



Management's Discussion and Analysis

For the first quarter ended
March 31, 2021

Dated May 11, 2021

Titanium Transportation Group Inc.

Management's Discussion and Analysis for the first quarter ended March 31, 2021

GENERAL INFORMATION

The following is Titanium Transportation Group Inc.'s management discussion and analysis dated May 11, 2021 ("MD&A"), which provides a comparative overview of the Company's performance for its three month period ended March 31, 2021 with the corresponding three month period ended March 30, 2020, and it reviews the Company's financial position as at March 31, 2021. Throughout this MD&A, any reference to "Company", "we", "us", "our" or "Titanium" 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, 2020 as well as the unaudited condensed consolidated interim financial statements of the Company for the first quarter ended March 31, 2021 ("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, 2021 were approved by its Board of Directors on May 11, 2021. 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 11, 2021. 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, Windsor Belleville, Cornwall, and Brantford, ON, with additional parking/switch yards in Sudbury, Brockville and Trenton, ON and freight brokerage offices in Charlotte, NC, Nashville, TN and Chicago, IL. The Company has over 1,000 customers across various industries, including large multinational corporations. The Company has approximately 800 power units, 3,000 trailers, and 1,100 independent owner operators and full-time employees.

The Truck Transportation segment provides transport of general merchandise by long-haul, dedicated and local trucking services throughout Canada and the U.S. with a variety of trailer types, including dry vans and flatbeds that support both heated and multi-axle services. Through the use of a modern fleet, the Truck Transportation segment provides reliable and high quality service to various customers, attains a high asset utilization through its network of terminals and yards across Ontario, and creates a platform for revenue growth and cost efficiencies through the integration of acquisitions.

The Logistics segment is a non-asset-based third-party logistics provider of ancillary transportation services, such as freight brokerage, North American and international freight forwarding, intermodal, special and expedited services. Through its network, the Logistics segment offers customers a variety of transportation services, including intermodal, 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 and systems, as well as strong strategic relationships with third-party providers.

Titanium Transportation Group Inc.

Management's Discussion and Analysis for the first quarter ended March 31, 2021

The Company's operational results are influenced by industry-wide economic factors and by capital allocation including operating and spending decisions. Industry-wide economic factors which impact operational results include freight demand, truck capacity, fuel prices, driver availability, overall economic conditions, exchange rates, government regulation and weather. The Company makes key decisions when allocating capital between its Truck Transportation and Logistics segments, hiring employees or contract for services of independent contractors and determining sustainable compensation structures, investing in new equipment and technology, and considering business acquisitions. Operating and spending decisions are made after the analysis of numerous important financial and operational metrics including EBITDA¹ and operating income, revenue generated per truck and per mile, empty miles, driver retention and fuel efficiency.

Q1 2021 Key Highlights

- ◆ In line with our growth strategy, Titanium acquired all of the outstanding shares of International Truckload Services Group ("ITS") on February 5, 2021. ITS is a truckload carrier based in Belleville, ON with terminals in Cornwall and Brantford, ON.
- ◆ We have also completed a \$25 million private placement on March 31, 2021. The bought deal sold 6,666,400 common shares at \$3.75 per share.
- ◆ Consolidated revenue for Q1 2021 was \$85.7 million, a 93.3% increase over Q1 2020. This represents the highest quarterly revenue in Company history, surpassing Q4 2020 revenue of \$65.8 million. Expansion in the U.S. brokerage operations continued to be a key contributor to growth in our consolidated revenue. In addition, the contribution from the ITS acquisition totaled approximately \$12.0 million in the quarter.
- ◆ Operating income was \$2.6 million for Q1 2021, representing a 3.3% operating margin¹, compared to \$1.3 million and a 3.3% operating margin in Q1 2020.
- ◆ Titanium continued to strengthen its financial position in Q1 2021. The Company further lowered its net-debt-to-equity ratio to 1.01, from 1.14 on December 31, 2020.
- ◆ Truck Transportation segment revenue for Q1 2021 was \$39.2 million, representing a 41.9% increase year over year. However, an operating loss was \$0.6 million for an operating margin of negative 1.7% was recorded, compared to \$1.4 million and 5.4%, respectively, in Q1 2020. A softening of operating margin is typical of an early post-acquisition period and will normalize as we move towards integration. Included in operating expenses was \$0.3 million received from the Canadian Emergency Wage Subsidy ("CEWS") program.
- ◆ Logistics segment revenue was \$47.5 million for Q1 2021, a 164.4% increase over the \$18.0 million in the same period in 2020. Our strategic expansion into the US freight brokerage market contributed revenue of \$32.4 million in Q1 2021. Operating income was \$4.0 million, representing an 8.8% operating margin for the quarter. This compares to Q1 2020 operating income of \$0.6 million and a 3.3% operating margin. The main factors contributing to the growth in the segment were the addition of logistics offices in Nashville, TN and Chicago, IL, combined with improving economic conditions in select U.S. markets.

Revenue by Industry

Manufactured Goods	28.6%
Food & Beverage	22.6%
Retail	11.7%
Automotive	9.4%
Logistics/Trucking	7.7%
Metals & Mining	6.7%
Services	5.2%
Recycling	3.8%
Other	4.3%

Based on Q1 2021 revenue

¹ Refer to "Results of Operations" on page 3 and "Non-IFRS Financial Measures" on page 14 for more information about EBITDA and for a reconciliation of EBITDA to net income.

Titanium Transportation Group Inc.

Management's Discussion and Analysis for the first quarter ended March 31, 2021

RESULTS OF OPERATIONS

Financial Highlights (unaudited)

	3 months ended March 31 2021	3 months ended March 31 2020
Revenue	79,521,104	40,795,278
Fuel surcharge	6,153,600	3,516,965
	85,674,704	44,312,243
Operating expenses	78,159,821	39,765,348
EBITDA ⁽¹⁾	7,514,883	4,546,895
EBITDA margin ⁽¹⁾	9.5 %	11.1 %
Depreciation	4,792,420	3,160,528
Amortization of customer lists	114,293	57,150
Operating income ⁽¹⁾	2,608,170	1,329,217
Operating margin ⁽¹⁾	3.3 %	3.3 %
Gain on sale of property and equipment	(71,850)	(87,858)
Finance costs	816,086	776,817
Finance income	(49,779)	(137,754)
Foreign exchange gain	142,521	(147,708)
Transaction costs	800,000	-
Gain on Sales of Investments	(597,744)	-
Income tax expense	399,876	282,644
Net income and comprehensive income attributable to owners of the Company	1,169,060	643,076
Net income per share - basic	0.03	0.02
Net income per share - diluted	0.03	0.02

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

Titanium Transportation Group Inc.

Management's Discussion and Analysis for the first quarter ended March 31, 2021

EXECUTIVE SUMMARY

The ongoing COVID-19 pandemic continued to impact our business during the first quarter. While the overall operating environment has continued to improve, activity levels continue to vary by region. Select U.S. markets have experienced significant economic recovery to levels at or above those experienced pre-COVID. Although they are also generally improving, a number of Canadian markets continue to experience relatively depressed levels of activity and challenging operating conditions reflecting ongoing COVID-19 impact and measures.

