Titanium Transportation Group Inc.

Management's Discussion and Analysis

For the third quarter ended
September 30, 2016

Dated November 15, 2016

GENERAL INFORMATION

The following is Titanium Transportation Group Inc.'s management discussion and analysis dated November 15, 2016 ("MD&A"), which provides a comparative overview of the Company's performance for its three month and nine month periods ended September 30, 2016 with the corresponding three month and nine month periods ended September 30, 2015, and it reviews the Company's financial position as at September 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 third quarter ended September 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 third quarter ended September 30, 2016 were approved by its Board of Directors on November 15, 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 November 15, 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 Bolton, Ontario, with terminals in Bracebridge, North Bay, Windsor and Napanee, Ontario and additional parking/switch yards in Sudbury, Orillia, Brantford, Brockville and Trenton, Ontario. The Company has over 1,000 customers across various industries, including large multinational corporations.

The Company recently settled into its new 71,500 square foot facility located in Bolton, Ontario. The new location includes an integrated 8 acre yard, double the office space, a larger warehousing facility, an expanded driver lounge and a third party mechanical shop. The Company was able to consolidate five terminals into its new head office.

Revenue (including fuel surcharge) was $29.8 million and $87.9 million for the three month and nine month periods ended September 30, 2016, respectively, and EBITDA[1] was $3.2 million and $8.9 million. Both increased relative to the third quarter of 2015 and both were relatively flat compared to the second quarter of 2016, despite the third quarter being a seasonally weaker quarter.

	Sept 30 2016	**Sept 30 2015**
Power units	371	318
Trailers	1,483	986
Independent owner operators and full-time employees	499	399

The Truck Transportation segment drove growth year over year, despite decreases in Logistics, with revenues and EBITDA increasing by 16.1% and 40.3%, respectively, for the three month period ended September 30, 2016, and 20.5% and 30.6%, respectively, for the nine month period ended September 30, 2016. This growth was supported by acquisitions, which include Muskoka Transport Limited ("MTL") on March 1, 2015, ProNorth Transportation ("PNT") on December 1, 2015 and the Windsor terminal in June 2016. In addition, investment in new equipment had the largest contribution towards the EBITDA margin increases from 13.3% to 15.9%, year over year, for the third quarter. For the nine month period, EBITDA margin increased from 14.4% to 15.3%. Quarter over quarter, the Truck Transportation segment saw a seasonal drop in revenue and EBITDA, which was offset by some acquired revenue from the Windsor terminal acquisition.

The Logistics segment drove growth quarter over quarter with revenues and EBITDA increasing by 2.8% and 28.9%, respectively, in the third quarter of 2016 over the second quarter of 2016. This growth was supported by increasing the sales team as well as through new sales initiatives, despite the third quarter being a seasonally weaker quarter. Year over year, Logistics results continue to be down, due to weak economic conditions in 2016 and an exceptionally strong 2015.

Net income also improved this quarter, when compared to the second quarter of 2016, due to improvements in both the Truck Transportation and Logistics segments. Net income declined compared to the same quarter in 2015, mainly due to one time gains from foreign exchange and sales of equipment that were experienced last year, as well as a decrease in volumes and margins in the Logistics segment. Relatively tough economic conditions continued to affect revenue for both divisions but the Company is well positioned for when conditions improve. In the meantime, the focus will be on IT infrastructure, strategic development and cost controls.

[1] Refer to "Results of Operations" 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.

RESULTS OF OPERATIONS

Financial Highlights (unaudited)

	3 months ended Sept 30 2016	3 months ended Sept 30 2015	9 months ended Sept 30 2016	9 months ended Sept 30 2015
Revenue	28,261,865	25,719,323	83,082,452	78,222,697
Fuel surcharge	1,577,145	1,527,269	4,832,489	5,455,176
	29,839,010	27,246,592	87,914,941	83,677,873
Operating expenses	26,603,758	24,344,838	79,034,255	74,390,617
EBITDA[(1)]	3,235,252	2,901,754	8,880,686	9,287,256
EBITDA margin[(1)]	11.4 %	11.3 %	10.7 %	11.9 %
Depreciation	2,634,409	1,828,505	7,657,571	5,024,760
Amortization of customer lists	30,360	-	91,080	-
Operating income[(1)]	570,483	1,073,249	1,132,035	4,262,496
Operating margin[(1)]	2.0 %	4.2 %	1.4 %	5.4 %
Gain on sale of property and equipment	(28,402)	(231,365)	(273,400)	(588,909)
Finance costs	490,372	268,714	1,339,294	1,101,506
Finance income	(94,766)	(42,703)	(271,391)	(123,901)
Foreign exchange loss (gain)	16,057	(823,938)	282,456	(823,938)
Transaction costs	-	-	226,392	217,924
Income tax expense	57,442	536,139	10,173	1,885,153
Adjusted net income (loss)[(1)(2)]	129,780	1,366,402	(181,489)	2,594,661
Adjusted net income (loss) per share - basic	0.00	0.04	0.00	0.09
Adjusted net income (loss) per share - diluted	0.00	0.04	0.00	0.09
Reverse takeover costs, net of tax	-	-	-	1,845,203
Net income (loss) and comprehensive income (loss) attributable to owners of the Company	129,780	1,366,402	(181,489)	749,458
Net income (loss) per share - basic	0.00	0.04	0.00	0.03
Net income (loss) per share - diluted	0.00	0.04	0.00	0.02

