Titanium Transportation Group Inc.

Management's Discussion and Analysis

For the second quarter ended
June 30, 2019

Dated August 13, 2019

GENERAL INFORMATION

The following is Titanium Transportation Group Inc.'s management discussion and analysis dated August 13, 2019 ("MD&A"), which provides a comparative overview of the Company's performance for its three month and six month periods ended June 30, 2019 with the corresponding three month and six month periods ended June 30, 2018, and it reviews the Company's financial position as at June 30, 2019. Throughout this MD&A, the term "Company" 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, 2018 as well as the unaudited condensed consolidated interim financial statements of the Company for the second quarter ended June 30, 2019 ("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, 2019 were approved by its Board of Directors on August 13, 2019. 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 13, 2019. Additional information relating to the Company is available on SEDAR at www.sedar.com.

OVERVIEW

Titanium is an asset-based transportation and logistics company servicing Canada and the United States with terminals in Bolton, Bracebridge, Napanee, North Bay and Windsor, Ontario and with additional parking/switch yards in Sudbury, Brantford, Brockville and Trenton, Ontario. The Company has over 1,000 customers across various industries, including large multinational corporations, with no one customer accounting for more than 6% of revenue. The Company has approximately 475 power units, 1,400 trailers, and 600 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 timely 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 broker that provides ancillary transportation services, such as third-party logistics services and freight forwarding across all of North America. Through its network, the Logistics segment offers customers a variety of transportation services, including intermodal service, international shipping, specialty services, and expedited services. The Logistics segment succeeds due to the extensive experience and expertise of the Company's dedicated personnel, up to date and innovative information technology infrastructure, and strong strategic relationships with third-party providers.

The Company's operational results are influenced by industry-wide economic factors and by capital allocation as well as operating and spending decisions. Industry-wide economic factors which impact operational results include freight demand, truck capacity, fuel prices, driver availability, unemployment, exchange rates, government regulation and weather. The Company makes key decisions when allocating capital between its Truck Transportation and Logistics segments, hiring employees or independent contractors and determining compensation, 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 EBITDA[1] and operating income, revenue generated per truck and per mile, empty miles, driver retention and fuel efficiency.

Key Highlights

- ♦ Consolidated revenue for Q2 2019 was $42.0 million, representing the second highest second quarter revenue in the Company's history. This compares to record Q2 2018 revenue of $51.8 million.
- ♦ Operating income(1) was $1.4 million for Q2 2019, representing a 3.7% operating margin(1), compared to $3.7 million and a 7.7% operating margin(1) in Q2 2018.
- ♦ Titanium continued to strengthen its financial position during the second quarter of 2019. The Company lowered its net-debt-to-equity ratio to 1.87, from 2.03 in December 31, 2018.
- ♦ Truck Transportation segment revenue for Q2 2019 was $28.6 million, representing a 4.0% decrease year over year. Operating income(1) was $1.3 million, representing a 4.8% operating margin(1), for the second quarter. This compares to Q2 2018 operating income(1) of $1.8 million and a 6.4% operating margin(1).
- ♦ Logistics segment revenue was $14.9 million for Q2 2019, compared to $23.2 million in the same period in 2018. Operating income(1) was $0.7 million, representing a 4.8% operating margin(1), for the second quarter. This compares to Q2 2018 operating income(1) of $2.5 million and an 11.4% operating margin(1).

Revenue by Industry	
Manufactured Goods	33.2%
Retail	15.7%
Logistics/ Trucking	13.8%
Metals	10.6%
Automotive	7.0%
Forest Products	5.7%
Food & Beverage	4.3%
Services	3.8%
Other	5.9%

Based on Q2 2019 revenue

[1] Refer to "Results of Operations" on page 3 and "Non-IFRS Financial Measures" on page 13 for more information about operating income and EBITDA and for a reconciliation of operating income and EBITDA to net income.

RESULTS OF OPERATIONS

Financial Highlights (unaudited)

	3 months ended June 30 2019	(2)(Restated) 3 months ended June 30 2018	6 months ended June 30 2019	(2)(Restated) 6 months ended June 30 2018
Revenue	39,279,181	48,259,042	75,293,977	90,666,340
Fuel surcharge	2,762,312	3,550,732	5,739,726	6,619,292
	42,041,493	51,809,774	81,033,703	97,285,632
Operating expenses	37,173,885	44,662,286	71,581,279	84,738,541
EBITDA(1)	4,867,608	7,147,488	9,452,424	12,547,091
EBITDA margin(1)	12.4 %	14.8 %	12.6 %	13.8 %
Depreciation	3,368,008	3,366,455	6,607,767	6,509,798
Amortization of customer lists	57,150	57,150	114,300	114,300
Operating income(1)	1,442,450	3,723,883	2,730,357	5,922,993
Operating margin(1)	3.7 %	7.7 %	3.6 %	6.5 %
Gain on sale of property and equipment	(114,696)	(216,916)	(372,514)	(284,530)
Finance costs	891,674	969,939	1,771,019	1,921,438
Finance income	(97,481)	(79,889)	(197,093)	(157,129)
Foreign exchange loss (gain)	48,574	(15,719)	7,790	(74,897)
Income tax expense	259,420	877,679	521,847	1,244,462
Net income and comprehensive income attributable to owners of the Company	454,959	2,188,789	999,308	3,273,649
Net income per share - basic	0.01	0.06	0.03	0.09
Net income per share - diluted	0.01	0.06	0.03	0.09

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

(2) Refer to "Changes in Accounting Policies". For the three months and six months ended June 30, 2019, lease payments of $441,132 and $882,264, respectively, were deemed as repayment of finance leases, resulting in finance cost of $382,252 and $765,160, respectively. Depreciation of right-of-use asset as a result of the adoption of IFRS 16 reclassification was $85,737 and $171,474, respectively, during the three month and six month periods ended June 30, 2019.

EXECUTIVE SUMMARY

In a year of macroeconomic headwinds in the transportation and logistics industry, Titanium remained profitable as we continued to focus on organic volume growth and leveraging operational efficiencies. This disciplined focus on driving profitable growth led the Company to record its second strongest Q2 revenue in the Company's history. This compares to the second quarter and full-year 2018 when we reported record revenues, which can be characterized as an unusually strong year as a result of various macroeconomic factors, including reduced capacity due to the introduction of mandatory Electronic Logging Devices ("ELDs") in the United States and strong U.S. aggregate demand.

While the Canadian economy demonstrated signs of growth, such as a new four-decade low unemployment rate and a modest recovery in consumer confidence during the second quarter of 2019, the economic outlook for the year remained softer than 2018. Geopolitical concerns, such as tariffs on shipped goods, negatively impacted the transportation and logistics industry, which put pressure on volumes and pricing in the spot market. Furthermore, the introduction of carbon tax legislation in select Canadian provinces and the potential for increased insurance and operating costs created increased challenges in the current operating environment.

