Titanium Transportation Group Inc.

Management's Discussion and Analysis

For the second quarter ended
June 30, 2016

Dated August 16, 2016

GENERAL INFORMATION

The following is Titanium Transportation Group Inc.'s management discussion and analysis dated August 16, 2016 ("MD&A"), which provides a comparative overview of the Company's performance for its three month and six month periods ended June 30, 2016 with the corresponding three month and and six month periods ended June 30, 2015, and it reviews the Company's financial position as at June 30, 2016. 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, 2015 as well as the unaudited condensed consolidated interim financial statements of the Company for the second quarter ended June 30, 2016 ("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 second quarter ended June 30, 2016 were approved by its Board of Directors on August 16, 2016. 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 August 16, 2016. Additional information relating to the Company is available on SEDAR at www.sedar.com.

OVERVIEW

The Company is a truck transportation and logistics company servicing Canada and the United States with operations based in Woodbridge, Ontario, with terminals in Bracebridge, North Bay, Windsor, Orillia and Napanee, Ontario and additional parking/switch yards in Sudbury, Bolton, Brantford, Brockville, Burlington and Trenton, Ontario. The Company has over 1,000 customers across various industries, including large multinational corporations. The Company will be moving its head office from Woodbridge to Caledon, Ontario later in August 2016.

Revenue (including fuel surcharge) was $30 million and $58.1 million for the three month and six month periods ended June 30, 2016, respectively, and EBITDA[1] was $3.2 million and $5.6 million. Although revenue and EBITDA decreased in the second quarter of 2016 when compared to the same period in 2015, there was growth of $1.9 million and $0.7 million, respectively, when compared to the first quarter of 2016.

	June 30 2016	**June 30 2015**
Power units*	399	332
Trailers*	1,501	1,116
Independent owner operators and full-time employees	510	410

*Excludes assets held for sale

[1] Refer to "Results of Operations - EBITDA" on page 3 and "Non-IFRS Financial Measures" on page 11 for more information about EBITDA and for a reconciliation of EBITDA to net income.

OVERVIEW - continued

Although revenue growth in the second quarter over the first quarter was mainly a result of seasonality, EBITDA growth was due to a record quarter for the Truck Transportation segment, which achieved an EBITDA of $3.3 million and an EBITDA margin of 16.3% for the three month period ended June 30, 2016 compared to $2.7 million and 13.6% for the three month period ended March 31, 2016. Growth in EBITDA was a result of cost savings and synergies extracted from the acquisition of ProNorth Transportation ("PNT") on December 31, 2015.

The Logistics segment also experienced growth in revenue and EBITDA, quarter over quarter, although not comparable to the levels observed during the same period last year. Relatively tough economic conditions continued to affect volumes and margins for this segment, although improvements were evident in the second quarter. In addition, shortage of office space at the Company's current location did not allow for an increase in the Company's sales force. The Company will begin to increase the size of its sales force in the following quarter, upon moving to a larger premises.

The Company's net loss was $126,140 for the quarter ended June 30, 2016, compared to a net loss of $1,358,666 for the same period in 2015. The decrease is mainly a result of one time reverse takeover costs of $2,129,891 that were incurred in April of last year. When net income is adjusted for reverse takeover costs and transaction costs, net income was $40,258 for the quarter ended June 30, 2016 compared to $765,874 for the same period last year. The decrease is due to increased depreciation, as the company's revenue mix is now more heavily weighted towards the Truck Transportation segment, which is much more capital intensive. The Company is in the process of selling excess and aged equipment, which will result in more efficient use of rolling stock and reduced operating costs.

During the quarter, the Company purchased a terminal and transportation assets located in Windsor, Ontario (the "Windsor Acquisition"). Although the effect of the Windsor Acquisition on revenue and expenses was nominal this quarter, the new terminal will allow for future growth at Canada's largest land border crossing.

RESULTS OF OPERATIONS

Financial Highlights (unaudited)

	3 months ended June 30 2016	3 months ended June 30 2015	6 months ended June 30 2016	6 months ended June 30 2015
Revenue	28,385,885	30,076,438	54,820,587	52,503,374
Fuel surcharge	1,581,471	2,343,963	3,255,344	3,927,907
	29,967,356	32,420,401	58,075,931	56,431,281
Operating expenses(2)	26,802,107	29,050,945	52,430,497	50,045,779
EBITDA(1)	3,165,249	3,369,456	5,645,434	6,385,502
EBITDA margin(1)	11.2 %	11.2 %	10.3 %	12.2 %
Depreciation	2,619,979	1,991,754	5,023,162	3,196,255
Loss (gain) on sale of property and equipment	86,335	(247,586)	(244,998)	(357,544)
Foreign exchange loss (gain)	(7,298)	-	266,399	-
Amortization of customer lists	30,360	-	60,720	-
EBIT(1)	435,873	1,625,288	540,151	3,546,791
EBIT margin(1)	1.5 %	5.4 %	1.0 %	6.8 %
Finance costs	460,548	511,411	848,922	832,792
Finance income	(119,696)	(41,544)	(176,625)	(81,198)
Income tax expense	54,763	389,547	12,725	847,694
Adjusted net income (loss)(1)(2)	40,258	765,874	(144,871)	1,947,503
Adjusted net income (loss) per share - basic	0.00	0.03	0.00	0.07
Adjusted net income (loss) per share - diluted	0.00	0.02	0.00	0.07
Transaction costs, net of tax(2)	166,398	-	166,398	160,174
Reverse takeover costs, net of tax	-	2,124,540	-	2,404,273
Net income (loss) and comprehensive income (loss) attributable to owners of the Company	(126,140)	(1,358,666)	(311,269)	(616,944)
Net income (loss) per share - basic	0.00	(0.04)	(0.01)	(0.02)
Net income (loss) per share - diluted	0.00	(0.04)	(0.01)	(0.02)

(1) Refer to "Non-IFRS Financial Measures".
(2) Q1 2015 operating expenses have been adjusted to reflect a reclassification of transaction costs.