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

Selected Segmented Financial Information (unaudited)

	3 months ended Sept 30 2016	3 months ended Sept 30 2015	9 months ended Sept 30 2016	9 months ended Sept 30 2015
Truck Transportation				
Revenue	19,832,993	16,950,422	59,966,243	48,922,989
Fuel surcharge	1,205,049	1,168,809	3,889,578	4,082,531
	21,038,042	18,119,231	63,855,821	53,005,520
Operating expenses				
Carriers and independent contractors	7,223,599	5,808,869	21,632,436	15,774,993
Vehicle operating	4,760,842	4,762,962	14,868,370	14,768,720
Wages and casual labour	4,795,251	4,402,134	14,817,343	12,886,897
Other operating	1,100,126	894,712	3,361,618	2,548,306
	17,879,818	15,868,677	54,679,767	45,978,916
EBITDA(1)	3,158,224	2,250,554	9,176,054	7,026,604
EBITDA margin(1)	15.9 %	13.3 %	15.3 %	14.4 %
Depreciation	2,627,033	1,828,505	7,644,416	5,024,760
Amortization of customer lists	30,360	-	91,080	-
Operating income(1)	500,831	422,049	1,440,558	2,001,844
Operating margin(1)	2.5 %	2.5 %	2.4 %	4.1 %
Gain on sale of property and equipment	(28,402)	(231,365)	(273,400)	(588,909)
Finance costs	490,372	268,714	1,339,294	1,101,506
Finance income	(94,766)	(42,703)	(271,391)	(123,901)
Foreign exchange loss (gain)	27,339	(481,431)	193,478	(481,431)
Transaction costs	-	-	226,392	217,924
Income tax expense	18,421	290,439	66,270	581,688
Net income	87,867	618,395	159,915	1,294,967
Logistics				
Revenue	8,754,796	9,018,548	24,210,353	29,860,922
Fuel surcharge	372,096	358,460	942,911	1,372,645
	9,126,892	9,377,008	25,153,264	31,233,567
Operating expenses				
Carriers and independent contractors	7,278,070	7,168,244	20,244,647	23,609,592
Wages and casual labour	908,550	808,447	2,526,273	2,868,079
Other operating	413,227	372,545	1,165,721	1,228,981
	8,599,847	8,349,236	23,936,641	27,706,652
EBITDA(1)	527,045	1,027,772	1,216,623	3,526,915
EBITDA margin(1)	6.0 %	11.4 %	5.0 %	11.8 %
Depreciation	7,376	-	13,155	-
Foreign exchange loss (gain)	(11,282)	(342,507)	88,978	(342,507)
Income tax expense	144,458	358,990	306,816	1,032,098
Net income	386,493	1,011,289	807,674	2,837,324

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

Revenue

	3 months ended Sept 30 2016	3 months ended Sept 30 2015	9 months ended Sept 30 2016	9 months ended Sept 30 2015
Truck Transportation				
Revenue	19,832,993	16,950,422	59,966,243	48,922,989
Fuel surcharge	1,205,049	1,168,809	3,889,578	4,082,531
	21,038,042	18,119,231	63,855,821	53,005,520
Logistics				
Revenue	8,754,796	9,018,548	24,210,353	29,860,922
Fuel surcharge	372,096	358,460	942,911	1,372,645
	9,126,892	9,377,008	25,153,264	31,233,567

For the three month and nine month periods ended September 30, 2016, the Company's consolidated revenues increased by $2.6 million or 9.5%, and $4.2 million or 5.1%, respectively, when compared to the three month and nine month periods ended September 30, 2015. The increase in revenue was a result of increases in the Truck Transportation segment, which was partially offset by decreases in the Logistics segment.