Notwithstanding a more challenged operating environment, our disciplined focus on adding incremental volumes profitably, in addition to cost containment and improved operational efficiencies, resulted in superior returns for our shareholders. In fact, the EBITDA margin[(1)] remained largely flat for the first half of 2019 when compared to the same period in 2018, despite rising cost pressures. Our focus on generating positive free cash flow and improving our balance sheet has allowed for significant financial flexibility. This flexibility permits us to pursue opportunistic and accretive acquisitions within our core competency, should they arise from the challenged and fragmented transportation and logistics market.

In the Trucking Transportation segment, we remain diligent in staying at the forefront of industry trends as we strive to improve our productivity and efficiency. Numerous technological advancements were implemented since the beginning of 2019 in order to recognize further operational efficiencies. We believe that these investments will not just bear fruit in the near term, but put us ahead of the competition over the medium to long term.

In the Logistics segment, spot market rates and volume declines have negatively impacted our results. We have also prioritized technological investments to better serve our customers. These investments are yielding value-add insights for our customers, allowing us to continue to become a trusted technological partner for our clients given their constantly increasing demand for freight-related data. As we continue to leverage our existing investments and systems, we have expanded our geographic presence by adding a new brokerage location in Charlotte, NC during this quarter. This office, led by a team with considerable expertise, began operations in May 2019 and has already exceeded internal revenue projections. This office has formally become our U.S. headquarters and, as such, serves as the hub for our expansion into the U.S. brokerage and logistic industry. Our U.S. business is expected to contribute to operating earnings in the fourth quarter of 2019 and generate strong incremental free cash flow for the Company overall as this business inherently requires significantly less capital than the Truck Transportation segment.

Overall, we continue to sustainably invest in our people and technology to deliver best-in-class service to our customers. Given our strategic growth priorities, we aim to capitalize on the current challenging North American transportation and logistics industry through disciplined organic volume growth and accretive acquisitions. For the remainder of 2019, our capital allocation priorities may also include opportunistic share repurchases given our improving free cash flow profile. As always, we remain disciplined in delivering sustainable, profitable growth and creating long-term shareholder value.

Selected Segmented Financial Information (unaudited)

	3 months ended June 30 2019	(2)(Restated) 3 months ended June 30 2018	6 months ended June 30 2019	(2)(Restated) 6 months ended June 30 2018
Truck Transportation				
Revenue	26,735,072	27,353,951	52,632,503	51,256,451
Fuel surcharge	1,828,948	2,393,522	3,986,114	4,482,405
	28,564,020	29,747,473	56,618,617	55,738,856
Operating expenses				
Carriers and independent contractors	9,138,426	10,599,601	18,522,872	19,929,991
Vehicle operating	7,162,967	6,656,462	13,986,113	12,919,618
Wages and casual labour	6,978,661	6,423,622	13,587,969	12,398,133
Other operating	781,656	1,009,672	1,608,675	1,795,755
	24,061,710	24,689,357	47,705,629	47,043,497
EBITDA(1)	4,502,310	5,058,116	8,912,988	8,695,359
EBITDA margin(1)	16.8 %	18.5 %	16.9 %	17.0 %
Depreciation	3,157,564	3,245,700	6,270,074	6,268,288
Amortization of customer lists	57,150	57,150	114,300	114,300
Operating income(1)	1,287,596	1,755,266	2,528,614	2,312,771
Operating margin(1)	4.8 %	6.4 %	4.8 %	4.5 %
Gain on sale of property and equipment	(114,696)	(216,916)	(372,514)	(284,530)
Finance costs	861,094	897,366	1,709,806	1,788,377
Finance income	(97,481)	(79,889)	(197,093)	(157,129)
Foreign exchange loss (gain)	-	(10,433)	-	6,539
Income tax expense	201,612	340,725	433,215	267,116
Net income	437,067	824,413	955,200	692,398

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

(2) Refer to "Changes in Accounting Policies". For the three months and six months ended June 30, 2019, lease payments of $405,841 and $811,682, respectively, were deemed as repayment of finance leases, resulting in finance cost of $351,672 and $703,947, respectively. Depreciation of right-of-use asset as a result of the adoption of IFRS 16 reclassification was $78,878 and $157,756, respectively, during the three month and six month periods ended June 30, 2019.

Selected Segmented Financial Information (unaudited)**, continued**

	3 months ended June 30 2019	[2](Restated) 3 months ended June 30 2018	6 months ended June 30 2019	[2](Restated) 6 months ended June 30 2018
Logistics				
Revenue	13,946,956	22,084,869	25,188,577	41,505,018
Fuel surcharge	933,364	1,157,210	1,753,612	2,136,887
	14,880,320	23,242,079	26,942,189	43,641,905
Operating expenses				
Carriers and independent contractors	12,155,527	18,353,717	22,073,872	34,331,195
Wages and casual labour	1,581,183	1,822,576	2,732,627	3,603,917
Other operating	468,719	557,685	889,145	1,043,652
	14,205,429	20,733,978	25,695,644	38,978,764
EBITDA/ Operating income[1]	674,891	2,508,101	1,246,545	4,663,141
EBITDA/ Operating margin[1]	4.8 %	11.4 %	4.9 %	11.2 %
Depreciation	210,444	120,755	337,693	241,510
Finance costs	30,580	72,573	61,213	133,061
Foreign exchange loss (gain)	-	(5,286)	-	(81,436)
Income tax expense	140,400	637,887	252,986	1,178,589
Net income	293,467	1,682,172	594,653	3,191,417

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

(2) Refer to "Changes in Accounting Policies". For the three months and six months ended June 30, 2019, lease payments of $35,291 and $70,582, respectively, were deemed as repayment of finance leases, resulting in finance cost of $30,580 and $61,213, respectively. Depreciation of right-of-use asset as a result of the adoption of IFRS 16 reclassification was $6,859 and $13,718, respectively, during the three month and six month periods ended June 30, 2019.

Revenue (unaudited)

	3 months ended June 30 2019	3 months ended June 30 2018	6 months ended June 30 2019	6 months ended June 30 2018
Truck Transportation				
Revenue	26,735,072	27,353,951	52,632,503	51,256,451
Fuel surcharge	1,828,948	2,393,522	3,986,114	4,482,405
	28,564,020	29,747,473	56,618,617	55,738,856
Logistics				
Revenue	13,946,956	22,084,869	25,188,577	41,505,018
Fuel surcharge	933,364	1,157,210	1,753,612	2,136,887
	14,880,320	23,242,079	26,942,189	43,641,905

For the three month and six month periods ended June 30, 2019, the Company's consolidated revenues decreased by $9.8 million and $16.3 million, or 18.9% and 16.7%, respectively, when compared to same periods ended June 30, 2018. The decrease in revenue reflected lower volumes in the quarter.

The Truck Transportation segment experienced a decrease in revenue of $1.2 million or 4.0% for the three month period and an increase $0.9 million, or 1.6% for the six month period ended June 30, 2019 when compared to that of 2018. The year over year increase for the six month period is largely attributable to organic volume growth and successful driver recruitment.

