TITANIUM

Transportation Group Inc.

Management's Discussion and Analysis

For the first quarter ended
March 31, 2016

Dated May 17, 2016

GENERAL INFORMATION

The following is Titanium Transportation Group Inc.'s management discussion and analysis dated May 17, 2016 ("MD&A"), which provides a comparative overview of the Company's performance for its three month period ended March 31, 2016 with the corresponding three month period ended March 31, 2015, and it reviews the Company's financial position as at March 31, 2016. Throughout this MD&A, the term "Company" shall mean Titanium Transportation Group Inc. and all of its direct and indirect wholly-owned subsidiaries. This discussion should be read in conjunction with the Company's MD&A, audited consolidated financial statements and accompanying notes as at and for the year ended December 31, 2015 as well as the unaudited condensed consolidated interim financial statements of the Company for the first quarter ended March 31, 2016 ("consolidated interim financial statements").

The consolidated interim financial statements of the Company and extracts from those consolidated interim financial statements contained in this MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated interim financial statements comply with IAS 34, Interim Financial Reporting, and do not include all of the information required for annual financial statements. The Company's presentation currency is the Canadian dollar. All financial information presented has been rounded to the nearest dollar, except per share amounts and where otherwise indicated. The Company's consolidated interim financial statements for the first quarter ended March 31, 2016 were approved by its Board of Directors on May 17, 2016. Readers are cautioned that this MD&A contains certain forward looking information. Please refer to the "Forward Looking Statements" section for a discussion of the use of such information in this MD&A.

Unless otherwise indicated, the information in this report is dated as of May 17, 2016. Additional information relating to the Company is available on SEDAR at www.sedar.com.

OVERVIEW

The Company is a truck transportation and logistics company servicing Canada and the United States with operations based in Woodbridge, Ontario, with terminals in Bracebridge, North Bay, Orillia and Napanee, Ontario and additional parking/switch yards in Sudbury, Mississauga, Barrie, Bolton, Brantford, Brockville, Burlington and Trenton, Ontario. The Company has over 1,000 customers across various industries, including large multinational corporations.

Revenue (including fuel surcharge) for the three month period ended March 31, 2016 and 2015 was $28.1 million and $24 million, EBITDA was $2.5 million and $2.8 million, and EBIT was $0.1 million and $1.7 million, respectively. EBITDA and EBIT are non-IFRS financial measures. For a definition of EBITDA and EBIT and an explanation of the use of these measures herein, refer to "Non-IFRS Financial Measures". The Truck Transportation and Logistics segments are typically slow from an operational perspective in the first quarter of the year, with the second and fourth quarters of the year being the strongest. There are occasional exceptions to that rule of thumb, with Q1 2015 being one example - where demand was so strong in Q4 2014 that transportation activity carried over well into Q1 2015. 2016 saw a return to the more traditional pattern, with the strengthening levels of operational activity waiting until the onset of spring to appear. As a result, both the Logistics and Truck Transportation segments contributed to the decrease in EBITDA and EBIT in the first quarter of 2016 as compared to 2015. The Logistics segment was further impacted by the effects of some continued over supply of truck transportation in Ontario, which began in Q4 2015.

OVERVIEW - continued

The Truck Transportation segment was not as heavily affected by the economic conditions, given the more stable nature of its business. However, Truck Transportation is impacted by the timing of its acquisitions. Temporary decreases to EBITDA margins can be expected following an acquisition, before the Company fully integrates the operations of the acquisition and recognizes cost savings through synergies. Q1 2016 was the first full quarter following the acquisition of ProNorth Transportation ("PNT"), which was acquired on December 1, 2015. The impact was softened by improvements to EBITDA margins following the completed integration of Muskoka Transport Limited ("MTL") in Q4 2015 as well as improvements to fuel efficiency as a result of the Company replacing aged equipment with newer and more fuel efficient equipment. MTL was purchased on March 1, 2015.

The Company is currently well positioned for significant growth. Independent owner operators and full-time employees working for the Company totaled 515 as of March 31, 2016 compared to 441 as of March 31, 2015. Similarly, power units and trailers being used by the Company were 401 and 1347, respectively, as of March 31, 2016 compared to 326 and 1,109, respectively, as of March 31, 2015. A significant portion of this increase can be attributed to the Company's acquisition of MTL and PNT. The Company's Truck Transportation segment has grown primarily through business acquisitions while growth in the Logistics segment has been organic.

