Titanium Transportation Group Inc.

Management's Discussion and Analysis

For the fourth quarter and year ended
December 31, 2018

Dated March 5, 2019

GENERAL INFORMATION

The following is Titanium Transportation Group Inc.'s management discussion and analysis dated March 5, 2019 ("MD&A"), which provides a comparative overview of the Company's performance for its three month period and year ended December 31, 2018 with the corresponding three month period and year ended December 31, 2017, and it reviews the Company's financial position as at December 31, 2018. 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, 2018.

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, 2018 were approved by its Board of Directors on March 5, 2019. Readers are cautioned that certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumption prove incorrect, actual results may vary significantly from those expected. See "Forward Looking Statements" and "Risks and Uncertainties".

Unless otherwise indicated, the information in this report is dated as of March 5, 2019. 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 terminals in Bolton, Bracebridge, Napanee, North Bay and Windsor, Ontario and with additional parking/switch yards in Sudbury, Brantford, Brockville and Trenton, Ontario. The Company has over 1,000 customers across various industries, including large multinational corporations, with no one customer accounting for more than 7% of revenue. The Company has approximately 475 power units, 1,400 trailers, and 600 independent owner operators and full-time employees.

The Truck Transportation segment provides transport of general merchandise by long-haul, dedicated and local trucking services throughout Canada and the U.S. with a variety of trailer types, including dry vans and flatbeds that support both heated and multi-axle services. Through the use of a modern fleet, the Truck Transportation segment provides reliable and timely service to various customers, attains a high asset utilization through its network of terminals and yards across Ontario, and creates a platform for revenue growth and cost efficiencies through the integration of acquisitions.

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

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

2018 Key Highlights

Revenue (including fuel surcharge) for the three month period and year ended December 31, 2018 was $42.7 million and $184.8 million, respectively, a 20.4% and 42.6% increase over the same periods last year. Similarly, operating income[1] was $2.1 million and $9.4 million, respectively, for the three month period and year ended December 31, 2018, more than 4 times the operating income of the same periods last year.

Growth occurred in both the Logistics and Truck Transportation segments, reflecting broadly improved industry conditions, driven by tight capacity reflecting robust economic growth, particularly in the United States, and the continued shortage of qualified drivers, which was exacerbated by the mandatory introduction of Electronic Logging Devices ("ELDs"). This resulted in increased spot rates in the first half of the year, improved contract rates in the second quarter and onwards, and strong freight demand throughout the entire year. As a result of the Company's previous and ongoing investments in technology and people, Titanium was able to position itself to benefit significantly during a volatile year in the freight transportation industry.

The Truck Transportation segment exhibited substantial revenue growth of 21.1% and 30.5%, respectively, for the three month period and year ended December 31, 2018, relative to the same periods in 2017. The growth was driven by the Company's acquisition of Xpress Group on October 1, 2017, as well as organic growth in both volumes and rates. Strong organic growth was supported by the Company's success in recruiting and retaining drivers as well as tighter industry conditions. The Company was able to increase its driver group by 14% during the year, while attaining a low driver turnover rate. Furthermore, the Company's revenue growth, focus on operating efficiencies and improved asset utilization enabled operating income to more than triple year over year.

The Logistics segment also demonstrated strong year over year revenue growth of 25.2% and 72.5%, respectively, for the three month period and year ended December 31, 2018. The first half of 2018 resulted in record activity and spot rates due to a sudden tightening of freight transportation capacity caused by the introduction of ELDs in the United States. Although spot rates stabilized in the second half of 2018, demand for freight transportation remained strong and the segment continued to demonstrate year over year growth in operating income. Operating income increased by 62.5% for the quarter and 183.0% for the year ended December 31, 2018 as a result of higher volumes over relatively fixed costs.

Revenue by Industry	
Manufactured Goods	35.3%
Retail	13.0%
Automotive	11.1%
Logistics/ Trucking	10.9%
Metals	9.8%
Food & Beverage	5.8%
Services	4.5%
Forest Products	4.3%
Other	5.3%

Based on Q4 2018 revenue

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

RESULTS OF OPERATIONS

Financial Highlights (unaudited)

	3 months ended Dec 31 2018	3 months ended Dec 31 2017	12 months ended Dec 31 2018	12 months ended Dec 31 2017	12 months ended Dec 31 2016
Revenue	39,440,122	33,252,243	171,760,954	121,990,785	110,172,635
Fuel surcharge	3,247,146	2,192,392	13,057,345	7,593,531	6,389,551
	42,687,268	35,444,635	184,818,299	129,584,316	116,562,186
Operating expenses	37,261,234	31,947,991	162,427,751	116,968,857	104,620,059
EBITDA(1)	5,426,034	3,496,644	22,390,548	12,615,459	11,942,127
EBITDA margin(1)	13.8 %	10.5 %	13.0 %	10.3 %	10.8 %
Depreciation	3,245,988	2,964,373	12,791,620	10,728,535	10,314,822
Amortization of customer lists	57,150	57,150	228,600	148,230	121,440
Operating income(1)	2,122,896	475,121	9,370,328	1,738,694	1,505,865
Operating margin(1)	5.4 %	1.4 %	5.5 %	1.4 %	1.4 %
Gain on sale of property and equipment	(254,271)	(137,861)	(629,030)	(575,298)	(550,966)
Finance costs	528,075	528,077	2,231,834	1,891,323	1,880,495
Finance income	(108,031)	(91,398)	(361,131)	(409,459)	(376,141)
Foreign exchange loss (gain)	(37,823)	37,191	(64,193)	111,174	316,955
Transaction costs	-	110,497	-	110,497	226,392
Income tax expense	658,308	40,532	2,391,900	177,056	71,221
Adjusted net income (loss)(1)	1,336,638	(11,917)	5,800,948	433,401	(62,091)
Adjusted net income per share - basic	0.04	(0.00)	0.16	0.01	(0.00)
Adjusted net income per share - diluted	0.04	(0.00)	0.16	0.01	(0.00)
Amortization of ProNorth customer lists(2)	-	627,360	-	627,360	-
Goodwill impairment(2)	-	2,894,000	-	2,894,000	-
Net income (loss) and comprehensive income (loss) attributable to owners of the Company	1,336,638	(3,533,277)	5,800,948	(3,087,959)	(62,091)
Net income (loss) per share - basic	0.04	(0.10)	0.16	(0.08)	(0.00)
Net income (loss) per share - diluted	0.04	(0.10)	0.16	(0.08)	(0.00)

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

Selected Segmented Financial Information (unaudited)

	3 months ended Dec 31 2018	3 months ended Dec 31 2017	12 months ended Dec 31 2018	12 months ended Dec 31 2017
Truck Transportation				
Revenue	26,759,562	22,473,180	104,456,195	81,349,372
Fuel surcharge	2,413,931	1,623,751	9,140,305	5,686,608
	29,173,493	24,096,931	113,596,500	87,035,980
Operating expenses				
Carriers and independent contractors	10,220,938	8,348,140	40,063,685	30,232,734
Vehicle operating	6,638,548	5,904,582	26,209,568	20,420,778
Wages and casual labour	6,709,943	5,856,807	25,943,374	20,358,458
Other operating	1,329,291	909,837	4,939,333	4,238,175
	24,898,720	21,019,366	97,155,960	75,250,145
EBITDA(1)	4,274,773	3,077,565	16,440,540	11,785,835
EBITDA margin(1)	16.0 %	13.7 %	15.7 %	14.5 %
Depreciation	3,133,153	2,881,374	12,336,774	10,414,120
Amortization of customer lists	57,150	57,150	228,600	148,230
Operating income(1)	1,084,470	139,041	3,875,166	1,223,485
Operating margin(1)	4.1 %	0.6 %	3.7 %	1.5 %
Gain on sale of property and equipment	(254,271)	(137,861)	(629,030)	(575,298)
Finance costs	528,075	528,077	2,146,051	1,891,323
Finance income	(108,031)	(91,398)	(361,131)	(409,459)
Foreign exchange gain(2)	-	(6,148)	-	(115,544)
Transaction costs	-	110,497	-	110,497
Income tax expense (recovery)	367,251	(47,887)	889,106	47,840
Adjusted net income (loss)(1)	551,446	(216,239)	1,830,170	274,126
Logistics				
Revenue	13,967,082	11,249,147	71,794,696	41,980,741
Fuel surcharge	833,215	568,641	3,917,040	1,906,923
	14,800,297	11,817,788	75,711,736	43,887,664
Operating expenses				
Carriers and independent contractors	11,409,980	9,438,906	59,379,648	35,855,500
Wages and casual labour	1,403,421	1,105,730	6,815,260	3,907,623
Other operating	534,942	379,817	2,037,949	1,481,549
	13,348,343	10,924,453	68,232,857	41,244,672
EBITDA/ Operating income(1)	1,451,954	893,335	7,478,879	2,642,992
EBITDA/ Operating income margin(1)	10.4 %	7.9 %	10.4 %	6.3 %
Depreciation	112,835	82,999	454,846	314,415
Finance costs	-	-	85,783	-
Foreign exchange loss(2)	-	43,339	-	226,718
Income tax expense	387,685	206,862	1,901,185	569,901
Net income	951,434	560,135	5,037,065	1,531,958

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

(2) As US dollar debt in the Truck Transportation segment is used to hedge against US dollar receivables in the Logistics segment, the net foreign exchange gain or loss is considered as corporate income or expense.