Selected Segmented Financial Information (unaudited)

	Truck Transportation	Logistics	Corporate	Elimination	Total
For the three months ended June 30, 2016					
Revenue	20,192,913	8,542,560	-	(349,588)	28,385,885
Fuel surcharge	1,248,473	332,998	-	-	1,581,471
	21,441,386	8,875,558	-	(349,588)	29,967,356
Operating expenses					
Carriers and independent contractors	7,402,067	7,232,552	-	(349,588)	14,285,031
Vehicle operating	4,798,880	-	-	-	4,798,880
Wages and casual labour	4,860,833	846,022	225,782	-	5,932,637
Other operating	1,081,555	388,229	315,775	-	1,785,559
	18,143,335	8,466,803	541,557	(349,588)	26,802,107
EBITDA(1)	3,298,051	408,755	(541,557)	-	3,165,249
EBITDA margin(1)	16.3 %	4.8 %			11.2 %
Depreciation	2,616,332	3,647	-	-	2,619,979
Loss on sale of property and equipment	86,335	-	-	-	86,335
Finance costs	460,548	-	-	-	460,548
Finance income	(119,696)	-	-	-	(119,696)
Foreign exchange loss (gain)	(16,513)	9,215	-	-	(7,298)
Amortization of customer lists	30,360	-	-	-	30,360
	3,057,366	12,862	-	-	3,070,228
Income (loss) before income taxes	240,685	395,893	(541,557)	-	95,021
Income tax expense (recovery)	77,687	109,391	(132,315)	-	54,763
Adjusted net income (loss)(1)	162,998	286,502	(409,242)	-	40,258
For the three months ended June 30, 2015					
Revenue	18,529,298	11,743,979	-	(196,839)	30,076,438
Fuel surcharge	1,677,105	666,858	-	-	2,343,963
	20,206,403	12,410,837	-	(196,839)	32,420,401
Operating expenses	17,787,325	10,870,103	590,356	(196,839)	29,050,945
EBITDA(1)	2,419,078	1,540,734	(590,356)	-	3,369,456
EBITDA margin(1)	13.1 %	13.1 %			11.2 %
Adjusted net income (loss)(1)	138,119	1,123,022	(495,267)	-	765,874

Selected Segmented Financial Information (unaudited)

	Truck Transportation	Logistics	Corporate	Elimination	Total
For the six months ended June 30, 2016					
Revenue	40,133,250	15,455,557	-	(768,220)	54,820,587
Fuel surcharge	2,684,529	570,815	-	-	3,255,344
	42,817,779	16,026,372	-	(768,220)	58,075,931
Operating expenses	36,799,949	15,336,794	1,061,974	(768,220)	52,430,497
EBITDA(1)	6,017,830	689,578	(1,061,974)	-	5,645,434
EBITDA margin(1)	15.0 %	4.5 %			10.3 %
Adjusted net income (loss)(1)	238,446	421,181	(804,498)	-	(144,871)
For the six months ended June 30, 2015					
Revenue	31,972,567	20,842,374	-	(311,567)	52,503,374
Fuel surcharge	2,913,722	1,014,185	-	-	3,927,907
	34,886,289	21,856,559	-	(311,567)	56,431,281
Operating expenses(2)	30,110,240	19,357,416	889,690	(311,567)	50,045,779
EBITDA(1)	4,776,049	2,499,143	(889,690)	-	6,385,502
EBITDA margin(1)	14.9 %	12.0 %			12.2 %
Adjusted net income (loss)(1)(2)	836,745	1,826,035	(715,277)	-	1,947,503

(1) Refer to "Non-IFRS Financial Measures".
(2) Q1 2015 operating expenses have been adjusted to reflect a reclassification of transaction costs.

Revenue

For the three month period ended June 30, 2016, the Company's consolidated revenues decreased by $2.5 million, or 7.6%, when compared to the three month period ended June 30, 2015. The decrease was a result of a $3.5 million decrease in revenue in the Logistics segment, which was partially offset by an increase in the Truck Transportation segment. For the six month period ended June 30, 2016, the Company's consolidated revenues increased by $1.6 million, due to increases in the Truck Transportation segment, despite decreases in the Logistics segment.

The Truck Transportation segment experienced an increase in revenue of $1.2 million, or 6.1%, for the second quarter ended June 30, 2016, when compared to that of 2015. The increase is primarily a result of the acquisition of PNT on December 1, 2015. For the six month period ended June 30, 2016, revenues increased by $7.9 million, or 22.7%, over the same period in 2015. Similarly, this increase is due to acquisitions, including Muskoka Transport Limited ("MTL"), which was acquired during the first quarter of 2015.

