Titanium Transportation Group Inc.

Management's Discussion and Analysis

For the fourth quarter and year ended
December 31, 2015

Dated April 5, 2016

GENERAL INFORMATION

The following is Titanium Transportation Group Inc.'s management discussion and analysis ("MD&A"), which provides a comparative overview of the Company's performance for its three month period and year ended December 31, 2015 with the corresponding three month period and year ended December 31, 2014, and it reviews the Company's financial position as at December 31, 2015. 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 audited consolidated financial statements and accompanying notes ("consolidated financial statements") as at and for the year ended December 31, 2015.

The consolidated financial statements of the Company and extracts from those consolidated financial statements contained in this MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 financial statements for the year ended December 31, 2015 were approved by its Board of Directors on April 5, 2016. Readers are cautioned that this MD&A contains certain forward looking information. Please refer to the "Forward Looking Statements" section below for a discussion of the use of such information in this MD&A.

Unless otherwise indicated, the information in this report is dated as of April 5, 2016. Additional information relating to the Company, including the Company's annual information form, is available on SEDAR at www.sedar.com.

OVERVIEW

The Company is a truck transportation and logistics company servicing Canada and the United States with operations based in Woodbridge, Ontario, with terminals in Bracebridge, North Bay, Orillia and Napanee, Ontario and additional parking/switch yards in Sudbury, Mississauga, Barrie, Timmins, Bolton, Brantford, Brockville, Burlington and Trenton, Ontario. The Company has over 1,000 customers across various industries, including large multinational corporations.

On April 1, 2015 Titanium Transportation Group Holdings Ltd. ("TTGHL") completed a reverse takeover of TTGI by way of a "three-cornered" amalgamation under the provisions of the *Canada Business Corporations Act*, pursuant to which TTGHL, 9050400 Canada Inc. and 9105352 Canada Inc., a wholly-owned subsidiary of TTGI, amalgamated and continued as a wholly-owned subsidiary of TTGI. Immediately following the RTO, TTGI changed its name from "Northeastern Group Inc." to "Titanium Transportation Group Inc" and shortly thereafter, the shares of the Company commenced trading on the TSX Venture Exchange ("TSXV") under the symbol "TTR".

Revenue (including fuel surcharge) for the years ended December 31, 2015 and 2014 was $110.2 million and $71.7 million, respectively, and EBITDA was $11.7 million and $6.4 million, respectively. EBITDA is a non-IFRS financial measure. For a definition of EBITDA and an explanation of the use of this measure herein, refer to "Non-IFRS Financial Measures".

The Company has seen significant growth in its workforce and fleet over the year. Independent owner operators and full-time employees working for the Company totaled 535 as of December 31, 2015 compared to 239 as of December 31, 2014. Similarly, power units and trailers being used by the Company were 420 and 1258, respectively, as of December 31, 2015 compared to 176 and 647, respectively, as of December 31, 2014.

OVERVIEW - continued

A significant portion of the recent growth in the truck transportation segment, when compared to the previous year, can be attributed to the Company's acquisition of Muskoka Transport Limited ("MTL") on March 1, 2015 and ProNorth Transportation ("PNT") on December 1, 2015 as well as acquisitions of Wm. H. Cain Agency Limited ("Cain") and Georgian Bay Transport Inc. ("GBT") in the second half of 2014. The Company's truck transportation segment has grown primarily through business acquisitions while growth in the logistics segment has been organic.

RESULTS OF OPERATIONS

Fourth Quarter Highlights (unaudited)

	3 months ended Dec 31, 2015	3 months ended Dec 31, 2014
Revenue	24,984,265	19,540,652
Fuel surcharge	1,587,211	1,391,796
	26,571,476	20,932,448
Operating expenses	23,984,901	18,742,206
EBITDA(1)	2,586,575	2,190,242
EBITDA margin(1)	10.4 %	11.2 %
Depreciation	2,210,867	872,972
Gain on sale of property and equipment	(114,578)	(95,516)
Foreign exchange gain	(438,535)	-
Amortization of customer lists	10,120	-
EBIT(1)	918,701	1,412,786
EBIT margin(1)	3.7 %	7.2 %
Finance costs	306,894	215,526
Finance income	(42,833)	(34,168)
Income tax expense	209,045	492,686
Adjusted net income(1)	445,595	738,742
Adjusted net income per share(2) - basic	0.01	0.03
Adjusted net income per share(2) - diluted	0.01	0.03
Reverse takeover costs, net of tax	-	288,707
Net income and comprehensive income attributable to owners of the Company	445,595	450,035
Net income per share(2) - basic	0.01	0.02
Net income per share(2) - diluted	0.01	0.02

(1) Refer to "Non-IFRS Financial Measures". Margins are a percentage of revenue before fuel surcharge.

(2) Reflects subdivision of shares that took place on March 31, 2015.

(3) Reverse takeover costs for the three month period ended December 31, 2014 pertain entirely to legal fees incurred for purposes of the Company becoming a publicly traded company on the TSX Venture Exchange.

RESULTS OF OPERATIONS - continued

Financial Highlights

	2015	**2014**	**2013**
Revenue (including fuel surcharge)	110,249,349	71,737,462	42,040,258
Operating expenses	98,593,442	65,303,525	39,330,740
EBITDA(1)	11,655,907	6,433,937	2,709,518
EBITDA margin(1)	10.6 %	9.0 %	6.4 %
Depreciation	7,235,627	2,741,473	1,105,907
Gain on sale of property and equipment	(703,487)	(225,831)	(261,417)
Foreign exchange gain	(1,262,473)	-	-
Amortization of customer lists	10,120	-	-
EBIT(1)	6,376,120	3,918,295	1,865,028
EBIT margin(1)	5.8 %	5.5 %	4.4 %
Finance costs	1,408,400	739,725	389,953
Finance income	(166,734)	(85,420)	-
Income tax expense	1,535,128	1,002,841	400,269
Adjusted net income(1)	3,599,326	2,261,149	1,074,806
Adjusted net income per share(2) - basic	0.12	0.10	0.05
Adjusted net income per share(2) - diluted	0.11	0.10	0.05
Reverse takeover costs, net of tax	2,404,273	288,707	-
Net income and comprehensive income	1,195,053	1,972,442	1,074,806
Net income and comprehensive income attributable to owners of the Company	1,195,053	1,972,442	1,038,533
Net income per share(2) - basic	0.04	0.08	0.05
Net income per share(2) - diluted	0.04	0.08	0.05

(1) Refer to "Non-IFRS Financial Measures". Margins are a percentage of revenue including fuel surcharge.

(2) Reflects subdivision of shares that took place on March 31, 2015.

RESULTS OF OPERATIONS - continued

Selected Segmented Financial Information (unaudited)

	Truck Transportation	**Logistics**	**Corporate**	**Elimination**	**Total**
For the three months ended December 31, 2015					
Revenue	17,194,870	8,103,138	-	(313,743)	24,984,265
Fuel surcharge	1,349,800	237,411	-	-	1,587,211
	18,544,670	8,340,549	-	(313,743)	26,571,476
Operating expenses					
Carriers and independent contractors	6,114,089	6,188,983	-	(313,743)	11,989,329
Vehicle operating	5,051,581	-	-	-	5,051,581
Wages and casual labour	4,378,314	771,525	194,146	-	5,343,985
Other operating	929,074	447,051	223,881	-	1,600,006
	16,473,058	7,407,559	418,027	(313,743)	23,984,901
EBITDA[(1)]	2,071,612	932,990	(418,027)	-	2,586,575
EBITDA margin[(1)]	12.0 %	11.5 %			10.4 %
Depreciation	2,210,867	-	-	-	2,210,867
Gain on sale of property and equipment	(114,578)	-	-	-	(114,578)
Finance costs	306,894	-	-	-	306,894
Finance income	(42,833)	-	-	-	(42,833)
Foreign exchange gain	(127,434)	(311,101)	-	-	(438,535)
Amortization of customer lists	10,120	-	-	-	10,120
	2,243,036	(311,101)	-	-	1,931,935
Income before income taxes	(171,424)	1,244,091	(418,027)	-	654,640
Income tax expense	(19,672)	339,494	(110,777)	-	209,045
Adjusted net income	(151,752)[(2)]	904,597	(307,250)	-	445,595
For the three months ended December 31, 2014					
Revenue	11,177,372	8,445,992	-	(82,712)	19,540,652
Fuel surcharge	1,039,256	352,540	-	-	1,391,796
	12,216,628	8,798,532	-	(82,712)	20,932,448
Operating expenses	10,705,919	7,765,212	353,787	(82,712)	18,742,206
EBITDA[(1)]	1,510,709	1,033,320	(353,787)	-	2,190,242
EBITDA margin[(1)]	13.5 %	12.2 %			11.2 %
Adjusted net income	379,494	659,282	(300,034)	-	738,742

RESULTS OF OPERATIONS - continued

Selected Segmented Financial Information

	Truck Transportation	Logistics	Corporate	Elimination	Total
For the year ended December 31, 2015					
Revenue	66,117,859	37,964,060	-	(874,957)	103,206,962
Fuel surcharge	5,432,331	1,610,056	-	-	7,042,387
	71,550,190	39,574,116	-	(874,957)	110,249,349
Operating expenses	62,669,899	35,114,211	1,684,289	(874,957)	98,593,442
EBITDA(1)	8,880,291	4,459,905	(1,684,289)	-	11,655,907
EBITDA margin(1)	13.4 %	11.7 %			11.3 %
Adjusted net income	1,143,214	3,741,921	(1,285,809)	-	3,599,326
For the year ended December 31, 2014					
Revenue	39,343,474	27,394,603	-	(442,076)	66,296,001
Fuel surcharge	3,867,237	1,574,224	-	-	5,441,461
	43,210,711	28,968,827	-	(442,076)	71,737,462
Operating expenses	38,604,354	26,543,805	597,442	(442,076)	65,303,525
EBITDA(1)	4,606,357	2,425,022	(597,442)	-	6,433,937
EBITDA margin(1)	11.7 %	8.9 %			9.7 %
Adjusted net income	1,039,905	1,660,364	(439,120)	-	2,261,149

(1) Refer to "Non-IFRS Financial Measures". Margins are a percentage of revenue before fuel surcharge.
(2) Net income for the truck transportation segment, excluding the acquisition of ProNorth, was $98,419 for the quarter ended December 31, 2015.

