Titanium Transportation Group Inc.

Management's Discussion and Analysis

For the fourth quarter and year ended
December 31, 2016

Dated March 21, 2017

GENERAL INFORMATION

The following is Titanium Transportation Group Inc.'s management discussion and analysis dated March 21, 2017 ("MD&A"), which provides a comparative overview of the Company's performance for its three month and year ended December 31, 2016 with the corresponding three month and and year ended December 31, 2015, and it reviews the Company's financial position as at December 31, 2016. Throughout this MD&A, the term "Company" shall mean Titanium Transportation Group Inc. and all of its direct and indirect wholly-owned subsidiaries. This discussion should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes ("consolidated financial statements") as at and for the year ended December 31, 2016.

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, 2016 were approved by its Board of Directors on March 21, 2017. Readers are cautioned that certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumption prove incorrect, actual results may vary significantly from those expected. See "Forward Looking Statements" and "Risks and Uncertainties".

Unless otherwise indicated, the information in this report is dated as of March 21, 2017. 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 an asset-based transportation and logistics company servicing Canada and the United States with operations based in Bolton, Ontario, with terminals in Bolton, Bracebridge, North Bay, Windsor and Napanee, Ontario and additional parking/switch yards in Sudbury, Orillia, Brantford, Brockville and Trenton, Ontario. The Company has over 1,000 customers across various industries, including large multinational corporations.

The Truck Transportation segment provides transport of general merchandise by long-haul, dedicated and local trucking services throughout Canada and the U.S. Transportation and is done with a variety of trailer types, including 53’ dry vans, flatbeds, and heat and hazmat services. Through the use of a modern fleet, the Truck Transportation segment provides reliable and timely service to various customers, attains a high asset utilization through its network of terminals and yards across Ontario, and achieves revenue growth and cost efficiencies through the integration of regular acquisitions.

The Logistics segment is a non-asset-based broker that provides ancillary transportation services, such as third-party logistics services and freight forwarding across all of North America. Through its network, the Logistics segment offers customers transportation services, intermodal service, international shipping, specialty services, and emergency expedited services. The Logistics segment succeeds due to the extensive experience and expertise of the Company's dedicated personnel, up to date and innovative information technology infrastructure, and dependable third-party providers.

In June 2016, the Company purchased a terminal and transportation assets located in Windsor, Ontario (the "Windsor Terminal"). The Windsor Terminal contributed approximately $1.5 million in revenue in 2016. In addition, the Windsor Terminal is expected to permit significant future growth for the Company at Canada's largest land border crossing, once Electronic Logging Devices ("ELDs") become mandatory in the United States in late 2017 and once the anticipated construction of the international bridge between Detroit and Windsor is completed.

During 2016, the Company completed its move into its new 71,500 square foot head office located in Bolton, Ontario. This new location includes an integrated eight acre yard, doubles the office space of the previous location and has a larger warehousing facility, an expanded driver lounge and a third party mechanical shop. The Company also consolidated five terminals into this new location. As of December 31, 2016 the Company had 388 power units, 1,426 trailers, and 475 independent owner operators and full-time employees.

The Company's results of operations are influenced by industry-wide economic factors and by capital allocation, operating and spending decisions. Industry-wide economic factors which impact the Company's decisions include freight demand, trucking capacity, fuel prices, unemployment rates and government regulation. The Company makes key decisions in the allocation of capital between its Truck Transportation and Logistics segments, hiring and compensation of employees and independent contractors, investing in new equipment and technology and business acquisitions. Operating and spending decisions are made after analysis of numerous important financial and operational metrics including EBITDA[1] and operating income, revenue generated per truck and per mile, empty miles, driver retention and fuel efficiency.

Revenue (including fuel surcharge) was $28.6 million and $116.6 million, respectively, for the three month period and year ended December 31, 2016, and EBITDA was $3.1 million and $11.9 million. Both revenue and EBITDA increased relative to the same periods in 2015 and this growth was driven by the Truck Transportation segment.

Truck Transportation revenue and EBITDA saw increases of 8.6% and 42.9%, respectively, for the three month period ended December 31, 2016, and 17.4% and 33.4%, respectively, for the year ended December 31, 2016 over the same periods in 2015. This growth was supported by the acquisition of Muskoka Transport Limited and ProNorth Transportation during 2015, as well as the Windsor Terminal in 2016. In addition, investment in new equipment was the primary contributor towards EBITDA margin increases from 12.3% to 16.0%, for the fourth quarter, and increases from 13.8 % to 15.5 % for the year ended December 31, 2016.

The Logistics segment experienced an increase in revenue of 5.2% for the three month period ended December 31, 2016 when compared to the three month period ended December 31, 2015, due to an increase in load volumes supported by customer and sales force growth. For the year ended December 31, 2016 over the year ended December 31, 2015, revenue decreased by 14.3% due to economic conditions being much stronger in 2015 versus 2016, especially for the first six months of the year. This resulted in a decline in EBITDA margins as over supply of trucks reduced demand for brokerage and depressed market rates and margins.

Net income for the fourth quarter declined compared to the same quarter in 2015, mainly due to one time gains from foreign exchange that were experienced in the previous year. For the year ended December 31, 2016 over December 31, 2015, the decrease in net income was mainly a result of a decrease in Logistics margins as well as one time gains from foreign exchange incurred in 2015. The Company has since hedged its US dollar receivables against foreign currency fluctuations. Relatively tough economic conditions continued to affect both divisions but the Company has been resilient and is well positioned for market improvements. In the meantime, the Company has been focusing on business analytics, innovative solutions, strategic development and cost controls.

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

RESULTS OF OPERATIONS

Financial Highlights (unaudited)