The Logistics segment saw a decrease in revenue of $3.5 million, or 28.5%, for the second quarter of 2016, when compared to the second quarter of 2015, and a decrease of $5.8 million, or 26.7%, for the six month period ended June 30, 2016, when compared to the same period in 2015. The decrease is due to economic conditions being much stronger in 2015 versus 2016. The Logistics segment experienced uncommonly strong demand in the first two quarters of 2015, whereas, the Company continued to experience the effects of excess truck supply in Ontario in the first half of 2016, though there was some improvement in the second quarter.

EBITDA

For the three month period ended June 30, 2016, the Company's consolidated EBITDA margin remained constant at 11.2% as a result of an increased margin in the Truck Transportation segment, which was offset by a decreased margin in the Logistics segment. Overall EBITDA decreased by $0.2 million due to a net decrease in sales volumes. For the six month period ended June 30, 2016, the Company's consolidated EBITDA margin decreased from 12.2% to 10.3% over the same period in 2015, as a result of a relatively weaker first quarter of 2016 in both segments. EBITDA also decreased by $0.7 million, year over year, for the six month period.

The Truck Transportation segment saw a year over year increase in EBITDA of $0.9 million for the three month period ended June 30, 2016, and an increase in EBITDA margin from 13.1% to 16.3%. The increase in EBITDA is primarily attributable to the acquisition of PNT in the later part of 2015, whereas the increase in EBITDA margin is a result of acquisition timing. The second quarter of 2015 immediately followed the acquisition of MTL, whereas in 2016, two quarters had passed since the acquisition of PNT. As the Company integrates acquisitions, it achieves cost savings through synergies and improves EBITDA margins over the course of a multi-quarter integration process. During the second quarter of 2016, the Company was able to reduce fuel, repair and leasing costs. For the six month period ended June 30, 2016, EBITDA increased by $1.2 million when compared to the same period in 2015, due to the contributions of MTL and PNT. The EBITDA margin was approximately the same over these two periods, since differences in the stage of integration for the first quarter were offset by that of the second quarter (Q1 2016 was the first quarter after the acquisition of PNT and Q2 2015 was the first quarter after the acquisition of MTL).

For the Logistics segment, EBITDA decreased year over year by $1.1 million for the three month period ended June 30, 2016, and the EBITDA margin decreased from 13.1% to 4.8%. For the six month period ended June 30, 2016, EBITDA decreased by $1.8 million and EBITDA margin decreased from 12% to 4.5%. This can be attributed to lower volumes and pricing due to a relatively more competitive environment in 2016, relatively static fixed costs, and the fact that the Company did not have the physical space to increase its sales force. The Company plans to increase its sales team next quarter, once settled in its new Caledon head office.

Expenses

Operating expenses decreased by $2.2 million for the three month period ended June 30, 2016 over the same period in 2015. The decrease is primarily a result of a decrease in carrier costs and commissions in the Logistics segment. For the six month period ended June 30, 2016, operating expenses increased by $2.4 million when compared to 2015. Despite decreased costs in the Logistics segment, overall operating expenses increased as 2016 comprised a full six months of MTL and PNT expenses.

Depreciation increased for the three month and six month periods ended June 30, 2016 when compared to the same periods in 2015. The increase is primarily a result of the acquisition of equipment, both through business combinations and financed purchases. The size of the Company's fleet has increased, as has the cost of new equipment. Although finance costs are relatively comparable, finance income has increased, as a greater number of power units are being leased out to independent owner operators when compared to the previous year.

The Company realized foreign exchange losses during the previous quarter as a result of the strengthening of the Canadian dollar relative to the US dollar during the period. During the current period, the Company began to borrow in US dollars in order to hedge against its exposure on its US dollar receivables.

During the quarter, the Company incurred $226,392 in transaction costs ($166,398 net of tax) relating to the Windsor Acquisition.

SUMMARY OF QUARTERLY RESULTS

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

(in thousands)

	Q2'16	Q1'16	Q4'15	Q3'15	Q2'15	Q1'15	Q4'14	Q3'14
Revenue	28,386	26,435	24,984	25,719	30,076	22,427	19,541	18,118
Fuel surcharge	1,581	1,674	1,587	1,527	2,344	1,584	1,392	1,290
	29,967	28,109	26,571	27,246	32,420	24,011	20,933	19,408
Operating expenses(3)	26,802	25,628	23,985	24,345	29,051	21,213	18,742	17,908
EBITDA(1)	3,165	2,481	2,586	2,901	3,369	2,798	2,191	1,500
EBITDA margin(1)	11.1 %	9.4 %	10.4 %	11.3 %	11.2 %	12.5 %	11.2 %	8.3 %
Adjusted net income (loss)(1)(3)	40	(185)	484	1,366	766	1,182	739	437
Per share - basic(2)	0.00	(0.01)	0.01	0.04	0.03	0.05	0.03	0.02
Per share - diluted(2)	0.00	(0.01)	0.01	0.04	0.02	0.05	0.03	0.02
Net income (loss) and comprehensive income (loss) attributable to the owners of the Company	(126)	(185)	446	1,366	(1,359)	742	450	437
Per share - basic(2)	0.00	(0.01)	0.01	0.04	(0.04)	0.03	0.02	0.02
Per share - diluted(2)	0.00	(0.01)	0.01	0.04	(0.04)	0.03	0.02	0.02

(1) Refer to "Non-IFRS Financial Measures".
(2) Reflects subdivision of shares that took place on March 31, 2015.
(3) Q1 2015 and Q4 2015 have been adjusted to reflect a reclassification of transaction costs.