Revenue

	3 months ended Dec 31 2018	3 months ended Dec 31 2017	12 months ended Dec 31 2018	12 months ended Dec 31 2017
Truck Transportation				
Revenue	26,759,562	22,473,180	104,456,195	81,349,372
Fuel surcharge	2,413,931	1,623,751	9,140,305	5,686,608
	29,173,493	24,096,931	113,596,500	87,035,980
Logistics				
Revenue	13,967,082	11,249,147	71,794,696	41,980,741
Fuel surcharge	833,215	568,641	3,917,040	1,906,923
	14,800,297	11,817,788	75,711,736	43,887,664

For the three month period and year ended December 31, 2018, the Company's consolidated revenues increased by $7.2 million or 20.4%, and $55.2 million or 42.6% when compared to the three month period and year ended December 31, 2017. The increase in revenue was supported by volume growth and rate improvements in both the Logistics and Truck Transportation segments.

The Truck Transportation segment experienced an increase in revenue of $5.1 million or 21.1%, for the three month period ended December 31, 2018 and an increase of $26.6 million or 30.5% for the year ended December 31, 2018 when compared to that of 2017. The increase is a result of the Company's acquisition of Xpress Group on October 1, 2017 as well as organic growth in volume and pricing. Volume growth accounted for approximately a $2.3 million increase in revenue in the fourth quarter and is attributable to successful driver recruitment and retention as well as strong customer demand. Rate improvements accounted for approximately $2.7 million of the revenue growth this quarter.

The Logistics segment saw an increase in revenue of $3.0 million or 25.2% for the three month period ended December 31, 2018 and an increase of $31.8 million or 72.5% for the year ended December 31, 2018, when compared to that of 2017. Tightening of trucking capacity significantly increased reliance on freight brokerage during the first half of 2018, and the Company was able to capitalize on increased demand through its strong carrier relationships and prior investments in infrastructure and technology. Freight brokerage rates stabilized in the second half of the year, but the segment continued to experience stronger year over year demand and was able to extract more efficiencies from its sales force and operations team.

Operating Expenses

	3 months ended Dec 31 2018	3 months ended Dec 31 2017	12 months ended Dec 31 2018	12 months ended Dec 31 2017
Truck Transportation				
Revenue	29,173,493	24,096,931	113,596,500	87,035,980
Operating expenses	24,898,720	21,019,366	97,155,960	75,250,145
EBITDA(1)	4,274,773	3,077,565	16,440,540	11,785,835
EBITDA margin(1)	16.0 %	13.7 %	15.7 %	14.5 %
Depreciation and amortization	3,190,303	2,938,524	12,565,374	10,562,350
Operating income(1)	1,084,470	139,041	3,875,166	1,223,485
Operating margin(1)	4.1 %	0.6 %	3.7 %	1.5 %
Logistics				
Revenue	14,800,297	11,817,788	75,711,736	43,887,664
Operating expenses	13,348,343	10,924,453	68,232,857	41,244,672
EBITDA/ Operating income(1)	1,451,954	893,335	7,478,879	2,642,992
EBITDA margin/ Operating margin(1)	10.4 %	7.9 %	10.4 %	6.3 %
Corporate				
Operating expenses	300,693	474,256	1,528,871	1,813,368

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

For the Truck Transportation segment, operating expenses increased by $3.9 million or 18.5%, for the three month period ended December 31, 2018 and increased by $21.9 million or 29.1% for the year ended December 31, 2018, when compared to the same periods in 2017. The increase was driven by the acquisition of Xpress Group as well as volume growth. Organic growth as well as driver pay increases initiated at the start of the year to promote recruitment and retention also contributed to the increase during the year. Despite this increase, contract rate improvements and volume growth more than compensated for increased operating expenses, resulting in improved operating margins of 4.1% from 0.6% for the three month period, and 3.7% from 1.5% for the year.

For the Logistics segment, operating expenses increased by $2.4 million or 22.2% for the three month period ended December 31, 2018 and increased by $27.0 million or 65.4% for the year ended December 31, 2018. The increase was primarily driven by a higher volume of orders resulting in higher carrier costs and sales commissions. The improvement in operating margin from 7.9% to 10.4% for the three month period and from 6.3% to 10.4% for the year, is a product of both a higher volume of revenue over relatively fixed costs, as well as increased margins as a result of greater capacity constraints.

Other Expenses

On December 31, 2017, the Company determined that the value of customer lists recognized as part of its acquisition of ProNorth should be reduced to zero and the Company recognized customer list amortization of $627,360. In addition, the Company performed a goodwill impairment test and determined that the recoverable amount of the Truck Transportation segment was less than the carrying amount of goodwill. The Truck Transportation Segment recognized a goodwill impairment of $2,894,000 as a result.

SUMMARY OF QUARTERLY RESULTS

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

(in thousands)

	Q4'18	Q3'18	Q2'18	Q1'18	Q4'17	Q3'17	Q2'17	Q1'17
Revenue	42,687	44,845	51,810	45,476	35,445	31,516	32,794	29,829
EBITDA(1)	5,426	5,268	6,722	4,974	3,497	2,833	3,376	2,910
EBITDA margin(1)	13.8 %	12.6 %	13.9 %	11.7 %	10.5 %	9.5 %	10.9 %	10.4 %
Operating income(1)	2,123	2,004	3,384	1,859	475	222	733	309
Operating margin(1)	5.4 %	4.8 %	7.0 %	4.4 %	1.4 %	0.7 %	2.4 %	1.1 %
Adjusted net income (loss)(1)	1,337	1,124	2,222	1,118	(12)	17	299	129
Per share - basic	0.04	0.03	0.06	0.03	(0.00)	0.00	0.01	0.00
Per share - diluted	0.04	0.03	0.06	0.03	(0.00)	0.00	0.01	0.00
Net income (loss) and comprehensive income (loss) attributable to the owners of the Company(2)	1,337	1,124	2,222	1,118	(3,533)	17	299	129
Per share - basic	0.04	0.03	0.06	0.03	(0.10)	0.00	0.01	0.00
Per share - diluted	0.04	0.03	0.06	0.03	(0.10)	0.00	0.01	0.00

(1) Refer to "Non-IFRS Financial Measures".
(2) Refer to "Other Expenses and Income".

Changes from quarter to quarter are mainly the result of acquisitions, seasonality of operations and changes in industry conditions. Industry conditions began to worsen during 2016 and then further deteriorated into 2017, which resulted in reduced revenue, margins and profitability. The Company combated these changes with an increased focus on its sales force and organic growth as well as better asset utilization and operating cost savings. Industry conditions began to improve near the end of 2017, particularly in the United States, when strong economic growth along with the persistent shortage of drivers and the introduction of mandatory ELDs, constrained truck capacity. Historically, the Logistics division has reacted much faster to industry change as it is predominantly reliant on spot rates.

The activities of the Company are also subject to seasonal demand for truck transportation. Historically, the Company has experienced weak demand in the first quarter, moderate demand in the third and fourth quarters and stronger demand in the second quarter. Harsher winter conditions also generally result in lower fuel economy and increased repair costs during the first quarter.

There has also historically been an increase in revenue and a decrease in margins in quarters following an acquisition. Following the quarter in which an acquisition has occurred, revenues have often decreased, stabilized and then increased while EBITDA margins have increased. This historical trend can be observed in Q4 2017 following the acquisition of Xpress Group. It may be difficult to isolate this impact if the integration process of two or more acquisitions overlap or if there are significant changes in industry conditions.