	3 months ended Dec 31 2016	3 months ended Dec 31 2015	12 months ended Dec 31 2016	12 months ended Dec 31 2015	12 months ended Dec 31 2014
Revenue	27,090,183	24,984,265	110,172,635	103,206,962	66,296,001
Fuel surcharge	1,557,062	1,587,211	6,389,551	7,042,387	5,441,461
	28,647,245	26,571,476	116,562,186	110,249,349	71,737,462
Operating expenses(2)	25,585,804	23,933,309	104,620,059	98,323,926	65,303,525
EBITDA(1)	3,061,441	2,638,167	11,942,127	11,925,423	6,433,937
EBITDA margin(1)	11.3 %	10.6 %	10.8 %	11.6 %	9.7 %
Depreciation	2,657,251	2,210,867	10,314,822	7,235,627	2,741,473
Amortization of customer lists	30,360	10,120	121,440	10,120	-
Operating income(1)	373,830	417,180	1,505,865	4,679,676	3,692,464
Operating margin(1)	1.4 %	1.7 %	1.4 %	4.5 %	5.6 %
Gain on sale of property and equipment	(277,566)	(114,578)	(550,966)	(703,487)	(225,831)
Finance costs	541,201	306,894	1,880,495	1,408,400	739,725
Finance income	(104,750)	(42,833)	(376,141)	(166,734)	(85,420)
Foreign exchange loss (gain)	34,499	(438,535)	316,955	(1,262,473)	-
Transaction costs(2)	-	51,592	226,392	269,516	-
Income tax expense	61,048	209,045	71,221	1,535,128	1,002,841
Adjusted net income (loss)(1)	119,398	445,595	(62,091)	3,599,326	2,261,149
Adjusted net income per share - basic	0.00	0.01	0.00	0.12	0.10
Adjusted net income per share - diluted	0.00	0.01	0.00	0.11	0.10
Reverse takeover costs, net of tax	-	-	-	2,404,273	288,707
Net income (loss) and comprehensive income (loss) attributable to owners of the Company	119,398	445,595	(62,091)	1,195,053	1,972,442
Net income (loss) per share - basic	0.00	0.01	0.00	0.04	0.08
Net income (loss) per share - diluted	0.00	0.01	0.00	0.04	0.08

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

Selected Segmented Financial Information (unaudited)

	3 months ended Dec 31 2016	3 months ended Dec 31 2015	12 months ended Dec 31 2016	12 months ended Dec 31 2015
Truck Transportation				
Revenue	18,917,671	17,194,870	78,883,914	66,117,859
Fuel surcharge	1,214,434	1,349,800	5,104,012	5,432,331
	20,132,105	18,544,670	83,987,926	71,550,190
Operating expenses				
Carriers and independent contractors	6,827,078	6,114,089	28,459,514	21,889,082
Vehicle operating	4,530,566	5,025,100	19,398,936	19,793,820
Wages and casual labour	4,612,876	4,378,314	19,430,219	17,265,211
Other operating(2)	1,127,589	903,963	4,489,207	3,452,269
	17,098,109	16,421,466	71,777,876	62,400,382
EBITDA(1)	3,033,996	2,123,204	12,210,050	9,149,808
EBITDA margin(1)	16.0 %	12.3 %	15.5 %	13.8 %
Depreciation	2,585,970	2,210,867	10,230,386	7,235,627
Amortization of customer lists	30,360	10,120	121,440	10,120
Operating income(1)	417,666	(97,783)	1,858,224	1,904,061
Operating margin(1)	2.2 %	(0.6)%	2.4 %	2.9 %
Gain on sale of property and equipment	(277,566)	(114,578)	(550,966)	(703,487)
Finance costs	541,201	306,894	1,880,495	1,408,400
Finance income	(104,750)	(42,833)	(376,141)	(166,734)
Foreign exchange loss (gain)	7,284	(127,434)	200,762	(608,865)
Transaction costs(2)	-	51,592	226,392	269,516
Income tax expense (recovery)	63,178	(19,672)	129,448	562,016
Net income (loss)	188,319	(151,752)	348,234	1,143,215
Logistics				
Revenue	8,433,681	8,103,138	32,644,034	37,964,060
Fuel surcharge	342,628	237,411	1,285,539	1,610,056
	8,776,309	8,340,549	33,929,573	39,574,116
Operating expenses				
Carriers and independent contractors	7,069,959	6,188,983	27,314,606	29,798,575
Wages and casual labour	899,689	771,525	3,425,962	3,639,604
Other operating	316,515	447,051	1,482,236	1,676,032
	8,286,163	7,407,559	32,222,804	35,114,211
EBITDA(1)	490,146	932,990	1,706,769	4,459,905
EBITDA margin(1)	5.8 %	11.5 %	5.2 %	11.7 %
Depreciation	71,281	-	84,436	-
Foreign exchange loss (gain)	27,215	(311,101)	116,193	(653,608)
Income tax expense	107,305	339,494	414,121	1,371,592
Net income	284,345	904,597	1,092,019	3,741,921

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

Revenue

	3 months ended Dec 31 2016	3 months ended Dec 31 2015	12 months ended Dec 31 2016	12 months ended Dec 31 2015
Truck Transportation				
Revenue	18,917,671	17,194,870	78,883,914	66,117,859
Fuel surcharge	1,214,434	1,349,800	5,104,012	5,432,331
	20,132,105	18,544,670	83,987,926	71,550,190
Logistics				
Revenue	8,433,681	8,103,138	32,644,034	37,964,060
Fuel surcharge	342,628	237,411	1,285,539	1,610,056
	8,776,309	8,340,549	33,929,573	39,574,116

For the year ended December 31, 2016, the Company's consolidated revenues increased by $6.3 million or 5.7%, when compared to the year ended December 31, 2015. For the three month period ended December 31, 2016 the Company's consolidated revenues increased by $2.1 million or 7.8% when compared to the three month period ended December 31, 2015. The increase in revenue was primarily a result of increases in the Truck Transportation segment.

The Truck Transportation segment experienced increases in revenue of $12.4 million or 17.4%, for the year ended December 31, 2016, when compared to that of 2015 and increases in revenue of $1.6 million or 8.6% when compared to the three months ended December 31, 2015. The increases are primarily a result of the full-year impact of the acquisitions of Muskoka Transport Limited and ProNorth Transportation in fiscal 2015, as well as the acquisition of the Windsor Terminal in June 2016. Increases in volumes during the 2016 year were entirely offset by pricing reductions caused by a relatively more competitive environment.

The Logistics segment saw a decrease in revenue of $5.6 million or 14.3%, and increase in revenue of $0.4 million or 5.2%, respectively, for the year ended and three month period ended December 31, 2016, when compared to that of 2015. The increase in the fourth quarter is a result of an approximately 34% increase in the volume of loads. However, this was partially offset by significant pricing pressure caused by continuing over capacity in the truck transportation industry. The decrease for the year is due to economic conditions being much stronger in 2015 versus 2016, especially for the first six months of the year.

