TITANIUM Transportation Group Inc.

Unaudited Condensed Consolidated Interim Financial Statements

For the third quarter ended
September 30, 2017

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Financial Position

(unaudited)

(in Canadian dollars)

	September 30 2017	December 31 2016
Assets		
Current		
Cash	245,409	152,808
Trade and other receivables (note 14 and 17)	22,293,350	19,349,970
Current taxes recoverable	1,383,695	469,398
Finance lease receivables (note 6)	2,143,336	2,471,690
Prepaid expenses and deposits	997,374	1,620,151
Assets held for sale (note 7)	-	1,820,727
Restricted cash (note 5)	4,334,450	-
	31,397,614	25,884,744
Finance lease receivables (note 6)	4,918,943	6,948,786
Property and equipment (note 8)	71,501,685	73,726,657
Deferred tax assets	278,870	351,415
Customer lists (note 9)	627,360	718,440
Goodwill (note 9)	4,515,825	4,515,825
	113,240,297	112,145,867
Liabilities		
Current		
Bank indebtedness (note 10)	13,100,992	7,728,358
Trade and other payables	10,869,396	9,205,205
Current taxes payable	291,816	142,631
Loans payable (note 10)	7,421,651	7,491,309
Finance lease liabilities (note 10)	7,397,688	8,204,358
Finance lease liabilities on assets held for sale	-	485,091
	39,081,543	33,256,952
Loans payable (note 10)	15,161,446	19,184,828
Finance lease liabilities (note 10)	16,447,167	18,836,277
Deferred tax liabilities	5,657,570	4,629,524
	76,347,726	75,907,581
Commitments and contingencies (note 16)		
Shareholders' Equity		
Share capital (note 11)	26,778,207	26,754,964
Contributed surplus (note 12)	3,867,398	3,681,674
Retained earnings	6,246,966	5,801,648
	36,892,571	36,238,286
	113,240,297	112,145,867

On behalf of the Board

"Ted Daniel"
Director

"Bill Chyfetz"
Director

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Comprehensive Income

(unaudited)

(in Canadian dollars)

	3 months ended Sept 30 2017	**3 months ended Sept 30 2016**	**9 months ended Sep 30 2017**	**9 months ended Sep 30 2016**
Revenue (note 14)	29,827,618	28,261,865	88,738,542	83,082,452
Fuel surcharge	1,688,836	1,577,145	5,401,139	4,832,489
	31,516,454	29,839,010	94,139,681	87,914,941
Operating expenses				
Carriers and independent contractors	16,319,363	14,175,745	47,431,944	40,782,939
Vehicle operating	4,741,931	4,760,842	14,516,196	14,868,370
Wages and casual labour (note 15)	5,933,596	5,933,654	17,934,697	18,027,835
Other operating (note 14)	1,688,151	1,733,517	5,138,029	5,355,111
	28,683,041	26,603,758	85,020,866	79,034,255
Income before the following	2,833,413	3,235,252	9,118,815	8,880,686
Depreciation (note 8)	2,580,884	2,634,409	7,764,162	7,657,571
Gain on sale of property and equipment	(92,124)	(28,402)	(437,437)	(273,400)
Finance costs	430,516	490,372	1,363,246	1,339,294
Finance income	(109,127)	(94,766)	(318,061)	(271,391)
Foreign exchange loss	74,850	16,057	73,983	282,456
Amortization of customer lists (note 9)	30,360	30,360	91,080	91,080
Transaction costs	-	-	-	226,392
	2,915,359	3,048,030	8,536,973	9,052,002
Income (loss) before income taxes	(81,946)	187,222	581,842	(171,316)
Income tax expense (recovery)	(98,880)	57,442	136,524	10,173
Net income (loss) and comprehensive income (loss) attributable to owners of the Company	16,934	129,780	445,318	(181,489)
Earnings (loss) per share:				
Basic	0.00	0.00	0.01	(0.00)
Diluted	0.00	0.00	0.01	(0.00)
Weighted average number of shares outstanding:				
Basic (note 11)	37,391,971	37,388,510	37,389,664	36,703,633
Diluted (note 11)	37,395,432	37,412,726	37,390,818	36,703,633

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Changes in Equity

Nine months ended September 30, 2017 and 2016 (unaudited)

(in Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Total
Balances at December 31, 2016	26,754,964	3,681,674	5,801,648	36,238,286
Share issuance (note 11)	23,243	-	-	23,243
Share-based compensation expense (note 12)	-	185,724	-	185,724
Net income and comprehensive income	-	-	445,318	445,318
Balances at September 30, 2017	26,778,207	3,867,398	6,246,966	36,892,571
Balances at December 31, 2015	24,765,964	3,391,767	5,863,739	34,021,470
Share issuance	1,989,000	-		1,989,000
Share-based compensation expense	-	214,508	-	214,508
Net income (loss) and comprehensive income (loss)	-	-	(181,489)	(181,489)
Balances at September 30, 2016	26,754,964	3,606,275	5,682,250	36,043,489

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Cash Flows

(unaudited)

(in Canadian dollars)

