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## **Management's Discussion & Analysis**

**FOR THE THREE MONTH AND YEAR  
ENDED DECEMBER 31, 2024**

**Dated March 17, 2025**

# Titanium Transportation Group Inc.

Management's Discussion and Analysis for the fourth quarter and year ended December 31, 2024

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## GENERAL INFORMATION

The following is Titanium Transportation Group Inc.'s management discussion and analysis dated March 17, 2025 ("MD&A"), which provides a comparative overview of the Company's performance for its three month period and year ended December 31, 2024 with the corresponding three month period and year ended December 31, 2023, and it reviews the Company's financial position as at December 31, 2024. 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, 2024.

The consolidated financial statements of the Company and extracts from those consolidated financial statements contained in this MD&A were prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS"). The Company's presentation currency is the Canadian dollar. All financial information presented has been rounded to the nearest thousand dollars, except per share amounts and where otherwise indicated. The Company's consolidated financial statements for the year ended December 31, 2024 were approved by its Board of Directors on March 17, 2025. 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 are as of March 17, 2025. Additional information relating to the Company, including the Company's annual information form, is available on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).

## OVERVIEW

Titanium is an asset-based transportation and logistics company servicing Canada and the United States with terminals in Bolton, Belleville, Bracebridge, Brantford, Napanee, North Bay, Windsor, 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, Jacksonville, FL and Virginia Beach, VA. The Company has over 1,000 customers across various industries, including large multinational corporations. The Company has approximately 850 power units, 3,000 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 United States with a variety of trailer types, including dry vans and flatbeds that support both climate-controlled 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, and creates a platform for revenue growth and cost efficiencies through the integration of acquisitions.

The Logistics segment is a non-asset based third-party provider of ancillary transportation services, such as freight brokerage, North American and international freight forwarding, intermodal, special and expedited services. The Logistics segment's success is due in large part to the experience and expertise of the Company's dedicated personnel, cutting-edge and innovative information technology and systems, and strong strategic relationships with third-party providers.

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The Company's operational results are influenced by industry-wide economic factors including freight demand, trucking capacity, fuel prices, driver availability, overall economic conditions, exchange rates, government regulation, weather, and by capital allocation including operating and spending decisions. 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.

## Q4 and Fiscal 2024 Key Highlights

- ◆ Consolidated revenue for Q4 2024 was \$113.8 million -- a 1.0% increase from Q4 2023. Revenue after adjusting for discontinued operations reflects volume growth in Logistics segment offset by volume decrease from Truck Transportation and pricing pressure from soft market conditions. For 2024, annual consolidated revenue was \$460.2 million, a 11.3% increase from 2023, attributable to revenue acquired with the acquisition of Crane Transport, Inc. ("Crane") in August 2023, as well as volume increase in the Logistics segment, offset by pricing pressure from soft market conditions.
- ◆ Operating income<sup>(1)</sup> was \$5.0 million for Q4 2024, representing a 4.9% operating margin<sup>(1)</sup> -- a 14.6% increase in margin, compared to \$4.3 million and a 4.4% operating margin<sup>(1)</sup> in Q4 2023. For 2024, operating income<sup>(1)</sup> was \$8.6 million - a decrease of 54.8% from 2023.
- ◆ Truck Transportation segment revenue for Q4 2024 was \$54.9 million, representing a 10.3% decrease year-over-year, mainly reflecting softer market conditions throughout the year. Operating income<sup>(1)</sup> was \$1.1 million -- an 2.2% operating margin<sup>(1)</sup>, for Q4 2024. This compares to a Q4 2023 operating income<sup>(1)</sup> of \$0.7 million and a 1.4% operating margin<sup>(1)</sup>.
- ◆ Logistics segment revenue was \$61.5 million for Q4 2024, an 18.4% increase compared to \$52.0 million in Q4 2023 -- due to significant increase in volume in the segment despite market conditions. Operating income<sup>(1)</sup> was \$5.6 million, a \$0.9 million increase from \$4.7 million in Q4 2023. Operating margin<sup>(1)</sup> for the same period was 10.0%, a 10 basis point increase from 9.9% in Q4 2023. For 2024, logistics segment revenue was \$234.9 million, an increase of 10.6% from 2023. Operating income was \$15.3 million in 2024, down 14.2% from the previous year. Operating margins decreased from 9.4% to 7.2% over the same period.

### Revenue by Industry

Manufactured goods	39.2%
Food & Beverages	19.5%
Logistics/Trucking	13.0%
Retail	8.0%
Automotive	5.2%
Metals & Mining	4.5%
Services	4.0%
Recycling	1.2%
Other	5.4%

Based on Q4 2024 revenue

<sup>1</sup> Refer to "Results of Operations" on page 3 and "Non-IFRS Financial Measures" on page 15 for more information about EBITDA and operating income and for a reconciliation of EBITDA and operating income to net income.

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## RESULTS OF OPERATIONS

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

	3 months ended Dec 31 2024	3 months ended Dec 31 2023	12 months ended Dec 31 2024	12 months ended Dec 31 2023	12 months ended Dec 31 2022
Revenue <sup>(1)</sup>	101,101	98,116	406,444	357,938	396,871
Fuel surcharge	12,739	14,647	53,802	55,756	67,559
	113,840	112,763	460,246	413,694	464,430
Operating expenses <sup>(1)</sup>	102,106	99,173	418,316	365,607	409,842
EBITDA <sup>(1)</sup>	11,734	13,590	41,930	48,087	54,588
EBITDA margin <sup>(1)</sup>	11.6 %	13.9 %	10.3 %	13.4 %	13.8 %
Depreciation	6,347	8,688	31,504	27,408	22,840
Amortization of customer lists	406	556	1,780	1,538	1,308
Operating income <sup>(1)(2)</sup>	4,981	4,346	8,646	19,141	30,440
Operating margin <sup>(1)(2)</sup>	4.9 %	4.4 %	2.1 %	5.3 %	7.7 %
Loss (gain) on sale of property and equipment <sup>(2)</sup>	(304)	(745)	(2,872)	(4,473)	(6,876)
Finance costs	2,543	3,270	12,303	9,134	4,540
Finance income	(126)	(106)	(390)	(518)	(204)
Foreign exchange loss (gain)	(724)	(861)	320	125	1,570
Transaction costs	-	-	-	1,285	200
Adjusted Impairment loss <sup>(2)</sup>	-	-	-	-	-
Adjusted income tax expense <sup>(1)(2)</sup>	3,183	1,804	1,648	4,019	8,077
Adjusted net income (loss) from continuing operations	409	984	(2,363)	9,569	23,133
Adjusted net income (loss) from discontinued operations	(1,287)	414	(2,650)	660	1,749
Adjusted net income (loss) <sup>(1)</sup>	(878)	1,398	(5,013)	10,229	24,882
Earnings (loss) per share:					
Adjusted net income (loss) per share - basic	(0.02)	0.03	(0.11)	0.23	0.55
Adjusted net income (loss) per share - diluted	(0.02)	0.03	(0.11)	0.22	0.55
Earnings (loss) per share from continuing operations:					
Adjusted net income (loss) per share - basic	0.01	0.02	(0.05)	0.22	0.52
Adjusted net income (loss) per share - diluted	0.01	0.02	(0.05)	0.21	0.51

(1) Refer to "Non-IFRS Financial Measures

(2) Adjusted asset impairment due to revised future cashflow to the amount of \$23.1million, and a corresponding deferred tax recovery of \$4.1 million.

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## EXECUTIVE SUMMARY AND OUTLOOK

In a year marked by economic uncertainty and industry challenges, Titanium remained focused on executing our strategic priorities, with a primary focus on debt reduction, sustainable growth and continued operational efficiencies.

Despite challenging market conditions, revenue grew by 5% from 2023 to 2024, reflecting our disciplined approach to technology-driven solutions and the commitment of our experienced team. Additionally, we continued to generate free cashflow from our operations and strategic initiatives, which supported debt repayment and strengthened our financial position. In an increasingly volatile geopolitical environment, we view this financial discipline as critical in mitigating risks and positioning the Company to capitalize on emerging opportunities.

We remain mindful of current macro-economic conditions, particularly the potential impact of tariffs on U.S.-Canada trade. A trade dispute could disrupt cross-border trucking volumes, influencing supply chains and trade flows. The potential impact of these imposed tariffs, if sustained, remains uncertain but the trucking industry continues to be a cornerstone of North American commerce. Trucks transport 85% of freight between the U.S. and Mexico and 67% of shipments between the U.S. and Canada, underscoring the sector's resilience. In addition, approximately 2/3rds of our freight volume are domestic movements which are not exposed to tariff effects.