LIQUIDITY AND CAPITAL RESOURCES

	December 31 2018	December 31 2017	December 31 2016
Working capital (deficit)(1)	(7,490,101)	(14,225,568)	(7,372,208)
Total assets	112,671,174	114,210,256	112,145,867
Net debt(2)	44,979,211	56,235,822	50,536,210
Shareholders' equity	39,108,402	32,639,307	36,238,286
Net debt to equity ratio(3)	1.15	1.72	1.39

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

The Company's working capital position improved and net debt as well as net debt to equity decreased as at December 31, 2018 when compared to December 31, 2017, primarily as a result of the Company's strong profitability and free cash flow during the year. Although due on demand and classified as current, the Company uses its bank indebtedness as a low cost source of financing for long-term assets.

Minimal investment in replacement equipment was required during the year ended December 31, 2018, as the Company has been improving asset utilization and significant replenishments were made during 2015 and 2016 following the acquisitions of Muskoka Transport Limited and ProNorth Transportation. In terms of growth spending, 53 new power units were purchased during 2018 and the Company purchased another 14 power units for $2.4 million in the first quarter of 2019. Up to 54 additional power units and 160 trailers may be purchased during 2019 depending on driver recruitment success. Titanium keeps the average age of its fleet low in order to take advantage of extended warranty periods, reduced driver downtime and lower repair costs. The Company has a policy of replacing trucks after 6 years, vans after 10 years and flatbeds after 15 years. Management believes there is sufficient financing available to fund planned capital expenditures in the future and to provide for the future growth of the business.

The following table sets out the Company's contractual obligations, excluding future interest payments:

(in thousands)	Total	1 Year	2 Years	3 Years	4 Years	5 Years	After 5 Years
Loans	25,283	8,748	5,491	3,673	3,183	1,663	2,525
Finance leases	18,298	7,904	6,137	3,456	726	75	-
Operating leases(1)	26,480	1,896	1,836	1,877	1,909	1,958	17,004
	70,061	18,548	13,464	9,006	5,818	3,696	19,529

(1) Pertains largely to the lease of the Company's head office terminal. Upon adoption of IFRS 16 on January 1, 2019, operating leases will be presented as long-term debt. Refer to "Changes in Accounting Policies" for further disclosure on the impact this standard will have on the Company's consolidated financial statements.

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 head office terminal 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 head office, these leases expire between January 2019 and February 2022. The lease for the Company's head office expires September 2031, with an option to purchase in March 2026.

The Company's revolving demand facility was increased from $15 million to $20 million during the first quarter of 2018. The portion of the Company's bank credit facilities which were unused as of December 31, 2018 include approximately $10.6 million under the revolving demand operating facility, $2 million under a non-revolving acquisition facility, $7.5 million under an accordion acquisition facility and $6 million under a finance lease loan facility. In addition, the Company has available approximately $10.1 million in finance leasing and loan facilities through other institutions.

The Company's credit facility agreement requires the Company to maintain two covenants on a quarterly basis. These covenants are measured on a consolidated rolling twelve-month basis. The first covenant requires the Company's debt to tangible net worth ratio to be less than 3.5. Debt to tangible net worth is a ratio of total liabilities plus future minimum lease payments on non-realty operating leases to shareholder's equity less goodwill, customer lists and deferred tax assets. The second covenant requires the Company's debt service coverage ratio to be greater than 1.15. Debt service coverage is a ratio of net income before interest income and expenses, gains on sale of equipment, depreciation, amortization and non-cash items, less unfinanced capital expenditures, plus proceeds of sale of equipment, to contractually required principal and interest payments made over the last twelve months. The Company was in compliance with all covenants as of December 31, 2018 and believes it will be in compliance with all required covenants for the next twelve months.

Common Shares

In September 2017, the Company implemented a share purchase plan (the "Plan"), which allows all employees and independent contractors, but excluding insiders of the Company, to contribute up to 5% of their compensation, to a maximum of $4,800 per year, towards the purchase of Titanium common shares. Contributions are matched at a rate of 100% by the Company and shares are issued from treasury in order to fund the Plan. In the case of employees, matched shares are subject to a three year vesting period. In the case of independent contractors, matched shares are issued after three years of service. The maximum number of shares approved for issuance under the Plan is reviewed by the board of directors annually. Of the shares issued to date, 259,039 have not vested.

On April 13, 2018, 4,426,665 warrants to acquire commons shares of the Company expired.

As of March 5, 2019, there are 36,721,644 common shares of the Company outstanding. In addition, there are 1,895,500 stock options outstanding, of which 713,331 are exercisable.

TRANSACTIONS WITH RELATED PARTIES

The Company provides truck transportation services to companies under common control. These companies include Vision Extrusions Group Limited, Vision Profile Extrusions Ltd. and Sunview Patio Doors Ltd. Aggregate revenues from these companies totaled $5,814,357 for the year ended December 31, 2018 (2017 - $4,622,151).

The Company is also currently leasing its head office from Caledon First Investments Limited, a company under common control. Total payments made to this company for the year ended December 31, 2018 was $1,967,789 (2017 - $1,932,438). The Company has committed to annual base rent of $1,771,426, which will increase to $2,413,123 over a 13 year period.

Trunkeast Investments Canada Limited, the Company's controlling shareholder as of December 31, 2018, provides administrative and support services to the Company on a monthly basis. For these services, the Company was charged $30,000 for the year ended December 31, 2018 (2017 - $60,000).

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

FORWARD LOOKING STATEMENTS

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

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

From time to time, the Company will disclose its current annual run rate revenue and EBITDA. Although not intended as such, this may be interpreted as forward looking information. Run rates are presented in order to provide investors with insight into the current size of the Company and do not take into account expected future growth or changes in economic conditions. Historical figures may not be a good indicator of the Company's size, due to acquisitions that are completed each year and the time that it takes to fully realize synergies. After releasing Q4 2017 results, the Company estimated that post synergy annualized revenue and EBITDA would be $155 million and $16 million, respectively. Actual revenue and EBITDA for the year was $185 million and $22.4 million, respectively. The difference is primarily a result of a much more dramatic improvement in industry conditions than expected, as well as organic growth which is not reflected in the Company's run rates.

NON-IFRS FINANCIAL MEASURES

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

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

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

"Operating income" is calculated as net income before asset impairments, gains or losses on the sale of equipment, finance income and costs, gains or losses on foreign exchange, income tax expense, transaction costs, accelerated customer list amortization and goodwill impairment.

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

"Adjusted net income" is calculated as net income before items that are not in the normal course of business, such as accelerated customer list amortization and goodwill impairment.

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 year ended December 31, 2018 and have not been applied in preparing the consolidated interim financial statements:

IFRS 16, Leases
IFRIC 23, Uncertainty over Income tax Treatments

The Company has conducted a preliminary assessment of the effect of IFRS 16, Leases, and determined that the standard will have the following impact on the Company's segmented results:

	Truck Transportation	Logistics
	12 months ended	**12 months ended**
	Dec 31 2018	**Dec 31 2018**
Revenue	104,456,195	71,794,696
Fuel surcharge	9,140,305	3,917,040
	113,596,500	75,711,736
Operating expenses		
Carriers and independent contractors	40,063,685	59,379,648
Vehicle operating	26,209,568	-
Wages and casual labour	25,943,374	6,815,260
Other operating(2)	3,395,002	1,887,949
	95,611,629	68,082,857
EBITDA(1)	17,984,871	7,628,879
EBITDA margin(1)	17.2 %	10.6 %
Depreciation(2)	12,842,138	498,790
Amortization of customer lists	228,600	-
Operating income(1)	4,914,133	7,130,089
Operating margin(1)	4.7 %	9.9 %
Gain on sale of property and equipment	(629,030)	-
Finance costs(2)	3,383,306	193,371
Finance income	(361,131)	-
Income tax expense(2)	836,460	1,900,879
Net income	1,684,528	5,035,839

(1) Refer to "Non-IFRS Financial Measures".
(2) Refer to Note 2 of the consolidated financial statements for a full description of the IFRS 16 standard change.

The changes pertain largely to the lease of the Company's head office terminal and assume that the purchase option in 2026 will be exercised. The full description of each of these recent pronouncements is available in the consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make judgments, assumptions and estimates that affect the reported amounts of revenues and expenses, the carrying amounts of assets and liabilities and disclosures regarding contingent assets and liabilities. The following describes critical accounting estimates management used in preparing the consolidated financial statements:

Impairment of trade and other receivables – An allowance for lifetime expected credit losses is established based on a combined approach of specific account identification and the use of a provision matrix. Management regularly analyzes its approach and exposure to credit loss based on an analysis of all relevant current information as well as historical trends.