Revenue

For the three month period and year ended December 31, 2015, total revenue increased by $5,639,028 and $38,511,887, respectively, when compared to the three month period and year ended December 31, 2014. Of the increase, $6,328,042 and $28,339,479, respectively, can be attributed to the truck transportation segment and primarily resulted from the acquisition of MTL on March 1, 2015 and PNT on December 1, 2015. Before PNT revenue of $1,544,390, the truck transportation segment saw a decrease in revenue of $1,118,951 when comparing the fourth quarter to the third quarter 2015, primarily resulting from increased competition and a reduction of unprofitable business.

The logistics segment saw an increase in revenue of $10,605,289 for the year, when compared to the previous year, primarily resulting from increased volumes with existing customers during the first and second quarters of 2015. The logistics segment saw a decrease in revenues of $1,036,459, when comparing the fourth quarter to the third quarter, and a decrease of $457,983 when comparing the quarter to the same quarter last year, primarily resulting from increased competition during the quarter.

The trucking industry in Ontario saw an increase in supply of truck transportation from Western Canada this quarter, as a result of the weakening economy there.

EBITDA

For the year ended December 31, 2015, the EBITDA margin increased from 9.7% to 11.3% and EBITDA increased from $6,433,937 to $11,655,907, when comparing to the previous year. Both the truck transportation and logistics segments contributed to this growth; EBITDA in each segment almost doubled. The EBITDA margin for the truck transportation segment increased from 11.7% to 13.4% year over year. The increase can be largely attributed to improved Cain EBITDA margins subsequent to the acquisition of Cain on July 1, 2014 and the contribution of the acquisition of MTL on March 1, 2015. The EBITDA margin for the logistics segment increased from 8.9% to 11.7% year over year. The increase is largely a result of a higher volume of revenue in the earlier part of the year.

For the three month period ended December 31, 2015, the EBITDA margin decreased from 11.2% to 10.4% although EBITDA increased from $2,190,242 to $2,586,575, compared to the same period in the prior year. Both the truck transportation and logistics segments saw a decrease in EBITDA margins, year over year, although the truck transportation segment saw growth in EBITDA of $560,903. The EBITDA margin for the truck transportation segment decreased from 13.5% to 12.0%, year over year, for the quarter ended December 31, 2015 and decreased from 13.3% to 12.0% when comparing to the third quarter of 2015. The decrease is primarily due to the acquisition of PNT; the EBITDA margin was 13.5% for the quarter when excluding the acquisition of PNT. The EBITDA margin for the logistics segment decreased from 12.2% to 11.5%, year over year, for the quarter ended December 31, 2015, largely as a result of relatively higher fixed costs when comparing to the previous year. Fixed costs were higher, relative to revenue, as a result of a more diverse sales team and customer base.

Expenses

Operating expenses increased by $5,242,695 and $33,289,917, respectively, for the three month period and year ended December 31, 2015 over the same periods in 2014. The increase is primarily a result of the acquisition of MTL and PNT, as well as higher commissions on larger logistics sales volumes. However, operating expenses were largely unchanged in the logistics segment when comparing the fourth quarter, year over year.

Depreciation increased for the three month period and year ended December 31, 2015 when comparing to the same periods in 2014. The increase is primarily a result of the acquisition of equipment, both through business combinations and financed purchases. The cost of new equipment has increased and a higher proportion of the Company's rolling stock is new, resulting in higher depreciation. The acquisition of new equipment has also caused finance costs to increase. In addition, the acquisition of MTL resulted in the Company temporarily assuming debt at higher rates as well as a pre-existing factoring arrangement. During the year, the factoring arrangement was terminated, with no further obligations. In addition, in Q3 2015, the Company repaid its acquisition line and bank indebtedness in its entirety, significantly reducing its financing costs. On December 1, 2015, the Company drew on its bank operating line to finance the acquisition of PNT.

The Company also incurred non-recurring reverse takeover costs in 2015 in order to complete the reverse takeover of a "reporting issuer" and become a publicly traded company on the TSXV.

Other

The Company realized significant foreign exchange gains during the third and fourth quarters of 2015. Foreign exchange gains and losses in previous periods were not significant. Gains during these quarters are a result of the rapid increase in US dollar foreign exchange rates during these periods.

SUMMARY OF QUARTERLY RESULTS

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

(in thousands)

	Q4'15	Q3'15	Q2'15	Q1'15	Q4'14	Q3'14	Q2'14	Q1'14
Revenue	24,984	25,719	30,076	22,427	19,541	18,118	15,637	13,001
Fuel surcharge	1,587	1,527	2,344	1,584	1,392	1,290	1,438	1,321
	26,571	27,246	32,420	24,011	20,933	19,408	17,075	14,322
Operating expenses	23,985	24,345	29,051	21,213	18,742	17,908	15,474	13,180
EBITDA(1)	2,586	2,901	3,369	2,798	2,191	1,500	1,601	1,142
EBITDA margin(1)	10.4 %	11.3 %	11.2 %	12.5 %	11.2 %	8.3 %	10.2 %	8.8 %
Adjusted net income(1)	446	1,366	766	1,021	739	437	721	365
Per share - basic(2)	0.01	0.04	0.03	0.04	0.03	0.02	0.03	0.02
Per share - diluted(2)	0.01	0.04	0.02	0.04	0.03	0.02	0.03	0.02
Net income and comprehensive income attributable to the owners of the Company	446	1,366	(1,359)	742	450	437	721	365
Per share - basic(2)	0.01	0.04	(0.04)	0.03	0.02	0.02	0.03	0.02
Per share - diluted(2)	0.01	0.04	(0.04)	0.03	0.02	0.02	0.03	0.02

(1) Refer to "Non-IFRS Financial Measures". Margins are a percentage of revenue before fuel surcharge.
(2) Reflects subdivision of shares that took place on March 31, 2015.

Changes from quarter to quarter are mainly the result of acquisitions and seasonality of operations. Historically, there has be an increase in revenue and a decrease in EBITDA margins in quarters following an acquisition. Following the quarter of acquisition, revenues have often decreased, stabilized and then increased while EBITDA margins have increased.

The activities of the Company are subject to fluctuating demand for truck transportation. Historically, the Company has experienced weak demand in the first and third quarters and strong 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 fluctuating customer demands and changes in economic conditions during these periods. Furthermore, during the winter months, fuel consumption and maintenance costs tend to rise.

LIQUIDITY AND CAPITAL RESOURCES

	2015	2014	2013
Working capital (deficit)(1)	(1,799,887)	(4,037,000)	(1,273,514)
Total assets	87,772,548	42,067,259	21,271,877
Debt(2)	42,188,161	23,113,193	13,214,458
Shareholders' equity	34,021,470	6,748,686	4,376,244
Debt to equity ratio(3)	1.24	3.42	3.02

(1) Working capital (deficit) is defined as current assets less current liabilities. For comparability purposes, due to corporate shareholder has been included in current liabilities for December 31, 2014 and December 31, 2013.
(2) Debt is defined as bank indebtedness, loans payable, finance lease liabilities, due to corporate shareholder and due to related party, both current and long-term portions.
(3) Debt to equity ratio is defined as debt divided by shareholders' equity.

In general, working capital has historically decreased and debt to equity ratio increased as the Company takes advantage of available leveraging to grow through business acquisitions. In 2015, this continuing trend was offset by a $6.7 million private placement, the proceeds of which were released to the Company in April 2015, as well as a private placement for net proceeds of $10.85 million, which closed in July 2015. MTL was acquired on March 1, 2015 and resulted in the assumption of a significant working capital deficit and required the immediate repayment of certain debt. PNT was acquired on December 1, 2015 and had approximately $1.7 million cash on hand that was used to repay payables and bank indebtedness immediately prior to acquisition. Management believes that the Company's operating cash flows are sufficient to fund daily operating activities and meet regular debt repayment obligations.

Total assets and debt have approximately doubled each year since 2013. This was achieved mainly through business acquisitions (Cain and GBT in 2014, MTL and PNT in 2015), which have been growing in size each year. In addition, the Company purchased approximately $30 million in new equipment during the 2015 calendar year. The Company regularly reinvests in new equipment to keep maintenance costs low and to ensure quality service for its customers. The Company's equipment vendors, as well as financial institutions, have historically provided direct funding towards the purchase of new equipment. As of December 31, 2015, the Company has committed $12.9 million towards the purchase of additional equipment. 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 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. These leases expire between March 2016 and March 2020.

The Company completed a bought deal private placement of units on July 7, 2015. Each unit is comprised of one common share and one half of one common share purchase warrant, each exercisable to acquire one common share at a price of $3.50 until July 7, 2017. Net proceeds of approximately $10.85 million went towards equipment purchases and the Company’s working capital, and are expected to be ultimately used for future acquisitions.