Notwithstanding the unique operating conditions prevailing in the first quarter, we are pleased with our solid Q1 results. Titanium delivered another quarter of record revenue reflecting the impact of our most recent acquisition and strong organic growth in our Logistics business. These results once again demonstrate our ability to adapt to evolving market conditions and the dedication and commitment of our employees and drivers to meeting the needs of our customers.

In the U.S. market, our freight brokerage operations capitalized on the improving economic landscape and we added a third office in Chicago, IL. While not yet fully operational during the quarter, the added location contributed positively to the continued significant growth in the segment. Overall, the U.S. Freight Brokerage operations have seen a 3,740% increase in net income compared to the same quarter in 2020. Looking ahead, we expect to capitalize on the improving business environment with at least two more offices in the U.S. in 2021.

The Q1 2021 Transportation Segment results include the first two months' impact of our acquisition of International Truckload Services Group ("ITS") completed on February 5. ITS added 330 power units, 1,600 trailers, 470 employees and drivers and approximately \$80 million in annual revenue. Integration of ITS is progressing well and as expected, significant synergies have been identified. Overall, the Truck Transportation segment experienced a decrease in EBITDA and profitability for the quarter reflecting the addition of the lower operating margins at ITS and challenging operating conditions including rising operating costs magnifying the effects of continued depressed activity levels in key Canadian markets. As we complete the ITS integration and realize synergies, the segment profitability is expected to return to more normal levels in the second half of 2021.

Our strong capital management continued as our net-debt-to-equity ratio decreased from 1.14 in December 2020 to 1.01 in March 2021 following our public offering completed on March 31, 2021.

Overall, ITS was a transitional acquisition for the company and its Transportation segment. The opening of our third U.S. brokerage office was a significant step forward in our expansion into the U.S. market. Titanium continues to demonstrate why we are one of Canada's Fastest Growing Companies for 12 years in a row with our record quarterly revenue. Our unwavering disciplined approach to capital deployment and strong balance sheet uniquely positions us for future growth. As always, Titanium remained focus on delivering sustainable, profitable growth while creating long-term shareholder value.

Titanium Transportation Group Inc.

Management's Discussion and Analysis for the first quarter ended March 31, 2021

COVID-19 INFORMATION

Throughout the pandemic, Titanium's utmost priority is to ensure the health and wellbeing of our people, our customers and the communities at large. Following the sudden onset of the COVID-19 pandemic, Titanium recognized the severity of the health and financial impact of this highly contagious virus. We have and will continue to monitor closely all pandemic related information to ensure we continue to take all necessary precautionary actions to uphold our uninterrupted services to our customers. Following our swift implementation of safety measures in Q1 2020, the following measures will remain in place until further notice:

- ◆ Provide our people with proper Personal Protective Equipment ("PPE") suitable for their duties;
- ◆ Educating our workplace to adhere to new government pandemic protocols for the safety of our people and customers;
- ◆ Provide Work-From-Home capabilities to workforce as needed;
- ◆ Provide our workforce with up-to-date information regarding the preventative measures being taken by the Company and financial assistance available from the government relating to the pandemic.

We are pleased with the professionalism and tremendous efforts demonstrated by our people during these difficult times. Titanium can only operate without interruption due to the efforts by our valued team members.

Titanium Transportation Group Inc.

Management's Discussion and Analysis for the first quarter ended March 31, 2021

Selected Segmented Financial Information (unaudited)

	3 months ended March 31 2021	3 months ended March 31 2020
Truck Transportation		
Revenue	35,409,508	25,397,606
Fuel surcharge	3,771,038	2,214,184
	<hr/>	<hr/>
	39,180,546	27,611,790
Operating expenses		
Carriers and independent contractors	13,437,490	9,209,219
Vehicle operating	10,176,474	6,483,749
Wages and casual labour	9,975,313	6,702,819
Other operating	1,411,913	788,573
	<hr/>	<hr/>
	35,001,190	23,184,360
EBITDA ⁽¹⁾	4,179,356	4,427,430
EBITDA margin ⁽¹⁾	11.8 %	17.4 %
Depreciation	4,683,716	2,999,762
Amortization of customer lists	114,293	57,150
	<hr/>	<hr/>
Operating income (loss) ⁽¹⁾	(618,653)	1,370,518
Operating margin ⁽¹⁾	(1.7)%	5.4 %
Gain on sale of property and equipment	(71,850)	(87,858)
Finance costs	770,039	739,091
Finance income	(49,779)	(137,754)
Gain on Sales of Investments	(597,744)	-
Transaction costs	800,000	-
Income tax expense (recovery)	(345,726)	264,531
	<hr/>	<hr/>
Net income (loss)	(1,123,593)	592,508

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

Titanium Transportation Group Inc.

Management's Discussion and Analysis for the first quarter ended March 31, 2021

Selected Segmented Financial Information (unaudited), continued

	3 months ended March 31 2021	3 months ended March 31 2020
Logistics		
Revenue	45,158,220	16,678,302
Fuel surcharge	2,382,562	1,302,781
	<hr/> 47,540,782	<hr/> 17,981,083
Operating expenses		
Carriers and independent contractors	40,005,667	15,415,558
Wages and casual labour	2,871,732	1,587,842
Other operating	674,309	422,907
	<hr/> 43,551,708	<hr/> 17,426,307
EBITDA/ Operating income ⁽¹⁾	3,989,074	554,776
EBITDA/ Operating margin ⁽¹⁾	8.8 %	3.3 %
Depreciation ⁽²⁾	108,704	160,766
Finance costs ⁽²⁾	46,047	37,726
Income tax expense	939,722	78,340
	<hr/> 2,894,601	<hr/> 277,944
Net income	<hr/> 2,894,601	<hr/> 277,944

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

Titanium Transportation Group Inc.

Management's Discussion and Analysis for the first quarter ended March 31, 2021

Revenue (unaudited)

	3 months ended March 31 2021	3 months ended March 31 2020
Truck Transportation		
Revenue	35,409,508	25,397,606
Fuel surcharge	3,771,038	2,214,184
	<hr/> 39,180,546	<hr/> 27,611,790
Logistics		
Revenue	45,158,220	16,678,302
Fuel surcharge	2,382,562	1,302,781
	<hr/> 47,540,782	<hr/> 17,981,083

For the three month period ended March 31, 2021, the Company's consolidated revenues increased by \$41.4 million or 93.3%, when compared to the three month period ended March 31, 2020. The increase in revenue reflected significant growth in our U.S. logistics operations, which added \$27.6 million compared to the same period in 2020, and acquired revenue from ITS, which totaled \$12.0 million during the quarter. The average exchange rate used to convert our revenue generated in U.S. dollars fell this quarter to C\$1.2666 from C\$1.3442 during the same period in 2020, resulting in a negative exchange impact on the company's revenue of \$2.7 million.

