



# **Management's Discussion & Analysis**

**FOR THE THREE MONTH ENDED  
September 30, 2023**

**Dated November 14, 2023**

# Titanium Transportation Group Inc.

Management's Discussion and Analysis for the third quarter ended September 30, 2023

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## GENERAL INFORMATION

The following is Titanium Transportation Group Inc.'s management discussion and analysis dated November 14, 2023 ("MD&A"), which provides a comparative overview of the Company's performance for the three month and nine month periods ended September 30, 2023 with the corresponding three-month and nine-month periods ended September 30, 2022, and it reviews the Company's financial position as at September 30, 2023. 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 MD&A, audited consolidated financial statements and accompanying notes as at and for the year ended December 31, 2022, as well as the unaudited condensed consolidated interim financial statements of the Company for the third quarter ended September 30, 2023 ("consolidated interim financial statements").

The consolidated interim financial statements of the Company and extracts from those consolidated interim financial statements contained in this MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated interim financial statements comply with IAS 34, Interim Financial Reporting, and do not include all the information required for annual financial statements. The Company's presentation currency is the Canadian dollar. All financial information presented has been rounded to the nearest thousand dollar, except per share amounts and where otherwise indicated. The Company's consolidated interim financial statements for the third quarter ended September 30, 2023, were approved by its Board of Directors on November 14, 2023. Readers are cautioned that certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumption prove incorrect, actual results may vary significantly from those expected. See "Forward Looking Statements" and "Risks and Uncertainties".

Unless otherwise indicated, the information in this report is dated as of November 14, 2023. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://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, Brantford, ON, Oakwood, GA and Falkville, AL with additional parking/switch yards in Brockville and Trenton, ON and freight brokerage offices in Windsor, ON, Montreal, QC, Charlotte, NC, Nashville, TN, Chicago, IL, Denver, CO, Atlanta, GA, Fayetteville, AR and Jacksonville, FL. The Company has over 1,000 customers across various industries, including large multinational corporations. The Company has approximately 1,000 power units, 3,300 trailers, and over 1,300 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 its 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.

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The Logistics segment is a non-asset-based third-party logistics provider of ancillary transportation services, such as freight brokerage, freight forwarding, intermodal, special and expedited services. 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, overall economic conditions, exchange rates, government regulation and weather. The Company makes key decisions when allocating capital between its Truck Transportation and Logistics segments, hiring employees or contract for services of 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<sup>1</sup> and operating income, revenue generated per truck and per mile, empty miles, driver retention and fuel efficiency.

## Q3 2023 Key Highlights

- ◆ In line with our growth strategy, the Company acquired all the outstanding shares of Crane Transport, Inc. ("Crane") on July 31, 2023. Crane is a truckload carrier based in Oakwood, GA with a satellite terminal in Falkville, AL. This acquisition represents a pivotal achievement for the Company, being its largest to date and our first acquisition within the United States.
- ◆ Consolidated revenue for Q3 2023 was \$112.7 million, a 0.6% decrease over Q3 2022. The decrease was attributable to weaker transactional volumes and pricing due to softening market conditions. The contribution from the Crane acquisition totaled approximately \$14.4 million in the quarter.
- ◆ Operating income was \$5.1 million for Q3 2023, representing a 5.1% operating margin<sup>1</sup>, compared to \$8.3 million and 8.5%, respectively, in Q3 2022. The decrease is consistent with softening market conditions.
- ◆ Truck Transportation segment revenue for Q3 2023 was \$62.4 million, representing a 13.6% increase year over year. Operating income was \$1.9 million for an operating margin of 3.6%, compared to \$3.3 million and 7.3%, respectively, in Q3 2022. Softening market conditions led to a decrease in freight volumes. In addition, the segment experienced typical post-acquisition margin softening and is expected to continue for one year as management integrate Crane onto the Titanium platforms.
- ◆ Logistics segment revenue was \$51.5 million for Q3 2023, a 13.6% decrease compared to \$59.6 million during the same period in 2022. Operating income was \$4.5 million, representing a 9.7% operating margin for the quarter - compared to \$5.8 million and 11.0%, respectively, in Q3 2022. Unfavourable market conditions in transactional freight demand, reflected in lower pricing, continued to be the main factor for the decrease.

### Revenue by Industry

Manufactured Goods	29.0%
Food & Beverages	23.4%
Retail	11.1%
Services	8.5%
Logistics/Trucking	7.6%
Metals & Mining	6.0%
Automotive	5.6%
Recycling	4.2%
Other	4.6%

Based on Q3 2023 revenue

<sup>1</sup> Refer to "Results of Operations" on page 3 and "Non-IFRS Financial Measures" on page 13 for more information about operating income and EBITDA and for a reconciliation of operating income and EBITDA to net income.

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## RESULTS OF OPERATIONS

**Financial Highlights** (unaudited)  
(in '000 Canadian dollars)

	3 months ended	3 months ended	9 months ended	9 months ended
	Sept 30 2023	Sept 30 2022	Sept 30 2023	Sept 30 2022
Revenue	98,612	97,108	278,278	334,979
Fuel surcharge	14,073	16,248	41,108	50,547
	112,685	113,356	319,386	385,526
Operating expenses	99,229	97,832	281,328	339,750
EBITDA <sup>(1)</sup>	13,456	15,524	38,058	45,776
EBITDA margin <sup>(1)</sup>	13.6 %	16.0 %	13.7 %	13.7 %
Depreciation	8,065	6,930	21,732	18,251
Amortization of customer lists	327	327	982	981
Operating income <sup>(1)</sup>	5,064	8,267	15,344	26,544
Operating margin <sup>(1)</sup>	5.1 %	8.5 %	5.5 %	7.9 %
Gain on sale of property and equipment	(415)	(3,344)	(3,728)	(5,839)
Finance costs	2,522	1,257	6,078	3,188
Finance income	(109)	(55)	(412)	(148)
Foreign exchange loss	1,507	1,429	986	1,891
Transaction costs	205	-	1,285	-
Income tax expense (recovery)	(520)	2,443	2,304	7,370
Net income	1,874	6,537	8,831	20,082
Net income per share - basic	0.04	0.15	0.20	0.46
Net income per share - diluted	0.04	0.14	0.19	0.45

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

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## EXECUTIVE SUMMARY

In a challenging economic landscape and freight market, Titanium demonstrated resilience by reporting a profitable quarter. Through the third quarter freight transportation continued to face substantial headwinds, including the adverse effects of rising interest rates, surging operating costs, overcapacity in the industry, and global geopolitical conflict. Furthermore, weaker than expected fuel prices, which leads to lower fuel surcharge, and freight volumes weighed down contractual and transactional freight rates. Against this backdrop, we demonstrated our commitment to continued growth with the acquisition of Crane Transport, Inc. ("Crane") -- our first U.S.-based asset acquisition. This acquisition will serve as a platform for further expansion into the U.S. marketplace growth.