	3 months ended Sep 30 2017	**3 months ended Sep 30 2016**	**9 months ended Sep 30 2017**	**9 months ended Sep 30 2016**
Cash flows from operating activities				
Net income (loss)	16,934	129,780	445,318	(181,489)
Adjustments:				
Depreciation	2,580,884	2,634,409	7,764,162	7,657,571
Gain on sale of property and equipment	(92,124)	(28,402)	(437,437)	(273,400)
Finance costs	430,516	490,372	1,363,246	1,339,294
Finance income	(109,127)	(94,766)	(318,061)	(271,391)
Amortization of customer lists	30,360	30,360	91,080	91,080
Share-based compensation expense	52,530	76,844	185,724	214,508
Income tax expense (recovery)	(98,880)	57,442	136,524	10,173
	2,811,093	3,296,039	9,230,556	8,586,346
Net change in non-cash operating working capital	(2,153,892)	(1,507,996)	(930,083)	(633,131)
	657,201	1,788,043	8,300,473	7,953,215
Interest paid	(429,888)	(509,263)	(1,374,223)	(1,298,316)
Interest received	109,127	94,766	318,061	271,391
Income taxes received (paid)	399,700	(42,363)	198,955	(676,741)
	736,140	1,331,183	7,443,266	6,249,549
Cash flows from investing activities				
Proceeds from finance lease receivables	524,304	619,286	1,599,558	1,736,571
Acquisition of property and equipment (note 8, 13)	(287,804)	(786,212)	(1,099,968)	(9,242,744)
Disposition of property and equipment (note 7, 8)	487,834	3,243,945	2,567,393	6,891,841
	724,334	3,077,019	3,066,983	(614,332)
Cash flows from financing activities				
Proceeds from bank indebtedness	6,257,802	273,609	5,278,342	5,887,648
Proceeds from loans payable (note 13)	618,098	-	618,098	-
Repayment of loans payable (note 13)	(1,839,064)	(1,710,181)	(5,413,844)	(6,690,478)
Repayment of finance lease liabilities (note 13)	(2,162,646)	(1,726,519)	(6,589,037)	(4,275,543)
Repayment of related company loan	-	(1,002,001)	-	(1,002,001)
Repayment of amounts due to related parties	-	(200,000)	-	(200,000)
Issuance of shares	23,243	-	23,243	(11,000)
	2,897,433	(4,365,092)	(6,083,198)	(6,291,374)
Increase (decrease) in cash	4,357,907	43,110	4,427,051	(656,157)
Cash, beginning	221,952	89,642	152,808	788,909
Cash, ending	4,579,859	132,752	4,579,859	132,752
Cash	245,409			
Restricted cash	4,334,450			
	4,579,859			

Refer to note 13 for supplemental cash flow information.

1. REPORTING ENTITY

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

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, 2016.

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 November 7, 2017.

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 quarter, moderate demand in the third and fourth quarters and stronger demand in the second quarter. In addition, harsher winter conditions generally result in lower fuel economy and increased repair costs. Furthermore, the timing of acquisitions and variations in economic conditions could have a considerable impact on quarterly results. Consequently, the results of operations for the interim period are not necessarily indicative of the results of operations for the full year.

Use of Estimates

The preparation of condensed consolidated interim financial statements in accordance with IFRS, requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenues and expenses for the period. Management makes estimates based on specific facts or circumstances as well as past experiences. Management periodically reviews its estimates and underlying assumptions 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 share based payments 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, unless otherwise indicated. The accounting policies have been applied consistently by all subsidiaries.

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, contractor or consultant unconditionally become entitled to the awards.

New Standards Adopted

IAS 7, Statement of Cash Flows, was amended to require disclosure that enables users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Adoption of these amendments did not have a material impact on the Company's condensed consolidated interim financial statements.

New Standards not yet Adopted

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 currently assessing the impact of this standard on the condensed consolidated interim financial statements.

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 Company is currently assessing the impact of this standard on the condensed consolidated interim financial statements.

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 standard is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this standard on the condensed consolidated interim financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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

4. OPERATING SEGMENTS

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

	Truck Transportation	Logistics	Corporate	Elimination	Total
Three months ended September 30, 2017					
Revenue - external	20,381,879	11,134,575	-	-	31,516,454
Revenue - internal	316,415	-	-	(316,415)	-
Total revenue	20,698,294	11,134,575	-	(316,415)	31,516,454
Depreciation	2,502,298	78,586	-	-	2,580,884
Finance costs	430,516	-	-	-	430,516
Finance income	(109,127)	-	-	-	(109,127)
Income (loss) before income taxes	(25,829)	443,318	(499,435)	-	(81,946)
Income taxes (recoveries)	(95,625)	120,772	(124,027)	-	(98,880)
Capital expenditures	2,677,353	40,896	-	-	2,718,249
Three months ended September 30, 2016					
Revenue - external	20,712,118	9,126,892	-	-	29,839,010
Revenue - internal	325,924	-	-	(325,924)	-
Total revenue	21,038,042	9,126,892	-	(325,924)	29,839,010
Depreciation	2,627,033	7,376	-	-	2,634,409
Finance costs	490,372	-	-	-	490,372
Finance income	(94,766)	-	-	-	(94,766)
Income (loss) before income taxes	106,288	530,951	(450,017)	-	187,222
Income taxes (recoveries)	18,421	144,458	(105,437)	-	57,442
Capital expenditures	2,501,830	198,383	-	-	2,700,213

4. OPERATING SEGMENTS - continued

	Truck Transportation	Logistics	Corporate	Elimination	Total
Nine months ended September 30, 2017					
Revenue - external	62,069,805	32,069,876	-	-	94,139,681
Revenue - internal	869,244	-	-	(869,244)	-
Total revenue	62,939,049	32,069,876	-	(869,244)	94,139,681
Depreciation	7,532,746	231,416	-	-	7,764,162
Finance costs	1,363,246	-	-	-	1,363,246
Finance income	(318,061)	-	-	-	(318,061)
Income (loss) before income taxes	586,092	1,334,862	(1,339,112)	-	581,842
Income taxes (recoveries)	95,727	363,039	(322,242)	-	136,524
Capital expenditures	4,957,189	132,591	-	-	5,089,780
Nine months ended September 30, 2016					
Revenue - external	62,761,677	25,153,264	-	-	87,914,941
Revenue - internal	1,094,144	-	-	(1,094,144)	-
Total revenue	63,855,821	25,153,264	-	(1,094,144)	87,914,941
Depreciation	7,644,416	13,155	-	-	7,657,571
Finance costs	1,339,294	-	-	-	1,339,294
Finance income	(271,391)	-	-	-	(271,391)
Income (loss) before income taxes	226,185	1,114,490	(1,511,991)	-	(171,316)
Income taxes (recoveries)	66,270	306,816	(362,913)	-	10,173
Capital expenditures	35,761,287	256,733	-	-	36,018,020

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.