The Truck Transportation segment experienced an increase in revenue of \$11.6 million or 41.9%, for the three month period ended March 31, 2021 when compared to that of 2020. The increase is primarily a result of revenue contribution from business acquisition of \$12.0 million, offset slightly by decrease in pricing and volume from pre-pandemic economic conditions in the same period last year.

The Logistics segment saw an increase in revenue of \$29.6 million or 164.4% for the three month period ended March 31, 2021, when compared to the same period in 2020. The significant improvement in segmented revenue was primarily due to incremental revenue related to our U.S. freight brokerage expansion, which opened two offices in Nashville and Chicago, since the same period last year. U.S. logistics operations contributed \$32.4 million for the three month period ended March 31, 2021.

Titanium Transportation Group Inc.

Management's Discussion and Analysis for the first quarter ended March 31, 2021

Operating Expenses and Income (unaudited)

	3 months ended March 31 2021	3 months ended March 31 2020
Truck Transportation		
Revenue	39,180,546	27,611,790
Operating expenses	35,001,190	23,184,360
EBITDA ⁽¹⁾	4,179,356	4,427,430
EBITDA margin ⁽¹⁾	11.8 %	17.4 %
Depreciation and amortization	4,798,009	3,056,912
Operating (loss) income ⁽¹⁾	(618,653)	1,370,518
Operating margin ⁽¹⁾	(1.7)%	5.4 %
Logistics		
Revenue	47,540,782	17,981,083
Operating expenses	43,551,708	17,426,307
EBITDA/ Operating income ⁽¹⁾	3,989,074	554,776
EBITDA/ Operating margin ⁽¹⁾	8.8 %	3.3 %
Corporate		
Operating expenses	653,547	435,311

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

For the Truck Transportation segment, operating expenses increased by \$11.8 million or 51.0%, for the three month period ended March 31, 2021, compared to the same period in 2020. The increase in operating expenses was mainly a reflection of the increase in volume from the ITS acquisition. Operating margin also decreased by 7.1% when compared to the same periods last year. Margins are expected to soften following an acquisition as the segment integrates the operations and realizes synergies. We expect margins will normalize in the second half of 2021. Included in wages and casual labour expense was government assistance of \$0.3 million from the CEWS program. Adjusted for government assistance received in the quarter, adjusted operating loss for the segment was \$0.9 million, a decrease of \$2.3 million from the same period in 2020. Adjusted operating margin decreased to -2.3%, a 7.7% point decrease in adjusted operating margin for the three month period ended March 31, 2021 from the same period in 2020.

For the Logistics segment, operating expenses increased by \$26.1 million or 149.9% for the three month period ended March 31, 2021. The increase in operating expenses is mainly due to the significant growth in the U.S. freight brokerage operations, as well as steady growth in the Canadian operations. Operating income and operating margins improved to \$4.0 million from \$0.6 million, and 8.8% from 3.3%, respectively, when compared to the three months ended March 31, 2020. The improvements in operating margin was largely attributable to an increase in volume and revenue over a relative fixed cost, as well as favorable U.S. environment as the economy recovers from the pandemic.

Titanium Transportation Group Inc.

Management's Discussion and Analysis for the first quarter ended March 31, 2021

SUMMARY OF QUARTERLY RESULTS

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

(in thousands)

	<u>Q1'21</u>	<u>Q4'20</u>	<u>Q3'20</u>	<u>Q2'20</u>	<u>Q1'20</u>	<u>Q4'19</u>	<u>Q3'19</u>	<u>Q2'19</u>
Revenue	85,675	65,850	52,627	37,952	44,312	43,287	42,708	42,041
EBITDA ⁽¹⁾	7,515	6,529	6,713	5,305	4,547	4,467	435	4,868
EBITDA margin ⁽¹⁾	9.5 %	10.4 %	13.5 %	14.7 %	11.1 %	11.2 %	11.4 %	12.4 %
Operating income ⁽¹⁾	2,608	2,968	3,646	1,819	1,329	1,175	1,025	1,442
Operating margin ⁽¹⁾	3.3 %	4.7 %	7.3 %	5.1 %	3.3 %	2.9 %	2.6 %	3.7 %
Net income and comprehensive income attributable to the owners of the Company	1,169	2,094	2,655	874	643	273	313	455
Per share - basic	0.03	0.06	0.07	0.02	0.02	0.01	0.01	0.01
Per share - diluted	0.03	0.06	0.07	0.02	0.02	0.01	0.01	0.01

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

Changes from quarter to quarter are mainly the result of seasonality of operations, changes in industry conditions and acquisitions. In January 2020, COVID-19 became widely known as the spread of the virus began to affect countries outside China. As the virus continued to spread, the outbreak was declared a global pandemic on March 11, 2020 by the World Health Organization. In response, many countries, including the United States and Canada, imposed government-mandated shutdowns of non-essential businesses and travel restrictions. Overall macroeconomic conditions deteriorated sharply as a result of these regulations and caused significant pressure in pricing and demand. The Canadian government also implemented various relief programs, such as the CEWS program, to alleviate the economic effects of the pandemic.

Market conditions began to improve at the end of Q2 2020. Freight demand improved for the second half of 2020 as many end markets served by Titanium resumed activities. The economic recovery was particularly strong in the United States, in part reflecting the accelerated roll-out of COVID-19 vaccinations. In contrast, the Canadian market lagged far behind in the recovery process due to ongoing government-mandated closures and measures.

In addition, there has historically been an increase in revenue and a decrease in margins in quarters following an acquisition. Revenues have often decreased, stabilized and then increased while EBITDA margins have increased in quarters after a business acquisition.

Titanium Transportation Group Inc.

Management's Discussion and Analysis for the first quarter ended March 31, 2021

LIQUIDITY AND CAPITAL RESOURCES

	March 31 2021	December 31 2020
Working capital ⁽¹⁾	1,080,028	8,636,848
Total assets	218,590,486	138,764,411
Net debt ⁽²⁾	72,722,249	53,610,424
Shareholders' equity	71,908,572	47,071,445
Net debt to equity ratio ⁽³⁾	1.01	1.14

(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 working capital position improved as at March 31, 2021 when compared to December 31, 2020. We continued our successful capital management strategy and further enhanced the Company's net debt to equity position on top of significant improvements in 2020. The improvement this quarter is due to capital raised from our public offering completed on March 31, 2021, as well as increases in cash flow generated from profitable operations, offset by debt incurred and assumed from the acquisition of ITS. The considerations for the transaction consisted of \$27.0 million in cash and \$33.5 million in assumed debt and vendor takeback loan. On a quarter-over-quarter basis, net debt to equity ratio further decreased from 1.14 in Q4 2020 to 1.01 in Q1 2021.

In terms of rolling stock expenditure, we have committed \$12.8 million towards the purchase of 70 new power units over the next three quarters. Of this amount, \$2.8 million will be allocated towards 15 new power units to expand our current fleet. As a result of the ITS acquisition, we also expect to purchase an additional 100 van trailers to replace aged equipment in the next three quarters. In addition, we expect to realize proceeds from the sale of excess aged equipment of approximately \$2.0 million. Our rolling stock replacement policy is to replace trucks after 6 years, van trailers after 10 years and flatbed trailers after 15 years. We believe there is sufficient financing available to fund planned capital expenditures in the future and to provide for the further organic and inorganic growth of the business.