Crane, located in what is known in the USA as "freight alley" specializes in Full Truckload interstate freight transportation services. The acquisition expands our service offerings to current and new U.S. customers and complements our existing freight brokerage services. Although operating in interstate commerce, Crane operates in similar geographic regions to Titanium. This will enable us to capture synergies and capitalize on the expertise of our team. With approximately 200 trucks in its fleet, generating about US\$60 million annually in revenue, we expect Crane to be a vital asset as we build a solid foothold for our U.S. expansion. Since closing the acquisition on July 31, 2023, our team has worked diligently on the new brand integration and we expect this to last the next few quarters. Even though we are just two months into the new brand integration process, our management team is pleased with the pace of integration, and we expect Crane to be onboarded to Titanium's technological platform and financial systems in a timely fashion. As is normal following an acquisition, we expected to see a temporary negative impact on margins during this period of transition. This was reflected in the results for our Truck Transportation segment during the quarter. In addition, soft economic conditions also put significant added pressure on the segment's margins. As a result, EBITDA margins for Truck Transportation decreased by four percentage points compared to the same quarter in 2022 despite an increase in revenue of \$7.4 million.

Our Logistics segment performed in line with expectations for the current freight environment. Transactional freight prices continued to face a confluence of adverse factors including softer freight demand, overcapacity, and lower fuel surcharge revenue. The pressure on pricing accounted for all the segment's 13.6% decrease in revenue despite a 6.1% increase in volume achieved by our team. We are very excited that the segment was able to grow organically through its new locations despite the unfavorable economic conditions. This is consistent with our core strategy of developing sustainable growth platforms across the entire company.

Notwithstanding overall difficult conditions and the toll on our short-term profitability, we are satisfied our segments remain profitable. More importantly, we remain profitable while we continue to build towards our future growth platforms. Titanium is focused on strengthening its foundations of people and technology, and with the acquisition of Crane, as well as our new Freight Brokerage offices, we remain well-positioned to scale for future, long-term, stable growth. Due to the temporary but sluggish freight transportation market, we are revising our revenue guidance to \$430 million to \$450 million in consolidated revenue but maintaining an EBITDA margin of 10.5% to 12.5%.

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## Selected Segmented Financial Information (unaudited)

(in '000 Canadian dollars)

	3 months ended	3 months ended	9 months ended	9 months ended
	Sept 30 2023	Sept 30 2022	Sept 30 2023	Sept 30 2022
<b>Truck Transportation</b>				
Revenue	53,679	45,593	139,150	136,028
Fuel surcharge	8,718	9,355	24,078	26,875
	62,397	54,948	163,228	162,903
Operating expenses				
Carriers and independent contractors	21,510	16,281	51,765	48,795
Vehicle operating	13,250	14,360	38,694	47,644
Wages and casual labour	15,256	12,160	39,806	36,456
Other operating	2,261	1,718	5,162	4,913
	52,277	44,519	135,427	137,808
EBITDA <sup>(1)</sup>	10,120	10,429	27,801	25,095
EBITDA margin <sup>(1)</sup>	18.9 %	22.9 %	20.0 %	18.4 %
Depreciation	7,875	6,787	21,191	17,869
Amortization of customer lists	327	327	982	981
Operating income (loss) <sup>(1)</sup>	1,918	3,315	5,628	6,245
Operating margin <sup>(1)</sup>	3.6 %	7.3 %	4.0 %	4.6 %
Gain on sale of property and equipment	(415)	(3,344)	(3,728)	(5,839)
Finance costs	2,150	1,098	5,172	2,853
Finance income	(53)	(55)	(204)	(148)
Transaction costs	205	-	1,285	-
Income tax expense (recovery)	(286)	1,595	800	2,718
Net income	317	4,021	2,303	6,661

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

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## Selected Segmented Financial Information (unaudited), continued

(in '000 Canadian dollars)

	3 months ended	3 months ended	9 months ended	9 months ended
	Sept 30 2023	Sept 30 2022	Sept 30 2023	Sept 30 2022
<b>Logistics</b>				
Revenue	46,188	52,735	143,431	202,497
Fuel surcharge	5,355	6,893	17,030	23,672
	51,543	59,628	160,461	226,169
Operating expenses				
Carriers and independent contractors	41,645	46,793	129,768	181,745
Wages and casual labour	4,482	5,913	14,655	17,617
Other operating	945	1,119	2,847	3,427
	47,072	53,825	147,270	202,789
EBITDA/ Operating income <sup>(1)</sup>	4,471	5,803	13,191	23,380
EBITDA/ Operating margin <sup>(1)</sup>	9.7 %	11.0 %	9.2 %	11.5 %
Depreciation	190	143	541	382
Finance costs	373	159	906	334
Income tax expense	460	1,402	2,469	5,831
Net income	3,448	4,099	9,275	16,833

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

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**Revenue** (unaudited)  
(in '000 Canadian dollars)

	3 months ended	3 months ended	9 months ended	9 months ended
	Sept 30 2023	Sept 30 2022	Sept 30 2023	Sept 30 2022
<b>Truck Transportation</b>				
Revenue	53,679	45,593	139,150	136,028
Fuel surcharge	8,718	9,355	24,078	26,875
	62,397	54,948	163,228	162,903
<b>Logistics</b>				
Revenue	46,188	52,735	143,431	202,497
Fuel surcharge	5,355	6,893	17,030	23,672
	51,543	59,628	160,461	226,169

For the three month and nine month periods ended September 30, 2023, the Company's consolidated revenues decreased by \$0.7 million and \$66.1 million, respectively, or 0.6% and 17.2%, when compared to the same periods ended September 30, 2022. Soft market conditions resulted in volume decreases in the Truck Transportation segment and pricing decreases in the Logistics segment.

Truck Transportation segment revenue increased \$7.4 million or 13.6% during the quarter, compared to the same quarter in 2022, and \$0.3 million, or 0.2%, for the nine month-period ended September 30, 2023 compared to 2022. Freight volumes decreased by 6% year over year. In addition, fuel surcharge revenue fell, reflecting the decrease in price of diesel fuel. Offsetting the decrease in revenue was an injection of \$14.4 million from acquisition of Crane.

Logistics segment revenue decreased \$8.1 million or 13.6%, for the three-month period ended September 30, 2023 and \$65.7, million, or 29.1%, for the nine month period ended September 30, 2023, when compared to 2022. Despite 13.4% decrease in pricing year over year, the segment volume grew by over 6%, reflecting the Company's strategic investments in new Freight Brokerage offices in Montreal, QC, Fayetteville, AR and Atlanta, GA.