The Truck Transportation segment experienced increases in revenue of $2.9 million or 16.1%, and $10.9 million or 20.5%, respectively, for the third quarter and nine month period ended September 30, 2016, when compared to that of 2015. The increases are primarily a result of acquisitions, as organic growth during these periods was offset by pricing reductions caused by a relatively more competitive environment. The acquisition of PNT on December 1, 2015 and the Windsor terminal in June 2016 affected the increase over the three month period. The acquisition of MTL on March 1, 2015, contributed to the increase over the nine month period as well.

The Logistics segment saw a decrease in revenue of $0.3 million or 2.7%, and $6.1 million or 19.5%, respectively, for the third quarter and nine month period ended September 30, 2016, when compared to that of 2015. The decrease is due to economic conditions being much stronger in 2015 versus 2016, especially for the first six months of the year. The gap narrowed for the third quarter after the Canadian dollar weakened in July 2015, which reduced inbound revenue without an offsetting increase to outbound revenue. Despite the third quarter being a seasonally weaker quarter, there was revenue growth over the second quarter of 2016, as a result of increases to the sales team and new sales initiatives. However, year over year, the third quarter still fell below that of 2015 because of pricing pressure caused by over supply of truck transportation, which started in the fourth quarter of 2015 and continued into 2016.

Operating Expenses and Income

	3 months ended Sept 30 2016	3 months ended Sept 30 2015	9 months ended Sept 30 2016	9 months ended Sept 30 2015
Truck Transportation				
Revenue	21,038,042	18,119,231	63,855,821	53,005,520
Operating expenses	17,879,818	15,868,677	54,679,767	45,978,916
EBITDA(1)	3,158,224	2,250,554	9,176,054	7,026,604
EBITDA margin(1)	15.9 %	13.3 %	15.3 %	14.4 %
Depreciation and amortization	2,657,393	1,828,505	7,735,496	5,024,760
Operating income(1)	500,831	422,049	1,440,558	2,001,844
Operating margin(1)	2.5 %	2.5 %	2.4 %	4.1 %
Logistics				
Revenue	9,126,892	9,377,008	25,153,264	31,233,567
Operating expenses	8,599,847	8,349,236	23,936,641	27,706,652
EBITDA(1)	527,045	1,027,772	1,216,623	3,526,915
EBITDA margin(1)	6.0 %	11.4 %	5.0 %	11.8 %
Corporate				
Operating expenses	450,017	376,572	1,511,991	1,266,262

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

For the Truck Transportation segment, operating expenses increased by $2.0 million or 12.7%, and $8.7 million or 18.9%, respectively, for the three month and nine month periods ended September 30, 2016, when compared to the three month and nine month periods ended September 30, 2015. The increase in operating expenses, for both the three month and nine month periods, is primarily a result of acquisitions, although expenses declined as a percentage of revenue. The improvement in EBITDA margin is primarily a result of the Company replacing aged and leased equipment with new equipment, which decreased fuel expenses and equipment leasing costs, but increased depreciation. This resulted in no year over year change in operating margin for the three month period ended September 30, 2016. The operating margin declined for the nine month period ended September 30, 2016 as a result of a relatively more competitive environment in 2016 over 2015 for the first half of the year, which created downward pressure on pricing.

For the Logistics segment, operating expenses increased by $0.3 million or 3.0% for the three month period ended September 30, 2016, despite a decrease in revenue, primarily as a result of the Company fulfilling a higher volume of orders at relatively lower prices. For the nine month period ended September 30, 2016, operating expenses decreased by $3.8 million or 13.6% due to decreased volumes and carrier costs. As fixed costs are relatively static, the decrease in volumes resulted in a lower EBITDA margin year over year.

The Company realized a large foreign exchange gain during the third quarter of 2015 as a result of the weakening of the Canadian dollar relative to the US dollar during that period. During 2016, the Company began to borrow in US dollars in order to hedge against its exposure on its US dollar receivables.

SUMMARY OF QUARTERLY RESULTS

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

(in thousands)

