Titanium Transportation Group Inc.

Management's Discussion and Analysis

For the first quarter ended
March 31, 2017

Dated May 9, 2017

GENERAL INFORMATION

The following is Titanium Transportation Group Inc.'s management discussion and analysis dated May 9, 2017 ("MD&A"), which provides a comparative overview of the Company's performance for its three month period ended March 31, 2017 with the corresponding three month period ended March 31, 2016, and it reviews the Company's financial position as at March 31, 2017. Throughout this MD&A, the term "Company" shall mean Titanium Transportation Group Inc. and all of its direct and indirect wholly-owned subsidiaries. This discussion should be read in conjunction with the Company's MD&A, audited consolidated financial statements and accompanying notes as at and for the year ended December 31, 2016 as well as the unaudited condensed consolidated interim financial statements of the Company for the first quarter ended March 31, 2017 ("consolidated interim financial statements").

The consolidated interim financial statements of the Company and extracts from those consolidated interim financial statements contained in this MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated interim financial statements comply with IAS 34, Interim Financial Reporting, and do not include all of the information required for annual financial statements. The Company's presentation currency is the Canadian dollar. All financial information presented has been rounded to the nearest dollar, except per share amounts and where otherwise indicated. The Company's consolidated interim financial statements for the first quarter ended March 31, 2017 were approved by its Board of Directors on May 9, 2017. Readers are cautioned that certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumption prove incorrect, actual results may vary significantly from those expected. See "Forward Looking Statements" and "Risks and Uncertainties".

Unless otherwise indicated, the information in this report is dated as of May 9, 2017. Additional information relating to the Company is available on SEDAR at www.sedar.com.

OVERVIEW

The Company is an asset-based transportation and logistics company servicing Canada and the United States with terminals in Bolton, Bracebridge, Napanee, North Bay and Windsor, Ontario and additional parking/switch yards in Sudbury, Brantford, Brockville and Trenton, Ontario. The Company has over 1,000 customers across various industries, including large multinational corporations.

The Truck Transportation segment provides transport of general merchandise by long-haul, dedicated and local trucking services throughout Canada and the U.S. and is done with a variety of trailer types, including 53' dry vans, flatbeds, and includes heat and hazmat services. Through the use of a modern fleet, the Truck Transportation segment provides reliable and timely service to various customers, attains a high asset utilization through its network of terminals and yards across Ontario, and achieves revenue growth and cost efficiencies through the integration of acquisitions.

The Logistics segment is a non-asset-based broker that provides ancillary transportation services, such as third-party logistics services and freight forwarding across all of North America. Through its network, the Logistics segment offers customers transportation services, intermodal service, international shipping, specialty services, and expedited services. The Logistics segment succeeds due to the extensive experience and expertise of the Company's dedicated personnel, up to date and innovative information technology infrastructure, and dependable third-party providers.

The Company's operational results are influenced by industry-wide economic factors and by capital allocation, operating and spending decisions. Industry-wide economic factors which impact the Company's decisions include freight demand, trucking capacity, fuel prices, driver shortage and government regulation. The Company makes key decisions in the allocation of capital between its Truck Transportation and Logistics segments, hiring and compensation of employees and independent contractors, investing in new equipment and technology and business acquisitions. Operating and spending decisions are made after analysis of numerous important financial and operational metrics including EBITDA[1] and operating income, revenue generated per truck and per mile, empty miles, driver retention and fuel efficiency.

Revenue (including fuel surcharge) was $29.8 million for the three month period ended March 31, 2017, a 6.1% increase over the three month period ended March 31, 2016 and a 4.1% increase over the three month period ended December 31, 2016. Similarly, EBITDA was $2.9 million for the quarter, a 17.3% increase over the same period last year. The first quarter is generally the Company's weakest quarter of the year. A slow down in the flatbed division during winter months as well as increased repairs and reduced fuel efficiency caused by colder and harsher weather are the main contributors towards this historical trend. As a result, revenue levels and EBITDA margins for the quarter are generally not reflective of those enjoyed during later quarters in the year.

Revenue by Industry	
Manufactured Goods	36.8%
Logistics/ Trucking	11.8%
Retail	11.7%
Food & Beverage	10.0%
Metals	9.1%
Forest Products	6.2%
Services	6.1%
Automotive	4.5%
Other	3.8%

Based on Q1 2017 revenue

[1] Refer to "Results of Operations" on page 4 and "Non-IFRS Financial Measures" on page 12 for more information about EBITDA and for a reconciliation of EBITDA to net income.

The Logistics segment drove revenue growth for the quarter, when compared to the same quarter last year. Revenue growth of 32.5% was supported by an increasing and developing sales team, despite continuing softness in the transportation market. Continued over capacity in the industry resulted in weakness in margins, but improved volumes and a focus on fixed cost reduction allowed the Logistics segment to increase EBITDA year over year for the quarter by 65.6%.

The Truck Transportation segment saw an increase in revenue in the first quarter of 2017 of 2.5%, over the fourth quarter of 2016. Despite the first quarter being a seasonally weaker quarter, a focus on customer serviceability as well as prior investment in technology, big data analytics and new equipment, provide Titanium with a competitive advantage and supported revenue growth with existing customers during the quarter. Revenue right-sizing following the acquisition of ProNorth Transportation on December 1, 2015 resulted in a 3.5% decrease in revenue for the quarter, when compared to the same quarter last year. Elimination of unprofitable business and redundant costs, as well as investment in new equipment allowed the Truck Transportation segment to improve the profitability of ProNorth Transportation and improve EBITDA by 3.6%. However, pricing pressure experienced in the second half of 2016, which continued into 2017, somewhat eroded these operational improvements.