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## Operating Expenses and Income (unaudited) (in '000 Canadian dollars)

	3 months ended Sept 30 2023	3 months ended Sept 30 2022	9 months ended Sept 30 2023	9 months ended Sept 30 2022
<b>Truck Transportation</b>				
Revenue	62,397	54,948	163,228	162,903
Operating expenses	52,277	44,519	135,427	137,808
EBITDA <sup>(1)</sup>	10,120	10,429	27,801	25,095
EBITDA margin <sup>(1)</sup>	18.9 %	22.9 %	20.0 %	18.4 %
Depreciation and amortization	8,202	7,114	22,173	18,850
Operating income <sup>(1)</sup>	1,918	3,315	5,628	6,245
Operating margin <sup>(1)</sup>	3.6 %	7.3 %	4.0 %	4.6 %
<b>Logistics</b>				
Revenue	51,543	59,628	160,461	226,169
Operating expenses	47,072	53,825	147,270	202,789
EBITDA/ Operating income <sup>(1)</sup>	4,471	5,803	13,191	23,380
EBITDA/ Operating margin <sup>(1)</sup>	9.7 %	11.0 %	9.2 %	11.5 %
<b>Corporate</b>				
Operating expenses	1,134	709	2,932	2,700

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

For the Truck Transportation segment, operating expenses increased by \$7.8 million, or 17.4%, for the three-month period ended September 30, 2023 and by \$2.4 million, or 1.7%, for the nine month period ended September 30, 2023, compared to the same periods in 2022 -- primarily reflecting the Crane integration, offset by decreases in volume. For the three and nine month periods ended September 30, 2023, the segment operating margin was 3.6% and 4.0%, compared to a margin of 7.3% and 4.6%, respectively, for the same periods in 2022. Operating margin typically softens in the months post-acquisition but is expected to normalize upon completion of integration.

For the Logistics segment, operating expenses decreased by \$6.8 million, or 12.5%, for the three-month period ended September 30, 2023 and increased by \$55.5 million, or 27.4%, for the nine-month period ended September 30, 2023, compared to the same periods in 2022. Transactional freight rates continued to face downward pressure stemming from soft market conditions and over-capacity. Operating income and operating margins declined by \$1.3 million, or 22.9%, for the three month period ended September 30, 2023 and by \$10.2, million or 43.6%, for the nine-month period ended September 30, 2023 -- in line with the drop in segment revenue.

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## SUMMARY OF QUARTERLY RESULTS

(in '000 Canadian dollars)

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

	Q3'23	Q2'23	Q1'23	Q4'22	Q3'22	Q2'22	Q1'22	Q4'21
Revenue	112,685	100,379	106,322	110,849	113,356	136,183	135,987	111,283
EBITDA <sup>(1)</sup>	13,456	12,025	12,576	14,912	15,524	16,335	13,917	8,783
EBITDA margin <sup>(1)</sup>	13.6 %	13.6 %	13.8 %	15.9 %	16.0 %	14.0 %	11.5 %	8.7 %
Operating income <sup>(1)</sup>	5,064	4,997	5,282	6,619	8,267	10,131	8,146	2,942
Operating margin <sup>(1)</sup>	5.1 %	5.6 %	5.8 %	7.1 %	8.5 %	8.7 %	6.7 %	2.9 %
Adjusted net income <sup>(1)</sup>	2,264	4,163	3,588	4,800	6,537	7,577	5,969	1,573
Per share - basic	0.05	0.09	0.08	0.11	0.15	0.17	0.14	0.04
Per share - diluted	0.05	0.09	0.08	0.11	0.14	0.17	0.13	0.04

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

Changes from quarter to quarter are mainly a reflection of seasonality of operations, changes in industry conditions and acquisitions. Historically, the Company experiences weaker demand in the first quarter, moderate demand in the third and fourth quarters and stronger demand in the second quarter. After the initial economic slowdown during to the COVID-19 pandemic, consumer activity gradually began to resume as health restrictions started to ease in 2021. However, the supply chain struggled to keep pace with the higher levels of aggregate demand. This, combined with monetary measures introduced during the pandemic and the geopolitical impacts of Russia's invasion of Ukraine, were reflected in significant inflationary pressures in the North American and global economies. Operating costs rapidly increased starting in Q2 2021 and continued through to Q4 2022. Fuel prices rose, with global political unrest adding to market uncertainty, putting further upward pressure on operating costs. The pressure from increased operating costs, combined with tight capacity, created the conditions for an upward adjustment in freight rates.

Interest rates rose steadily in 2022 as central banks moved to stem inflation. Demand and production in China deteriorated during the lockdowns associated with the country's zero-COVID policy. In turn, the favourable freight demand level that had existed up to that point, began to soften in the second half of 2022. The potential exists for a global recession that could lead to further softening of market conditions for the remainder of the year.

In addition, there has historically been an increase in revenue and a decrease in margins in quarters following an acquisition. Revenues have often decreased, stabilized, and then increased while EBITDA margins have increased in the quarters after a business acquisition. For example, following the acquisition of ITS in 2021, the Truck Transportation segment EBITDA was significantly impacted by integration costs to bring the acquired fleet up to Titanium standards. Acquired revenue also followed the historical trend as we rebranded the fleet under the Titanium banner. Margins and EBITDA steadily recovered after Q4 2021, when the integration process was completed. In contrast, the BSC acquisition, in Q1 2022, did not have the same impact onto the Truck Transportation segment as the integration costs were absorbed by improvements in margin reflecting favourable market conditions prevailing at the time. We expect the Crane integration, which began Q3 2023, to follow pattern similar to the ITS integration.

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## LIQUIDITY AND CAPITAL RESOURCES

(in '000 Canadian dollars)

	<b>September 30 2023</b>	<b>December 31 2022</b>
Working capital (deficit) <sup>(1)</sup>	(13,567)	31,469
Total assets	363,680	281,142
Net debt <sup>(2)</sup>	170,927	91,288
Shareholders' equity	104,475	98,220
Net debt to equity ratio <sup>(3)</sup>	1.64	0.93

(1) Working capital (deficit) is defined as current assets less current liabilities.

(2) Net debt is defined as bank indebtedness, acquisition loan, loans payable and finance lease liabilities, net of cash, short term deposits and finance lease receivables, 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 decreased while the net debt position and net debt to equity ratio increased as at September 30, 2023 compared to December 31, 2022, primarily as a result of the acquisition of Crane on July 31, 2023 for cash consideration of \$39.9 million and \$44.7 million in assumed debt and vendor takeback loan. Titanium also purchased all real estate related to Crane's operations including the head office terminal in Georgia and the satellite terminal in Alabama as part of the transaction. This transaction represents our most significant acquisition to date, and we closed the acquisition without the necessity of raising additional capital due to our strong capital position.

In terms of rolling stock expenditures, we have committed \$14.0 million towards the purchase of 170 trailers over the next year. In addition, we expect to realize proceeds from the sale of excess aged equipment of approximately \$2.6 million. 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 further organic and inorganic growth of the business.