Titanium is well-positioned to navigate these challenges while continuing to maintain the cross-border and domestic freight needs of our diverse customer base. Additionally, our Truck Transportation and Logistics divisions are prepared to service any additional domestic freight should customers pivot toward temporary onshoring in response to trade restrictions. Our recent U.S. acquisition has further strengthened our presence in the U.S. market, enhancing our asset-based service offerings to customers south of the border. Despite pricing pressures caused by industry overcapacity and weakened end-market demand, Crane's contribution helped stabilize revenue in our Truck Transportation segment and provide service options necessary to respond to pivoting US markets.

Meanwhile, our Logistics segment continued to face pricing headwinds but delivered strong performance, supported by an expanded footprint in Virginia Beach, VA, [and Irving, TX,] as well as an enhanced sales presence and service offerings from our recent U.S. acquisition. The segment grew an impressive 25% in volume year-over-year. Our asset-light model in the U.S. provides the flexibility to navigate potential disruptions while maintaining financial stability amid challenges such as tariffs, fuel costs, and broader market uncertainty. We are encouraged by the continued organic growth of this segment and remain focused on growing our U.S. freight brokerage business.

Amid a complex geopolitical and economic landscape, Titanium remains committed to driving sustainable growth and building a foundation for long-term profitability. To further strengthen our balance sheet, we continued to divest non-core assets through 2024 and streamline our service offerings to focus on sustainable pricing. As part of this strategic realignment, we ceased operations in Cornwall and North Bay and discontinued select service offerings in Oakwood. While all redundant assets were divested in 2024, except for the North Bay terminal, proceeds were directed toward debt reduction, enhancing our liquidity and financial flexibility.

Our prioritization of debt reduction not only lowers interest expenses but also positions us to capitalize on future growth opportunities as the market stabilizes. Given current market conditions, we recognized an asset impairment in our Truck Transportation segment to reflect revised future cash flow projections. However, we remain confident that as industry fundamentals improve and pricing normalizes, cash flow in this segment will recover.

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As previously announced, we have temporarily suspended our dividend to prioritize financial discipline and prudent capital allocation. This decision aligns with our strategy of reinforcing our balance sheet amid ongoing market uncertainty. As we enter 2025, we remain committed to a disciplined approach to capital management, ensuring Titanium is well-positioned for long-term success.

While near-term challenges persist, we are confident in Titanium's ability to scale effectively, enhance operational resilience, and capitalize on our various product lines both in Canada and the United States . As the industry stabilizes, our diversified services, operational efficiencies, and strategic initiatives will drive continued competitiveness and sustainable long-term value creation.

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## Selected Segmented Financial Information (unaudited)

(in '000 Canadian dollars)

	3 months ended Dec 31 2024	3 months ended Dec 31 2023	12 months ended Dec 31 2024	12 months ended Dec 31 2023
<b>Truck Transportation</b>				
Revenue <sup>(1)</sup>	47,918	51,520	199,020	172,215
Fuel surcharge	7,021	9,715	30,825	33,794
	54,939	61,235	229,845	206,009
Operating expenses <sup>(1)</sup>				
Carriers and independent contractors	28,860	23,373	84,526	73,655
Vehicle operating	8,910	11,474	51,225	43,846
Wages and casual labour	8,400	12,971	55,436	46,094
Other operating	1,210	3,643	7,566	8,401
	47,380	51,461	198,753	171,996
EBITDA <sup>(1)</sup>	7,559	9,774	31,092	34,013
EBITDA margin <sup>(1)</sup>	15.8 %	19.0 %	15.6 %	19.8 %
Depreciation	6,089	8,480	30,475	26,659
Amortization of customer lists	406	556	1,780	1,538
Operating income <sup>(1)</sup>	1,064	738	(1,163)	5,816
Operating margin <sup>(1)</sup>	2.2 %	1.4 %	(0.6)%	3.4 %
Gain on sale of property and equipment	(304)	(745)	(2,872)	(4,473)
Finance costs	2,328	2,781	11,061	7,739
Finance income	(126)	(106)	(390)	(311)
Transaction costs	-	-	-	1,285
Adjusted impairment loss <sup>(2)</sup>	-	-	-	-
Adjusted income tax expense (recovery) <sup>(1)</sup>	5,023	(233)	2,416	477
Adjusted net income (loss) from continuing operations	(5,857)	(959)	(11,378)	1,099
Adjusted net income (loss) from discontinued operations	(1,287)	414	(2,650)	660
Adjusted net income (loss) <sup>(1)</sup>	(7,144)	(545)	(14,028)	1,759

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

(2) Adjusted asset impairment due to revised future cashflow to the amount of \$23.1 million, and a corresponding deferred tax recovery of \$4.1 million.

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## Selected Segmented Financial Information (unaudited), continued

(in '000 Canadian dollars)

	3 months ended Dec 31 2024	3 months ended Dec 31 2023	12 months ended Dec 31 2024	12 months ended Dec 31 2023
<b>Logistics</b>				
Revenue	55,816	47,055	211,909	190,486
Fuel surcharge	5,718	4,932	22,978	21,962
	61,534	51,987	234,887	212,448
Operating expenses				
Carriers and independent contractors	52,322	42,554	199,070	171,490
Wages and casual labour	3,643	4,309	18,217	18,965
Other operating	9	455	2,275	3,301
	55,974	47,318	219,562	193,756
EBITDA/ Operating income <sup>(1)</sup>	5,560	4,669	15,325	18,692
EBITDA/ Operating income margin <sup>(1)</sup>	10.0 %	9.9 %	7.2 %	9.8 %
Depreciation	257	208	1,029	749
Finance costs	215	489	1,242	1,395
Income tax expense (recovery)	(2,161)	2,007	-	4,476
Adjusted net income	7,249	1,965	13,054	12,072

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



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## Revenue

(in '000 Canadian dollars)

	3 months ended Dec 31 2024	3 months ended Dec 31 2023	12 months ended Dec 31 2024	12 months ended Dec 31 2023
<b>Truck Transportation</b>				
Revenue <sup>(1)</sup>	47,918	51,520	199,020	172,215
Fuel surcharge	7,021	9,715	30,825	33,794
	54,939	61,235	229,845	206,009
<b>Logistics</b>				
Revenue	55,816	47,055	211,909	190,486
Fuel surcharge	5,718	4,932	22,978	21,962
	61,534	51,987	234,887	212,448

For the three-month period and year ended December 31, 2024, the Company's consolidated revenues increased by \$1.1 million or 1.0%, and increased by \$46.6 million or 11.3% when compared to the year ended December 31, 2023. Included in consolidated revenue was a contribution of \$53.1 million from the acquisition of Crane, as compared to \$35.0 million in 2023. As part of management's strategy to streamline operations, the Company has ceased operations in several geographic regions as well as certain service offerings. The decrease in revenue from discontinued operations was offset by significant increase in Logistics segment volume.

The Truck Transportation segment experienced a decrease in revenue of \$6.3 million or 10.3%, for the three-month period ended December 31, 2024 and an increase of \$23.8 million or 11.6% for the year ended December 31, 2024, compared the same periods in 2023. The decrease is mainly a result of adverse economic conditions affecting transactional pricing in the U.S. Truck Transportation segment.

The Logistics segment reported an increase in revenue of \$9.5 million or 18.4%, for the three-month period ended December 31, 2024 and an increase of \$22.4 million, or 10.6%, for 2024 in total, compared to 2023. Increase in revenue is mainly attributable to 25.2% increase in volume year-over-year, offset by continuous pricing pressure due to adverse market conditions.

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## Operating Expenses

(in '000 Canadian dollars)

	3 months ended Dec 31 2024	3 months ended Dec 31 2023	12 months ended Dec 31 2024	12 months ended Dec 31 2023
<b>Truck Transportation</b>				
Revenue <sup>(1)</sup>	54,939	61,235	229,845	206,009
Operating expenses <sup>(1)</sup>	47,380	51,461	198,753	171,996
EBITDA <sup>(1)</sup>	7,559	9,774	31,092	34,013
EBITDA margin <sup>(1)</sup>	15.8 %	19.0 %	15.6 %	19.8 %
Depreciation and amortization	6,495	9,036	32,255	28,197
Operating income <sup>(1)</sup>	1,064	738	(1,163)	5,816
Operating margin <sup>(1)</sup>	2.2 %	1.4 %	(0.6)%	3.4 %
<b>Logistics</b>				
Revenue	61,534	51,987	234,887	212,448
Operating expenses	55,974	47,318	219,562	193,756
EBITDA/ Operating income <sup>(1)</sup>	5,560	4,669	15,325	18,692
EBITDA margin/ Operating margin <sup>(1)</sup>	10.0 %	9.9 %	7.2 %	9.8 %
<b>Corporate</b>				
Operating expenses	1,384	853	4,488	3,785

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

Operating expenses in the Truck Transportation segment, decreased by \$4.1 million or 7.9%, for the three-month period ended December 31, 2024 and increased by \$26.8 million or 15.6%, for the year ended December 31, 2024, compared to the same periods in 2023 - primarily reflecting discontinued operations and margin compression due to adverse market conditions. For the three month and year-to-date periods, the segment operating margin was 2.2% and -0.6%, compared to a margin of 1.4% and 3.4% respectively, for the same periods in 2023.