Depreciation and impairment of property and equipment – Estimates of useful lives for straight line depreciation are based on management's historical experience and are reviewed on an ongoing basis. Property and equipment is assessed for impairment when events or changes in circumstances indicate that the Company may not be able to recover its carrying value.

Amortization and impairment of intangible assets – Amortization periods for customer lists are based on management's past experience and regular assessments of customer attrition. Goodwill and customer lists are assessed annually for impairment by comparing future discounted expected cash flows for cash-generating units against carrying values. Cash flows are estimated based on past performance and future expected conditions. Discount rates are estimated based on industry averages, company size and capital structure.

Business combinations – Tangible assets acquired as part of a business combination are valued based on management estimates of current market values, recent selling activity and third party valuations. Intangible assets are valued based on future discounted expected cash flows, customer attrition and workforce turnover. Discount rates are estimated based on industry averages, company size and capital structure.

Income Taxes – Future tax balances are estimated based on expected future tax rates and the probability of future taxable income needed to realize deferred tax assets. Expected future tax rates are based on currently enacted tax rates or pronounced changes. Future taxable income is based on past performance and future expected conditions.

Share based payments – Management estimates expected volatility, the expected life of the instrument and expected forfeitures when valuing share based payments. Volatility is estimated based on historical trading data. The expected life of the instrument and expected forfeitures is based on past experience.

Provisions – Estimates of expected settlements arising from matters involving litigation or accident claims are based on information provided by legal counsel or insurance professionals.

Titanium Transportation Group Inc.

Consolidated Financial Statements

December 31, 2018

Independent Auditor's Report

To the Shareholders of Titanium Transportation Group Inc.:

Opinion

We have audited the consolidated financial statements of Titanium Transportation Group Inc. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2018 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2017 were audited by another auditor, who expressed an unmodified opinion on those statements on March 6, 2018.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Patrycja Anna Kajda.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

March 5, 2019 — Licensed Public Accountants

Titanium Transportation Group Inc.

Consolidated Statements of Financial Position

December 31, 2018 and 2017 (in Canadian dollars)

	2018	2017
Assets		
Current		
Cash	237,496	479,012
Trade and other receivables (note 5, 16, 21)	27,285,612	24,302,160
Current taxes recoverable	512,670	62,305
Finance lease receivables (note 6, 21)	2,462,208	2,109,129
Prepaid expenses and deposits	2,106,723	1,727,554
Assets held for sale (note 7)	130,396	342,138
	32,735,105	29,022,298
Finance lease receivables (note 6, 21)	5,135,162	4,551,541
Property and equipment (note 8)	71,278,857	76,875,398
Deferred tax assets (note 9)	239,514	249,883
Customer lists (note 10)	1,314,250	1,542,850
Goodwill (note 10)	1,968,286	1,968,286
	112,671,174	114,210,256
Liabilities		
Current		
Bank indebtedness (note 11, 21)	9,364,135	11,361,611
Acquisition loan (note 11, 21)	-	3,000,000
Trade and other payables (note 12, 21)	13,733,603	12,636,579
Current taxes payable (note 21)	475,640	105,492
Loans payable (note 11, 21)	8,748,259	8,696,749
Finance lease liabilities (note 11, 21)	7,903,569	7,447,435
	40,225,206	43,247,866
Loans payable (note 11, 21)	16,534,574	16,875,601
Finance lease liabilities (note 11, 21)	10,393,936	16,336,246
Deferred tax liabilities (note 9)	6,409,056	5,111,236
	73,562,772	81,570,949
Commitments and contingencies (note 19)		
Shareholders' Equity		
Share capital (note 13)	22,926,679	22,585,503
Contributed surplus (note 14)	7,667,086	7,340,115
Retained earnings	8,514,637	2,713,689
	39,108,402	32,639,307
	112,671,174	114,210,256

On behalf of the Board

"Ted Daniel"
Director

"Bill Chyfetz"
Director

Titanium Transportation Group Inc.

Consolidated Statements of Comprehensive Income

years ended December 31, 2018 and 2017 (in Canadian dollars)

	2018	2017
Revenue (note 16)	171,760,954	121,990,785
Fuel surcharge (note 16)	13,057,345	7,593,531
	184,818,299	129,584,316
Expenses		
Carriers and independent contractors	94,953,396	64,748,906
Vehicle operating (note 19)	26,209,568	20,420,778
Wages and casual labour (note 17)	33,746,363	25,014,931
Other operating (note 16, 19)	7,518,424	6,784,242
	162,427,751	116,968,857
Income before the following	22,390,548	12,615,459
Depreciation (note 8)	12,791,620	10,728,535
Gain on sale of property and equipment	(629,030)	(575,298)
Finance costs	2,231,834	1,891,323
Finance income	(361,131)	(409,459)
Foreign exchange loss (gain)	(64,193)	111,174
Amortization of customer lists (note 10, 20)	228,600	775,590
Transaction costs (note 4)	-	110,497
Impairment of goodwill (note 10, 20)	-	2,894,000
	14,197,700	15,526,362
Income (loss) before provision for income taxes	8,192,848	(2,910,903)
Income tax expense (note 18)	2,391,900	177,056
Net income (loss) and comprehensive income (loss) attributable to owners of the Company	5,800,948	(3,087,959)
Earnings per share:		
Basic	0.16	(0.08)
Diluted	0.16	(0.08)
Weighted average number of shares outstanding:		
Basic (note 13)	36,258,576	37,280,278
Diluted (note 13)	36,479,024	37,280,278

Titanium Transportation Group Inc.

Consolidated Statements of Changes in Equity

years ended December 31, 2018 and 2017 (in Canadian dollars)

	Share Capital	Contributed Surplus	Retained earnings	Total
Balances at December 31, 2017	22,585,503	7,340,115	2,713,689	32,639,307
Share issuance (note 13)	341,176	-	-	341,176
Share-based compensation expense (note 13, 14, 17)	-	326,971	-	326,971
Net income and comprehensive income	-	-	5,800,948	5,800,948
Balances at December 31, 2018	22,926,679	7,667,086	8,514,637	39,108,402
Balances at December 31, 2016	26,754,964	3,681,674	5,801,648	36,238,286
Share issuance (note 13)	380,539	-	-	380,539
ProNorth settlement (note 20)	(4,550,000)	3,416,792	-	(1,133,208)
Share-based compensation expense (note 13, 14, 17)	-	241,649	-	241,649
Net loss and comprehensive loss	-	-	(3,087,959)	(3,087,959)
Balances at December 31, 2017	22,585,503	7,340,115	2,713,689	32,639,307

Titanium Transportation Group Inc.

Consolidated Statements of Cash Flows

years ended December 31, 2018 and 2017 (in Canadian dollars)

	2018	2017
Cash flows from operating activities		
Net income (loss)	5,800,948	(3,087,959)
Adjustments:		
Depreciation (note 8)	12,791,620	10,728,535
Gain on sale of property and equipment	(629,030)	(575,298)
Finance costs	2,231,834	1,891,323
Finance income	(361,131)	(409,459)
Amortization of customer lists (note 20, 10)	228,600	775,590
Impairment of goodwill (note 20, 10)	-	2,894,000
Share-based compensation expense (note 13, 14, 17)	326,971	241,649
Income tax expense (note 18)	2,391,900	177,056
	22,781,712	12,635,437
Net change in non-cash operating working capital	(1,693,176)	(1,602,281)
	21,088,536	11,033,156
Interest paid	(2,230,779)	(1,866,568)
Interest received	361,131	409,459
Income taxes received (paid)	(1,163,928)	186,495
	18,054,960	9,762,542
Cash flows from investing activities		
Proceeds from finance lease receivables (note 15)	2,342,039	2,229,615
Acquisition of property and equipment (note 8)	(4,965,760)	(1,403,272)
Disposition of property and equipment (note 8)	1,491,747	3,100,882
Acquisition of subsidiaries (note 4)	-	(3,165,929)
	(1,131,974)	761,296
Cash flows from financing activities		
Proceeds from bank indebtedness	-	2,600,749
Proceeds from acquisition loan	-	3,000,000
Proceeds from loans payable (note 15)	4,522,009	618,098
Repayment of bank indebtedness (note 15)	(1,942,853)	-
Repayment of acquisition loan	(3,000,000)	-
Repayment of loans payable (note 15)	(9,432,565)	(7,354,279)
Repayment of finance lease liabilities (note 15)	(7,652,269)	(9,176,241)
Issuance of shares (note 13)	341,176	114,039
	(17,164,502)	(10,197,634)
Increase (decrease) in cash	(241,516)	326,204
Cash, beginning	479,012	152,808
Cash, ending	237,496	479,012

Please refer to note 15 for supplemental cash flow information.