	3 months ended Sep 30 2017	3 months ended Sep 30 2016	9 months ended Sep 30 2017	9 months ended Sep 30 2016
Canada	20,874,849	21,275,885	61,261,794	59,029,296
United States	10,641,605	8,563,125	32,877,887	28,885,645
	31,516,454	29,839,010	94,139,681	87,914,941

5. BUSINESS COMBINATIONS

Consistent with the Company's growth strategy and to add capacity to its Windsor terminal, Titanium acquired all the outstanding shares of Xpress Group ("Xpress") on October 1, 2017 for consideration of approximately $3.65 million, consisting of approximately $3.2 million in cash and $420,000 in share consideration. In addition, the Company assumed approximately $5,200,000 in debt.

As finalized financial statements for Xpress as of and for the period ended September 30, 2017 are not yet available and the company was so recently acquired, there is insufficient reliable information to provide an estimate of the fair value allocation among the net identifiable assets and liabilities associated with this acquisition, and therefore, such an allocation has not been disclosed. Similarly, there is insufficient information to determine the amount of goodwill acquired, if any, gross contractual amount of trade receivables acquired and the portion thereof that is uncollectible at the acquisition date.

As of September 30, 2017, $4,334,450 in cash was being held in trust in order to fund the cash portion of the Xpress purchase price, to pay off certain debts of Xpress, and to fund Xpress working capital, following the closing of the transaction on October 1, 2017.

6. FINANCE LEASE RECEIVABLES

During the nine month period ended September 30, 2017, the Company entered into new finance leases totaling $1,794,395, which are receivable over 36 to 60 months with interest rates of 5.25%.

7. ASSETS HELD FOR SALE

Balance, December 31, 2016	1,820,727
Reclassification from property and equipment	226,151
Disposals	(2,046,878)
Balance, September 30, 2017	-

8. PROPERTY AND EQUIPMENT

	Land, Buildings and Leaseholds	Furniture and Equipment	Rolling Stock	Total
Cost				
Balances, December 31, 2016	10,504,873	4,715,800	75,424,136	90,644,809
Reacquisition of rolling stock relating to finance lease receivables	-	-	2,583,799	2,583,799
Other additions	150,574	790,443	4,148,763	5,089,780
Sale of rolling stock relating to finance lease receivables	-	-	(1,906,196)	(1,906,196)
Other disposals	-	(16,500)	(1,557,027)	(1,573,527)
Reclassification to assets held for sale	-	-	(649,761)	(649,761)
Balances, September 30, 2017	10,655,447	5,489,743	78,043,714	94,188,904
Accumulated depreciation				
Balances, December 31, 2016	291,528	2,092,456	14,534,168	16,918,152
Depreciation	351,601	687,537	6,725,024	7,764,162
Sale of rolling stock relating to finance lease receivables	-	-	(259,056)	(259,056)
Other disposals	-	(15,833)	(1,296,596)	(1,312,429)
Reclassification to assets held for sale	-	-	(423,610)	(423,610)
Balances, September 30, 2017	643,129	2,764,160	19,279,930	22,687,219
Net carrying amounts				
At December 31, 2016	10,213,345	2,623,344	60,889,968	73,726,657
At September 30, 2017	10,012,318	2,725,583	58,763,784	71,501,685

9. GOODWILL AND INTANGIBLES

	Goodwill	Customer Lists	Total
Balances, December 31, 2016	4,515,825	718,440	5,234,265
Amortization	-	(91,080)	(91,080)
Balances, September 30, 2017	4,515,825	627,360	5,143,185

10. LONG-TERM DEBT

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

	Effective Interest Rate	Year of Maturity	Carrying Amount
Bank indebtedness	PRIME+0.50%	N/A	13,100,992
Loans payable	2.95% - 4.50%	2017-2031	22,583,097
Finance lease liabilities	2.56% - 5.50%	2017-2022	23,844,855
			59,528,944
Current portion			27,920,331
			31,608,613

Subsequent to the reporting date, the Company renegotiated the payment terms related to vendor take back loans issued as consideration for the acquisition of ProNorth Transportation ("ProNorth"). Quarterly payments will begin on January 1, 2018 over a nine year period.

11. SHARE CAPITAL

Authorized

Unlimited number of common shares with no par value

	Common Shares #	Share Capital $
Issued		
Balances, December 31, 2016	37,388,510	26,754,964
Shares issued as part of share purchase plan	41,534	23,243
Balances, September 30, 2017	37,430,044	26,778,207

During the quarter, the Company implemented a share purchase plan (the "Plan"), which allows all employees and independent contractors, except insiders of the Company, to contribute up to 5% of their compensation 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 which have been approved for issuance under the Plan is 1,500,000. Of the shares issued to date, 20,766 have not vested.

On October 1, 2017, the Company purchased Xpress for cash and 374,264 newly issued common shares with a stated value of $420,000.

11. SHARE CAPITAL - continued

Subsequent to the reporting period, 1,750,000 common shares were forfeited for cancellation as part of a settlement with the vendor of ProNorth pertaining to Titanium's acquisition of ProNorth on December 1, 2015.