In the Logistics segment, operating expenses increased by \$8.7 million, or 18.3% for the three-month period ended December 31, 2024, but decreased by \$25.8 million or 13.3%, for the year ended December 31, 2024, when compared to the same periods in 2023. Transactional freight rates continued to face downward pressure stemming from soft market conditions and over-capacity but decrease in transaction pricing was offset partially with 25.2% increase in volume year-over-year. Operating income and operating margins increased by \$0.9 million, or 19.1%, for the three-month period, and decreased by \$2.5 million for the full year -- 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:

	Q4'24	Q3'24	Q2'24	Q1'24	Q4'23	Q3'23	Q2'23	Q1'23
Revenue	113,840	118,400	115,085	112,921	113,051	106,437	94,132	100,074
EBITDA <sup>(1)</sup>	11,734	10,283	10,218	9,684	13,665	12,244	10,814	11,364
EBITDA margin <sup>(1)</sup>	11.6 %	9.8 %	10.1 %	9.8 %	14.1 %	13.5 %	13.5 %	13.7 %
Operating income <sup>(1)</sup>	4,981	1,689	1,376	599	4,684	4,770	4,701	4,986
Operating margin <sup>(1)</sup>	4.9 %	1.6 %	1.4 %	0.6 %	4.8 %	5.0 %	5.6 %	5.8 %
Net income (loss) <sup>(1)</sup>	(18,590)	(1,500)	(2,329)	3,069	1,029	2,189	3,793	3,218
Per share - basic	(0.47)	(0.03)	(0.05)	0.02	0.03	0.06	0.09	0.08
Per share - diluted	(0.46)	(0.03)	(0.05)	0.02	0.03	0.06	0.09	0.08
Adjusted net income	(1,865)	(1,283)	(2,329)	3,069	1,029	2,189	3,793	3,218
Per share - basic	(0.04)	(0.03)	(0.05)	0.08	0.03	0.06	0.09	0.08
Per share - diluted	(0.04)	(0.03)	(0.05)	0.07	0.03	0.06	0.09	0.08

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

(2) The amounts above are inclusive of discontinued operations.

Changes from quarter-to-quarter are 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 the COVID19 pandemic, consumer activity 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 supports introduced during the pandemic and geopolitical impacts from 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. The pressure from increased operating costs, combined with tight capacity, created the conditions for upward adjustment in freight rates.

However, interest rates rose steadily in 2022 as central banks moved to reduce inflation. Demand and production in most economies has been negatively impacted. In turn, the favourable freight demand levels that had existed during the immediate post-pandemic period, began to soften in the second half of 2022. This continued into 2023, dampening the North American economies leading to the onset of longest freight recessions in history. So far in 2024, interest rates have begun to stabilize, inflationary pressures, while persistent, have shown signs of moderation, providing more leeway to central bank rate-setting decisions. Indications of an improved balance between freight demand and industry capacity are also, somewhat hesitantly, starting to emerge. We are anticipating freight market conditions to improve in the second half of 2025.

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In addition, there has historically been an increase in revenue and a decrease in margins in quarters following an acquisition until the integration of the newly acquired business into our operations is completed. We expect the integration of our first-ever U.S. asset-based acquisition (Crane), which began Q3 2023, to follow a similar pattern. However the downturn of the industry due to overcapacity and ongoing geopolitical uncertainty has lengthened the margin improvement timeframe.

## LIQUIDITY AND CAPITAL RESOURCES

(in '000 Canadian dollars)

	<b>December 31 2024</b>	<b>December 31 2023</b>	<b>December 31 2022</b>
Working capital (deficit) <sup>(1)</sup>	(15,601)	(19,228)	31,469
Total assets	297,317	355,995	281,142
Net debt <sup>(2)</sup>	159,923	191,545	91,288
Shareholders' equity	79,909	104,549	98,220
Net debt to equity ratio <sup>(3)</sup>	2.00	1.83	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, 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.

As the focus of our current capital deployment strategy, our working capital deficiency improved when compared to December 31, 2023, despite continued market weakness. Net debt to equity ratio declined due to the asset impairment recorded as part of the CGU evaluation. Our efforts towards debt reduction and improving financial health have been progressing, positioning our company for sustainable growth.

Detailed analysis of our operations, has allowed us to identify assets redundant to our core operations, such as 21 acres in Cornwall, ON and various rolling stock. These assets have been disposed of. In addition, we have also identified our North Bay terminal as redundant asset and are in the process of disposing said property. We have also identified operational synergies by leveraging our asset light expertise in both our logistics and truck transportation segment, enabling us to reorganize our workforce and asset deployment to maximize utilization and efficiencies. We have also identified further redundant assets and subsequently disposed of them.

Our analysis also highlighted certain geographic operations or service offerings that are unsustainable due to the deterioration of the market conditions. As a part of our capital strategy, we have ceased operations in selected geographic areas and service offerings. Some assets were redeployed for other purposes while other assets associated with the discontinued operations have been divested or are in the process of being divested. Along with our free cash flow from operations, we are focusing the proceeds on debt reduction and improving our working capital deficiency.

In terms of rolling stock expenditures, we are not committed to any purchases over the next year. In addition, we expect to realize proceeds from the sale of excess aged equipment of approximately \$1.0 million. Our rolling stock replacement policy is to replace trucks after 6 years, van trailers after 10 years and flatbed trailers after 15 years. As a result of our rolling stock renewal program, our fleet is substantially newer than our normal average age. We expect to realize savings in fleet maintenance of about 15% over the next three years.

We believe there is sufficient financing available to fund planned capital expenditures for further organic and inorganic growth of the business.

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## LIQUIDITY AND CAPITAL RESOURCES - continued

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	130,129	33,564	32,291	28,357	20,419	11,128	4,370
Finance leases	20,773	5,940	5,103	2,239	2,185	2,332	2,974
	150,902	39,504	37,394	30,596	22,604	13,460	7,344

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 and meet regular debt repayment obligations.

The portion of the Company's bank credit facilities which were unused as of December 31, 2024 include approximately \$31.6 million under the revolving demand operating facility, and \$7.5 million under a finance lease loan facility.

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, 2024 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-lease operating leases to shareholder's equity less goodwill, customer lists and deferred tax assets. For Q4 2024, the second covenant requires the Company's debt service coverage ratio to be greater than 1.00. 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.

## 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, 693,419 (2023 - 570,259) have not vested.

On October 18, 2023, we renewed Titanium's 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.

Management's Discussion and Analysis for the fourth quarter and year ended December 31, 2024

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## **LIQUIDITY AND CAPITAL RESOURCES - continued**

For the year ended December 31, 2024, the Company repurchased 161,000 (2023 - 987,745) common shares at a weighted average price of \$2.29 and a total purchase price of \$0.37 million. The excess of the purchase price paid over the carrying value of the shares repurchased, totaled \$0.14 million and was charged to retained earnings as a share repurchase premium.

As of March 17, 2025, there are 45,365,662 common shares of the Company outstanding. In addition, there are 3,218,000 stock options outstanding, of which 1,718,433 are exercisable.

During the year ended December 31, 2024, dividends of \$3.6 million or \$0.08 per common share (2023 - \$3.6 million) was declared and paid by the Company to its shareholders.

Subsequent to the reporting date, the Company has elected to suspend its dividend as the Company continues to execute a disciplined financial strategy amid ongoing market challenges.

## **TRANSACTIONS WITH RELATED PARTIES**

The Company provides truck transportation services to companies related to a shareholder with significant influence, Trunkeast Investments Canada Limited. These companies include Vision Extrusions Group Limited and Vision Profile Extrusions Ltd. Aggregate revenues from these companies totaled \$18.0 million for the year ended December 31, 2024 (2023 - \$17.1 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.

# Titanium Transportation Group Inc.

Management's Discussion and Analysis for the fourth quarter and year ended December 31, 2024

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## 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 to provide investors with insight into the current size of the Company and do not consider 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. Due to significant economic volatility and uncertainty caused by potential trade dispute between Canada and the U.S., management will not provide estimates for 2025 at this time.

# Titanium Transportation Group Inc.

Management's Discussion and Analysis for the fourth quarter and year ended December 31, 2024

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## NON-IFRS FINANCIAL MEASURES

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

"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.

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

"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.

"Net debt" is defined as bank indebtedness, acquisition loan, loans payable and finance lease liabilities, net of cash, finance lease receivables and assets held for sale, both current and long-term portions.

"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.

We believe that these financial measures are useful for investors and other readers, when used in conjunction with other IFRS financial measures, as they are 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.

On February 1, 2025, the President of the United States issued three executive orders directing the United States to impose new tariffs on imports originating from Canada, Mexico and China. These orders call for additional 25% duty on imports into the United States of Canadian-origin and Mexican-origin products and 10% duty on Chinese origin products, except for Canadian energy resources that are subject to an additional 10% duty.

