Titanium Transportation Group Inc.

Management's Discussion and Analysis

For the fourth quarter and year ended
December 31, 2020

Dated March 9, 2021

GENERAL INFORMATION

The following is Titanium Transportation Group Inc.'s management discussion and analysis dated March 9, 2021 ("MD&A"), which provides a comparative overview of the Company's performance for its three month period and year ended December 31, 2020 with the corresponding three month period and year ended December 31, 2019, and it reviews the Company's financial position as at December 31, 2020. Throughout this MD&A, any reference to "Company", "we", "us", "our" or "Titanium" shall mean Titanium Transportation Group Inc. and all of its direct and indirect wholly-owned subsidiaries. This discussion should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes ("consolidated financial statements") as at and for the year ended December 31, 2020.

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, 2020 were approved by its Board of Directors on March 9, 2021. 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 9, 2021. Additional information relating to the Company, including the Company's annual information form, is available on SEDAR at www.sedar.com.

OVERVIEW

Titanium is an asset-based transportation and logistics company servicing Canada and the United States with terminals in Bolton, Bracebridge, Napanee, North Bay, Windsor, Belleville, Cornwall and Brantford, Ontario, with additional parking/switch yards in Sudbury, Brockville and Trenton, Ontario and freight brokerage offices in Charlotte, North Carolina, Nashville, Tennessee, and Chicago, Illinois. 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 800 power units, 3,000 trailers, and over 1,100 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 high quality 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, 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 and systems, as well as strong strategic relationships with third-party providers.

The Company's operational results are influenced by industry-wide economic factors and by capital allocation including 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 sustainable compensation structures, 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.

Q4 2020 Key Highlights

- Consolidated revenue for Q4 2020 was $65.8 million. This represents the highest quarterly revenue in Company history, and a 52.1% increase over Q4 2019. Significant growth in the U.S. operations was the main contributor, as well as improving market conditions reflecting the initial stages of tentative economic recovery.
- Operating income[(1)] was $3.0 million for Q4 2020, representing a 4.7% operating margin[(1)], a $1.8 million increase and 1.8% point improvement in operating margin, when compared to $1.2 million and a 2.9% operating margin[(1)] in Q4 2019.
- Titanium's financial position continued to improve despite market challenges. The Company's debt-to-equity ratio reached 1.14, from 1.26 in Q3 2020, and 1.63 on December 31, 2019. Net debt decreased by $12.7 million when compared to December 31, 2019. Working Capital improved by $13.6 million to $8.6 million year-over-year.
- Logistics segment revenue was $40.4 million for Q4 2020, a 122.9% increase when compared to $18.1 million in Q4 2019. Our strategic U.S. expansion allowed us to capitalize on economic recovery and contributed $24.2 million to segmented revenue in Q4 2020. Operating income[(1)] was $3.3 million, a $2.6 million increase from $0.8 in Q4 2019. Operating margin[(1)] for the same period was 8.5%, a 3.5% point improvement from 5.0% in Q4 2019.
- Truck Transportation segment revenue for Q4 2020 was $26.8 million, representing a 1.9% increase year-over-year. Operating income[(1)] was $0.5 million, representing a 1.9% operating margin[(1)], for the fourth quarter of 2020. This compares to Q4 2019 operating income[(1)] of $1.0 million and a 4.1% operating margin[(1)].
- The Company did not receive any government assistance from the Canadian Emergency Wage Subsidy ("CEWS") program in Q4 2020.

Revenue by Industry

Manufactured Goods	33.7%
Logistics/ Trucking	27.5%
Services	8.4%
Retail	8.2%
Metals and Mining	7.0%
Automotive	5.9%
Food and Beverage	4.4%
Forest Products	3.3%
Other	1.6%

Based on Q4 2020 revenue

[1] Refer to "Results of Operations" on page 3 and "Non-IFRS Financial Measures" on page 14 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 2020	**3 months ended Dec 31 2019**	**12 months ended Dec 31 2020**	**12 months ended Dec 31 2019**	**12 months ended Dec 31 2018**
Revenue	62,559,399	39,944,883	189,109,662	155,020,109	171,760,954
Fuel surcharge	3,290,348	3,342,205	11,631,983	12,008,798	13,057,345
	65,849,747	43,287,088	200,741,645	167,028,907	184,818,299
Operating expenses	59,320,249	38,820,530	177,647,232	148,574,655	160,733,923
EBITDA(1)	6,529,498	4,466,558	23,094,413	18,454,252	24,084,376
EBITDA margin(1)	10.4 %	11.2 %	12.2 %	11.9 %	14.0 %
Depreciation	3,503,975	3,234,000	13,103,616	13,295,299	13,134,568
Amortization of customer lists	57,150	57,150	228,600	228,600	228,600
Operating income(1)	2,968,373	1,175,408	9,762,197	4,930,353	10,721,208
Operating margin(1)	4.7 %	2.9 %	5.2 %	3.2 %	6.2 %
Gain on sale of property and equipment	(943,355)	(63,025)	(1,656,080)	(600,681)	(629,030)
Finance costs	680,411	810,089	2,837,303	3,420,341	3,769,015
Finance income	(67,840)	(90,155)	(387,699)	(382,579)	(361,131)
Foreign exchange loss (gain)	156,873	87,139	102,662	36,796	(64,193)
Transaction costs	-	-	-	-	-
Income tax expense	1,048,241	158,705	2,600,338	871,451	2,342,663
Adjusted net income(1)	2,094,043	272,655	6,265,673	1,585,025	5,663,884
Adjusted net income per share - basic	0.06	0.01	0.17	0.04	0.16
Adjusted net income per share - diluted	0.06	0.01	0.17	0.04	0.16
Amortization of ProNorth customer lists(2)	-	-	-	-	-
Goodwill impairment(2)	-	-	-	-	-
Net income and comprehensive income attributable to owners of the Company	2,094,043	272,655	6,265,673	1,585,025	5,663,884
Net income per share - basic	0.06	0.01	0.17	0.04	0.16
Net income per share - diluted	0.06	0.01	0.17	0.04	0.16

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

EXECUTIVE SUMMARY

2020 was one of the most challenging operating environments in history reflecting the global impact of the COVID-19 pandemic. Throughout these unprecedented times, Titanium placed the highest priority on protecting the safety and well being of all of our staff and customers and continues to do so. For additional details on how we are addressing COVID-19 refer to COVID-19 INFORMATION below.

Notwithstanding these challenges, Titanium delivered a solid year of financial and operating performance, achieving record fourth quarter and full year revenue. These results once again demonstrate the robustness and strength of our operating platform – supported by the dedication of our employees and drivers.

In the early stages of fiscal 2020, Titanium experienced significant disruption to a number of our key end markets, including automotive and metals, reflecting the impact of government mandated closures. This was partially offset by increased demand from industries supporting essential household goods and medical products where we were able to quickly focus our assets.

Additionally, we benefited from tremendous growth in our freight brokerage business. In July 2020 we successfully added our second brokerage office in Nashville, Tennessee followed by the opening of our third office in Chicago, Illinois in early 2021. This disciplined approach to growth in an asset light business helped to deliver revenue growth of over 600% in our U.S. logistics business.

Titanium's robust operating platforms and disciplined risk management culture allowed us to navigate well through the challenges presented throughout the year. We remained vigilant in addressing the evolving challenges of the COVID-19 pandemic and committed to a balanced strategy of capital deployment. In line with this strategy, we are pleased to welcome International Truckload Services Group ("ITS") to our Titanium team as of February 2021. ITS added another 330 power units, 1,600 trailers, 470 employees and drivers and $80 million in revenue annually. With the acquisition of ITS, our company is now among the 15 largest truck transportation companies in Canada[1]. Our liquidity remains strong and we will continue to seek other accretive opportunities to utilize our capital.

Looking forward, while the impact on lives and livelihoods globally has been unimaginable, there is a growing confidence that the worst of the COVID-19 pandemic is now behind us. Uncertainty remains, but easing of Covid-19 related restrictions and a gradual reopening of the economy is expected to support a return to more normal conditions in 2021.

Our success in these difficult times was largely due to the professionalism and dedication of our employees and drivers. As we move forward, Titanium remains well positioned to respond to changing conditions should new challenges emerge. However, our strategy remains focused on asset-light organic growth complimented by a disciplined and focused acquisition strategy. Our disciplined approach to growth is the reason behind Titanium's resilience and elasticity, and our focus remains on delivering sustainable, profitable growth and creating long term shareholder value. Given the strength of our capital position and our confidence in the earnings outlook, we declared our first quarterly dividend in November 2020 at $0.02 per common share.

(1) Based on Today's Trucking's "Canada's biggest truck fleet: The Top 100" on March 2, 2021. With the combined asset count between Titanium and ITS, Titanium would rank 14th among other transportation providers based in Canada.