LIQUIDITY AND CAPITAL RESOURCES - continued

The portion of the Company's bank credit facilities which were unused as of December 31, 2015 include approximately $12 million under a revolving demand operating facility, $5 million under a non-revolving acquisition facility, $5 million under a foreign exchange forward contract facility and $8 million under a finance lease loan facility. In addition, the Company has available to it a $2.4 million finance lease or loan facility and a $7 million foreign exchange forward facility through other institutions.

Common Shares

As of December 31, 2015, there were 36,267,802 common shares of the Company outstanding and 6,444,915 outstanding warrants to acquire common shares of the Company. In addition, there were 1,240,000 stock options outstanding, of which 200,000 are exercisable. Subsequent to year end, 425,000 stock options were issued to various employees.

TRANSACTIONS WITH RELATED PARTIES

The Company provides truck transportation services to companies under common control. These companies include Vision Extrusions Group Limited, Vision Ecoproducts Limited and Sunview Patio Doors Ltd., and aggregate revenues from these companies totaled $3,398,837 for the year ended December 31, 2015 (2014 - $3,181,905).

The Company also rents its head office and Woodbridge distribution terminal from Vaughan West II Limited, its Woodbridge parking yard from Roybridge Holdings Limited and office space from Vision Ecoproducts Limited, each of which are under common control with the Company. Total rent paid to these companies for the year ended December 31, 2015 was $416,619 (2014 - $400,451).

Trunkeast, the Company's controlling shareholder as of December 31, 2015, had provided financing to the Company, as needed, to fund business acquisitions and any working capital shortfalls. During March 2015, this funding was replaced with financing provided by the Company's bank. Interest charged by Trunkeast during the year was $94,514 (2014 - $259,018). Trunkeast also provides administrative and support services to the Company on a monthly basis. For these services, the Company was charged $60,000 (2014 - $86,400) for the year. The Company is committed to payment for such services until May 31, 2017.

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

In addition, the Company will be leasing a new facility being constructed at 12725 Coleraine Drive, Caledon, Ontario, which includes approximately 71,500 square feet of gross floor area and 8 acres of yard space, and will accommodate the Company’s head office operations, an integrated yard, a warehouse and a third party mechanical shop. The lease agreement is with Caledon First Investments Limited, a company under common control with the Company. The Company has committed to annual rent of $1,675,625, which is expected to commence October 1, 2016. The annual rent will increase to $2,413,123 over a 15 year period.

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 reference issues only as of the date made. 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, due to the number of acquisitions that are completed each year and the time that it takes to fully realize synergies. A decline in general economic conditions have required the Company to re-evaluate and adjust its current annual revenue and EBITDA run rates to $125 million and $14.5 million, respectively. In determining these figures, management adjusted historical results for revenue trends noted in the last few months. Recently, the weakening Western Canadian economy has increased transportation supply in Ontario. Accordingly, the Company will continue to focus on profitability, by replacing certain product lines and service areas with higher margin business and by identifying synergies and efficiencies. In addition, the Company will continue to use technology to identify cost saving initiatives and advancements.

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 and reverse takeover costs.

"EBITDA margin" is calculated as EBITDA as a percentage of revenue, or EBITDA as a percentage of revenue before fuel surcharge, when fuel surcharge is disclosed.

"Earnings before interest and income taxes" ("EBIT") is calculated as net income before finance income and costs, gains or losses on foreign exchange, income tax expense and reverse takeover costs.

"EBIT margin" is calculated as EBIT as a percentage of revenue, or EBIT as a percentage of revenue before fuel surcharge, when fuel surcharge is disclosed.

"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. 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.

CHANGES IN ACCOUNTING POLICIES

The following new standards and amendments to standards are not yet effective for the year ended December 31, 2015 and have not been applied in preparing the consolidated financial statements. The full description of each of these recent pronouncements is available in our consolidated financial statements.

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

TITANIUM

Transportation Group Inc.

Consolidated Financial Statements

December 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Titanium Transportation Group Inc.

We have audited the accompanying consolidated financial statements of Titanium Transportation Group Inc., which comprise the consolidated statements of financial position as at December 31, 2015 and 2014 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Titanium Transportation Group Inc. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Williams & Partners

Chartered Accountants LLP
Licensed Public Accountants

Markham, Ontario
April 5, 2016

Titanium Transportation Group Inc.

Consolidated Statements of Financial Position

December 31, 2015 (in Canadian dollars)

	2015	2014
Assets		
Current		
Cash (note 5)	788,909	350,763
Trade and other receivables (note 6, 17, 21)	16,767,695	14,793,088
Current taxes recoverable	128,739	-
Finance lease receivables (note 7, 21)	1,333,816	504,052
Prepaid expenses and deposits	2,072,571	569,514
Restricted cash (note 5, 14)	-	5,632,165
	21,091,730	21,849,582
Finance lease receivables (note 7, 21)	2,431,913	921,372
Property and equipment (note 8)	58,421,767	16,566,433
Deferred tax assets (note 9)	471,434	31,361
Customer lists (note 4, 10)	839,880	-
Goodwill (note 4, 10)	4,515,825	2,698,511
	87,772,549	42,067,259
Liabilities		
Current		
Bank indebtedness (note 12, 21)	4,203,821	1,471,304
Trade and other payables (note 11, 21)	6,307,683	5,140,975
Current taxes payable (note 21)	324,024	414,037
Loans payable (note 12, 21)	7,708,669	2,469,109
Finance lease liabilities (note 12, 21)	4,147,420	1,508,992
Due to corporate shareholder (note 12, 21)	-	9,000,000
Due to related party (note 13, 21)	200,000	250,000
Private placement funds held in trust (note 14)	-	5,632,165
	22,891,617	25,886,582
Loans payable (note 12, 21)	16,711,119	5,001,163
Finance lease liabilities (note 12, 21)	9,217,132	3,212,625
Due to related party (note 13)	-	200,000
Deferred tax liabilities (note 9)	4,931,211	1,018,203
	53,751,079	35,318,573
Commitments and contingencies (note 20)		
Shareholders' Equity		
Share capital (note 14)	24,765,964	2,080,000
Contributed surplus (note 15)	3,391,767	-
Retained earnings	5,863,739	4,668,686
	34,021,470	6,748,686
	87,772,549	42,067,259

On behalf of the Board

"Ted Daniel"
Director

"Bill Chyfetz"
Director

Titanium Transportation Group Inc.

Consolidated Statements of Comprehensive Income

year ended December 31, 2015 (in Canadian dollars)

	2015	2014
Revenue (note 17)	103,206,962	66,296,001
Fuel surcharge (note 17)	7,042,387	5,441,461
	110,249,349	71,737,462
Expenses		
Carriers and independent contractors	50,812,701	38,621,179
Vehicle operating (note 20)	19,793,820	11,448,574
Wages and casual labour (note 18)	21,578,377	11,645,423
Other operating (note 17, 20)	6,408,544	3,588,349
	98,593,442	65,303,525
Income before the following	11,655,907	6,433,937
Depreciation of property and equipment (note 8)	7,235,627	2,741,473
Gain on sale of property and equipment (note 16)	(703,487)	(225,831)
Finance costs (note 17)	1,408,400	739,725
Finance income	(166,734)	(85,420)
Foreign exchange gain	(1,262,473)	-
Amortization of customer lists (note 10)	10,120	-
Reverse takeover costs (note 14, 16)	2,510,480	392,799
	9,031,933	3,562,746
Income before income taxes	2,623,974	2,871,191
Income tax expense (note 19)	1,428,921	898,749
Net income and comprehensive income attributable to owners of the Company	1,195,053	1,972,442
Earnings per share:		
Basic	0.04	0.08
Diluted	0.04	0.08
Weighted average number of shares outstanding:		
Basic (note 14)	30,916,965	23,316,800
Diluted (note 14)	31,439,515	23,316,800

Titanium Transportation Group Inc.

Consolidated Statements of Changes in Equity

year ended December 31, 2015 (in Canadian dollars)

	Share Capital	Contributed Surplus	Retained earnings	Total
Balances at December 31, 2014	2,080,000	-	4,668,686	6,748,686
Share issuance (note 14)	22,685,964	3,037,481	-	25,723,445
Exercise of warrants (note 14)	-	106,000	-	106,000
Share-based compensation expense (note 15, 18)	-	248,286	-	248,286
Net income and comprehensive income	-	-	1,195,053	1,195,053
Balances at December 31, 2015	24,765,964	3,391,767	5,863,739	34,021,470
Balances at December 31, 2013	1,680,000	-	2,696,244	4,376,244
Share issuance (note 14)	400,000	-	-	400,000
Net income and comprehensive income	-	-	1,972,442	1,972,442
Balances at December 31, 2014	2,080,000	-	4,668,686	6,748,686

Titanium Transportation Group Inc.