Operating Expenses and Income

	3 months ended Dec 31 2016	3 months ended Dec 31 2015	12 months ended Dec 31 2016	12 months ended Dec 31 2015
Truck Transportation				
Revenue	20,132,105	18,544,670	83,987,926	71,550,190
Operating expenses(2)	17,098,109	16,421,466	71,777,876	62,400,382
EBITDA(1)	3,033,996	2,123,204	12,210,050	9,149,808
EBITDA margin(1)	16.0 %	12.3 %	15.5 %	13.8 %
Depreciation and amortization	2,616,330	2,220,987	10,351,826	7,245,747
Operating income(1)	417,666	(97,783)	1,858,224	1,904,061
Operating margin(1)	2.2 %	(0.6)%	2.4 %	2.9 %
Logistics				
Revenue	8,776,309	8,340,549	33,929,573	39,574,116
Operating expenses	8,286,163	7,407,559	32,222,804	35,114,211
EBITDA(1)	490,146	932,990	1,706,769	4,459,905
EBITDA margin(1)	5.8 %	11.5 %	5.2 %	11.7 %
Corporate				
Operating expenses	462,701	418,027	1,974,692	1,684,289

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

For the Truck Transportation segment, operating expenses increased by $0.7 million or 4.1% and $9.4 million or 15.0%, respectively, for the quarter and year ended December 31, 2016, when compared to that of last year. The increase is primarily a result of acquisitions, although expenses declined as a percentage of revenue. The improvement in EBITDA margin is primarily a result of the Company replacing aged and leased equipment with new equipment, which decreased fuel expenses and equipment leasing costs, but increased depreciation. Newer equipment appeals to drivers and customers, reduces equipment downtime and enhances operating efficiencies. Despite significant pricing pressure during 2016 that reduced revenue, the Company experienced no significant year over year change in operating income or operating margin for the year ended December 31, 2016 over 2015. For the quarter ended December 31, 2016, operating income increased over the quarter ended December 31, 2015, due to a drag on profitability in the fourth quarter of 2015 brought about by the acquisition of ProNorth Transportation on December 1, 2015. The acquisition has since been restructured and profitability has improved. The operating margin is also influenced by factors such as specific customer demand, availability of backhaul freight and fuel prices, which may fluctuate regularly.

For the Logistics segment, operating expenses increased by $0.9 million or 11.9% for the three month period ended December 31, 2016, when compared to the three month period ended December 31, 2015, and decreased by $2.9 million or 8.2% for the year ended December 31, 2016, when compared to the year ended December 31, 2015. These changes are primarily a result of increases and decreases in revenue and volumes, although EBITDA margin declined in both instances. The decline in EBITDA margins is primarily due to an over supply of trucks relative to demand, which reduced demand for brokerage and depressed market rates and margins. Margins in brokerage are also influenced by factors such as specific customer demands and availability and quality of carriers, which may fluctuate regularly.

During 2015, the Company incurred significant non-recurring reverse takeover transactions costs to become a publicly traded company on the TSX Venture Exchange and realized large foreign exchange gains as a result of a weakening Canadian dollar relative to the US dollar. During 2016, the Company began to borrow in US dollars in order to hedge against its exposure on its US dollar receivables.

SUMMARY OF QUARTERLY RESULTS

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

(in thousands)

	Q4'16	Q3'16	Q2'16	Q1'16	Q4'15	Q3'15	Q2'15	Q1'15
Revenue	28,647	29,839	29,967	28,109	26,571	27,246	32,420	24,011
EBITDA(1)(3)	3,061	3,235	3,165	2,481	2,638	2,901	3,369	3,016
EBITDA margin(1)(3)	11.3 %	11.4 %	11.1 %	9.4 %	10.6 %	11.3 %	11.2 %	13.4 %
Operating income(1)	374	570	515	47	417	1,073	1,378	1,811
Operating margin(1)	1.4 %	2.0 %	1.8 %	0.2 %	1.7 %	4.2 %	4.6 %	8.1 %
Adjusted net income (loss)(1)(3	119	130	(126)	(185)	446	1,366	766	1,021
Per share - basic(2)(3)	0.00	0.00	0.00	(0.01)	0.01	0.04	0.03	0.04
Per share - diluted(2)(3)	0.00	0.00	0.00	(0.01)	0.01	0.04	0.02	0.04
Net income (loss) and comprehensive income (loss) attributable to the owners of the Company	119	130	(126)	(185)	446	1,366	(1,359)	742
Per share - basic(2)	0.00	0.00	0.00	(0.01)	0.01	0.04	(0.04)	0.03
Per share - diluted(2)	0.00	0.00	0.00	(0.01)	0.01	0.04	(0.04)	0.03

(1) Refer to "Non-IFRS Financial Measures".
(2) Reflects subdivision of shares that took place on March 31, 2015.
(3)Reflects reclassification of transaction costs.

Changes from quarter to quarter are mainly the result of acquisitions and seasonality of operations. Historically, there has been an increase in revenue and a decrease in margins in quarters following an acquisition. Following the quarter in which an acquisition has occurred, revenues have often decreased, stabilized and then increased while EBITDA margins have increased. This historical trend can be observed in the Company's eight most recently completed quarters. EBITDA margins decreased in Q2 2015 and Q1 2016 following the acquisitions of MTL and PNT, respectively. It may be difficult to isolate this impact if the integration process of two or more acquisitions overlap or if there are significant changes in economic conditions.

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

The activities of the Company are also subject to seasonal demand for truck transportation. Historically, the Company has experienced weaker demand in the first and third quarters and stronger demand in the second and fourth quarters, although demand was atypical in 2015 and 2016 as a result of cyclical customer demands and changes in economic conditions during these periods.

LIQUIDITY AND CAPITAL RESOURCES

	December 31 2016	**December 31 2015**	**December 31 2014**
Working capital (deficit)(1)	(7,372,208)	(1,799,887)	(4,037,000)
Total assets	112,145,867	87,772,549	42,067,259
Net Debt(2)	50,536,210	37,633,523	21,337,006
Shareholders' equity	36,238,286	34,021,470	6,748,686
Net debt to equity ratio(3)	1.39	1.11	3.16

(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.
(2) Net debt is defined as bank indebtedness, loans payable, finance lease liabilities, due to related party and due to corporate shareholder, net of cash, finance lease receivables and assets held for sale, both current and long-term portions.
(3) Net debt to equity ratio is defined as net debt divided by shareholders' equity.

The change in the Company's working capital position as at December 31, 2016 was mainly a result of asset purchases during the year. Approximately $30.9 million in rolling stock was financed during 2016, increasing the current portion of long-term debt by approximately $4 million. This replenishment of rolling stock also resulted in an increase in total assets and net debt. The Company regularly reinvests in new equipment to keep maintenance costs low and to ensure reliable service for its customers and considers this investment critical to the future success and growth of the business. Although due on demand, the Company considers its bank indebtedness to be long-term debt as it is often used to finance equipment purchases and acquisitions.

Over the next two quarters, management expects to realize proceeds from the sale of excess aged equipment of approximately $1.8 million. In addition, the Company currently has planned capital expenditures of approximately $1.4 million towards the purchase of rolling stock in 2017. Management believes there is sufficient financing available to fund planned capital expenditures in the future and to provide for the future growth of the business.

