency exchange in the first quarter of fiscal 2018 consisting of a realized gain on exchange of $7,102 and an unrealized gain of $27,509. This compares to a gain of $40,937 in the previous fiscal year which consisted of a $6,935 realized gain on exchange and an unrealized gain of $34,002.

Operating loss and net loss

The operating loss before other items and income taxes was $251,487 for the first quarter of fiscal 2018 as compared to an operating loss before other items and income taxes of 361,019 in the first quarter of fiscal 2017. The significant improvement in the operating loss before taxes and other items was primarily due to the improvement in gross profit due to the reduction in production overhead costs included in cost of sales, combined with a slight increase in revenue. Despite these improvements, the Company incurred an operating loss, largely due to continued weaker demand for the Company's products and the resulting low revenues.

The net loss after income taxes was $186,093 in the first quarter of fiscal 2018 as compared to a net income of $18,794 in the first quarter of fiscal 2017. This decline in net earnings in the current fiscal quarter was primarily due to a $335,434 gain recorded in the corresponding fiscal quarter on the sale of the TPZ 3310 and 3500 controller product line. The fiscal 2018 net loss was improved by an increase in finance income of $50,112 primarily from the interest income of $31,302 on the investment in the secured loan and dividend income of $25,640 on investments in marketable securities. An unrealized loss on marketable securities of $24,393 offset the dividend income.

Product development costs

The Company continues to invest in development activities to support and maintain its current product line and the development and introduction of new products. Total engineering related expenditures including engineering costs expensed amounted to $202,879 for the first quarter of fiscal 2018 compared to $172,024 for the previous year's comparable period. During the year, the Company continued to invest in development activities for the ongoing development of its next generation of digital GWR propriety products. During the current quarter, the Company invested $162,534 on development activities that were capitalized as compared with $151,148 in the three-month period ended November 30, 2016. This increase in development expenditures is primarily due to an increase in time dedicated to project activities.

SUMMARY OF QUARTERLY RESULTS

($000's, except per share amount)

Fiscal year	2018	2017				2016		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	**882**	989	828	872	824	706	744	945
Gross profit	**411**	290	258	349	273	11	99	169
Operating loss before other items and income taxes	**(251)**	(380)	(381)	(344)	(361)	(905)	(1,106)	(1,001)
Net (loss) earnings before income taxes	**(186)**	(346)	(336)	(327)	19	(1,977)	(1,063)	(967)
Net (loss) earnings	**(186)**	(338)	(336)	(327)	19	(1,888)	(799)	(659)
EPS - Basic	**(0.01)**	(0.01)	(0.01)	(0.01)	0.00	(0.07)	(0.03)	(0.03)
EPS - Diluted	**(0.01)**	(0.01)	(0.01)	(0.01)	0.00	(0.07)	(0.03)	(0.03)

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. The Company's quarterly revenues and operating loss for the last eight quarters continue to reflect the negative impact of lower oil and gas prices and the subsequent collapse in demand for new crude oil tankers.

The improved quarterly gross profit over the last five quarters when compared to the last two quarters of fiscal 2016 is primarily a result of the increased revenue and the decrease in cost of sales. The improvement in costs of sales was due to cost reduction initiatives undertaken in fiscal 2016 and the reduction in production labour costs.

Due to the decline in the demand for the Company's TD80 in fiscal 2016 the production facility was not operating at full capacity. As a result, gross profit for the third and fourth quarters of fiscal 2016 was negatively impacted by a larger percentage of the fixed overhead not being absorbed in the cost of built product. Gross profit was also negatively impacted by an impairment of inventory of $119,082 in the fourth quarter of fiscal 2016. Fiscal 2017's fourth quarter was negatively impacted by an impairment of inventory of $90,221.

The reduction in operating losses before other items and income taxes in the current quarter and fiscal 2017 as compared to the comparative prior periods reflects the significant reduction in operating expenses resulting from management's cost reduction initiatives combined with the improvement in quarterly gross profit.

Significant losses in the fourth quarter of fiscal 2016 are a result of intangible asset impairment losses of $940,924 recognized as a result of a reduction in the recoverable amount of product development costs. The net earnings improvement in the first quarter of fiscal 2017 is primarily due to the $335,434 gain on sale of the assets related to the TPZ 3310 and 3500 Controller product lines sold in conjunction with the closing of Titan's under-performing Saskatchewan warehouse and service facility.