Consolidated Statement of Cash Flows

year ended December 31, 2015 (in Canadian dollars)

	2015	2014
Cash flows from operating activities		
Net income	1,195,053	1,972,442
Adjustments:		
Depreciation of property and equipment (note 8)	7,235,627	2,741,473
Gain on sale of property and equipment (note 16)	(703,487)	(225,831)
Finance costs	1,408,400	739,725
Finance income	(166,734)	(85,420)
Amortization of customer lists (note 10)	10,120	-
Share-based compensation expense (note 15, 18)	248,286	-
Reverse takeover costs (note 14, 16)	2,510,480	392,799
Income tax expense (note 19)	1,428,921	898,749
	13,166,666	6,433,937
Net change in non-cash operating working capital	(707,801)	(3,097,898)
	12,458,865	3,336,039
Interest paid	(1,408,400)	(739,725)
Interest received	166,734	85,420
Income taxes	(1,394,873)	(234,230)
	9,822,326	2,447,504
Cash flows from investing activities		
Acquisition of property and equipment (note 8, 16)	(3,465,478)	(432,939)
Disposition of property and equipment (note 8, 16)	3,655,824	721,067
Acquisition of subsidiaries (note 4)	(7,344,848)	(2,025,431)
	(7,154,502)	(1,737,303)
Cash flows from financing activities		
Proceeds from bank indebtedness	2,363,147	178,121
Repayment of demand loans acquired (note 4)	(914,580)	-
Proceeds from loans payable	2,600,750	-
Repayment of loans payable	(7,896,782)	(2,181,960)
Repayment of finance lease liabilities	(6,421,798)	(2,142,733)
Repayment of amounts due to corporate shareholder	(9,000,000)	-
Proceeds from corporate shareholder	-	5,000,000
Repayment of amounts due to related parties	(250,000)	(1,921,394)
Proceeds from private placements (note 14)	12,347,296	5,632,165
Reverse takeover costs	(689,876)	(103,703)
	(7,861,843)	4,460,496
Increase (decrease) in cash	(5,194,019)	5,170,697
Cash, beginning (note 5)	5,982,928	812,231
Cash, ending (note 5)	788,909	5,982,928

Please refer to note 16 for supplemental cash flow information.

1. CORPORATE INFORMATION

Titanium Transportation Group Inc., formerly Northeastern Group Inc., (the "Company" or "TTGI") was incorporated on July 11, 1989 under the *Canada Business Corporations Act*. The Company is a truck-based carrier and logistics broker servicing all of North America with distribution terminals based in Woodbridge, Bracebridge, North Bay, Orillia and Napanee, Ontario. The Company's registered head office is at 400 Zenway Boulevard, Unit 4, Woodbridge, Ontario, L4H 0S7. The Company changed its name from "Northeastern Group Inc." to "Titanium Transportation Group Inc." on April 1, 2015.

Titanium Transportation Group Holdings Ltd., formerly Titanium Transportation Group Inc., ("TTGHL") a wholly-owned subsidiary of the Company, was incorporated on April 7, 2013 under the *Canada Business Corporations Act*. On April 1, 2015 TTGHL completed a reverse takeover of TTGI by way of a "three-cornered" amalgamation under the provisions of the *Canada Business Corporations Act*, pursuant to which TTGHL, 9050400 Canada Inc. and 9105352 Canada Inc., a wholly-owned subsidiary of TTGI, amalgamated and continued as a wholly-owned subsidiary of TTGI. TTGHL changed its name from "Titanium Transportation Group Inc." to "Titanium Transportation Group Holdings Ltd." on March 31, 2015.

These consolidated financial statements include the results of operations of TTGI, formerly Northeastern Group Inc., from April 1, 2015 and TTGHL, formerly Titanium Transportation Group Inc., from the date of incorporation of TTGHL.

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

The common shares of the Company commenced trading on the TSX Venture Exchange on April 16, 2015 under the symbol "TTR".

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Board of Directors on April 5, 2016.

Basis of Measurement

These consolidated 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 consolidated 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. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Consolidation

The consolidated financial statements consolidate the accounts of the Company and all of its subsidiaries. Subsidiaries are entities over which the Company has the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained by the Company, and are de-consolidated from the date control ceases. Fully consolidated means that all transactions with subsidiaries and any intercompany balances, gains or losses with subsidiaries have been eliminated on consolidation. The accounting policies have been applied consistently by all subsidiaries.

All of the Company's subsidiaries are wholly-owned, are domiciled in Canada and are in the truck transportation or logistics industries.

The acquisition method of accounting is used to account for business combinations. The cost of an acquisition is measured at the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition costs are expensed as incurred. The excess of the cost of the acquisition over the fair value of the acquisition's identifiable net assets is recorded as goodwill. If the acquisition cost is less than the fair value of the net assets acquired, the difference is recognized directly in the consolidated statement of income and comprehensive income. Contingent consideration is included in total consideration and is recognized at its fair value as at the acquisition date.

Revenue Recognition

The Company recognizes revenue upon acceptance of shipment at the final destination. Revenue is measured at the fair value of the consideration received or receivable, to the extent collection is probable.

The Company recognizes sales under financing type leases when the significant risks and rewards of ownership are transferred to the drivers and the Company ceases to have effective control over the assets.

Finance income is recognized as it accrues in income, using the effective interest method.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the reporting date. Cash is netted against bank indebtedness to the extent that cash can be used to offset bank indebtedness for the purposes of calculating finance costs and management intends to settle on a net basis.

Finance Lease Receivables

Financing leases are contracts under terms that provide for the transfer of substantially all the benefits and risks of the rolling stock ownership to independent contractors and are carried at amortized cost. These leases are recorded at the aggregate minimum payments plus guaranteed residual value less unearned finance income. Financing leases are recognized as being impaired when the Company is no longer reasonably assured of the timely collection of the full amount of principal and interest. When amounts are considered impaired, their book value is adjusted to their estimated realizable value based on the fair value of any collateral underlying the receivable, net of any costs of realization, by totally or partially writing off the loan and/or establishing a provision for credit losses.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Property and Equipment

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes costs that are directly attributable to bringing the asset to a working condition for its intended use. When significant components of an item of property and equipment have different useful lives, they are accounted for as seperate items of property and equipment. Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and the net is recognized within profit or loss.

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Maintenance and repair costs are expensed as incurred, except where they serve to increase productivity or to prolong the useful life of an asset, in which case they are capitalized.

Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of the property and equipment, which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation methods, useful lives and residual values are reviewed each year and adjusted prospectively, if appropriate. Land is not depreciated. Depreciation is provided over the following useful lives:

Buildings	25 years
Furniture and equipment	2 - 5 years
Rolling stock	5 - 11 years

Property and equipment is assessed for impairment when events or changes in circumstance indicate that the Company may not be able to recover its carrying value. The Company calculates impairment by comparing the carrying value against the higher of the value in use and the fair value less costs to sell. Value in use is calculated based on discounted cash flows expected from its use and disposition, and fair value is the expected price in a binding sale agreement in an arm's length transaction. Any excess is a charge against earnings. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that it does not exceed the amount that would have been determined had the impairment loss not been recognized.

Intangible Assets

Goodwill is not subject to amortization and is tested for impairment annually, or more frequently if events or circumstances indicate that the asset might be impaired. Impairment is determined by assessing whether the carrying value of a cash-generating unit, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell or the value in use. Any goodwill impairment is charged against income in the period in which the impairment is determined. An impairment loss recognized for goodwill cannot be reversed in subsequent periods.

Customer lists have finite lives and are recorded at cost less accumulated amortization and accumulated impairment losses. Customer lists are amortized on a straight line basis over seven years and are assessed for impairment annually, or more frequently if events or circumstances indicate that the asset might be impaired. If there is any indication of impairment, the carrying amount of customer lists is compared to its recoverable amount and any excess is charged to earnings.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Finance Lease Liabilities

Leases which transfer substantially all benefits and risks associated with ownership of property are treated as acquisitions of assets, measured initially at the lower of the fair value of the asset and the present value of the minimum lease payments, and the corresponding obligations as liabilities. Finance lease liabilities are reduced by lease payments net of imputed interest.

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares, stock options and warrants are recognized as a deduction from equity, net of any tax effects.

Share-Based Payments

The grant date fair value of share-based payment awards granted to employees and consultants is recognized as an expense, with a corresponding increase in contributed surplus, over the period that the employee or consultant unconditionally becomes entitled to the awards. The fair value of stock options is determined using the Black Scholes option pricing model. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service performance conditions at the vesting date.

When share-based payment awards are exercised, the proceeds, together with the amount originally recorded in contributed surplus, are recorded in share capital.

Finance Costs

Finance costs are comprised of interest expense on bank indebtedness, loans payable, finance lease liabilities, due to corporate shareholder and due to related party. Borrowing costs that are not directly attributable to the acquisition of a qualifying asset or liability are recognized in profit or loss using the effective interest method.

Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

The Company records an income tax asset or liability by calculating the amounts expected to be recovered from, or paid to, the taxation authorities. Current taxes are based on taxable income for the period which may differ from the income which has been reported on the consolidated statement of income and comprehensive income and the consolidated statement of changes in equity due to the treatment of certain amounts for tax purposes. Enacted or substantively enacted tax rates were used to compute current taxes. Subsequent changes in taxes arising from a change in tax rates will be recognized in the period in which the change is effective.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Deferred tax assets and liabilities, when presented, reflect temporary differences between the accounting and tax basis of an asset and liability, or both. The deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is only recognized to the extent that it is probable that the future tax benefit will be realized.

Operating Leases

Operating lease payments are recognized as an expense on a straight-line basis unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis.

Foreign Currency Translation

Transactions denominated in a foreign currency have been translated at the rate of exchange in effect on the date of the transaction. Monetary items included in the balance sheet have been translated at the rate of exchange in effect as at the balance sheet date. Gains and losses on translations of foreign currencies are included in income.

Financial Instruments

All of the Company's financial assets are non-derivative and classified as loans and receivables. All of the Company's financial liabilities are non-derivative and classified as other liabilities and measured at amortized cost. Financial instruments measured at amortized cost are initially recognized at fair value, plus adjustments for transaction costs, and then subsequently at amortized cost using the effective interest rate method with gains and losses recorded as a charge against earnings. Transaction costs related to financial assets measured at fair value through the consolidated statement of comprehensive income are expensed as incurred.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset and that the estimated future cash flow of that asset can be estimated reliably. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the consolidated statement of comprehensive income and reflected in an allowance account against accounts receivable. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Earnings Per Share

The Company presents basic and diluted earnings per share data for its common shares. Basic earnings per share is calculated by dividing the income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the income or loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all potentially dilutive common shares.

Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Chief Executive Officer ("CEO") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Sales between the Company's segments are measured at the exchange amount. Transactions, other than sales, are measured at carrying value. Segment capital expenditure is the total cost incurred during the period to acquire equipment including those acquired by way of finance lease.

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 consolidated 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.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

year ended December 31, 2015 (in Canadian dollars)

3. 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
Year ended December 31, 2015					
Revenue - external	70,675,233	39,574,116	-	-	110,249,349
Revenue - internal	874,957	-	-	(874,957)	-
Total revenue	71,550,190	39,574,116	-	(874,957)	110,249,349
Depreciation	7,235,627	-	-	-	7,235,627
Finance costs	1,408,400	-	-	-	1,408,400
Finance income	(166,734)	-	-	-	(166,734)
Income before income taxes	1,705,230	5,113,513	(4,194,769)	-	2,623,974
Income taxes (recoveries)	562,016	1,371,592	(504,687)	-	1,428,921
Capital expenditures	55,779,927	-	-	-	55,779,927
Goodwill acquisitions	1,817,314	-	-	-	1,817,314
Year ended December 31, 2014					
Revenue - external	42,768,635	28,968,827	-	-	71,737,462
Revenue - internal	442,076	-	-	(442,076)	-
Total revenue	43,210,711	28,968,827	-	(442,076)	71,737,462
Depreciation	2,701,893	39,580	-	-	2,741,473
Finance costs	739,725	-	-	-	739,725
Finance income	(85,420)	-	-	-	(85,420)
Income before income taxes	1,475,990	2,385,442	(990,241)	-	2,871,191
Income taxes (recoveries)	529,021	632,142	(262,414)	-	898,749
Capital expenditures	11,621,918	-	-	-	11,621,918
Goodwill acquisitions	525,601	-	-	-	525,601

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.

	2015	2014
Canada	73,133,257	42,702,566
United States	37,116,092	29,034,896
	110,249,349	71,737,462

year ended December 31, 2015 (in Canadian dollars)

4. BUSINESS COMBINATIONS

Consistent with the Company's growth strategy and to gain more distribution channels in the transportation industry, the Company acquired two companies during the year ended December 31, 2015.

On March 1, 2015, the Company acquired all of the outstanding shares of Muskoka Transport Limited ("MTL"), an asset-based transportation and logistics company based in Bracebridge, as well as the land and building from which the company operated. The acquisition allowed the Company to expand its flatbed division and take advantage of customer synergies.

The amount of revenue and net income MTL contributed during the year ended December 31, 2015 cannot be practically determined because of the rapid integration of MTL's operations with the Company's trucking division.

On December 1, 2015, the Company acquired all of the outstanding shares of 618717 Ontario Inc., which holds all of the outstanding shares of 682439 Ontario Inc. (o/a ProNorth Transportation) ("PNT"). The acquisition allowed the Company to expand its distribution network in northern Ontario and its customer base.

From the date of acquisition, PNT contributed revenue of $1,544,390 and a net loss of $250,171. If the company were acquired January 1, 2015, the company would have contributed revenue of $21,801,838 and a net loss of $505,121.

All goodwill arising from the above business combinations represents expected synergies from combining operations of these entities with the Company and has been allocated to the truck transportation segment, which represents the lowest level at which goodwill is monitored internally. No portion of goodwill acquired is deductible for tax purposes.

Trade and other receivables acquired include gross contractual amounts and amounts expected to be uncollectible at the acquisition dates as follows:

	MTL	PNT	2015	2014
Gross contractual amount	844,123	2,414,115	3,258,238	1,994,381
Uncollectible at the acquisition date	(46,991)	(165,805)	(212,796)	(19,650)
	797,132	2,248,310	3,045,442	1,974,731

Transaction costs of $269,516 have been expensed as other operating expenses on the consolidated statement of comprehensive income in relation to these acquisitions.

year ended December 31, 2015 (in Canadian dollars)

4. BUSINESS COMBINATIONS - continued

As of the reporting date, the Company has completed the purchase price allocation for MTL. In connection with the PNT purchase, the Company has initiated proceedings under the PNT purchase agreement to address various claims the Company has against the vendor. At the reporting date, management cannot provide a practicable estimate of the financial effect that will result from such proceedings. As a result, the Company has not completed the purchase price allocation over the identifiable net assets and goodwill of PNT as the Company is in the process of confirming the fair value of certain assets and liabilities and has not finalized the purchase price. The table below presents the purchase price allocation based on the best available information to the Company to date.

	MTL	PNT	2015	2014
Cash	-	-	-	55,426
Trade and other receivables	877,667	2,252,369	3,130,036	1,974,731
Prepaid expenses and deposits	690,037	518,212	1,208,249	207,901
Property and equipment	13,244,900	12,375,845	25,620,745	1,746,914
Deferred tax asset	-	-	-	75,944
Customer lists	-	850,000	850,000	-
Bank indebtedness	(365,451)	(3,919)	(369,370)	(1,125,543)
Demand loans	(914,580)	-	(914,580)	-
Trade and other payables	(2,959,999)	(2,264,786)	(5,224,785)	(581,024)
Current taxes payable	-	(139,388)	(139,388)	-
Loans payable	(942,363)	(761,968)	(1,704,331)	(138,204)
Finance lease liabilities	(5,413,299)	(1,035,496)	(6,448,795)	(593,038)
Due to related parties	-	-	-	(793,394)
Deferred tax liabilities	(1,074,004)	(2,006,742)	(3,080,746)	-
Total identifiable net assets	3,142,908	9,784,127	12,927,035	829,713
Total consideration	3,300,000	11,444,349	14,744,349	1,355,314
Goodwill	157,092	1,660,222	1,817,314	525,601
Cash	1,600,000	5,550,000	7,150,000	955,314
Issuance of shares	900,000	4,550,000	5,450,000	400,000
Loan payable	800,000	1,344,349	2,144,349	-
Total consideration transferred	3,300,000	11,444,349	14,744,349	1,355,314

As market prices for shares issued as part of the acquisition of MTL were not available at the time of acquisition, the fair value of the equity instruments issued was based on an arm's length transaction between knowledgeable, willing parties. The valuation was consistent with the price of subscription receipts that the Company issued as part of its non-brokered private placement completed on December 19, 2014. All relevant factors and knowledge of the Company and industry at the time of acquisition were considered when making assumptions as part of the valuation of these shares.

year ended December 31, 2015 (in Canadian dollars)

4. BUSINESS COMBINATIONS - continued

During the year ended December 31, 2014, the Company acquired two businesses.

On July 1, 2014, the Company acquired all of the outstanding shares of Wm. H. Cain Agency Limited ("Cain"), a company in the transportation industry. The acquisition allowed the Company to gain a multinational customer and expand its warehousing capacity and customer base.

On October 1, 2014, the Company acquired all of the outstanding shares of Georgian Bay Transport Inc. ("GBT"). The acquisition allowed the Company to further grow within the Midland area and expand its customer base and fleet.

5. CASH

	2015	2014
Cash	788,909	350,763
Restricted cash	-	5,632,165
	788,909	5,982,928

6. TRADE AND OTHER RECEIVABLES

	2015	2014
Trade receivables	15,441,924	14,043,052
Other receivables	1,325,771	750,036
	16,767,695	14,793,088

The Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in note 21.

7. FINANCE LEASE RECEIVABLES

Finance lease receivables pertain to equipment leasing contracts provided to the Company's independent contractors. These contracts bear interest ranging from 0% to 6.55% and are secured by the underlying equipment. There were no impairment factors affecting finance lease receivables noted for the year. For more information on the Company's exposure to interest rate and liquidity risk, see note 21. Finance lease receivables are collectable as follows:

	Less than 1 Year	1 to 5 Years	2015	2014
Future minimum lease payments receivable	1,447,244	2,730,507	4,177,751	1,594,233
Unearned finance income	(113,428)	(298,594)	(412,022)	(168,809)
	1,333,816	2,431,913	3,765,729	1,425,424
Current portion			1,333,816	504,052
			2,431,913	921,372

year ended December 31, 2015 (in Canadian dollars)

8. PROPERTY AND EQUIPMENT

	Land and Buildings	Furniture and Equipment	Rolling Stock	Total
Cost				
Balance at December 31, 2014	406,671	2,169,400	22,751,685	25,327,756
Additions through business combinations	4,435,000	788,045	20,397,700	25,620,745
Other additions	175,538	267,120	29,716,524	30,159,182
Disposals	-	(144,182)	(10,647,502)	(10,791,684)
Balance December 31, 2015	5,017,209	3,080,383	62,218,407	70,315,999
Accumulated depreciation				
Balance at December 31, 2014	4,167	1,364,838	7,392,318	8,761,323
Depreciation	28,419	448,829	6,758,379	7,235,627
Disposals	-	(109,806)	(3,992,912)	(4,102,718)
Balance December 31, 2015	32,586	1,703,861	10,157,785	11,894,232
Net carrying amounts				
December 31, 2015	4,984,623	1,376,522	52,060,622	58,421,767
Cost				
Balance, December 31, 2013	-	1,610,871	16,070,004	17,680,875
Additions through business combinations	-	564,414	1,182,500	1,746,914
Other additions	406,671	201,775	9,266,558	9,875,004
Disposals	-	(207,660)	(3,767,377)	(3,975,037)
Balance, December 31, 2014	406,671	2,169,400	22,751,685	25,327,756
Accumulated depreciation				
Balance, December 31, 2013	-	1,314,258	7,156,337	8,470,595
Depreciation	4,167	253,240	2,484,066	2,741,473
Disposals	-	(202,660)	(2,248,085)	(2,450,745)
Balance, December 31, 2014	4,167	1,364,838	7,392,318	8,761,323
Net carrying amounts				
At December 31, 2014	402,504	804,562	15,359,367	16,566,433

Included in rolling stock are leased assets with a carrying value of $16,944,708 (2014 - $6,141,020). During the year, rolling stock totaling $8,615,938 (2014 - $3,628,918) was acquired by way of finance leases and $17,816,217 (2014 - $5,813,147) was directly financed.