RESULTS OF OPERATIONS

Financial Highlights
For the three months ended March 31 (unaudited)

	2016	2015
Revenue	26,434,702	22,426,936
Fuel surcharge	1,673,873	1,583,944
	28,108,575	24,010,880
Operating expenses	25,628,390	21,212,758
EBITDA(1)	2,480,185	2,798,122
EBITDA margin(1)	9.4 %	12.5 %
Depreciation	2,403,183	1,204,501
Gain on sale of property and equipment	(331,333)	(109,958)
Foreign exchange loss	273,697	-
Amortization of customer lists	30,360	-
EBIT(1)	104,278	1,703,579
EBIT margin(1)	0.4 %	7.6 %
Finance costs	388,374	321,381
Finance income	(56,929)	(39,654)
Income tax expense	(42,038)	400,397
Adjusted net income(1)	(185,129)	1,021,455
Adjusted net income per share - basic	(0.01)	0.04
Adjusted net income per share - diluted	(0.01)	0.04
Reverse takeover costs, net of tax	-	279,733
Net income and comprehensive income attributable to owners of the Company	(185,129)	741,722
Net income per share - basic	(0.01)	0.03
Net income per share - diluted	(0.01)	0.03

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

RESULTS OF OPERATIONS - continued

Selected Segmented Financial Information (unaudited)

	Truck Transportation	Logistics	Corporate	Elimination	Total
For the three months ended March 31, 2016					
Revenue	19,940,337	6,912,997	-	(418,632)	26,434,702
Fuel surcharge	1,436,056	237,817	-	-	1,673,873
	21,376,393	7,150,814	-	(418,632)	28,108,575
Operating expenses					
Carriers and independent contractors	7,006,770	5,734,025	-	(418,632)	12,322,163
Vehicle operating	5,308,648	-	-	-	5,308,648
Wages and casual labour	5,161,259	771,701	228,584	-	6,161,544
Other operating	1,179,937	364,265	291,833	-	1,836,035
	18,656,614	6,869,991	520,417	(418,632)	25,628,390
EBITDA[(1)]	2,719,779	280,823	(520,417)	-	2,480,185
EBITDA margin[(1)]	13.6 %	4.1 %			9.4 %
Depreciation	2,401,051	2,132	-	-	2,403,183
Gain on sale of property and equipment	(331,333)	-	-	-	(331,333)
Finance costs	388,374	-	-	-	388,374
Finance income	(56,929)	-	-	-	(56,929)
Foreign exchange loss	182,652	91,045	-	-	273,697
Amortization of customer lists	30,360	-	-	-	30,360
	2,614,175	93,177	-	-	2,707,352
Income before income taxes	105,604	187,646	(520,417)	-	(227,167)
Income tax expense	30,156	52,967	(125,161)	-	(42,038)
Adjusted net income[(1)]	75,448	134,679	(395,256)	-	(185,129)
For the three months ended March 31, 2015					
Revenue	13,443,269	9,098,395	-	(114,728)	22,426,936
Fuel surcharge	1,236,617	347,327	-	-	1,583,944
	14,679,886	9,445,722	-	(114,728)	24,010,880
Operating expenses	12,540,839	8,487,313	299,334	(114,728)	21,212,758
EBITDA[(1)]	2,139,047	958,409	(299,334)	-	2,798,122
EBITDA margin[(1)]	15.9 %	10.5 %			12.5 %
Adjusted net income[(1)]	538,452	703,013	(220,010)	-	1,021,455

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

RESULTS OF OPERATIONS - continued

Revenue

For the three month period ended March 31, 2016, the Company's consolidated revenues increased by $4.1 million or 17.1% when compared to the three month period ended March 31, 2015. The total increase in revenues was driven by increases in the Company's Truck Transportation segment, partially offset by year over year decreases in the Logistics segment.

Revenues for the first quarter in the Company's Truck Transportation segment increased by $6.7 million or 46% from the first quarter of 2015, primarily resulting from the acquisition of MTL on March 1, 2015 and PNT on December 1, 2015. The Company benefited from a full quarter of MTL and PNT revenues. Revenues for the quarter for PNT were approximately $3.3 million.

The Logistics segment saw a decrease in revenue of $2.3 million or 24% for the period, when compared to the three month period ended March 31, 2015. The decrease is due to economic conditions being much stronger in Q1 of 2015 versus Q1 2016. The Logistics segment experienced uncommonly strong demand in Q1 2015 as a result of the lagging effects of strong demand in Q4 2014, whereas in Q1 2016, the segment continued to experience the effects of some over supply of truck transportation in Ontario.