The Company paid down an additional $3.5 million in debt, during fiscal 2016, in excess of what was contractually required. The Company actively seeks debt refinancing when possible, especially with respect to debt acquired through business acquisitions, to the extent that penalties for early retirement of debt are not significant and lower cost financing is available. Management believes that the Company's operating cash flows are sufficient to fund daily operating activities and meet regular debt repayment obligations.

The Company limits the use of off-balance sheet financing, by way of operating leases, to the extent practical. Operating leases mainly pertain to the use of the Company's terminals, warehouse and office space, but do include some power units and trailers to the extent that the Company assumes these commitments as part of business acquisitions. Excluding the Company's Bolton head office, these leases expire between February 2016 and October 2020. The lease for the Company's new head office expires September 2031. The Company significantly reduced its non-realty lease commitments during the first half of 2016 by buying out or otherwise terminating operating leases.

The Company's bank credit facility was amended during 2016 to allow for an additional $2.4 million mortgage facility on the Windsor Terminal. The portion of the Company's bank credit facilities which were unused as of December 31, 2016 include approximately $7 million under a revolving demand operating facility, $5 million under a non-revolving acquisition facility, $7.5 million under an accordion acquisition facility and $1.8 million under a finance lease loan facility. In addition, the Company has available approximately $13.8 million in finance leasing and loan facilities through other institutions.

Common Shares

On June 17, 2016, 1,120,708 common shares were issued as a portion of the consideration paid for the Windsor Terminal. As of March 21, 2017, there are 37,388,510 common shares of the Company outstanding and 6,444,915 outstanding warrants to acquire common shares of the Company. In addition, there are 1,789,000 stock options outstanding, of which 350,000 are exercisable.

TRANSACTIONS WITH RELATED PARTIES

The Company provides truck transportation services to companies under common control. These companies include Vision Extrusions Group Limited and Sunview Patio Doors Ltd., and aggregate revenues from these companies totaled $3,478,244 for the year ended December 31, 2016 (2015 - $3,398,837).

The Company also currently rents its head office from Caledon First Investments Limited, a company under common control with the Company. Rent was previously paid to Vaughan West II Limited, Roybridge Holdings Limited and Vision Extrusions Group Limited, also companies under common control. Total rent paid to these companies for the year ended December 31, 2016 was $302,545 (2015 - $416,619). The Company has committed to annual rent of $1,675,625, which will increase to $2,413,123 over a 15 year period.

Trunkeast Investments Canada Limited, the Company's controlling shareholder as of December 31, 2016, provides administrative and support services to the Company on a monthly basis. For these services, the Company was charged $60,000 for the year ended December 31, 2016 (2015 - $60,000). The Company is committed to payment for such services until such time that the contract is terminated. Six month's written notice is required for termination.

In addition, the Company paid $1,966,607 to ZZEN Design Build Limited ("ZZEN") for leasehold improvements completed on the new head office building and yard. ZZEN provided financing for this improvement and interest totaling $14,147 was paid to ZZEN during the year. This loan was fully repaid by December 31, 2016.

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

FORWARD LOOKING STATEMENTS

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

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

From time to time, the Company will disclose its current annual run rate revenue and EBITDA. Although not intended as such, this may be interpreted as forward looking information. Run rates are presented in order to provide investors with insight into the current size of the Company, assuming synergies have been fully realized. Historical figures may not be a good indicator of the Company's size, as a result of the number of acquisitions that are completed each year and the time that it takes to fully realize synergies. After releasing Q4 2015 results, the Company estimated that post synergy annualized revenue and EBITDA would be $125 million and $14.5 million, respectively. Actual revenue and EBITDA for the last four quarters, excluding the effect of the acquisition of the Windsor Terminal, was approximately $116 million and $11.9 million, respectively. The reason for the difference is primarily a more significant decline in economic conditions than originally anticipated. Due to continuing pressure on pricing, the Company is adjusting its EBITDA run rate at this time to $13.5 million from $14 million. The Company's revenue run rate remains unchanged at $120 million.

NON-IFRS FINANCIAL MEASURES

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

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

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

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

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

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

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

RISKS AND UNCERTAINTIES

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

CHANGES IN ACCOUNTING POLICIES

The following new standards and amendments to standards are not yet effective for the period ended December 31, 2016 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, 2016

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, 2016 and 2015 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, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Williams & Partners

Chartered Professional Accountants LLP
Licensed Public Accountants

Markham, Ontario
March 21, 2017

Titanium Transportation Group Inc.

Consolidated Statements of Financial Position

December 31, 2016 (in Canadian dollars)

	2016	2015
Assets		
Current		
Cash	152,808	788,909
Trade and other receivables (note 5, 17, 21)	19,349,970	16,767,695
Current taxes recoverable	469,398	128,739
Finance lease receivables (note 6, 21)	2,471,690	1,333,816
Prepaid expenses and deposits	1,620,151	2,072,571
Assets held for sale (note 7)	1,820,727	-
	25,884,744	21,091,730
Finance lease receivables (note 6, 21)	6,948,786	2,431,913
Property and equipment (note 8)	73,726,657	58,421,767
Deferred tax assets (note 9)	351,415	471,434
Customer lists (note 10)	718,440	839,880
Goodwill (note 10)	4,515,825	4,515,825
	112,145,867	87,772,549
Liabilities		
Current		
Bank indebtedness (note 12, 21)	7,728,358	4,203,821
Trade and other payables (note 11, 21)	9,205,205	6,307,683
Current taxes payable (note 21)	142,631	324,024
Loans payable (note 12, 21)	7,491,309	7,708,669
Finance lease liabilities (note 12, 21)	8,204,358	4,147,420
Finance lease liabilities on assets held for sale (note 7, 12, 21)	485,091	-
Due to related party (note 13, 21)	-	200,000
	33,256,952	22,891,617
Loans payable (note 12, 21)	19,184,828	16,711,119
Finance lease liabilities (note 12, 21)	18,836,277	9,217,132
Deferred tax liabilities (note 9)	4,629,524	4,931,211
	75,907,581	53,751,079
Commitments and contingencies (note 20)		
Shareholders' Equity		
Share capital (note 14)	26,754,964	24,765,964
Contributed surplus (note 15)	3,681,674	3,391,767
Retained earnings	5,801,648	5,863,739
	36,238,286	34,021,470
	112,145,867	87,772,549

On behalf of the Board

"Ted Daniel" — Director

"Bill Chyfetz" — Director

Titanium Transportation Group Inc.