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

(in '000 Canadian dollars)

	<b>Total</b>	<b>1 Year</b>	<b>2 Years</b>	<b>3 Years</b>	<b>4 Years</b>	<b>5 Years</b>	<b>After 5 Years</b>
Loans	148,348	31,958	32,681	32,910	26,047	12,903	11,849
Finance leases	28,665	7,560	5,905	5,296	2,410	1,974	5,520
	177,013	39,518	38,586	38,206	28,457	14,877	17,369

Titanium actively seeks debt refinancing, when possible, especially for 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

The portion of the Company's unused bank credit facilities as of September 30, 2023 include approximately and meet regular debt repayment obligations. \$46.3 million under the revolving demand operating facility, \$12.5 million under a finance lease loan facility and \$9.5 million under an acquisition loan facility. In addition, the Company has \$22.2 million available in finance leasing and loan facilities through other institutions.

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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 September 30, 2023 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 1.15. Debt service coverage is a ratio of net income before interest income and expenses, gains on sale of equipment, depreciation, amortization and non-cash items, less unfinanced capital expenditures, plus proceeds of sale of equipment, to contractually required principal and interest payments made over the 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 rather than a finance lease.

## Common Shares

The Company offers 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 \$9,600 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, 500,147 have not yet vested.

On October 18, 2023, we renewed its normal course issuer bid, allowing the Company to purchase up to 2,236,184 of its common shares (the "NCIB"), representing 5% of its issued and outstanding common shares.

During the nine month period ended September 30, 2023, the Company repurchased 796,245 (2022 - nil) common shares at a weighted average price of \$2.72 and a total purchase price of \$2.2 million. The excess of the purchase price paid over the carrying value of the shares repurchased, totaled \$0.8 million and was charged to retained earnings as a share repurchase premium.

As of November 14, 2023, there are 44,792,986 common shares of the Company outstanding. In addition, there are 2,898,700 stock options outstanding, of which 1,471,700 are exercisable.

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## 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 \$13.1 million for the nine-month period ended September 30, 2023 (2022 - \$14.6 million).

These transactions are in the normal course of operations materially under the same commercial terms and conditions as transactions with unrelated companies and are measured at fair value.

## 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. We estimate we will deliver consolidated revenue between \$430 million to \$450 million and between EBITDA Margins of 10.5% to 12.5%.

# Titanium Transportation Group Inc.

Management's Discussion and Analysis for the third quarter ended September 30, 2023

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## 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 measures 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 several 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 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.

# Titanium Transportation Group Inc.

Management's Discussion and Analysis for the third quarter ended September 30, 2023

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## DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In compliance with the provisions of Canadian Securities Administrators' National Instrument 52-109, the President and Chief Executive Officer ("CEO"), and the Chief Financial Officer ("CFO") of the Company, have designed, or caused to be designed under their supervision, disclosure controls and procedures as well as internal controls over financial reporting in order to provide reasonable assurance over reliability of financial reporting and material information relating to the Company's annual financial statements and other reports filed and submitted under securities legislation.

It is the responsibility of management for the establishment and maintenance of adequate disclosure controls and procedures, as well as internal controls over financial reporting. Effective disclosure controls and internal controls ensures the Company's consolidated financial statements are presented fairly and free of material misstatements. In addition, management conducts an evaluation of the effective of its internal controls over financial report and disclosure controls and procedures as at September 30, 2023, under the supervision and with the participation of the CEO and CFO.

Based on the evaluation performed, the CEO and CFO concluded that internal controls over financial reporting, as well as disclosure controls and procedures, were effective as at September 30, 2023, to provide reasonable assurance over the Company's consolidated financial statements for external reporting purposes prepared under these controls. The control framework used to design the Company's internal controls over financial reporting is based on Internal Control - Integrated Framework (2013 framework) as issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Due to its inherent limitations, internal control over financial reporting and disclosure may not prevent or detect all misstatements. Further, the effectiveness of internal control is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may change.

There were no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## CHANGES IN ACCOUNTING POLICIES

The following new standards and amendments to standards are not yet effective for the year ended September 30, 2023, and have not been applied in preparing the consolidated interim financial statements:

### *IAS 1, Presentation of Financial Statements*

The following new standards, interpretations and amendments to standards became effective for the period beginning January 1, 2023. The full description of each of these changes in accounting policies is available in our consolidated interim financial statements. The impact of the adoption of these standards is outlined below.

*IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors* was amended in February 2021 through the publication of *Definition of Accounting Estimates (Amendments to IAS 8)* and became effective January 1, 2023. The full description of this change in accounting policy is available in our consolidated financial statements and did not have a material impact on our results.

**Y E A R 2 0 2 3**



**Unaudited Condensed Consolidated  
Interim Financial Statements**  
**FOR THE THREE MONTH PERIOD ENDED**  
**September 30, 2023**



# Titanium Transportation Group Inc.

## Notice To Reader

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Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice to this effect. The accompanying unaudited interim condensed consolidated financial statements of Titanium Transportation Group Inc. have been prepared by, and are the responsibility of, management of Titanium Transportation Group Inc..

Titanium Transportation Group Inc.'s independent auditor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the accompanying interim condensed consolidated financial statements. Readers are cautioned that these financial statements may not be appropriate for their intended purposes.

# Titanium Transportation Group Inc.

## Condensed Consolidated Interim Statements of Financial Position

(in '000 Canadian dollars)

(unaudited)

	September 30 2023	December 31 2022
<b>Assets</b>		
Current		
Cash	24,981	34,892
Trade and other receivables (note 5, 14)	58,659	71,209
Current taxes recoverable (note 5)	4,649	15
Finance lease receivables (note 5, 6, 13)	1,671	1,386
Prepaid expenses and deposits	2,532	3,419
	92,492	110,921
Finance lease receivables (note 5, 6, 13)	4,979	2,751
Property and equipment (note 5, 7)	209,819	131,586
Right of use assets (note 5, 8)	32,171	25,683
Deferred tax assets	979	484
Customer lists (note 9)	4,400	5,382
Goodwill (note 5, 9)	18,840	4,335
	363,680	281,142
<b>Liabilities</b>		
Current		
Bank indebtedness (note 10, 13)	21,295	11,078
Trade and other payables	45,246	37,114
Current taxes payable	-	4,975
Loans payable (note 5, 10, 13)	31,958	21,309
Finance lease liabilities (note 5, 10, 13)	7,560	4,976
	106,059	79,452
Acquisition loan (note 10, 13)	4,250	6,125
Loans payable (note 5, 10, 13)	116,390	68,732
Finance lease liabilities (note 5, 10, 13)	21,105	18,097
Deferred tax liabilities	11,401	10,516
	259,205	182,922
<i>Commitments and contingencies (note 16)</i>		
<b>Shareholders' Equity</b>		
Share capital (note 11)	50,532	51,005
Contributed surplus (note 12)	9,674	9,215
Accumulated other comprehensive income	950	-
Retained earnings	43,319	38,000
	104,475	98,220
	363,680	281,142

On behalf of the Board

"Ted Daniel"  
Director

"Bill Chyfetz"  
Director

See accompanying notes

2.