The following table sets out the Company's contractual obligations, excluding future interest payments:

(in thousands)	Total	1 Year	2 Years	3 Years	4 Years	5 Years	After 5 Years
Loans	23,639	7,333	5,904	4,322	3,026	1,515	1,539
Finance leases	62,518	11,796	8,158	6,008	3,888	32,446	222
	<u>86,157</u>	<u>19,129</u>	<u>14,062</u>	<u>10,330</u>	<u>6,914</u>	<u>33,961</u>	<u>1,761</u>

Titanium 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. We believe the Company's operating cash flows are sufficient to fund daily operating activities and meet regular debt repayment obligations.

Titanium Transportation Group Inc.

Management's Discussion and Analysis for the first quarter ended March 31, 2021

The portion of the Company's bank credit facilities which were unused as of March 31, 2021 include approximately \$23.0 million under the revolving demand operating facility, \$10.0 million under an accordion acquisition facility and \$5.5 million under a finance lease loan facility. In addition, the Company has \$17.6 million available in finance leasing and loan facilities through other institutions.

The Company's credit facility and finance leasing agreements require Titanium to maintain three covenants on a quarterly basis. These covenants are measured on a consolidated rolling twelve-month basis. We were in compliance with all covenants as of March 31, 2021 and we believe the Company will be in compliance with all required covenants for the next twelve months. The first covenant requires the Company's debt to tangible net worth ratio to be less than 3.5. Debt to tangible net worth is a ratio of total liabilities plus future minimum lease payments on non-realty operating leases to shareholder's equity less goodwill, customer lists and deferred tax assets. The second covenant requires the Company's debt service coverage ratio to be greater than 1.15. Debt service coverage is a ratio of net income before interest income and expenses, gains on sale of equipment, depreciation, amortization and non-cash items, less unfinanced capital expenditures, plus proceeds of sale of equipment, to contractually required principal and interest payments made over the prior twelve months. The third covenant requires the Company's fixed charge coverage ratio to be greater than 1.00. Fixed charge coverage is a ratio of net income before interest income and expenses, gains on sale of equipment, to contractually required principal and interest payments made over the prior twelve months.

The Company must calculate its covenants by adjusting its net income and debt to treat realty leases as an operating lease rather than a finance lease.

Common Shares

The Company offers a share purchase plan (the "Plan"), which allows all employees and independent contractors, but excluding insiders of the Company, to contribute up to 5% of their compensation to a maximum of \$4,800 per year towards the purchase of Titanium common shares. Contributions are matched at a rate of 100% by the Company and shares are issued from treasury in order to fund the Plan. In the case of employees, matched shares are subject to a three year vesting period. In the case of independent contractors, matched shares are issued after three years of service. The maximum number of shares approved for issuance under the Plan is reviewed by the board of directors annually. Of the shares issued to date, 497,615 have not yet vested.

On May 17, 2019, we established a normal course issuer bid to purchase up to 1,839,267 of the Company's common shares (the "NCIB"), representing 5% of its issued and outstanding common shares. The NCIB will terminate on May 16, 2020, or on an earlier date in the event that the maximum number of common shares sought in the NCIB have been repurchased. Purchases pursuant to the NCIB are expected to be made through the facilities of the TSX Venture Exchange (the "TSXV"), or such other permitted means, including through alternative trading systems in Canada, at prevailing market prices or as otherwise permitted by the policies of the TSXV. During the quarter, we did not repurchase any shares.

As of May 11, 2021, there are 43,784,210 common shares of the Company outstanding. In addition, there are 2,119,100 stock options outstanding, of which 905,598 are exercisable.

Titanium Transportation Group Inc.

Management's Discussion and Analysis for the first quarter ended March 31, 2021

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 \$2,874,779 for the three month period ended March 31, 2021 (2020 - \$2,078,629).

The Company also currently leases its head office from Caledon First Investments Limited, a company under common control. Total payments made to this company for the three month period ended March 31, 2021 was \$464,031 (2020 - \$448,047). The Company has committed to annual base rent of \$1,863,369, which will increase to \$2,413,123 over a 12 year period.

Trunkeast Investments Canada Limited, the Company's controlling shareholder as of March 31, 2021, provides administrative and support services to the Company on a monthly basis. For these services, the Company was charged \$7,500 (2020 - \$7,500) for the three month period ended March 31, 2021.

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.

Titanium Transportation Group Inc.

Management's Discussion and Analysis for the first quarter ended March 31, 2021

From time to time, we will disclose our 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 and do not take into account expected future growth or changes in economic conditions. Historical figures may not be a good indicator of the Company's size, due to acquisitions and the time that it takes to fully realize synergies. After our acquisition of ITS, we estimated that post synergy annualized revenue and EBITDA would be \$330 million and \$33 million, respectively.

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, accelerated customer list amortization and goodwill impairment.

"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, accelerated customer list amortization and goodwill impairment.

"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 accelerated customer list amortization and goodwill impairment.

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 measures 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.

Titanium Transportation Group Inc.

Management's Discussion and Analysis for the first quarter ended March 31, 2021

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.

As the duration and impact of the COVID-19 pandemic to the global economy is indeterminable, it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the financial results and operations of the Company. The Company will continue to closely monitor the situation as it develops day-to-day and will take further actions, if necessary, to ensure the wellbeing of our workforce, customers, suppliers and other stakeholders, as well as minimize the disruption to Titanium's services.

The Company has taken measures to mitigate the potential negative impact on its financial results as a result of the outbreak. These measures are described under the section COVID-19 information in this MD&A. As the current market remain uncertain, the Company's exposure to interest rate risk and foreign exchange risk are heightened due to the volatility of the market. We continue to monitor the economic conditions on a daily basis to mitigate these risks.

The Company does not expect any material changes to other risk factors provided that temporary COVID-19 precautionary measures relax in the near future. If these measures extend indefinitely, there may be adverse effects on Titanium's credit risks as customers may become financially distressed. There may also be additional risks to the Company's operations as available workforce may contract for the Company, its customers and its suppliers. Furthermore, a prolonged period of precautionary measures will likely have severe effects on the Company's liquidity position. All of the above will have adverse impact to the Company's financial performance if the precautionary measures remain indefinite.