COVID-19 INFORMATION

Throughout the pandemic, Titanium's utmost priority is to ensure the health and wellbeing of our people, our customers and the communities at large. Following the sudden onset of the COVID-19 pandemic, Titanium recognized the severity of the health and financial impact of this highly contagious virus. We have and will continue to monitor closely all pandemic related information to ensure we continue to take all necessary precautionary actions to uphold our uninterrupted services to our customers. Following our swift implementation of safety measures in Q1 2020, the following measures will remain in place until further notice:

- Provide our people with proper Personal Protective Equipment ("PPE") suitable for their duties;
- Educating our workplace to adhere to new government pandemic protocols for the safety of our people and customers;
- Provide Work-From-Home capabilities to workforce as needed;
- Provide our workforce with up-to-date information regarding the preventative measures being taken by the Company and financial assistance available from the government relating to the pandemic.

We are pleased with the professionalism and tremendous efforts demonstrated by our people during these difficult times. Titanium can only operate without interruption due to the efforts by our valued team members.

Selected Segmented Financial Information (unaudited)

	3 months ended Dec 31 2020	3 months ended Dec 31 2019	12 months ended Dec 31 2020	12 months ended Dec 31 2019
Truck Transportation				
Revenue	25,372,089	24,230,063	99,900,826	102,204,034
Fuel surcharge	1,453,354	2,093,343	6,353,924	8,041,943
	26,825,443	26,323,406	106,254,750	110,245,977
Operating expenses				
Carriers and independent contractors	8,985,290	8,779,475	35,356,826	36,556,345
Vehicle operating	6,121,228	6,581,266	24,742,381	27,047,030
Wages and casual labour	7,100,188	6,144,773	24,818,225	26,379,559
Other operating	764,499	763,248	2,783,110	3,079,311
	22,971,204	22,268,762	87,700,542	93,062,245
EBITDA(1)	3,854,239	4,054,644	18,554,208	17,183,732
EBITDA margin(1)	15.2 %	16.7 %	18.6 %	16.8 %
Depreciation	3,308,378	3,007,625	12,493,668	12,511,374
Amortization of customer lists	57,150	57,150	228,600	228,600
Operating income(1)	488,711	989,869	5,831,940	4,443,758
Operating margin(1)	1.9 %	4.1 %	5.8 %	4.3 %
Gain on sale of property and equipment	(943,355)	(63,025)	(1,656,080)	(600,681)
Finance costs	638,364	775,779	2,677,281	3,288,947
Finance income	(67,840)	(90,155)	(387,699)	(382,579)
Transaction costs	-	-	-	-
Income tax expense	325,503	162,197	1,524,580	729,456
Adjusted net income(1)	536,039	205,073	3,673,858	1,408,615

(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.

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

	3 months ended Dec 31 2020	3 months ended Dec 31 2019	12 months ended Dec 31 2020	12 months ended Dec 31 2019
Logistics				
Revenue	38,549,605	16,867,639	93,726,305	57,804,158
Fuel surcharge	1,836,995	1,248,861	5,278,059	3,966,855
	40,386,600	18,116,500	99,004,364	61,771,013
Operating expenses				
Carriers and independent contractors	34,127,227	15,222,813	84,235,479	51,063,940
Wages and casual labour	2,379,810	1,451,102	6,325,565	5,704,412
Other operating	608,654	596,071	2,018,856	2,076,118
	37,115,691	17,269,986	92,579,900	58,844,470
EBITDA/ Operating income(1)	3,270,909	846,514	6,424,464	2,926,543
EBITDA/ Operating income margin(1)	8.5 %	5.0 %	6.9 %	5.1 %
Depreciation	195,598	226,374	609,947	783,925
Finance costs	42,048	34,309	160,021	131,393
Income tax expense	1,014,278	312,819	1,658,553	720,462
Net income	2,018,985	273,012	3,995,943	1,290,763

(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 2020	3 months ended Dec 31 2019	12 months ended Dec 31 2020	12 months ended Dec 31 2019
Truck Transportation				
Revenue	25,372,089	24,230,063	99,900,826	102,204,034
Fuel surcharge	1,453,354	2,093,343	6,353,924	8,041,943
	26,825,443	26,323,406	106,254,750	110,245,977
Logistics				
Revenue	38,549,605	16,867,639	93,726,305	57,804,158
Fuel surcharge	1,836,995	1,248,861	5,278,059	3,966,855
	40,386,600	18,116,500	99,004,364	61,771,013

For the three month period and year ended December 31, 2020, the Company's consolidated revenues increased by $22.6 million or 52.1%, and $33.7 million or 20.2% when compared to the three month period and year ended December 31, 2019, respectively. The increase in revenue for the three month period and year ended was a result of strong growth in our U.S. Logistics segment, which began operations in Q2 2019 and added its second office in Nashville in Q3 2020. Logistics segment also benefited from strong U.S. economic recovery as government mandated closures relaxed.

The Truck Transportation segment experienced an increase in revenue of $0.5 million or 1.9%, for the three month period ended December 31, 2020 and a decrease of $4.0 million or 3.6% for the year ended December 31, 2020 when compared the same periods in 2019. The decrease for the year was mainly attributed to sharp decline in market conditions during the initial onset of COVID-19, while the increase in the three month period year-over-year reflect the steady recovery since May 2020. Pricing softness due to the pandemic continued as revenue per mile decreased by 2.11% year-over-year, but total miles has increased by 5.14% for the three month period ended December 31, 2020, reflecting the recovery of freight demand in North America.

The Logistics segment saw an increase in revenue of $22.3 million or 122.9% for the three month period ended December 31, 2020 and an increase of $37.2 million or 60.3% for the year ended December 31, 2020, when compared to that of 2019. The remarkable increase in the segment despite the pandemic was largely a result of our U.S. freight brokerage operations, which contributed $24.2 million to the segment in the three month period ended December 31, 2020, or 560% increase from $3.7 million in the same period in 2019. Canadian operations revenue also increased by 12% to $16.2 million from $14.4 million in 2019, for the same three month period. The economic recovery in the second half of 2020 was the leading contributor to revenue increases in the segment, and our strategic expansion to Nashville capitalized on the improving market conditions.

Operating Expenses

	3 months ended Dec 31 2020	3 months ended Dec 31 2019	12 months ended Dec 31 2020	12 months ended Dec 31 2019
Truck Transportation				
Revenue	26,825,443	26,323,406	106,254,750	110,245,977
Operating expenses	22,971,204	22,268,762	87,700,542	93,062,245
EBITDA(1)	3,854,239	4,054,644	18,554,208	17,183,732
EBITDA margin(1)	15.2 %	16.7 %	18.6 %	16.8 %
Depreciation and amortization	3,365,528	3,064,775	12,722,268	12,739,974
Operating income(1)	488,711	989,869	5,831,940	4,443,758
Operating margin(1)	1.9 %	4.1 %	5.8 %	4.3 %
Logistics				
Revenue	40,386,600	18,116,500	99,004,364	61,771,013
Operating expenses	37,115,691	17,269,986	92,579,900	58,844,470
EBITDA/ Operating income(1)	3,270,909	846,514	6,424,464	2,926,543
EBITDA margin/ Operating margin(1)	8.5 %	5.0 %	6.9 %	5.1 %
Corporate				
Operating expenses	595,650	434,601	1,884,258	1,656,024

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

For the Truck Transportation segment, operating expenses increased by $0.7 million or 3.2%, for the three month period ended December 31, 2020 and decreased by $5.4 million or 5.8% for the year ended December 31, 2020, when compared to the same periods in 2019. The decrease in operating expenses for the year reflects assistance received from the CEWS program recognized as decrease in wages and casual labour expenses. The Company did not receive any CEWS in the three month period ended December 31, 2020 but received a total of $2.3 million for the year. Operating income for the segment was $0.5 million, or 1.9% operating margin for the three month period ended December 31, 2020, a 2.4% operating margin decrease from 4.1% in the same period. Adjusted for CEWS assistance received, adjusted operating income for the segment was $3.5 million for the year, or 3.5% adjusted operating margin, down from $4.4 million, or 4.3% operating margin in 2019. The decrease was due to challenging market conditions induced by COVID related shutdowns.

For the Logistics segment, operating expenses increased by $19.8 million or 114.9% for the three month period ended December 31, 2020 and increased by $33.7 million or 57.3% for the year ended December 31, 2020. The significant increase in expenses correlates with the 122.9% increase in segmented revenue, driven largely by U.S. operation growth. Our second location in Nashville, which started operations in July 2020, was fully operational in the three month period ended December 31, 2020 and increased the segment's capacity. Canadian operations also saw increased year-over-year revenue over the same three month period as a result of increased freight demand and volume. Similar to the Truck Transportation segment, the Logistics segment did not receive any government assistance for the three month period ended December 31, 2020, but received $1.0 million in the year, which was allocated to wages and casual labour expense. For the three month period ended December 31, 2020, operating margin increased from 5.0% to 8.5%, and operating income from $0.8 million to $3.3 million, when compared to same periods in 2019. For the year ended December 31, 2020, and adjusted for CEWS received, adjusted operating income was $5.4 million, an 84.0% increase from the year ended 2019 of $2.9 million. Adjusted operating margin for the year also rose from 5.1% in 2019 to 5.7% in 2020.