Consolidated Statements of Comprehensive Income

year ended December 31, 2016 (in Canadian dollars)

	2016	2015
Revenue (note 17)	110,172,635	103,206,962
Fuel surcharge (note 17)	6,389,551	7,042,387
	116,562,186	110,249,349
Expenses		
Carriers and independent contractors	54,418,807	50,812,701
Vehicle operating (note 20)	19,398,936	19,793,820
Wages and casual labour (note 18)	23,794,079	21,578,377
Other operating (note 17, 20)	7,008,237	6,139,028
	104,620,059	98,323,926
Income before the following	11,942,127	11,925,423
Depreciation of property and equipment (note 8)	10,314,822	7,235,627
Gain on sale of property and equipment (note 16)	(550,966)	(703,487)
Finance costs (note 17)	1,880,495	1,408,400
Finance income	(376,141)	(166,734)
Foreign exchange loss (gain)	316,955	(1,262,473)
Amortization of customer lists (note 10)	121,440	10,120
Transaction costs	226,392	269,516
Reverse takeover costs (note 14, 16)	-	2,510,480
	11,932,997	9,301,449
Income before income taxes	9,130	2,623,974
Income tax expense (note 19)	71,221	1,428,921
Net income (loss) and comprehensive income (loss) attributable to owners of the Company	(62,091)	1,195,053
Earnings per share:		
Basic	-	0.04
Diluted	-	0.04
Weighted average number of shares outstanding:		
Basic (note 14)	36,874,852	30,916,965
Diluted (note 14)	36,874,852	31,439,515

Titanium Transportation Group Inc.

Consolidated Statements of Changes in Equity

year ended December 31, 2016 (in Canadian dollars)

	Share Capital	Contributed Surplus	Retained earnings	Total
Balances at December 31, 2015	24,765,964	3,391,767	5,863,739	34,021,470
Share issuance (note 14)	1,989,000	-	-	1,989,000
Share-based compensation expense (note 15, 18)	-	289,907	-	289,907
Net income (loss) and comprehensive income (loss)	-	-	(62,091)	(62,091)
Balances at December 31, 2016	26,754,964	3,681,674	5,801,648	36,238,286
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	-	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

Titanium Transportation Group Inc.

Consolidated Statements of Cash Flows

year ended December 31, 2016 (in Canadian dollars)

	2016	2015
Cash flows from operating activities		
Net income (loss)	(62,091)	1,195,053
Adjustments:		
Depreciation of property and equipment (note 8)	10,314,822	7,235,627
Gain on sale of property and equipment (note 16)	(550,966)	(703,487)
Finance costs	1,880,495	1,408,400
Finance income	(376,141)	(166,734)
Amortization of customer lists (note 10)	121,440	10,120
Share-based compensation expense (note 15, 18)	289,907	248,286
Reverse takeover costs (note 14, 16)	-	2,510,480
Income tax expense (note 19)	71,221	1,428,921
	11,688,687	13,166,666
Net change in non-cash operating working capital	880,344	(1,944,120)
	12,569,031	11,222,546
Interest paid	(1,848,009)	(1,408,400)
Interest received	376,141	166,734
Income taxes paid	(774,941)	(1,394,873)
	10,322,222	8,586,007
Cash flows from investing activities		
Proceeds from finance lease receivables	2,447,386	1,236,319
Acquisition of property and equipment (note 8, 16)	(11,125,747)	(3,465,478)
Disposition of property and equipment (note 8, 16)	8,865,003	3,655,824
Acquisition of subsidiaries	-	(7,344,848)
	186,642	(5,918,183)
Cash flows from financing activities		
Proceeds from bank indebtedness	3,524,537	2,363,147
Repayment of demand loans (note 4)	-	(914,580)
Proceeds from loans payable	2,380,000	2,600,750
Repayment of loans payable	(8,450,901)	(7,896,782)
Repayment of finance lease liabilities	(6,485,600)	(6,421,798)
Repayment of amounts due to corporate shareholder	(1,902,001)	(9,000,000)
Repayment of amounts due to related parties	(200,000)	(250,000)
Proceeds (costs) from issuance of shares (note 14)	(11,000)	12,347,296
Reverse takeover costs	-	(689,876)
	(11,144,965)	(7,861,843)
Decrease in cash	(636,101)	(5,194,019)
Cash, beginning	788,909	5,982,928
Cash, ending	152,808	788,909

Please refer to note 16 for supplemental cash flow information.

1. CORPORATE INFORMATION

Titanium Transportation Group Inc. (the "Company") was incorporated on July 11, 1989 under the *Canada Business Corporations Act*. The Company is a truck-based carrier and logistics broker servicing all of North America with distribution terminals based in Bolton, Bracebridge, North Bay, Windsor and Napanee, Ontario. The Company's registered head office is at 32 Simpson Rd, Bolton, Ontario, L7E 1G9. The Company changed its name from "Northeastern Group Inc." to "Titanium Transportation Group Inc." on April 1, 2015.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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 approved and authorized for issue by the Board of Directors on March 21, 2017.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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.

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 significant risks and rewards of ownership are transferred to the Company's independent contractors 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 rolling stock ownership to independent contractors and are carried at amortized cost. These leases are recorded at the aggregate of minimum payments, plus any 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

Assets Held for Sale

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

Property and Equipment

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Land is stated at cost less any 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 separate 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 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
Leasehold improvements	9 years
Furniture and equipment	2 - 5 years
Rolling stock	5 - 15 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.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Intangible Assets

Intangible assets are assets that can be identified, are controlled by the Company and provide future economic benefits to the Company. Intangible assets are recognized at cost and, unless determined to have an indefinite life, are amortized over their expected useful life.

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.

Finance Lease Liabilities

Finance 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 minimum lease payments, and the corresponding obligations are treated 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.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Finance Costs

Finance costs are comprised of interest expense on bank indebtedness, loans payable, finance lease liabilities 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 at the end of the reporting period 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.

Deferred tax assets and liabilities, when presented, reflect temporary differences between the accounting bases of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income. 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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

New Standards not yet Adopted

The following new standards are not yet effective as of December 31, 2016 and have not been applied in preparing these consolidated financial statements:

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. Management does not intend to adopt IFRS 15 until this standard becomes effective. The impact of IFRS 15 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 also been adopted. The Company is currently assessing the impact of this standard on the consolidated financial statements.

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

year ended December 31, 2016 (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 represents the pickup and delivery of full loads across Canada and the United States using a closed van, flatbed or other specialized equipment. The Logistics segment represents the brokering of freight across North America. The Company's CEO reviews internal management reports for each operating segment on a monthly basis. Operating segment results that are reported include items directly attributable to each operating segment, as well as those that can be allocated on a reasonable basis. Unallocated items ("Corporate") comprise mainly of head office expenses.