There were no indicators that the carrying value may not be recoverable noted for the year.

year ended December 31, 2015 (in Canadian dollars)

9. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	2015	2014
Finance lease receivables	(862,897)	97,763
Property and equipment	(4,926,494)	(1,084,605)
Finance lease liabilities	802,904	-
Finance costs	399,874	-
Tax losses	90,855	-
Other	35,981	-
	(4,459,777)	(986,842)
Presented as:		
Deferred tax assets	471,434	31,361
Deferred tax liabilities	(4,931,211)	(1,018,203)
	(4,459,777)	(986,842)

	Balance Dec 31, 2014	Recognized in Income or Loss	Recognized Directly in Equity	Acquired in Business Combination	Balance Dec 31, 2015
Finance lease receivables	97,763	(960,660)	-	-	(862,897)
Property and equipment	(1,084,605)	694,699	-	(4,536,588)	(4,926,494)
Finance lease liabilities	-	(236,495)	-	1,039,399	802,904
Finance costs	-	123,729	276,145	-	399,874
Tax losses	-	(325,588)	-	416,443	90,855
Other	-	35,981	-	-	35,981
	(986,842)	(668,334)	276,145	(3,080,746)	(4,459,777)

	Balance Dec 31, 2013	Recognized in Income or Loss	Recognized Directly in Equity	Acquired in Business Combination	Balance Dec 31, 2014
Finance lease receivables	-	97,763	-	-	97,763
Property and equipment	(634,991)	(269,650)	-	(179,964)	(1,084,605)
Finance lease liabilities	-	(27,791)	-	27,791	-
Tax losses	-	(228,117)	-	228,117	-
	(634,991)	(427,795)	-	75,944	(986,842)

10. GOODWILL AND INTANGIBLES

	Goodwill	Customer Lists	Total
Balance December 31, 2013	2,172,910	-	2,172,910
Acquired through business combinations	525,601	-	525,601
Balance December 31, 2014	2,698,511	-	2,698,511
Acquired through business combinations	1,817,314	850,000	2,667,314
Amortization	-	(10,120)	(10,120)
Balance December 31, 2015	4,515,825	839,880	5,355,705

All goodwill has been allocated to the truck transportation segment, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The Company performed its goodwill impairment test as at December 31, 2015 and December 31, 2014 and determined that the recoverable amount of the truck transportation segment exceeded its respective carrying amount.

The recoverable amount was determined using the value in use, which is based on discounted future cash flows. In assessing value in use, a pre-tax discount rate of 10% (2014 - 10%) was used, which was based on the industry average. First year cash flows were projected based on actual operating results and for a further 4-year period, cash flows were extrapolated using an average growth rate of 2% (2014 - 2%). The terminal value was determined using a long-term growth rate of 2% (2014 - 2%).

11. TRADE AND OTHER PAYABLES

	2015	2014
Trade payables	3,192,286	3,034,335
Other payables	3,115,397	2,106,640
	6,307,683	5,140,975

12. LONG-TERM DEBT

The Company's interest-bearing debt is measured at amortized cost and is entirely in Canadian dollars. For more information about the Company's exposure to interest rate and liquidity risk, see note 21. Terms and conditions of outstanding long-term debt are as follows:

	Effective Interest Rate	Year of Maturity	2015 Carrying Amount	2014 Carrying Amount
Bank indebtedness	P+0.75%	N/A	4,203,821	1,471,304
Due to corporate shareholder	P+2.00%	N/A	-	9,000,000
Loans payable	2.95% - 5.80%	2016-2025	24,419,788	7,470,272
Finance lease liabilities	2.56% - 5.58%	2017-2020	13,364,552	4,721,617
			41,988,161	22,663,193
Current portion			16,059,910	14,449,405
			25,928,251	8,213,788

year ended December 31, 2015 (in Canadian dollars)

12. LONG-TERM DEBT - continued

During the year, a credit facility was provided to the Company by a Schedule II bank and replaced financing previously provided by the Company's corporate shareholder.

The Company has available to it a $41.4 million credit facility by way of the following:

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

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

c) US$5 million (face value) foreign exchange forward contract facility

d) CDN$16.4 million finance lease loan facility

This credit facility is secured by the following:

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

(ii) Corporate unlimited guarantee from the Company and each subsidiary of TTGHL; and

(iii) General Security Agreement providing a first charge over all the assets of the Company and each subsidiary of TTGHL but excluding subsidiaries that only hold real estate.

Based on the Company's financial ratios, interest rates vary between 75 and 150 basis points over the bank's prime rate on the revolving demand operating facility and between 175 and 250 basis point on the non-revolving acquisition loan. The Company is subject to certain covenants regarding the maintenance of financial ratios and was in compliance with these covenants as of December 31, 2015.

Loans payable include vendor take back loans issued as part of the purchase of real estate and secured by the underlying property. These loans have a contractual interest rate of 0% and were discounted using imputed interest rates ranging from 3.48% to 4.5%. The face value and carrying value of these loans as of December 31, 2015 was $3,174,000 and $2,676,274, respectively. All other loans payable pertain to the purchase of rolling stock and are secured by rolling stock with a carrying value of $24,348,742 (2014 - $7,065,196).

Finance lease liabilities are secured by rolling stock with a carrying value of $16,944,708 (2014 - $8,586,700).

Loans payable and finance lease liabilities are payable as follows:

	Less than 1 Year	**1 to 5 Years**	**More than 5 Years**	**Total**
Future minimum lease payments on finance lease liabilities	4,580,404	9,653,836	-	14,234,240
Interest	(432,984)	(436,704)	-	(869,688)
	4,147,420	9,217,132	-	13,364,552
Principal repayments on loans payable	7,708,669	15,400,363	1,310,756	24,419,788
	11,856,089	24,617,495	1,310,756	37,784,340

year ended December 31, 2015 (in Canadian dollars)

13. DUE TO RELATED PARTY

The due to related party balance is due to a company controlled by a non-controlling shareholder, non-interest bearing and due September 2016.

14. SHARE CAPITAL

Authorized

Unlimited number of common shares with no par value

	Shares #	Amount $
Issued		
Balance December 31, 2013	10,763,359	1,680,000
Shares issued on acquisition of Cain	264,673	400,000
Balance December 31, 2014	11,028,032	2,080,000
Shares issued on acquisition of MTL	280,374	900,000
Share subdivision	12,891,595	-
Shares issued/assumed on RTO	1,599,989	2,399,984
Shares issued through private placements	8,611,812	14,545,973
Shares issued on exercise of warrants	106,000	304,220
Shares issued on acquisition of PNT	1,750,000	4,535,787
Balance December 31, 2015	36,267,802	24,765,964

On July 1, 2014, TTGHL purchased Cain for cash and 264,673 newly issued common shares with a stated amount of $400,000.

On March 1, 2015, TTGHL acquired MTL for cash and 280,374 newly issued common shares with a stated capital amount of $900,000.

On March 31, 2015, TTGHL subdivided its common shares at a ratio of approximately 2.14 post-subdivision shares for each pre-subdivision share.

Also on April 1, 2015, the Company issued 4,488,098 common shares at a price of $1.50 per share as part of a private placement that was completed on December 19, 2014. Gross cash proceeds of $5,632,165 were considered as restricted cash on the statement of financial position on December 31, 2014. Net proceeds, following deductions for the value of warrants issued as part of this transaction and share issuance costs of $101,704, were $4,953,357.