EBITDA

For the three month period ended March 31, 2016, the Company's consolidated EBITDA margin decreased from 12.5% to 9.4% and EBITDA decreased by $0.3 million when compared to the three month period ended March 31, 2015. The total decrease in EBITDA was driven by decreases in the Logistics segment, partially offset by year over year increases in the Truck Transportation segment.

The Truck Transportation segment saw an increase in EBITDA of $0.6 million, when compared to the three month period ended March 31, 2015, primarily attributable to the Company benefiting from a full quarter of results from the acquisitions of MTL and PNT in 2015 and the Company realizing the benefits of replacing aged equipment with new equipment, which resulted in lower fuel costs. EBITDA margin decreased for the Truck Transportation segment from 15.9% to 13.6% primarily due to a temporary increase to costs associated with the acquisition of PNT. Historically, EBITDA margins have decreased following the quarter of an acquisition. As the Company continues to integrate the operations of PNT, it will recognize cost savings through synergies and improve EBITDA margins over the course of the multi-quarter integration process.

For the Logistics segment, EBITDA margin decreased from 10.5% to 4.1% and EBITDA decreased by $0.7 million, when compared to the three month period ended March 31, 2015. This can be attributed to lower volumes, as discussed above, augmented by the fact that fixed costs remained relatively static for the same comparative period. As the reduction in volumes was temporary, the Company did not have the ability to reduce its fixed costs.

RESULTS OF OPERATIONS - continued

Expenses

Operating expenses increased by $4.4 million for the three month period ended March 31, 2016 over the same period in 2015. The increase is primarily a result of the acquisition of MTL and PNT, offset by lower commissions on reduced Logistics sales volumes.

Depreciation increased for the three month period ended March 31, 2016 when compared to the same period in 2015. The increase is primarily a result of the acquisition of equipment, both through business combinations and financed purchases. The size of the Company's fleet has increased, as has the cost of new equipment. The acquisition of new equipment and the purchase of PNT has also caused finance costs to increase.

The Company realized foreign exchange losses during the quarter as a result of the strengthening of the Canadian dollar relative to the US dollar during the period. Subsequent to the reporting period, the Company began to borrow in US dollars in order to hedge against its exposure on its US dollar receivables.

SUMMARY OF QUARTERLY RESULTS

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

(in thousands)

	Q1'16	Q4'15	Q3'15	Q2'15	Q1'15	Q4'14	Q3'14	Q2'14
Revenue	26,435	24,984	25,719	30,076	22,427	19,541	18,118	15,637
Fuel surcharge	1,674	1,587	1,527	2,344	1,584	1,392	1,290	1,438
	28,109	26,571	27,246	32,420	24,011	20,933	19,408	17,075
Operating expenses	25,628	23,985	24,345	29,051	21,213	18,742	17,908	15,474
EBITDA(1)	2,481	2,586	2,901	3,369	2,798	2,191	1,500	1,601
EBITDA margin(1)	9.4 %	10.4 %	11.3 %	11.2 %	12.5 %	11.2 %	8.3 %	10.2 %
Adjusted net income(1)	(185)	446	1,366	766	1,021	739	437	721
Per share - basic(2)	(0.01)	0.01	0.04	0.03	0.04	0.03	0.02	0.03
Per share - diluted(2)	(0.01)	0.01	0.04	0.02	0.04	0.03	0.02	0.03
Net income and comprehensive income attributable to the owners of the Company	(185)	446	1,366	(1,359)	742	450	437	721
Per share - basic(2)	(0.01)	0.01	0.04	(0.04)	0.03	0.02	0.02	0.03
Per share - diluted(2)	(0.01)	0.01	0.04	(0.04)	0.03	0.02	0.02	0.03

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

Changes from quarter to quarter are mainly the result of acquisitions and seasonality of operations. Historically, there has been an increase in revenue and a decrease in EBITDA margins in quarters following an acquisition. Following the quarter in which an acquisition has occurred, revenues have often decreased, stabilized and then increased while EBITDA margins have increased.

This impact to EBITDA margins can be seen in the Company's eight most recently completed quarters. EBITDA margins decreased in Q3 2014 following the acquisition of Wm. H. Cain Agency Limited, decreased in Q2 2015 following the acquisition of MTL and decreased in Q1 2016 following the acquisition of PNT. It may be difficult to isolate this impact if the integration process of two or more acquisitions overlap.

The activities of the Company are also subject to seasonal demand for truck transportation. Historically, the Company has experienced weaker demand in the first and third quarters and stronger demand in the second and fourth quarters, although demand was atypically strong in Q1 2015 and atypically weak in Q4 2015 as a result of cyclical customer demands and changes in economic conditions during these periods.