Net income increased by $314,413 in the first quarter of 2017 over the first quarter of 2016, as a result of growth and improvements in the Logistics segment, reduced corporate costs and the non-recurrence of a foreign exchange loss experienced in the first quarter of 2016.

[1] Refer to "Results of Operations" on page 4 and "Non-IFRS Financial Measures" on page 12 for more information about EBITDA and for a reconciliation of EBITDA to net income.

RESULTS OF OPERATIONS

Financial Highlights (unaudited)

	3 months ended March 31 2017	3 months ended March 31 2016
Revenue	28,050,767	26,434,702
Fuel surcharge	1,778,659	1,673,873
	29,829,426	28,108,575
Operating expenses	26,919,709	25,628,390
EBITDA(1)	2,909,717	2,480,185
EBITDA margin(1)	10.4 %	9.4 %
Depreciation	2,570,463	2,403,183
Amortization of customer lists	30,360	30,360
Operating income(1)	308,894	46,642
Operating margin(1)	1.1 %	0.2 %
Gain on sale of property and equipment	(275,925)	(331,333)
Finance costs	494,102	388,374
Finance income	(104,050)	(56,929)
Foreign exchange loss (gain)	(25,813)	273,697
Transaction costs	-	-
Income tax expense	91,296	(42,038)
Net income (loss) and comprehensive income (loss) attributable to owners of the Company	129,284	(185,129)
Net income (loss) per share - basic	0.00	(0.01)
Net income (loss) per share - diluted	0.00	(0.01)

(1) Refer to "Non-IFRS Financial Measures".

Selected Segmented Financial Information (unaudited)

	3 months ended March 31 2017	3 months ended March 31 2016
Truck Transportation		
Revenue	19,260,058	19,940,337
Fuel surcharge	1,371,789	1,436,056
	20,631,847	21,376,393
Operating expenses		
Carriers and independent contractors	6,873,560	7,006,770
Vehicle operating	5,009,300	5,308,648
Wages and casual labour	4,777,002	5,161,259
Other operating	1,154,982	1,179,937
	17,814,844	18,656,614
EBITDA(1)	2,817,003	2,719,779
EBITDA margin(1)	14.6 %	13.6 %
Depreciation	2,495,017	2,401,051
Amortization of customer lists	30,360	30,360
Operating income(1)	291,626	288,368
Operating margin(1)	1.5 %	1.4 %
Gain on sale of property and equipment	(275,925)	(331,333)
Finance costs	494,102	388,374
Finance income	(104,050)	(56,929)
Foreign exchange loss (gain)	(21,256)	182,652
Transaction costs	-	-
Income tax expense	66,516	30,156
Net income	132,239	75,448
Logistics		
Revenue	9,069,954	6,912,997
Fuel surcharge	406,870	237,817
	9,476,824	7,150,814
Operating expenses		
Carriers and independent contractors	7,810,593	5,734,025
Wages and casual labour	884,043	771,701
Other operating	317,204	364,265
	9,011,840	6,869,991
EBITDA(1)	464,984	280,823
EBITDA margin(1)	5.1 %	4.1 %
Depreciation	75,446	2,132
Foreign exchange loss (gain)	(4,557)	91,045
Income tax expense	107,436	52,967
Net income	286,659	134,679

(1) Refer to "Non-IFRS Financial Measures".

Revenue (unaudited)

	3 months ended March 31 2017	3 months ended March 31 2016
Truck Transportation		
Revenue	19,260,058	19,940,337
Fuel surcharge	1,371,789	1,436,056
	20,631,847	21,376,393
Logistics		
Revenue	9,069,954	6,912,997
Fuel surcharge	406,870	237,817
	9,476,824	7,150,814

For the three month period ended March 31, 2017, the Company's consolidated revenues increased by $1.7 million or 6.1%, when compared to the three month period ended March 31, 2016. The increase in revenue was a result of an increase in revenue in the Logistics segment, which was partially offset by a decrease in revenue in the Truck Transportation segment.

The Truck Transportation segment experienced a decrease in revenue of $0.7 million or 3.5%, for the three month period ended March 31, 2017 when compared to that of 2016. The decrease is primarily a result of a reduction of ProNorth Transportation revenues, which was required in order to improve the profitability of the acquired business. Revenue acquired as part of the acquisition of the the Windsor terminal in June 2016 was offset by price reductions brought about by a relatively more competitive environment.

The Logistics segment saw a an increase in revenue of $2.3 million or 32.5% for the three month period ended March 31, 2017, when compared to that of 2016. The increase is primarily due to growth in the sales force, which was made possible after the Company assumed a much larger head office late last year. As the team becomes fully trained and gains experience, this progress is expected to continue. This growth in revenue was experienced despite economic conditions being somewhat more challenging in the first quarter of 2017 than that of 2016.

Operating Expenses and Income (unaudited)

	3 months ended March 31 2017	**3 months ended March 31 2016**
Truck Transportation		
Revenue	20,631,847	21,376,393
Operating expenses	17,814,844	18,656,614
EBITDA(1)	2,817,003	2,719,779
EBITDA margin(1)	14.6 %	13.6 %
Depreciation and amortization	2,525,377	2,431,411
Operating income(1)	291,626	288,368
Operating margin(1)	1.5 %	1.4 %
Logistics		
Revenue	9,476,824	7,150,814
Operating expenses	9,011,840	6,869,991
EBITDA(1)	464,984	280,823
EBITDA margin(1)	5.1 %	4.1 %
Corporate		
Operating expenses	372,271	520,417

(1) Refer to "Non-IFRS Financial Measures".