CHANGES IN ACCOUNTING POLICIES

The following new standards and amendments to standards are not yet effective for the year ended March 31, 2021 and have not been applied in preparing the consolidated interim financial statements:

IAS 1, Presentation of Financial Statements

IAS 37, Provisions, Contingent Liabilities and Contingent Assets



Unaudited Condensed Consolidated Interim Financial Statements

For the first quarter ended
March 31, 2021

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Financial Position

(unaudited)

(in Canadian dollars)

	March 31 2021	December 31 2020
Assets		
Current		
Cash	10,033,318	3,089,010
Trade and other receivables (note 5, 15)	52,703,004	37,557,962
Current taxes recoverable (note 5)	34,974	-
Finance lease receivables (note 6, 14)	1,396,912	1,607,300
Prepaid expenses and deposits (note 5)	3,749,545	2,134,797
Assets held for sale (note 7)	517,805	127,285
	<u>68,435,558</u>	<u>44,516,354</u>
Finance lease receivables (note 6, 14)	1,682,973	1,908,945
Property and equipment (note 5, 8)	58,025,779	35,688,941
Right of use assets (note 5, 9)	84,007,830	53,419,719
Deferred tax assets	504,825	405,116
Customer lists (note 5, 10)	3,965,235	857,050
Goodwill (note 10)	1,968,286	1,968,286
	<u>218,590,486</u>	<u>138,764,411</u>
Liabilities		
Current		
Bank indebtedness (note 5, 14, 15)	196,406	2,617,991
Acquisition loan (note 5, 11)	5,000,000	-
Trade and other payables (note 5)	40,677,070	22,250,038
Current taxes payable	2,188,851	1,629,437
Loans payable (note 5, 11, 14)	7,332,516	5,076,427
Finance lease liabilities (note 5, 11, 14, 15)	11,960,687	4,305,613
	<u>67,355,530</u>	<u>35,879,506</u>
Loans payable (note 5, 11, 14)	16,306,282	12,456,312
Finance lease liabilities (note 5, 11, 14, 15)	50,557,366	35,886,621
Deferred tax liabilities (note 5)	12,462,736	7,470,527
	<u>146,681,914</u>	<u>91,692,966</u>
<i>Commitments and contingencies (note 17)</i>		
Shareholders' Equity		
Share capital (note 12)	47,858,164	23,252,440
Contributed surplus (note 13)	8,584,360	8,781,964
Retained earnings	15,466,048	15,037,041
	<u>71,908,572</u>	<u>47,071,445</u>
	<u>218,590,486</u>	<u>138,764,411</u>

On behalf of the Board

"Ted Daniel"
Director

"Bill Chyfetz"
Director

See accompanying notes

1.

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Comprehensive Income

Three months ended March 31, 2021 and 2020

(unaudited)

(in Canadian dollars)

	<u>2021</u>	<u>2020</u>
Revenue (note 15)	79,521,104	40,795,278
Fuel surcharge	6,153,600	3,516,965
	<u>85,674,704</u>	<u>44,312,243</u>
Operating expenses		
Carriers and independent contractors	52,396,533	23,344,147
Vehicle operating	10,176,474	6,483,749
Wages and casual labour (note 16, 18)	13,217,642	8,533,319
Other operating	2,369,172	1,404,133
	<u>78,159,821</u>	<u>39,765,348</u>
Income before the following	<u>7,514,883</u>	<u>4,546,895</u>
Depreciation (note 8, 9)	4,792,420	3,160,528
Gain on sale of property and equipment	(71,850)	(87,858)
Finance costs (note 15)	816,086	776,817
Finance income	(49,779)	(137,754)
Foreign exchange loss (gain)	142,521	(147,708)
Amortization of customer lists (note 10)	114,293	57,150
Transaction costs (note 5)	800,000	-
Gain on sale of marketable securities	(597,744)	-
	<u>5,945,947</u>	<u>3,621,175</u>
Income before income taxes	1,568,936	925,720
Income tax expense	<u>399,876</u>	<u>282,644</u>
Net income and comprehensive income attributable to owners of the Company	<u>1,169,060</u>	<u>643,076</u>
Earnings per share:		
Basic	0.03	0.02
Diluted	0.03	0.02
Weighted average number of shares outstanding:		
Basic (note 12)	36,477,706	35,916,308
Diluted (note 12)	38,164,083	36,537,548

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Changes in Equity

Three months ended March 31, 2021 and 2020

(unaudited)

(in Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Total
Balances at December 31, 2020	23,252,440	8,781,964	15,037,041	47,071,445
Share issuance (note 12)	23,745,537	-	-	23,745,537
Share vested (note 12)	92,798	(92,798)	-	-
Options exercised (note 13)	767,389	(282,577)	-	484,812
Share-based compensation expense (note 13, 16)	-	177,771	-	177,771
Dividends paid (note 12)	-	-	(740,053)	(740,053)
Net income and comprehensive income	-	-	1,169,060	1,169,060
Balances at March 31, 2021	47,858,164	8,584,360	15,466,048	71,908,572
Balances at December 31, 2020	22,812,412	8,257,345	9,533,718	40,603,475
Share issuance (note 12)	81,626	-	-	81,626
Share-based compensation expense (note 13)	-	157,787	-	157,787
Share cancellation (note 12)	(25,132)	-	(22,868)	(48,000)
Net income and comprehensive income	-	-	643,076	643,076
Balances at March 31, 2020	22,868,906	8,415,132	10,153,926	41,437,964

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Cash Flows

Three months ended March 31, 2021 and 2020

(unaudited)

(in Canadian dollars)

	3 months ended March 31 2021	3 months ended March 31 2020
Cash flows from operating activities		
Net income	1,169,060	643,076
Adjustments:		
Depreciation (note 8, 9)	4,792,420	3,160,528
Gain on sale of property and equipment	(71,850)	(87,858)
Finance costs	816,086	776,817
Finance income	(49,779)	(137,754)
Amortization of customer lists	114,293	57,150
Share-based compensation expense	177,771	157,787
Gain on sale of marketable securities	(597,744)	-
Income tax expense	1,107,376	-
	<u>7,457,633</u>	<u>4,569,746</u>
Net change in non-cash operating working capital	4,125,935	(789,800)
	11,583,568	3,779,946
Interest paid	(775,908)	(783,944)
Interest received	49,779	137,754
Income taxes paid	(989,746)	9,690
	<u>9,867,693</u>	<u>3,143,446</u>
Cash flows from investing activities		
Proceeds from finance lease receivables (note 14)	586,360	636,183
Proceeds from marketable securities (note 5)	4,437,104	-
Acquisition of property and equipment (note 8, 14)	(150,497)	(36,657)
Disposition of property and equipment (note 8)	177,700	21,550
Acquisition of subsidiaries (note 5)	(27,000,000)	-
	<u>(21,949,333)</u>	<u>621,076</u>
Cash flows from financing activities		
Proceeds from bank indebtedness (note 14)	-	1,054,937
Repayment of bank indebtedness (note 14)	(4,928,794)	-
Proceeds from acquisition loans	5,000,000	-
Repayment of loans payable (note 14)	(1,538,213)	(1,726,698)
Proceeds from finance lease liabilities (note 14)	-	335,225
Repayment of finance lease liabilities (note 14)	(2,997,341)	(1,940,910)
Dividends paid (note 12)	(740,053)	-
Issuance of shares (note 12)	24,230,349	81,626
Share repurchase (note 12)	-	(48,000)
	<u>19,025,948</u>	<u>(2,243,820)</u>
Increase in cash	6,944,308	1,520,702
Cash, beginning	3,089,010	442,828
Cash, ending	<u>10,033,318</u>	<u>1,963,530</u>

Refer to note 14 for supplemental cash flow information.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021 and 2020

(unaudited)

1. REPORTING ENTITY

Titanium Transportation Group Inc. (the "Company" or "Titanium") commenced operations as a transportation company on July 3, 2002. 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, Windsor, Belleville, Cornwall and Brantford, Ontario. The registered head office of the Company is at 32 Simpson Rd, Bolton, Ontario, L7E 1G9. Titanium was incorporated on July 11, 1989 under the Canada Business Corporations Act.