1. CORPORATE INFORMATION

Titanium Transportation Group Inc. (the "Company" or "Titanium") commenced operations as a transportation company on July 3, 2002. The Company is a truck-based carrier and logistics broker servicing all of North America with distribution terminals based in Bolton, Bracebridge, Napanee, North Bay and Windsor, Ontario. The registered head office of the Company is at 32 Simpson Rd, Bolton, Ontario, L7E 1G9. Titanium was incorporated on July 11, 1989 under the Canada Business Corporations Act.

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 5, 2019.

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 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, including fuel surcharge revenue, at the expected entitled amount for the transfer of promised services to customers. Revenue is measured on either an "over time" or "point in time" basis at the fair value of the consideration received or receivable, with typical credit terms of 21 days, to the extent collection is probable. The Company does not engage in financing amounts receivable from customers.

The Truck Transportation segment recognizes revenue on an "over time" basis. The Company services its customers by physically transporting commodities and goods from the point of origin to the destination using the Company's resources.

The Logistics segment recognizes revenue using the "point in time" method. The segment offers freight transportation services to its customers using third party subcontractors, whom have their own insurance and operating authorities. The Company acts as the principal of the broker arrangement and recognizes revenue on a gross basis as it has authority to set prices and retains the risk of credit and claim losses.

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.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Instruments

All of the Company's financial assets and liabilities are non-derivative 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 measured 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 statements 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 statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset and that the estimated future cash flow of that asset can be estimated reliably. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For trade receivables, the Company uses a combined approach of specific account identification and a provision matrix to estimate lifetime expected impairment. For all other financial assets, the Company uses specific account identification to determine the amount of expected impairment. Losses are recognized in the consolidated statement of comprehensive income and reflected as an expected credit loss allowance against the financial asset. When a subsequent event causes the amount of the allowance to decrease, the decrease in allowance is reversed through the consolidated statement of comprehensive income.

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.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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 assessed for expected credit losses if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of the asset. Expected credit losses are based on the difference between contractual cash flows and estimated future cash flows, including the fair value of the underlying collateral, discounted at the original effective interest rate. Losses are recognized in the consolidated statements of comprehensive income and reflected as an expected credit loss allowance against the finance lease receivable.

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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

Intangible Assets

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.

Provisions

A provision is recognized when the Company has a material obligation, whether existing or potential, as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the obligation is determined to be material, then the estimated amount of the provision is determined by discounting the expected future cash outflows.

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. When share capital recognized as equity is reacquired, the amount of consideration paid, including direct costs, net of tax effects, is recognized as a deduction from equity.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Share-Based Payments

The grant date fair value of share-based payment awards granted to employees, independent contractors 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 stock option awards are exercised, the proceeds, together with the amount originally recorded in contributed surplus, are recorded in share capital. When share purchase plan awards are fully vested, the amount originally recorded in contributed surplus is reclassified to share capital.

Finance Costs

Finance costs are comprised of interest expense on bank indebtedness, acquisition loan, loans payable and finance lease liabilities. 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.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Earnings Per Share

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

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued

New Standard Adopted

IFRS 9, Financial Instruments, was issued by the IASB on November 12, 2009 and replaced 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, fair value through other comprehensive income or fair value through profit and loss, 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 standard became effective on January 1, 2018 and the adoption of this standard did not have a material impact on the Company's consolidated financial statements. There was no change in the classification of the Company's financial instruments on the adoption of this standard.

IFRS 15, Revenue from Contracts with Customers, which replaces IAS 18, Revenue, became effective on 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. Adoption of this standard did not have a material impact on the Company's consolidated financial statements.

New Standards not yet Adopted

The following new standards are not yet effective as of December 31, 2018 and have not been applied in the preparation of these consolidated financial statements:

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

years ended December 31, 2018 and 2017 (in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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. Although early adoption is permitted, the Company does not intend to adopt IFRS 16 until this standard becomes effective. The Company intends to adopt this standard retrospectively, without modifications, to allow for comparability of operating results. The Company has conducted a preliminary assessment of the effect of this standard and determined that the standard will have the following impact:

	As Reported	Adjustments	Restated
As at December 31, 2018			
Property and equipment	71,278,857	34,884,394	106,163,251
Trade and other payables	13,733,603	(595,055)	13,138,548
Finance lease liabilities	18,297,505	35,653,609	53,951,114
Deferred tax liabilities	6,409,056	(46,152)	6,362,904
Retained earnings	8,514,637	(128,008)	8,386,629
Year ended December 31, 2018			
Other operating expenses	7,518,424	(1,694,331)	5,824,093
Depreciation	12,791,620	549,308	13,340,928
Finance costs	2,231,834	1,344,843	3,576,677
Income tax expense	2,391,900	(52,952)	2,338,948

The above adjustments pertain largely to the lease of the Company's head office terminal and assume that the purchase option in 2026 will be exercised. Until the Company presents its first consolidated financial statements on the date of initial application, the actual impact of adopting IFRS 16 may differ as the new accounting policy is still subject to change and adjustments were based on preliminary estimates.

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.

years ended December 31, 2018 and 2017 (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 van, flatbed or other specialized equipment. The Logistics segment represents the brokering of freight across North America. The Company's CEO reviews internal management reports for each operating segment on a monthly basis. Operating segment results that are reported include items directly attributable to each operating segment, as well as those that can be allocated on a reasonable basis. Unallocated items ("Corporate") are comprised mainly of expenses required to operate a publicly traded and multi-entity organization.

	Truck Transportation	Logistics	Corporate	Elimination	Total
Year ended December 31, 2018					
Revenue - external	109,106,563	75,711,736	-	-	184,818,299
Revenue - internal	4,489,937	-	-	(4,489,937)	-
Total revenue	113,596,500	75,711,736	-	(4,489,937)	184,818,299
Depreciation	12,336,774	454,846	-	-	12,791,620
Amortization (note 20)	228,600	-	-	-	228,600
Finance costs	2,146,051	85,783	-	-	2,231,834
Finance income	(361,131)	-	-	-	(361,131)
Income (loss) before income taxes (note 20)	2,719,276	6,938,250	(1,464,678)	-	8,192,848
Income taxes (recoveries)	889,106	1,901,185	(398,391)	-	2,391,900
Capital expenditures	11,120,346	57,950	-	-	11,178,296

	Truck Transportation	Logistics	Corporate	Elimination	Total
Year ended December 31, 2017					
Revenue - external	85,696,652	43,887,664	-	-	129,584,316
Revenue - internal	1,339,328	-	-	(1,339,328)	-
Total revenue	87,035,980	43,887,664	-	(1,339,328)	129,584,316
Depreciation	10,414,120	314,415	-	-	10,728,535
Amortization (note 20)	775,590	-	-	-	775,590
Finance costs	1,891,323	-	-	-	1,891,323
Finance income	(409,459)	-	-	-	(409,459)
Income (loss) before income taxes	(3,199,394)	2,101,859	(1,813,368)	-	(2,910,903)
Income taxes (recoveries)	47,840	569,901	(440,685)	-	177,056
Capital expenditures	14,116,463	233,896	-	-	14,350,359
Goodwill acquisitions	346,461	-	-	-	346,461
Goodwill impairment (note 20)	2,894,000	-	-	-	2,894,000

years ended December 31, 2018 and 2017 (in Canadian dollars)

3. OPERATING SEGMENTS - continued

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.

	2018	2017
Canada	105,540,076	83,844,593
United States	79,278,223	45,739,723
	184,818,299	129,584,316

4. BUSINESS COMBINATIONS

On October 1, 2017, the Company acquired all the outstanding shares of 6475485 Canada Inc. (o/a Xpress Group) ("Xpress"), a van and flatbed carrier located in Windsor, Ontario. The acquisition was consistent with the Company's growth strategy and allowed the Company to add capacity to its existing Windsor terminal.

From the date of acquisition, Xpress contributed revenue of $3,130,385 and a net loss of $179,248 during the year ended December 31, 2017. If the company was acquired January 1, 2017, the company would have contributed revenue of $14,453,012 and net income of $8,061.