On April 1, 2015, the Company acquired 100% of the common shares of TTGHL by way of a “three-cornered” amalgamation under the provisions of the *Canada Business Corporations Act*, pursuant to which TTGHL, 9050400 Canada Inc. ("CanCo") and 9105352 Canada Inc., a wholly-owned subsidiary of the Company, amalgamated and continued as a wholly-owned subsidiary of the Company ("Reverse takeover" or "RTO"). As part of the amalgamation, previous shareholders of TTGHL were issued shares of TTGI on a one for one basis, and as a result, effectively acquired control of CanCo and TTGI. As a result, TTGHL is being identified as the acquirer of TTGI and CanCo and the results of both TTGI and CanCo are reflected only since the date of acquisition. Immediately following the RTO, the Company changed its name from "Northeastern Group Inc." to "Titanium Transportation Group Inc."

year ended December 31, 2015 (in Canadian dollars)

14. SHARE CAPITAL - continued

Both TTGI and CanCo were not considered businesses for the purposes of IFRS 3, Business Combinations, and accordingly the transaction was accounted for as an acquisition of assets under IFRS 2, Share-Based Payment. In accordance with IFRS 2, all of the outstanding common shares of TTGI were acquired by TTGHL in exchange for 133,322 common shares valued at $1.50 per share and all of the outstanding common shares of CanCo were acquired by TTGHL in exchange for 1,466,667 common shares valued at $1.50 per share. The excess of the fair value of identifiable assets and liabilities acquired over share consideration issued is considered to be a payment for a service of a stock exchange listing for its shares and has been included in Reverse takeover costs on the consolidated statement of comprehensive income. TTGHL has completed the purchase price allocation over the identifiable net assets of TTGI and CanCo and has determined that the fair value of net assets acquired and the resulting Reverse takeover cost incurred are as follows:

	TTGI	CanCo	Total
Cash	-	305,152	305,152
Trade and other receivables	5,934	-	5,934
Trade and other payables	(20,802)	-	(20,802)
Total identifiable net assets acquired	(14,868)	305,152	290,284
Total share consideration	199,983	2,200,001	2,399,984
Reverse takeover cost	214,851	1,894,849	2,109,700

As market prices for shares issued as part of the RTO were not available at the time of acquisition, the fair value of the equity instruments issued was based on an arm's length transaction between knowledgeable, willing parties. The valuation was consistent with the price of subscription receipts that TTGHL issued as part of a non-brokered private placement that was completed on December 19, 2014. All relevant factors and knowledge of TTGHL and its industry at the time of acquisition were considered when making assumptions as part of the valuation of these shares.

On July 7, 2015, the Company issued 4,036,500 common shares at a price of $2.85 per share pursuant to a bought deal private placement that was completed on that day. The shares were subject to a hold period that expired on November 8, 2015. Net proceeds, following deductions for the value of half warrants issued as part of this transaction and share issuance costs of $649,994, were $9,348,416.

On July 8, 2015, the Company issued 87,214 common shares at a price of $2.80 per share pursuant to a non-brokered private placement that was offered to employees and independent owner operators of MTL. The shares are subject to a contractual restriction on transfer whereby half of the shares cannot be sold or transferred until six months following the issue date and the other half cannot be sold or transferred until one year following the issue date. Net proceeds were $244,200.

During the year, 106,000 common shares were issued on exercise of warrants that were issued on April 1, 2015 at a price of $2.50 per share.

On December 1, 2015, the Company purchased PNT for cash and 1,750,000 newly issued common shares with a stated amount of $4,550,000. Share issuance costs of $14,213 were deducted from this amount.

year ended December 31, 2015 (in Canadian dollars)

14. SHARE CAPITAL - continued

The weighted average number of common shares outstanding reflect the subdivision that took place on March 31, 2015 and has been calculated as follows:

	2015	2014
Issued common shares, beginning	23,600,000	23,033,600
Effect of issued shares	7,316,965	283,200
Weighted average number of common shares	30,916,965	23,316,800
Dilutive effect of stock options and warrants	522,550	-
Weighted average number of diluted common shares	31,439,515	23,316,800

15. CONTRIBUTED SURPLUS

On April 1, 2015, 4,532,665 warrants were issued as part of the Company's non-brokered private placement that was completed on December 19, 2014. Each warrant entitles the holder to acquire a common share of the Company at an exercise price of $2.50 per share until April 13, 2018. The warrants will be subject to expiry after 30 days if the volume weighted average price of the Company's common shares is no less than $3.00 per common share (subject to customary adjustments) for 20 consecutive trading days. The value of each warrant has been estimated at $0.37 resulting in a total estimated fair value of $1,677,086. The value of the warrants has been deducted from share capital and added to contributed surplus. During the year, 106,000 warrants were exercised, which resulted in a decrease to contributed surplus of $39,220.

On July 7, 2015, 2,018,250 warrants were issued pursuant to the Company's bought deal private placement that was completed on that day. The warrants, which expire after 24 months, entitle the holder to acquire a common share of the Company at an exercise price of $3.50 per common share. The value of each warrant has been estimated at $0.746 resulting in a total estimated fair value of $1,505,615. The value of the warrants has been deducted from share capital and added to contributed surplus.

The total number of warrants outstanding as of December 31, 2015 was 6,444,915.

In addition, 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. The Company issued 1,240,000 stock options on April 1, 2015 to various directors, employees and consultants, of which 200,000 vested immediately or during the year and are exercisable at the reporting date. Each stock option entitles the holder to acquire a common share of the Company at an exercise price of $1.50 per common share. Of the non-vested stock options, 250,000 vest in under three years, 395,000 after three years and 395,000 after six years from the date of issuance. The majority of stock options expire on April 1, 2025, although 250,000 expire April 1, 2020. No stock options expired or were exercised or forfeited during the reporting period. Of the 1,240,000 stock options issued and outstanding as of December 31, 2015, 600,000 are held by key management personnel. During the year, the Company recognized an expense of $248,286 relating to stock options with a corresponding increase to contributed surplus.

year ended December 31, 2015 (in Canadian dollars)

15. CONTRIBUTED SURPLUS - continued

On February 22, 2016, the Company issued 425,000 stock options to various employees, of which 75,000 was to key management personnel. Each option entitles the holder to acquire a common share of the Company at an exercise price of $2.85 per common share. Half of the stock options vest three years from the date of issuance and the other half six years from the date of issuance. These options expire on February 22, 2026.

The estimated fair value of warrants and stock options was calculated using the Black-Scholes option pricing model with the following assumptions: i) the expected life of each warrant is 2.5 years and each stock option is between 2.5 and 8.5 years; ii) the risk free rate is between 0.5% and 1.15%; iii) the dividend yield will be $NIL; and iv) expected volatility is 65%. Volatility was determined using the Company's trading data from the first day of trading to December 31, 2015. 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.

16. 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:

	2015	**2014**
Sales	3,653,908	1,029,056
Cost of sales	(3,413,498)	(973,796)
	240,410	55,260

b) Of total reverse takeover costs, $2,109,700 was non-monetary in nature and not deductible for tax purposes. Refer to note 14 for more detail.

c) Certain rolling stock was purchased during the year by way of finance leases and direct vendor financing. Refer to note 8 for more detail.

year ended December 31, 2015 (in Canadian dollars)

17. RELATED PARTY TRANSACTIONS

During the year, 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.

	2015	2014
Provided truck transportation services to Vision Extrusions Group Limited, Vision Ecoproducts Limited and Sunview Patio Doors Ltd., companies under common control	3,398,837	3,181,905
Paid rent for premises to Vaughan West II Limited and Vision Ecoproducts Limited, paid rent for yard to Roybridge Holdings Limited, all companies under common control	(416,619)	(400,451)
Paid interest to 1525359 Ontario Limited, a company controlled by an individual related to the individual who controls Trunkeast	-	(52,800)
Paid interest to Trunkeast	(94,514)	(259,018)
Paid management fees to Trunkeast	(60,000)	(86,400)
	2,827,704	2,383,236

Included in trade and other receivables as at December 31, 2015 is a total of $329,790 (2014 - $333,406) due from these related companies.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

18. WAGES AND CASUAL LABOUR

Included in wages and casual labour are the following:

	2015	2014
Share-based compensation expense	142,455	-
Employee benefits	370,681	170,360
Key management personnel:		
Salaries and benefits	936,440	780,596
Share-based compensation expense	127,650	-

year ended December 31, 2015 (in Canadian dollars)

19. INCOME TAXES

	2015	2014
Current tax expense	760,587	470,954
Deferred tax expense		
Temporary differences	289,397	199,678
Tax losses	325,588	228,117
Adjustment for prior years	89,648	-
Other	(36,299)	-
	668,334	427,795
Income taxes reported	1,428,921	898,749

The Company's income tax expense as presented differs from the amount that would be computed by applying the combined Canadian federal and provincial statutory income tax rate as a result of the following:

	2015	2014
Income before income taxes	2,623,974	2,871,191
Statutory income tax rate	26.50%	26.50%
Income tax provision based on statutory income tax rate	695,353	760,866
Increase (decrease) in income taxes resulting from:		
Non-deductible items	647,284	137,883
Adjustment for prior years	66,879	-
Other	19,405	-
Income taxes reported	1,428,921	898,749

20. 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	1,760,788
Between one and five years	1,759,297

Operating leases that were charged to income during the year totaled $2,379,200 (2014 - $1,897,418).

In addition, the Company is committed to pay $5,000 a month to Trunkeast in management fees until May 2017, of which $60,000 will be paid within one year.

b) As at December 31, 2015, the Company had committed to purchasing rolling stock and equipment for $12,921,824 during 2016.

year ended December 31, 2015 (in Canadian dollars)

20. COMMITMENTS AND CONTINGENCIES - continued

c) The Company has committed to a lease with Caledon First Investments Limited, a company under common control, for approximately 71,500 square feet of gross floor area and 8 acres of yard space. Annual rent will start at $1,675,625 and increase to $2,413,123 over a 15 year period commencing October 1, 2016. As of December 31, 2015, the Company has a security deposit of $847,196 with Caledon First Investments Limited, a portion of which is by way of letter of credit for $665,843.

d) 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.

21. FINANCIAL INSTRUMENTS

Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework but has delegated to management the responsibility for monitoring and managing the risks that the Company faces. The Company manages its exposure to the risks associated with financial instruments that have the potential to affect its operating and financial performance in accordance with the risk management policy of the Company's management. The Company's risk management policies are established to identify and analyse the risks faced by the Company to set appropriate risk limits and controls and to monitor risks and adherence to market conditions in relation to the Company's activities. Financial instruments present a number of specific risks as identified below:

Fair Value of Financial Assets and Financial Liabilities

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The fair values of cash, trade and other receivables, bank indebtedness and trade and other payables approximate their fair values due to their nature or capacity for prompt liquidation.