# Titanium Transportation Group Inc.

## Condensed Consolidated Interim Statements of Income

Nine months ended September 30, 2023 and 2022

(in '000 Canadian dollars, except for share amounts)

(unaudited)

	3 months ended Sept 30 2023	3 months ended Sept 30 2022	9 months ended Sept 30 2023	9 months ended Sept 30 2022
Revenue (note 14)	98,612	97,108	278,278	334,979
Fuel surcharge	14,073	16,248	41,108	50,547
	112,685	113,356	319,386	385,526
Operating expenses				
Carriers and independent contractors	61,901	61,854	177,230	226,993
Vehicle operating	13,250	14,360	38,694	47,644
Wages and casual labour (note 15)	20,230	18,505	55,993	55,531
Other operating	3,848	3,113	9,411	9,582
	99,229	97,832	281,328	339,750
Income before the following	13,456	15,524	38,058	45,776
Depreciation (note 7, 8)	8,065	6,930	21,732	18,251
Gain on sale of property and equipment	(415)	(3,344)	(3,728)	(5,839)
Finance costs (note 14)	2,522	1,257	6,078	3,188
Finance income	(109)	(55)	(412)	(148)
Foreign exchange loss	1,507	1,429	986	1,891
Amortization of customer lists (note 9)	327	327	982	981
Transaction costs (note 5)	205	-	1,285	-
	12,102	6,544	26,923	18,324
Income before income taxes	1,354	8,980	11,135	27,452
Income tax expense (recovery)	(520)	2,443	2,304	7,370
Net income	1,874	6,537	8,831	20,082
Earnings per share:				
Basic	0.04	0.15	0.20	0.46
Diluted	0.04	0.14	0.19	0.45
Weighted average number of shares outstanding (in number of shares):				
Basic (note 11)	44,344,700	44,333,037	44,442,323	44,009,719
Diluted (note 11)	45,471,116	45,364,447	45,602,811	44,947,182

# Titanium Transportation Group Inc.

## Condensed Consolidated Interim Statements of Comprehensive Income

Nine months ended September 30, 2023 and 2022

(in '000 Canadian dollars)

(unaudited)

	<b>3 months ended Sept 30 2023</b>	<b>3 months ended Sept 30 2022</b>	<b>9 months ended Sept 30 2023</b>	<b>9 months ended Sept 30 2022</b>
Net income	1,874	6,537	8,831	20,082
Other comprehensive (loss) income				
Foreign currency translation differences	950	-	950	-
Total comprehensive income	2,824	6,537	9,781	20,082

# Titanium Transportation Group Inc.

## Condensed Consolidated Interim Statements of Changes in Equity

Nine months ended September 30, 2023 and 2022

(in '000 Canadian dollars)

(unaudited)

	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balances at December 31, 2022	51,005	9,215	38,000	-	98,220
Share issuance (note 11)	646	-	-	-	646
Shares vested (note 11)	239	(239)	-	-	-
Share-based compensation expense (note 12, 15)	-	698	-	-	698
Share cancellation (note 11)	(1,358)	-	(809)	-	(2,167)
Dividends paid (note 11)	-	-	(2,703)	-	(2,703)
Net income	-	-	8,831	-	8,831
Other comprehensive income	-	-	-	950	950
Balances at September 30, 2023	50,532	9,674	43,319	950	104,475
Balances at December 31, 2021	48,204	8,812	16,698	-	73,714
Share issuance (note 11)	1,979	-	-	-	1,979
Shares vested (note 11)	219	(219)	-	-	-
Options exercised (note 12)	283	(104)	-	-	179
Share-based compensation expense (note 12, 15)	-	536	-	-	536
Dividends paid (note 11)	-	-	(2,679)	-	(2,679)
Net income	-	-	20,082	-	20,082
Balances at September 30, 2022	50,685	9,025	34,101	-	93,811

# Titanium Transportation Group Inc.

## Condensed Consolidated Interim Statements of Cash Flows

(in '000 Canadian dollars)

(unaudited)

	3 months ended Sept 30 2023	3 months ended Sept 30 2022	9 months ended Sept 30 2023	9 months ended Sept 30 2022
Cash flows from operating activities				
Net income	1,874	6,537	8,831	20,082
Adjustments:				
Depreciation (note 7, 8)	8,065	6,930	21,732	18,251
Gain on sale of property and equipment	(415)	(3,344)	(3,728)	(5,839)
Finance costs	2,522	1,257	6,078	3,188
Finance income	(109)	(55)	(412)	(148)
Amortization of customer lists (note 9)	327	327	982	981
Share-based compensation expense (note 12)	251	182	698	536
Income tax expense (recovery)	(626)	2,443	649	7,370
	11,889	14,277	34,830	44,421
Net change in non-cash operating working capital	1,362	12,186	21,551	12,561
	13,251	26,463	56,381	56,982
Interest paid	(2,505)	(1,225)	(6,043)	(3,190)
Interest received	109	55	412	148
Income taxes received (paid)	(157)	(3)	(6,670)	(4,455)
	10,698	25,290	44,080	49,485
Cash flows from investing activities				
Proceeds from finance lease receivables (note 13)	754	447	1,849	1,531
Proceeds from short term investments	7,000	-	15,000	-
Deposit to short term investments	-	-	(15,000)	-
Acquisition of property and equipment (note 7, 13)	(12,571)	(18,377)	(49,860)	(47,363)
Disposition of property and equipment (note 7, 13)	664	7,849	11,797	17,421
Acquisition of subsidiaries (note 5)	(57,066)	-	(57,066)	-
	(61,219)	(10,081)	(93,280)	(28,411)
Cash flows from financing activities				
Proceeds from bank indebtedness (note 13)	10,785	-	10,240	-
Repayment of bank indebtedness (note 13)	-	(6,448)	-	(20,651)
Repayment of acquisition loans (note 13)	(625)	(938)	(1,875)	(1,250)
Proceeds from loans payable (note 13)	27,813	18,340	61,925	46,594
Repayment of loans payable (note 13)	(9,305)	(5,809)	(21,641)	(14,717)
Proceeds from finance lease liabilities (note 13)	-	-	181	485
Repayment of finance lease liabilities (note 13)	(2,385)	(2,026)	(5,317)	(10,854)
Dividends paid (note 11)	(897)	(897)	(2,703)	(2,679)
Issuance of shares (note 11)	218	338	646	658
Share repurchase (note 11)	(868)	-	(2,167)	-
	24,736	2,560	39,289	(2,414)
Increase (decrease) in cash	(25,785)	17,769	(9,911)	18,660
Cash, beginning	50,766	18,937	34,892	18,046
Cash, ending	24,981	36,706	24,981	36,706

Refer to note 13 for supplemental cash flow information.

# Titanium Transportation Group Inc.

## Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2023 and 2022

(Tabular amounts in '000 Canadian dollars, unless otherwise noted)

(unaudited)

### 1. REPORTING ENTITY

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 in Bolton, Bracebridge, Napanee, North Bay, Windsor, Belleville, Cornwall, Brantford, ON, Oakwood, GA and Falkville, AL with additional parking/switch yards in Sudbury, Brockville and Trenton, ON and freight brokerage offices in Windsor, ON, Montreal, QC, Charlotte, NC, Nashville, TN, Chicago, IL, Denver, CO, Atlanta, GA, Fayetteville, AR and Jacksonville, FL. 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.