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

	3 months ended Sep 30 2017	3 months ended Sep 30 2016	9 months ended Sep 30 2017	9 months ended Sep 30 2016
Issued common shares, beginning	37,388,510	37,388,510	37,388,510	36,267,802
Effect of issued common shares	3,461	-	1,154	435,831
Weighted average number of common shares	37,391,971	37,388,510	37,389,664	36,703,633
Dilutive effect of restricted common shares, stock options and warrants	3,461	24,216	1,154	-
Weighted average number of diluted common shares	37,395,432	37,412,726	37,390,818	36,703,633

12. CONTRIBUTED SURPLUS

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

During the nine month period ended September 30, 2017, 194,000 stock options were issued to various directors and employees. Each stock option entitles the holder to acquire a common share of the Company at an exercise price of $1.50 per common share. During the period, 10,000 stock options were forfeited and 250,000 expired. No other stock options expired, were exercised or were forfeited during the reporting period. As at September 30, 2017, there were 1,549,000 (December 31, 2016 - 1,615,000) stock options outstanding with a weighted average exercise price of $1.83 (December 31, 2016 - $1.82) and weighted average remaining life of 8 years. Of the stock options outstanding as at September 30, 2017, 814,000 were held by key management personnel. In addition, of the total options outstanding, 200,000 are fully vested and exercisable at a price of $1.50.

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 0.91% and 1.86%; iii) the dividend yield will be $NIL; and iv) expected volatility is 65%-70%. Volatility was determined using the Company's trading data from the first day of trading to September 7, 2017. 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.

During the period, 2,018,250 warrants with an exercise price of $3.50 expired. The total number of warrants outstanding as of September 30, 2017 was 4,426,665, with an exercise price of $2.50 and expiry of April 1, 2018.

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

		Cash Flows	Non-Cash Changes		
	Balance Dec 31 2016		New Leases	Return Leases	Balance Sep 30 2017
Finance lease receivables	9,420,476	(1,599,558)	1,794,395	(2,553,034)	7,062,279

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

		Cash Flows	Non-Cash Changes			
	Balances Dec 31 2016		New Leases /Loans	Conversion	Foreign Exchange Movement	Balances Sep 30 2017
Bank indebtedness	7,728,358	5,278,342	-	-	94,292	13,100,992
Loan payable	26,676,137	(4,795,746)	1,755,072	(1,052,366)	-	22,583,097
Finance lease liabilities	27,525,726	(6,589,037)	2,234,740	1,052,366	(378,940)	23,844,855
	61,930,221	(6,106,441)	3,989,812	-	(284,648)	59,528,944

14. 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.

	3 months ended Sep 30 2017	3 months ended Sep 30 2016	9 months ended Sep 30 2017	9 months ended Sep 30 2016
Provided truck transportation services to Vision Extrusions Group Limited, Vision Profile Extrusions Ltd. and Sunview Patio Doors Ltd., companies under common control	1,273,581	915,773	3,392,956	2,624,967
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	-	(64,388)	-	(290,118)
Paid rent to Caledon First Investments Limited, a company under common control	(481,469)	(20,854)	(1,444,407)	(20,854)
Paid ZZEN for leasehold improvements	-	(1,902,001)	-	(1,902,001)
Paid management fees to Trunkeast	(15,000)	(15,000)	(45,000)	(45,000)
Paid interest to ZZEN	-	(8,476)	-	(8,476)
	777,112	(1,094,946)	1,903,549	358,518

Included in trade and other receivables as at September 30, 2017 is a total of $477,220 due from 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.

15. WAGES AND CASUAL LABOUR

Included in wages and casual labour are the following:

	3 months ended Sep 30 2017	**3 months ended Sep 30 2016**	**9 months ended Sep 30 2017**	**9 months ended Sep 30 2016**
Share-based compensation expense	52,530	76,844	185,724	214,508
Employee benefits	96,364	126,246	339,166	376,395
Key management personnel:				
Salaries and benefits	212,185	201,507	634,989	610,372
Share-based compensation expense	23,264	27,450	79,442	78,883

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

16. COMMITMENTS AND CONTINGENCIES

a) The Company is committed to the leasing of rolling stock as well as its head office terminal. Minimum lease payments on these operating leases are as follows:

Less than one year	1,845,008
Between one and five years	7,422,115
More than five years	19,450,140

Operating leases that were charged to income during the three month and nine month periods ended September 30, 2017 totaled $610,811 and $1,838,436 (2016 - $474,886 and $1,775,379).

In addition, the Company is committed to paying $5,000 a month to Trunkeast in management fees until such time that the contract is terminated. Six month's written notice is required for termination.

b) As at September 30, 2017, the Company was not committed to the purchase of any rolling stock or equipment.

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

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.

17. SUBSEQUENT EVENTS

Subsequent to the reporting date, the Company entered into a settlement with the vendors of ProNorth pertaining to Titanium's acquisition of ProNorth on December 1, 2015. The settlement includes:

a) Forfeiture of 1,750,000 common shares held by the vendor (refer to note 11);

b) Cancellation of a vendor consulting contract valued at $450,000;

c) Revision to the payment terms of vendor take back loans owing by the Company to the vendor (refer to note 10);

d) Forfeiture by the Company of working capital and other receivables from the vendor totaling $1,133,208. The balance is currently included in trade and other receivables.

In addition, on October 1, 2017, the Company acquired all the outstanding shares of Xpress. For further details, refer to note 5.