The Logistics segment saw a decrease in revenues of $8.4 million or 36.0%, for the three month period ended June 30, 2019 and a decrease of $16.7, million, or 38.3%, for the six month period ended June 30, 2019, when compared to that of 2018. The Logistics segment experienced extraordinary demand in the first two quarters of 2018. Customer demand began to soften in the second half of 2018, and continued throughout the first half of 2019.

Operating Expenses and Income (unaudited)

	3 months ended June 30 2019	(2)(Restated) 3 months ended June 30 2018	6 months ended June 30 2019	(2)(Restated) 6 months ended June 30 2018
Truck Transportation				
Revenue	28,564,020	29,747,473	56,618,617	55,738,856
Operating expenses	24,061,710	24,689,357	47,705,629	47,043,497
EBITDA(1)	4,502,310	5,058,116	8,912,988	8,695,359
EBITDA margin(1)	16.8 %	18.5 %	16.9 %	17.0 %
Depreciation and amortization	3,214,714	3,302,850	6,384,374	6,382,588
Operating income(1)	1,287,596	1,755,266	2,528,614	2,312,771
Operating margin(1)	4.8 %	6.4 %	4.8 %	4.5 %
Logistics				
Revenue	14,880,320	23,242,079	26,942,189	43,641,905
Operating expenses	14,205,429	20,733,978	25,695,644	38,978,764
EBITDA/ Operating income(1)	674,891	2,508,101	1,246,545	4,663,141
EBITDA/ Operating margin(1)	4.8 %	11.4 %	4.9 %	11.2 %
Corporate				
Operating expenses	309,593	418,729	707,109	811,409

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

(2) Refer to "Changes in Accounting Policies". In Truck Transportation, for the three months and six months ended June 2019, lease payments of $405,841 and $811,682 were deemed as repayment of finance leases, resulting in finance cost of $351,672 and $703,947, respectively. Depreciation of right-of-use asset due to the adoption of IFRS 16 reclassification was $78,878 and $157,756, respectively, during the three month and six month periods ended June 30, 2019. In Logistics, for the three months and six months ended June 2019, lease payments of $35,291 and $70,582 were deemed as repayment of finance leases, resulting in finance cost of $30,580 and $61,213, respectively. Depreciation of right-of-use asset due to the adoption of IFRS 16 reclassification was $6,859 and $13,718, respectively, during the three month and six month periods ended June 30, 2019.

For the Truck Transportation segment, operating expenses decreased by $0.6 million, or 2.5%, for the three month period ended June 30, 2019 and increased by $0.7 million, or 1.4%, for the six month period ended June 30, 2019, when compared to the same periods in 2018. The increase was due to a significant increase in driver pay compared to 2018. The Truck Transportation segment operating margin decreased to 4.8% for the three month period ended June 30, 2019 from 6.4% in the same period in 2018. For the six month period ended June 30, 2019, the segment operating margin increased to 4.8% from 4.5% as a result of an increase in revenue being distributed over a relative fixed cost.

For the Logistics segment, operating expenses decreased by $6.5 million or 31.5% for the three month period ended June 30, 2019 and decreased by $13.3 million or 34.1% for the six month period ended June 30, 2019, when compared to the same periods in 2018. The decrease was largely attributable to lower spot market demand and related volume, which persisted throughout the first half of 2019. Included in the Logistics segment operating expenses are investments required to support the company's U.S. freight brokerage business, which began servicing its customers in May 2019. The segment operating margin excluding U.S. operations increased from 5.1% to 5.8% for the three month period ended June 30, 2019 when compared to three month period ended March 31, 2019, as a result of quarter over quarter increase in volume and revenue distributed over a relative fixed cost base.

SUMMARY OF QUARTERLY RESULTS

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

(in thousands)

	Q2'19	Q1'19	Q4'18(2)	Q3'18(2)	Q2'18(2)	Q1'18(2)	Q4'17(2)	Q3'17(2)
Revenue	42,041	38,992	42,687	44,845	51,810	45,476	35,445	31,516
EBITDA(1)	4,868	4,585	5,844	5,694	7,147	5,400	3,991	3,321
EBITDA margin(1)	12.4 %	12.7 %	14.8 %	13.7 %	14.8 %	12.7 %	12.0 %	11.1 %
Operating income(1)	1,442	1,288	2,455	2,344	3,724	2,199	884	624
Operating margin(1)	3.7 %	3.6 %	6.2 %	5.6 %	7.7 %	5.2 %	2.7 %	2.1 %
Adjusted net income (loss)(1)	455	544	1,299	1,092	2,189	1,085	5	29
Per share - basic	0.01	0.01	0.04	0.03	0.06	0.03	0.00	0.00
Per share - diluted	0.01	0.01	0.04	0.03	0.06	0.03	0.00	0.00
Net income (loss) and comprehensive income (loss) attributable to the owners of the Company	455	544	1,299	1,092	2,189	1,085	(3,516)	29
Per share - basic	0.01	0.01	0.04	0.03	0.06	0.03	(0.10)	0.00
Per share - diluted	0.01	0.01	0.04	0.03	0.06	0.03	(0.10)	0.00

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

(2) Refer to "Changes in Accounting Policies".

Changes from quarter to quarter are mainly the result of acquisitions, seasonality of operations and changes in industry conditions. Following the challenging market conditions which persisted in 2016, market conditions improved gradually through 2017, particularly in the United States, reflecting strong economic growth, which along the introduction of mandatory ELDs, resulted in a tightening of supply putting upward pressure on rates.

Market conditions were exceptionally favorable in the first half of 2018 as these dynamics persisted with restrained capacity resulting in significant improvements in spot rates and demand. Normal industry supply adjustments emerged and industry conditions began to stabilize beginning with the third quarter of 2018. Concurrently, the introduction of import tariffs in the United States had a dampening impact on overall aggregate demand, especially but not exclusively in the sectors targeted by tariffs. Historically, the Logistics segment is more immediately reflective of changing market conditions and changes in spot rates.

The activities of the Company are also subject to seasonal demand for truck transportation. Historically, the Company has experienced weak demand in the first quarter, moderate demand in the third and fourth quarters and stronger demand in the second quarter. Harsher winter conditions also generally result in lower fuel economy and increased repair costs during the first quarter. In addition, there has historically been an increase in revenue and a decrease in margins in quarters following an acquisition. Following the quarter in which an acquisition has occurred, revenues have often decreased, stabilized and then increased while EBITDA margins have increased. This historical trend can be observed in Q4 2017 following the acquisition of Xpress. It may be difficult to isolate this impact if the integration process of two or more acquisitions overlap or if there are significant changes in industry conditions.

LIQUIDITY AND CAPITAL RESOURCES

	June 30 2019	(4)(Restated) December 31 2018
Working capital (deficit)(1)	(5,867,649)	(6,895,548)
Total assets	143,431,201	146,092,061
Net debt(2)(4)	74,842,087	79,110,651
Shareholders' equity	40,090,774	39,011,697
Net debt to equity ratio(3)(4)	1.87	2.03

(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.