For the Truck Transportation segment, operating expenses decreased by $0.8 million or 4.5%, for the three month period ended March 31, 2017, when compared to the three month period ended March 31, 2016. The decrease in operating expenses is primarily a result of a decrease in volumes as well as cost savings realized as part of the integration of ProNorth Transportation. The improvement in EBITDA margin from 13.6% to 14.6% is primarily a result of the Company replacing aged and leased equipment with new equipment, which decreased repair costs and equipment leasing costs, but increased depreciation, resulting in no significant net change to operating income. Operational synergies realized as part of the integration of ProNorth Transportation were offset by rate pressure experienced in the second half of 2016 and into 2017.

For the Logistics segment, operating expenses increased by $2.1 million or 31.2% for the three month period ended March 31, 2017, primarily driven by a higher volume of orders resulting in higher carrier costs. The improvement in EBITDA margin from 4.1% to 5.1% is a product of both a higher volume of revenue and a reduction of fixed costs. The increase is in spite of lower margins realized in the first quarter of 2017 when compared to 2016 as a consequence of a relatively weaker environment due to continuing overcapacity in the North American transportation market.

The Company realized a foreign exchange loss during the first quarter of 2016 as a result of the strengthening of the Canadian dollar relative to the US dollar during that period. Later in 2016, the Company began to borrow in US dollars in order to hedge against its exposure on its US dollar receivables.

SUMMARY OF QUARTERLY RESULTS

The following table sets out quarterly financial information for the Company's eight most recently completed quarters:

(in thousands)

	Q1'17	Q4'16	Q3'16	Q2'16	Q1'16	Q4'15	Q3'15	Q2'15
Revenue	29,829	28,647	29,839	29,967	28,109	26,571	27,246	32,420
EBITDA(1)	2,910	3,061	3,235	3,165	2,481	2,638	2,901	3,369
EBITDA margin(1)	10.4 %	11.3 %	11.4 %	11.1 %	9.4 %	10.6 %	11.3 %	11.2 %
Operating income(1)	309	374	570	515	47	417	1,073	1,378
Operating margin(1)	1.1 %	1.4 %	2.0 %	1.8 %	0.2 %	1.7 %	4.2 %	4.6 %
Adjusted net income (loss)(1)	129	119	130	(126)	(185)	446	1,366	766
Per share - basic	0.00	0.00	0.00	0.00	(0.01)	0.01	0.04	0.03
Per share - diluted	0.00	0.00	0.00	0.00	(0.01)	0.01	0.04	0.02
Net income (loss) and comprehensive income (loss) attributable to the owners of the Company	129	119	130	(126)	(185)	446	1,366	(1,359)
Per share - basic	0.00	0.00	0.00	0.00	(0.01)	0.01	0.04	(0.04)
Per share - diluted	0.00	0.00	0.00	0.00	(0.01)	0.01	0.04	(0.04)

(1) Refer to "Non-IFRS Financial Measures".

Changes from quarter to quarter are mainly the result of acquisitions, seasonality of operations and change in economic conditions. Economic conditions began to worsen after the third quarter of 2015 and then further deteriorated in the second half of 2016, which resulted in reduced revenue, margins and profitability. The Company combated these changes with an increased focus on its sales force as well as cost cutting.

In addition, there has historically been an increase in revenue and a decrease in margins in quarters following an acquisition. Following the quarter in which an acquisition has occurred, revenues have often decreased, stabilized and then increased while EBITDA margins have increased. This historical trend can be observed in Q1 2016 following the acquisition of ProNorth Transportation. It may be difficult to isolate this impact if the integration process of two or more acquisitions overlap or if there are significant changes in economic conditions.

The activities of the Company are also subject to seasonal demand for truck transportation. Historically, the Company has experienced weak demand in the first quarter, moderate demand in the third and fourth quarters and stronger demand in the second quarter. Harsher winter conditions also generally result in lower fuel economy and increased repair costs during the first quarter.

LIQUIDITY AND CAPITAL RESOURCES

	March 31 2017	December 31 2016
Working capital (deficit)[1]	(7,628,225)	(7,372,208)
Total assets	108,901,986	112,145,867
Net debt[2]	49,119,628	50,536,210
Shareholders' equity	36,448,879	36,238,286
Net debt to equity ratio[3]	1.35	1.39

(1) Working capital (deficit) is defined as current assets less current liabilities.

(2) Net debt is defined as bank indebtedness, loans payable and finance lease liabilities, net of cash, finance lease receivables and assets held for sale, both current and long-term portions.

(3) Net debt to equity ratio is defined as net debt divided by shareholders' equity.

The Company's net debt position as at March 31, 2017 decreased when compared to December 31, 2016 as a result of the Company generating positive cash flows from operating and financing activities that allowed the Company to pay down debt. No new investment in equipment was required during the quarter, as significant replenishment over the last two years resulted in a very new fleet. As a result, the Company was able to pay down debt although depreciation of existing equipment eroded the Company's total assets slightly. Although due on demand, the Company considers its bank indebtedness to be long-term debt as it is often used to finance equipment purchases and acquisitions.