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 $16,508,659 on November 30, 2017 as compared to $16,685,920 on August 31, 2017. Cash, cash equivalents decreased by $7,053,114 to $6,474,713. Investments of $2,006,837 in marketable securities and $4,925,000 in a secured loan were recorded in the first quarter of fiscal 2018. Accounts receivable decreased by $144,339 and inventories increased by $64,618. Total liabilities increased by $3,801. As at November 30, 2017, Titan had positive working capital (current assets less current liabilities) of $7,895,879 compared to $14,663,433 at August 31, 2017. The investments in marketable securities are classified as non-current assets and the long-term portion of the investment in a secured loan is $4,508,558.

Summary of Cash Flows

Operating Activities

Net cash flows used in operating activities for the three-month fiscal period totalled $73,852, compared to cash flows generated from operating activities of $65,831 in the comparative period. This increase in cash flows used in operating activities is primarily due to a reduction in cash generated from changes in non-cash working capital accounts, partially offset by the decreased net loss, when excluding non-cash items and finance income.

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 generated in the amount of $100,543 in the first quarter of fiscal 2018 is largely a result of cash flow generated from the collection of accounts receivable balances, offset by an increase in inventory. This compares with non-cash working capital generated in the comparable period in the amount of $287,500, largely as a result of cash flow generated from the consumption of inventory, offset by an increase in accounts receivable.

Investing Activities

Net cash flows used in investing activities for the three-month fiscal period totalled $6,975,418 as compared with $1,202,239 generated in the comparative prior period. This significant increase in cash invested was primarily due to a $4,925,000 investment in secured loan (net of a $75,000 upfront commitment fee) and a $2,006,837 purchase of marketable securities combined with cash used for product development, and partially offset by interest income and payments received on the secured note. This compares with $1,202,239 generated from investing activity in the comparable period, primarily due to the maturity of $1,000,000 of short-term investments and proceeds of $346,377 from the sale of assets, offset by cash used for product development.

Financing Activities

Net cash flows used in financing activities in the first quarter of fiscal 2018 amounted to $3,844 for finance lease obligations as compared to $6,856 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

	January 22, 2018	November 30, 2017	August 31, 2017
Common shares issued and outstanding	28,536,132	28,536,132	28,536,132
Options outstanding	505,000	505,000	545,000

During the first quarter of fiscal 2018, 40,000 stock options were forfeited. For the three-month period, the Company has recorded stock option compensation expense of $5,031 as compared to $7,016 in the comparable period.

BUSINESS OUTLOOK

The continuing recovery of the crude oil price has stabilized demand for Titan's products. The existing backlog of tanker trailers appears to be dropping and some of the large Original Equipment Manufacturers are slowly beginning to build new tankers. Titan's sensors are maintaining their strong market share of that new tanker construction market. We continue to aggressively pursue retrofit and repair opportunities within the existing operating fleets. Titan's recently released Gateway for mobile tankers provides remote data communications from Titan's TD80, Finch II and AirWeigh products. Titan's Gateway is increasing marketplace opportunities by linking our widely respected legacy sensor technologies to the worldwide cloud/web. The Company's traditional market's interest in universal 'Internet of Things' solutions is driving both new and retrofit decisions. Introduction of the new Titan Gateway telematics solution is progressing very positively through initial pilot trials and is expected to begin securing commitments for retrofit installments on existing operational fleets. These sales opportunities will be 'lumpy' in that each initiative is targeting large existing fleets, often more than 100 tankers. These are comparatively large capital decisions for fleet operators in comparison to ordering 5-10 replacement new tankers. The decision requires substantial review and analysis prior to issuing a purchase order for retrofitting an entire operational fleet within a relatively short period. It is an all-in or out decision.

Product development is progressing on Titan's next generation digital Guided Wave Radar product, the TD100, and market introduction is expected in fiscal 2018's third quarter. This digital renewal of the TD80 legacy is opening doors to improved reliability and expanded capabilities for the next generation of Titan customers.

BUSINESS RISKS AND UNCERTAINTIES

Titan Logix Corp. faces a number of risks that have the potential of affecting its financial condition, results of operations and cash flow. 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 2017 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 2017 annual report. There have been no significant changes to the Company's business risks and uncertainties described in its 2017 annual report.

ADDITIONAL INFORMATION

Additional information relating to Titan Logix Corp., including its 2017 Audited Financial Statements, is available on SEDAR at www.sedar.com or on its website, www.titanlogix.com.

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