(4) Refer to "Changes in Accounting Policies". As a result of the adoption of IFRS16, net debt for June 30, 2019 and December 31, 2018 increased by $34,014,336 and $34,131,440, respectively, for obligations relating to the lease of the Company's head office terminal.

The Company's working capital position improved and net debt decreased as at June 30, 2019 when compared to December 31, 2018. The Company continued its successful capital management strategy and further enhanced its net debt to equity position after significant improvements in 2018, mainly due to increases in cash flow generated from profitable operations. The Company is in a working capital deficit as a result of the Company's bank indebtedness being classified as current. The Company uses its bank indebtedness to finance long-term assets.

Minimal investment in replacement equipment was required during the quarter ended June 30, 2019, as the Company has been improving asset utilization and significant replenishments were made during 2015 and 2016 following the acquisitions of Muskoka Transport Limited and ProNorth. In terms of growth spending, 9 new power units were purchased during the second quarter of 2019. Titanium keeps the average age of its fleet low in order to take advantage of extended warranty periods, reduce driver downtime and keep overall repair costs low. The Company has a policy of replacing trucks after 6 years, vans after 10 years and flatbeds after 15 years. Management believes there is sufficient financing available to fund planned capital expenditures in the future and to provide for the further 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	24,331	7,932	5,247	4,040	3,364	1,562	2,186
Restated finance leases(1)	48,640	7,493	5,751	2,099	723	521	32,053
	72,971	15,425	10,998	6,139	4,087	2,083	34,239

(1) Refer to "Changes in accounting policies".

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 portion of the Company's bank credit facilities which were unused as of June 30, 2019 include approximately $10.1 million under the revolving demand operating facility, $2 million under a non-revolving acquisition facility, $7.5 million under an accordion acquisition facility and $6 million under a finance lease loan facility. In addition, the Company has available approximately $9.5 million in finance leasing and loan facilities through other institutions.

The Company's credit facility agreement requires the Company to maintain two covenants on a quarterly basis. These covenants are measured on a consolidated rolling twelve-month basis. 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. As a result of the adoption of IFRS16, the Company must calculate its financial position by adjusting its net income and debt to exclude the effects of IFRS 16. The Company was in compliance with all covenants as of June 30, 2019 and believes it will be in compliance with all required covenants for the next twelve months.

Common Shares

In September 2017, the Company implemented 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, 362,556 have not yet vested.

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.

During the six months ended June 30, 2019, the Company repurchased 248,200 common shares at a weighted average purchase price of $1.29 and a total purchase price of $319,360.

As of August 13, 2019, there are 36,654,253 common shares of the Company outstanding. In addition, there are 1,755,500 stock options outstanding, of which 675,831 are exercisable.

TRANSACTIONS WITH RELATED PARTIES

The Company provides truck transportation services to companies under common control. These companies include Vision Extrusions Group Limited, Vision Profile Extrusions Ltd. and Sunview Patio Doors Ltd. Aggregate revenues from these companies totaled $2,010,842 and $3,669,202, respectively, for the three month and six month periods ended June 30, 2019 (2018 - $1,536,520 and $2,613,652).

The Company also currently rents its head office terminal from Caledon First Investments Limited, a company under common control. Total rent paid to this company for the three month and six month periods ended June 30, 2019 was $441,132 and $882,264, respectively (2018 - $425,469 and $850,938). The Company has committed to annual base rent of $1,764,528, which will increase to $2,413,123 over a 14 year period.

Trunkeast Investments Canada Limited, the Company's controlling shareholder as of June 30, 2019, provides administrative and support services to the Company on a monthly basis. For these services, the Company was charged $7,500 and $15,000 (2018 - $7,500 and $15,000) for the three month and six month periods ended June 30, 2019, respectively.

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

FORWARD LOOKING STATEMENTS

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

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

From time to time, the Company will disclose its current annual run rate revenue and EBITDA. Although not intended as such, this may be interpreted as forward looking information. Run rates are presented in order to provide investors with insight into the current size of the Company 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 releasing Q2 2018 results, the Company estimated that post synergy annualized revenue and EBITDA would be $180 million and $20 million, respectively. Actual revenue and EBITDA (excluding the impact of IFRS 16) for the last four quarters was $168.6 million and $19.3 million, respectively. The difference in revenue is primarily a result of a much more dramatic decline in industry conditions than expected, offset by operating efficiencies realized in actual EBITDA and not reflected in the Company's run rates.

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, 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, interpretations and amendments to standards became effective for the period ended June 30, 2019. The full description of each of these changes in accounting policies is available in our consolidated interim financial statements. The impact of the adoption of these standards is outlined below.

IFRIC 23, Uncertainty over Income Tax Treatments, was issued by IASB on June 7, 2017. The adoption of this interpretation did not have a material impact on the consolidated interim financial statements.

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 was adopted retrospectively, without modifications, to allow for comparability of operating results. As of December 31, 2018, the Company recognized a right-of-use asset of $33,405,497, a reduction of deferred rent liability of $595,055 and a corresponding finance lease obligation of $34,131,440 as a result of the adoption of the new standard. The timing difference of the asset and obligation also gave rise to an additional deferred tax liability of $34,685 and a retained earnings adjustment for prior period losses totalling $96,203. The following tables show the adjustment recognized for each individual line item for the three month period ended March 31, 2018. Line items that were not affected by the adoption of the standard have not been included. As a result, the sub-total and totals disclosed cannot be recalculated from the numbers provided.

	3 months Ended June 30, 2018 As Reported	**IFRS 16**	**3 months Ended June 30, 2018 Restated**
Truck Transportation			
Other operating expenses	1,397,641	(387,969)	1,009,672
EBITDA(1)	4,670,147	387,969	5,058,116
Depreciation	3,166,822	78,878	3,245,700
Finance costs	543,586	353,780	897,366
Income (loss) before income taxes	1,209,827	(44,689)	1,165,138
Income tax expense (recovery)	352,568	(11,843)	340,725
Net income (loss)	857,259	(32,846)	824,413
Logistics			
Other operating expenses	595,185	(37,500)	557,685
EBITDA(1)	2,470,601	37,500	2,508,101
Depreciation	113,896	6,859	120,755
Finance costs	41,810	30,763	72,573
Income before income taxes	2,320,181	(122)	2,320,059
Income tax expense	637,919	(32)	637,887
Net income	1,682,262	(90)	1,682,172

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

	6 months Ended June 30, 2018 As Reported	**IFRS 16**	**6 months Ended June 30, 2018 Restated**
Truck Transportation			
Other operating expenses	2,571,693	(775,938)	1,795,755
EBITDA(1)	7,919,421	775,938	8,695,359
Depreciation	6,110,532	157,756	6,268,288
Finance costs	1,080,398	707,979	1,788,377
Income (loss) before income taxes	1,049,311	(89,797)	959,514
Income tax expense (recovery)	290,913	(23,797)	267,116
Net income (loss)	758,398	(66,000)	692,398
Logistics			
Other operating expenses	1,118,652	(75,000)	1,043,652
EBITDA(1)	4,588,141	75,000	4,663,141
Depreciation	227,792	13,718	241,510
Finance costs	71,498	61,563	133,061
Income before income taxes	4,370,287	(281)	4,370,006
Income tax expense	1,178,663	(74)	1,178,589
Net income	3,191,624	(207)	3,191,417

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

The changes pertain largely to the lease of the Company's head office terminal and assume that the purchase option in 2026 will be exercised.