	Truck Transportation	Logistics	Corporate	Elimination	Total
Year Ended December 31, 2016					
Revenue - external	82,632,613	33,929,573	-	-	116,562,186
Revenue - internal	1,355,313	-	-	(1,355,313)	-
Total revenue	83,987,926	33,929,573	-	(1,355,313)	116,562,186
Depreciation	10,230,386	84,436	-	-	10,314,822
Finance costs	1,880,495	-	-	-	1,880,495
Finance income	(376,141)	-	-	-	(376,141)
Income (loss) before income taxes	477,682	1,506,140	(1,974,692)	-	9,130
Income taxes (recoveries)	129,448	414,121	(472,348)	-	71,221
Capital expenditures	44,419,576	-	-	-	44,419,576
Goodwill acquisitions	-	-	-	-	-
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 (loss) 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

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.

	2016	2015
Canada	78,385,788	73,133,257
United States	38,176,398	37,116,092
	116,562,186	110,249,349

year ended December 31, 2016 (in Canadian dollars)

4. BUSINESS COMBINATIONS

During the year ended December 31, 2015, the Company completed the following acquisitions:

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.

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.

The prior year financial statements set out provisional fair values relating to the consideration and net assets acquired. As required by IFRS 3, the provisional fair values have been reassessed based on additional information obtained during the measurement period following the acquisitions. No adjustment was required.

5. TRADE AND OTHER RECEIVABLES

	2016	2015
Trade receivables	17,981,598	15,441,924
Other receivables	1,368,372	1,325,771
	19,349,970	16,767,695

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

6. 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 13% 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	2016	2015
Future minimum lease payments receivable	2,931,619	7,585,704	10,517,323	4,177,751
Unearned finance income	(459,929)	(636,918)	(1,096,847)	(412,022)
	2,471,690	6,948,786	9,420,476	3,765,729
Current portion			2,471,690	1,333,816
			6,948,786	2,431,913

year ended December 31, 2016 (in Canadian dollars)

7. ASSETS HELD FOR SALE

Assets held for sale are comprised of excess and aged rolling stock that is inactive and awaiting sale. These assets are expected to be sold over the next six months. No gain or loss was recognized on reclassification of these assets to assets held for sale. These assets relate entirely to the Truck Transportation segment.

8. PROPERTY AND EQUIPMENT

	Land and Buildings	Furniture and Equipment	Rolling Stock	Total
Cost				
Balances, December 31, 2015	5,017,209	2,743,357	62,555,433	70,315,999
Other additions	5,497,984	2,577,588	36,344,004	44,419,576
Disposals	(10,320)	(605,145)	(21,041,930)	(21,657,395)
Reclassification to assets held for sale	-	-	(2,433,371)	(2,433,371)
Balances, December 31, 2016	10,504,873	4,715,800	75,424,136	90,644,809
Accumulated depreciation				
Balances, December 31, 2015	32,586	1,906,179	9,955,467	11,894,232
Depreciation	269,262	713,000	9,332,560	10,314,822
Disposals	(10,320)	(526,723)	(4,141,215)	(4,678,258)
Reclassification to assets held for sale	-	-	(612,644)	(612,644)
Balances, December 31, 2016	291,528	2,092,456	14,534,168	16,918,152
Net carrying amounts				
At December 31, 2016	10,213,345	2,623,344	60,889,968	73,726,657
Cost				
Balances, December 31, 2014	406,671	1,832,374	23,088,711	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)
Balances, December 31, 2015	5,017,209	2,743,357	62,555,433	70,315,999
Accumulated depreciation				
Balances, December 31, 2014	4,167	1,567,156	7,190,000	8,761,323
Depreciation	28,419	448,829	6,758,379	7,235,627
Disposals	-	(109,806)	(3,992,912)	(4,102,718)
Balances, December 31, 2015	32,586	1,906,179	9,955,467	11,894,232
Net carrying amounts				
At December 31, 2015	4,984,623	837,178	52,599,966	58,421,767

Included in rolling stock are leased assets with a carrying value of $32,815,766 (2015 - $16,944,708).

There were no indicators of the carrying value not being recoverable noted for the year.

year ended December 31, 2016 (in Canadian dollars)

9. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	2016	2015
Finance lease receivables	(2,478,479)	(862,897)
Property and equipment	(4,156,229)	(4,926,494)
Finance lease liabilities	412,215	802,904
Finance costs	300,567	399,874
Income tax losses	1,271,032	90,855
Other	372,785	35,981
	(4,278,109)	(4,459,777)
Presented as:		
Deferred tax assets	351,415	471,434
Deferred tax liabilities	(4,629,524)	(4,931,211)
	(4,278,109)	(4,459,777)

	Balance Dec 31 2015	Recognized in Income or Loss	Recognized Directly in Equity	Acquired in Business Combination	Balance Dec 31 2016
Finance lease receivables	(862,897)	(1,615,582)	-	-	(2,478,479)
Property and equipment	(4,926,494)	770,265	-	-	(4,156,229)
Finance lease liabilities	802,904	(390,689)	-	-	412,215
Finance costs	399,874	(102,222)	2,915	-	300,567
Income tax losses	90,855	1,180,177	-	-	1,271,032
Other	35,981	162,416	174,388	-	372,785
	(4,459,777)	4,365	177,303	-	(4,278,109)

	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
Income 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)

year ended December 31, 2016 (in Canadian dollars)

10. GOODWILL AND CUSTOMER LISTS

	Goodwill	Customer Lists	Total
Balances, 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)
Balances, December 31, 2015	4,515,825	839,880	5,355,705
Amortization	-	(121,440)	(121,440)
Balances, December 31, 2016	4,515,825	718,440	5,234,265

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, 2016 and December 31, 2015 and determined that the recoverable amount of the Truck Transportation segment exceeded its respective carrying amount.

The recoverable amount was determined using value in use, which is based on discounted future cash flows. In assessing value in use, a pre-tax discount rate of 10.5% (2015 - 10%) was used, which was based on the industry average. First year cash flows were projected based on past experience actual operating results and for a further 4-year period, cash flows were extrapolated using an average growth rate of 12.5% (2015 - 10%). The terminal value was determined using a long-term growth rate of 2.5% (2015 - 2%).

11. TRADE AND OTHER PAYABLES

	2016	2015
Trade payables	5,142,326	3,192,286
Other payables	4,062,879	3,115,397
	9,205,205	6,307,683

12. LONG-TERM DEBT

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

	Effective Interest Rate	Year of Maturity	2016 Carrying Amount	2015 Carrying Amount
Bank indebtedness	PRIME+0.50%	N/A	7,728,358	4,203,821
Loans payable	2.95% - 4.50%	2017-2031	26,676,137	24,419,788
Finance lease liabilities	2.56% - 5.58%	2017-2021	27,525,726	13,364,552
			61,930,221	41,988,161
Current portion			23,909,116	16,059,910
			38,021,105	25,928,251

12. LONG-TERM DEBT - continued

During the year, the Company's existing credit facility was amended to reflect a CDN $56.7 million facility under the following structure and terms:

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

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

e) CDN$10.5 million and USD$6 million finance lease loan facility

f) CDN$2.4 million mortgage facility

This credit facility is secured by the following:

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

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

(iii) General Security Agreement providing a first charge over all the assets of the Company and each of its subsidiaries.