Changes from quarter to quarter are mainly the result of acquisitions and seasonality of operations. Historically, there has been an increase in revenue and a decrease in EBITDA 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 the Company's eight most recently completed quarters. EBITDA margins decreased in Q3 2014, Q2 2015 and Q1 2016 following the acquisitions of Wm. H. Cain Agency Limited, MTL and PNT, respectively. It may be difficult to isolate this impact if the integration process of two or more acquisitions overlap.

The Company saw particularly sharp decreases in revenue and EBITDA in Q3 and Q4 of 2015, due to decreases in the Logistics segment, in addition to the factors noted above that affect the Truck Transportation segment. The decreases were caused by more competitive economic conditions, which affected volumes and margins.

The activities of the Company are also subject to seasonal demand for truck transportation. Historically, the Company has experienced weaker demand in the first and third quarters and stronger demand in the second and fourth quarters, although demand was atypically strong in Q1 2015 and atypically weak in Q4 2015 as a result of cyclical customer demands and changes in economic conditions during these periods.

LIQUIDITY AND CAPITAL RESOURCES

	June 30 2016	December 31 2015
Working capital (deficit)(1)	(7,520,423)	(1,799,887)
Total assets	112,643,160	87,772,549
Net debt(2)	50,078,718	38,422,432
Shareholders' equity	35,836,865	34,021,470
Net debt to equity ratio(3)	1.40	1.13

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

(2) Net debt is defined as bank indebtedness, loans payable, finance lease liabilities and due to related party, net of 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 change in the Company's financial position as at June 30, 2016 was mainly a result of asset purchases during the six month period since December 31, 2015. Most significant, was the Windsor Acquisition, which included the purchase of a Windsor terminal and transportation assets, including lease buyouts, for approximately $5.2 million in cash and $2 million in shares (see "Liquidity and Capital Resources - Common Shares"). In addition, $22.7 million in new rolling stock was purchased during the period and financed using long-term debt. The Company regularly reinvests in new equipment to keep maintenance costs low and to ensure reliable service for its customers.

Over the next two quarters, proceeds from the sale of excess aged equipment of approximately $4.2 million are expected. In addition, the Company has committed $3.4 million towards the purchase of additional assets, as of June 30, 2016. Of this amount, $2.4 million will be going towards new equipment and leasehold improvements needed for the new head office in Caledon. 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 $3 million in debt, during the first two quarters of 2016, 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 terminals, warehouse and office space, 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 Caledon head office, these leases expire between July 2016 and December 2020. The lease for the Company's new head office expires in June 2032. The Company significantly reduced its non-realty lease commitments during the first half of 2016 by buying out or otherwise terminating operating leases.

The Company's bank credit facility was amended during the quarter to allow for an additional $7.5 million accordion acquisition loan and an additional USD$6 million leasing facility. The portion of the Company's bank credit facilities which were unused as of June 30, 2016 include approximately $5 million under a revolving demand operating facility, $5 million under a non-revolving acquisition facility, $7.5 million under an accordion acquisition facility, $7.5 million under a foreign exchange forward contract facility and $2 million under a finance lease loan facility. In addition, the Company has available approximately $15 million in finance leasing and loan facilities through other institutions.

Common Shares

On June 17, 2016, 1,120,708 common shares were issued as a portion of the consideration paid for the Windsor Acquisition. As of August 16, 2016, 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 1,665,000 stock options outstanding, of which 300,000 are exercisable.

TRANSACTIONS WITH RELATED PARTIES

The Company provides truck transportation services to companies under common control. These companies include Vision Extrusions Group Limited and Sunview Patio Doors Ltd., and aggregate revenues from these companies totaled $990,597 and $1,709,194, respectively, for the three month and six month periods ended June 30, 2016 (2015 - $998,565 and $1,732,995).

The Company also rents its head office and Woodbridge distribution terminal from Vaughan West II Limited, its Woodbridge parking yard from Roybridge Holdings Limited and office space from Vision Extrusions Group Limited, each of which are under common control with the Company. Total rent paid to these companies for the three month and six month periods ended June 30, 2016 was $112,843 and $225,730, respectively (2015 - $104,277 and $208,553).

Trunkeast Investments Canada Limited, the Company's controlling shareholder as of June 30, 2016, provides administrative and support services to the Company on a monthly basis. For these services, the Company was charged $15,000 and $30,000 (2015 - $15,000 and $30,000) for the three month and six month periods ended June 30, 2016, respectively. The Company is committed to payment for such services until May 31, 2017.

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.

In addition, the Company will be leasing a new facility being constructed at 32 Simpson Road, Caledon, Ontario, which includes approximately 71,500 square feet of gross floor area and 8 acres of yard space, and will accommodate the Company’s head office operations, an integrated yard, a warehouse and a third party mechanical shop. The lease agreement is with Caledon First Investments Limited, a company under common control with the Company. The Company has committed to annual rent of $1,675,625, which is expected to commence October 1, 2016. The annual rent will increase to $2,413,123 over a 15 year period. In addition to rent, the Company has committed to the payment of $1.9 million in leasehold improvements to ZZEN Design Build Limited, a company under common control.