Titanium Transportation Group Inc.

Unaudited Condensed Consolidated Interim Financial Statements

For the second quarter ended
June 30, 2019

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Financial Position

(unaudited)

(in Canadian dollars)

	June 30 2019	**December 31 2018** (Restated)
Assets		
Current		
Cash	516,609	237,496
Trade and other receivables (note 14)	27,453,665	27,285,612
Current taxes recoverable	35,815	512,670
Finance lease receivables (note 5, 13)	2,325,286	2,462,208
Prepaid expenses and deposits	2,335,690	2,106,723
Assets held for sale (note 6)	228,012	130,396
	32,895,077	32,735,105
Finance lease receivables (note 5, 13)	4,408,640	5,135,162
Property and equipment (note 3, 7)	44,519,203	44,650,640
Right of use assets (note 3, 8)	57,980,178	60,033,714
Deferred tax assets (note 3)	459,867	254,904
Customer lists (note 9)	1,199,950	1,314,250
Goodwill (note 9)	1,968,286	1,968,286
	143,431,201	146,092,061
Liabilities		
Current		
Bank indebtedness (note 10, 13)	9,349,500	9,364,135
Trade and other payables	13,904,437	13,139,050
Current taxes payable	84,068	475,640
Loans payable (note 10, 13)	7,931,563	8,748,259
Finance lease liabilities (note 10, 13)	7,493,158	7,903,569
	38,762,726	39,630,653
Loans payable (note 10, 13)	16,398,789	16,534,574
Finance lease liabilities (note 10, 13)	41,147,624	44,525,376
Deferred tax liabilities (note 3)	7,031,288	6,389,761
	103,340,427	107,080,364
Commitments and contingencies (note 16)		
Shareholders' Equity		
Share capital (note 11)	22,933,559	22,926,679
Contributed surplus (note 12)	7,903,906	7,667,086
Retained earnings	9,253,309	8,417,932
	40,090,774	39,011,697
	143,431,201	146,092,061

Refer to note 3 for details regarding the restatement as a result of a change in accounting policy.

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 2019	(Restated) 3 months ended June 30 2018	6 months ended June 30 2019	(Restated) 6 months ended June 30 2018
Revenue (note 14)	39,279,181	48,259,042	75,293,977	90,666,340
Fuel surcharge	2,762,312	3,550,732	5,739,726	6,619,292
	42,041,493	51,809,774	81,033,703	97,285,632
Operating expenses				
Carriers and independent contractors	19,891,106	27,773,540	38,069,641	52,166,057
Vehicle operating	7,162,967	6,656,462	13,986,113	12,919,618
Wages and casual labour (note 15)	8,752,442	8,511,760	16,786,409	16,510,747
Other operating (note 3, 14)	1,367,370	1,720,524	2,739,116	3,142,119
	37,173,885	44,662,286	71,581,279	84,738,541
Income before the following	4,867,608	7,147,488	9,452,424	12,547,091
Depreciation (note 3, 7, 8)	3,368,008	3,366,455	6,607,767	6,509,798
Gain on sale of property and equipment	(114,696)	(216,916)	(372,514)	(284,530)
Finance costs (note 3, 14)	891,674	969,939	1,771,019	1,921,438
Finance income	(97,481)	(79,889)	(197,093)	(157,129)
Foreign exchange loss (gain)	48,574	(15,719)	7,790	(74,897)
Amortization of customer lists (note 9)	57,150	57,150	114,300	114,300
	4,153,229	4,081,020	7,931,269	8,028,980
Income before income taxes	714,379	3,066,468	1,521,155	4,518,111
Income tax expense (note 3)	259,420	877,679	521,847	1,244,462
Net income and comprehensive income attributable to owners of the Company	454,959	2,188,789	999,308	3,273,649
Earnings per share:				
Basic	0.01	0.06	0.03	0.09
Diluted	0.01	0.06	0.03	0.09
Weighted average number of shares outstanding:				
Basic (note 11)	36,340,496	36,262,529	36,384,761	36,210,378
Diluted (note 11)	36,777,853	36,490,872	36,793,816	36,389,397

Refer to note 3 for details regarding the restatement as a result of a change in accounting policy.

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Changes in Equity

Six months ended June 30, 2019 and 2018 (unaudited)

(in Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Total
Restated Balances at December 31, 2018	22,926,679	7,667,086	8,417,932	39,011,697
Share issuance (note 11)	162,309	-	-	162,309
Share-based compensation expense (note 11, 12)	-	236,820	-	236,820
Share cancellation (note 11)	(155,429)	-	(163,931)	(319,360)
Net income and comprehensive income	-	-	999,308	999,308
Balances at June 30, 2019	22,933,559	7,903,906	9,253,309	40,090,774
Restated Balances at December 31, 2017	22,585,503	7,340,115	2,754,048	32,679,666
Share issuance (note 11)	185,736			185,736
Share-based compensation expense (note 11, 12)	-	150,582	-	150,582
Restated Net income and comprehensive income	-	-	3,273,649	3,273,649
Restated Balances at June 30, 2018	22,771,239	7,490,697	6,027,697	36,289,633

Refer to note 3 for details regarding the restatement as a result of a change in accounting policy.

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Cash Flows

(unaudited)

(in Canadian dollars)