	Q3'16	Q2'16	Q1'16	Q4'15	Q3'15	Q2'15	Q1'15	Q4'14
Revenue	29,839	29,967	28,109	26,571	27,246	32,420	24,011	20,933
EBITDA(1)(3)	3,235	3,165	2,481	2,638	2,901	3,369	3,016	2,191
EBITDA margin(1)(3)	11.4 %	11.1 %	9.4 %	10.6 %	11.3 %	11.2 %	13.4 %	11.2 %
Operating income(1)	570	515	47	417	1,073	1,378	1,811	1,317
Operating margin(1)	2.0 %	1.8 %	0.2 %	1.7 %	4.2 %	4.6 %	8.1 %	6.7 %
Adjusted net income (loss)(1)(3)	130	(126)	(185)	446	1,366	766	1,021	739
Per share - basic(2)(3)	0.00	0.00	(0.01)	0.01	0.04	0.03	0.04	0.03
Per share - diluted(2)(3)	0.00	0.00	(0.01)	0.01	0.04	0.02	0.04	0.03
Net income (loss) and comprehensive income (loss) attributable to the owners of the Company	130	(126)	(185)	446	1,366	(1,359)	742	450
Per share - basic(2)	0.00	0.00	(0.01)	0.01	0.04	(0.04)	0.03	0.02
Per share - diluted(2)	0.00	0.00	(0.01)	0.01	0.04	(0.04)	0.03	0.02

(1) Refer to "Non-IFRS Financial Measures".
(2) Reflects subdivision of shares that took place on March 31, 2015.
(3) Corrections have been made relating to the classification 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 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 Q2 2015 and Q1 2016 following the acquisitions of MTL and PNT, respectively. It may be difficult to isolate this impact if the integration process of two or more acquisitions overlap or if there are significant changes in economic conditions.

The 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 a more competitive environment, 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

	September 30 2016	December 31 2015
Working capital (deficit)(1)	(7,481,240)	(1,799,887)
Total assets	111,026,000	87,772,549
Net debt(2)	47,959,012	38,222,432
Shareholders' equity	36,043,489	34,021,470
Net debt to equity ratio(3)	1.33	1.12

(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 company, 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 working capital position as at September 30, 2016 was mainly a result of asset purchases during the nine month period since December 31, 2015. Most significant, was the acquisition of a Windsor terminal and transportation assets, including lease buyouts, for approximately $5.2 million in cash and $2 million in shares. As was the case with the Windsor terminal, the Company often initially finances acquisitions with its operating line, which negatively impacts working capital. Subsequent to the period, $5.6 million in short term debt was refinanced with long-term debt. Although due on demand, the Company considers its bank indebtedness to be long-term debt.

In addition to the Windsor acquisition, the Company's net debt position increased during the period due to the financing of new rolling stock for $22.7 million. 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, management expects to realize proceeds from the sale of excess aged equipment of approximately $3.7 million. In addition, the Company has committed $5.4 million towards the purchase of additional assets, as of September 30, 2016. 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 $3.2 million in debt, during the first three 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 Bolton head office, these leases expire between December 2016 and December 2020. The lease for the Company's new head office expires September 2031. 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 $2.4 million mortgage facility for the Windsor terminal. Proceeds are to be received in the following quarter. The portion of the Company's bank credit facilities which were unused as of September 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, $2.4 million under a mortgage facility and $1.4 million under a finance lease loan facility. In addition, the Company has available approximately $22 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 terminal. As of November 15, 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 1,615,000 stock options outstanding, of which 350,000 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 $915,773 and $2,624,967, respectively, for the three month and nine month periods ended September 30, 2016 (2015 - $804,261 and $2,537,256).

The Company also currently rents its head office from Caledon First Investments Limited, a company under common control with the Company. Rent was previously paid to Vaughan West II Limited, Roybridge Holdings Limited and Vision Extrusions Group Limited, also companies under common control. Total rent paid to these companies for the three month and nine month periods ended September 30, 2016 was $85,242 and $310,972, respectively (2015 - $104,277 and $312,830). The Company has committed to annual rent of $1,675,625, which will increase to $2,413,123 over a 15 year period.

Trunkeast Investments Canada Limited, the Company's controlling shareholder as of September 30, 2016, provides administrative and support services to the Company on a monthly basis. For these services, the Company was charged $15,000 and $45,000 (2015 - $15,000 and $45,000) for the three month and nine month periods ended September 30, 2016, respectively. The Company is committed to payment for such services until May 31, 2017.

In addition, the Company paid $1,902,001 to ZZEN Design Build Limited ("ZZEN") for leasehold improvements completed on the new head office building and yard. ZZEN provided financing for this improvement and interest totaling $8,476 was paid to ZZEN during the quarter. This loan will be fully repaid by the end of 2016.

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

FORWARD LOOKING STATEMENTS

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

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

From time to time, the Company will disclose its current annual run rate revenue and EBITDA. Although not intended as such, this may be interpreted as forward looking information. Run rates are presented in order to provide investors with insight into the current size of the Company, assuming synergies have been fully realized. Historical figures may not be a good indicator of the Company's size, as a result of the number of acquisitions that are completed each year and the time that it takes to fully realize synergies. After releasing Q32015 results, the Company estimated that post synergy annualized revenue and EBITDA was $120 million and $13 million, respectively. Actual revenue and EBITDA for the last four quarters, excluding the effect of the acquisitions of PNT and the Windsor terminal, was approximately $104 million and $12.1 million, respectively. The reason for the difference is primarily a result of a decline in economic conditions that started during the fourth quarter of 2015. As economic conditions have not improved, the Company is adjusting its revenue and EBITDA run rates at this time to $120 million and $14 million, respectively, from $125 million and $14.5 million.