SUMMARY OF QUARTERLY RESULTS

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

(in thousands)

	Q4'20	Q3'20	Q2'20	Q1'20	Q4'19	Q3'19	Q2'19	Q1'19
Revenue	65,850	52,627	37,952	44,312	43,287	42,708	42,041	38,992
EBITDA(1)	6,529	6,713	5,305	4,547	4,467	4,535	4,868	4,585
EBITDA margin(1)	10.4 %	13.5 %	14.7 %	11.1 %	11.2 %	11.4 %	12.4 %	12.7 %
Operating income(1)	2,968	3,646	1,819	1,329	1,175	1,025	1,442	1,288
Operating margin(1)	4.7 %	7.3 %	5.1 %	3.3 %	2.9 %	2.6 %	3.7 %	3.6 %
Adjusted net income (loss)(1)	2,094	2,655	874	643	273	313	455	544
Per share - basic	0.06	0.07	0.02	0.02	0.01	0.01	0.01	0.01
Per share - diluted	0.06	0.07	0.02	0.02	0.01	0.01	0.01	0.01
Net income (loss) and comprehensive income (loss) attributable to the owners of the Company	2,094	2,655	874	643	273	313	455	544
Per share - basic	0.06	0.07	0.02	0.02	0.01	0.01	0.01	0.01
Per share - diluted	0.06	0.07	0.02	0.02	0.01	0.01	0.01	0.01

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

Changes from quarter to quarter are mainly the result of seasonality of operations, changes in industry conditions and acquisitions. In 2019, continuing geopolitical matters, such as global trade tension, slowed the momentum of economic growth. The industry also experienced downward pressure in pricing due to overcapacity. Historically, the Logistics segment is more immediately reflective of changing market conditions and changes in spot rates.

In January 2020, COVID-19 became widely known as the spread of the virus began to affect countries outside China. As the virus continued to spread, the outbreak was declared a global pandemic on March 11, 2020 by the World Health Organization. In response, many countries, including the United States and Canada, imposed government mandated shutdowns of non-essential businesses and travel restrictions. Overall macroeconomic conditions deteriorated sharply as a result of these regulations and caused significant pressure in pricing and demand. The Canadian government also implemented various relief programs, such as the CEWS program, to try and help alleviate the economic effects of the virus.

Market conditions began to improve at the end of Q2 2020 as government restrictions started to relax. Freight demand improved for the second half of 2020 as many end markets served by Titanium resumed activities. The economic recovery was particularly noticeable in the United States, while the Canadian market was slow to recover due to ongoing restrictions.

LIQUIDITY AND CAPITAL RESOURCES

	December 31 2020	December 31 2019	December 31 2018
Working capital (deficit)(1)	8,636,848	(4,949,497)	(6,895,548)
Total assets	138,764,411	135,389,544	146,092,061
Net debt(2)	53,610,424	66,323,872	79,110,651
Shareholders' equity	47,071,445	40,603,475	39,011,697
Net debt to equity ratio(3)	1.14	1.63	2.03

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

The Company's working capital position improved as at December 31, 2020 when compared to December 31, 2019. We continued our successful capital management strategy and further enhanced the Company's net debt to equity position on top of significant improvements in 2019, mainly due to increases in cash flow generated from profitable operations. As a result of this strategy, we maintained positive working capital in the quarter despite financing long-term assets with bank indebtedness. On a quarter-over-quarter basis, net debt to equity ratio further decreased from 1.26 in Q3 2020 to 1.14 in Q4 2020.

Subsequent to the year ended December 31, 2020, the Company acquired all of the outstanding shares of International Truckload Services Group ("ITS") on February 5, 2021. The considerations for the transaction consisted of $27.0 million in cash and $33.5 million in assumed debt and vendor takeback loan.

In terms of rolling stock expenditure, we have committed $12.8 million towards the purchase of 70 new power units over the next three quarters. Of this amount, $2.8 million will be allocated towards 15 new power units to expand our current fleet. Our rolling stock replacement policy is to replace trucks after 6 years, van trailers after 10 years and flatbed trailers after 15 years. We believe there is sufficient financing available to fund planned capital expenditures in the future and to provide for the further organic and inorganic 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	17,533	5,076	4,641	3,187	1,614	1,198	1,817
Finance leases	40,192	4,306	1,579	980	994	1,005	31,328
	57,725	9,382	6,220	4,167	2,608	2,203	33,145

Titanium 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. We believe the Company's operating cash flows are sufficient to fund daily operating activities and meet regular debt repayment obligations.

The portion of the Company's bank credit facilities which were unused as of December 31, 2020 include approximately $23.0 million under a revolving demand operating facility, $5.0 million under a non-revolving acquisition facility, $7.5 million under an accordion acquisition facility, and $5.5 million under a finance lease loan facility. Both acquisition facilities were utilized in the ITS transaction in February 2021. In addition, the Company has $17.1 million available in finance leasing and loan facilities through other institutions.

The Company's credit facility and finance leasing agreements require Titanium to maintain three covenants on a quarterly basis. These covenants are measured on a consolidated rolling twelve-month basis. We were in compliance with all covenants as of December 31, 2020 and we believe the Company will be in compliance with all required covenants for the next twelve months. 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 1.05. Debt service coverage is a ratio of net income before interest income and expenses, gains on sale of equipment, depreciation, amortization and non-cash items, less unfinanced capital expenditures, plus proceeds of sale of equipment, to contractually required principal and interest payments made over the prior twelve months. The third covenant requires the Company's fixed charge coverage ratio to be greater than 1.00. Fixed charge coverage is a ratio of net income before interest income and expenses, gains on sale of equipment, to contractually required principal and interest payments made over the prior twelve months. The Company must calculate its covenants by adjusting its net income and debt to treat realty leases as an operating lease.

Common Shares

In September 2017, we 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, 466,949 have not vested.

On May 19, 2020, we renewed our normal course issuer bid, allowing us to purchase up to 1,821,831 of our common shares (the "NCIB"), representing 5% of our issued and outstanding common shares. The NCIB will terminate on May 18, 2021, or on an earlier date in the event that the maximum number of common shares sought in the NCIB have been repurchased. Purchases pursuant to the NCIB are expected to be made through the facilities of the TSX Venture Exchange (the "TSXV"), at prevailing market prices or as otherwise permitted by the policies of the TSXV.

During the year ended December 31, 2020, we repurchased 53,200 common shares pursuant to the NCIB at a weighted average purchase price of $1.17 and a total purchase price of $62,388. The excess of the purchase price paid over the carrying value of the shares repurchased, totaled $28,960 and was charged to retained earnings as a share repurchase premium.

As of March 9, 2021, there are 36,789,902 common shares of the Company outstanding. In addition, there are 2,309,100 stock options outstanding, of which 1,033,098 are exercisable.

During the year ended December 31, 2020, dividends of $0.7 million or $0.02 per common share (2019 - $NIL) was declared and paid by the Company to its shareholders.

Subsequent to the reporting date, the Company declared dividends of $0.02 per common share payable on March 15, 2021 to shareholders as of end of business on February 26, 2021.

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 $9,024,691 for the year ended December 31, 2020 (2019 - $7,568,483).

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, 2020 was $2,079,836 (2019 - $2,043,125). The Company has committed to annual base rent of $1,863,369, which will increase to $2,413,123 over a 12 year period.

Trunkeast Investments Canada Limited, the Company's controlling shareholder as of December 31, 2020, 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, 2020 (2019 - $30,000).

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, we will disclose our current annual run rate revenue and EBITDA. Although not intended as such, this may be interpreted as forward looking information. Run rates are presented in order to provide investors with insight into the current size of the Company and do not take into account expected future growth or changes in economic conditions. Historical figures may not be a good indicator of the Company's size, due to acquisitions and the time that it takes to fully realize synergies.

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.

As the duration and impact of the COVID-19 pandemic to the global economy is indeterminable, it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the financial results and operations of the Company. The Company will continue to closely monitor the situation as it develops day-to-day and will take further actions, if necessary, to ensure the wellbeing of our workforce, customers, suppliers and other stakeholders, as well as minimize the disruption to Titanium's services.

The Company has taken measures to mitigate the potential negative impact on its financial results as a result of the outbreak. These measures are described under the section COVID-19 information in this MD&A. As the current market remain uncertain, the Company's exposure to interest rate risk and foreign exchange risk are heightened due to the volatility of the market. We continue to monitor the economic conditions on a daily basis to mitigate these risks.