	3 months ended June 30 2019	(Restated) 3 months ended June 30 2018	6 months ended June 30 2019	(Restated) 6 months ended June 30 2018
Cash flows from operating activities				
Net income	454,959	2,188,789	999,308	3,273,649
Adjustments:				
Depreciation (note 3)	3,368,008	3,366,455	6,607,767	6,509,798
Gain on sale of property and equipment	(114,696)	(216,916)	(372,514)	(284,530)
Finance costs (note 3)	891,674	969,939	1,771,019	1,921,438
Finance income	(97,481)	(79,889)	(197,093)	(157,129)
Amortization of customer lists	57,150	57,150	114,300	114,300
Share-based compensation expense	122,781	85,711	236,820	150,582
Income tax expense (note 3)	259,420	877,679	521,847	1,244,462
	4,941,815	7,248,918	9,681,454	12,772,570
Net change in non-cash operating working capital	3,030,794	(917,451)	241,809	(7,818,963)
	7,972,609	6,331,467	9,923,263	4,953,607
Interest paid (note 3)	(906,042)	(968,343)	(1,757,577)	(1,891,441)
Interest received	97,481	79,889	197,093	157,129
Income taxes received (paid)	-	14,490	-	(90,300)
	7,164,048	5,457,503	8,362,779	3,128,995
Cash flows from investing activities				
Proceeds from finance lease receivables	582,334	568,116	1,346,453	1,046,264
Acquisition of property and equipment (note 7, 13)	(319,989)	(985,812)	(540,958)	(1,282,776)
Disposition of property and equipment (note 6, 7)	35,000	682,877	258,750	923,873
	297,345	265,181	1,064,245	687,361
Cash flows from financing activities				
Proceeds from bank indebtedness (note 13)	-	-	-	3,421,959
Repayment of bank indebtedness (note 13)	(2,417,498)	(2,347,418)	(52,047)	-
Proceeds from loans payable (note 13)	-	946,591	-	946,591
Repayment of loans payable (note 13)	(2,436,152)	(2,384,054)	(4,819,338)	(4,637,711)
Repayment of finance lease liabilities (note 13)	(2,005,784)	(1,894,395)	(4,119,475)	(3,860,776)
Issuance of shares (note 11)	84,848	84,717	162,309	185,736
Shares repurchases (note 11)	(319,360)	-	(319,360)	-
	(7,093,946)	(5,594,559)	(9,147,911)	(3,944,201)
Increase (decrease) in cash	367,447	128,125	279,113	(127,845)
Cash, beginning	149,162	223,042	237,496	479,012
Cash, ending	516,609	351,167	516,609	351,167

Refer to note 3 for details regarding the restatement as a result of a change in accounting policy.
Refer to note 13 for supplemental cash flow information.

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 and Windsor, 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 but was not under the current ownership and operations until the aforementioned date of operation commencement.

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, 2018.

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 August 13, 2019.

Basis of Measurement

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

Functional and Presentation Currency

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

2. BASIS OF PRESENTATION - continued

Seasonality of Interim Operations

The activities of the Company are subject to seasonal demand for truck transportation. Historically, the Company has experienced weaker demand in the first quarter, moderate demand in the third and fourth quarters and stronger demand in the second quarter. In addition, harsher winter conditions generally result in lower fuel economy and increased repair costs. Furthermore, the timing of acquisitions and variations in 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.

Use of Estimates

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 relating to provisions for receivables, depreciation, deferred taxes, legal settlements, impairment testing, determining the fair value of identifiable assets acquired and liabilities assumed in a business combination, determining the risk free rate of return, expected volatility, expected dividends, expected forfeitures and future market conditions when calculating fair value of stock options and warrants, and determining fair values of financial instruments. Due to the inherent uncertainty involved with making such estimates, actual results could differ from those reported. As adjustments become necessary, they are reported in earnings in the period in which they become known.

Use of Judgment

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

New Standards Adopted

IFRIC 23, Uncertainty over Income Tax Treatments, was issued by IASB on June 7, 2017. The interpretation provides guidance on the accounting for current and deferred tax assets and liabilities in circumstances in which there is uncertainty over income tax treatments. IFRIC 23 requires the entity to contemplate whether uncertain tax treatments should be considered separately or as a group based on the predictability of the resolution. In addition, the entity should assess if the tax authority will accept uncertain tax treatments, and in the case where it is not probable, the interpretation requires the entity to reflect the uncertainty with disclosure of the most likely amount and the expected value of the income tax payable or recoverable. The interpretation became effective for annual periods beginning on January 1, 2019. The adoption of this interpretation did not have a material impact on the condensed consolidated interim financial statements.

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 became effective for annual periods beginning on January 1, 2019.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

The asset is initially measured at cost, comprised of the initial amount of the lease liability adjusted for any pre-commencement lease payments, plus any initial direct costs incurred, less any lease incentive received. The asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The estimated useful lives of leased assets are determined on the same basis as those of property and equipment. The carrying amount of the leased asset is reduced by impairment losses and remeasurement of the lease liability, if any.

The lease liability is initially measured at the present value of future lease payments, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. In the event of a change in the Company’s assessment of whether it will exercise a purchase, extension or termination option, the lease liability will be remeasured and an adjustment will be made to the carrying amount of the right-of-use asset, or recognized in the consolidated interim statement of comprehensive income if the carrying value of the leased asset is zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

IFRS 16 was adopted retrospectively, without modifications, to allow for comparability of operating results. The following tables show the adjustment recognized for each individual line item. Line items that were not affected by the adoption of the standard have not been included. As a result, the sub-total and totals disclosed cannot be recalculated from the numbers provided.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

	Dec 31, 2018 As Reported	IFRS 16	Dec 31, 2018 Restated
Condensed Consolidated Interim Statement of Financial Position (extract)			
Property and equipment	71,278,857	(26,628,217)	44,650,640
Right-of-use assets	-	60,033,714	60,033,714
Deferred tax assets	239,514	15,390	254,904
Total Assets	**112,671,174**	**33,420,887**	**146,092,061**
Current Liabilities			
Trade and other payables	13,733,603	(594,553)	13,139,050
Finance lease liabilities	18,297,505	34,131,440	52,428,945
Deferred tax liabilities	6,409,056	(19,295)	6,389,761
Total Liabilities	**73,562,772**	**33,517,592**	**107,080,364**
Retained earnings	8,514,637	(96,705)	8,417,932
Total shareholders' equity	**39,108,402**	**(96,705)**	**39,011,697**

3. SIGNIFICANT ACCOUNTING POLICIES - continued

	3 months Ended June 30, 2018 As Reported	IFRS 16	3 months Ended June 30, 2018 Restated
Condensed Consolidated Interim Statements of Comprehensive Income (extract)			
Other operating expenses	2,145,993	(425,469)	1,720,524
Income before the following	**6,722,019**	**425,469**	**7,147,488**
Depreciation	3,280,718	85,737	3,366,455
Finance costs	585,396	384,543	969,939
Income before income taxes	**3,111,279**	**(44,811)**	**3,066,468**
Income tax expense	889,554	(11,875)	877,679
Net income and comprehensive income attributable to owners of the Company	**2,221,725**	**(32,936)**	**2,188,789**

	3 months Ended June 30, 2018 As Reported	IFRS 16	3 months Ended June 30, 2018 Restated
Condensed Consolidated Interim Statements of Cash Flows (extract)			
Net income	2,221,725	(32,936)	2,188,789
Depreciation	3,280,718	85,737	3,366,455
Finance costs	585,396	384,543	969,939
Income tax expense	889,554	(11,875)	877,679
	6,823,449	**425,469**	**7,248,918**
Interest paid	(583,800)	(384,543)	(968,343)
Cash flows from operating activities	**5,416,577**	**40,926**	**5,457,503**
Repayment of finance lease liabilities	(1,853,469)	(40,926)	(1,894,395)
Cash flows from financing activities	**(5,553,633)**	**(40,926)**	**(5,594,559)**