NON-IFRS FINANCIAL MEASURES

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

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

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

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

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

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

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

RISKS AND UNCERTAINTIES

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

CHANGES IN ACCOUNTING POLICIES

The following new standards and amendments to standards are not yet effective for the period ended September 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 third quarter ended
September 30, 2016

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Financial Position

(unaudited)

(in Canadian dollars)

	September 30 2016	December 31 2015
Assets		
Current		
Cash	132,752	788,909
Trade and other receivables (note 13)	20,079,206	16,767,695
Current taxes recoverable	1,120,880	128,739
Finance lease receivables (note 5)	2,336,352	1,333,816
Prepaid expenses and deposits	2,132,515	2,072,571
Assets held for sale (note 6)	3,726,486	-
	29,528,191	21,091,730
Finance lease receivables (note 5)	6,526,976	2,431,913
Property and equipment (note 7)	69,323,719	58,421,767
Deferred tax assets	382,489	471,434
Customer lists (note 8)	748,800	839,880
Goodwill (note 8)	4,515,825	4,515,825
	111,026,000	87,772,549
Liabilities		
Current		
Bank indebtedness (note 9)	10,091,469	4,203,821
Trade and other payables	8,941,822	6,307,683
Current taxes payable	103,903	324,024
Loans payable (note 9)	10,496,914	7,708,669
Finance lease liabilities (note 9)	6,475,323	4,147,420
Due to related company (note 13)	900,000	-
Due to related party	-	200,000
	37,009,431	22,891,617
Loans payable (note 9)	18,341,705	16,711,119
Finance lease liabilities (note 9)	14,243,415	9,217,132
Deferred tax liabilities	5,387,960	4,931,211
	74,982,511	53,751,079
Commitments and contingencies (note 15)		
Shareholders' Equity		
Share capital (note 10)	26,754,964	24,765,964
Contributed surplus (note 11)	3,606,275	3,391,767
Retained earnings	5,682,250	5,863,739
	36,043,489	34,021,470
	111,026,000	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 Sept 30 2016	**3 months ended Sept 30 2015**	**9 months ended Sept 30 2016**	**9 months ended Sept 30 2015**
Revenue (note 13)	28,261,865	25,719,323	83,082,452	78,222,697
Fuel surcharge	1,577,145	1,527,269	4,832,489	5,455,176
	29,839,010	27,246,592	87,914,941	83,677,873
Operating expenses				
Carriers and independent contractors	14,175,745	12,727,466	40,782,939	38,823,372
Vehicle operating	4,760,842	4,762,962	14,868,370	14,768,720
Wages and casual labour (note 14)	5,933,654	5,362,026	18,027,835	16,234,392
Other operating (note 13)	1,733,517	1,492,384	5,355,111	4,564,133
	26,603,758	24,344,838	79,034,255	74,390,617
Income before the following	3,235,252	2,901,754	8,880,686	9,287,256
Depreciation (note 7)	2,634,409	1,828,505	7,657,571	5,024,760
Gain on sale of property and equipment (note 12)	(28,402)	(231,365)	(273,400)	(588,909)
Finance costs	490,372	268,714	1,339,294	1,101,506
Finance income	(94,766)	(42,703)	(271,391)	(123,901)
Foreign exchange loss (gain)	16,057	(823,938)	282,456	(823,938)
Amortization of customer lists (note 8)	30,360	-	91,080	-
Transaction costs	-	-	226,392	217,924
Reverse takeover costs	-	-	-	2,510,480
	3,048,030	999,213	9,052,002	7,317,922
Income (loss) before income taxes	187,222	1,902,541	(171,316)	1,969,334
Income tax expense	57,442	536,139	10,173	1,219,876
Net income (loss) and comprehensive income (loss) attributable to owners of the Company	129,780	1,366,402	(181,489)	749,458
Earnings (loss) per share:				
Basic	0.00	0.04	0.00	0.03
Diluted	0.00	0.04	0.00	0.02
Weighted average number of shares outstanding:				
Basic (note 10)	37,388,510	34,487,135	36,703,633	29,525,075
Diluted (note 10)	37,412,726	35,850,857	36,703,633	30,438,130