Over the next two quarters, management expects to realize proceeds from the sale of excess aged equipment of approximately $1.1 million. In addition, the Company has committed $1.4 million towards the purchase of additional rolling stock, as of March 31, 2017. Management does not expect capital requirements to be significantly in excess of these commitments, unless there are significant improvements to customer demand during 2017. Management believes there is sufficient financing available to fund planned capital expenditures in the future and to provide for the future growth of the business.

The Company paid down an additional $0.3 million in debt, during the first quarter of 2017, in excess of what was contractually required. The Company actively seeks debt refinancing when possible, especially with respect to debt acquired through business acquisitions, to the extent that penalties for early retirement of debt are not significant and lower cost financing is available. Management believes that the Company's operating cash flows are sufficient to fund daily operating activities and meet regular debt repayment obligations.

The Company limits the use of off-balance sheet financing, by way of operating leases, to the extent practical. Operating leases mainly pertain to the use of the Company's head office terminal but do include some power units and trailers to the extent that the Company assumes these commitments as part of business acquisitions. Excluding the Company's Bolton head office, these leases expire between July 2017 and October 2020. The lease for the Company's head office expires September 2031.

The portion of the Company's bank credit facilities which were unused as of March 31, 2017 include approximately $6.7 million under a revolving demand operating facility, $5 million under a non-revolving acquisition facility, $7.5 million under an accordion acquisition facility and $1.8 million under a finance lease loan facility. In addition, the Company has available approximately $13.8 million in finance leasing and loan facilities through other institutions.

Common Shares

As of May 9, 2017, there are 37,388,510 common shares of the Company outstanding and 6,444,915 outstanding warrants to acquire common shares of the Company. In addition, there are 1,779,000 stock options outstanding, of which 450,000 are exercisable.

TRANSACTIONS WITH RELATED PARTIES

The Company provides truck transportation services to companies under common control. These companies include Vision Extrusions Group Limited, Vision Profile Extrusions Ltd. and Sunview Patio Doors Ltd. Aggregate revenues from these companies totaled $874,959 for the three month period ended March 31, 2017 (2016 - $718,597).

The Company also currently rents its head office from Caledon First Investments Limited, a company under common control with the Company. Rent was previously paid to Vaughan West II Limited, Roybridge Holdings Limited and Vision Extrusions Group Limited, also companies under common control. Total rent paid to these companies for the three month period ended March 31, 2017 was $481,469 (2016 - $112,887). The Company has committed to annual rent of $1,688,748, which will increase to $2,413,123 over a 15 year period.

Trunkeast Investments Canada Limited, the Company's controlling shareholder as of March 31, 2017, provides administrative and support services to the Company on a monthly basis. For these services, the Company was charged $15,000 (2016 - $15,000) for the three month period ended March 31, 2017. The Company is committed to payment for such services until such time that the contract is terminated. Six month's written notice is required for termination.

These transactions were carried out in the normal course of business and were measured at the exchange amount, which management has concluded approximates an arm's-length arrangement.

FORWARD LOOKING STATEMENTS

This MD&A contains forward looking statements that reflect the Company's current expectations and projections about its future results. When used in this MD&A, forward looking statements can be identified by the use of words such as "may", or by such words as "will", "intend", "believe", "estimate", "consider", "expect", "anticipate", "objective" and similar expressions or variations of such words. Forward looking statements are, by their nature, not guarantees of the Company's future operational or financial performance and are subject to risks and uncertainties and other factors that could cause the Company's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward looking statements. No representation or warranty is intended with respect to anticipated future results or that estimates or projections will be sustained.

Readers are cautioned not to place undue reliance on these forward looking statements, which are necessarily based on a number of estimates and assumptions that, while considered reasonable by management as of the date of this MD&A, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The following factors could cause the Company's actual financial performance to differ materially from that expressed in any forward looking statement: highly competitive market conditions, the Company's ability to recruit, train and retain qualified drivers, the Company's ability to identify, successfully complete and integrate suitable acquisitions, fuel price variation and the Company's ability to recover these costs from its customers, foreign currency fluctuations, the impact of environmental standards and regulations, changes in Canadian and US government regulations applicable to the Company's operations, changes in key personnel, adverse weather conditions, accidents and litigation, the market for used equipment, changes in interest rates, changes in the cost of liability insurance coverage, downturns in general economic conditions affecting the Company and its customers and availability of financing on reasonable commercial terms. The Company expressly disclaims any obligation to update forward looking statements if circumstances or management's views or estimates change, except as otherwise required pursuant to applicable law.

From time to time, the Company will disclose its current annual run rate revenue and EBITDA. Although not intended as such, this may be interpreted as forward looking information. Run rates are presented in order to provide investors with insight into the current size of the Company, assuming synergies have been fully realized. Historical figures may not be a good indicator of the Company's size, as a result of the number of acquisitions that are completed each year and the time that it takes to fully realize synergies. After releasing Q1 2016 results, the Company estimated that post synergy annualized revenue and EBITDA would be $125 million and $14.5 million, respectively. Actual revenue and EBITDA for the last four quarters, excluding the effect of the acquisition of the Windsor terminal, was approximately $116 million and $12.2 million, respectively. The reason for the difference is primarily a more significant decline in economic conditions than originally anticipated. Due to continuing pressure on pricing, the Company is adjusting its EBITDA run rate at this time to $13 million from $13.5 million. The Company's revenue run rate remains unchanged at $120 million.

NON-IFRS FINANCIAL MEASURES

This MD&A includes the following financial measures that do not have any standardized meaning under IFRS and may not be comparable to similar measures employed by other companies:

"Earnings before interest, income taxes, depreciation and amortization" ("EBITDA") is calculated as net income before depreciation, amortization, asset impairments, gains or losses on the sale of equipment, finance income and costs, gains or losses on foreign exchange, income tax expense, transaction costs and reverse takeover costs.