LIQUIDITY AND CAPITAL RESOURCES

	March 31 2016	December 31 2015
Working capital (deficit)[1]	(2,089,472)	(1,799,887)
Total assets	95,798,547	87,772,549
Net debt[2]	41,280,197	38,422,432
Shareholders' equity	33,897,159	34,021,470
Net debt to equity ratio[3]	1.22	1.13

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

Overall, there has not been a significant change in the Company's financial position since December 31, 2015. Total assets and net debt increased as a result of the purchase of new equipment during the quarter. The Company regularly reinvests in new equipment to keep maintenance costs low and to ensure reliable service for its customers. As of March 31, 2016, the Company has committed $14.9 million towards the purchase of additional equipment. Management believes there is sufficient financing available to fund planned capital expenditures in the future and to provide for the future growth of the business.

Working capital decreased slightly, as a result of the Company's repayment of long-term debt. The Company actively seeks debt refinancing when possible, especially with respect to debt acquired through business acquisitions, to the extent that penalties for early retirement of debt are not significant and lower cost financing is available. Management believes that the Company's operating cash flows are sufficient to fund daily operating activities and meet regular debt repayment obligations.

The Company limits the use of off-balance sheet financing, by way of operating leases, to the extent practical. Operating leases mainly pertain to the use of the Company's terminals, warehouse and office space, but do include some power units and trailers to the extent that the Company assumes these commitments as part of business acquisitions. These leases expire between April 2016 and March 2020.

The portion of the Company's bank credit facilities which were unused as of March 31, 2016 include approximately $11.2 million under a revolving demand operating facility, $5 million under a non-revolving acquisition facility, $5 million under a foreign exchange forward contract facility and $1.8 million under a finance lease loan facility. In addition, subsequent to the reporting period, the Company was provided a $10 million revolving finance lease facility through another institution.

Common Shares

As of March 31, 2016, there were 36,267,802 common shares of the Company outstanding and 6,444,915 outstanding warrants to acquire common shares of the Company. In addition, there were 1,665,000 stock options outstanding, of which 300,000 are exercisable.

TRANSACTIONS WITH RELATED PARTIES

The Company provides truck transportation services to companies under common control. These companies include Vision Extrusions Group Limited and Sunview Patio Doors Ltd., and aggregate revenues from these companies totaled $718,597 for the three month period ended March 31, 2016 (2015 - $734,430).

The Company also rents its head office and Woodbridge distribution terminal from Vaughan West II Limited, its Woodbridge parking yard from Roybridge Holdings Limited and office space from Vision Extrusions Group Limited, each of which are under common control with the Company. Total rent paid to these companies for the period ended March 31, 2016 was $112,887 (2015 - $104,277).

Trunkeast Investments Canada Limited, the Company's controlling shareholder as of March 31, 2016, provides administrative and support services to the Company on a monthly basis. For these services, the Company was charged $15,000 (2015 - $15,000) for the period. The Company is committed to payment for such services until May 31, 2017.

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

In addition, the Company will be leasing a new facility being constructed at 12725 Coleraine Drive, Caledon, Ontario, which includes approximately 71,500 square feet of gross floor area and 8 acres of yard space, and will accommodate the Company’s head office operations, an integrated yard, a warehouse and a third party mechanical shop. The lease agreement is with Caledon First Investments Limited, a company under common control with the Company. The Company has committed to annual rent of $1,675,625, which is expected to commence October 1, 2016. The annual rent will increase to $2,413,123 over a 15 year period. Management anticipates that the net increase to annual rent will not be significant given that the Company will be able to consolidate a number of terminals and yards into the Bolton location. However, there will be significantly more opportunity for growth through increased warehousing revenue, the ability to increase the size of the Logistics sales team and efficiencies in consolidating trucking operations.

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 reference issues only as of the date made. The following factors could cause the Company's actual financial performance to differ materially from that expressed in any forward looking statement: highly competitive market conditions, the Company's ability to recruit, train and retain qualified drivers, the Company's ability to identify, successfully complete and integrate suitable acquisitions, fuel price variation and the Company's ability to recover these costs from its customers, foreign currency fluctuations, the impact of environmental standards and regulations, changes in Canadian and US government regulations applicable to the Company's operations, changes in key personnel, adverse weather conditions, accidents and litigation, the market for used equipment, changes in interest rates, changes in the cost of liability insurance coverage, downturns in general economic conditions affecting the Company and its customers and availability of financing on reasonable commercial terms. The Company expressly disclaims any obligation to update forward looking statements if circumstances or management's views or estimates change, except as otherwise required pursuant to applicable law.