The Company does not expect any material changes to other risk factors provided that temporary COVID-19 precautionary measures relax in the near future. If these measures extend indefinitely, there may be adverse effects on Titanium's credit risks as customers may become financially distressed. There may also be additional risks to the Company's operations as available workforce may contract for the Company, its customers and its suppliers. Furthermore, a prolonged period of precautionary measures will likely have severe effects on the Company's liquidity position. All of the above will have adverse impact to the Company's financial performance if the precautionary measures remain indefinite.

CHANGES IN ACCOUNTING POLICIES

The following new standards and amendments to standards are not yet effective for the year ended December 31, 2020 and have not been applied in preparing the consolidated interim financial statements:

IAS 1, Presentation of Financial Statements
IAS 37, Provisions, Contingent Liabilities and Contingent Assets

The following new standards, interpretations and amendments to standards became effective for the period ended December 31, 2020. The full description of each of these changes in accounting policies is available in our consolidated financial statements. The impact of the adoption of these standards is outlined below.

IFRS 3, Definition of a Business, was amended in October 2019 and became effective January 1, 2020. The full description of this change in accounting policy is available in our consolidated financial statements and did not have an impact on our results.

Government Assistance

Government subsidies and monetary assistances are recognized when there is a reasonable assurance that the subsidy will be received and that the Company will comply with all required conditions. Government subsidies related to current expenses are recorded as a reduction of the related expenses.

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 and Right of Use Assets – 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, as well as Right-of-Use Assets, 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.

Lease contracts – Lease contracts with extensions, terminations or early buyout options are evaluated based on management judgement on whether it is reasonably certain that the option will be exercised. Management considers all relevant factors and economic incentives such as current market values of underlying asset, recent market renewals and third party valuations. In addition, management also evaluate relevant factors such as bank mortgage rate, interest rates and borrowing conditions when assessing the incremental borrowing rate to measure the lease liability.

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, 2020

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 statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits 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 audits 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 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 audits 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 consolidated financial statements or our knowledge obtained in the audits 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 9, 2021 | Licensed Public Accountants

MNP

Titanium Transportation Group Inc.

Consolidated Statements of Financial Position

December 31, 2020 and 2019 (in Canadian dollars)

	2020	2019
Assets		
Current		
Cash	3,089,010	442,828
Trade and other receivables (note 6, 18, 23)	37,557,962	25,609,855
Current taxes recoverable	-	1,215
Finance lease receivables (note 7, 23)	1,607,300	2,323,339
Prepaid expenses and deposits	2,134,797	2,294,619
Assets held for sale (note 8)	127,285	156,663
	44,516,354	30,828,519
Finance lease receivables (note 7, 23)	1,908,945	3,565,333
Property and equipment (note 9)	35,688,941	40,055,922
Right of use assets (note 10)	53,419,719	57,517,554
Deferred tax assets (note 11)	405,116	368,280
Customer lists (note 12)	857,050	1,085,650
Goodwill (note 12)	1,968,286	1,968,286
	138,764,411	135,389,544
Liabilities		
Current		
Bank indebtedness (note 13, 23)	2,617,991	7,080,567
Trade and other payables (note 14, 23)	22,250,038	14,611,802
Current taxes payable	1,629,437	272,830
Loans payable (note 13, 23)	5,076,427	6,155,528
Finance lease liabilities (note 13, 23)	4,305,613	7,657,289
	35,879,506	35,778,016
Loans payable (note 13, 23)	12,456,312	13,486,251
Finance lease liabilities (note 2, 13, 23)	35,886,621	38,432,400
Deferred tax liabilities (note 11)	7,470,527	7,089,402
	91,692,966	94,786,069
Commitments, contingencies and subsequent events (note 5, 16, 22, 25)		
Shareholders' Equity		
Share capital (note 15)	23,252,440	22,812,412
Contributed surplus (note 16)	8,781,964	8,257,345
Retained earnings	15,037,041	9,533,718
	47,071,445	40,603,475
	138,764,411	135,389,544

On behalf of the Board

"Ted Daniel"
Director

"Bill Chyfetz"
Director

Titanium Transportation Group Inc.

Consolidated Statements of Comprehensive Income

years ended December 31, 2020 and 2019 (in Canadian dollars)

	2020	2019
Revenue (note 4, 18)	189,109,662	155,020,109
Fuel surcharge (note 4, 18)	11,631,983	12,008,798
	200,741,645	167,028,907
Expenses		
Carriers and independent contractors	115,074,835	82,632,202
Vehicle operating (note 22)	24,742,381	27,047,030
Wages and casual labour (note 19, 21)	32,241,657	33,068,169
Other operating (note 18, 23)	5,588,359	5,827,254
	177,647,232	148,574,655
Income before the following	23,094,413	18,454,252
Depreciation (note 9, 10)	13,103,616	13,295,299
Gain on sale of property and equipment	(1,656,080)	(600,681)
Finance costs	2,837,303	3,420,341
Finance income	(387,699)	(382,579)
Foreign exchange loss	102,662	36,796
Amortization of customer lists (note 12)	228,600	228,600
	14,228,402	15,997,776
Income before provision for income taxes	8,866,011	2,456,476
Income tax expense (note 3, 20)	2,600,338	871,451
Net income and comprehensive income attributable to owners of the Company	6,265,673	1,585,025
Earnings per share:		
Basic (note 15)	0.17	0.04
Diluted (note 15)	0.17	0.04
Weighted average number of shares outstanding:		
Basic (note 15)	36,058,026	36,214,617
Diluted (note 15)	37,318,127	36,692,540

Titanium Transportation Group Inc.

Consolidated Statements of Changes in Equity

years ended December 31, 2020 and 2019 (in Canadian dollars)

	Share Capital	Contributed Surplus	Retained earnings	Total
Balances at December 31, 2019	22,812,412	8,257,345	9,533,718	40,603,475
Share issuance (note 15)	336,593	-	-	336,593
Share vested (note 15)	99,363	(99,363)	-	-
Options exercised (note 16)	37,500	-	-	37,500
Share-based compensation expense (note 16, 19)	-	623,982	-	623,982
Share cancellation (note 15)	(33,428)	-	(28,960)	(62,388)
Dividends paid (note 15)	-	-	(733,390)	(733,390)
Net income and comprehensive income	-	-	6,265,673	6,265,673
Balances at December 31, 2020	23,252,440	8,781,964	15,037,041	47,071,445
Balances at December 31, 2018	22,926,679	7,667,086	8,417,932	39,011,697
Share issuance (note 15)	333,161	-	-	333,161
Share-based compensation expense (note 16, 19)	-	590,259	-	590,259
Share cancellation (note 15)	(447,428)	-	(469,239)	(916,667)
Net income and comprehensive income	-	-	1,585,025	1,585,025
Balances at December 31, 2019	22,812,412	8,257,345	9,533,718	40,603,475

Titanium Transportation Group Inc.

Consolidated Statements of Cash Flows

years ended December 31, 2020 and 2019 (in Canadian dollars)

	2020	2019
Cash flows from operating activities		
Net income	6,265,673	1,585,025
Adjustments:		
Depreciation (note 9, 10)	13,103,616	13,295,299
Gain on sale of property and equipment	(1,656,080)	(600,681)
Finance costs (note 23)	2,837,303	3,420,341
Finance income	(387,699)	(382,579)
Amortization of customer lists (note 12, 23)	228,600	228,600
Share-based compensation expense (note 16, 19)	623,982	590,259
Income tax expense (note 20)	344,222	586,265
	21,359,617	18,722,529
Net change in non-cash operating working capital (note 17)	(2,119,047)	3,147,335
	19,240,570	21,869,864
Interest paid	(2,887,098)	(3,426,247)
Interest received	387,699	382,579
Income taxes (paid) received	(897,954)	23,459
	15,843,217	18,849,655
Cash flows from investing activities		
Proceeds from finance lease receivables (note 17)	2,215,497	2,553,382
Acquisition of property and equipment (note 9, 10)	(60,464)	(1,142,018)
Disposition of property and equipment (note 9, 10)	2,625,959	562,052
	4,780,992	1,973,416
Cash flows from financing activities		
Proceeds from finance lease liabilities (note 17)	335,225	-
Repayment of bank indebtedness (note 17)	(4,700,485)	(2,314,234)
Repayment of loans payable (note 17)	(6,444,188)	(9,521,702)
Repayment of finance lease liabilities (note 17)	(6,746,620)	(8,198,297)
Dividends paid (note 15)	(733,390)	-
Issuance of shares (note 15)	374,094	333,161
Share repurchase (note 15)	(62,663)	(916,667)
	(17,978,027)	(20,617,739)
Increase in cash	2,646,182	205,332
Cash, beginning	442,828	237,496
Cash, ending	3,089,010	442,828

Refer to note 17 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. BASIS OF PRESENTATION

Statement of Compliance

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

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 9, 2021.