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

The common shares of the Company trade on the TSX Venture Exchange under the symbol "TTR".

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, 2020.

These 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 condensed consolidated interim 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 11, 2021.

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.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021 and 2020

(unaudited)

2. BASIS OF PRESENTATION - continued

Functional and Presentation Currency

These condensed consolidated interim financial statements are presented in Canadian dollars ("CAD"), which is the functional currency of the Company and its wholly owned subsidiaries unless otherwise stated. All financial information presented has been rounded to the nearest dollar, except per share amounts and where otherwise indicated.

Items included in the condensed consolidated interim financial statements of all of the Company's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the "functional currency"). The Company identified that all of their subsidiaries with the exception of one have a functional currency of the Canadian Dollar. Titanium American Logistics Inc. in the United States, a wholly owned subsidiary incorporated in fiscal 2019, was determined to have a functional currency of the United States Dollar ("USD").

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 industry 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.

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.

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 with regards to the significant items outline below. Readers are cautioned that the foregoing list is not exhaustive and other items may also be affected by judgment.

- a) *Impairment of Intangible Assets* - Goodwill and intangible assets that have an indefinite life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that assets or the cash-generating unit ("CGU") might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021 and 2020

(unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

- b) *Business combinations* – Tangible assets acquired as part of a business combination are valued based on management estimates of current market values, recent selling activity and third party valuations. Intangible assets are valued based on future discounted expected cash flows, customer attrition and workforce turnover. Discount rates are estimated based on industry averages, company size and capital structure.
- c) *Lease contracts* – Lease contracts with extensions, terminations or early buyout options are evaluated based on management judgement on whether it is reasonably certain that the option will be exercised. Management considers all relevant factors and economic incentives such as current market values of underlying asset, recent market renewals and third party valuations. In addition, management also evaluate relevant factors such as bank mortgage rate, interest rates and borrowing conditions when assessing the incremental borrowing rate to measure the lease liability.

Use of Estimates and Assumptions

The preparation of condensed consolidated interim 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 condensed consolidated interim 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 with regards to the significant items outline below. 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 the condensed consolidated interim statement of comprehensive income in the period in which they become known. Readers are cautioned that the foregoing list is not exhaustive and other items may also be affected by estimates. Actual results could differ materially from these estimates, in which case the impact would be recognized in the consolidated financial statements in future periods.

- a) *Impairment of trade and other receivables* – An allowance for lifetime expected credit losses is established based on a combined approach of specific account identification and the use of a provision matrix. Management regularly analyzes its approach and exposure to credit loss based on an analysis of all relevant current information as well as historical trends.
- b) *Depreciation and impairment of property and equipment and Right of Use Assets* – Estimates of useful lives for straight line depreciation are based on management's historical experience and are reviewed on an ongoing basis. Property and equipment, as well as Right-of-Use Assets, is assessed for impairment when events or changes in circumstances indicate that the Company may not be able to recover its carrying value.
- c) *Share-based payments* – Management estimates expected volatility, the expected life of the instrument and expected forfeitures when valuing share-based payments. Volatility is estimated based on historical trading data. The expected life of the instrument and expected forfeitures is based on past experience.
- d) *Provisions* – Estimates of expected settlements arising from matters involving litigation or accident claims are based on information provided by legal counsel or insurance professionals.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021 and 2020

(unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

- e) *Income Taxes* – Deferred tax balances are estimated based on expected future tax rates and the probability of future taxable income needed to realize deferred tax assets. Expected future tax rates are based on currently enacted tax rates or pronounced changes. Future taxable income is based on past performance and future expected conditions.

New Standard not yet adopted

IAS 1, Presentation of Financial Statements, was amended in January 2020. The IASB clarified the classification of liabilities as current or non-current by removing the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must exist at the end of the reporting period. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company has not early adopted these amendments.

IAS 37, Provisions, Contingent Liabilities and Contingent Assets, was amended in May 2020 with the issuance of *Onerous Contracts - Cost of Fulfilling a Contract* by IASB. The IASB specified the costs of fulfilling a contract to include incremental costs incurred and allocation of other direct costs when determining whether a contract is onerous. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company has not early adopted these amendments.

Other accounting standards or amendments to existing accounting standards that have been issued, but have future effective dates, are either not applicable or are not expected to have a significant impact on the Company's condensed consolidated interim financial statements.

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 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") are comprised mainly of expenses required to operate a publicly traded and multi-entity organization.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021 and 2020

(unaudited)

4. OPERATING SEGMENTS - continued

	Truck Transportation	Logistics	Corporate	Elimination	Total
Three months ended March 31, 2021					
Revenue - external	38,133,922	47,540,782	-	-	85,674,704
Revenue - internal	1,046,624	-	-	(1,046,624)	-
Total revenue	39,180,546	47,540,782	-	(1,046,624)	85,674,704
Depreciation	4,761,561	30,859	-	-	4,792,420
Finance costs	785,943	30,143	-	-	816,086
Finance income	(49,779)	-	-	-	(49,779)
Income (loss) before income taxes	(1,469,319)	3,834,323	(796,068)	-	1,568,936
Income taxes (recoveries)	(345,726)	939,722	(194,120)	-	399,876
Capital expenditures	111,779	688,674	-	-	800,453

	Truck Transportation	Logistics	Corporate	Elimination	Total
Three months ended March 31, 2020					
Revenue - external	26,331,160	17,981,083	-	-	44,312,243
Revenue - internal	1,280,630	-	-	(1,280,630)	-
Total revenue	27,611,790	17,981,083	-	(1,280,630)	44,312,243
Depreciation	2,999,762	160,766	-	-	3,160,528
Finance costs	739,091	37,726	-	-	776,817
Finance income	(137,754)	-	-	-	(137,754)
Income (loss) before income taxes	857,039	356,284	(287,603)	-	925,720
Income taxes (recoveries)	264,531	78,340	(60,227)	-	282,644
Capital expenditures	177,784	29,268	-	-	207,052

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

	2021	2020
Canada	34,362,808	24,302,500
United States	51,311,896	20,009,743
	85,674,704	44,312,243

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021 and 2020

(unaudited)

5. BUSINESS COMBINATIONS

On February 5, 2021, the Company acquired all the outstanding shares of International Truckload Services Group ("ITS"), a truck-based carrier from Belleville, Ontario with terminals in Brantford and Cornwall. The acquisition was consistent with the Company's growth strategy.