Based on the Company's financial ratios, interest rates vary between 50 and 75 basis points over the bank's prime rate on the revolving demand operating facility and between 75 and 125 basis points over the bank's prime rate 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, 2016.

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, 2016 was $3,075,000 and $2,608,699 respectively. In addition, the Company obtained a $2.4 million mortgage facility for the purchase of a terminal in Windsor, Ontario. All other loans payable pertain to the purchase of rolling stock and are secured by rolling stock with a carrying value of $21,456,272 (2015 - $24,348,742).

Finance lease liabilities are secured by rolling stock with a carrying value of $32,815,766 (2015 - $16,944,708).

year ended December 31, 2016 (in Canadian dollars)

12. LONG-TERM DEBT - continued

Loans payable and finance lease liabilities are payable as follows:

	Less than 1 Year	1 to 5 Years	More than 5 Years	2016	2015
Future minimum lease payments on finance lease liabilities	9,155,190	20,077,725	-	29,232,915	14,234,240
Interest	(750,555)	(956,634)	-	(1,707,189)	(869,688)
	8,404,635	19,121,091	-	27,525,726	13,364,552
Principal repayments on loans payable	7,491,309	16,241,109	2,943,719	26,676,137	24,419,788
	15,895,944	35,362,200	2,943,719	54,201,863	37,784,340

13. DUE TO RELATED PARTY

The due to related party balance was due to a company controlled by a non-controlling shareholder and was non-interest bearing. The balance was repaid during the year.

14. SHARE CAPITAL

Authorized

Unlimited number of common shares with no par value

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

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

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

year ended December 31, 2016 (in Canadian dollars)

14. SHARE CAPITAL - continued

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.

Also on April 1, 2015, the Company issued 1,599,989 common shares with a stated value of $1.50 per share as part of a reverse takeover transaction.

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.

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.

During fiscal 2015, 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.

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

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

	2016	2015
Issued common shares, beginning	36,267,802	23,600,000
Effect of issued shares	607,050	7,316,965
Weighted average number of common shares	36,874,852	30,916,965
Dilutive effect of stock options and warrants	-	522,550
Weighted average number of diluted common shares	36,874,852	31,439,515

No additional adjustments to earnings or the weighted average number of shares for the effects of dilutive potential ordinary shares were necessary. Dilutive potential ordinary shares are financial instruments or contracts that may entitle its holder to ordinary shares, where the conversion, exercise or issuance of the financial instrument or warrant would result in a reduction in earnings per share or an increase in loss per share.

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.

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 on July 7, 2017, entitle the holder to acquire a common share of the Company at an exercise price of $3.50 per common share.

The total number of warrants outstanding as of December 31, 2016 and 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. Each stock option entitles its holder to receive one common share upon exercise. The majority of options vest over a period of six years, with half vesting three years from issuance and the other half vesting six years from issuance.

On April 1, 2015, 1,240,000 stock options were issued to various employees and consultants, which entitle the holders to acquire common shares of the Company at an exercise price of $1.50 per common share. On February 22, 2016, 425,000 stock options were issued to various employees, which entitle the holders to acquire common shares of the Company at an exercise price of $2.85 per common share. During the year, 50,000 stock options were forfeited. No other stock options expired or were exercised during the reporting period. As at December 31, 2016, there were 1,615,000 (2015 - 1,240,000) stock options outstanding with a weighted average exercise price of $1.82 (2015 - $1.50) and weighted average remaining life of 7.7 years (2015 - 8.3 years). Of the stock options outstanding as at December 31, 2016, 675,000 (2015 - 600,000) were held by key management personnel and 350,000 (2015 - 200,000) were exercisable at a price of $1.50. During the year ended December 31, 2016, the Company recognized an expense of $289,907 (2015 - $248,286) relating to stock options with a corresponding increase to contributed surplus.

The estimated fair value of stock options issued during fiscal 2016 was calculated using the Black-Scholes option pricing model with the following assumptions: i) the expected life of each stock option is between 5.5 and 8.5 years; ii) the risk free rate is between 0.78% and 1.04%; iii) the dividend yield will be $NIL; and iv) expected volatility is 60%. Volatility was determined using the Company's trading data from the first day of trading to March 31, 2016. Variables used in the Black-Scholes option pricing model are based on highly subjective assumptions and any change in the assumptions can materially affect the fair value estimate.

On January 11, 2017, 174,000 stock options were issued to various employees, of which 139,000 was to key management personnel. Each option entitles the holders to acquire common shares of the Company at an exercise price of $1.50 per common share. Of the options granted, 39,000 vest evenly over a period of three years. The remaining options vest over a period of six years, with half vesting three years from issuance and the other half vesting six years from issuance. These options expire on January 11, 2027.

year ended December 31, 2016 (in Canadian dollars)

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:

	2016	2015
Sales	8,512,830	3,653,908
Cost of sales	8,134,448	3,413,498
	378,382	240,410

b) Rolling stock totaling $30,876,025 (2015 - $26,432,155) was purchased and financed directly. As such, it is not reflected as a cash outflow on the consolidated statements of cash flows.

c) Of the total reverse takeover costs incurred in the prior year, $2,109,700 was non-monetary in nature and not deductible for tax purposes.

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.

	2016	2015
Provided truck transportation services to Vision Extrusions Group Limited and Sunview Patio Doors Ltd., companies under common control	3,478,244	3,398,837
Paid rent for premises to Vaughan West II Limited and Vision Extrusions Group Limited, paid rent for yard to Roybridge Holdings Limited, all companies under common control	(302,545)	(416,619)
Paid rent to Caledon First Investments Limited, a company under common control	(432,506)	-
Paid for leasehold improvements to ZZEN Design Build Limited	(1,966,607)	-
Paid management fees to Trunkeast	(60,000)	(60,000)
Paid interest to ZZEN Design Build Limited	(14,147)	-
Paid interest to Trunkeast	-	(94,514)
	702,439	2,827,704

Included in trade and other receivables as at December 31, 2016 is a total of $261,024 (2015 - $329,790) due from these related companies.

year ended December 31, 2016 (in Canadian dollars)

17. RELATED PARTY TRANSACTIONS - continued

During the year, a short term loan for $2,149,261 was provided by ZZEN Design Build Limited ("ZZEN"), a company under common control, relating to leasehold improvements. Interest at a rate of 3.75% was charged on this loan and the loan was repaid by the end of the year.