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Changes in Equity

Nine months ended September 30, 2016 (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)	-	214,508	-	214,508
Net income (loss) and comprehensive income (loss)	-	-	(181,489)	(181,489)
Balances at September 30, 2016	26,754,964	3,606,275	5,682,250	36,043,489
Balances at December 31, 2014	2,080,000	-	4,668,686	6,748,686
Share issuance	18,121,477	3,147,181	-	21,268,658
Share-based compensation expense	-	195,749	-	195,749
Net income and comprehensive income	-	-	749,458	749,458
Balances at September 30, 2015	20,201,477	3,342,930	5,418,144	28,962,551

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Cash Flows

(unaudited)

(in Canadian dollars)

	3 months ended Sept 30 2016	3 months ended Sept 30 2015	9 months ended Sept 30 2016	9 months ended Sept 30 2015
Cash flows from operating activities				
Net income (loss)	129,780	1,366,402	(181,489)	749,458
Adjustments:				
Depreciation	2,634,409	1,828,505	7,657,571	5,024,760
Gain on sale of property and equipment	(28,402)	(231,365)	(273,400)	(588,909)
Finance costs	490,372	268,714	1,339,294	1,101,506
Finance income	(94,766)	(42,703)	(271,391)	(123,901)
Amortization of customer lists	30,360	-	91,080	-
Share-based compensation expense	76,844	53,587	214,508	195,749
Reverse takeover costs	-	-	-	2,510,480
Income tax expense	57,442	536,139	10,173	1,219,876
	3,296,039	3,779,279	8,586,346	10,089,019
Net change in non-cash operating working capital	(1,507,996)	2,026,159	(633,131)	(1,028,703)
	1,788,043	5,805,438	7,953,215	9,060,316
Interest paid	(509,263)	(268,714)	(1,298,316)	(1,101,506)
Interest received	94,766	42,703	271,391	123,901
Income taxes paid	(42,363)	(543,987)	(676,741)	(1,310,175)
	1,331,183	5,035,440	6,249,549	6,772,536
Cash flows from investing activities				
Proceeds from finance lease receivables (note 17)	619,286	374,742	1,736,571	737,416
Acquisition of property and equipment (note 7, 12)	(786,212)	(1,670,793)	(9,242,744)	(2,618,902)
Disposition of property and equipment (note 7)	3,243,945	635,907	6,891,841	1,454,335
Acquisition of subsidiaries	-	-	-	(1,494,848)
	3,077,019	(660,144)	(614,332)	(1,921,999)
Cash flows from financing activities				
Proceeds from bank indebtedness	273,609	-	5,887,648	-
Repayment of bank indebtedness	-	(6,358,416)	-	(1,836,755)
Repayment of demand loans	-	(5,000,000)	-	(914,580)
Repayment of loans payable	(1,710,181)	(1,651,944)	(6,690,478)	(4,178,301)
Repayment of finance lease liabilities	(1,726,519)	(1,675,146)	(4,275,543)	(5,472,441)
Repayment of related company loan	(1,002,001)	-	(1,002,001)	-
Repayment of amounts due to corporate shareholder	-	-	-	(9,000,000)
Repayment of amounts due to related parties	(200,000)	(200,000)	(200,000)	(250,000)
Private placement	-	-	-	244,200
Issuance of shares	-	11,094,031	(11,000)	12,092,309
Reverse takeover costs	-	-	-	(689,876)
	(4,365,092)	(3,791,475)	(6,291,374)	(10,005,444)
Increase (decrease) in cash	43,110	583,821	(656,157)	(5,154,907)
Cash, beginning	89,642	244,200	788,909	5,982,928
Cash, ending	132,752	828,021	132,752	828,021

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 Bolton, Bracebridge, North Bay, Windsor and Napanee, Ontario. The Company's registered head office is at 32 Simpson Rd, Bolton, Ontario, L7E 1G9.

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

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

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent annual consolidated financial statements of the Company, including the notes thereto, for the year ended December 31, 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 November 15, 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.

New Standards Adopted 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.

Property and Equipment

Depreciation for leasehold improvements is provided over a 9 year useful life.