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

The common shares of the Company trade on the Toronto Stock Exchange under the symbol "TTNM", and the OTCQX under the symbol "TTNMF".

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

### 2. BASIS OF PRESENTATION

#### Basis of Consolidation

The condensed consolidated interim 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.

# Titanium Transportation Group Inc.

## Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2023 and 2022

(Tabular amounts in '000 Canadian dollars, unless otherwise noted)

(unaudited)

### 2. BASIS OF PRESENTATION - continued

#### Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent annual consolidated financial statements of the Company, including the notes thereto, for the year ended December 31, 2022.

These condensed consolidated interim financial statements have been prepared by and are the sole responsibility of the Company's management.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 14, 2023.

#### Basis of Measurement

These condensed consolidated interim financial statements have been prepared on a going concern basis using historical cost, except for assets and liabilities acquired in business combinations, which are measured at fair value at the acquisition date.

#### Functional and Presentation Currency

These condensed consolidated interim financial statements are presented in Canadian dollars ("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 thousands of dollar, except per share amounts and where otherwise indicated.

Items included in the condensed consolidated interim 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 three have a functional currency of the Canadian Dollar. Titanium American Logistics, Inc., Crane Transport, Inc., and Titanium American Trucking, Inc. in the United States are wholly owned subsidiaries that were determined to have a functional currency of the United States Dollar ("USD"). Titanium American Logistics, Inc. was incorporated in 2016, Crane Transport, Inc. was acquired in July 2023, and Titanium American Trucking, Inc. was incorporated in September of 2023.

#### Seasonality of Interim Operations

The activities of the Company are subject to seasonal demand for truck transportation. Historically, the Company has experienced weaker demand in the first quarter, moderate demand in the third and fourth quarters and stronger demand in the second quarter. In addition, harsher winter conditions generally result in lower fuel economy and increased repair costs. Furthermore, the timing of acquisitions and variations in industry conditions could have a considerable impact on quarterly results. Consequently, the results of operations for the interim period are not necessarily indicative of the results of operations for the full year.



# Titanium Transportation Group Inc.

## Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2023 and 2022

(Tabular amounts in '000 Canadian dollars, unless otherwise noted)

(unaudited)

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described in the Company's annual consolidated financial statements have been applied consistently to all periods presented in these condensed consolidated interim financial statements, unless otherwise indicated. The accounting policies have been applied consistently by all subsidiaries.

#### Use of Judgment

The preparation of these condensed consolidated interim financial statements in accordance with IFRS, requires management to make judgments that affect the application of accounting policies and the interpretation of accounting standards. Management periodically reviews its judgments and underlying assumptions 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 (CGU). The Company must determine its CGU units grouping for the purpose of goodwill impairment testing. These CGU's consist of the Companies operating units: trucking and logistics.
- 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.
- 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.

# Titanium Transportation Group Inc.

## Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2023 and 2022

(Tabular amounts in '000 Canadian dollars, unless otherwise noted)

(unaudited)

### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

#### Use of Estimates and Assumptions

The preparation of condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim statement 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 indefinite life intangible assets* – An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The determination of value in use requires the estimation and discounting of expected future cash flows which involves key estimates related to future growth rates, terminal growth rate, post-tax discount rate.
- b) *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.
- c) *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.
- d) *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.
- e) *Provisions* – Estimates of expected settlements arising from matters involving litigation or accident claims are based on information provided by legal counsel or insurance professionals.
- f) *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.

# Titanium Transportation Group Inc.

## Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2023 and 2022

(Tabular amounts in '000 Canadian dollars, unless otherwise noted)

(unaudited)

### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

#### New Standards Adopted

*IAS 12, Income Taxes*, was amended in May 2021 which clarified the issues surrounding *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* by IASB. The IASB specified that the initial recognition exemption does not apply to transactions in which equal amounts of deferred tax assets and liabilities arise on the initial recognition. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The adoption of this interpretation did not have a material impact on the condensed consolidated interim financial statements.

*IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors* was amended in February 2021 through the publication of *Definition of Accounting Estimates (Amendments to IAS 8)* by the IASB to help distinguish between accounting policies and accounting estimates. The amendments changed the definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The adoption of this interpretation did not have a material impact on the condensed consolidated interim financial statements.

#### New Standards 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, 2024. 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 condensed consolidated interim financial statements.

# Titanium Transportation Group Inc.

## Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2023 and 2022

(Tabular amounts in '000 Canadian dollars, unless otherwise noted)

(unaudited)

### 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.

	<b>Truck Transportation</b>	<b>Logistics</b>	<b>Corporate</b>	<b>Elimination</b>	<b>Total</b>
<b>Three months ended September 30, 2023</b>					
Revenue - external	61,142	51,543	-	-	112,685
Revenue - internal	1,255	-	-	(1,255)	-
Total revenue	62,397	51,543	-	(1,255)	112,685
Depreciation	7,875	190	-	-	8,065
Finance costs	2,149	373	-	-	2,522
Finance income	(53)	-	(56)	-	(109)
Income (loss) before income taxes	31	3,908	(2,585)	-	1,354
Income taxes (recoveries)	(286)	460	(694)	-	(520)
Capital expenditures	12,571	-	-	-	12,571
<b>Three months ended September 30, 2022</b>					
Revenue - external	53,728	59,628	-	-	113,356
Revenue - internal	1,220	-	-	(1,220)	-
Total revenue	54,948	59,628	-	(1,220)	113,356
Depreciation	6,787	143	-	-	6,930
Finance costs	1,098	159	-	-	1,257
Finance income	(55)	-	-	-	(55)
Income (loss) before income taxes	5,616	5,501	(2,137)	-	8,980
Income taxes (recoveries)	1,595	1,402	(554)	-	2,443
Capital expenditures	18,377	-	-	-	18,377

# Titanium Transportation Group Inc.

## Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2023 and 2022

(Tabular amounts in '000 Canadian dollars, unless otherwise noted)

(unaudited)

### 4. OPERATING SEGMENTS - continued

	Truck Transportation	Logistics	Corporate	Elimination	Total
<b>Nine months ended September 30, 2023</b>					
Revenue - external	158,925	160,461	-	-	319,386
Revenue - internal	4,303	-	-	(4,303)	-
Total revenue	163,228	160,461	-	(4,303)	319,386
Depreciation	21,191	541	-	-	21,732
Finance costs	5,172	906	-	-	6,078
Finance income	(204)	-	(208)	-	(412)
Income (loss) before income taxes	3,103	11,743	(3,711)	-	11,135
Income taxes (recoveries)	800	2,469	(965)	-	2,304
Capital expenditures	49,679	181	-	-	49,860
<b>Nine months ended September 30, 2022</b>					
Revenue - external	159,356	226,169	-	-	385,526
Revenue - internal	3,547	-	-	(3,547)	-
Total revenue	162,903	226,169	-	(3,547)	385,526
Depreciation	17,869	382	-	-	18,251
Finance costs	2,853	335	-	-	3,188
Finance income	(148)	-	-	-	(148)
Income (loss) before income taxes	9,379	22,664	(4,591)	-	27,452
Income taxes (recoveries)	2,718	5,831	(1,179)	-	7,370
Capital expenditures	47,363	-	-	-	47,363

Revenue is attributed to geographical locations based on the location of the origin of the service. Majority of the Company's assets are located in Canada. With the acquisition of Crane, about 27% of the Company's assets are located in U.S.