3. SIGNIFICANT ACCOUNTING POLICIES - continued

	6 months Ended June 30, 2018 As Reported	IFRS 16	6 months Ended June 30, 2018 Restated
Condensed Consolidated Interim Statements of Comprehensive Income (extract)			
Other operating expenses	3,993,057	(850,938)	3,142,119
Income before the following	**11,696,153**	**850,938**	**12,547,091**
Depreciation	6,338,324	171,474	6,509,798
Finance costs	1,151,896	769,542	1,921,438
Income before income taxes	**4,608,189**	**(90,078)**	**4,518,111**
Income tax expense	1,268,333	(23,871)	1,244,462
Net income and comprehensive income attributable to owners of the Company	**3,339,856**	**(66,207)**	**3,273,649**

	6 months Ended June 30, 2018 As Reported	IFRS 16	6 months Ended June 30, 2018 Restated
Condensed Consolidated Interim Statements of Cash Flows (extract)			
Net income	3,339,856	(66,207)	3,273,649
Depreciation	6,338,324	171,474	6,509,798
Finance costs	1,151,896	769,542	1,921,438
Income tax expense	1,268,333	(23,871)	1,244,462
	11,921,632	**850,938**	**12,772,570**
Interest paid	(1,121,899)	(769,542)	(1,891,441)
Cash flows from operating activities	**3,047,599**	**81,396**	**3,128,995**
Repayment of finance lease liabilities	(3,779,380)	(81,396)	(3,860,776)
Cash flows from financing activities	**(3,862,805)**	**(81,396)**	**(3,944,201)**

There is no change to the Company's Basic and Diluted Earnings per Share as a result of the restatement.

The above adjustments pertain largely to the lease of the Company's head office terminal and assume that the purchase option in 2026 will be exercised.

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.

	Truck Transportation	Logistics	Corporate	Elimination	Total
Three months ended June 30, 2019					
Revenue - external	27,161,173	14,880,320	-	-	42,041,493
Revenue - internal	1,402,847	-	-	(1,402,847)	-
Total revenue	28,564,020	14,880,320	-	(1,402,847)	42,041,493
Depreciation	3,157,564	210,444	-	-	3,368,008
Finance costs	861,094	30,580	-	-	891,674
Finance income	(97,481)	-	-	-	(97,481)
Income (loss) before income taxes	638,680	433,867	(358,168)	-	714,379
Income taxes (recoveries)	201,612	140,400	(82,592)	-	259,420
Capital expenditures	2,103,955	151,343	-	-	2,255,298
Restated three months ended June 30, 2018					
Revenue - external	28,567,695	23,242,079	-	-	51,809,774
Revenue - internal	1,179,778	-	-	(1,179,778)	-
Total revenue	29,747,473	23,242,079	-	(1,179,778)	51,809,774
Depreciation	3,245,700	120,755	-	-	3,366,455
Finance costs	897,366	72,573	-	-	969,939
Finance income	(79,889)	-	-	-	(79,889)
Income (loss) before income taxes	1,165,138	2,320,059	(418,729)	-	3,066,468
Income taxes (recoveries)	340,725	637,887	(100,933)	-	877,679
Capital expenditures	2,235,403	-	-	-	2,235,403

4. OPERATING SEGMENTS - continued

	Truck Transportation	Logistics	Corporate	Elimination	Total
Six months ended, June 30, 2019					
Revenue - external	54,091,514	26,942,189	-	-	81,033,703
Revenue - internal	2,527,103	-	-	(2,527,103)	-
Total revenue	56,618,617	26,942,189	-	(2,527,103)	81,033,703
Depreciation	6,270,074	337,693	-	-	6,607,767
Finance costs	1,709,806	61,213	-	-	1,771,019
Finance income	(197,093)	-	-	-	(197,093)
Income (loss) before income taxes	1,388,416	847,639	(714,900)	-	1,521,155
Income taxes (recoveries)	433,215	252,986	(164,354)	-	521,847
Capital expenditures	4,670,260	219,395	-	-	4,889,655
Restated Six months ended, June 30, 2018					
Revenue - external	53,643,727	43,641,905	-	-	97,285,632
Revenue - internal	2,095,129	-	-	(2,095,129)	-
Total revenue	55,738,856	43,641,905	-	(2,095,129)	97,285,632
Depreciation	6,268,288	241,510	-	-	6,509,798
Finance costs	1,788,377	133,061	-	-	1,921,438
Finance income	(157,129)	-	-	-	(157,129)
Income (loss) before income taxes	959,514	4,370,006	(811,409)	-	4,518,111
Income taxes (recoveries)	267,116	1,178,589	(201,243)	-	1,244,462
Capital expenditures	4,744,363	-	-	-	4,744,363

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 2019	3 months ended June 30 2018	6 months ended June 30 2019	6 months ended June 30 2018
Canada	24,970,925	27,681,538	49,888,972	53,033,448
United States	17,070,568	24,128,236	31,144,731	44,252,184
	42,041,493	51,809,774	81,033,703	97,285,632

5. FINANCE LEASE RECEIVABLES

During the six month period ended June 30, 2019, the Company entered into new finance leases totaling $1,792,745, which are receivable over 36 to 60 months with an interest rate of 6.75%.

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.

Balance, December 31, 2018	130,396
Reclassification from property and equipment	129,322
Disposals	(31,706)
Balance, June 30, 2019	228,012

7. PROPERTY AND EQUIPMENT

	Land, Buildings and Leaseholds	Furniture and Equipment	Rolling Stock	Total
Cost				
Restated balances, December 31, 2018	10,776,660	5,420,336	54,492,371	70,689,367
Reacquisition of rolling stock relating to finance lease receivables	-	-	1,523,680	1,523,680
Other additions	10,387	290,313	4,415,756	4,716,456
Sale of rolling stock relating to finance lease receivables	-	-	(1,913,253)	(1,913,253)
Other disposals	-	(906,675)	-	(906,675)
Reclassification to assets held for sale	-	-	(656,468)	(656,468)
Balances, June 30, 2019	10,787,047	4,803,974	57,862,086	73,453,107
Accumulated depreciation				
Restated balances, December 31, 2018	1,258,546	4,057,486	20,722,695	26,038,727
Depreciation	242,729	560,103	3,578,200	4,381,032
Sale of rolling stock relating to finance lease receivables	-	-	(59,535)	(59,535)
Other disposals	-	(899,174)	-	(899,174)
Reclassification to assets held for sale	-	-	(527,146)	(527,146)
Balances, June 30, 2019	1,501,275	3,718,415	23,714,214	28,933,904
Net carrying amounts				
At December 31, 2018, restated	9,518,114	1,362,850	33,769,676	44,650,640
At June 30, 2019	9,285,772	1,085,559	34,147,872	44,519,203