Management anticipates that the net increase to annual rent will not be significant given that the Company will be able to consolidate a number of terminals and yards into the Caledon location. In addition, there will be significantly more opportunity for growth through increased warehousing revenue, the ability to increase the size of the Logistics sales team and efficiencies in consolidating trucking operations.

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.

In the Company's Q1 2016 press release, the Company noted that Logistics revenue and EBITDA will be in-line with historical norms in Q2 2016. Although Logistics revenue increased back to historical levels, EBITDA margins continued to suffer due to overcapacity in the industry. Following a positive start to the second quarter, gross margins fell to a two year low, resulting in a lower than expected overall EBITDA margin. In the following quarters, the Company will be focusing on increasing its sales team.

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.

"Earnings before interest and income taxes" ("EBIT") is calculated as net income before finance income and costs, income tax expense, transaction costs and reverse takeover costs.

"EBIT margin" is calculated as EBIT 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 transaction costs and 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 June 30, 2016 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 9, Financial Instruments
IFRS 15, Revenue from Contracts with Customers
IFRS 16, Leases

TITANIUM
Transportation Group Inc.

Unaudited Condensed Consolidated Interim Financial Statements

For the second quarter ended
June 30, 2016

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Financial Position

(unaudited)

(in Canadian dollars)

	June 30 2016	December 31 2015
Assets		
Current		
Cash	89,642	788,909
Trade and other receivables (note 13)	18,226,136	16,767,695
Current taxes recoverable	909,470	128,739
Finance lease receivables (note 5)	2,308,845	1,333,816
Prepaid expenses and deposits	2,015,099	2,072,571
Assets held for sale (note 6)	4,215,076	-
	27,764,268	21,091,730
Finance lease receivables (note 5)	6,409,278	2,431,913
Property and equipment (note 7)	72,761,359	58,421,767
Deferred tax assets	413,270	471,434
Customer lists (note 8)	779,160	839,880
Goodwill (note 8)	4,515,825	4,515,825
	112,643,160	87,772,549
Liabilities		
Current		
Bank indebtedness (note 9)	9,817,860	4,203,821
Trade and other payables	8,498,223	6,307,683
Current taxes payable	8,427	324,024
Loans payable (note 9)	10,342,547	7,708,669
Finance lease liabilities (note 9)	6,417,634	4,147,420
Due to related party	200,000	200,000
	35,284,691	22,891,617
Loans payable (note 9)	20,206,253	16,711,119
Finance lease liabilities (note 9)	16,027,623	9,217,132
Deferred tax liabilities	5,287,728	4,931,211
	76,806,295	53,751,079
Commitments and contingencies (note 15)		
Shareholders' Equity		
Share capital (note 10)	26,754,964	24,765,964
Contributed surplus (note 11)	3,529,431	3,391,767
Retained earnings	5,552,470	5,863,739
	35,836,865	34,021,470
	112,643,160	87,772,549

On behalf of the Board

"Ted Daniel"
Director

"Bill Chyfetz"
Director

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Comprehensive Income

(unaudited)

(in Canadian dollars)

	3 months ended June 30 2016	**3 months ended June 30 2015**	**6 months ended June 30 2016**	**6 months ended June 30 2015**
Revenue (note 13)	28,385,885	30,076,438	54,820,587	52,503,374
Fuel surcharge	1,581,471	2,343,963	3,255,344	3,927,907
	29,967,356	32,420,401	58,075,931	56,431,281
Operating expenses				
Carriers and independent contractors	14,285,031	15,047,110	26,607,194	26,095,906
Vehicle operating	4,798,880	5,876,399	10,107,528	10,005,758
Wages and casual labour (note 14)	5,932,637	6,358,275	12,094,181	10,872,366
Other operating (note 13)	1,785,559	1,769,161	3,621,594	3,071,749
	26,802,107	29,050,945	52,430,497	50,045,779
Income before the following	3,165,249	3,369,456	5,645,434	6,385,502
Depreciation (note 7)	2,619,979	1,991,754	5,023,162	3,196,255
Loss (gain) on sale of property and equipment (note 12)	86,335	(247,586)	(244,998)	(357,544)
Finance costs	460,548	511,411	848,922	832,792
Finance income	(119,696)	(41,544)	(176,625)	(81,198)
Foreign exchange loss (gain)	(7,298)	-	266,399	-
Amortization of customer lists (note 8)	30,360	-	60,720	-
Transaction costs	226,392	-	226,392	217,924
Reverse takeover costs	-	2,129,891	-	2,510,480
	3,296,620	4,343,926	6,003,972	6,318,709
Income (loss) before income taxes	(131,371)	(974,470)	(358,538)	66,793
Income tax expense (recovery)	(5,231)	384,196	(47,269)	683,737
Net income (loss) and comprehensive income (loss) attributable to owners of the Company	(126,140)	(1,358,666)	(311,269)	(616,944)
Earnings (loss) per share:				
Basic	-	(0.04)	(0.01)	(0.02)
Diluted	-	(0.04)	(0.01)	(0.02)
Weighted average number of shares outstanding:				
Basic (note 10)	36,454,587	30,288,088	36,361,194	27,044,044
Diluted (note 10)	36,454,587	30,288,088	36,361,194	27,044,044

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Changes in Equity

Six months ended June 30 (unaudited)

(in Canadian dollars)