From time to time, the Company will disclose its current annual run rate revenue and EBITDA. Although not intended as such, this may be interpreted as forward looking information. Run rates are presented in order to provide investors with insight into the current size of the Company, assuming synergies have been fully realized. Historical figures may not be a good indicator of the Company's size, as a result of the number of acquisitions that are completed each year and the time that it takes to fully realize synergies. After the acquisition of MTL, the Company annualized first quarter results to $115 million in revenue and $13 million in EBITDA. Actual revenue and EBITDA for the last four quarters, excluding the effect of PNT, was approximately $109.5 million and $12 million, respectively. The reason for the difference is primarily a result of the last quarter of 2015, which was unusually weak.

NON-IFRS FINANCIAL MEASURES

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

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

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

"Earnings before interest and income taxes" ("EBIT") is calculated as net income before finance income and costs, gains or losses on foreign exchange, income tax expense and reverse takeover costs.

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

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

Management of the Company believes that these financial measures are useful for investors and other readers when used in conjunction with other IFRS financial measures. 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.

CHANGES IN ACCOUNTING POLICIES

The following new standards and amendments to standards are not yet effective for the period ended March 31, 2016 and have not been applied in preparing the consolidated interim financial statements. The full description of each of these recent pronouncements is available in our consolidated interim financial statements.

IFRS 9, Financial Instruments
IFRS 15, Revenue from Contracts with Customers
IFRS 16, Leases

Unaudited Condensed Consolidated Interim Financial Statements

For the first quarter ended
March 31, 2016

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Financial Position

(unaudited)

(in Canadian dollars)

	March 31 2016	December 31 2015
Assets		
Current		
Cash	552,104	788,909
Trade and other receivables (note 12)	17,850,300	16,767,695
Current taxes recoverable	445,615	128,739
Finance lease receivables (note 5)	2,053,983	1,333,816
Prepaid expenses and deposits	2,216,671	2,072,571
	23,118,673	21,091,730
Finance lease receivables (note 5)	5,317,282	2,431,913
Property and equipment (note 6)	61,542,109	58,421,767
Deferred tax assets	495,138	471,434
Customer lists (note 7)	809,520	839,880
Goodwill (note 7)	4,515,825	4,515,825
	95,798,547	87,772,549
Liabilities		
Current		
Bank indebtedness (note 8)	4,930,430	4,203,821
Trade and other payables (note 12)	8,130,997	6,307,683
Current taxes payable	3,303	324,024
Loans payable (note 8)	6,586,601	7,708,669
Finance lease liabilities (note 8)	5,356,814	4,147,420
Due to related party	200,000	200,000
	25,208,145	22,891,617
Loans payable (note 8)	18,928,615	16,711,119
Finance lease liabilities (note 8)	12,649,002	9,217,132
Deferred tax liabilities	5,115,626	4,931,211
	61,901,388	53,751,079
Commitments and contingencies (note 14)		
Shareholders' Equity		
Share capital (note 9)	24,765,964	24,765,964
Contributed surplus (note 10)	3,452,585	3,391,767
Retained earnings	5,678,610	5,863,739
	33,897,159	34,021,470
	95,798,547	87,772,549

On behalf of the Board

"Ted Daniel"
Director

"Bill Chyfetz"
Director

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Comprehensive Income

three months ended March 31 (unaudited)

(in Canadian dollars)

	2016	2015
Revenue (note 12)	26,434,702	22,426,936
Fuel surcharge	1,673,873	1,583,944
	28,108,575	24,010,880
Operating expenses		
Carriers and independent contractors	12,322,163	11,048,796
Vehicle operating	5,308,648	4,129,359
Wages and casual labour (note 13)	6,161,544	4,514,091
Other operating (note 12)	1,836,035	1,520,512
	25,628,390	21,212,758
Income before the following	2,480,185	2,798,122
Depreciation (note 6)	2,403,183	1,204,501
Gain on sale of property and equipment (note 11)	(331,333)	(109,958)
Finance costs	388,374	321,381
Finance income	(56,929)	(39,654)
Foreign exchange loss	273,697	-
Amortization of customer lists (note 7)	30,360	-
Reverse takeover costs	-	380,589
	2,707,352	1,756,859
Income (loss) before income taxes	(227,167)	1,041,263
Income tax expense (recovery)	(42,038)	299,541
Net income (loss) and comprehensive income (loss) attributable to owners of the Company	(185,129)	741,722
Earnings (loss) per share:		
Basic	(0.01)	0.03
Diluted	(0.01)	0.03
Weighted average number of shares outstanding:		
Basic (note 9)	36,267,802	23,703,966
Diluted (note 9)	36,267,802	23,703,966