8. RIGHT OF USE ASSETS

	Land and Buildings	Furniture and Equipment	Rolling Stock	Total
Cost				
Restated balances, December 31, 2018	34,220,000	1,023,160	35,308,490	70,551,650
Other additions	-	508,789	-	508,789
Purchase of lease assets	-	-	(460,000)	(460,000)
Balances, June 30, 2019	34,220,000	1,531,949	34,848,490	70,600,439
Accumulated depreciation				
Restated balances, December 31, 2018	814,503	338,801	9,364,632	10,517,936
Depreciation	171,474	208,733	1,846,528	2,226,735
Purchase of lease assets	-	-	(124,410)	(124,410)
Balances, June 30, 2019	985,977	547,534	11,086,750	12,620,261
Net carrying amounts				
At December 31, 2018, restated	33,405,497	684,359	25,943,858	60,033,714
At June 30, 2019	33,234,023	984,415	23,761,740	57,980,178

9. GOODWILL AND INTANGIBLES

	Goodwill	Customer Lists	Total
Balances, December 31, 2018	1,968,286	1,314,250	3,282,536
Amortization	-	(114,300)	(114,300)
Balances, June 30, 2019	1,968,286	1,199,950	3,168,236

10. 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+1.00%	N/A	9,349,500
Loans payable	2.95% - 5.75%	2019-2031	24,330,352
Finance lease liabilities	2.56% - 4.09%	2019-2023	48,640,782
			82,320,634
Current portion			24,774,221
			57,546,413

11. SHARE CAPITAL

Authorized
Unlimited number of common shares with no par value

	Common Shares #	Share Capital $
Issued		
Balances, December 31, 2018	36,655,488	22,926,679
Shares issued as part of share purchase plan	209,481	162,309
Shares repurchase and cancelled	(248,200)	(155,429)
Balances, June 30, 2019	36,616,769	22,933,559

In September 2017, the Company implemented 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, 346,762 have not vested. During the three month and six month period ended June 30, 2019, the Company recognized an expense of $49,033 and $91,226 (2018 - $23,021 and $38,498), respectively, 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.

During the six months ended June 30, 2019, the Company repurchased 248,200 common shares at a weighted average purchase price of $1.29 and a total purchase price of $319,360. The excess of the purchase price paid over the carrying value of the shares repurchase in the amount of $163,931 was charged to retained earnings as share repurchase premium.

11. SHARE CAPITAL - continued

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

	3 months ended June 30 2019	3 months ended June 30 2018	6 months ended June 30 2019	6 months ended June 30 2018
Issued common shares, beginning	36,752,847	36,367,848	36,655,488	36,191,828
Effect of unvested common shares	(323,279)	(167,753)	(302,901)	(131,894)
Effect of issued common shares	56,061	62,434	104,741	150,444
Effect of repurchase of shares	(145,133)	-	(72,567)	-
Weighted average number of common shares	36,340,496	36,262,529	36,384,761	36,210,378
Dilutive effect of restricted common shares and stock options	437,357	228,343	409,055	179,019
Weighted average number of diluted common shares	36,777,853	36,490,872	36,793,816	36,389,397

12. 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 6% 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, 2019, 259,000 stock options were issued to various directors and employees. Each stock option entitles the holder to acquire a common share of the Company at an exercise price of $1.50 per common share. During the period, 200,000 stock options were forfeited. No other stock options expired, were exercised or were forfeited during the reporting period. As at June 30, 2019, there were 1,695,500 (December 31, 2018 - 1,636,500) stock options outstanding with a weighted average exercise price of $1.72 (December 31, 2018 - $1.79) and weighted average remaining life of 6.8 years (December 31, 2018 - 7.1 years). Of the stock options outstanding as at June 30, 2019, 706,000 (December 31, 2018 - 869,000) were held by key management personnel. In addition, of the total options outstanding, 675,831 (December 31, 2018 - 496,166) are fully vested and exercisable at a weighted average price of $1.78 (December 31, 2018 - $1.50). During the three and six month period ended June 30, 2019, the Company recognized an expense of $73,748 and $145,594 (2018 - $62,690 and $112,084), respectively, relating to stock options with a corresponding increase to contributed surplus.

12. CONTRIBUTED SURPLUS - continued

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 1.41% and 1.94%; iii) the dividend yield will be $NIL; and iv) expected volatility is between 59.37% and 60.69%. 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.

On August 1, 2019, the Company issued 60,000 share options to its consultants, which entitle the holders to acquire common shares of the Company at an exercise price of $1.50 per common share. The options granted will vest quarterly over the next year. These options expire on the earlier of five years from the date of grant or 30 days following the termination of the consultant agreement.

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

		Cash Flows	**Non-Cash Changes**		
	Balance December 31 2018		**New Leases**	**Reacquired Leases**	**Balance June 30 2019**
Finance lease receivables	7,597,370	(1,346,453)	1,978,117	(1,495,108)	6,733,926

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

		Cash Flows	**Non-Cash Changes**		
	Restated Balance December 31 2018		**New Leases /Loans**	**Foreign Exchange Movement**	**Balance June 30 2019**
Bank indebtedness	9,364,135	(52,047)	-	37,412	9,349,500
Loans payable	25,282,833	(4,819,338)	4,046,377	(179,520)	24,330,352
Finance lease liabilities	52,428,945	(4,119,475)	508,789	(177,477)	48,640,782
	87,075,913	(8,990,860)	4,555,166	(319,585)	82,320,634

14. RELATED PARTY TRANSACTIONS AND BALANCES

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 2019	(Restated) **3 months ended June 30 2018**	**6 months ended June 30 2019**	(Restated) **6 months ended June 30 2018**
Provided truck transportation services to Vision Extrusions Group Limited, Vision Profile Extrusions Ltd. and Sunview Patio Doors Ltd., companies under common control	2,010,842	1,536,520	3,669,202	2,613,652
Paid rent to Caledon First Investments Limited, a company under common control	(441,132)	(425,469)	(882,264)	(850,938)
Paid occupancy costs to Caledon First Investments Limited, a company under common control	(67,925)	(62,563)	(135,850)	(125,125)
Paid management fees to Trunkeast	(7,500)	(7,500)	(15,000)	(15,000)
	1,494,285	1,040,988	2,636,088	1,622,589

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 $382,252 and $765,160 (2018, restated - $384,543 and $769,542), respectively, during the three month and six month period ended June 30, 2019.

Included in finance lease liabilities as at June 30, 2019 is a total of $34,014,335 payable to Caledon First Investments Limited for the use of the Company's head office terminal.

Included in trade and other receivables as at June 30, 2019 is a total of $555,622 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.

15. WAGES AND CASUAL LABOUR

Included in wages and casual labour are the following:

	3 months ended June 30 2019	**3 months ended June 30 2018**	**6 months ended June 30 2019**	**6 months ended June 30 2018**
Share-based compensation expense	122,781	85,711	236,820	150,582
Employee benefits	240,806	99,315	411,937	273,696
Key management personnel:				
Salaries and benefits	161,909	228,960	354,031	453,626
Share-based compensation expense	31,789	30,416	69,151	56,706

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

16. COMMITMENTS AND CONTINGENCIES

a) As at June 30, 2019, the Company was committed to purchasing $1.4 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 head office terminal.

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.