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

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

Gross contractual amount	2,094,675
Uncollectible at the acquisition date	(6,509)
	2,088,166

Transaction costs of $110,497 were expensed as other operating expenses on the consolidated statements of comprehensive income during the year ended December 31, 2017.

years ended December 31, 2018 and 2017 (in Canadian dollars)

4. BUSINESS COMBINATIONS - continued

As at December 31, 2017, the Company had completed the purchase price allocation over the identifiable net assets and goodwill of Xpress. The table below presents the purchase price allocation.

Trade and other receivables	2,088,166
Current taxes recoverable	10,667
Prepaid expenses and deposits	225,503
Finance lease receivables	43,721
Property and equipment	5,732,885
Customer lists	1,600,000
Bank indebtedness	(939,929)
Trade and other payables	(857,235)
Loans payable	(1,705,299)
Finance lease liabilities	(2,512,197)
Deferred tax liabilities	(600,314)
Total identifiable net assets	3,085,968
Total consideration	3,432,429
Goodwill	346,461
Cash	3,165,929
Issuance of shares	266,500
Total consideration transferred	3,432,429

Share consideration was valued based on a five day volume weighted average price of the Company's shares prior to the close of the transaction, less a discount to account for escrow restrictions placed on the shares. The discount was calculated using the Black-Scholes option pricing model with the following assumptions: i) the expected life of the restriction is 3 years; ii) the risk free rate is 1.55%; 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 the date of issuance. Variables used in the Black-Scholes option pricing model are based on highly subjective assumptions and any change in the assumptions can materially affect the fair value estimate.

The Company did not complete any business combinations during the year ended December 31, 2018.

5. TRADE AND OTHER RECEIVABLES

	2018	2017
Trade receivables	27,025,016	23,218,416
Other receivables	260,596	1,083,744
	27,285,612	24,302,160

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

years ended December 31, 2018 and 2017 (in Canadian dollars)

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 5% to 7.5% 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	2018	2017
Future minimum lease payments receivable	2,852,938	5,730,541	8,583,479	7,332,899
Unearned finance income	(390,730)	(595,379)	(986,109)	(672,229)
	2,462,208	5,135,162	7,597,370	6,660,670
Current portion			2,462,208	2,109,129
			5,135,162	4,551,541

No provision was established for finance lease receivables as the amount of collateral is expected to be sufficient to offset any amounts receivable.

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.

Balance, December 31, 2016	1,820,727
Reclassification from property and equipment	568,289
Disposals	(2,046,878)
Balance, December 31, 2017	342,138
Reclassification from property and equipment	690,403
Disposals	(902,145)
Balance, December 31, 2018	130,396

years ended December 31, 2018 and 2017 (in Canadian dollars)

8. PROPERTY AND EQUIPMENT

	Land and Buildings	Furniture and Equipment	Rolling Stock	Total
Cost				
Balances, December 31, 2017	10,759,543	5,703,938	85,200,245	101,663,726
Reacquisition of rolling stock relating to finance lease receivables	-	-	651,310	651,310
Other additions	17,117	783,781	10,377,398	11,178,296
Sale of rolling stock relating to finance lease receivable	-	-	(4,193,184)	(4,193,184)
Other disposals	-	(44,223)	-	(44,223)
Reclassification to assets held for sale	-	-	(2,234,908)	(2,234,908)
Balances, December 31, 2018	10,776,660	6,443,496	89,800,861	107,021,017
Accumulated depreciation				
Balances, December 31, 2017	763,185	2,906,748	21,118,395	24,788,328
Depreciation	495,361	1,503,822	10,792,437	12,791,620
Sale of rolling stock relating to finance lease receivables	-	-	(279,000)	(279,000)
Other disposals	-	(14,283)	-	(14,283)
Reclassification to assets held for sale	-	-	(1,544,505)	(1,544,505)
Balances, December 31, 2018	1,258,546	4,396,287	30,087,327	35,742,160
Net carrying amounts				
At December 31, 2018	9,518,114	2,047,209	59,713,534	71,278,857

years ended December 31, 2018 and 2017 (in Canadian dollars)

8. PROPERTY AND EQUIPMENT - continued

	Land and Buildings	Furniture and Equipment	Rolling Stock	Total
Cost				
Balances, December 31, 2016	10,504,873	4,715,800	75,424,136	90,644,809
Additions through business combinations	-	156,885	5,576,000	5,732,885
Reacquisition of rolling stock relating to finance lease receivables	-	-	3,024,135	3,024,135
Other additions	254,670	969,693	7,393,111	8,617,474
Sale of rolling stock relating to finance lease receivables	-	-	(2,625,209)	(2,625,209)
Other disposals	-	(138,440)	(2,450,167)	(2,588,607)
Reclassification to assets held for sale	-	-	(1,141,761)	(1,141,761)
Balances, December 31, 2017	10,759,543	5,703,938	85,200,245	101,663,726
Accumulated depreciation				
Balances, December 31, 2016	291,528	2,092,456	14,534,168	16,918,152
Depreciation	471,657	947,863	9,309,015	10,728,535
Sale of rolling stock relating to finance lease receivables	-	-	(429,166)	(429,166)
Other disposals	-	(133,571)	(1,722,150)	(1,855,721)
Reclassification to assets held for sale	-	-	(573,472)	(573,472)
Balances, December 31, 2017	763,185	2,906,748	21,118,395	24,788,328
Net carrying amounts				
At December 31, 2017	9,996,358	2,797,190	64,081,850	76,875,398

Included in rolling stock are leased assets with a carrying value of $27,234,380 (2017 - $30,432,904). There were no indicators of the carrying value not being recoverable noted for the year.

years ended December 31, 2018 and 2017 (in Canadian dollars)

9. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	2018	2017
Finance lease receivables	(2,013,303)	(1,765,077)
Property and equipment	(7,074,760)	(6,820,186)
Finance lease liabilities	-	20,360
Finance costs	111,496	208,926
Income tax losses	1,956,884	2,911,253
Other	850,141	583,371
	(6,169,542)	(4,861,353)
Presented as:		
Deferred tax assets	239,514	249,883
Deferred tax liabilities	(6,409,056)	(5,111,236)
	(6,169,542)	(4,861,353)

Income tax losses may be carried forward for up to 20 years. The Company's tax losses will expire as indicated below:

2032	983
2033	15,892
2034	20,938
2035	179,917
2036	1,069,094
2037	6,097,645

10. GOODWILL AND CUSTOMER LISTS

	Goodwill	Customer Lists	Total
December 31, 2016	4,515,825	718,440	5,234,265
Acquired through business combinations	346,461	1,600,000	1,946,461
Amortization	-	(775,590)	(775,590)
Impairment	(2,894,000)	-	(2,894,000)
Balances, December 31, 2017	1,968,286	1,542,850	3,511,136
Amortization	-	(228,600)	(228,600)
Balances, December 31, 2018	1,968,286	1,314,250	3,282,536

years ended December 31, 2018 and 2017 (in Canadian dollars)

10. GOODWILL AND CUSTOMER LISTS - continued

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, 2018 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 12% was used, which was based on the industry average and past experience. First year cash flows are 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 12.8%. The terminal value was determined using a long-term growth rate of 2.5%.

During the year ended December 31, 2017, the Company recognized an impairment of goodwill and revised the remaining useful life of customer lists acquired as part of the acquisition of ProNorth. For more information, refer to note 20.

11. 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	2018 Carrying Amount	2017 Carrying Amount
Bank indebtedness	PRIME+0.75%	N/A	9,364,135	11,361,611
Acquisition loan	PRIME+1.25%	N/A	-	3,000,000
Loans payable	2.95% - 5.75%	2019-2031	25,282,833	25,572,350
Finance lease liabilities	2.56% - 5.60%	2019-2023	18,297,505	23,783,681
			52,944,473	63,717,642
Current portion			26,015,963	30,505,795
			26,928,510	33,211,847

years ended December 31, 2018 and 2017 (in Canadian dollars)

11. LONG-TERM DEBT - continued

The Company has the following credit facility available to it, through its major bank:

a) CDN$20 million revolving demand operating facility, subject to margin requirements;

b) CDN$2 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$13.3 million finance lease loan facility; and

f) CDN$2.1 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 100 basis points over the bank's prime rate on the revolving demand operating facility and between 100 and 150 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. The Company was in compliance with all covenants as of December 31, 2018.