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Changes in Equity

three months ended March 31 (unaudited)

(in Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Total
Balances at December 31, 2015	24,765,964	3,391,767	5,863,739	34,021,470
Share-based compensation expense (note 10)	-	60,818	-	60,818
Net income (loss) and comprehensive income (loss)	-	-	(185,129)	(185,129)
Balances at March 31, 2016	24,765,964	3,452,585	5,678,610	33,897,159
Balances at December 31, 2014	2,080,000	-	4,668,686	6,748,686
Share issuance	467,848	-	-	467,848
Net income and comprehensive income	-	-	741,722	741,722
Balances at March 31, 2015	2,547,848	-	5,410,408	7,958,256

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Cash Flows

three months ended March 31 (unaudited)

(in Canadian dollars)

	2016	2015
Cash flows from operating activities		
Net income (loss)	(185,129)	741,722
Adjustments:		
Depreciation of property and equipment	2,403,183	1,204,501
Gain on sale of property and equipment	(331,333)	(109,958)
Finance costs	388,374	321,381
Finance income	(56,929)	(39,654)
Amortization of customer lists	30,360	-
Share-based compensation expense	60,818	-
Reverse takeover costs	-	380,589
Income tax expense (recovery)	(42,038)	299,541
	2,267,306	2,798,122
Net change in non-cash operating working capital	715,413	1,160,948
	2,982,719	3,959,070
Interest paid	(362,016)	(321,381)
Interest received	56,929	39,654
Income taxes paid	(434,848)	(460,800)
	2,242,784	3,216,543
Cash flows from investing activities		
Finance lease receivables (note 15)	503,620	150,828
Acquisition of property and equipment (note 6, 11)	(450,094)	-
Disposition of property and equipment (note 6)	397,791	255,029
Acquisition of subsidiary	-	(2,000,000)
	451,317	(1,594,143)
Cash flows from financing activities		
Proceeds from bank indebtedness	726,609	12,433,354
Repayment of demand loans acquired	-	(914,580)
Repayment of loans payable	(2,635,589)	(1,589,799)
Repayment of finance lease liabilities	(1,021,926)	(2,809,300)
Repayment of amounts due to corporate shareholder	-	(9,000,000)
Reverse takeover costs	-	(92,838)
	(2,930,906)	(1,973,163)
Decrease in cash	(236,805)	(350,763)
Cash, beginning	788,909	5,982,928
Cash, ending	552,104	5,632,165

Please refer to note 11 for supplemental cash flow information.

1. REPORTING ENTITY

Titanium Transportation Group Inc. (the "Company") was incorporated on July 11, 1989 under the Canada Business Corporations Act. The Company is a truck-based carrier and logistics broker servicing all of North America with distribution terminals based in Woodbridge, Bracebridge, North Bay, Orillia and Napanee, Ontario. The Company's registered head office is at 400 Zenway Boulevard, Unit 4, Woodbridge, Ontario, L4H 0S7.

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

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

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent annual consolidated financial statements of the Company, including the notes thereto, for the year ended December 31, 2015.

These unaudited condensed consolidated interim financial statements have been prepared by and are the sole responsibility of the Company's management. The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants of Canada for the review of interim financial statements.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 17, 2016.

Basis of Measurement

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

Functional and Presentation Currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented has been rounded to the nearest dollar, except per share amounts and where otherwise indicated.

2. BASIS OF PRESENTATION - continued

Seasonality of Interim Operations

The activities of the Company are subject to seasonal demand for truck transportation. Historically, the Company has experienced weaker demand in the first and third quarters and stronger demand in the second and fourth quarters. Consequently, the results of operations for the interim period are not necessarily indicative of the results of operations for the full year.

Use of Estimates

The preparation of consolidated financial statements in accordance with IFRS, requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses for the period. Management makes estimates based on specific facts or circumstances as well as past experiences. Management periodically reviews its estimates and underlying assumptions relating to provisions for receivables, depreciation, deferred taxes, impairment testing, determining the fair value of identifiable assets acquired and liabilities assumed in a business combination, determining the risk free rate of return, expected volatility, expected dividends, expected forfeitures and future market conditions when calculating fair value of stock options and warrants, and determining fair values of financial instruments. Due to the inherent uncertainty involved with making such estimates, actual results could differ from those reported. As adjustments become necessary, they are reported in earnings in the period in which they become known.

