Titanium Transportation Group Inc.

Management's Discussion and Analysis

For the fourth quarter and year ended
December 31, 2017

Dated March 6, 2018

GENERAL INFORMATION

The following is Titanium Transportation Group Inc.'s management discussion and analysis dated March 6, 2018 ("MD&A"), which provides a comparative overview of the Company's performance for its three month period and year ended December 31, 2017 with the corresponding three month period and year ended December 31, 2016, and it reviews the Company's financial position as at December 31, 2017. 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 audited consolidated financial statements and accompanying notes ("consolidated financial statements") as at and for the year ended December 31, 2017.

The consolidated financial statements of the Company and extracts from those consolidated financial statements contained in this MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's presentation currency is the Canadian dollar. All financial information presented has been rounded to the nearest dollar, except per share amounts and where otherwise indicated. The Company's consolidated financial statements for the year ended December 31, 2017 were approved by its Board of Directors on March 6, 2018. Readers are cautioned that certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumption prove incorrect, actual results may vary significantly from those expected. See "Forward Looking Statements" and "Risks and Uncertainties".

Unless otherwise indicated, the information in this report is dated as of March 6, 2018. Additional information relating to the Company, including the Company's annual information form, 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, with no one customer accounting for more than 6% of revenue. 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 creates a platform for revenue growth and cost efficiencies through the integration of acquisitions.

The Logistics segment is a non-asset-based broker that provides ancillary transportation services, such as third-party logistics services and freight forwarding across all of North America. Through its network, the Logistics segment offers customers 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, exchange rates, government regulation and weather. The Company makes key decisions when allocating capital between its Truck Transportation and Logistics segments, hiring employees or independent contractors and determining 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.

2017 Key Highlights

Consistent with the Company's growth strategy and to add capacity to its existing Windsor terminal, Titanium acquired 6475485 Canada Inc. (o/a Xpress Group) ("Xpress") on October 1, 2017 for cash and share consideration totaling $3.4 million. The acquisition contributed approximately $3.1 million to revenue and $0.3 million to EBITDA during the fourth quarter of 2017, and will allow the Company to further improve cross-border service, especially in 2018 following the establishment of the Electronic Logging Device ("ELD") mandate in the United States.

Consistent with prior years, the Company grew during 2017, despite challenging industry conditions. Revenue (including fuel surcharge) increased by 11.2% to $129.6 million for the year ended December 31, 2017 and operating income[1] increased by 15.5% to $1.7 million. This growth was driven by the Logistics segment, which reacts much more quickly to changes in capacity, and implies that stronger growth and profitability can be expected for the Trucking segment in 2018.

Logistics revenue increased by 29.3% to $43.9 million and EBITDA increased by 54.9% to $2.6 million for the year ended December 31, 2017, as a result of a tightening of capacity in the second half of 2017, which increased load volumes and margins. The Truck Transportation segment also experienced revenue growth of 3.6% year over year, which is mainly attributable to the acquisition of Xpress. Margins, on the other hand, were negatively impacted during the year by significant rate pressure, unfavourable fluctuations in US foreign exchange rates and increased fuel prices. As there has been significant improvement in customer demands and spot rates in the Logistics segment since December, the Company is adjusting its revenue and EBITDA run rates upwards to $155 million and $16 million, respectively.

Revenue by Industry

Manufactured Goods	37.6%
Retail	12.2%
Logistics/ Trucking	10.4%
Metals	9.8%
Food & Beverage	7.8%
Automotive	7.2%
Services	5.1%
Forest Products	4.7%
Other	5.2%

Based on Q4 2017 revenue

On October 26, 2017, the Company successfully settled proceedings it had initiated against the vendor of ProNorth under the purchase and sale agreement. This settlement resulted in the Company cancelling 1,750,000 common shares originally issued to the vendor at a stated amount of $4.55 million and the renunciation of $1,133,208 in receivables from the vendor, the net of which was recorded directly to contributed surplus. On December 31, 2017, the Company performed an impairment test on the carrying value of goodwill, which included goodwill originally recognized on the acquisition of ProNorth, and determined that goodwill was impaired by $2,894,000. ProNorth customer lists were also re-evaluated and adjusted to zero. This resulted in a full expense of ProNorth customer lists totaling $627,360 in the fourth quarter of 2017.