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 September 30, 2016					
Revenue - external	20,712,118	9,126,892	-	-	29,839,010
Revenue - internal	325,924	-	-	(325,924)	-
Total revenue	21,038,042	9,126,892	-	(325,924)	29,839,010
Depreciation	2,627,033	7,376	-	-	2,634,409
Finance costs	490,372	-	-	-	490,372
Finance income	(94,766)	-	-	-	(94,766)
Income (loss) before income taxes	106,288	530,951	(450,017)	-	187,222
Income taxes (recoveries)	18,421	144,458	(105,437)	-	57,442
Capital expenditures	2,501,830	198,383	-	-	2,700,213
Goodwill acquisitions	-	-	-	-	-
Three months ended September 30, 2015					
Revenue - external	17,869,584	9,377,008	-	-	27,246,592
Revenue - internal	249,647	-	-	(249,647)	-
Total revenue	18,119,231	9,377,008	-	(249,647)	27,246,592
Depreciation	1,828,505	-	-	-	1,828,505
Finance costs	268,714	-	-	-	268,714
Finance income	(42,703)	-	-	-	(42,703)
Income (loss) before income taxes	908,834	1,370,279	(376,572)	-	1,902,541
Income taxes (recoveries)	290,439	358,990	(113,290)	-	536,139
Capital expenditures	6,982,255	-	-	-	6,982,255
Goodwill acquisitions	-	-	-	-	-

4. OPERATING SEGMENTS - continued

	Truck Transportation	Logistics	Corporate	Elimination	Total
Nine months ended September 30, 2016					
Revenue - external	62,761,677	25,153,264	-	-	87,914,941
Revenue - internal	1,094,144	-	-	(1,094,144)	-
Total revenue	63,855,821	25,153,264	-	(1,094,144)	87,914,941
Depreciation	7,644,416	13,155	-	-	7,657,571
Finance costs	1,339,294	-	-	-	1,339,294
Finance income	(271,391)	-	-	-	(271,391)
Income (loss) before income taxes	226,185	1,114,490	(1,511,991)	-	(171,316)
Income taxes (recoveries)	66,270	306,816	(362,913)	-	10,173
Capital expenditures	35,761,287	256,733	-	-	36,018,020
Goodwill acquisitions	-	-	-	-	-
Nine months ended September 30, 2015					
Revenue - external	52,444,306	31,233,567	-	-	83,677,873
Revenue - internal	561,214	-	-	(561,214)	-
Total revenue	53,005,520	31,233,567	-	(561,214)	83,677,873
Depreciation	5,024,760	-	-	-	5,024,760
Finance costs	1,101,506	-	-	-	1,101,506
Finance income	(123,901)	-	-	-	(123,901)
Income (loss) before income taxes	1,876,654	3,869,422	(3,776,742)	-	1,969,334
Income taxes (recoveries)	581,688	1,032,098	(393,910)	-	1,219,876
Capital expenditures	32,207,349	-	-	-	32,207,349
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 Sept 30 2016	3 months ended Sept 30 2015	9 months ended Sept 30 2016	9 months ended Sept 30 2015
Canada	21,275,885	18,364,650	59,029,296	55,686,101
United States	8,563,125	8,881,942	28,885,645	27,991,772
	29,839,010	27,246,592	87,914,941	83,677,873

5. FINANCE LEASE RECEIVABLES

During the nine month period ended September 30, 2016, the Company entered into new finance leases totaling $7,020,680, 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, Buildings and Leaseholds	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	5,354,597	1,029,905	29,633,518	36,018,020
Disposals	(10,320)	(486,682)	(17,045,794)	(17,542,796)
Reclassification to assets held for sale	-	-	(4,387,650)	(4,387,650)
Balances, September 30, 2016	10,361,486	3,286,580	70,755,507	84,403,573
Accumulated depreciation				
Balances, December 31, 2015	32,586	1,906,179	9,955,467	11,894,232
Depreciation	117,715	516,538	7,023,318	7,657,571
Disposals	(10,320)	(408,258)	(3,392,207)	(3,810,785)
Reclassification to assets held for sale	-	-	(661,164)	(661,164)
Balances, September 30, 2016	139,981	2,014,459	12,925,414	15,079,854
Net carrying amounts				
At December 31, 2015	4,984,623	837,178	52,599,966	58,421,767
At September 30, 2016	10,221,505	1,272,121	57,830,093	69,323,719

8. GOODWILL AND INTANGIBLES

	Goodwill	Customer Lists	Total
Balances, December 31, 2015	4,515,825	839,880	5,355,705
Amortization	-	(91,080)	(91,080)
Balances, September 30, 2016	4,515,825	748,800	5,264,625

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	10,091,469
Loans payable	2.95% - 4.50%	2017-2025	28,838,619
Finance lease liabilities	2.56% - 5.58%	2017-2021	20,718,738
			59,648,826
Current portion			27,063,706
			32,585,120

Included in current portion of loans payable is a promissory note for $3,182,022 that was 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$56.7 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$10.5 million and USD$6 million finance lease loan facility

f) CDN$2.4 million mortgage 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