Management's Discussion and Analysis

For the third quarter ended
September 30, 2017

Dated November 7, 2017

GENERAL INFORMATION

The following is Titanium Transportation Group Inc.'s management discussion and analysis dated November 7, 2017 ("MD&A"), which provides a comparative overview of the Company's performance for its three month and nine month periods ended September 30, 2017 with the corresponding three month and nine month periods ended September 30, 2016, and it reviews the Company's financial position as at September 30, 2017. Throughout this MD&A, the term "Company" or "Titanium" shall mean Titanium Transportation Group Inc. and all of its direct and indirect wholly-owned subsidiaries. This discussion should be read in conjunction with the Company's MD&A, audited consolidated financial statements and accompanying notes as at and for the year ended December 31, 2016 as well as the unaudited condensed consolidated interim financial statements of the Company for the third quarter ended September 30, 2017 ("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 third quarter ended September 30, 2017 were approved by its Board of Directors on November 7, 2017. Readers are cautioned that certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumption prove incorrect, actual results may vary significantly from those expected. See "Forward Looking Statements" and "Risks and Uncertainties".

Unless otherwise indicated, the information in this report is dated as of November 7, 2017. Additional information relating to the Company is available on SEDAR at www.sedar.com.

OVERVIEW

The Company is an asset-based transportation and logistics company servicing Canada and the United States with terminals in Bolton, Bracebridge, Napanee, North Bay and Windsor, Ontario and with additional parking/switch yards in Sudbury, Brantford, Brockville and Trenton, Ontario. The Company has over 1,000 customers across various industries, including large multinational corporations. The Company has approximately 450 power units, 1,500 trailers, and 550 independent owner operators and full-time employees.

The Truck Transportation segment provides transport of general merchandise by long-haul, dedicated and local trucking services throughout Canada and the U.S. with a variety of trailer types, including 53' dry vans and flatbeds that support both heated and multi-axle services. Through the use of a modern fleet, the Truck Transportation segment provides reliable and timely service to various customers, attains a high asset utilization through its network of terminals and yards across Ontario, and achieves revenue growth and cost efficiencies through the integration of acquisitions.

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

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

Revenue (including fuel surcharge) for the three month and nine month periods ended September 30, 2017 was $31.5 million and $94.1 million, respectively, a 5.6% and 7.1% increase over the same periods last year. This growth was driven by the Logistics segment, which enjoyed revenue growth of 22.0% and 27.5% over those periods as a result of a developing sales team as well as strengthening customer demands. The Truck Transportation segment experienced volume growth over the same periods, offset by pricing pressure caused by a more challenging rate environment and more recently a weakening US dollar. These factors resulted in a decrease in Truck Transportation revenue year over year of 1.6% for the three month period and 1.4% for the nine month period ended September 30, 2017.

Operating income was $0.2 million for the three month period ended September 30, 2017 and $1.3 million for the nine month period ended September 30, 2017. Improvements in volumes and a focus on fixed cost reduction allowed the Logistics segment to improve its operating income by 24.9% and 43.8% over the three month and nine month periods. The Truck Transportation segment experienced a decline in operating income of 71.7% and 24.7% over the same periods, as a result of the rapid weakening of the US dollar, that did not allow for an adjustment to contract rates. Factors that negatively impacted pricing were offset by year over year volume growth, improved utilization of equipment and various cost reductions.

Consistent with the Company's growth strategy and to add capacity to its Windsor terminal, on October 1, 2017, Titanium acquired Xpress Group ("Xpress") for consideration of approximately $3.65 million, consisting of approximately $3.2 million in cash and $420,000 in share consideration. In addition, the Company assumed approximately $5,200,000 in debt. The acquisition will allow the Company to further improve their cross-border service, especially once the ELD mandate comes into effect December 2017.

Revenue by Industry

Manufactured Goods	37.3%
Retail	13.0%
Metals	9.9%
Logistics/ Trucking	9.9%
Food & Beverage	9.3%
Services	5.6%
Forest Products	5.5%
Automotive	3.2%
Other	6.3%

Based on Q3 2017 revenue

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

RESULTS OF OPERATIONS

Financial Highlights (unaudited)

	3 months ended Sept 30 2017	3 months ended Sept 30 2016	9 months ended Sept 30 2017	9 months ended Sept 30 2016
Revenue	29,827,618	28,261,865	88,738,542	83,082,452
Fuel surcharge	1,688,836	1,577,145	5,401,139	4,832,489
	31,516,454	29,839,010	94,139,681	87,914,941
Operating expenses	28,683,041	26,603,758	85,020,866	79,034,255
EBITDA(1)	2,833,413	3,235,252	9,118,815	8,880,686
EBITDA margin(1)	9.5 %	11.4 %	10.3 %	10.7 %
Depreciation	2,580,884	2,634,409	7,764,162	7,657,571
Amortization of customer lists	30,360	30,360	91,080	91,080
Operating income(1)	222,169	570,483	1,263,573	1,132,035
Operating margin(1)	0.7 %	2.0 %	1.4 %	1.4 %
Gain on sale of property and equipment	(92,124)	(28,402)	(437,437)	(273,400)
Finance costs	430,516	490,372	1,363,246	1,339,294
Finance income	(109,127)	(94,766)	(318,061)	(271,391)
Foreign exchange loss	74,850	16,057	73,983	282,456
Transaction costs	-	-	-	226,392
Income tax expense (recovery)	(98,880)	57,442	136,524	10,173
Net income (loss) and comprehensive income (loss) attributable to owners of the Company	16,934	129,780	445,318	(181,489)
Net income (loss) per share - basic	0.00	0.00	0.01	(0.00)
Net income (loss) per share - diluted	0.00	0.00	0.01	(0.00)

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

Selected Segmented Financial Information (unaudited)