From the date of acquisition, ITS contributed revenue of \$12,004,536 and a net loss of \$268,083 during the three month ended March 31, 2021. If acquired at the beginning of the year, the Company estimates that ITS would've have contributed approximately \$17,651,536 and a net loss of \$718,083.

Transaction costs of \$800,000 were expensed as transaction cost on the condensed consolidated interim statements of comprehensive income during the three month period ended March 31, 2021.

The fair value allocation for the ITS acquisition are based on preliminary purchase allocations conducted by management. As the acquisition is within the measure period under IFRS 10, it continues to be refined. The Company had not yet completed the purchase price allocation over the identifiable net assets of ITS. Trade and other receivables, property and equipment, customer list, trade and other payables, deferred tax liabilities and finance lease liabilities are presented as provisional amounts due to valuation of assets acquired and post-closing adjustments, which are not completed at the time that these condensed consolidated interim financial statements were approved by the Board of Directors. The table below presents the provisional purchase price allocation as at March 31, 2021:

Trade and other receivables	9,593,687
Current taxes receivable	300,962
Marketable securities	3,839,360
Prepaid expense and deposits	1,835,172
Property and equipment	25,385,025
Right of Use Assets	32,178,261
Customer List	3,222,478
Bank indebtedness	(2,452,764)
Trade and other payables	(8,845,471)
Loans payable	(1,535,221)
Finance lease liabilities	(24,721,489)
Deferred tax liabilities	<u>(5,600,000)</u>
Total identifiable net assets	33,200,000
Total consideration	<u>33,200,000</u>
Cash	27,000,000
Loan payable	<u>6,200,000</u>
Total consideration transferred	<u>33,200,000</u>

6. FINANCE LEASE RECEIVABLES

During the three month period ended March 31, 2021, the Company entered into new finance leases totaling \$150,000, which are receivable over 17 to 60 months with interest rates ranging from 4.50% to 7.50%.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021 and 2020

(unaudited)

7. 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.

Balance, December 31, 2020	127,285
Disposals	(120,833)
Reclassification from property and equipment	<u>511,353</u>
Balance, March 31, 2021	<u>517,805</u>

8. PROPERTY AND EQUIPMENT

	Land, Buildings and Leaseholds	Furniture and Equipment	Rolling Stock	Total
Cost				
Balances, December 31, 2020	10,346,072	3,065,435	56,149,500	69,561,007
Other additions	-	150,497	-	150,497
Acquired through business combinations	5,000,000	125,000	20,260,025	25,385,025
Sale of rolling stock relating to finance lease receivables	-	-	(441,403)	(441,403)
Other disposals	-	-	(185,135)	(185,135)
Reclassification to assets held for sale	-	-	(3,642,012)	(3,642,012)
Balances, March 31, 2021	<u>15,346,072</u>	<u>3,340,932</u>	<u>72,140,975</u>	<u>90,827,979</u>
Accumulated depreciation				
Balances, December 31, 2020	2,218,596	3,005,039	28,648,431	33,872,066
Depreciation	135,281	17,744	2,399,287	2,552,312
Sale of rolling stock relating to finance lease receivables	-	-	(324,106)	(324,106)
Other disposals	-	-	(167,413)	(167,413)
Reclassification to assets held for sale	-	-	(3,130,659)	(3,130,659)
Balances, March 31, 2021	<u>2,353,877</u>	<u>3,022,783</u>	<u>27,425,540</u>	<u>32,802,200</u>
Net carrying amounts				
At December 31, 2020	8,127,476	60,396	27,501,069	35,688,941
At March 31, 2021	<u>12,992,195</u>	<u>318,149</u>	<u>44,715,435</u>	<u>58,025,779</u>

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021 and 2020

(unaudited)

9. RIGHT OF USE ASSETS

	Land and Buildings	Furniture and Equipment	Rolling Stock	Total
Cost				
Balances, December 31, 2020	35,390,479	1,531,949	35,824,284	72,746,712
Other additions	649,958	-	-	649,958
Acquired through business combinations	-	-	32,178,261	32,178,261
Balances, March 31, 2021	36,040,437	1,531,949	68,002,545	105,574,931
Accumulated depreciation				
Balances, December 31, 2020	1,693,083	1,210,269	16,423,641	19,326,993
Depreciation	453,432	89,683	1,696,993	2,240,108
Balances, March 31, 2021	2,146,515	1,299,952	18,120,634	21,567,101
Net carrying amounts				
At December 31, 2020	33,697,396	321,680	19,400,643	53,419,719
At March 31, 2021	33,893,922	231,997	49,881,911	84,007,830

10. GOODWILL AND INTANGIBLES

	Goodwill	Customer Lists	Total
Balances, December 31, 2020	1,968,286	857,050	2,825,336
Acquired through business combinations	-	3,222,478	3,222,478
Amortization	-	(114,293)	(114,293)
Balances, March 31, 2021	1,968,286	3,965,235	5,933,521

11. 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	196,406
Acquisition loan	PRIME+0.50%	2026	5,000,000
Loans payable	2.67% - 5.75%	2021-2031	23,638,798
Finance lease liabilities	0.99% - 13.14%	2021-2026	62,518,053
			91,353,257
Current portion			24,489,609
			66,863,648

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021 and 2020

(unaudited)

11. LONG-TERM DEBT - continued

Included in finance lease liabilities is the deemed principal portion of real estate rental of \$35,108,388 (2020 - \$34,334,835).

12. SHARE CAPITAL

Authorized

Unlimited number of common shares with no par value

	Common Shares #	Share Capital \$
Issued		
Balances, December 31, 2020	36,739,185	23,252,440
Shares issued as part of share purchase plan	73,636	212,698
Shares issued on exercise of options	290,000	767,389
Shares issued through private placement	6,666,400	23,625,637
Balances, March 31, 2021	43,769,221	47,858,164

The Company offers a share purchase plan (the "Plan"), which allows all employees and independent contractors, but excluding insiders of the Company, to contribute up to 5% of their compensation to a maximum of \$4,800 per year towards the purchase of Titanium common shares. Contributions are matched at a rate of 100% by the Company and shares are issued from treasury in order to fund the Plan. In the case of employees, matched shares are subject to a three year vesting period. In the case of independent contractors, matched shares are issued after three years of service. The maximum number of shares approved for issuance under the Plan is reviewed by the board of directors annually. Of the shares issued to date, 490,524 (December 31, 2020 - 539,433) have not vested. During the three month period ended March 31, 2021, the Company recognized an expense of \$100,475 (2020 - \$73,429) relating to the Plan, with a corresponding increase to contributed surplus.

On May 17, 2019, the Company began a normal course issuer bid to purchase up to 1,839,267 of its common shares (the "NCIB"), representing 5% of its issued and outstanding common shares. The NCIB will terminate on May 16, 2020, or on an earlier date in the event that the maximum number of common shares sought in the NCIB have been repurchased. Purchases pursuant to the NCIB are expected to be made through the facilities of the TSX Venture Exchange (the "TSXV"), or such other permitted means, including through alternative trading systems in Canada, at prevailing market prices or as otherwise permitted by the policies of the TSXV.