	3 months ended Sept 30 2023	3 months ended Sept 30 2022	9 months ended Sept 30 2023	9 months ended Sept 30 2022
Canada	62,430	56,352	161,246	171,516
United States	50,255	57,004	158,140	214,010
	112,685	113,356	319,386	385,526

# Titanium Transportation Group Inc.

## Notes to Condensed Consolidated Interim Financial Statements

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### 5. BUSINESS COMBINATIONS

On July 31, 2023, the Company acquired all the outstanding shares of Crane Transport, Inc. ("Crane"), a truck-based carrier from Oakwood, GA with a satellite terminal in Falkville, AL. This marks the Company's first US acquisition and is consistent with its growth strategy.

From the date of acquisition, Crane contributed revenue of \$14.4 million and net loss of \$0.4 million, for the quarter ended September 30, 2023. If Crane was acquired January 1, 2023, Crane would have contributed revenue of \$43.2 million and net income of \$0.6 million.

Transaction costs of \$1.3 million were expensed on the condensed consolidated interim statements of income during the nine month period ended September 30, 2023.

The total consideration transferred has been preliminary allocated to the identifiable net assets acquired based on their estimated fair values. Given the recency of the acquisition, the Company had not yet completed the determination of fair value of identifiable net assets including the determination of potential deferred tax liabilities in accordance with IFRS 3 at the time that these condensed consolidated interim financial statements were approved by the Board.

The table below presents the presents the provisional purchase price allocation as at September 30, 2023.

Trade and other receivables	5,734
Current taxes receivable	5,113
Property and equipment	56,505
Right of use assets	10,331
Trade and other payables	(7,535)
Loans payable	(17,256)
Finance lease liabilities	(10,331)
Total identifiable net assets	42,561
Total consideration	57,066
Goodwill	14,505
Cash	39,936
Loan payable	17,130
Total consideration transferred	57,066

# Titanium Transportation Group Inc.

## Notes to Condensed Consolidated Interim Financial Statements

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### 6. FINANCE LEASE RECEIVABLES

During the nine month period ended September 30, 2023, the Company entered into new finance leases totaling \$4.7 million which are receivable over 24 to 72 months with interest rates ranging from 4.25% to 8.00%.

### 7. PROPERTY AND EQUIPMENT

	<b>Land, Buildings and Leaseholds</b>	<b>Furniture and Equipment</b>	<b>Rolling Stock</b>	<b>Total</b>
<b>Cost</b>				
Balances, December 31, 2022	23,572	3,700	148,935	176,207
Other additions	91	199	49,804	50,094
Acquired through business combinations	7,906	66	48,533	56,505
Reacquisition - Rolling stock	-	-	592	592
Sale of rolling stock relating to finance lease receivables	-	-	(4,523)	(4,523)
Other disposals	-	(65)	(22,816)	(22,881)
Effect of movements in exchange rates	206	2	1,265	1,473
Balances, September 30, 2023	31,775	3,902	221,790	257,467
<b>Accumulated depreciation</b>				
Balances, December 31, 2022	3,506	3,427	37,688	44,621
Depreciation	564	165	17,546	18,275
Sale of rolling stock relating to finance lease receivables	-	-	(311)	(311)
Effect of movements in exchange rates	-	-	18	18
Other disposals	-	(16)	(14,939)	(14,955)
Balances, September 30, 2023	4,070	3,576	40,002	47,648
<b>Net carrying amounts</b>				
At December 31, 2022	20,066	273	111,247	131,586
At September 30, 2023	27,705	326	181,788	209,819

# Titanium Transportation Group Inc.

## Notes to Condensed Consolidated Interim Financial Statements

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### 8. RIGHT OF USE ASSETS

	Land and Buildings	Furniture and Equipment	Rolling Stock	Total
Balances, December 31, 2022	19,293	1,532	13,950	34,775
Other additions	181	-	-	181
Acquired through business combinations	-	-	10,331	10,331
Other disposals	-	-	(1,468)	(1,468)
Effect of movements in exchange rates	-	-	269	269
Balances, September 30, 2023	19,474	1,532	23,082	44,088
<b>Accumulated depreciation</b>				
Balances, December 31, 2022	4,266	1,532	3,294	9,092
Depreciation	1,679	-	1,778	3,457
Other disposals	-	-	(645)	(645)
Effect of movements in exchange rates	-	-	13	13
Balances, September 30, 2023	5,945	1,532	4,440	11,917
<b>Net carrying amounts</b>				
At December 31, 2022	15,027	-	10,656	25,683
At September 30, 2023	13,529	-	18,642	32,171

Terms and conditions of right of use assets are presented below:

	Effective Interest Rate	Net Carrying Amount
Real estate	4.49% - 6.50%	13,529
Rolling stock	0.99% - 10.32%	18,642
		32,171

### 9. GOODWILL AND INTANGIBLES

	Goodwill	Customer Lists	Total
Balances, December 31, 2022	4,335	5,382	9,717
Acquired through business combinations (note 5)	14,505	-	14,505
Amortization	-	(982)	(982)
Balances, September 30, 2023	18,840	4,400	23,240



# Titanium Transportation Group Inc.

## Notes to Condensed Consolidated Interim Financial Statements

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### 10. LONG-TERM DEBT

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

	<b>Effective Interest Rate</b>	<b>Year of Maturity</b>	<b>Carrying Amount</b>
Bank indebtedness	PRIME+0.50%	N/A	21,295
Acquisition loan	PRIME+0.50%	2024	4,250
Loans payable	2.00% - 7.25%	2023-2031	148,348
Finance lease liabilities	0.99% - 10.32%	2023-2027	28,665
			202,558
Current portion			60,813
			141,745

### 11. SHARE CAPITAL

#### Authorized

Unlimited number of common shares with no par value

	<b>Common Shares #</b>	<b>Share Capital \$</b>
<b>Issued</b>		
Balances, December 31, 2022	45,122,621	51,005
Shares issued as part of share purchase plan	431,743	885
Shares repurchase and cancelled	(796,245)	(1,358)
Balances, September 30, 2023	44,758,119	50,532

The Company offers 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 \$9,600 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, 500,147 (December 31, 2022 - 495,947) have not vested. During the three month and nine month period ended September 30, 2023, the Company recognized an expense of \$0.2 million and \$0.5 million (2022 - \$0.1 million and \$0.2 million) relating to the Plan, with a corresponding increase to contributed surplus.