	3 months ended Sept 30 2017	3 months ended Sept 30 2016	9 months ended Sept 30 2017	9 months ended Sept 30 2016
Truck Transportation				
Revenue	19,417,982	19,832,993	58,876,192	59,966,243
Fuel surcharge	1,280,312	1,205,049	4,062,857	3,889,578
	20,698,294	21,038,042	62,939,049	63,855,821
Operating expenses				
Carriers and independent contractors	7,493,314	7,223,599	21,884,594	21,632,436
Vehicle operating	4,741,931	4,760,842	14,516,196	14,868,370
Wages and casual labour	4,779,096	4,795,251	14,501,651	14,817,343
Other operating	1,009,352	1,100,126	3,328,338	3,361,618
	18,023,693	17,879,818	54,230,779	54,679,767
EBITDA(1)	2,674,601	3,158,224	8,708,270	9,176,054
EBITDA margin(1)	13.8 %	15.9 %	14.8 %	15.3 %
Depreciation	2,502,298	2,627,033	7,532,746	7,644,416
Amortization of customer lists	30,360	30,360	91,080	91,080
Operating income(1)	141,943	500,831	1,084,444	1,440,558
Operating margin(1)	0.7 %	2.5 %	1.8 %	2.4 %
Gain on sale of property and equipment	(92,124)	(28,402)	(437,437)	(273,400)
Finance costs	430,516	490,372	1,363,246	1,339,294
Finance income	(109,127)	(94,766)	(318,061)	(271,391)
Foreign exchange loss (gain)	(61,493)	27,339	(109,396)	193,478
Transaction costs	-	-	-	226,392
Income tax expense (recovery)	(95,625)	18,421	95,727	66,270
Net income	69,796	87,867	490,365	159,915
Logistics				
Revenue	10,726,051	8,754,796	30,731,594	24,210,353
Fuel surcharge	408,524	372,096	1,338,282	942,911
	11,134,575	9,126,892	32,069,876	25,153,264
Operating expenses				
Carriers and independent contractors	9,142,464	7,278,070	26,416,594	20,244,647
Wages and casual labour	930,633	908,550	2,801,893	2,526,273
Other operating	403,231	413,227	1,101,732	1,165,721
	10,476,328	8,599,847	30,320,219	23,936,641
EBITDA / Operating income(1)	658,247	527,045	1,749,657	1,216,623
EBITDA / Operating margin(1)	6.1 %	6.0 %	5.7 %	5.0 %
Depreciation	78,586	7,376	231,416	13,155
Foreign exchange loss (gain)	136,343	(11,282)	183,379	88,978
Income tax expense	120,772	144,458	363,039	306,816
Net income	322,546	386,493	971,823	807,674

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

Revenue (unaudited)

	3 months ended Sept 30 2017	3 months ended Sept 30 2016	9 months ended Sept 30 2017	9 months ended Sept 30 2016
Truck Transportation				
Revenue	19,417,982	19,832,993	58,876,192	59,966,243
Fuel surcharge	1,280,312	1,205,049	4,062,857	3,889,578
	20,698,294	21,038,042	62,939,049	63,855,821
Logistics				
Revenue	10,726,051	8,754,796	30,731,594	24,210,353
Fuel surcharge	408,524	372,096	1,338,282	942,911
	11,134,575	9,126,892	32,069,876	25,153,264

For the three month and nine month periods ended September 30, 2017, the Company's consolidated revenues increased by $1.7 million or 5.6%, and $6.2 million or 7.1% when compared to the three month and nine month periods ended September 30, 2016. The increase in revenue was a result of an increase in revenue in the Logistics segment, offset by the year over year decrease in the Truck Transportation segment.

The Truck Transportation segment experienced a slight decrease in revenue of $0.3 million or 1.6%, for the three month period ended September 30, 2017 and a slight decrease of $0.9 million or 1.4% for the nine month period ended September 30, 2017 when compared to that of 2016. The decrease is mainly a result of a relatively more competitive environment, which had a negative impact on contract rates. The weakening of the US dollar relative to the Canadian dollar further hurt pricing in the third quarter. However, decreases in pricing were offset by increases in volumes.

The Logistics segment saw an increase in revenue of $2.0 million or 22.0% for the three month period ended September 30, 2017 and an increase of $6.9 million or 27.5% for the nine month period ended September 30, 2017, when compared to that of 2016. The increase is primarily attributable to the growth in the segment's sales force following the Company's move to a much larger head office location late last year, as well as a tightening of truck capacity during 2017, which increased spot rates.

Operating Expenses and Income (unaudited)

	3 months ended Sept 30 2017	3 months ended Sept 30 2016	9 months ended Sept 30 2017	9 months ended Sept 30 2016
Truck Transportation				
Revenue	20,698,294	21,038,042	62,939,049	63,855,821
Operating expenses	18,023,693	17,879,818	54,230,779	54,679,767
EBITDA(1)	2,674,601	3,158,224	8,708,270	9,176,054
EBITDA margin(1)	13.8 %	15.9 %	14.8 %	15.3 %
Depreciation and amortization	2,532,658	2,657,393	7,623,826	7,735,496
Operating income(1)	141,943	500,831	1,084,444	1,440,558
Operating margin(1)	0.7 %	2.5 %	1.8 %	2.4 %
Logistics				
Revenue	11,134,575	9,126,892	32,069,876	25,153,264
Operating expenses	10,476,328	8,599,847	30,320,219	23,936,641
EBITDA / Operating income(1)	658,247	527,045	1,749,657	1,216,623
EBITDA / Operating margin(1)	6.1 %	6.0 %	5.7 %	5.0 %
Corporate				
Operating expenses	499,435	450,017	1,339,112	1,511,991

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

For the Truck Transportation segment, operating expenses increased slightly by $0.1 million or 0.8%, for the three month period ended September 30, 2017 and decreased slightly by $0.4 million or 0.8% for the nine month period ended September 30, 2017, when compared to the same periods in 2016. The nominal change is a result of the net effect of an increase in costs due to higher volumes, and cost savings realized from continuing efforts to integrate acquisitions and increase utilization of the Company's fleet. As a result of a higher proportion of the Company's revenues being in US dollars than costs, the weakening US dollar had a negative impact on both EBITDA and operating income this quarter, as well as the related margins.