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

RESULTS OF OPERATIONS

Financial Highlights (unaudited)

	3 months ended Dec 31 2017	**3 months ended Dec 31 2016**	**12 months ended Dec 31 2017**	**12 months ended Dec 31 2016**	**12 months ended Dec 31 2015**
Revenue	33,252,243	27,090,183	121,990,785	110,172,635	103,206,962
Fuel surcharge	2,192,392	1,557,062	7,593,531	6,389,551	7,042,387
	35,444,635	28,647,245	129,584,316	116,562,186	110,249,349
Operating expenses	31,947,991	25,585,804	116,968,857	104,620,059	98,323,926
EBITDA(1)	3,496,644	3,061,441	12,615,459	11,942,127	11,925,423
EBITDA margin(1)	10.5 %	11.3 %	10.3 %	10.8 %	11.6 %
Depreciation	2,964,373	2,657,251	10,728,535	10,314,822	7,235,627
Amortization of customer lists	57,150	30,360	148,230	121,440	10,120
Operating income(1)	475,121	373,830	1,738,694	1,505,865	4,679,676
Operating margin(1)	1.4 %	1.4 %	1.4 %	1.4 %	4.5 %
Gain on sale of property and equipment	(137,861)	(277,566)	(575,298)	(550,966)	(703,487)
Finance costs	528,077	541,201	1,891,323	1,880,495	1,408,400
Finance income	(91,398)	(104,750)	(409,459)	(376,141)	(166,734)
Foreign exchange loss (gain)	37,191	34,499	111,174	316,955	(1,262,473)
Transaction costs	110,497	-	110,497	226,392	269,516
Income tax expense	40,532	61,048	177,056	71,221	1,535,128
Adjusted net income (loss)(1)	(11,917)	119,398	433,401	(62,091)	3,599,326
Adjusted net income per share - basic	(0.00)	0.00	0.01	(0.00)	0.12
Adjusted net income per share - diluted	(0.00)	0.00	0.01	(0.00)	0.11
Amortization of ProNorth customer lists(2)	627,360	-	627,360	-	-
Goodwill impairment(2)	2,894,000	-	2,894,000	-	-
Reverse takeover costs, net of tax(3)	-	-	-	-	2,404,273
Net income (loss) and comprehensive income (loss) attributable to owners of the Company	(3,533,277)	119,398	(3,087,959)	(62,091)	1,195,053
Net income (loss) per share - basic	(0.10)	0.00	(0.08)	(0.00)	0.04
Net income (loss) per share - diluted	(0.10)	0.00	(0.08)	(0.00)	0.04

(1) Refer to "Non-IFRS Financial Measures".
(2) Refer to "ProNorth Settlement".
(3) Refer to "Other Expenses and Income".

Selected Segmented Financial Information (unaudited)

	3 months ended Dec 31 2017	3 months ended Dec 31 2016	12 months ended Dec 31 2017	12 months ended Dec 31 2016
Truck Transportation				
Revenue	22,473,180	18,917,671	81,349,372	78,883,914
Fuel surcharge	1,623,751	1,214,434	5,686,608	5,104,012
	24,096,931	20,132,105	87,035,980	83,987,926
Operating expenses				
Carriers and independent contractors	8,348,140	6,827,078	30,232,734	28,459,514
Vehicle operating	5,904,582	4,530,566	20,420,778	19,398,936
Wages and casual labour	5,856,807	4,612,876	20,358,458	19,430,219
Other operating	909,837	1,127,589	4,238,175	4,489,207
	21,019,366	17,098,109	75,250,145	71,777,876
EBITDA(1)	3,077,565	3,033,996	11,785,835	12,210,050
EBITDA margin(1)	13.7 %	16.0 %	14.5 %	15.5 %
Depreciation	2,881,374	2,585,970	10,414,120	10,230,386
Amortization of customer lists	57,150	30,360	148,230	121,440
Operating income(1)	139,041	417,666	1,223,485	1,858,224
Operating margin(1)	0.6 %	2.2 %	1.5 %	2.4 %
Gain on sale of property and equipment	(137,861)	(277,566)	(575,298)	(550,966)
Finance costs	528,077	541,201	1,891,323	1,880,495
Finance income	(91,398)	(104,750)	(409,459)	(376,141)
Foreign exchange loss (gain)	(6,148)	7,284	(115,544)	200,762
Transaction costs	110,497	-	110,497	226,392
Income tax expense (recovery)	(47,887)	63,178	47,840	129,448
Adjusted net income (loss)(1)	(216,239)	188,319	274,126	348,234
Logistics				
Revenue	11,249,147	8,433,681	41,980,741	32,644,034
Fuel surcharge	568,641	342,628	1,906,923	1,285,539
	11,817,788	8,776,309	43,887,664	33,929,573
Operating expenses				
Carriers and independent contractors	9,438,906	7,069,959	35,855,500	27,314,606
Wages and casual labour	1,105,730	899,689	3,907,623	3,425,962
Other operating	379,817	316,515	1,481,549	1,482,236
	10,924,453	8,286,163	41,244,672	32,222,804
EBITDA(1)	893,335	490,146	2,642,992	1,706,769
EBITDA margin(1)	7.9 %	5.8 %	6.3 %	5.2 %
Depreciation	82,999	71,281	314,415	84,436
Foreign exchange loss	43,339	27,215	226,718	116,193
Income tax expense	206,862	107,305	569,901	414,121
Adjusted net income(1)	560,135	284,345	1,531,958	1,092,019