"EBITDA margin" is calculated as EBITDA as a percentage of revenue before fuel surcharge.

"Operating income" is calculated as net income before asset impairments, gains or losses on the sale of equipment, finance income and costs, gains or losses on foreign exchange, income tax expense, transaction costs and reverse takeover costs.

"Operating margin" is calculated as operating earnings as a percentage of revenue before fuel surcharge.

"Adjusted net income" is calculated as net income before items that are not in the normal course of business, such as reverse takeover costs, net of tax.

Management of the Company believes that these financial measures are useful for investors and other readers, when used in conjunction with other IFRS financial measures, as they are measurers used internally by management to evaluate performance. However, these financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of financial performance prepared in accordance with IFRS.

RISKS AND UNCERTAINTIES

The Company's business is subject to a number of risk factors which are described in our most recently filed annual information form. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

CHANGES IN ACCOUNTING POLICIES

The following new standards and amendments to standards are not yet effective for the period ended March 31, 2017 and have not been applied in preparing the consolidated interim financial statements. The full description of each of these recent pronouncements is available in our consolidated interim financial statements.

IFRS 16, Leases
IFRS 15, Revenue from Contracts with Customers
IFRS 9, Financial Instruments

Unaudited Condensed Consolidated Interim Financial Statements

For the first quarter ended
March 31, 2017

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Financial Position

(unaudited)

(in Canadian dollars)

	March 31 2017	December 31 2016
Assets		
Current		
Cash	206,627	152,808
Trade and other receivables (note 13)	18,838,102	19,349,970
Current taxes recoverable	832,442	469,398
Finance lease receivables (note 5)	2,304,317	2,471,690
Prepaid expenses and deposits	1,569,835	1,620,151
Assets held for sale (note 6)	1,118,021	1,820,727
	24,869,344	25,884,744
Finance lease receivables (note 5)	6,095,617	6,948,786
Property and equipment (note 7)	72,411,211	73,726,657
Deferred tax assets	321,909	351,415
Customer lists (note 8)	688,080	718,440
Goodwill (note 8)	4,515,825	4,515,825
	108,901,986	112,145,867
Liabilities		
Current		
Bank indebtedness (note 9)	8,341,499	7,728,358
Trade and other payables	8,608,175	9,205,205
Current taxes payable	-	142,631
Loans payable (note 9)	7,578,000	7,491,309
Finance lease liabilities (note 9)	7,907,626	8,204,358
Finance lease liabilities on assets held for sale (note 9)	62,269	485,091
	32,497,569	33,256,952
Loans payable (note 9)	17,318,023	19,184,828
Finance lease liabilities (note 9)	17,636,793	18,836,277
Deferred tax liabilities	5,000,722	4,629,524
	72,453,107	75,907,581
Commitments and contingencies (note 15)		
Shareholders' Equity		
Share capital (note 10)	26,754,964	26,754,964
Contributed surplus (note 11)	3,762,983	3,681,674
Retained earnings	5,930,932	5,801,648
	36,448,879	36,238,286
	108,901,986	112,145,867

On behalf of the Board

"Ted Daniel"
Director

"Bill Chyfetz"
Director

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Comprehensive Income

Three months ended March 31, 2017 and 2016 (unaudited)

(in Canadian dollars)

	2017	2016
Revenue (note 13)	28,050,767	26,434,702
Fuel surcharge	1,778,659	1,673,873
	29,829,426	28,108,575
Operating expenses		
Carriers and independent contractors	14,404,908	12,322,163
Vehicle operating	5,009,300	5,308,648
Wages and casual labour (note 14)	5,855,470	6,161,544
Other operating (note 13)	1,650,031	1,836,035
	26,919,709	25,628,390
Income before the following	2,909,717	2,480,185
Depreciation (note 7)	2,570,463	2,403,183
Gain on sale of property and equipment (note 12)	(275,925)	(331,333)
Finance costs	494,102	388,374
Finance income	(104,050)	(56,929)
Foreign exchange loss (gain)	(25,813)	273,697
Amortization of customer lists (note 8)	30,360	30,360
	2,689,137	2,707,352
Income (loss) before income taxes	220,580	(227,167)
Income tax expense (recovery)	91,296	(42,038)
Net income (loss) and comprehensive income (loss) attributable to owners of the Company	129,284	(185,129)
Earnings (loss) per share:		
Basic	0.00	(0.01)
Diluted	0.00	(0.01)
Weighted average number of shares outstanding:		
Basic (note 10)	37,388,510	36,267,802
Diluted (note 10)	37,388,510	36,267,802

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Changes in Equity

Three months ended March 31, 2017 and 2016 (unaudited)

(in Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Total
Balances at December 31, 2016	26,754,964	3,681,674	5,801,648	36,238,286
Share-based compensation expense (note 11)	-	81,309	-	81,309
Net income and comprehensive income	-	-	129,284	129,284
Balances at March 31, 2017	26,754,964	3,762,983	5,930,932	36,448,879
Balances at December 31, 2015	24,765,964	3,391,767	5,863,739	34,021,470
Share-based compensation expense	-	60,818	-	60,818
Net income (loss) and comprehensive income (loss)	-	-	(185,129)	(185,129)
Balances at March 31, 2016	24,765,964	3,452,585	5,678,610	33,897,159

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Cash Flows

Three months ended March 31, 2017 and 2016 (unaudited)