Since the original orders, Canada has responded with retaliatory tariffs of 25% on imports into Canada of U.S.-origin products, total goods affected by this tariff amounts to approximately \$124.8 billions.

The Company is assessing the direct and indirect impacts to its business of such tariffs, retaliatory tariffs or other trade protectionist measures implemented as this situation develops, and such impacts could be material.



# Titanium Transportation Group Inc.

Management's Discussion and Analysis for the fourth quarter and year ended December 31, 2024

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## CHANGES IN ACCOUNTING POLICIES

The following new standards and amendments to standards are not yet effective for the year ended December 31, 2024 and have not been applied in preparing the consolidated 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, 2024. 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 1, Presentation of Financial Statements* was amended in January 2020, and became effective January 1, 2024. 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.

## 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 December 31, 2024, 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 December 31, 2024, 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 year ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

# Titanium Transportation Group Inc.

Management's Discussion and Analysis for the fourth quarter and year ended December 31, 2024

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## 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 test of intangible assets and goodwill* – 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.

*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.

**Y E A R 2 0 2 4**



## **Consolidated Financial Statements**

**FOR THE YEAR ENDED  
DECEMBER 31, 2024**



KPMG LLP  
100 New Park Place, Suite 1400  
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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Titanium Transportation Group Inc.

### ***Opinion***

We have audited the consolidated financial statements of Titanium Transportation Group Inc. (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2024
- the consolidated statements of income for the year then ended
- the consolidated statements of comprehensive income for the year then ended
- the consolidated statements of changes in equity for the year then ended
- the consolidated statements of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2024, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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.



## ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

### ***Evaluation of impairment assessment of the Truck Transportation cash generating unit***

#### ***Description of the matter***

We draw attention to Notes 3, 10 and 13 to the financial statements. Goodwill is 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. 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 revenue growth rates, discount rate and capital expenditures. The Entity performed its goodwill impairment test as at December 31, 2024 and determined that the carrying amount of the Truck Transportation CGU was determined to be higher than its recoverable amount of \$228,000 and an impairment loss of \$23,100 was recognized. The impairment loss was allocated to goodwill, customer lists, and property and equipment in the amount of \$7,970, \$12,080, and \$3,050 respectively.

#### ***Why the matter is a key audit matter***

We identified the evaluation of impairment assessment of the Truck Transportation CGU as a key audit matter. This matter represented an area of significant risk of material misstatement given the high degree of estimation uncertainty in assessing the Entity's significant assumptions. In addition, significant auditor judgment and professionals with specialized skills and knowledge were required in evaluating the results of our procedures.

#### ***How the matter was addressed in the audit***

The primary procedures we performed to address this key audit matter included the following:

We evaluated the revenue growth rates by comparing forecasted revenue to the actual historical revenue. We considered changes in conditions and events affecting the CGU to assess the adjustments, or lack of adjustments, made in arriving at those forecasted revenues.

We evaluated the forecasted capital expenditures by comparing them with the Entity's asset replacement policy.



We involved valuation professionals with specialized skills and knowledge, who assisted in assessing the discount rate by comparing it against a discount rate range that was independently developed using publicly available market data for comparable entities

### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at 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 in the auditor's report.

We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 the 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 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 Entity'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 Entity'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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all



*Titanium Transportation Group Inc.*  
*March 17, 2025*

relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

The engagement partner on the audit resulting in this auditor's report is Bryant William Ramdoo.

Vaughan, Canada

March 17, 2025



# Titanium Transportation Group Inc.

## Consolidated Statements of Financial Position

December 31, 2024 and 2023

(in '000 Canadian dollars)

	2024	2023
<b>Assets</b>		
Current		
Cash and cash equivalents	4,317	9,334
Trade and other receivables (note 7)	72,732	64,315
Current taxes recoverable	175	105
Finance lease receivables (note 8)	2,234	1,626
Prepaid expenses and deposits	3,663	4,081
Assets held for sale (note 9)	1,942	-
	85,063	79,461
Finance lease receivables (note 8)	3,841	4,700
Property and equipment (note 10)	188,560	219,203
Right of use assets (note 11)	19,510	30,985
Deferred tax assets (note 12)	2,952	564
Customer lists (note 13)	-	13,112
Goodwill (note 13)	-	7,970
	299,926	355,995
<b>Liabilities</b>		
Current		
Bank indebtedness (note 14, 23)	20,230	20,790
Acquisition loan (note 14, 23)	1,125	-
Trade and other payables (note 15, 23)	39,793	32,644
Current taxes payable	12	517
Loans payable (note 14, 23)	33,564	35,835
Finance lease liabilities (note 14, 23)	5,940	8,903
	100,664	98,689
Acquisition loan (note 14, 23)	-	3,625
Loans payable (note 14, 23)	96,565	119,490
Finance lease liabilities (note 14, 23)	14,833	18,562
Deferred tax liabilities (note 12)	7,955	11,080
	220,017	251,446
<i>Commitments, contingencies and subsequent events (note 17, 22, 24, 26)</i>		
<b>Shareholders' Equity</b>		
Share capital (note 16)	51,755	50,675
Contributed surplus (note 17)	10,434	9,832
Accumulated other comprehensive income	1,811	390
Retained earnings	15,909	43,652
	79,909	104,549
	299,926	355,995

On behalf of the Board

"Ted Daniel"

Director

"Bill Chyfetz"

Director

See accompanying notes

1.

# Titanium Transportation Group Inc.

## Consolidated Statements of Income

years ended December 31, 2024 and 2023

(in '000 Canadian dollars)

	2024	2023
Revenue	406,444	357,938
Fuel surcharge	53,802	55,756
	460,246	413,694
Expenses		
Carriers and independent contractors	279,110	241,215
Vehicle operating	51,224	43,846
Wages and casual labour (note 20)	75,949	66,828
Other operating	12,033	13,718
	418,316	365,607
Income before the following	41,930	48,087
Depreciation (note 10, 11)	31,504	27,408
Gain on sale of property and equipment	(2,872)	(4,473)
Finance costs	12,303	9,134
Finance income	(390)	(518)
Foreign exchange loss	320	125
Amortization of customer lists (note 13)	1,780	1,538
Transaction costs	-	1,285
Impairment loss (note 6)	23,100	-
	65,745	34,499
Income (loss) before provision for income taxes	(23,815)	13,588
Income tax expense (recovery) (note 21)	(2,452)	4,019
Income (loss) from continuing operations	(21,363)	9,569
Income (loss) from discontinued operations, net of tax	(2,650)	660
Net income (loss)	(24,013)	10,229
Earnings (loss) per share:		
Basic	(0.54)	0.23
Diluted	(0.53)	0.22
Earnings (loss) per share from continuing operations:		
Basic	(0.48)	0.23
Diluted	(0.47)	0.22
Weighted average number of shares outstanding (in # of shares):		
Basic (note 16)	44,379,762	44,415,660
Diluted (note 16)	45,587,101	45,540,125

**Titanium Transportation Group Inc.**  
**Consolidated Statements of Comprehensive Income**  
years ended December 31, 2024 and 2023

(in '000 Canadian dollars)

	<b>2024</b>	<b>2023</b>
Net income (loss)	(24,013)	10,229
Other comprehensive income		
Foreign currency translation outstanding	1,421	390
Net income (loss) and comprehensive income (loss)	(22,592)	10,619

# Titanium Transportation Group Inc.

## Consolidated Statements of Changes in Equity

years ended December 31, 2024 and 2023

(in '000 Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balances at December 31, 2023	50,675	9,832	43,652	390	104,549
Share issuance (note 16)	831	-	-	-	831
Shares vested (note 16)	469	(469)	-	-	-
Options exercised (note 17)	11	(3)	-	-	8
Share-based compensation expense (note 17, 20)	-	1,074	-	-	1,074
Share cancellation (note 16)	(231)	-	(138)	-	(369)
Dividends paid (note 16)	-	-	(3,592)	-	(3,592)
Net income / comprehensive income	-	-	(24,013)	1,421	(22,592)
Balances at December 31, 2024	51,755	10,434	15,909	1,811	79,909
Balances at December 31, 2022	51,005	9,215	38,000	-	98,220
Share issuance (note 16)	880	-	-	-	880
Shares vested (note 16)	318	(318)	-	-	-
Options exercised (note 17)	115	(39)	-	-	76
Share-based compensation expense (note 17, 20)	-	974	-	-	974
Share cancellation (note 16)	(1,643)	-	(979)	-	(2,622)
Dividends paid (note 16)	-	-	(3,598)	-	(3,598)
Net income / comprehensive income	-	-	10,229	390	10,619
Balances at December 31, 2023	50,675	9,832	43,652	390	104,549

# Titanium Transportation Group Inc.

## Consolidated Statements of Cash Flows

years ended December 31, 2024 and 2023

(in '000 Canadian dollars)