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, September 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 Sept 30 2016	3 months ended Sept 30 2015	9 months ended Sept 30 2016	9 months ended Sept 30 2015
Issued common shares, beginning	37,388,510	30,288,088	36,267,802	23,600,000
Effect of issued common shares	-	4,199,047	435,831	5,925,075
Weighted average number of common shares	37,388,510	34,487,135	36,703,633	29,525,075
Dilutive effect of stock options and warrants	24,216	1,363,722	-	913,055
Weighted average number of diluted common shares	37,412,726	35,850,857	36,703,633	30,438,130

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 nine month period ended September 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. During the period, 50,000 stock options were forfeited. No other stock options expired, were exercised or were forfeited during the reporting period. As at September 30, 2016, there were 1,615,000 stock options outstanding, of which 675,000 were held by key management personnel and 350,000 are exercisable at a price of $1.50. Of the stock options outstanding, 1,235,000 have an exercise price of $1.50 and expire April 1, 2025, and 380,000 have an an exercise price of $2.85 and expire February 22, 2026. During the nine month period ended September 30, 2016, the Company recognized an expense of $214,508 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 September 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 gain on sale of property and equipment are the following sales of rolling stock to independent contractors under finance lease arrangements:

	3 months ended Sept 30 2016	**3 months ended Sept 30 2015**	**9 months ended Sept 30 2016**	**9 months ended Sept 30 2015**
Sales	764,491	209,474	7,020,680	837,422
Cost of sales	730,747	119,027	6,727,314	716,797
	33,744	90,447	293,366	120,625

b) During the nine month period ended September 30, 2016, rolling stock totaling $22,739,038 (2015 - $16,081,998) 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 Sept 30 2016	3 months ended Sept 30 2015	9 months ended Sept 30 2016	9 months ended Sept 30 2015
Provided truck transportation services to Vision Extrusions Group Limited and Sunview Patio Doors Ltd., companies under common control	915,773	804,261	2,624,967	2,537,256
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	(64,388)	(104,277)	(290,118)	(312,830)
Paid rent to Caledon First Investments Limited, a company under common control	(20,854)	-	(20,854)	-
Paid ZZEN for leasehold improvements	(1,902,001)	-	(1,902,001)	-
Paid management fees to Trunkeast	(15,000)	(15,000)	(45,000)	(45,000)
Paid interest to Trunkeast	-	-	-	(94,514)
Paid interest to ZZEN	(8,476)	-	(8,476)	-
	(1,094,946)	684,984	358,518	2,084,912

During the period, a short term loan was provided by ZZEN Design Build Limited ("ZZEN"), a company under common control, for $2,149,261 to cover the cost of leasehold improvements. The loan balance as of September 30, 2016 is $900,000 and is repayable over the next three months. Interest at a rate of 3.75% is being charged on this loan.

Included in trade and other receivables as at September 30, 2016 is a total of $292,249 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 Sept 30 2016	3 months ended Sept 30 2015	9 months ended Sept 30 2016	9 months ended Sept 30 2015
Share-based compensation expense	76,844	53,587	214,508	195,749
Employee benefits	126,246	90,617	376,395	285,383
Key management personnel:				
Salaries and benefits	198,095	168,639	610,372	520,357
Share-based compensation expense	27,450	20,106	78,883	99,613

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	1,975,965
Between one and five years	7,377,283
More than five years	21,335,244

Operating leases that were charged to income during the three month and nine month periods ended September 30, 2016 totaled $474,886 and $1,775,379 (2015 - $509,271 and $1,855,121), respectively.

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

b) As at September 30, 2016, the Company was committed to purchasing equipment and rolling stock for $5.4 million.

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

d) 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

Credit Risk

Credit risk arises from the potential that debtors will fail to satisfy their obligations as they come due. The Company is exposed to credit risk on its trade receivables from its customers, on its finance lease receivables from its drivers and on its other receivables. The Company's maximum exposure to credit risk is the carrying value of trade receivables and finance lease receivables. In order to reduce its credit risk, the Company has adopted credit policies which include the analysis of the financial position of its customers and the regular review of their credit limits. In addition, the Company began to insure a portion of its trade receivables effective July 1, 2016. The Company does not have a significant exposure to any individual customer or counterpart.

Market Risk

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.

	September 30 2016	**December 31 2015**
Cash	-	43,970
Accounts receivable	3,593,801	3,108,649
Bank indebtedness	370,685	548,265
Accounts payable	(667,119)	(532,913)
Finance lease liabilities	(4,305,578)	-
	(1,008,211)	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 on 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.