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:

	2016	2015
Share-based compensation expense	289,907	142,455
Employee benefits	512,273	370,681
Key management personnel:		
Salaries and benefits	808,338	936,440
Share-based compensation expense	105,821	127,650

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

19. INCOME TAXES

	2016	2015
Current tax expense	75,586	760,587
Deferred tax expense		
Temporary differences	1,207,345	289,397
Income tax losses	(1,180,560)	325,588
Adjustment for prior years	(31,150)	89,648
Other	-	(36,299)
	(4,365)	668,334
Income taxes reported	71,221	1,428,921

year ended December 31, 2016 (in Canadian dollars)

19. INCOME TAXES - continued

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:

	2016	2015
Income before income taxes	9,130	2,623,974
Statutory income tax rate	26.50%	26.50%
Income tax provision based on statutory income tax rate	2,419	695,353
Increase (decrease) in income taxes resulting from:		
Non-deductible items	125,510	647,284
Adjustment for prior years	(56,708)	66,879
Other	-	19,405
Income taxes reported	71,221	1,428,921

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	1,927,879
Between one and five years	7,387,209
More than five years	20,863,968

Operating leases that were charged to income during the year totaled $2,405,163 (2015 - $2,379,200).

In addition, the Company is committed to pay $5,000 a month to Trunkeast in management fees until such time that the contract is terminated. Six month's written notice is required for termination.

b) As at December 31, 2016, the Company was not committed to the purchase of any rolling stock or equipment.

c) The Company has a letter of credit outstanding for $665,843 in favour of Caledon First Investments Limited, a company under common control, as a security deposit required under the lease for its Bolton head office. In addition, the Company has a letter of credit outstanding for $50,000 in favour of a customer, which expires on February 27, 2017.

d) 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.

e) 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.

year ended December 31, 2016 (in Canadian dollars)

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:

	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Finance lease receivables	9,420,476	9,496,592	3,765,729	3,826,746
Loans payable	(26,676,137)	(26,849,530)	(24,419,788)	(24,669,446)
Finance lease liabilities	(27,525,726)	(27,483,724)	(13,364,552)	(13,545,787)
Due to related parties	-	-	(200,000)	(194,976)
	(44,781,387)	(44,836,662)	(34,218,611)	(34,583,463)

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:

	2016	2015
Finance lease receivables	5.25 %	5.00 %
Loans payable	3.25 %	3.00 %
Finance lease liabilities	3.25 %	3.00 %
Due to related parties	N/A	3.45 %

year ended December 31, 2016 (in Canadian dollars)

21. FINANCIAL INSTRUMENTS - continued

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

	2016	2015
Finance lease receivables	9,318,436	3,762,450
Loans payable	(26,249,463)	(24,205,994)
Finance lease liabilities	(27,261,288)	(13,363,392)
Due to related parties	-	(193,575)
	(44,192,315)	(34,000,511)

Credit Risk

Credit risk arises from the potential that debtors will fail to satisfy their obligations as they come due. The Company is exposed to credit risk on its trade receivables from its customers, on its finance lease receivables from its drivers and on its other receivables. The Company's maximum exposure to credit risk is the carrying value of trade receivables and finance lease receivables. In order to reduce its credit risk, the Company has adopted credit policies which include the analysis of the financial position of its customers and the regular review of their credit limits. In addition, the Company began to insure a portion of its receivables effective July 1, 2016. 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/independent contractors. 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.

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

	2016	2015
Balance, beginning of year	766,805	501,000
Bad debt expenses	238,793	347,221
Provision acquired	-	212,796
Amount written off and recoveries	(568,650)	(294,212)
Balance, end of year	436,948	766,805

year ended December 31, 2016 (in Canadian dollars)

21. FINANCIAL INSTRUMENTS - continued

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

2016	Gross	Impairment	Carrying Value
Not past due	8,883,764	-	8,883,764
Past due 0-30 days	4,780,441	-	4,780,441
Past due 31-60 days	1,392,964	-	1,392,964
Past due more than 60 days	3,361,377	436,948	2,924,429
	18,418,546	436,948	17,981,598

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

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.

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, 2016						
Bank indebtedness	7,728,358	7,728,358	7,728,358	-	-	-
Trade and other payables	9,205,205	9,205,205	9,205,205	-	-	-
Loans payable	26,676,137	29,058,608	8,126,778	7,577,590	9,969,601	3,384,639
Finance lease liabilities	27,525,726	29,232,915	9,155,190	6,701,156	13,376,569	-
	71,135,426	75,225,086	34,215,531	14,278,746	23,346,170	3,384,639
Other liabilities requiring the use of cash:						
Current taxes payable	142,631	142,631	142,631	-	-	-
	71,278,057	75,367,717	34,358,162	14,278,746	23,346,170	3,384,639

year ended December 31, 2016 (in Canadian dollars)

21. FINANCIAL INSTRUMENTS - continued

	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

Market Risk

Market risk refers to the risk that a change in one or more general market conditions will result in losses to the company. 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:

	2016	2015
Net fixed rate financial instruments	(44,781,387)	(34,218,611)
Net variable rate financial instruments	(7,728,358)	(4,203,821)
	(52,509,745)	(38,422,432)

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 $75,410 (2015 - $56,059). This analysis assumes that all other variables are held constant. The analysis is performed on the same basis for all periods presented.

21. FINANCIAL INSTRUMENTS - continued

(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.

	2016	**2015**
Cash	-	43,970
Accounts receivable	3,487,277	3,108,649
Bank indebtedness	1,036,500	548,265
Accounts payable	(866,664)	(532,913)
Loans payable	(4,090,891)	-
	(433,778)	3,167,971
Average USD	1.3256	1.2782
Closing USD	1.3427	1.3840

As at December 31, 2016, 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 $21,689 (2015 - $158,399). In practice, the actual results may differ from this sensitivity analysis and the difference may be material. During the year, the Company began to borrow in US dollars in order to offset its foreign exchange exposure on US dollar financial assets.

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 acquisitions or other major investments or divestitures, as well as annual capital 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 debt-to-equity ratios are as follows:

	2016	**2015**
Long-term debt	61,930,221	41,988,161
Shareholders' equity	36,238,286	34,021,470
	1.7	1.2

22. CAPITAL MANAGEMENT - continued

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, 2016. The Company did not change its approach to capital management 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) As a result of the increasing frequency of the Company entering into rolling stock leasing arrangements with independent contractors, management has revised its accounting policy to classify cash flows related to finance receivables from operating activities to investing activities on the statement of cash flows. The changes have been applied retrospectively to the comparative period.

ii) In addition, comparative figures have been adjusted to reflect the reclassification of transaction costs from other operating expenses in order to be consistent with the classification adopted for the current period. This classification was adopted in order to provide for better comparability of operating results.