	2024	2023
Cash flows from operating activities		
Net income (loss)	(24,013)	10,229
Adjustments:		
Depreciation (note 10, 11)	32,931	31,073
Gain on sale of property and equipment	(2,236)	(4,473)
Finance costs	12,474	9,419
Finance income	(390)	(518)
Amortization of customer lists (note 13)	1,780	1,538
Impairment loss (note 13)	23,100	-
Share-based compensation expense (note 17, 20)	1,074	974
Income tax expense (recovery) (note 21)	(5,407)	4,257
	39,313	52,499
Net change in non-cash operating working capital (note 18)	2,084	149
	41,397	52,648
Interest paid	(12,451)	(9,208)
Interest received	390	518
Income taxes paid	(3,635)	(6,731)
	25,701	37,227
Cash flows from investing activities		
Proceeds from finance lease receivables (note 18)	2,607	2,305
Acquisition of property and equipment (note 10, 11)	(12,109)	(79,012)
Proceeds from disposition of property and equipment (note 10, 11)	20,967	14,495
Business combinations, net	-	(46,079)
	11,465	(108,291)
Cash flows from financing activities		
Proceeds from bank indebtedness (note 18)	409	9,476
Proceeds from loans payable (note 18)	11,686	81,251
Repayment of acquisition loans (note 18)	(2,500)	(2,500)
Repayment of loans payable (note 18)	(42,629)	(30,957)
Repayment of finance lease liabilities (note 18)	(7,491)	(6,880)
Dividends paid (note 16)	(3,592)	(3,598)
Issuance of shares (note 16)	836	956
Share repurchase (note 16)	(368)	(2,622)
	(43,649)	45,126
Decrease in cash and cash equivalents	(6,483)	(25,938)
Cash and cash equivalents, beginning	9,334	34,892
Effects of movements in exchange rates on cash and cash equivalents	1,466	380
Cash and cash equivalents, ending	4,317	9,334

Refer to note 18 for supplemental cash flow information.

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

years ended December 31, 2024 and 2023

(in '000 Canadian dollars)

### 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 in Bolton, Belleville, Bracebridge, Brantford, Napanee, North Bay, Windsor, 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, Jacksonville, FL and Virginia Beach, VA. 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, De Zen Investments Canada Limited, are significant shareholders 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".

### 2. BASIS OF PRESENTATION

#### Statement of Compliance

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

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 17, 2025.

#### 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 the majority of its wholly owned subsidiaries. All financial information presented has been rounded to the nearest thousands of dollar, except per share amounts and where otherwise indicated.

The following subsidiaries operating primarily in the United States and have a functional currency of United States Dollar "USD": Titanium Transportation USA, Inc., Titanium American Logistics, Inc., Crane Transport, Inc., Titanium American Trucking, Inc., Flexmor Financial America, Inc. and Flexmor Trailers America, Inc.

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

years ended December 31, 2024 and 2023

(in '000 Canadian dollars)

### 3. MATERIAL 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 is 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. 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 CGUs consist of the Company's operating units: trucking and logistics.
- b) *Lease contracts* – Lease contracts with extensions, terminations or early buyout options are evaluated based on management judgment 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 Consolidated Financial Statements

years ended December 31, 2024 and 2023

(in '000 Canadian dollars)

### 3. MATERIAL ACCOUNTING POLICIES - continued

#### 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 material 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 test of intangible assets and goodwill* – 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 revenue growth rates, terminal growth rate, post-tax discount rate and capital expenditures.
- b) *Business combinations* – Tangible net 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 determined using an income approach. The customer list was fair valued using the multi-period excess earnings method. The significant assumptions in determining the fair value of the customer list include cash flow forecasts, estimated annual attrition rates and discount rate. Discount rates are estimated based on industry averages, company size and capital structure.
- c) *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.
- d) *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.
- e) *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 are based on past experience.
- f) *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.

## Notes to Consolidated Financial Statements

years ended December 31, 2024 and 2023

(in '000 Canadian dollars)

### 3. MATERIAL ACCOUNTING POLICIES - continued

- g) *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.

#### 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 30 days, to the extent collection is probable. The Company does not engage in financing amounts receivable from customers.

The Truck Transportation and Logistics 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 Truck Transportation segment 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 offers freight transportation services to its customers using third party subcontractors, whom have their own insurance and operating authorities.

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.

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

years ended December 31, 2024 and 2023

(in '000 Canadian dollars)

### 3. MATERIAL 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, acquisition loan 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 statements of 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 statements of 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.

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

years ended December 31, 2024 and 2023

(in '000 Canadian dollars)

### 3. MATERIAL 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.

#### 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	5 - 9 years
Furniture and equipment	2 - 5 years
Rolling stock	5 - 15 years

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

years ended December 31, 2024 and 2023

(in '000 Canadian dollars)

### 3. MATERIAL 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 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 to fifteen years and are assessed for impairment when events or changes in circumstance indicate that the Company may not be able to recover its carrying value. 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 income.

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

years ended December 31, 2024 and 2023

(in '000 Canadian dollars)

### 3. MATERIAL 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.

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

years ended December 31, 2024 and 2023

(in '000 Canadian dollars)

### 3. MATERIAL 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.

#### 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.

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

years ended December 31, 2024 and 2023

(in '000 Canadian dollars)

### 3. MATERIAL ACCOUNTING POLICIES - continued

#### 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.

#### 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 income.

#### Foreign Operations

The assets and liabilities of foreign operations have been translated into CAD using exchange rates at the end of each reporting period. The income and expenses of foreign operations 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.

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

years ended December 31, 2024 and 2023

(in '000 Canadian dollars)

### 3. MATERIAL ACCOUNTING POLICIES - continued

#### **New Standards 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 adoption of this interpretation did not have a material impact on the condensed consolidated interim financial statements.

#### **New Standard not yet adopted**

*IFRS 18, Presentation and Disclosure in Financial Statements*, was issued by the IASB in April 2024 and will replace the standards and interpretations in IAS 1, Presentation of Financial Statements. IFRS 18 will streamline the requirements for the presentation and disclosure of information in general purpose financial statements to help ensure that they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. IFRS 18 will be applied to an annual reporting period beginning on or after January 1, 2027. 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 material impact on the Company's consolidated financial statements.



# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

years ended December 31, 2024 and 2023

(in '000 Canadian dollars)

### 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 common expenses shared for all operating segments and are 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>Year ended December 31, 2024</b>					
Revenue - external	225,359	234,887	-	-	460,246
Revenue - internal	4,486	-	-	(4,486)	-
Total revenue	229,845	234,887	-	(4,486)	460,246
Depreciation	30,475	1,029	-	-	31,504
Amortization	1,780	-	-	-	1,780
Finance costs	11,061	1,242	-	-	12,303
Finance income	(390)	-	-	-	(390)
Income (loss) before income taxes	(32,061)	13,054	(4,808)	-	(23,815)
Income taxes	(1,685)	(787)	20	-	(2,452)
Capital expenditures	12,109	-	-	-	12,109
Impairment of assets	23,100	-	-	-	23,100

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

years ended December 31, 2024 and 2023

(in '000 Canadian dollars)

### 4. OPERATING SEGMENTS - continued

	Truck Transportation	Logistics	Corporate	Elimination	Total
<b>Year ended December 31, 2023</b>					
Revenue - external	201,246	212,448	-	-	413,694
Revenue - internal	4,763	-	-	(4,763)	-
Total revenue	206,009	212,448	-	(4,763)	413,694
Depreciation	26,659	749	-	-	27,408
Amortization	1,538	-	-	-	1,538
Finance costs	7,739	1,395	-	-	9,134
Finance income	(311)	-	(207)	-	(518)
Income (loss) before income taxes	1,577	15,714	(3,703)	-	13,588
Income taxes (recoveries)	477	4,476	(934)	-	4,019
Capital expenditures	79,012	-	-	-	79,012

Revenue is attributed to geographical locations based on the location of the origin of the service.

	2024	2023
Canada	231,342	205,747
United States	228,904	207,947
	460,246	413,694

Segment assets are based on the geographical location of the assets.

All of the Company's assets are located in Canada and United States. The assets presented below include property and equipment, right-of-use assets, assets held for sale and intangible assets.

	2024	2023
Canada	155,732	192,525
United States	54,280	78,745
	210,012	271,270

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

years ended December 31, 2024 and 2023

(in '000 Canadian dollars)

### 5. DISCONTINUED OPERATIONS

On April 1, 2024, the Company began ceasing operations in its Cornwall terminal, North Bay terminal, and selected operations in other geographical areas.

The financial information presented below is directly attributable to ceased operations. All administrative expenses and various selling and distribution expenses from shared, centralized and common functions of the Company are excluded from the determination of discontinued operations.