On March 31, 2021, the Company completed a private placement of 6,666,400 common shares of the Company at a price of \$3.75 per common share for gross proceeds of \$24,999,000. Cost incurred by the Company related to the private placement amounted to \$1,373,363.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021 and 2020

(unaudited)

12. SHARE CAPITAL - continued

During the period, the Company did not repurchased any common shares. For the same period in 2020, 40,000 common shares were repurchased at a weighted average purchase price of \$1.20 and a total purchase price of \$48,000. The excess of the purchase price paid over the carrying value of the shares repurchased, totaled \$22,868 and was charged to retained earnings as a share repurchase premium.

During the quarter ended March 31, 2021, dividends of \$0.7 million or \$0.02 per common share (2020 - \$NIL) was declared and paid by the Company to its shareholders.

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

	3 months ended March 31 2021	3 months ended March 31 2020
Issued common shares, beginning	36,739,185	36,357,576
Effect of unvested common shares	(514,979)	(461,310)
Effect of issued common shares	253,500	40,042
Effect of repurchased common shares	-	(20,000)
Weighted average number of common shares	36,477,706	35,916,308
Dilutive effect of restricted stock options	1,686,377	621,240
Weighted average number of diluted common shares	38,164,083	36,537,548

13. CONTRIBUTED SURPLUS

Share-based compensation expense is comprised of the following:

	3 months ended March 31 2021	3 months ended March 31 2020
Share purchase plan	100,475	73,429
Stock options	77,296	84,358
	177,771	157,787

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 7% 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. The following table summarizes the changes in outstanding stock options:

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021 and 2020

(unaudited)

13. CONTRIBUTED SURPLUS - continued

	Grant #	Exercise Price (\$)
Balances, December 31, 2020	1,913,800	1.67
Issued	395,300	2.60
Exercised	(290,000)	1.77
Balances, March 31, 2021	<u>2,019,100</u>	<u>1.84</u>

Of the total stock options issued during the period, 100,000 (2020 - 50,000) stock options were issued to key management personnel. 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 3.5 and 8.5 years; ii) the risk free rate is between 0.28% and 0.58%; iii) the dividend yield will be 3.11%; and iv) expected volatility is 60.55%. Volatility was determined using the Company's trading data from the first day of trading to the date of issuance. 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 following table summarizes information about stock options outstanding as at March 31, 2021:

Exercise Price \$	Options Outstanding #	Weighted Average Remaining Life in years	Options Exercisable #
1.50	1,416,300	5.6	720,598
2.60	395,300	8.9	-
2.85	207,500	4.9	85,000
<u>1.84</u>	<u>2,019,100</u>	<u>5.8</u>	<u>805,598</u>

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021 and 2020

(unaudited)

14. SUPPLEMENTAL CASH FLOW INFORMATION

- a) A reconciliation of assets arising from investing activities is as follows:

	Balance Dec 31 2020	Cash Flows	Non-Cash Changes		Balance March 31 2021
			New Leases	Reacquired Leases	
Finance lease receivables	3,516,245	(586,360)	150,000	-	3,079,885

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

	Balance Dec 31 2020	Cash Flows	Non-Cash Changes		Balance March 31 2021
			New Leases /Loans	Foreign Exchange Movement	
Bank indebtedness	2,617,991	(4,928,794)	2,452,764	54,445	196,406
Loan payable	17,532,739	(1,538,213)	7,735,221	(90,949)	23,638,798
Finance lease liabilities	40,192,234	(2,997,341)	25,371,456	(48,296)	62,518,053
	60,342,964	(9,464,348)	35,559,441	(84,800)	86,353,257

15. RELATED PARTY TRANSACTIONS

During the three month periods, 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.

	2021	2020
Provided truck transportation services to Vision Extrusions Group Limited, Vision Profile Extrusions Ltd. and Sunview Patio Doors Ltd., companies under common control	2,874,779	2,078,629
Paid rent to Caledon First Investments Limited, a company under common control	(464,031)	(448,047)
Paid occupancy costs to Caledon First Investments Limited, a company under common control	(67,925)	(62,404)
Paid management fees to Trunkeast	(7,500)	(7,500)
	2,335,323	1,560,678

Under IFRS 16, rent paid to Caledon First Investments Limited is considered repayment of finance lease obligations, with deemed interest paid for right-of-use asset included in finance costs of \$376,783 (2020 - \$380,136).

Included in finance lease liabilities as at March 31, 2021 is a total of \$33,508,145 (2020 - \$33,819,762) payable to Caledon First Investments Limited for the use of the Company's head office terminal.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021 and 2020

(unaudited)

15. RELATED PARTY TRANSACTIONS - continued

Included in trade and other receivables as at March 31, 2021 is a total of \$1,156,379 (2020 - \$799,908) 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.

16. WAGES AND CASUAL LABOUR

Included in wages and casual labour are the following:

	<u>2021</u>	<u>2020</u>
Share-based compensation expense	177,771	157,787
Employee benefits	327,819	165,482
Key management personnel:		
Salaries and benefits	177,511	179,296
Share-based compensation expense	51,943	40,541

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

17. COMMITMENTS AND CONTINGENCIES

- a) As at March 31, 2021, the Company was committed to the purchase of \$12.8 million in rolling stock.
- b) 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.
- c) 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.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021 and 2020

(unaudited)

18. COVID-19 INFORMATION

As the duration and ongoing impact of the COVID-19 pandemic to the global economy is indeterminable, it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the financial results and operations of the Company. The Company will continue to closely monitor the situation as it develops day-to-day and will take further actions, if necessary, to ensure the wellbeing of our workforce, customers, suppliers and other stakeholders, as well as minimize the disruption to Titanium's services.

In March 2020, the Government of Canada introduced the Canada Emergency Wage Subsidy ("CEWS") to support employers severely affected by COVID-19 and protect Canadian jobs. The subsidy covers a percentage (to a maximum of 75%) of an employee's wages (to maximum of \$1,129 per week) for employers with decrease in gross revenues of at least 10% for periods affected by the pandemic, starting March 2020. This program has recently been extended to September 2021.

During the three months ended March 31, 2021, the Company qualified for the CEWS program and recognized \$0.3 million in subsidies as a reduction to wages and casual labour expenses.

The Company will continue to review all programs offered by the Government and ensure that it applies for all appropriate support.

The Company's exposure to interest rate risk and foreign exchange risk has heightened during the pandemic. We continue to monitor the economic conditions on a daily basis to mitigate these risks.

The Company does not expect any material changes to other risk factors provided the temporary COVID-19 precautionary measures relax in the near future. If these measures extend indefinitely, there will be adverse effects on Titanium's credit risks as customers may become financially distressed. There may also be additional risks to the Company's operations as available workforce may contract for the Company, its customers and its suppliers. Furthermore, a prolonged period of precautionary measures will likely have severe effects on the Company's liquidity position and financial performance.