(in Canadian dollars)

	2017	**2016**
Cash flows from operating activities		
Net income (loss)	129,284	(185,129)
Adjustments:		
Depreciation	2,570,463	2,403,183
Gain on sale of property and equipment	(275,925)	(331,333)
Finance costs	494,102	388,374
Finance income	(104,050)	(56,929)
Amortization of customer lists	30,360	30,360
Share-based compensation expense	81,309	60,818
Income tax expense (recovery)	91,296	(42,038)
	3,016,839	2,267,306
Net change in non-cash operating working capital	(70,081)	715,413
	2,946,758	2,982,719
Interest paid	(500,075)	(362,016)
Interest received	104,050	56,929
Income taxes paid	(196,267)	(434,848)
	2,354,466	2,242,784
Cash flows from investing activities		
Proceeds from finance lease receivables	515,890	503,620
Acquisition of property and equipment (note 7, 12)	(140,334)	(450,094)
Disposition of property and equipment (note 7)	875,600	397,791
	1,251,156	451,317
Cash flows from financing activities		
Proceeds from bank indebtedness (note 12)	600,959	726,609
Repayment of loans payable (note 12)	(1,780,114)	(2,635,589)
Repayment of finance lease liabilities (note 12)	(2,372,648)	(1,021,926)
	(3,551,803)	(2,930,906)
Increase (decrease) in cash	53,819	(236,805)
Cash, beginning	152,808	788,909
Cash, ending	206,627	552,104

Refer to note 12 for supplemental cash flow information.

1. REPORTING ENTITY

Titanium Transportation Group Inc. (the "Company") was incorporated on July 11, 1989 under the *Canada Business Corporations Act*. The Company is a truck-based carrier and logistics broker servicing all of North America with distribution terminals based in Bolton, Bracebridge, Napanee, North Bay and Windsor, Ontario. The Company's registered head office is at 32 Simpson Rd, Bolton, Ontario, L7E 1G9.

The controlling shareholder of the Company is Trunkeast Investments Canada Limited ("Trunkeast") and the ultimate controlling shareholder is De Zen Investments Canada Limited.

The condensed consolidated interim financial statements include the accounts of the Company and all of its subsidiaries.

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent annual consolidated financial statements of the Company, including the notes thereto, for the year ended December 31, 2016.

These unaudited condensed consolidated interim financial statements have been prepared by and are the sole responsibility of the Company's management. The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants of Canada for the review of interim financial statements.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 9, 2017.

Basis of Measurement

These condensed consolidated interim financial statements have been prepared on a going concern basis using historical cost, except for assets and liabilities acquired in business combinations, which are measured at fair value at the acquisition date.

Functional and Presentation Currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented has been rounded to the nearest dollar, except per share amounts and where otherwise indicated.

2. BASIS OF PRESENTATION - continued

Seasonality of Interim Operations

The activities of the Company are subject to seasonal demand for truck transportation. Historically, the Company has experienced weaker demand in the first quarter, moderate demand in the third and fourth quarters and stronger demand in the second quarter. In addition, harsher winter conditions generally result in lower fuel economy and increased repair costs. Furthermore, the timing of acquisitions and variations in economic conditions could have a considerable impact on quarterly results. Consequently, the results of operations for the interim period are not necessarily indicative of the results of operations for the full year.

Use of Estimates

The preparation of consolidated financial statements in accordance with IFRS, requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses for the period. Management makes estimates based on specific facts or circumstances as well as past experiences. Management periodically reviews its estimates and underlying assumptions relating to provisions for receivables, depreciation, deferred taxes, impairment testing, determining the fair value of identifiable assets acquired and liabilities assumed in a business combination, determining the risk free rate of return, expected volatility, expected dividends, expected forfeitures and future market conditions when calculating fair value of stock options and warrants, and determining fair values of financial instruments. Due to the inherent uncertainty involved with making such estimates, actual results could differ from those reported. As adjustments become necessary, they are reported in earnings in the period in which they become known.

Use of Judgment

The preparation of these condensed consolidated interim financial statements in accordance with IFRS, requires management to make judgments that affect the application of accounting policies and the interpretation of accounting standards. Management periodically reviews its judgments and underlying assumptions relating to the classification of leases, determining income tax provisions, assessing impairment of assets, allocating the purchase price in a business combination and determining fair values of financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described in the Company's annual consolidated financial statements have been applied consistently to all periods presented in these condensed consolidated interim financial statements, unless otherwise indicated. The accounting policies have been applied consistently by all subsidiaries.

New Standards Adopted

IAS 7, Statement of Cash Flows, was amended to require disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Adoption of these amendments did not have a material impact on the Company's condensed consolidated interim financial statements.

New Standards not yet Adopted

IFRS 16, Leases, was issued by the IASB on January 13, 2016, superseding IAS 17, Leases and IFRIC 4, Determining Whether an Arrangement Contains a Lease. The standard applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The standard removes the distinction between operating and finance leases with assets and liabilities recognized in respect of all leases. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has been adopted. The Company is currently assessing the impact of this standard on the condensed consolidated interim financial statements.

IFRS 15, Revenue from Contracts with Customers, which will replace IAS 18, Revenue, will become effective for periods beginning on or after January 1, 2018. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. New estimates and judgemental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. Management does not intend to adopt IFRS 15 until this standard becomes effective. The impact of IFRS 15 has not yet been determined.