#### Income (loss) from discontinued operations

	2024	2023
Revenue	7,307	24,991
Carriers and independent contractors	83	2,606
Vehicle operating	3,447	8,122
Wages and casual labour	5,235	8,857
Other operating	516	558
Results from operating activities	(1,974)	4,848
Loss from disposal of redundant assets	635	-
Net interest expense and depreciation	1,598	3,950
Income (loss) before income taxes	(4,207)	898
Income tax expense (recovery)	(1,557)	238
Income (loss) from discontinued operations	(2,650)	660
Earnings (loss) per share from discontinued operations:		
Basic and diluted	(0.06)	0.01

The following table presents the effect of discontinued operations on the consolidated statements of cash flows:

Net cash flow from operating activities	2,609	(660)
Net cash flow from investing activities	(9,978)	-
Net cash flow for the period	(7,369)	(660)

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

years ended December 31, 2024 and 2023

(in '000 Canadian dollars)

### 6. 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. The Company also separately acquired Crane's head office and satellite terminals, in Oakwood, GA and Falkville, AL, respectively, for \$7.9 million in cash and vendor takeback loan. (collectively, "Crane").

From the date of acquisition, Crane contributed revenue \$35.0 million for the five-month period ended December 31, 2023. Overall, Crane contributed a net loss of \$0.9 million during the five-month period ended December 31, 2023. If acquired at the beginning of the year, the Company estimates that Crane would have contributed approximately \$84.0 million and a net loss of \$1.9 million. Transaction costs of \$1.3 million related to the acquisition were expensed for the year ended December 31, 2023.

The fair value allocation for the Crane acquisition was based on purchase allocations conducted by management. Management assessed carrying values of the assets and liabilities, reasonability in collection and payment, as well as implied fair market price, if available, for tangible and contractual assets and liabilities. Intangible assets such as Customer Lists and Goodwill are determined by the future value and cashflow to the business unit. The Company has completed the purchase price allocation over the identifiable net assets and goodwill of Crane.

The table below presents the purchase price allocation:

Trade and other receivables	5,734
Current taxes receivable	716
Deferred taxes	875
Property and equipment	48,600
Right of use assets	10,199
Customer List	9,224
Trade and other payables	(5,750)
Loans payable	(16,955)
Finance lease liabilities	(10,199)
Total identifiable net assets	42,444
Total consideration	46,079
Goodwill	3,635
Cash	35,983
Loans payable	10,096
Total consideration transferred	46,079

All goodwill arising from the above business combinations represents expected synergies from combining operations of these entities with the Company and has been allocated to the trucking transportations segment, which represents the lowest level at which goodwill is monitored internally. The goodwill acquired is deductible for tax purposes.

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

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### 7. TRADE AND OTHER RECEIVABLES

	2024	2023
Trade receivables	67,788	61,479
Sales tax receivables	1,086	1,188
Other receivables	3,858	1,648
	<u>72,732</u>	<u>64,315</u>

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.

### 8. FINANCE LEASE RECEIVABLES

Finance lease receivables pertain to equipment leasing contracts provided to the Company's independent contractors. These contracts bear interest ranging from 4.75% to 8.00% 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	2024	2023
Future minimum lease payments receivable	2,636	3,878	6,514	7,185
Unearned finance income	(329)	(110)	(439)	(859)
	<u>2,307</u>	<u>3,768</u>	6,075	6,326
Current portion			<u>2,234</u>	<u>1,626</u>
Long-term portion			<u>3,841</u>	<u>4,700</u>

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

### 9. ASSETS HELD FOR SALE

Assets held for sale of \$1.9 million comprised of the land and building from the North Bay terminal that is awaiting sale. These assets are expected to be sold over the next twelve 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.

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

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### 10. PROPERTY AND EQUIPMENT

	Land and Buildings	Furniture and Equipment	Rolling Stock	Total
<b>Cost</b>				
Balances, December 31, 2023	32,133	4,061	234,332	270,526
Other additions	-	-	12,109	12,109
Reacquisition of rolling stock relating to finance lease receivables	-	-	2,795	2,795
Sale of rolling stock relating to finance lease receivables	-	-	(7,721)	(7,721)
Other disposals	(1,000)	-	(31,231)	(32,231)
Purchase of leased assets	-	-	4,125	4,125
Reclassification to assets held for sale	(1,942)	-	-	(1,942)
Impairment	-	-	(3,050)	(3,050)
Effects of movements in exchange rates	689	18	4,282	4,989
Balances, December 31, 2024	29,880	4,079	215,641	249,600
<b>Accumulated depreciation</b>				
Balances, December 31, 2023	4,358	3,626	43,339	51,323
Depreciation	1,072	226	24,578	25,876
Sale of rolling stock relating to finance lease receivables	-	-	(2,644)	(2,644)
Other disposals	-	-	(13,961)	(13,961)
Effects of movements in exchange rates	11	4	431	446
Balances, December 31, 2024	5,441	3,856	51,743	61,040
<b>Net carrying amounts</b>				
At December 31, 2024	24,439	223	163,898	188,560

#### Impairment Loss

During 2024, the Company recognized an impairment loss in its Truck Transportation segment of which \$3,050 was allocated to the Rolling Stock. Further information about the impairment loss is included in Note 13.

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

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### 10. PROPERTY AND EQUIPMENT - continued

	<b>Land and Buildings</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	626	360	69,333	70,319
Acquired through business combinations	7,906	66	48,534	56,506
Reacquisition of rolling stock relating to finance lease receivables	-	-	744	744
Sale of rolling stock relating to finance lease receivables	-	-	(4,972)	(4,972)
Other disposals	-	(65)	(28,422)	(28,487)
Effects of movements in exchange rates	29	-	180	209
Balances, December 31, 2023	32,133	4,061	234,332	270,526
<b>Accumulated depreciation</b>				
Balances, December 31, 2022	3,506	3,427	37,688	44,621
Depreciation	854	215	24,661	25,730
Sale of rolling stock relating to finance lease receivables	-	-	(343)	(343)
Other disposals	-	(16)	(18,606)	(18,622)
Effects of movement in exchange rates	(2)	-	(61)	(63)
Balances, December 31, 2023	4,358	3,626	43,339	51,323
<b>Net carrying amounts</b>				
At December 31, 2023	27,775	435	190,993	219,203

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

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### 11. RIGHT OF USE ASSETS

	<b>Land and Buildings</b>	<b>Furniture and Equipment</b>	<b>Rolling Stock</b>	<b>Total</b>
<b>Cost</b>				
Balances, December 31, 2023	20,518	1,532	22,674	44,724
Purchase of lease assets	-	-	(6,817)	(6,817)
Other disposals	-	-	(3,334)	(3,334)
Effects of movement in exchange rates	-	-	901	901
Balances, December 31, 2024	20,518	1,532	13,424	35,474
<b>Accumulated depreciation</b>				
Balances, December 31, 2023	6,521	1,532	5,686	13,739
Depreciation	2,429	-	4,626	7,055
Purchase of lease assets	-	-	(2,692)	(2,692)
Other disposals	-	-	(2,471)	(2,471)
Effects of movement in exchange rates	-	-	333	333
Balances, December 31, 2024	8,950	1,532	5,482	15,964
<b>Net carrying amounts</b>				
At December 31, 2024	11,568	-	7,942	19,510

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

	<b>Effective Interest Rate</b>	<b>Net Carrying Amount</b>
Real estate	4.49% - 7.00%	11,568
Rolling stock	2.43% - 10.30%	7,942
		19,510



# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

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### 11. RIGHT OF USE ASSETS - continued

	Land and Buildings	Furniture and Equipment	Rolling Stock	Total
<b>Cost</b>				
Balances, December 31, 2022	19,293	1,532	13,950	34,775
Other additions	1,225	-	-	1,225
Other disposals	-	-	(1,513)	(1,513)
Acquired through business combinations	-	-	10,199	10,199
Effects of movement in exchange rates	-	-	38	38
Balances, December 31, 2023	20,518	1,532	22,674	44,724
<b>Accumulated depreciation</b>				
December 31, 2022	4,266	1,532	3,294	9,092
Depreciation	2,255	-	3,088	5,343
Other disposals	-	-	(655)	(655)
Effects of movement in exchange rates	-	-	(41)	(41)
Balances, December 31, 2023	6,521	1,532	5,686	13,739
<b>Net carrying amounts</b>				
At December 31, 2023	13,997	-	16,988	30,985

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

	Effective Interest Rate	Net Carrying Amount
Real estate	4.49% - 7.00%	13,997
Rolling stock	0.99% - 10.32%	16,988
		30,985

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

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### 12. DEFERRED TAX ASSETS AND LIABILITIES

	<u>2024</u>
Balance, December 31, 2023	<u>(10,516)</u>
Balance, December 31, 2024	<u>(5,003)</u>

Deferred tax assets and liabilities are attributable to the following:

	<u>2024</u>	<u>2023</u>
Finance lease receivables	(1,590)	(1,676)
Property and equipment	(31,583)	(36,167)
Finance lease liabilities	3,611	7,278
Finance costs	9	9
Income tax losses	20,203	22,217
Other	4,347	(2,177)
	<u>(5,003)</u>	<u>(10,516)</u>

**Presented as:**

Deferred tax assets	2,952	564
Deferred tax liabilities	<u>(7,955)</u>	<u>(11,080)</u>
	<u>(5,003)</u>	<u>(10,516)</u>

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

<u>Tax Year</u>	<u>Tax losses</u>
2039	61
2040	111
2041	3,366
2042	23,773
2043	40,481
<u>2044</u>	<u>8,795</u>

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

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### 13. GOODWILL AND CUSTOMER LISTS

	<b>Goodwill</b>	<b>Customer Lists</b>	<b>Total</b>
Balances, December 31, 2022	4,335	5,382	9,717
Amortization	-	(1,538)	(1,538)
Effects of movements on exchange rates	-	44	44
Acquired through business combinations	3,635	9,224	12,859
Balances, December 31, 2023	7,970	13,112	21,082
Amortization	-	(1,780)	(1,780)
Effects of movements on exchange rates	-	748	748
Impairment	(7,970)	(12,080)	(20,050)
Balances, December 31, 2024	-	-	-

For the purpose of impairment testing, 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, 2024 and determined that the carrying amount of the Truck Transportation segment was determined to be higher than its recoverable amount of \$228,000 and an impairment loss of \$23,100 was recognized. The impairment loss was allocated to goodwill, customer lists, and property and equipment in the amount of \$7,970, \$12,080, and \$3,050 respectively and included in impairment loss in the consolidated income statements.

The recoverable amount was determined using value in use, which is based on discounted future cash flows. In assessing value in use, a pretax discount rate of 15.1% (2023: 13.3%) was used, which was based on current market assumptions, adjusted for risks related to the Truck Transportation segment.

Five year of cash flows were included in the discounted cashflow, with projected cash flows for the first year based on historic operating results, adjusted for revenue growth rates. Cash flows for 4 year period were extrapolated using an average revenue growth rate of 5.1% (2023: 6.0%), including planned maintenance capital expenditures for rolling stock. The terminal value was determined using a long term growth rate of 2.5% (2023: 2.5%).

Following the impairment loss recognized in the Trucking Transportation segment, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption could result further impairment.

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

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### 14. LOANS PAYABLE AND FINANCE LEASE LIABILITIES

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 debt are as follows:

	Effective Interest Rate	Year of Maturity	2024 Carrying Amount	2023 Carrying Amount
Bank indebtedness	(1)	N/A	20,230	20,790
Acquisition loan	(1)	2025	1,125	3,625
Loans payable	2.00% - 7.66%	2025-2033	130,129	155,325
Finance lease liabilities	2.43% - 10.30%	2025-2031	20,773	27,465
			172,257	207,205
Current portion			60,859	65,528
			111,398	141,677

(1) The interest rate on these loans is Bank Prime Rate plus an applicable margin, which varies from 0.5% to 1.5% based on the Company's Funded Debt to Trailing Twelve Months EBITDA.

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

- CDN\$30.0 million revolving demand operating facility, subject to margin requirements;
- USD\$20.0 million revolving demand operating facility, subject to margin requirements;
- USD\$2.0 million (face value) foreign exchange forward contract facility;
- CDN\$7.5 million finance lease loan facility;
- CDN\$1.5 million mortgage facility; and

This credit facility is secured by the following:

- General Security Agreement providing a first charge over all the assets of the Company;
- Corporate unlimited guarantee from the Company and each of its subsidiaries; and
- General Security Agreement providing a first charge over all the assets of the Company and each of its subsidiaries.

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

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### 14. LOANS PAYABLE AND FINANCE LEASE LIABILITIES - continued

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, 2024.

Loans payable include loans issued as part of business acquisitions, see note 6. These loans have a contractual interest rate of 0% and were discounted using imputed interest rates ranging from 3.5% to 6.2%. The face value and carrying value of these loans as of December 31, 2024 was \$17.2 million and \$12.4 million respectively. In addition, the Company has a \$1.5 million mortgage facility outstanding for its terminal in Windsor, Ontario. Loans payable are secured by assets with a carrying value of \$145.0 million (2023 - \$166.5 million).

Finance lease liabilities are secured by rolling stock with a carrying value of \$7.9 million (2023 - \$14.1 million).

The following are the remaining contractual maturities of loans payable and finance lease liabilities:

	<b>Less than 1 Year</b>	<b>1 to 5 Years</b>	<b>More than 5 Years</b>	<b>2024</b>	<b>2023</b>
Future minimum lease payments on finance lease liabilities	7,431	16,347	617	24,395	32,717
Interest	(1,491)	(2,126)	(5)	(3,622)	(5,252)
	5,940	14,221	612	20,773	27,465
Loans payable	33,564	95,126	1,439	130,129	155,325
	39,504	109,347	2,051	150,902	182,790

### 15. TRADE AND OTHER PAYABLES

	<b>2024</b>	<b>2023</b>
Trade payables	17,359	11,552
Other payables	22,434	21,092
	39,793	32,644

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

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

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### 16. SHARE CAPITAL

#### Authorized

Unlimited number of common shares with no par value

	Common Shares #	Share Capital (in \$ '000)
<b>Issued</b>		
Balances, December 31, 2022	45,122,621	51,005
Options exercise (note 17)	50,800	115
Share repurchase and cancelled	(987,745)	(1,643)
Shares issued as part of share purchase plan	589,229	1,198
Balances, December 31, 2023	44,774,905	50,675
Options exercise (note 17)	3,500	11
Shares repurchase and cancelled	(161,000)	(231)
Shares issued as part of share purchase plan	661,759	1,300
Balances, December 31, 2024	45,279,164	51,755

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, 693,419 (2023 - 570,259) have not vested. During the year ended December 31, 2024, the Company recognized an expense of \$0.7 million (2023 - \$0.6 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.

For the year ended December 31, 2024, the Company repurchased 161,000 (2023 - 987,745) common shares at a weighted average price of \$2.29 and a total purchase price of \$0.37 million. The excess of the purchase price paid over the carrying value of the shares repurchased, totalled \$0.14 million and was charged to retained earnings as a share purchase premium.

During the year ended December 31, 2024, dividends of \$3.6 million or \$0.08 per common share (2023 - \$3.6 million) was declared and paid by the Company to its shareholders.

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

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### 16. SHARE CAPITAL - continued

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

	2024	2023
Issued common shares	44,774,905	45,122,621
Effect of unvested common shares	(647,273)	(533,102)
Effect of issued common shares	332,630	308,764
Effect of repurchase common shares	(80,500)	(482,623)
Weighted average number of basic common shares	44,379,762	44,415,660
Dilutive effect of stock options and restricted common shares	1,207,339	1,124,465
Weighted average number of diluted common shares	45,587,101	45,540,125

### 17. CONTRIBUTED SURPLUS

Share-based compensation expense is comprised of the following:

	2024	2023
Share purchase plan	688	624
Stock options	386	350
	1,074	974

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:

	Grant #	Exercise Price (\$)
Balances, December 31, 2022	2,207,600	1.99
Issued	704,400	2.26
Exercised	(50,800)	1.50
Forfeited	(10,000)	2.60
Balances, December 31, 2023	2,851,200	2.06
Issued	377,800	2.55
Exercised	(3,500)	1.50
Forfeited	(7,500)	1.87
Balances, December 31, 2024	3,218,000	2.12

# Titanium Transportation Group Inc.

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### 17. CONTRIBUTED SURPLUS - continued

Of the stock options outstanding as at December 31, 2024, 1,932,800 (2023 - 1,620,996) were held by 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 10 years; ii) the risk free rate is between 0.28% and 3.74%; iii) the dividend yield will be between 2.78% and 3.54%; and iv) expected volatility between 54.22% and 60.19%. 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, 2024:

Exercise Price \$	Options Outstanding #	Weighted Average Remaining Life in years	Options Exercisable #
1.50	1,214,500	2.1	1,136,000
2.25	664,400	8.1	54,800
2.50	215,000	8.9	13,333
2.60	914,100	6.7	311,800
2.85	195,000	1.1	195,000
3.00	15,000	6.6	7,500
2.12	3,218,000	5.1	1,718,433

The following table summarizes information about stock options outstanding as at December 31, 2023:

Exercise Price \$	Options Outstanding #	Weighted Average Remaining Life in years	Options Exercisable #
1.50	1,223,000	3.1	1,124,500
2.25	664,400	9.1	-
2.50	40,000	9.0	-
2.60	713,800	7.1	104,700
2.85	195,000	2.1	195,000
3.00	15,000	7.6	-
2.06	2,851,200	5.5	1,424,200

Subsequent to the year end, 393,900 stock options were issued to various employees and directors, of which none were to key management personnel. Each option entitles the holders to acquire common shares of the Company at an exercise price of \$2.30 per common share. Those options vest over a period of six years, with half vesting three years from issuance and the other half vesting six years from issuance and expire on January 29, 2035.



# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

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### 18. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2024	2023
Trade and other receivables	(8,418)	12,175
Prepaid expenses and deposits	418	(656)
Trade and other payables	7,152	(10,223)
Current taxes payable	2,955	(936)
Interest payable	(23)	(211)
	2,084	149

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

	Finance Lease Receivables	
	2024	2023
Balance, beginning of year	6,326	4,137
Cash flows	(2,607)	(2,305)
<i>Non-cash changes</i>		
New leases	5,258	5,143
Leases acquired through business combination	-	448
Reacquired leases	(2,902)	(1,097)
Balance, end of year	6,075	6,326

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

	Bank Indebtedness	Loans Payable	Finance Lease Liabilities	Total 2024	Total 2023
Balances, beginning of year	20,790	155,325	27,465	203,580	124,192
Cash flows	409	(30,943)	(7,491)	(38,025)	52,890
<i>Non-cash changes</i>					
New leases/loans	-	-	-	-	1,225
Liabilities assumed through business combination	-	-	-	-	27,154
Foreign exchange	(969)	5,747	799	5,577	(1,881)
Balances, end of year	20,230	130,129	20,773	171,132	203,580

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

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### 19. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, Trunkeast held a significant portion of the shares of the Company. Neither Trunkeast nor the ultimate parent produce consolidated financial statements available for public use.

	2024	2023
Provided truck transportation services to Vision Extrusions Group Limited, and Vision Profile Extrusions Ltd. companies under common control	18,032	17,146
	18,032	17,146

Included in trade and other receivables as at December 31, 2024 is a total of \$2,152 (2023 - \$1,734) due from 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.

### 20. KEY MANAGEMENT PERSONNEL

Included in wages and casual labour are the following:

	2024	2023
Share-based compensation expense (note 16, 17)	1,074	974
Employee benefits	1,402	1,561
Key management personnel:		
Salaries and benefits	1,378	1,473
Share-based compensation expense	233	300

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

# Titanium Transportation Group Inc.

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### 21. INCOME TAXES

	2024	2023
Current tax expense	2,955	2,660
Deferred tax expense (recovery)	(5,407)	1,359
Income taxes reported	(2,452)	4,019

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:

	2024	2023
Income (loss) before income taxes	(23,815)	13,588
Statutory income tax rate	26.50%	26.50%
Income tax provision (recovery) based on statutory income tax rate	(6,311)	3,601
Change in income taxes resulting from:		
Non-deductible items	1,339	205
Adjustment for prior years	962	14
Taxes on discontinued operations	1,558	238
Other	-	(39)
Income taxes reported	(2,452)	4,019

### 22. COMMITMENTS AND CONTINGENCIES

- a) As at December 31, 2024, the Company is not committed to purchasing additional rolling stock.
- b) Subsequent to the year end, the Company has committed to renting additional office space. The future minimum lease payment for the lease is \$1.3 million for the next 8 years.
- b) 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.

### 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 analyze 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:

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### 23. FINANCIAL INSTRUMENTS - continued

#### Fair Value of Financial Assets and Financial Liabilities

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

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

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

	<b>2024</b>		<b>2023</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
Finance lease receivables	6,075	5,927	6,326	5,872
Loans payable	(130,129)	(122,992)	(155,325)	(146,457)
Finance lease liabilities	(20,773)	(20,268)	(27,465)	(23,826)
Acquisition loan	(1,125)	(1,051)	(3,625)	(3,419)
	<b>(145,952)</b>	<b>(138,384)</b>	<b>(180,089)</b>	<b>(167,830)</b>

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:

	<b>2024</b>	<b>2023</b>
Finance lease receivables	7.00 %	8.00 %
Loans payable	7.00 %	7.00 %
Finance lease liabilities	7.00 %	7.00 %

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### 23. FINANCIAL INSTRUMENTS - continued

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

	<b>2024</b>	<b>2023</b>
Finance lease receivables	5,849	5,766
Loans payable	(120,190)	(140,429)
Finance lease liabilities	(19,780)	(23,139)
	<b>(134,121)</b>	<b>(157,802)</b>

#### 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 \$83,124 (2023 - \$79,975).

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:

	<b>2024</b>	<b>2023</b>
Balance, beginning of year	1,727	1,606
Allowance recorded	(778)	238
Recognized credit loss	(20)	(117)
Balance, end of year	<b>929</b>	<b>1,727</b>

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### 23. FINANCIAL INSTRUMENTS - continued

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

	<b>2024</b>		
	<b>Gross</b>	<b>Allowance for Expected Credit Loss</b>	<b>Carrying Value</b>
Not past due	58,063	59	58,004
Past due 0-30 days	4,139	103	4,036
Past due 31-60 days	2,345	117	2,228
Past due more than 60 days	4,170	649	3,521
	<b>68,717</b>	<b>928</b>	<b>67,789</b>
	<b>2023</b>		
	<b>Gross</b>	<b>Allowance for Expected Credit Loss</b>	<b>Carrying Value</b>
Not past due	51,688	460	51,228
Past due 0-30 days	6,177	240	5,937
Past due 31-60 days	1,171	116	1,055
Past due more than 60 days	3,483	911	2,572
	<b>62,519</b>	<b>1,727</b>	<b>60,792</b>

### 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.

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### 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
<b>December 31, 2024</b>						
Bank indebtedness	20,230	20,230	20,230	-	-	-
Acquisition loan	1,125	1,125	1,125	-	-	-
Trade and other payables	39,793	39,793	39,793	-	-	-
Loans payable	130,129	146,182	39,900	68,166	36,597	1,519
Finance lease liabilities	20,773	24,395	7,431	8,883	7,464	617
	212,050	231,725	108,479	77,049	44,061	2,136
Other liabilities requiring the use of cash:						
Current taxes payable	12	12	12	-	-	-
	212,062	231,737	108,491	77,049	44,061	2,136

	Carrying Amount	Contractual Cash-Flows	Less than 1 Year	1 to 2 Years	2 to 5 Years	More than 5 Years
<b>December 31, 2023</b>						
Bank indebtedness	20,790	20,790	20,790	-	-	-
Acquisition loan	3,625	3,625	-	-	3,625	-
Trade and other payables	32,644	32,644	32,644	-	-	-
Loans payable	155,325	173,626	42,722	76,620	50,495	3,789
Finance lease liabilities	27,465	32,717	9,036	13,032	7,591	3,058
	239,849	263,402	105,192	89,652	61,711	6,847
Other liabilities requiring the use of cash:						
Current taxes payable	517	517	517	-	-	-
	240,366	263,919	105,709	89,652	61,711	6,847

### 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.

# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

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### 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:

	2024	2023
Net fixed rate financial instruments	(150,902)	(182,790)
Net variable rate financial instruments	(21,355)	(24,415)
	(172,257)	(207,205)

The Company's fixed rate financial instruments consist entirely of loans payable, and variable rate financial instruments consist entirely 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 \$123 (2023 - \$53). This analysis assumes that all other variables are held constant. The analysis is performed on the same basis for all periods presented.



# Titanium Transportation Group Inc.

## Notes to Consolidated Financial Statements

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### 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.

	2024	2023
Cash	-	8,090
Accounts receivable	27,842	19,067
Bank indebtedness	(2,110)	(15,719)
Accounts payable	(7,291)	(4,486)
Loans payable	(42,637)	(61,781)
Finance leases liabilities	(5,715)	(11,973)
	(29,911)	(66,802)
Average USD	1.3698	1.3494
Closing USD	1.4389	1.3226

As at December 31, 2024, 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 \$1,496 (2023 - \$3,340). 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:

	2024	2023
Long-term debt	152,027	186,415
Shareholders' equity	79,909	104,549
	1.9	1.8

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## Notes to Consolidated Financial Statements

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### 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 covenants as of December 31, 2024.

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

### 25. SUBSEQUENT EVENT

On February 1, 2025, the President of the United States issued three executive orders directing the United States to impose new tariffs on imports originating from Canada, Mexico and China. These orders call for additional 25% duty on imports into the United States of Canadian-origin and Mexican-origin products and 10% duty on Chinese origin products, except for Canadian energy resources that are subject to an additional 10% duty.

Since the original orders, Canada has responded with retaliatory tariffs of 25% on imports into Canada of U.S.-origin products, total goods affected by this tariff amounts to approximately \$124.8 billions.

The Company is monitoring the direct and indirect impacts to its business of such tariffs, retaliatory tariffs or other trade protectionist measures implemented as this situation develops, and such impacts could be material.

On February 7, 2025, the Company announced that its Board of Directors has elected to suspend its dividend as part of the Company's capital allocation strategy amid continued uncertainty market conditions.

### 26. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to reflect amounts related to discontinued operations that were determined in 2024.