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

Revenue

	3 months ended Dec 31 2017	3 months ended Dec 31 2016	12 months ended Dec 31 2017	12 months ended Dec 31 2016
Truck Transportation				
Revenue	22,473,180	18,917,671	81,349,372	78,883,914
Fuel surcharge	1,623,751	1,214,434	5,686,608	5,104,012
	24,096,931	20,132,105	87,035,980	83,987,926
Logistics				
Revenue	11,249,147	8,433,681	41,980,741	32,644,034
Fuel surcharge	568,641	342,628	1,906,923	1,285,539
	11,817,788	8,776,309	43,887,664	33,929,573

For the three month period and year ended December 31, 2017, the Company's consolidated revenues increased by $6.8 million or 23.7%, and $13.0 million or 11.2% when compared to the three month period and year ended December 31, 2016. The increase in revenue was supported by growth in both the Logistics and Truck Transportation segments over these periods.

The Truck Transportation segment experienced an increase in revenue of $4.0 million or 19.7%, for the three month period ended December 31, 2017 and an increase of $3.0 million or 3.6% for the year ended December 31, 2017 when compared to that of 2016. The increase is mainly a result of the acquisition of Xpress on October 1, 2017. Acquisition growth was offset slightly by a relatively more competitive environment and a weakening US dollar, which had a negative impact on contract rates during 2017.

The Logistics segment saw an increase in revenue of $3.0 million or 34.7% for the three month period ended December 31, 2017 and an increase of $10.0 million or 29.3% for the year ended December 31, 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 capacity in the second half of 2017, which increased spot rates.

Operating Expenses

	3 months ended Dec 31 2017	3 months ended Dec 31 2016	12 months ended Dec 31 2017	12 months ended Dec 31 2016
Truck Transportation				
Revenue	24,096,931	20,132,105	87,035,980	83,987,926
Operating expenses	21,019,366	17,098,109	75,250,145	71,777,876
EBITDA(1)	3,077,565	3,033,996	11,785,835	12,210,050
EBITDA margin(1)	13.7 %	16.0 %	14.5 %	15.5 %
Depreciation and amortization	2,938,524	2,616,330	10,562,350	10,351,826
Operating income(1)	139,041	417,666	1,223,485	1,858,224
Operating margin(1)	0.6 %	2.2 %	1.5 %	2.4 %
Logistics				
Revenue	11,817,788	8,776,309	43,887,664	33,929,573
Operating expenses	10,924,453	8,286,163	41,244,672	32,222,804
EBITDA(1)	893,335	490,146	2,642,992	1,706,769
EBITDA margin(1)	7.9 %	5.8 %	6.3 %	5.2 %
Corporate				
Operating expenses	474,256	462,701	1,813,368	1,974,692

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

For the Truck Transportation segment, operating expenses increased by $3.9 million or 22.9%, for the three month period ended December 31, 2017 and increased by $3.5 million or 4.8% for the year ended December 31, 2017, when compared to the same periods in 2016. The change is primarily a result of the acquisition of Xpress on October 1, 2017 and organic volume growth, offset by cost savings realized from continuing efforts to integrate acquisitions and increase utilization of the Company's fleet. As a result of significant decreases in contract rates during 2017, costs rose at a greater pace than revenues, resulting in decreases in both EBITDA margin and operating margin. Tightening of capacity in the second half of 2017 has increased contract rates for 2018. In addition, in the quarter following an acquisition, the segment generally experiences a softening of margins until an acquisition can be integrated and synergies fully realized. The fourth quarter of 2017 was also negatively impacted by increasing fuel prices.