IFRS 9, Financial Instruments, was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The mandatory effective date for IFRS 9 of January 1, 2015 has been removed and January 1, 2018 has been proposed with early adoption being permitted. Management does not intend to adopt IFRS 9 until this standard becomes effective. The impact of IFRS 9 has not yet been determined.

4. OPERATING SEGMENTS

The Company's business activities are made up of two main segments: Truck Transportation and Logistics. The Truck Transportation segment represents the pickup and delivery of full loads across Canada and the United States using a closed van, flatbed or other specialized equipment. The Logistics segment represents the brokering of freight across North America. The Company's CEO reviews internal management reports for each operating segment on a monthly basis. Operating segment results that are reported include items directly attributable to each operating segment, as well as those that can be allocated on a reasonable basis. Unallocated items ("Corporate") comprise mainly of head office expenses.

	Truck Transportation	Logistics	Corporate	Elimination	Total
Three months ended March 31, 2017					
Revenue - external	20,352,602	9,476,824	-	-	29,829,426
Revenue - internal	279,245	-	-	(279,245)	-
Total revenue	20,631,847	9,476,824	-	(279,245)	29,829,426
Depreciation	2,495,017	75,446	-	-	2,570,463
Finance costs	494,102	-	-	-	494,102
Finance income	(104,050)	-	-	-	(104,050)
Income (loss) before income taxes	198,755	394,095	(372,270)	-	220,580
Income taxes (recoveries)	66,516	107,436	(82,656)	-	91,296
Capital expenditures	562,314	85,020	-	-	647,334
Goodwill acquisitions	-	-	-	-	-
Three months ended March 31, 2016					
Revenue - external	20,957,761	7,150,814	-	-	28,108,575
Revenue - internal	418,632	-	-	(418,632)	-
Total revenue	21,376,393	7,150,814	-	(418,632)	28,108,575
Depreciation	2,401,051	2,132	-	-	2,403,183
Finance costs	388,374	-	-	-	388,374
Finance income	(56,929)	-	-	-	(56,929)
Income (loss) before income taxes	105,604	187,646	(520,417)	-	(227,167)
Income taxes (recoveries)	30,156	52,967	(125,161)	-	(42,038)
Capital expenditures	9,966,539	-	-	-	9,966,539
Goodwill acquisitions	-	-	-	-	-

Revenue is attributed to geographical locations based on the location of the origin of the service. All of the Company's assets are located in Canada.

	2017	2016
Canada	19,214,523	18,317,341
United States	10,614,903	9,791,234
	29,829,426	28,108,575

5. FINANCE LEASE RECEIVABLES

During the three month period ended March 31, 2017, the Company entered into new finance leases totaling $720,000, which are receivable over 40 to 60 months with interest rates of 5.25%.

6. ASSETS HELD FOR SALE

Assets held for sale are comprised of excess and aged rolling stock that is inactive and awaiting sale. These assets are expected to be sold over the next six months. No gain or loss was recognized on reclassification of these assets to assets held for sale. These assets relate entirely to the Truck Transportation segment.

	2016
Balance, December 31, 2016	1,820,727
Disposals	(928,857)
Reclassification from property and equipment	226,151
Balance, March 31, 2017	1,118,021

7. PROPERTY AND EQUIPMENT

	Land, Buildings and Leaseholds	Furniture and Equipment	Rolling Stock	Total
Cost				
Balances, December 31, 2016	10,504,873	4,715,800	75,424,136	90,644,809
Reacquisition of rolling stock relating to finance lease receivables	-	-	1,496,865	1,496,865
Other additions	5,060	622,854	19,420	647,334
Disposals	-	(2,000)	(840,484)	(842,484)
Reclassification to assets held for sale	-	-	(649,761)	(649,761)
Balances, March 31, 2017	10,509,933	5,336,654	75,450,176	91,296,763
Accumulated depreciation				
Balances, December 31, 2016	291,528	2,092,456	14,534,168	16,918,152
Depreciation	116,668	225,346	2,228,449	2,570,463
Disposals	-	(1,333)	(178,120)	(179,453)
Reclassification to assets held for sale	-	-	(423,610)	(423,610)
Balances, March 31, 2017	408,196	2,316,469	16,160,887	18,885,552
Net carrying amounts				
At December 31, 2016	10,213,345	2,623,344	60,889,968	73,726,657
At March 31, 2017	10,101,737	3,020,185	59,289,289	72,411,211

8. GOODWILL AND INTANGIBLES

	Goodwill	Customer Lists	Total
Balances, December 31, 2016	4,515,825	718,440	5,234,265
Amortization	-	(30,360)	(30,360)
Balances, March 31, 2017	4,515,825	688,080	5,203,905

9. LONG-TERM DEBT

Terms and conditions of outstanding long-term debt are as follows:

	Effective Interest Rate	Year of Maturity	Carrying Amount
Bank indebtedness	PRIME+0.50%	N/A	8,341,499
Loans payable	2.95% - 4.50%	2017-2031	24,896,023
Finance lease liabilities	2.56% - 5.58%	2017-2021	25,606,688
			58,844,210
Current portion			23,889,394
			34,954,816

10. SHARE CAPITAL

During the three month period ended March 31, 2017, there were no shares issued, cancelled or repurchased. As of March 31, 2017, there were 37,388,510 common shares of the Company outstanding.