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, stock options and certain financial instruments, which are measured at fair value at the transaction date.

Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars ("CAD"), which is the functional currency of the Company and its wholly owned subsidiaries unless otherwise stated. All financial information presented has been rounded to the nearest dollar, except per share amounts and where otherwise indicated.

Items included in the consolidated financial statements of all of the Company's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the "functional currency"). The Company identified that all of their subsidiaries with the exception of one have a functional currency of the Canadian Dollar. During fiscal 2019, the Company incorporated Titanium American Logistics Inc. in the United States, which was determined to have a functional currency of the United States Dollar.

3. SIGNIFICANT ACCOUNTING POLICIES

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 the United States, and are in the truck transportation or logistics industries.

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

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 with regards to the significant items outline below. Readers are cautioned that the foregoing list is not exhaustive and other items may also be affected by judgment.

a) *Impairment of Intangible Assets* - Goodwill and intangible assets that have an indefinite life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that assets or the cash-generating unit ("CGU") might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

b) *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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

c) *Lease contracts* – Lease contracts with extensions, terminations or early buyout options are evaluated based on management judgement on whether it is reasonably certain that the option will be exercised. Management considers all relevant factors and economic incentives such as current market values of underlying asset, recent market renewals and third party valuations. In addition, management also evaluate relevant factors such as bank mortgage rate, interest rates and borrowing conditions when assessing the incremental borrowing rate to measure the lease liability.

Use of Estimates and Assumptions

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 with regards to the significant items outline below. 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 the consolidated statements of comprehensive income in the period in which they become known. Readers are cautioned that the foregoing list is not exhaustive and other items may also be affected by estimates. Actual results could differ materially from these estimates, in which case the impact would be recognized in the consolidated financial statements in future periods.

a) *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.

b) *Depreciation and impairment of property and equipment and Right of Use Asset*s – 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, as well as Right-of-Use Assets, is assessed for impairment when events or changes in circumstances indicate that the Company may not be able to recover its carrying value.

c) *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.

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

e) *Income Taxes* – Deferred 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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, when the control of promised services is transferred to customers, 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, determined using the proportion of days completed to date compared to the estimated total days of service. 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 control of the promised services in this segment is transferred to customer at the point of delivery.

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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Instruments

All of the Company's financial assets, which consists of cash, trade and other receivables are measured at amortized cost. A financial asset is measured at amortized cost when the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the contractual terms of the asset give rise, on specified dates, to cash flows that are solely payment of the principal and interest, if any. All of the Company's financial liabilities such as bank indebtedness, trade and other payables, and loans payable 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 consolidated statements of consolidated 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.

3. 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 the consolidated statements of comprehensive income. 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 the consolidated statements of comprehensive income.

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 the consolidated statements of comprehensive income 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 - 50 years
Leasehold improvements	9 years
Furniture and equipment	2 - 5 years
Rolling stock	5 - 15 years

3. 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 recognized in the consolidated statements of comprehensive 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 recorded in the consolidated statements of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Finance Lease Liabilities and Right of use assets

At the inception of a contract, a right-of-use asset and a lease liability is recognized at the lease commencement date when the contract conveys the right to control the use of an identified asset for a period of time in exchange for considerations.

The asset is initially measured at cost, comprised of the initial amount of the lease liability adjusted for any pre-commencement lease payments, plus any initial direct costs incurred. The asset is subsequently depreciated using the straight-line method from the commencement date of the lease to the end of the useful life of the asset for rolling stocks and realty if the lease transfers ownership of the underlying asset by the end of the lease term, or the right of use asset reflects that the Company will exercise a purchase option. Otherwise, the asset is depreciated using the straight-line method from the commencement date of the lease to the end of the lease term. The estimated useful lives of leased assets are determined on the same basis as those of property and equipment. The carrying amount of the leased asset is adjusted by remeasurement of the lease liability and reduced by impairment losses, if any.

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

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

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 and stock options 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.

3. 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 the consolidated statements of comprehensive income using the effective interest method.

Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statements of comprehensive income 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 statements of comprehensive income and the consolidated statements 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. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances related to the same taxation authority.

3. 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 consolidated statements of financial position have been translated at the rate of exchange in effect as at the date of the consolidated statements of financial position. Gains and losses on translations of foreign currencies are included in the consolidated statements of comprehensive income.

Foreign Operations

The consolidated financial statements also include the accounts of its wholly owned subsidiary Titanium American Logistics Inc, which is translated into Canadian dollars. The subsidiary is measured using the United States Dollar. Assets and liabilities have been translated into CAD using exchange rates at the end of each reporting period. Income and expense items are translated using the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in shareholders' equity. The exchange difference for the year end December 31, 2020 was nominal and not separately presented in the consolidated statement of comprehensive income.

Government Assistance

Government subsidies and monetary assistances are recognized when there is a reasonable assurance that the subsidy will be received and that the Company will comply with all required conditions. Government subsidies related to current expenses are recorded as a reduction of the related expenses. During the year ended December 31, 2020, the Company qualified for the Canada Emergency Wage Subsidy ("CEWS") program by the Government of Canada.

New Standard Adopted

IFRS 3, Definition of a Business, was amended in October 2019. The IASB issued narrow-scope amendments to the standards, including revising the definition of a business and introducing an option concentration test. The amendments are expected to assist companies in determining whether a transaction should be accounted for a business combination or an asset acquisition. The amendments became effective for the Company on January 1, 2020 and did not have an impact on the consolidated financial statements.

years ended December 31, 2020 and 2019 (in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

New Standard not yet adopted

IAS 1, Presentation of Financial Statements, was amended in January 2020. The IASB clarified the classification of liabilities as current or non-current by removing the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must exist at the end of the reporting period. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company has not early adopted these amendments.

IAS 37, Provisions, *Contingent Liabilities and Contingent Assets,* was amended in May 2020 with the issuance of *Onerous Contracts - Cost of Fulfilling a Contract* by IASB. The IASB specified the costs of fulfilling a contract to include incremental costs incurred and allocation of other direct costs when determining whether a contract is onerous. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company has not early adopted these amendments.

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.

4. OPERATING SEGMENTS

The Company's business activities are made up of two main segments: Truck Transportation and Logistics. The Truck Transportation segment represents the pickup and delivery of full loads across Canada and the United States using a van, flatbed or other specialized equipment. The Logistics segment represents the brokering of freight across North America. The Company's CEO reviews internal management reports for each operating segment on a monthly basis. Operating segment results that are reported include items directly attributable to each operating segment, as well as those that can be allocated on a reasonable basis. Unallocated items ("Corporate") are comprised mainly of expenses required to operate a publicly traded and multi-entity organization.

	Truck Transportation	Logistics	Corporate	Elimination	Total
Year ended December 31, 2020					
Revenue - external	101,737,280	99,004,365	-	-	200,741,645
Revenue - internal	4,517,470	-	-	(4,517,470)	-
Total revenue	106,254,750	99,004,365	-	(4,517,470)	200,741,645
Depreciation	12,493,669	609,947	-	-	13,103,616
Amortization	228,600	-	-	-	228,600
Finance costs	2,677,282	160,021	-	-	2,837,303
Finance income	(387,699)	-	-	-	(387,699)
Income (loss) before income taxes	5,198,438	5,654,496	(1,986,923)	-	8,866,011
Income taxes (recoveries)	1,524,580	1,658,553	(582,795)	-	2,600,338
Capital expenditures	4,685,192	709,636	-	-	5,394,828

years ended December 31, 2020 and 2019 (in Canadian dollars)

4. OPERATING SEGMENTS - continued

	Truck Transportation	Logistics	Corporate	Elimination	Total
Year ended December 31, 2019					
Revenue - external	105,257,895	61,771,012	-	-	167,028,907
Revenue - internal	4,988,083	-	-	(4,988,083)	-
Total revenue	110,245,978	61,771,012	-	(4,988,083)	167,028,907
Depreciation	12,511,374	783,925	-	-	13,295,299
Amortization	228,600	-	-	-	228,600
Finance costs	3,288,947	131,394	-	-	3,420,341
Finance income	(382,579)	-	-	-	(382,579)
Income (loss) before income taxes	2,138,071	2,011,225	(1,692,820)	-	2,456,476
Income taxes (recoveries)	737,076	720,462	(586,087)	-	871,451
Capital expenditures	6,213,423	803,320	-	-	7,016,743

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.