	Share Capital	**Contributed Surplus**	**Retained Earnings**	**Total**
Balances at December 31, 2015	24,765,964	3,391,767	5,863,739	34,021,470
Share issuance (note 10)	1,989,000	-	-	1,989,000
Share-based compensation expense (note 11)	-	137,664	-	137,664
Net income (loss) and comprehensive income (loss)	-	-	(311,269)	(311,269)
Balances at June 30, 2016	26,754,964	3,529,431	5,552,470	35,836,865
Balances at December 31, 2014	2,080,000	-	4,668,686	6,748,686
Share issuance	8,253,341	1,677,086	-	9,930,427
Share-based compensation expense	-	142,162	-	142,162
Net income (loss) and comprehensive income (loss)	-	-	(616,944)	(616,944)
Balances at June 30, 2015	10,333,341	1,819,248	4,051,742	16,204,331

Titanium Transportation Group Inc.
Condensed Consolidated Interim Statements of Cash Flows

(unaudited)

(in Canadian dollars)

	3 months ended June 30 2016	3 months ended June 30 2015	6 months ended June 30 2016	6 months ended June 30 2015
Cash flows from operating activities				
Net income (loss)	(126,140)	(1,358,666)	(311,269)	(616,944)
Adjustments:				
Depreciation of property and equipment	2,619,979	1,991,754	5,023,162	3,196,255
Loss (gain) on sale of property and equipment	86,335	(247,586)	(244,998)	(357,544)
Finance costs	460,548	511,411	848,922	832,792
Finance income	(119,696)	(41,544)	(176,625)	(81,198)
Amortization of customer lists	30,360	-	60,720	-
Share-based compensation expense	76,846	142,162	137,664	142,162
Reverse takeover costs	-	2,129,891	-	2,510,480
Income tax expense (recovery)	(5,231)	384,196	(47,269)	683,737
	3,023,001	3,511,618	5,290,307	6,309,740
Net change in non-cash operating working capital	159,452	(4,215,810)	874,865	(3,054,862)
	3,182,453	(704,192)	6,165,172	3,254,878
Interest paid	(427,037)	(511,411)	(789,053)	(832,792)
Interest received	119,696	41,544	176,625	81,198
Income taxes paid	(199,530)	(305,388)	(634,378)	(766,188)
	2,675,582	(1,479,447)	4,918,366	1,737,096
Cash flows from investing activities				
Proceeds from finance lease receivables (note 17)	613,665	211,846	1,117,285	362,674
Acquisition of property and equipment (note 7, 12)	(8,006,438)	(948,109)	(8,456,532)	(948,109)
Disposition of property and equipment (note 7)	3,250,105	563,399	3,647,896	818,428
Acquisition of subsidiaries	-	505,152	-	(1,494,848)
	(4,142,668)	332,288	(3,691,351)	(1,261,855)
Cash flows from financing activities				
Proceeds from bank indebtedness	4,887,430	-	5,614,039	4,521,661
Repayment of bank indebtedness	-	(7,911,693)	-	-
Repayment of demand loans	-	-	-	(914,580)
Repayment of loans payable	(2,344,708)	(936,558)	(4,980,297)	(2,526,357)
Repayment of finance lease liabilities	(1,527,098)	(987,995)	(2,549,024)	(3,797,295)
Proceeds from acquisition loan	-	5,000,000	-	5,000,000
Repayment of amounts due to corporate shareholder	-	-	-	(9,000,000)
Repayment of amounts due to related parties	-	(50,000)	-	(50,000)
Private placement	-	244,200	-	244,200
Issuance of shares	(11,000)	998,278	(11,000)	998,278
Reverse takeover costs	-	(597,038)	-	(689,876)
	1,004,624	(4,240,806)	(1,926,282)	(6,213,969)
Increase (decrease) in cash	(462,462)	(5,387,965)	(699,267)	(5,738,728)
Cash, beginning	552,104	5,632,165	788,909	5,982,928
Cash, ending	89,642	244,200	89,642	244,200

Please 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 Woodbridge, Bracebridge, North Bay, Windsor, Orillia and Napanee, Ontario. The Company's registered head office is at 400 Zenway Boulevard, Unit 4, Woodbridge, Ontario, L4H 0S7.

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, 2015.

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 August 16, 2016.

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 and third quarters and stronger demand in the second and fourth quarters. In addition, 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.

The Company adopted the following new accounting policy during the period:

Assets held for sale

Property and equipment is classified as held for sale if it is highly probable that its carrying amount will be recovered primarily through sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in income or loss. Once classified as held for sale, property and equipment is no longer depreciated.

New Standards not yet Adopted

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.

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. The extent of the impact of adoption of the standard has not yet been determined.