The weighted average number of common shares outstanding has been calculated as follows:

	2017	2016
Issued common shares, beginning	37,388,510	36,267,802
Effect of issued common shares	-	-
Weighted average number of common shares	37,388,510	36,267,802

No additional adjustments to earnings or the weighted average number of shares were necessary for the effects of dilutive potential ordinary shares. Dilutive potential ordinary shares are financial instruments or contracts that may entitle its holder to ordinary shares, where the conversion, exercise or issuance of the financial instrument or warrant would result in a reduction in earnings per share or an increase in loss per share.

11. CONTRIBUTED SURPLUS

The Company offers a stock option plan for the benefit of certain of its directors, employees and consultants. The maximum number of shares which may be issued under this plan may not exceed 10% of the number of issued and outstanding shares of the Company. Each stock option entitles its holder to receive one common share upon exercise. The majority of options vest over a period of six years, with half vesting three years from issuance and the other half vesting six years from issuance.

During the three month period ended March 31, 2017, 174,000 stock options were issued to various directors and employees. Each stock option entitles the holder to acquire a common share of the Company at an exercise price of $1.50 per common share. During the period, 10,000 stock options were forfeited. No other stock options expired, were exercised or were forfeited during the reporting period. As at March 31, 2017, there were 1,779,000 stock options outstanding with a weighted average exercise price of $1.79 and weighted average remaining life of 7.7 years. Of the stock options outstanding as at March 31, 2017, 814,000 were held by key management personnel. In addition, of the total options outstanding, 450,000 are fully vested and exercisable at a price of $1.50. During the three month period ended March 31, 2017, the Company recognized an expense of $81,309 relating to stock options with a corresponding increase to contributed surplus.

The estimated fair value of stock options was calculated using the Black-Scholes option pricing model with the following assumptions: i) the expected life of each stock option is between 5.5 and 8.5 years; ii) the risk free rate is between 0.91% and 1.56%; iii) the dividend yield will be $NIL; and iv) expected volatility is 65%. Volatility was determined using the Company's trading data from the first day of trading to January 9, 2017. Variables used in the Black-Scholes option pricing model are based on highly subjective assumptions and any change in the assumptions can materially affect the fair value estimate.

The total number of warrants outstanding as of March 31, 2017 was 6,444,915, of which 4,426,665 have an exercise price of $2.50 and expire on April 1, 2018 and 2,018,250 have an exercise price of $3.50 and expire on July 7, 2017.

12. SUPPLEMENTAL CASH FLOW INFORMATION

a) Included in gain on sale of property and equipment are the following sales of rolling stock to independent contractors under finance lease arrangements:

	2017	2016
Sales	720,000	4,295,666
Cost of sales	662,363	4,135,995
	57,637	159,671

b) A reconciliation of liabilities arising from financing activities is as follows:

		Cash Flows	Non-Cash Changes		
	Balance December 31 2016		New Leases /Loans	Foreign Exchange Movement	Balance March 31 2017
Bank indebtedness	7,728,358	600,959	-	12,182	8,341,499
Loan payable	26,676,137	(1,780,114)	-	-	24,896,023
Finance lease liabilities	27,525,726	(2,372,648)	507,000	(53,390)	25,606,688
	61,930,221	(3,551,803)	507,000	(41,208)	58,844,210

13. RELATED PARTY TRANSACTIONS

During the period, Trunkeast held a significant portion of the shares of the Company and had de facto control. Neither Trunkeast nor the ultimate parent produce consolidated financial statements available for public use.

	2017	2016
Provided truck transportation services to Vision Extrusions Group Limited, Vision Profile Extrusions Ltd. and Sunview Patio Doors Ltd., companies under common control	874,959	718,597
Paid rent for premises to Vaughan West II Limited and Vision Extrusions Group Limited, paid rent for yard to Roybridge Holdings Limited, all companies under common control	-	(112,887)
Paid rent to Caledon First Investments Limited, a company under common control	(481,469)	-
Paid management fees to Trunkeast	(15,000)	(15,000)
	378,490	590,710

Included in trade and other receivables as at March 31, 2017 is a total of $321,164 due from these related companies.

These transactions were carried out in the normal course of business and were measured at the exchange amount, which management has concluded approximates an arm's-length arrangement.

14. WAGES AND CASUAL LABOUR

Included in wages and casual labour are the following:

	2017	2016
Share-based compensation expense	81,309	60,818
Employee benefits	132,385	124,048
Key management personnel:		
Salaries and benefits	216,323	192,077
Share-based compensation expense	32,914	23,983

Board members and executive officers are deemed to be key management personnel.

15. COMMITMENTS AND CONTINGENCIES

a) The Company is committed to the leasing of rolling stock as well as its head office terminal. Minimum lease payments on these operating leases are as follows:

Less than one year	1,879,782
Between one and five years	7,395,222
More than five years	20,392,692

Operating leases that were charged to income during the three month period ended March 31, 2017 totaled $623,152 (2016 - $745,727).

In addition, the Company is committed to paying $5,000 a month to Trunkeast in management fees until such time that the contract is terminated. Six month's written notice is required for termination.

b) As at March 31, 2017, the Company was committed to purchasing equipment and rolling stock for $1.4 million.

c) The Company has a letter of credit outstanding for $665,843 in favour of Caledon First Investments Limited, a company under common control, as a security deposit required under the lease for its Bolton head office.

d) In connection with the ProNorth Transportation purchase, the Company has initiated proceedings under the PNT purchase agreement to address various claims the Company has against the vendor. At the reporting date, management cannot provide a practicable estimate of the financial effect that will result from such proceedings.

e) The Company is regularly subject to litigation in the normal course of business. In the opinion of management, the outcome of current pending claims, in aggregate, is not likely to be material to the financial condition or results of operations of the Company.