For the Logistics segment, operating expenses increased by $1.9 million or 21.8% for the three month period ended September 30, 2017 and increased by $6.4 million or 26.7% for the nine month period ended September 30, 2017. The increase was primarily driven by a higher volume of orders resulting in higher carrier costs. The improvement in EBITDA margin from 6.0% to 6.1% for the three month period and from 5.0% to 5.7% for the nine month period, is a product of both a higher volume of revenue and a reduction of fixed costs, despite the fact that lower margins were experienced in 2017 versus 2016. Although there has been tightening of capacity, this has not yet translated into increased spreads as spot rates have increased with carrier costs.

The Company realized a foreign exchange loss during the first quarter of 2016 as a result of the strengthening of the Canadian dollar relative to the US dollar during that period. Later in 2016, the Company began to borrow in US dollars in order to hedge against its exposure on its US dollar receivables. As a result of the decision, the foreign exchange loss recognized this quarter was significantly limited despite a strong Canadian dollar movement.

Subsequent to the reporting period, the Company settled outstanding proceedings relating to the acquisition of ProNorth Transportation ("ProNorth") on December 1, 2015 with the vendor of ProNorth. As part of the settlement, 1,750,000 common shares held by the vendor were forfeited for cancellation and a consulting agreement with the vendor was terminated. In addition, the Company has forfeited a total amount of $1,133,208 owing from the vendor for working capital and other receivables. During the nine month period ended September 30, 2017, the Company had incurred $112,500 relating to the terminated consulting agreement and $234,305 in legal and expert fees relating to these proceedings.

SUMMARY OF QUARTERLY RESULTS

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

(in thousands)

	Q3'17	Q2'17	Q1'17	Q4'16	Q3'16	Q2'16	Q1'16	Q4'15
Revenue	31,516	32,794	29,829	28,647	29,839	29,967	28,109	26,571
EBITDA(1)	2,833	3,376	2,910	3,061	3,235	3,165	2,481	2,638
EBITDA margin(1)	9.5 %	10.9 %	10.4 %	11.3 %	11.4 %	11.1 %	9.4 %	10.6 %
Operating income(1)	222	733	309	374	570	515	47	417
Operating margin(1)	0.7 %	2.4 %	1.1 %	1.4 %	2.0 %	1.8 %	0.2 %	1.7 %
Net income (loss) and comprehensive income (loss) attributable to the owners of the Company	17	299	129	119	130	(126)	(185)	446
Per share - basic	0.00	0.01	0.00	0.00	0.00	(0.00)	(0.01)	0.01
Per share - diluted	0.00	0.01	0.00	0.00	0.00	(0.00)	(0.01)	0.01

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

Changes from quarter to quarter are mainly the result of acquisitions, seasonality of operations and changes in economic conditions. Economic conditions began to worsen after the third quarter of 2015 and then further deteriorated into 2016 and 2017, which resulted in reduced revenue, margins and profitability. The Company combated these changes with an increased focus on its sales force, better asset utilization, as well as cost savings.

In addition, there has historically been an increase in revenue and a decrease in margins in quarters following an acquisition. Following the quarter in which an acquisition has occurred, revenues have often decreased, stabilized and then increased while EBITDA margins have increased. This historical trend can be observed in Q1 2016 following the acquisition of ProNorth. It may be difficult to isolate this impact if the integration process of two or more acquisitions overlap or if there are significant changes in economic conditions.

The activities of the Company are also subject to seasonal demand for truck transportation. Historically, the Company has experienced weak demand in the first quarter, moderate demand in the third and fourth quarters and stronger demand in the second quarter. Harsher winter conditions also generally result in lower fuel economy and increased repair costs during the first quarter. Despite Q3 being a seasonally weaker quarter over Q2, volumes in Q3 were comparable to that of Q2. The decline in revenue, quarter over quarter, was caused by a weakening US dollar, which had a negative impact on contract rates.

LIQUIDITY AND CAPITAL RESOURCES

	September 30 2017	December 31 2016
Working capital (deficit)(1)	(7,683,929)	(7,372,208)
Total assets	113,240,297	112,145,867
Net debt(2)	47,886,806	50,536,210
Shareholders' equity	36,892,571	36,238,286
Net debt to equity ratio(3)	1.30	1.39

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

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

(3) Net debt to equity ratio is defined as net debt divided by shareholders' equity.

The Company's net debt position and net debt to equity ratio as at September 30, 2017 decreased when compared to December 31, 2016 as cash flows generated from operating and financing activities allowed the Company to pay down debt. Cash flows from operating activities continue to be strong and improved by 19% for the nine month period ended September 30, 2017 compared to the same period last year. Although due on demand, the Company considers its bank indebtedness to be long-term debt as it is often used to finance equipment purchases and acquisitions.