Use of Judgment

The preparation of these condensed consolidated interim financial statements in accordance with IFRS, requires management to make judgments that affect the application of accounting policies and the interpretation of accounting standards. Management periodically reviews its judgments and underlying assumptions relating to the classification of leases, determining income tax provisions, assessing impairment of assets, allocating the purchase price in a business combination and determining fair values of financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3. SIGNIFICANT ACCOUNTING POLICIES - continued

New Standards not yet Adopted

IFRS 9, Financial Instruments, was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The mandatory effective date for IFRS 9 of January 1, 2015 has been removed and January 1, 2018 has been proposed with early adoption being permitted. Management does not intend to adopt IFRS 9 until this standard becomes effective. The impact of IFRS 9 has not yet been determined.

IFRS 15, Revenue from Contracts with Customers, which will replace IAS 18, Revenue, will become effective for periods beginning on or after January 1, 2018. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. New estimates and judgemental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 16, Leases, was issued by the IASB on January 13, 2016, superseding IAS 17, Leases and IFRIC 4, Determining Whether an Arrangement Contains a Lease. The standard applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The standard removes the distinction between operating and finance leases with assets and liabilities recognized in respect of all leases. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has been adopted. The Company is assessing the impact of these standards, on the consolidated financial statements.

4. OPERATING SEGMENTS

The Company's business activities are made up of two main segments: truck transportation and logistics. The truck transportation segment entails the pickup and delivery of goods across Canada and the United States. The logistics segment entails the brokering of freight across North America. For each operating segment, the Company's CEO reviews internal management reports on a monthly basis. Operating segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items ("Corporate") comprise mainly of head office expenses.

	Truck Transportation	Logistics	Corporate	Elimination	Total
Three months ended March 31, 2016					
Revenue - external	20,957,761	7,150,814	-	-	28,108,575
Revenue - internal	418,632	-	-	(418,632)	-
Total revenue	21,376,393	7,150,814	-	(418,632)	28,108,575
Depreciation	2,401,051	2,132	-	-	2,403,183
Finance costs	388,374	-	-	-	388,374
Finance income	56,929	-	-	-	56,929
Income (loss) before income taxes	105,604	187,646	(520,417)	-	(227,167)
Income taxes (recoveries)	30,156	52,967	(125,161)	-	(42,038)
Capital expenditures	9,966,539	-	-	-	9,966,539
Goodwill acquisitions	-	-	-	-	-
Three months ended March 31, 2015					
Revenue - external	14,565,158	9,445,722	-	-	24,010,880
Revenue - internal	114,728	-	-	(114,728)	-
Total revenue	14,679,886	9,445,722	-	(114,728)	24,010,880
Depreciation	1,204,501	-	-	-	1,204,501
Finance costs	321,381	-	-	-	321,381
Finance income	39,654	-	-	-	39,654
Income (loss) before income taxes	762,777	958,409	(679,923)	-	1,041,263
Income taxes (recoveries)	224,325	255,396	(180,180)	-	299,541
Capital expenditures	18,557,058	-	-	-	18,557,058
Goodwill acquisitions	160,398	-	-	-	160,398

Revenue is attributed to geographical locations based on the location of the origin of the service. All of the Company's assets are located in Canada.

	2016	2015
Canada	18,317,341	15,935,241
United States	9,791,234	8,075,639
	28,108,575	24,010,880

5. FINANCE LEASE RECEIVABLES

During the period, the Company entered into new finance leases totaling $4,295,666, which are receivable over 36 to 60 months with interest rates ranging from 4.94% to 6.01%.

6. PROPERTY AND EQUIPMENT

	Land and Buildings	Furniture and Equipment	Rolling Stock	Total
Cost				
Balance December 31, 2015	5,017,209	2,743,357	62,555,433	70,315,999
Other additions	-	297,636	9,668,903	9,966,539
Disposals	-	-	(5,006,659)	(5,006,659)
Balance March 31, 2016	5,017,209	3,040,993	67,217,677	75,275,879
Accumulated depreciation				
Balance December 31, 2015	32,586	1,906,179	9,955,467	11,894,232
Depreciation	26,505	177,179	2,199,499	2,403,183
Disposals	-	-	(563,645)	(563,645)
Balance March 31, 2016	59,091	2,083,358	11,591,321	13,733,770
Net carrying amounts				
At December 31, 2015	4,984,623	837,178	52,599,966	58,421,767
At March 31, 2016	4,958,118	957,635	55,626,356	61,542,109

7. GOODWILL AND INTANGIBLES

	Goodwill	Customer Lists	Total
Balance December 31, 2015	4,515,825	839,880	5,355,705
Amortization	-	(30,360)	(30,360)
Balance March 31, 2016	4,515,825	809,520	5,325,345

8. LONG-TERM DEBT

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

	Effective Interest Rate	Year of Maturity	Carrying Amount
Bank indebtedness	P+0.75%	N/A	4,930,430
Loans payable	2.95% - 4.76%	2017-2025	25,515,216
Finance lease liabilities	2.56% - 5.58%	2017-2021	18,005,816
			48,451,462
Current portion			16,873,845
			31,577,617

9. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares with no par value. No shares were issued during the three month period ended March 31, 2016. The total number of outstanding shares as of March 31, 2016 was 36,267,802. All issued shares are fully paid.