Loans payable include loans issued as part of business acquisitions. 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, 2018 was $2,925,000 and $2,569,796 respectively. In addition, the Company has a $2.1 million mortgage facility outstanding for its terminal in Windsor, Ontario. Loans payable are secured by assets with a carrying value of $38,400,932 (2017 - $37,665,349).

Finance lease liabilities are secured by rolling stock with a carrying value of $27,234,380 (2017 - $30,432,904).

Loans payable and finance lease liabilities are payable as follows:

	Less than 1 Year	1 to 5 Years	More than 5 Years	2018	2017
Future minimum lease payments on finance lease liabilities	8,370,740	10,721,904	-	19,092,644	25,043,112
Interest	(467,171)	(327,968)	-	(795,139)	(1,259,431)
	7,903,569	10,393,936	-	18,297,505	23,783,681
Principal repayments on loans payable	8,748,259	14,009,582	2,524,992	25,282,833	25,572,350
	16,651,828	24,403,518	2,524,992	43,580,338	49,356,031

years ended December 31, 2018 and 2017 (in Canadian dollars)

12. TRADE AND OTHER PAYABLES

	2018	2017
Trade payables	7,636,622	8,256,662
Other payables	6,096,981	4,379,917
	13,733,603	12,636,579

13. SHARE CAPITAL

Authorized

Unlimited number of common shares with no par value

	Common Shares #	Share Capital $
Issued		
Balances, December 31, 2016	37,388,510	26,754,964
Shares issued on acquisition of Xpress Group	374,264	266,500
Shares cancelled on ProNorth settlement	(1,750,000)	(4,550,000)
Shares issued as part of share purchase plan	179,054	114,039
Balances, December 31, 2017	36,191,828	22,585,503
Shares issued as part of share purchase plan	463,660	341,176
Balances, December 31, 2018	36,655,488	22,926,679

On October 1, 2017 the Company acquired Xpress for cash and 374,264 newly issued common shares with a stated capital amount of $266,500.

On November 8, 2017, the Company cancelled 1,750,000 common shares as part of a settlement with the vendor of ProNorth. For more information, refer to note 20.

In September 2017, the Company implemented a share purchase plan (the "Plan"), which allows all employees and independent contractors, but excluding insiders of the Company, to contribute up to 5% of their compensation, to a maximum of $4,800 per year, towards the purchase of Titanium common shares. Contributions are matched at a rate of 100% by the Company and shares are issued from treasury in order to fund the Plan. In the case of employees, matched shares are subject to a three year vesting period. In the case of independent contractors, matched shares are issued after three years of service. The maximum number of shares approved for issuance under the Plan is reviewed by the board of directors annually. Of the shares issued to date, 259,039 (2017 - 71,126) have not vested. During the year ended December 31, 2018, the Company recognized an expense of $100,468 (2017 - $7,336) relating to the Plan, with a corresponding increase to contributed surplus.

years ended December 31, 2018 and 2017 (in Canadian dollars)

13. SHARE CAPITAL - continued

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

	2018	2017
Issued common shares	36,191,828	37,388,510
Effect of unvested common shares	(165,083)	(35,563)
Effect of issued (cancelled) common shares	231,831	(72,669)
Weighted average number of basic common shares	36,258,576	37,280,278
Dilutive effect of restricted common shares	220,448	-
Weighted average number of diluted common shares	36,479,024	37,280,278

14. CONTRIBUTED SURPLUS

The Company offers a stock option plan for the benefit of certain of its directors, employees and consultants. The maximum number of shares which may be issued under this plan may not exceed 6% of the number of issued and outstanding shares of the Company. Each stock option entitles its holder to receive one common share upon exercise. The majority of options vest over a period of six years, with half vesting three years from issuance and the other half vesting six years from issuance.

During the year ended December 31, 2018, 288,000 (2017 - 194,000) stock options were issued to various directors and employees, which entitle the holders to acquire common shares of the Company at an exercise price of $1.50 (2017 - $1.50) per common share. During the year, 85,000 (2017 - 23,000) stock options were forfeited and 102,500 (2017 - 250,000) expired. No other stock options expired or were exercised during the reporting period. As at December 31, 2018, there were 1,636,500 (2017 - 1,536,000) stock options outstanding with a weighted average exercise price of $1.79 (2017 - $1.83) and weighted average remaining life of 7.1 years (2017 - 7.7 years). Of the stock options outstanding as at December 31, 2018, 869,000 (2017 - 801,000) were held by key management personnel. In addition, of the total options outstanding, 496,166 (2017 - 200,000) are fully vested and exercisable at a price of $1.50. During the year ended December 31, 2018, the Company recognized an expense of $226,503 (2017 - $234,313) relating to stock options with a corresponding increase to contributed surplus.

The estimated fair value of stock options issued during fiscal 2018 was calculated using the Black-Scholes option pricing model with the following assumptions: i) the expected life of each stock option is between 3.5 and 8.5 years; ii) the risk free rate is between 1.89% and 2.17%; iii) the dividend yield will be $NIL; and iv) expected volatility is 60.21%. Volatility was determined using the Company's historical trading data over a period equal to the expected life of the options or from the first day of trading, whichever is less. 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.

years ended December 31, 2018 and 2017 (in Canadian dollars)

14. CONTRIBUTED SURPLUS - continued

On January 9, 2019, 259,000 stock options were issued to various employees and directors, of which 202,000 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, 102,000 vest 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 9, 2029.

During the year, 4,426,665 warrants expired, having an exercise price of $2.50. There are no outstanding warrants as at December 31, 2018.

15. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Finance Lease Receivables	
	2018	**2017**
Balance, beginning of year	6,660,670	9,420,476
Cash flows	(2,342,039)	(2,229,615)
Non-cash changes		
New leases	4,037,341	2,410,549
Leases acquired through business combination	-	43,721
Reacquired leases	(758,602)	(2,984,461)
Balance, end of year	7,597,370	6,660,670

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

	Bank Indebtedness	**Loans Payable**	**Finance Lease Liabilities**	**Total 2018**	**Total 2017**
Balances, beginning of year	11,361,611	25,572,350	23,783,681	60,717,642	61,930,221
Cash flows	(1,942,853)	(4,910,556)	(7,652,269)	(14,505,678)	(13,311,673)
Non-cash changes					
New leases/loans	-	4,374,944	1,765,751	6,140,695	7,214,202
Liabilities assumed through business combination	-	-	-	-	5,157,425
Foreign exchange	(54,623)	246,095	400,342	591,814	(272,533)
Balances, end of year	9,364,135	25,282,833	18,297,505	52,944,473	60,717,642

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16. RELATED PARTY TRANSACTIONS AND BALANCES

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.

	2018	2017
Provided truck transportation services to Vision Extrusions Group Limited, Vision Profile Extrusions Ltd. and Sunview Patio Doors Ltd., companies under common control	5,814,357	4,622,151
Paid rent to Caledon First Investments Limited, a company under common control	(1,967,789)	(1,932,438)
Paid management fees to Trunkeast	(30,000)	(60,000)
	3,816,568	2,629,713

Included in trade and other receivables as at December 31, 2018 is a total of \$403,721 (2017 - \$297,405) due from these related companies.

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

17. WAGES AND CASUAL LABOUR

Included in wages and casual labour are the following:

	2018	2017
Share-based compensation expense (note 13, 14)	326,971	241,649
Employee benefits	550,005	528,352
Key management personnel:		
Salaries and benefits	1,504,969	843,852
Share-based compensation expense	112,438	100,300

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

years ended December 31, 2018 and 2017 (in Canadian dollars)

18. INCOME TAXES

	2018	2017

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:

	2018	2017
Income before income taxes	8,192,848	(2,910,903)
Statutory income tax rate	26.50%	26.50%
Income tax provision based on statutory income tax	2,171,105	(771,389)
Increase (decrease) in income taxes resulting from:		
Non-deductible items	187,737	1,050,627
Adjustment for prior years	33,058	(102,182)
Income taxes reported	2,391,900	177,056

19. 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	1,896,410
Between one and five years	7,579,337
More than five years	17,004,348

Operating leases that were charged to income during the year totaled $2,527,675 (2017 - $2,509,835).

b) As at December 31, 2018, the Company was committed to the purchase of $2.4 million in rolling stock.

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, and a letter of credit for USD$20,000 as security for a vendor.