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 assessing the impact of these standards, on the consolidated 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 entails the pickup and delivery of goods across Canada and the United States. The Logistics segment entails the brokering of freight across North America. For each operating segment, the Company's CEO reviews internal management reports on a monthly basis. Operating segment results that are reported include items directly attributable to a 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 June 30, 2016					
Revenue - external	21,091,798	8,875,558	-	-	29,967,356
Revenue - internal	349,588	-	-	(349,588)	-
Total revenue	21,441,386	8,875,558	-	(349,588)	29,967,356
Depreciation	2,616,332	3,647	-	-	2,619,979
Finance costs	460,548	-	-	-	460,548
Finance income	(119,696)	-	-	-	(119,696)
Income (loss) before income taxes	14,293	395,893	(541,557)	-	(131,371)
Income taxes (recoveries)	17,693	109,391	(132,315)	-	(5,231)
Capital expenditures	23,351,268	-	-	-	23,351,268
Goodwill acquisitions	-	-	-	-	-
Three months ended June 30, 2015					
Revenue - external	20,009,564	12,410,837	-	-	32,420,401
Revenue - internal	196,839	-	-	(196,839)	-
Total revenue	20,206,403	12,410,837	-	(196,839)	32,420,401
Depreciation	1,991,754	-	-	-	1,991,754
Finance costs	511,411	-	-	-	511,411
Finance income	(41,544)	-	-	-	(41,544)
Income (loss) before income taxes	205,043	1,540,734	(2,720,247)	-	(974,470)
Income taxes (recoveries)	66,924	417,712	(100,440)	-	384,196
Capital expenditures	6,668,036	-	-	-	6,668,036
Goodwill acquisitions	-	-	-	-	-

4. OPERATING SEGMENTS - continued

	Truck Transportation	Logistics	Corporate	Elimination	Total
Six months ended June 30, 2016					
Revenue - external	42,049,559	16,026,372	-	-	58,075,931
Revenue - internal	768,220	-	-	(768,220)	-
Total revenue	42,817,779	16,026,372	-	(768,220)	58,075,931
Depreciation	5,017,383	5,779	-	-	5,023,162
Finance costs	848,922	-	-	-	848,922
Finance income	(176,625)	-	-	-	(176,625)
Income (loss) before income taxes	119,897	583,539	(1,061,974)	-	(358,538)
Income taxes (recoveries)	47,849	162,358	(257,476)	-	(47,269)
Capital expenditures	33,259,457	58,350	-	-	33,317,807
Goodwill acquisitions	-	-	-	-	-
Six months ended June 30, 2015					
Revenue - external	34,574,722	21,856,559	-	-	56,431,281
Revenue - internal	311,567	-	-	(311,567)	-
Total revenue	34,886,289	21,856,559	-	(311,567)	56,431,281
Depreciation	3,196,255	-	-	-	3,196,255
Finance costs	832,792	-	-	-	832,792
Finance income	(81,198)	-	-	-	(81,198)
Income (loss) before income taxes	967,820	2,499,143	(3,400,170)	-	66,793
Income taxes (recoveries)	291,249	673,108	(280,620)	-	683,737
Capital expenditures	25,225,094	-	-	-	25,225,094
Goodwill acquisitions	157,092	-	-	-	157,092

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.

	3 months ended June 30 2016	3 months ended June 30 2015	6 months ended June 30 2016	6 months ended June 30 2015
Canada	19,436,078	21,386,210	37,753,420	37,321,451
United States	10,531,287	11,034,191	20,322,520	19,109,830
	29,967,365	32,420,401	58,075,940	56,431,281

5. FINANCE LEASE RECEIVABLES

During the six month period ended June 30, 2016, the Company entered into new finance leases totaling $6,256,189, which are receivable over 18 to 60 months with interest rates ranging from 0% to 13%.

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.

7. PROPERTY AND EQUIPMENT

	Land and Buildings	Furniture and Equipment	Rolling Stock	Total
Cost				
Balances, December 31, 2015	5,017,209	2,743,357	62,555,433	70,315,999
Other additions	3,452,596	590,118	29,275,093	33,317,807
Disposals	-	(38,877)	(12,173,887)	(12,212,764)
Reclassification to assets held for sale	-	-	(4,360,934)	(4,360,934)
Balances, June 30, 2016	8,469,805	3,294,598	75,295,705	87,060,108
Accumulated depreciation				
Balances, December 31, 2015	32,586	1,906,179	9,955,467	11,894,232
Depreciation	62,559	339,839	4,620,764	5,023,162
Disposals	-	(12,469)	(2,460,318)	(2,472,787)
Reclassification to assets held for sale	-	-	(145,858)	(145,858)
Balances, June 30, 2016	95,145	2,233,549	11,970,055	14,298,749
Net carrying amounts				
At December 31, 2015	4,984,623	837,178	52,599,966	58,421,767
At June 30, 2016	8,374,660	1,061,049	63,325,650	72,761,359

8. GOODWILL AND INTANGIBLES

	Goodwill	Customer Lists	Total
Balances, December 31, 2015	4,515,825	839,880	5,355,705
Amortization	-	(60,720)	(60,720)
Balances, June 30, 2016	4,515,825	779,160	5,294,985

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	P+0.50%	N/A	9,817,860
Loans payable	2.95% - 4.50%	2017-2025	30,548,800
Finance lease liabilities	2.56% - 5.58%	2017-2021	22,445,257
			62,811,917
Current portion			26,578,041
			36,233,876

Included in current portion of loans payable is a promissory note for $3,182,022 that will be converted to a long-term finance lease liability in the following quarter.