On October 18, 2023, the Company renewed its normal course issuer bid, allowing the Company to purchase up to 2,236,184 of its common shares (the "NCIB"), representing 5% of its issued and outstanding common shares.

# Titanium Transportation Group Inc.

## Notes to Condensed Consolidated Interim Financial Statements

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### 11. SHARE CAPITAL - continued

During the nine month period ended September 30, 2023, the Company repurchased 796,245 (2022 - nil) common shares at a weighted average price of \$2.72 and a total purchase price of 2.2 million. The excess of the purchase price paid over the carrying value of the shares repurchased, totalled \$0.8 million and was charged to retained earnings as a share repurchase premium.

During the quarter ended September 30, 2023, dividends of \$0.9 million or \$0.02 per common share (2022 - \$0.9 million) were declared and paid by the Company to its shareholders.

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

	<b>3 months ended Sept 30 2023</b>	<b>3 months ended Sept 30 2022</b>	<b>9 months ended Sept 30 2023</b>	<b>9 months ended Sept 30 2022</b>
Issued common shares, beginning	44,956,227	44,686,199	45,122,621	44,037,513
Effect of unvested common shares	(512,473)	(452,123)	(498,047)	(451,098)
Effect of issued common shares	61,546	98,961	215,872	423,304
Effect of repurchased common shares	(160,600)	-	(398,123)	-
Weighted average number of common shares	44,344,700	44,333,037	44,442,323	44,009,719
Dilutive effect of restricted common shares and stock options	1,126,416	1,031,410	1,160,488	937,463
Weighted average number of diluted common shares	45,471,116	45,364,447	45,602,811	44,947,182

### 12. CONTRIBUTED SURPLUS

Share-based compensation expense is comprised of the following:

	<b>3 months ended Sept 30 2023</b>	<b>3 months ended Sept 30 2022</b>	<b>9 months ended Sept 30 2023</b>	<b>9 months ended Sept 30 2022</b>
Share purchase plan	155	114	462	331
Stock options	96	68	236	205
	251	182	698	536

# Titanium Transportation Group Inc.

## Notes to Condensed Consolidated Interim Financial Statements

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### 12. CONTRIBUTED SURPLUS - continued

The Company offers a stock option plan for the benefit of certain of its directors, employees and consultants. The maximum number of shares which may be issued under this plan may not exceed 10% of the number of issued and outstanding shares of the Company. Each stock option entitles its holder to receive one common share upon exercise. The majority of options vest over a period of six years, with half vesting three years from issuance and the other half vesting six years from issuance. The following table summarizes the changes in outstanding stock options:

	<b>Grant #</b>	<b>Exercise Price</b>
Balances, December 31, 2022	2,207,600	1.99
Issued	704,400	2.26
Exercised	(3,300)	1.50
Forfeited	(10,000)	2.60
Balances, September 30, 2023	2,898,700	2.06

Of the total stock options issued during the period, 260,000 (2022 - 65,000) stock options were issued to key management personnel. 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 2.79% and 3.22%; iii) the dividend yield will be 3.48%; and iv) expected volatility is 56.11%. 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 September 30, 2023:

<b>Exercise Price \$</b>	<b>Options Outstanding #</b>	<b>Weighted Average Remaining Life in years</b>	<b>Options Exercisable #</b>
1.50	1,270,500	3.3	1,172,000
2.25	664,400	9.3	-
2.50	40,000	9.3	-
2.60	713,800	7.3	104,700
2.85	195,000	2.4	195,000
3.00	15,000	7.8	-
2.06	2,898,700	5.7	1,471,700

# Titanium Transportation Group Inc.

## Notes to Condensed Consolidated Interim Financial Statements

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### 13. SUPPLEMENTAL CASH FLOW INFORMATION

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

	<b>Cash Flows</b>		<b>Non-Cash Changes</b>		
	<b>Balance Dec 31 2022</b>		<b>New Leases</b>	<b>Reacquired Leases</b>	<b>Balance Sept 30 2023</b>
Finance lease receivables	4,137	(1,849)	5,142	(780)	6,650

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

	<b>Cash Flows</b>		<b>Non-Cash Changes</b>		
	<b>Balance Dec 31 2022</b>		<b>New Leases /Loans</b>	<b>Foreign Exchange Movement</b>	<b>Balance Sept 30 2023</b>
Bank indebtedness	11,078	10,240	-	(23)	21,295
Acquisition loan	6,125	(1,875)	-	-	4,250
Loan payable	90,041	40,284	17,257	766	148,348
Finance lease liabilities	23,073	(5,136)	10,331	397	28,665
	130,317	43,513	27,588	1,140	202,558

### 14. RELATED PARTY TRANSACTIONS AND BALANCES

During the period, Trunkeast held a significant portion of the shares of the Company and had de facto control. Neither Trunkeast nor the ultimate parent produce consolidated financial statements available for public use.

	<b>3 months ended Sept 30 2023</b>	<b>3 months ended Sept 30 2022</b>	<b>9 months ended Sept 30 2023</b>	<b>9 months ended Sept 30 2022</b>
Provided truck transportation services to Vision Extrusions Group Limited, Vision Profile Extrusions Ltd. and Sunview Patio Doors Ltd., companies under common control	4,424	5,172	13,070	14,586
	4,424	5,172	13,070	14,586

Included in trade and other receivables as at September 30, 2023 is a total of \$2.8 million (2022 - \$3.7 million) due from these related companies.

These transactions are in the normal course of operations materially under the same commercial terms and conditions as transactions with unrelated companies and are measured at fair value.

# Titanium Transportation Group Inc.

## Notes to Condensed Consolidated Interim Financial Statements

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### 15. WAGES AND CASUAL LABOUR

Included in wages and casual labour are the following:

	3 months ended Sept 30 2023	3 months ended Sept 30 2022	9 months ended Sept 30 2023	9 months ended Sept 30 2022
Share-based compensation expense	251	182	698	536
Employee benefits	570	285	1,146	857
Key management personnel:				
Salaries and benefits	507	411	1,383	1,190
Share-based compensation expense	48	39	141	109

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

### 16. COMMITMENTS AND CONTINGENCIES

- As at September 30, 2023, the Company was committed to purchasing approximately \$14.0 million in rolling stock.
- The Company has a letter of credit outstanding for \$0.7 million in favour of Colonnade BridgePort ITF as a security deposit required under the lease for its Bolton head office.
- Subsequent to the quarter end, the Company has committed to renting additional office space. The future minimum lease payment for the lease is \$0.7 million for the duration of the lease.
- 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.

### 17. SUBSEQUENT EVENTS

Subsequent to the year end, on October 18, 2023, the Company renewed its normal course issuer bid, allowing the Company to purchase up to 2,236,184 of its common shares (the "NCIB"), representing 5% of its issued and outstanding common shares. The NCIB will terminate on October 17, 2024, or such earlier time as the NCIB is completed or terminated at the option of the Company.

### 17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the December 31, 2022 consolidated financial statements.