The fair values of all other financial assets and liabilities are as follows:

	2015		2014	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Finance lease receivables	3,765,729	3,826,746	1,425,424	1,453,310
Loans payable	(24,419,788)	(24,669,446)	(7,470,272)	(7,498,837)
Finance lease liabilities	(13,364,552)	(13,545,787)	(4,721,617)	(4,759,787)
Due to corporate shareholder	-	-	(9,000,000)	(9,032,284)
Due to related parties	(200,000)	(194,976)	(450,000)	(431,885)
	(34,218,611)	(34,583,463)	(20,216,465)	(20,269,483)

year ended December 31, 2015 (in Canadian dollars)

21. FINANCIAL INSTRUMENTS - continued

Valuation techniques used to measure fair value are required to maximize the use of observable inputs and minimize the use of unobservable inputs. Level 2 valuation methods have been used to determine fair values. Level 1 uses quoted prices in active markets for identical assets or liabilities. Level 2 uses inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Interest rates used to discount estimated cash flows are based on the rates at which the Company is able to access credit at the reporting dates plus an adequate credit spread and were as follows:

	2015	2014
Finance lease receivables	5.00 %	6.00 %
Loans payable	3.00 %	4.00 %
Finance lease liabilities	3.00 %	4.00 %
Due to corporate shareholder	N/A	3.60 %
Due to related parties	3.45 %	3.60 %

A 1% increase in interest rates for all other financial assets and liabilities would have the following effect:

	2015	2014
Finance lease receivables	3,762,450	1,431,648
Loans payable	(24,205,994)	(7,384,261)
Finance lease liabilities	(13,363,392)	(4,690,002)
Due to corporate shareholder	-	(9,010,619)
Due to related parties	(193,575)	(427,118)
	(34,000,511)	(20,080,352)

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. The Company does not have a significant exposure to any individual customer or counterpart.

The Company does not have any collateral security on its outstanding trade and other receivables. Finance lease receivables are secured by the respective equipment being leased. In determining the amount of provision for trade and other receivables as well as finance lease receivables, management considers historical trends and the financial health of individual customers/drivers. No provision was established for finance lease receivables as historically the amount of collateral has been sufficient to offset any amounts receivable. No provision was established for other receivables.

year ended December 31, 2015 (in Canadian dollars)

21. FINANCIAL INSTRUMENTS - continued

The movement in the provision for trade receivables during the respective year was as follows:

	2015	2014
Balance, beginning of year	501,000	231,000
Bad debt expenses	347,221	271,759
Provision acquired	212,796	19,650
Amount written off and recoveries	(294,212)	(21,409)
Balance, end of year	766,805	501,000

The aging of trade receivables at the reporting date was as follows:

			2015
	Gross	Impairment	Carrying Value
Not past due	8,265,418	-	8,265,418
Past due 0-30 days	4,270,103	-	4,270,103
Past due 31-60 days	1,212,040	-	1,212,040
Past due more than 60 days	2,461,168	766,805	1,694,363
	16,208,729	766,805	15,441,924

			2014
	Gross	Impairment	Carrying Value
Not past due	5,021,224	-	5,021,224
Past due 0-30 days	4,811,937	-	4,811,937
Past due 31-60 days	2,053,565	-	2,053,565
Past due more than 60 days	2,657,326	501,000	2,156,326
	14,544,052	501,000	14,043,052

Liquidity Risk

Liquidity risk is the risk that the Company cannot settle its obligations as they come due. The Company's exposure to liquidity risk is minimal as management maintains sufficient levels of liquid assets to meet its continuing obligations. The Company manages liquidity risk by monitoring cash balances on a daily basis. The current assets reflected on the statement of financial position are highly liquid as they are comprised primarily of cash as well as trade and other receivables. Trade and other receivables are normally settled within a few months.

year ended December 31, 2015 (in Canadian dollars)

21. FINANCIAL INSTRUMENTS - continued

The following summarises contractual cash flows pertaining to financial liabilities, including estimated interest payments.

	Carrying Amount	Contractual Cash-Flows	Less than 1 Year	1 to 2 Years	2 to 5 Years	More than 5 Years
December 31, 2015						
Bank indebtedness	4,203,821	4,203,821	4,203,821	-	-	-
Trade and other payables	6,307,683	6,307,683	6,307,683	-	-	-
Loans payable	24,419,788	26,186,216	8,391,320	6,224,859	10,145,037	1,425,000
Finance lease liabilities	13,364,552	14,234,240	4,580,404	4,894,080	4,759,756	-
Due to related parties	200,000	200,000	200,000	-	-	-
	48,495,844	51,131,960	23,683,228	11,118,939	14,904,793	1,425,000
Other liabilities requiring the use of cash:						
Current taxes payable	324,024	324,024	324,024	-	-	-
	48,819,868	51,455,984	24,007,252	11,118,939	14,904,793	1,425,000
December 31, 2014						
Bank indebtedness	1,471,304	1,471,304	1,471,304	-	-	-
Trade and other payables	5,140,975	5,140,975	5,140,975	-	-	-
Loans payable	7,470,272	7,995,464	2,731,391	2,347,195	2,916,878	-
Finance lease liabilities	4,721,617	5,051,282	1,673,865	1,667,218	1,710,199	-
Due to corporate shareholder	9,000,000	9,112,500	9,112,500	-	-	-
Due to related parties	450,000	450,000	250,000	200,000	-	-
Private placement funds held in trust	5,632,165	5,632,165	5,632,165	-	-	-
	33,886,333	34,853,690	26,012,200	4,214,413	4,627,077	-
Other liabilities requiring the use of cash:						
Current taxes payable	414,037	414,037	414,037	-	-	-
	34,300,370	35,267,727	26,426,237	4,214,413	4,627,077	-

21. FINANCIAL INSTRUMENTS - continued

Market Risk

Market risk refers to the risk that a change in one or more general market conditions will result in losses. The Company is exposed to interest rate risk and foreign exchange risk and manages these risks by daily monitoring of its financial instruments. The Company is not exposed to other price risk as it does not hold any assets or liabilities at fair value.

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will have a negative affect on the value of financial instruments. The Company is exposed to interest rate cash flow risk on certain debts bearing interest at a floating rate and interest rate price risk on certain debts bearing interest at a fixed rate.

The interest rate profile of the Company's carrying amount of interest-bearing financial instruments was as follows:

	2015	2014
Net fixed rate financial instruments	(34,218,611)	(11,216,465)
Net variable rate financial instruments	(4,203,821)	(10,471,304)
	(38,422,432)	(21,687,769)

Finance costs consist entirely of interest paid on financial instruments. As all of the Company's financial instruments bearing interest at a fixed rate are measured at amortized cost, a change in interest rates would not affect the Company's earnings.

A 1% change in interest rates on variable rate instruments at the reporting date would have increased or decreased equity and net income and comprehensive income by $56,059 (2014 - $51,804). This analysis assumes that all other variables are held constant. The analysis is performed on the same basis for all periods presented.

(ii) Foreign exchange 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.

	2015	2014
Cash	43,970	-
Accounts receivable	3,108,649	3,864,198
Bank indebtedness	548,265	(30,143)
Accounts payable	(532,913)	(459,197)
	3,167,971	3,374,858

year ended December 31, 2015 (in Canadian dollars)

21. FINANCIAL INSTRUMENTS - continued

Average USD	1.2782	1.1047
Closing USD	1.3840	1.1601

As at December 31, 2015, had the foreign exchange rate between the US dollar and the Canadian dollar changed by 5-cents, with all other variables held constant, the increase or decrease in net income before income taxes would have amounted to approximately $158,399 (2014 - $168,743). In practice, the actual results may differ from this sensitivity analysis and the difference may be material.

There has been no significant changes in risk exposures during the year.

22. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to ensure the Company's ability to continue as a going concern, to maintain compliance with financial covenants and to provide adequate returns to shareholders on a long-term basis. Management defines capital as the aggregate of its equity, which is comprised of share capital, contributed surplus and retained earnings.

The Company manages its capital structure and makes adjustments in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company may sell property and equipment, repay long-term debt or issue shares. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisition or other major investments or divestitures, as well as annual capital and and operating budgets.

The Company monitors capital on the basis of its debt-to-equity ratio. The debt-to-equity ratio is calculated as long-term debt divided by shareholders' equity. The Company's strategy is to consider the issue of new equity once its debt-to-equity ratio has surpassed a certain threshold. The Company's debt-to-equity ratios are as follows:

	2015	**2014**
Long-term debt	41,988,161	22,663,193
Shareholders' equity	34,021,470	6,748,686
	1.2	3.4

The Company's credit facility agreement requires that the Company maintain a debt-to-equity ratio below a maximum threshold. The Company was in compliance with its financial covenants as of December 31, 2015. The Company changed its approach to capital management after securing arm's length financing during the year.

23. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the presentation adopted for the current year as follows:

i) The Company adopted the indirect method of presenting cash flows from operating activities on its consolidated statements of cash flows, in order to highlight changes in working capital.

ii) The consolidated statement of cash flows for the year ended December 31, 2014 was reclassified to present bank indebtedness as a financing activity rather than a component of cash and cash equivalents. This presentation was adopted to reflect the change in the Company's financing structure during the year.

ii) The consolidated statements of comprehensive income have been reclassified to break out the fuel surcharge component of revenue, in order to provide more information on the composition of revenue.

iii) The consolidated statement of comprehensive income for the year ended December 31, 2014 has been reclassified to break out reverse takeover costs from other operating expenses in order to be consistent with the presentation adopted for the current year.