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

	2016	**2015**
Issued common shares, beginning	36,267,802	23,600,000
Effect of issued common shares	-	103,966
Weighted average number of common shares	36,267,802	23,703,966

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

10. CONTRIBUTED SURPLUS

The Company offers a stock option plan for the benefit of certain of its directors, employees and consultants. The maximum number of shares which may be issued under this plan may not exceed 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.

During the period ended March 31, 2016, 425,000 stock options were issued to various employees. Each stock option entitles the holder to acquire a common share of the Company at an exercise price of $2.85 per common share. No stock options expired, were exercised or were forfeited during the reporting period. As at March 31, 2016, there were 1,665,000 stock options outstanding, of which 675,000 were held by key management personnel and 300,000 are exercisable at a price of $1.50. Of the stock options outstanding, 1,240,000 have an exercise price of $1.50 and expire April 1, 2025, and 425,000 have an an exercise price of $2.85 and expire February 22, 2026. During the period, the Company recognized an expense of $60,818 relating to stock options with a corresponding increase to contributed surplus.

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

The total number of warrants outstanding as of March 31, 2016 was 6,444,915, of which 4,426,665 have an exercise price of $2.50 and expire on April 1, 2018 and 2,018,250 have an exercise price of $3.50 and expire on July 7, 2017.

11. SUPPLEMENTAL CASH FLOW INFORMATION

a) Included in gain on sale of property and equipment are the following sales of rolling stock to independent contractors under finance lease arrangements:

	2016	2015
Sales	4,295,666	407,395
Cost of sales	(4,135,995)	(398,538)
	159,671	8,857

b) Rolling stock totaling $9,394,208 (2015 - $5,312,158) was purchased and financed directly. As such, it is not reflected as a cash outflow on the condensed consolidated statement of cash flows.

12. RELATED PARTY TRANSACTIONS

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

	2016	2015
Provided truck transportation services to Vision Extrusions Group Limited and Sunview Patio Doors Ltd., companies under common control	718,597	734,430
Paid rent for premises to Vaughan West II Limited and Vision Extrusions Group Limited, paid rent for yard to Roybridge Holdings Limited, all companies under common control	(112,887)	(104,277)
Paid management fees to Trunkeast	(15,000)	(15,000)
Paid interest to Trunkeast	-	(94,514)
	590,710	520,639

Included in trade and other receivables as at March 31, 2016 is a total of $299,116 due from these related companies. Included in trade and other payables as at March 31, 2016 is a total of $50,850 owing to these related companies.

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

13. WAGES AND CASUAL LABOUR

Included in wages and casual labour are the following:

	2016	2015
Share-based compensation expense	60,818	-
Employee benefits	124,048	79,587
Key management personnel:		
Salaries and benefits	192,077	180,136
Share-based compensation expense	23,983	-

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

14. COMMITMENTS AND CONTINGENCIES

a) The Company is committed to the leasing of rolling stock as well as various office, storage and yard space. Minimum lease payments on these operating leases are as follows:

Less than one year	1,278,709
Between one and five years	1,469,669

Operating leases that were charged to income during the three month period ended March 31, 2016 totaled $745,727 (2015 - $664,709).

b) As at March 31, 2016, the Company had committed to purchasing rolling stock and equipment for $14,947,011.

c) The Company has committed to a lease with Caledon First Investments Limited, a company under common control, for approximately 71,500 square feet of gross floor area and 8 acres of yard space. Annual rent will start at $1,675,625 and increase to $2,413,123 over a 15 year period commencing October 1, 2016. As of March 31, 2016, the Company has a security deposit of $847,196 with Caledon First Investments Limited, a portion of which is by way of letter of credit for $665,843.

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

15. COMPARATIVE FIGURES

As a result of the increasing frequency of the Company entering into rolling stock leasing arrangements with independent contractors, management has revised its accounting policy to classify cash flows related to finance receivables from operating activities to investing activities in the statement of cash flows. The changes have been applied retrospectively to the comparative period.