	2020	2019
Canada	94,479,231	100,790,403
United States	106,262,414	66,238,504
	200,741,645	167,028,907

5. BUSINESS COMBINATIONS

Consistent with the Company's growth strategy, Titanium acquired all of the outstanding shares of International Truckload Services Group ("ITS") on February 5, 2021 for considerations of approximately $60.5 million, consisting of approximately $27.0 million in cash, $6.5 million in Vendor takeback loan ("VTB") and assumption of net debt totalling $27.0 million.

The initial accounting for this business acquisition was not complete at the time that these consolidated financial statements were approved by the Board of Directors. As such, certain disclosures required under IFRS 3 in respect of the above acquisition cannot be made.

6. TRADE AND OTHER RECEIVABLES

	2020	2019
Trade receivables	35,845,200	24,893,564
Other receivables	1,712,762	716,291
	37,557,962	25,609,855

The Company's exposure to credit and currency risks, as well as impairment losses related to trade and other receivables, are disclosed in note 23.

years ended December 31, 2020 and 2019 (in Canadian dollars)

7. FINANCE LEASE RECEIVABLES

Finance lease receivables pertain to equipment leasing contracts provided to the Company's independent contractors. These contracts bear interest ranging from 4.5% 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 23. Finance lease receivables are collectable as follows:

	Less than 1 Year	1 to 5 Years	2020	2019
Future minimum lease payments receivable	1,704,251	2,201,516	3,905,767	6,755,304
Unearned finance income	(96,951)	(292,571)	(389,522)	(866,632)
	1,607,300	1,908,945	3,516,245	5,888,672
Current portion			1,607,300	2,323,339
			1,908,945	3,565,333

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

8. ASSETS HELD FOR SALE

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

Balance, December 31, 2018	130,396
Reclassification from property and equipment (note 9)	185,267
Disposals	(159,000)
Balance, December 31, 2019	156,663
Reclassification from property and equipment (note 9)	239,463
Disposals	(268,841)
Balance, December 31, 2020	127,285

years ended December 31, 2020 and 2019 (in Canadian dollars)

9. PROPERTY AND EQUIPMENT

	Land and Buildings	Furniture and Equipment	Rolling Stock	Total
Cost				
Balances, December 31, 2019	10,787,047	3,628,497	57,125,292	71,540,836
Reacquisition of rolling stock relating to finance lease receivables	-	-	1,451,270	1,451,270
Other additions	-	61,910	4,884,638	4,946,548
Sale of rolling stock relating to finance lease receivables	-	-	(1,481,450)	(1,481,450)
Other disposals	(440,975)	(624,972)	(2,461,572)	(3,527,519)
Reclassification to assets held for sale	-	-	(3,368,678)	(3,368,678)
Balances, December 31, 2020	10,346,072	3,065,435	56,149,500	69,561,007
Accumulated depreciation				
Balances, December 31, 2019	1,748,006	3,015,322	26,721,586	31,484,914
Depreciation	513,365	614,445	7,566,876	8,694,686
Sale of rolling stock relating to finance lease receivables	-	-	(463,584)	(463,584)
Other disposals	(42,775)	(624,728)	(2,047,232)	(2,714,735)
Reclassification to assets held for sale	-	-	(3,129,215)	(3,129,215)
Balances, December 31, 2020	2,218,596	3,005,039	28,648,431	33,872,066
Net carrying amounts				
At December 31, 2020	8,127,476	60,396	27,501,069	35,688,941

years ended December 31, 2020 and 2019 (in Canadian dollars)

9. PROPERTY AND EQUIPMENT - continued

	Land and Buildings	Furniture and Equipment	Rolling Stock	Total
Cost				
Balances, December 31, 2018	10,776,660	5,420,336	54,492,371	70,689,367
Reacquisition of rolling stock relating to finance lease receivables	-	-	1,941,730	1,941,730
Other additions	10,387	375,430	4,587,901	4,973,718
Sale of rolling stock relating to finance lease receivables	-	-	(2,695,146)	(2,695,146)
Other disposals	-	(2,167,269)	(227,650)	(2,394,919)
Reclassification to assets held for sale	-	-	(973,914)	(973,914)
Balances, December 31, 2019	10,787,047	3,628,497	57,125,292	71,540,836
Accumulated depreciation				
Balances, December 31, 2018	1,258,546	4,057,486	20,722,695	26,038,727
Depreciation	489,460	1,117,603	7,129,051	8,736,114
Sale of rolling stock relating to finance lease receivables	-	-	(115,605)	(115,605)
Other disposals	-	(2,159,767)	(225,908)	(2,385,675)
Reclassification to assets held for sale	-	-	(788,647)	(788,647)
Balances, December 31, 2019	1,748,006	3,015,322	26,721,586	31,484,914
Net carrying amounts				
At December 31, 2019	9,039,041	613,175	30,403,706	40,055,922

years ended December 31, 2020 and 2019 (in Canadian dollars)

10. RIGHT OF USE ASSETS

	Land and Buildings	Furniture and Equipment	Rolling Stock	Total
Cost				
Balances, December 31, 2019	34,742,752	1,531,949	36,195,567	72,470,268
Other additions	647,727	-	-	647,727
Purchase of lease assets	-	-	(156,000)	(156,000)
Sale of rolling stock relating to finance lease receivables	-	-	(175,396)	(175,396)
Other disposals	-	-	(39,887)	(39,887)
Balances, December 31, 2020	35,390,479	1,531,949	35,824,284	72,746,712
Accumulated depreciation				
Balances, December 31, 2019	1,204,266	815,624	12,932,824	14,952,714
Depreciation	488,817	394,645	3,724,672	4,608,134
Purchase of lease assets	-	-	(156,000)	(156,000)
Sale of rolling stock relating to finance lease receivables	-	-	(63,032)	(63,032)
Other disposals	-	-	(14,823)	(14,823)
Balances, December 31, 2020	1,693,083	1,210,269	16,423,641	19,326,993
Net carrying amounts				
At December 31, 2020	33,697,396	321,680	19,400,643	53,419,719

	Land and Buildings	Furniture and Equipment	Rolling Stock	Total
Cost				
Balances, December 31, 2018	34,220,000	1,023,160	35,308,491	70,551,651
Other additions	522,752	508,789	1,347,076	2,378,617
Purchase of lease assets	-	-	(460,000)	(460,000)
Balances, December 31, 2019	34,742,752	1,531,949	36,195,567	72,470,268
Accumulated depreciation				
Balances, December 31, 2018	814,503	338,801	9,364,633	10,517,937
Depreciation	389,763	476,823	3,692,599	4,559,185
Purchase of lease assets	-	-	(124,408)	(124,408)
Balances, December 31, 2019	1,204,266	815,624	12,932,824	14,952,714
Net carrying amounts				
At December 31, 2019	33,538,486	716,325	23,262,743	57,517,554

years ended December 31, 2020 and 2019 (in Canadian dollars)

11. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	2020	2019
Finance lease receivables	(931,805)	(1,560,498)
Property and equipment	(16,080,788)	(16,565,189)
Finance lease liabilities	9,230,645	9,245,990
Finance costs	7,990	25,610
Income tax losses	69,058	1,317,747
Other	639,489	815,218
	(7,065,411)	(6,721,122)
Presented as:		
Deferred tax assets	405,116	368,280
Deferred tax liabilities	(7,470,527)	(7,089,402)
	(7,065,411)	(6,721,122)

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

Tax Year	Tax losses
2039	148,704
2040	110,620

12. GOODWILL AND CUSTOMER LISTS

	Goodwill	Customer Lists	Total
Balances, December 31, 2018	1,968,286	1,314,250	3,282,536
Amortization	-	(228,600)	(228,600)
Balances, December 31, 2019	1,968,286	1,085,650	3,053,936
Amortization	-	(228,600)	(228,600)
Balances, December 31, 2020	1,968,286	857,050	2,825,336

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, 2020 and determined that the recoverable amount of the Truck Transportation segment exceeded its respective carrying amount.

The recoverable amount was determined using value in use, which is based on discounted future cash flows. In assessing value in use, a pre-tax discount rate of 10% 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 8.5%. The terminal value was determined using a long-term growth rate of 2.5%.

years ended December 31, 2020 and 2019 (in Canadian dollars)

13. 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 23. Terms and conditions of outstanding long-term debt are as follows:

	Effective Interest Rate	Year of Maturity	2020 Carrying Amount	2019 Carrying Amount
Bank indebtedness	PRIME+0.50%	N/A	2,617,991	7,080,567
Loans payable	2.67% - 5.75%	2021-2026	17,532,739	19,641,779
Finance lease liabilities	2.43% - 5.60%	2021-2026	40,192,234	46,089,689
			60,342,964	72,812,035
Current portion			12,000,031	20,893,384
			48,342,933	51,918,651

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

a) CDN$25 million revolving demand operating facility, subject to margin requirements;

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

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

d) USD$2 million (face value) foreign exchange forward contract facility;

e) CDN$10.5 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, 2020.

years ended December 31, 2020 and 2019 (in Canadian dollars)

13. LONG-TERM DEBT - continued

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 3.5% to 4.5%. The face value and carrying value of these loans as of December 31, 2020 was $2,925,000 and $1,459,822 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 $17,521,894 (2019 - $30,887,368).