During the quarter, the Company's credit facility was amended to reflect a CDN$56.4 million credit facility under the following structure and terms:

a) CDN$15 million revolving demand operating facility, subject to margin requirements

b) CDN$5 million demand non-revolving acquisition loan, subject to prefunding conditions

c) CDN$7.5 million accordion acquisition loan, subject to credit approval

d) USD$6.5 million (face value) foreign exchange forward contract facility

e) CDN$12.7 million and USD$6 million finance lease loan facility

This credit facility is secured by the following:

(i) General Security Agreement providing a first charge over all the assets of the Company

(ii) Corporate unlimited guarantee from the Company and each of its subsidiaries

(iii) General Security Agreement providing a first charge over all the assets of the Company and each of its subsidiaries except those holding real estate

10. SHARE CAPITAL

Authorized

Unlimited number of common shares with no par value

	Common Shares #	Share Capital $
Issued		
Balances, December 31, 2015	36,267,802	24,765,964
Shares issued on acquisition of Windsor assets	1,120,708	1,989,000
Balances, June 30, 2016	37,388,510	26,754,964

On June 17, 2016 the Company paid $900,000 in cash and issued 1,120,708 common shares with a stated capital amount of $2,000,000 on the acquisition of certain assets located in Windsor, Ontario. Issuance costs totaling $11,000 were incurred with respect to this transaction.

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

	3 months ended June 30 2016	3 months ended June 30 2015	6 months ended June 30 2016	6 months ended June 30 2015
Issued common shares, beginning	36,267,802	24,200,001	36,267,802	23,600,000
Effect of issued common shares	186,785	6,088,087	93,392	3,444,044
Weighted average number of common shares	36,454,587	30,288,088	36,361,194	27,044,044

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 six month period ended June 30, 2016, 425,000 stock options were issued to various employees. Each stock option entitles the holder to acquire a common share of the Company at an exercise price of $2.85 per common share. No stock options expired, were exercised or were forfeited during the reporting period. As at June 30, 2016, there were 1,665,000 stock options outstanding, of which 675,000 were held by key management personnel and 300,000 are exercisable at a price of $1.50. Of the stock options outstanding, 1,240,000 have an exercise price of $1.50 and expire April 1, 2025, and 425,000 have an an exercise price of $2.85 and expire February 22, 2026. During the six month period ended June 30, 2016, the Company recognized an expense of $137,664 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 0.78% and 1.04%; iii) the dividend yield will be $NIL; and iv) expected volatility is 60%. Volatility was determined using the Company's trading data from the first day of trading to March 31, 2016. 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 June 30, 2016 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 loss (gain) on sale of property and equipment are the following sales of rolling stock to independent contractors under finance lease arrangements:

	3 months ended June 30 2016	**3 months ended June 30 2015**	**6 months ended June 30 2016**	**6 months ended June 30 2015**
Sales	1,960,523	220,553	6,256,189	627,948
Cost of sales	1,860,572	199,232	5,996,567	597,770
	99,951	21,321	259,622	30,178

b) During the six month period ended June 30, 2016, rolling stock totaling $22,739,038 (2015 - $10,770,536) was purchased and financed directly. As such, it is not reflected as a cash outflow on the condensed consolidated interim statement of cash flows.

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.

	3 months ended June 30 2016	3 months ended June 30 2015	6 months ended June 30 2016	6 months ended June 30 2015
Provided truck transportation services to Vision Extrusions Group Limited and Sunview Patio Doors Ltd., companies under common control	990,597	998,565	1,709,194	1,732,995
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	(112,843)	(104,277)	(225,730)	(208,553)
Paid management fees to Trunkeast	(15,000)	(15,000)	(30,000)	(30,000)
Paid interest to Trunkeast	-	-	-	(94,514)
	862,754	879,288	1,453,464	1,399,928

Included in trade and other receivables as at June 30, 2016 is a total of $362,040 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:

	3 months ended June 30 2016	3 months ended June 30 2015	6 months ended June 30 2016	6 months ended June 30 2015
Share-based compensation expense	76,846	142,162	137,664	142,162
Employee benefits	126,101	115,179	250,149	194,766
Key management personnel:				
Salaries and benefits	255,199	171,582	447,276	351,718
Share-based compensation expense	27,450	79,507	51,433	79,507

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 various office, storage and yard space. Minimum lease payments on these operating leases are as follows:

Less than one year	1,697,550
Between one and five years	7,701,595
More than five years	21,799,275

Operating leases that were charged to income during the three month and six month periods ended June 30, 2016 totaled $554,766 and $1,300,493 (2015 - 681,141 and 1,345,850), respectively.

In addition, the Company is committed to paying $5,000 a month to Trunkeast in management fees until May 2017.

b) As at June 30, 2016, the Company was committed to purchasing leaseholds, furniture and equipment and rolling stock for $3.4 million. Of this amount, $1.9 million is for leasehold improvements and will be payable to a company under common control.

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

16. FINANCIAL INSTRUMENTS

Foreign exchange risk arises from the possibility that changes in the price of foreign currencies will result in a decline in carrying values. A significant portion of the Company's sales and purchases are denominated in US dollars ("USD"). As a result, the Company is exposed to foreign exchange risk as certain assets and liabilities are denominated in this currency.

	June 30 2016	**December 31 2015**
Cash	-	43,970
Accounts receivable	3,567,034	3,108,649
Bank indebtedness	17,466	548,265
Accounts payable	(790,484)	(532,913)
Finance lease liabilities	(4,518,551)	-
	(1,724,535)	3,167,971

17. COMPARATIVE FIGURES

As a result of the increasing frequency of the Company entering into rolling stock leasing arrangements with independent contractors, management has revised its accounting policy to classify cash flows related to finance receivables from operating activities to investing activities in the statement of cash flows. The changes have been applied retrospectively to the comparative period.

In addition, comparative figures have been adjusted to reflect the reclassification of transaction costs from other operating expenses in order to be consistent with the classification adopted for the current period.