Minimal investment in replacement equipment was required during the nine month period ended September 30, 2017, as the Company has been improving asset utilization and significant replenishments were made in 2015 and 2016 following the acquisitions of Muskoka Transport Limited and ProNorth. In addition, the Company generated $2,567,393 in cash from the sale of aged and redundant equipment during the same period. In terms of growth spending, 10 Volvo's were purchased during the third quarter and an additional 16 Volvo's are expected to be purchased in the first quarter of 2018 to support increases in customer demand. Subsequent to the reporting period, a total of 19 trucks have been purchased in order to replace trucks purchased as part of the acquisition of Xpress. Management believes there is sufficient financing available to fund planned capital expenditures in the future and to provide for the future growth of the business.

The Company paid down an additional $0.5 million in debt, during the first nine months of 2017, in excess of what was contractually required. The Company actively seeks debt refinancing when possible, especially with respect to debt acquired through business acquisitions, to the extent that penalties for early retirement of debt are not significant and lower cost financing is available. Management believes that the Company's operating cash flows are sufficient to fund daily operating activities and meet regular debt repayment obligations.

The Company limits the use of off-balance sheet financing, by way of operating leases, to the extent practical. Operating leases mainly pertain to the use of the Company's head office terminal but do include some power units and trailers to the extent that the Company assumes these commitments as part of business acquisitions. Excluding the Company's Bolton head office, these leases expire between December 2017 and October 2020. The lease for the Company's head office expires September 2031.

The portion of the Company's bank credit facilities which were unused as of September 30, 2017 include approximately $1.9 million under a revolving demand operating facility, $5 million under a non-revolving acquisition facility, $7.5 million under an accordion acquisition facility and $1.8 million under a finance lease loan facility. In addition, the Company has available approximately $7.8 million in finance leasing and loan facilities through other institutions.

Common Shares

During the quarter, the Company implemented a share purchase plan (the "Plan"), which allows all employees and independent contractors, except insiders of the Company, to contribute up to 5% of their compensation 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 which have been approved for issuance under the Plan is 1,500,000. Of the shares issued to date, 47,663 have not vested.

On October 1, 2017, the Company issued 374,264 common shares in connection with the acquisition of Xpress Group.

Subsequent to the reporting period, 1,750,000 common shares were forfeited for cancellation as part of a settlement with the vendor of ProNorth pertaining to Titanium's acquisition of ProNorth on December 1, 2015.

As of November 7, 2017, there are 37,858,100 common shares of the Company outstanding, and 4,426,665 outstanding warrants to acquire common shares of the Company. In addition, there are 1,529,000 stock options outstanding, of which 200,000 are exercisable. During the quarter, 2,018,250 warrants expired.

TRANSACTIONS WITH RELATED PARTIES

The Company provides truck transportation services to companies under common control. These companies include Vision Extrusions Group Limited, Vision Profile Extrusions Ltd. and Sunview Patio Doors Ltd. Aggregate revenues from these companies totaled $1,273,581 and $3,392,956, respectively, for the three month and nine month periods ended September 30, 2017 (2016 - $915,773 and $2,624,967).

The Company also currently rents its head office from Caledon First Investments Limited, a company under common control with Titanium. Rent was previously paid to Vaughan West II Limited, Roybridge Holdings Limited and Vision Extrusions Group Limited, also companies under common control. Total rent paid to these companies for the three month and nine month periods ended September 30, 2017 was $481,469 and $1,444,407, respectively (2016 - $85,242 and $310,972). The Company has committed to annual rent of $1,688,748, which will increase to $2,413,123 over a 15 year period.

Trunkeast Investments Canada Limited, the Company's controlling shareholder as of September 30, 2017, provides administrative and support services to the Company on a monthly basis. For these services, the Company was charged $15,000 and $45,000 (2016 - $15,000 and $45,000) for the three month and nine month periods ended September 30, 2017, respectively. The Company is committed to payment for such services until such time that the contract is terminated. Six month's written notice is required for termination.

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

FORWARD LOOKING STATEMENTS

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

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

From time to time, the Company will disclose its current annual run rate revenue and EBITDA. Although not intended as such, this may be interpreted as forward looking information. Run rates are presented in order to provide investors with insight into the current size of the Company and do not take into account expected future growth or changes in economic conditions. Historical figures may not be a good indicator of the Company's size, as a result of the number of acquisitions that are completed each year and the time that it takes to fully realize synergies. After releasing Q3 2016 results, the Company estimated that post synergy annualized revenue and EBITDA would be $120 million and $14 million, respectively. Actual revenue and EBITDA for the last four quarters was $122 million and $12.2 million, respectively. Although the Company's revenue results surpassed the revenue run rate, the primary reason for the difference in EBITDA, was a more significant decline in economic conditions than expected at the time, which created significant pressure on rates. In addition, the weakening of the US dollar relative to the Canadian dollar this quarter, further impacted this difference. However, as the foreign exchange fluctuation was temporary and prices and customer demands are improving, the Company is not currently adjusting its revenue and EBITDA run rate of $140 million and $15 million, respectively.

NON-IFRS FINANCIAL MEASURES

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

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

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

"Operating income" is calculated as net income before asset impairments, gains or losses on the sale of equipment, finance income and costs, gains or losses on foreign exchange, income tax expense, transaction costs and reverse takeover costs.

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

Management of the Company believes that these financial measures are useful for investors and other readers, when used in conjunction with other IFRS financial measures, as they are measurers used internally by management to evaluate performance. However, these financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of financial performance prepared in accordance with IFRS.

RISKS AND UNCERTAINTIES

The Company's business is subject to a number of risk factors which are described in our most recently filed annual information form. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

CHANGES IN ACCOUNTING POLICIES

The following new standards and amendments to standards are not yet effective for the period ended September 30, 2017 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 16, Leases
IFRS 15, Revenue from Contracts with Customers
IFRS 9, Financial Instruments
IFRIC 23, Uncertainty over Income tax Treatments