Finance lease liabilities are secured by rolling stock with a carrying value of $19,400,643 (2019 - $23,262,743).

Loans payable and finance lease liabilities are payable as follows:

	Less than 1 Year	**1 to 5 Years**	**More than 5 Years**	**2020**	**2019**
Future minimum lease payments on finance lease liabilities	5,968,677	42,058,985	-	48,027,662	55,483,929
Interest	(1,663,064)	(6,172,364)	-	(7,835,428)	(9,394,240)
	4,305,613	35,886,621	-	40,192,234	46,089,689
Principal repayments on loans payable	5,076,427	11,524,520	931,792	17,532,739	19,641,779
	9,382,040	47,411,141	931,792	57,724,973	65,731,468

14. TRADE AND OTHER PAYABLES

	2020	**2019**
Trade payables	12,275,353	7,814,714
Other payables	9,974,685	6,797,088
	22,250,038	14,611,802

Other payables includes accrued trade expenses, accrued personnel expenses and sales taxes payable.

years ended December 31, 2020 and 2019 (in Canadian dollars)

15. SHARE CAPITAL

Authorized

Unlimited number of common shares with no par value

	Common Shares #	Share Capital $
Issued		
Balances, December 31, 2018	36,655,488	22,926,679
Share repurchase	(714,100)	(447,428)
Shares issued as part of share purchase plan	416,188	333,161
Balances, December 31, 2019	36,357,576	22,812,412
Options exercise	25,000	37,500
Share repurchase	(53,200)	(33,428)
Shares issued as part of share purchase plan	409,809	435,956
Balances, December 31, 2020	36,739,185	23,252,440

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, 539,433 (2019 - 422,808) have not vested. During the year ended December 31, 2020, the Company recognized an expense of $321,664 (2019 - $215,525) relating to the Plan, with a corresponding increase to contributed surplus.

On May 19, 2020, the Company renewed its normal course issuer bid, allowing the Company to purchase up to 1,821,831 of its common shares (the "NCIB"), representing 5% of its issued and outstanding common shares. The NCIB will terminate on May 18, 2021, or on an earlier date in the event that the maximum number of common shares sought in the NCIB have been repurchased. Purchases pursuant to the NCIB are expected to be made through the facilities of the TSX Venture Exchange (the "TSXV"), or such other permitted means, including through alternative trading systems in Canada, at prevailing market prices or as otherwise permitted by the policies of the TSXV.

For the year ended December 31, 2020, the Company repurchased 53,200 (2019 - 714,100) common shares at a weighted average purchase price of $1.17 (2019 - $1.28) and a total purchase price of $62,388 (2019 - $916,667). The excess of the purchase price paid over the carrying value of the shares repurchased, totaled $28,960 (2019 - $469,239) and was charged to retained earnings as a share repurchase premium.

During the year ended December 31, 2020, dividends of $0.7 million or $0.02 per common share (2019 - $NIL) was declared and paid by the Company to its shareholders.

years ended December 31, 2020 and 2019 (in Canadian dollars)

15. SHARE CAPITAL - continued

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

	2020	2019
Issued common shares	36,357,576	36,655,488
Effect of unvested common shares	(490,355)	(340,924)
Effect of issued common shares	197,455	199,569
Effect of repurchase common shares	(6,650)	(299,516)
Weighted average number of basic common shares	36,058,026	36,214,617
Dilutive effect of restricted common shares	1,260,101	477,923
Weighted average number of diluted common shares	37,318,127	36,692,540

16. CONTRIBUTED SURPLUS

Share-based compensation expense is comprised of the following:

	2020	2019
Share purchase plan	321,664	215,525
Stock options	302,318	374,734
	623,982	590,259

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 7% 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. The following table summarizes the changes in outstanding stock options:

	Grant #	Exercise Price
Balances, December 31, 2018	1,636,500	1.79
Issued	319,000	1.50
Forfeited	(227,500)	2.01
Balances, December 31, 2019	1,728,000	1.71
Issued	250,800	1.50
Exercised	(25,000)	1.50
Forfeited	(40,000)	2.34
Balances, December 31, 2020	1,913,800	1.67

Of the stock options outstanding as at December 31, 2020, 901,800 (2019 - 706,000) were held by key management personnel.

years ended December 31, 2020 and 2019 (in Canadian dollars)

16. CONTRIBUTED SURPLUS - continued

The estimated fair value of stock options was calculated using the Black-Scholes option pricing model with the following assumptions: i) the expected life of each stock option is between 3.5 and 8.5 years; ii) the risk free rate is between 0.37% and 1.59%; iii) the dividend yield will be $NIL; iv) expected volatility is between 56.39% and 60.20%; the forfeiture rate is 0%. 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 following table summarizes information about stock options outstanding as at December 31, 2020:

Exercise Price $	Options Outstanding #	Weighted Average Remaining Life in years	Options Exercisable #
1.50	1,668,800	5.2	836,997
2.85	245,000	5.1	122,500
1.67	1,913,800	5.2	959,497

The following table summarizes information about stock options outstanding as at December 31, 2019:

Exercise Price $	Options Outstanding #	Weighted Average Remaining Life in years	Options Exercisable #
1.50	1,458,000	5.5	625,831
2.85	270,000	6.2	140,000
1.67	1,728,000	1.7	765,831

Subsequent to the year end, 395,300 stock options were issued to various employees and directors, of which 205,300 was to key management personnel. Each option entitles the holders to acquire common shares of the Company at an exercise price of $2.60 per common share. Of the options granted, 105,300 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 5, 2031.

17. SUPPLEMENTAL CASH FLOW INFORMATION

a) Net change in non-cash operating working capital consist of:

	2020	2019
Trade and other receivables	(12,222,983)	1,571,389
Prepaid expenses and deposits	159,822	(187,896)
Trade and other payables	7,638,202	1,472,750
Current taxes payable	2,256,116	285,186
Interest payable	49,796	5,906
	(2,119,047)	3,147,335

years ended December 31, 2020 and 2019 (in Canadian dollars)

17. SUPPLEMENTAL CASH FLOW INFORMATION- continued

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

	Finance Lease Receivables	
	2020	**2019**
Balance, beginning of year	5,888,672	7,597,370
Cash flows	(2,215,497)	(2,553,382)
Non-cash changes		
New leases	1,198,065	2,758,232
Leases acquired through business combination	-	-
Reacquired leases	(1,354,995)	(1,913,548)
Balance, end of year	3,516,245	5,888,672

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

	Bank Indebtedness	**Loans Payable**	**Finance Lease Liabilities**	**Total 2020**	**Total 2019**
Balances, beginning of year	7,080,567	19,641,779	46,089,689	72,812,035	87,075,913
Cash flows	(4,700,485)	(6,444,188)	(6,746,620)	(17,891,293)	(20,034,233)
Non-cash changes					
New leases/loans	-	4,707,834	982,951	5,690,785	6,157,607
Foreign exchange	237,909	(372,686)	(133,786)	(268,563)	(387,252)
Balances, end of year	2,617,991	17,532,739	40,192,234	60,342,964	72,812,035

18. 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.

	2020	**2019**
Provided truck transportation services to Vision Extrusions Group Limited, Vision Profile Extrusions Ltd. and Sunview Patio Doors Ltd., companies under common control	9,024,691	7,568,483
Paid rent to Caledon First Investments Limited, a company under common control	(2,079,836)	(2,043,125)
Paid management fees to Trunkeast	(30,000)	(30,000)
	6,914,855	5,495,358

years ended December 31, 2020 and 2019 (in Canadian dollars)

18. RELATED PARTY TRANSACTIONS AND BALANCES- continued

Under IFRS 16, rent paid to Caledon First Investments Limited is considered repayment of finance lease obligations, with deemed interest paid for right-of-use asset included in finance costs of $1,515,858 (2019 - $1,527,641) for the year ended December 31, 2020.

Included in finance lease liabilities as at December 31, 2020 is a total of $33,595,395 payable to Caledon First Investments Limited for the use of the Company's head office terminal.

Included in trade and other receivables as at December 31, 2020 is a total of $1,051,936 (2019 - $571,020) 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.