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

20. PRONORTH SETTLEMENT AND GOODWILL IMPAIRMENT

On December 1, 2015, the Company acquired all of the outstanding shares of 618717 Ontario Inc., which held all of the outstanding shares of 682439 Ontario Inc. (o/a ProNorth Transportation) ("ProNorth") for total consideration of $11,444,349. Of the total consideration, $4,550,000 related to 1,750,000 common shares that were issued to the vendor. As part of the original purchase price allocation, the Company recognized $1,660,222 in goodwill and $850,000 in customer lists.

Subsequent to the purchase of ProNorth, the Company initiated proceedings under the purchase and sale agreement to address various claims the Company had against the vendor. These proceedings were settled on October 26, 2017 and resulted in the forfeiture for cancellation of the 1,750,000 shares originally issued to the vendor as consideration for the purchase, and the renunciation by the Company of $1,133,208 in receivables from the vendor that predominantly related to working capital shortfalls owing under the purchase and sale agreement (the "Settlement"). In addition, the vendor agreed to void a consulting agreement established in connection with the acquisition of ProNorth.

Consistent with IFRS 3 and IAS 32, the Settlement was recorded directly in equity. As more than 12 months have lapsed since the acquisition date, the original purchase price allocation may no longer be adjusted. In addition, since the transaction was settled by way of cancellation of the Company's own shares, a gain or loss on settlement may not be recognized on the Company's statements of comprehensive income.

In addition, the Company determined that the value of customer lists recognized as part of its acquisition of ProNorth should be reduced to zero. Customer list amortization of $627,360 was recognized as a result, which represented the remaining balance of the original $850,000 recognized on the acquisition of ProNorth.

In addition, on December 31, 2017, the Company performed a goodwill impairment test and determined that the recoverable amount of the Truck Transportation segment was less than the carrying amount of goodwill, which included goodwill originally recognized on the acquisition of ProNorth. 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 Truck Transportation Segment recognized a goodwill impairment of $2,894,000. 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 12% was used, which was based on the industry average and past experience. 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 10.5%. The terminal value was determined using a long-term growth rate of 2.5%.

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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:

	2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Finance lease receivables	7,597,370	7,606,071	6,660,670	6,644,163
Loans payable	(25,282,833)	(24,977,895)	(25,572,350)	(25,447,066)
Finance lease liabilities	(18,297,505)	(17,960,069)	(23,783,681)	(23,536,703)
	(35,982,968)	(35,331,893)	(42,695,361)	(42,339,606)

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.

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21. FINANCIAL INSTRUMENTS - continued

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. The rates used were as follows:

	2018	2017
Finance lease receivables	6.75 %	6.00 %
Loans payable	4.75 %	3.75 %
Finance lease liabilities	4.75 %	3.75 %

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

	2018	2017
Finance lease receivables	7,476,375	6,538,547
Loans payable	(24,475,593)	(24,929,948)
Finance lease liabilities	(17,753,697)	(23,228,522)
	(34,752,915)	(41,619,923)

Credit Risk

Credit risk arises from the potential that debtors will fail to satisfy their obligations as they come due. The Company is exposed to credit risk on its trade receivables from its customers, on its finance lease receivables from its drivers and on its other receivables. The Company's maximum exposure to credit risk is the carrying value of trade receivables and finance lease receivables. In order to reduce its credit risk, the Company has adopted credit policies which include the analysis of the financial position of its customers and the regular review of their credit limits. The Company ceased insuring its receivables effective January 1, 2018. 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 allowance for trade and other receivables as well as finance lease receivables, management considers historical trends and relevant current and expected events as well as 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.

years ended December 31, 2018 and 2017 (in Canadian dollars)

21. FINANCIAL INSTRUMENTS - continued

The movement in the expected credit loss allowance for trade receivables during the respective year was as follows:

	2018	2017
Balance, beginning of year	383,959	436,948
Allowance recorded	482,187	59,039
Allowance acquired	-	6,509
Recognized credit loss	(77,144)	(118,537)
Balance, end of year	789,002	383,959

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

2018	Gross	Lifetime Expected Credit Loss	Carrying Value
Not past due	12,514,251	6,257	12,507,994
Past due 0-30 days	9,394,181	21,161	9,373,020
Past due 31-60 days	2,960,531	59,211	2,901,320
Past due more than 60 days	2,945,055	702,373	2,242,682
	27,814,018	789,002	27,025,016

2017	Gross	Lifetime Expected Credit Loss	Carrying Value
Not past due	11,013,555	-	11,013,555
Past due 0-30 days	7,507,408	-	7,507,408
Past due 31-60 days	2,289,775	-	2,289,775
Past due more than 60 days	2,791,637	383,959	2,407,678
	23,602,375	383,959	23,218,416

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 and ensures that it has available credit facilities to meet obligations as they become due. The current assets reflected on the statements of financial position are highly liquid as they are comprised primarily of cash as well as trade and other receivables. On average, trade and other receivables are settled within two months.

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21. FINANCIAL INSTRUMENTS - continued

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

	Carrying Amount	Contractual Cash-Flows	Less than 1 Year	1 to 2 Years	2 to 5 Years	More than 5 Years
December 31, 2018						
Bank indebtedness	9,364,135	9,364,135	9,364,135	-	-	-
Trade and other payables	13,733,603	13,733,603	13,733,603	-	-	-
Loans payable	25,282,833	27,749,406	9,586,241	6,063,652	9,292,044	2,807,469
Finance lease liabilities	18,297,505	19,092,644	8,370,740	6,376,591	4,345,313	-
	66,678,076	69,939,788	41,054,719	12,440,243	13,637,357	2,807,469
Other liabilities requiring the use of cash:						
Current taxes payable	475,640	475,640	475,640	-	-	-
	67,153,716	70,415,428	41,530,359	12,440,243	13,637,357	2,807,469

	Carrying Amount	Contractual Cash-Flows	Less than 1 Year	1 to 2 Years	2 to 5 Years	More than 5 Years
December 31, 2017						
Bank indebtedness	11,361,611	11,361,611	11,361,611	-	-	-
Acquisition loan	3,000,000	3,252,000	126,000	1,594,500	1,531,500	-
Trade and other payables	12,636,579	12,636,579	12,636,579	-	-	-
Loans payable	25,572,350	27,664,599	9,423,389	7,605,407	7,558,858	3,076,945
Finance lease liabilities	23,783,681	25,043,112	8,005,351	7,780,917	9,256,844	-
	76,354,221	79,957,901	41,552,930	16,980,824	18,347,202	3,076,945
Other liabilities requiring the use of cash:						
Current taxes payable	105,492	105,492	105,492	-	-	-
	76,459,713	80,063,393	41,658,422	16,980,824	18,347,202	3,076,945

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 through 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.

21. FINANCIAL INSTRUMENTS - continued

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will have a negative effect 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:

	2018	**2017**
Net fixed rate financial instruments	(35,982,968)	(42,695,361)
Net variable rate financial instruments	(9,364,135)	(14,361,611)
	(45,347,103)	(57,056,972)

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 $140,181 (2017 - $82,301). This analysis assumes that all other variables are held constant. The analysis is performed on the same basis for all periods presented.

(ii) Foreign exchange risk

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

	2018	**2017**
Cash	18,080	132,018
Accounts receivable	7,439,678	6,855,164
Bank indebtedness	(176,315)	801,007
Accounts payable	(1,175,342)	(1,527,252)
Loans payable	(3,341,116)	-
Finance leases liabilities	(3,483,359)	(3,709,128)
	(718,374)	2,551,809
Average USD	1.2961	1.2980
Closing USD	1.3638	1.2517

As at December 31, 2018, had the foreign exchange rate between the US dollar and the Canadian dollar changed by 500 basis points, with all other variables held constant, the increase or decrease in net income before income taxes would have amounted to approximately $35,919 (2017 - $127,590). In practice, the actual results may differ from this sensitivity analysis and the difference may be material.

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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:

	2018	**2017**
Long-term debt	52,944,473	63,717,642
Shareholders' equity	39,108,402	32,639,307
	1.4	2.0

The Company's credit facility agreement requires the Company to maintain two ratios on a quarterly basis. The first is a ratio of total liabilities plus future minimum lease payments on non-realty operating leases to shareholder's equity less goodwill, customer lists and deferred tax assets. The second is a ratio of net income before interest income and expenses, gains on sale of equipment, depreciation, amortization and non-cash items, less unfinanced capital expenditures, plus proceeds of sale of equipment, to contractually required principal and interest payments made over the last twelve months. The Company was in compliance with all covenant as of December 31, 2018.

The Company did not change its approach to capital management during the year.