19. WAGES AND CASUAL LABOUR

Included in wages and casual labour are the following:

	2020	2019
Share-based compensation expense (note 15, 16)	623,982	590,259
Employee benefits	664,038	826,740
Key management personnel:		
Salaries and benefits	911,503	726,863
Share-based compensation expense	169,622	133,427

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

20. INCOME TAXES

	2020	2019
Current tax expense	2,256,116	285,186
Deferred tax expense	344,222	586,265
Income taxes reported	2,600,338	871,451

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:

	2020	2019
Income before income taxes	8,866,011	2,456,476
Statutory income tax rate	26.50%	26.50%
Income tax provision based on statutory income tax	2,349,493	650,966
Increase in income taxes resulting from:		
Non-deductible items	202,250	214,064
Adjustment for prior years	48,595	6,421
Income taxes reported	2,600,338	871,451

21. COVID-19 INFORMATION

As the duration and ongoing impact of the COVID-19 pandemic to the global economy is indeterminable, it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the financial results and operations of the Company. The Company will continue to closely monitor the situation as it develops day-to-day and will take further actions, if necessary, to ensure the wellbeing of our workforce, customers, suppliers and other stakeholders, as well as minimize the disruption to Titanium's services.

In March 2020, the Government of Canada introduced the Canada Emergency Wage Subsidy ("CEWS") to support employers severely affected by COVID-19 and protect Canadian jobs. The subsidy covers 75% of an employee's wages (to maximum of $1,129 per week) for employers with decrease in gross revenues of at least 15% in period relating to March 2020 when compared to March 2019, and 30% in periods relating to April to June. This program has recently been extended to June 2021 with revised calculations with reduced subsidies for periods relating to July 2020 and onwards.

During the year, the Company qualified for the CEWS program and recognized $1.19 million and $3.37 million in subsidies as a reduction to wages and casual labour expenses, respectively.

The Company will continue to review all programs offered by the Government and ensure that it applies for all appropriate support.

The Company's exposure to interest rate risk and foreign exchange risk has heightened during the pandemic. The Company continues to monitor the economic conditions on a daily basis to mitigate these risks. Refer to note 23 for details of Company's risk.

The Company does not expect any material changes to other risk factors provided the temporary COVID-19 precautionary measures relax in the near future. If these measures extend indefinitely, there will be adverse effects on Titanium's credit risks as customers may become financially distressed. There may also be additional risks to the Company's operations as available workforce may contract for the Company, its customers and its suppliers. Furthermore, a prolonged period of precautionary measures will likely have severe effects on the Company's liquidity position and financial performance.

22. COMMITMENTS AND CONTINGENCIES

a) As at December 31, 2020, the Company was committed to purchasing approximately $12.8 million in rolling stock.

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

c) Subsequent to the year end, the Company has committed to renting additional office space. The future minimum lease payment for the lease is $515,839.

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.

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23. 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 liabilities are as follows:

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Finance lease receivables	3,516,245	3,584,963	5,888,672	6,076,619
Loans payable	(17,532,739)	(17,211,382)	(19,641,779)	(19,574,033)
Finance lease liabilities	(40,192,234)	(40,671,699)	(46,089,689)	(45,733,770)
	(54,208,728)	(54,298,118)	(59,842,796)	(59,231,184)

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

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

	2020	2019
Finance lease receivables	6.00 %	6.50 %
Loans payable	4.00 %	4.50 %
Finance lease liabilities	4.00 %	4.50 %

years ended December 31, 2020 and 2019 (in Canadian dollars)

23. FINANCIAL INSTRUMENTS - continued

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

	2020	2019
Finance lease receivables	3,535,592	5,981,912
Loans payable	(16,861,516)	(19,180,601)
Finance lease liabilities	(39,088,498)	(43,905,728)
	(52,414,422)	(57,104,417)

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. The Company's maximum exposure to credit risk is the carrying value of cash, trade and other receivables and finance lease receivables. In order to reduce its credit risk, the Company has adopted credit policies which include the analysis of the financial position of its customers and the regular review of their credit limits. The Company does not have a significant exposure to any individual customer or counterpart.

The Company maintains cash balances with reputable and highly rated Canadian financial institutions.

The Company does not have any collateral security on its outstanding financial instruments. 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 other receivables. The maximum exposure to credit risk at reporting date in financial instruments was $44,163,217 (2019 - $31,941,355).

The Company recognized expected credit loss allowance in other operating expense, and the movement in such allowance for trade receivables during the respective year was as follows:

	2020	2019
Balance, beginning of year	734,161	789,002
Allowance recorded	395,797	100,000
Recognized credit loss	(152,303)	(154,841)
Balance, end of year	977,655	734,161

years ended December 31, 2020 and 2019 (in Canadian dollars)

23. FINANCIAL INSTRUMENTS - continued

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

			2020
	Gross	**Lifetime Expected Credit Loss**	**Carrying Value**
Not past due	21,034,538	210,375	20,824,163
Past due 0-30 days	10,381,400	129,768	10,251,632
Past due 31-60 days	3,172,961	63,459	3,109,502
Past due more than 60 days	2,233,956	574,053	1,659,903
	36,822,855	977,655	35,845,200

			2019
	Gross	**Lifetime Expected Credit Loss**	**Carrying Value**
Not past due	12,812,982	113,185	12,699,797
Past due 0-30 days	7,493,928	78,290	7,415,638
Past due 31-60 days	3,063,237	51,818	3,011,419
Past due more than 60 days	2,257,578	490,868	1,766,710
	25,627,725	734,161	24,893,564

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 consolidated 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.

years ended December 31, 2020 and 2019 (in Canadian dollars)

23. FINANCIAL INSTRUMENTS - continued

The following summarizes 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, 2020						
Bank indebtedness	2,617,991	2,617,991	2,617,991	-	-	-
Trade and other payables	22,250,038	22,250,038	22,250,038	-	-	-
Loans payable	17,532,739	18,791,938	5,671,498	4,965,590	6,219,976	1,934,874
Finance lease liabilities	40,192,234	48,027,662	5,968,677	3,144,689	7,619,944	31,294,352
	82,593,002	91,687,629	36,508,204	8,110,279	13,839,920	33,229,226
Other liabilities requiring the use of cash:						
Current taxes payable	1,629,437	1,629,437	1,629,437	-	-	-
	84,222,439	93,317,066	38,137,641	8,110,279	13,839,920	33,229,226

	Carrying Amount	Contractual Cash-Flows	Less than 1 Year	1 to 2 Years	2 to 5 Years	More than 5 Years
December 31, 2019						
Bank indebtedness	7,080,567	7,080,567	7,080,567	-	-	-
Trade and other payables	14,611,802	14,611,802	14,611,802	-	-	-
Loans payable	19,641,779	21,604,911	6,862,417	4,881,047	8,382,586	1,478,861
Finance lease liabilities	46,089,689	55,483,928	9,442,283	5,630,181	9,117,112	31,294,352
	87,423,837	98,781,208	37,997,069	10,511,228	17,499,698	32,773,213
Other liabilities requiring the use of cash:						
Current taxes payable	272,830	272,830	272,830	-	-	-
	87,696,667	99,054,038	38,269,899	10,511,228	17,499,698	32,773,213

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.

years ended December 31, 2020 and 2019 (in Canadian dollars)

23. 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:

	2020	**2019**
Net fixed rate financial instruments	(57,724,973)	(65,731,468)
Net variable rate financial instruments	(2,617,991)	(7,080,567)
	(60,342,964)	(72,812,035)

The Company's fixed rate financial instruments consist entirely of loans payable, and variable rate financial instruments consist entire of bank indebtedness.

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 $46,841 (2019 - $96,531). This analysis assumes that all other variables are held constant. The analysis is performed on the same basis for all periods presented.

23. FINANCIAL INSTRUMENTS - continued

(ii) Foreign exchange risk

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

	2020	2019
Cash	1,885,462	-
Accounts receivable	16,691,665	7,747,003
Bank indebtedness	1,537,818	1,387,132
Accounts payable	(6,358,074)	(1,989,737)
Loans payable	(5,221,456)	(2,758,469)
Finance leases liabilities	(2,645,774)	(3,370,804)
	5,889,641	1,015,125
Average USD	1.3412	1.3268
Closing USD	1.2732	1.2961

As at December 31, 2020, 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 $294,482 (2019 - $50,756). In practice, the actual results may differ from this sensitivity analysis and the difference may be material.

24. 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:

	2020	2019
Long-term debt	60,342,964	72,812,035
Shareholders' equity	47,071,445	40,603,475
	1.3	1.8

24. CAPITAL MANAGEMENT - continued

The Company's credit facility agreement and finance leasing agreements requires the Company to maintain three 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 third is a ratio of net income before interest income and expenses, gains on sale of equipment, depreciation and amortization, 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, 2020.

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

25. SUBSEQUENT EVENTS

Subsequent to the reporting date, on February 5, 2021, the Company acquired all the outstanding shares of International Truckload Services Group. For further details, please refer to note 5.

In addition, the Company declared quarterly dividends of $0.02 per common shares on February 16, 2021, payable on March 15, 2021 for shareholders of the company as of end of business on February 26, 2021.