For the Logistics segment, operating expenses increased by $2.6 million or 31.8% for the three month period ended December 31, 2017 and increased by $9.0 million or 28.0% for the year ended December 31, 2017. The increase was primarily driven by a higher volume of orders resulting in higher carrier costs. The improvement in EBITDA margin from 5.8% to 7.9% for the three month period and from 5.2% to 6.3% for the year, is a product of both a higher volume of revenue over relatively fixed costs, as well as increasing margins during the fourth quarter of 2017 as a result of tightening capacity.

ProNorth Settlement

On December 1, 2015, the Company acquired all of the outstanding shares of 618717 Ontario Inc., which held all of the outstanding shares of 682439 Ontario Inc. (o/a ProNorth Transportation) ("ProNorth") for total consideration of $11,444,349. Of the total consideration, $4,550,000 related to 1,750,000 common shares that were issued to the vendor. As part of the original purchase price allocation, the Company recognized $1,660,222 in goodwill and $850,000 in customer lists.

Subsequent to the purchase of ProNorth, the Company initiated proceedings under the purchase and sale agreement to address various claims the Company had against the vendor. These proceedings were settled on October 26, 2017 and resulted in the forfeiture for cancellation of the 1,750,000 shares originally issued to the vendor as consideration for the purchase, and the renunciation by the Company of $1,133,208 in receivables from the vendor that predominantly related to working capital shortfalls owing under the purchase and sale agreement (the "Settlement"). In addition, the vendor agreed to void a consulting agreement established in connection with the acquisition of ProNorth.

Consistent with IFRS 3 and IAS 32, the Settlement was recorded directly in equity. As more than 12 months have lapsed since the acquisition date, the original purchase price allocation may no longer be adjusted. In addition, since the transaction was settled by way of cancellation of the Company's own shares, a gain or loss on settlement may not be recognized on the Company's Statement of Comprehensive Income.

As share consideration originally valued at $4,550,000 has been canceled, the effective purchase price is now $8,027,557. This is less than the fair value of ProNorth tangible assets acquired on December 1, 2015, which totaled $8,934,127.

In addition, the Company determined that the value of customer lists recognized as part of its acquisition of ProNorth should be reduced to zero. Customer list amortization of $627,360 was recognized as a result, which represented the remaining balance of the original $850,000 recognized on the acquisition of ProNorth.

In addition, on December 31, 2017, the Company performed a goodwill impairment test and determined that the recoverable amount of the Truck Transportation segment was less than the carrying amount of goodwill, which included goodwill originally recognized on the acquisition of ProNorth. The Truck Transportation Segment recognized a goodwill impairment of $2,894,000.

Other Expenses and Income

During 2015, the Company incurred significant non-recurring reverse takeover transactions costs to become a publicly traded company on the TSX Venture Exchange. In the same year, the Company realized a large foreign exchange gain as a result of a weakening Canadian dollar relative to the US dollar. During 2016, 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)

	Q4'17	Q3'17	Q2'17	Q1'17	Q4'16	Q3'16	Q2'16	Q1'16
Revenue	35,445	31,516	32,794	29,829	28,647	29,839	29,967	28,109
EBITDA(1)	3,497	2,833	3,376	2,910	3,061	3,235	3,165	2,481
EBITDA margin(1)	10.5 %	9.5 %	10.9 %	10.4 %	11.3 %	11.4 %	11.1 %	9.4 %
Operating income(1)	475	222	733	309	374	570	515	47
Operating margin(1)	1.4 %	0.7 %	2.4 %	1.1 %	1.4 %	2.0 %	1.8 %	0.2 %
Adjusted net income (loss)(1)	(12)	17	299	129	119	130	(126)	(185)
Per share - basic	(0.00)	0.00	0.01	0.00	0.00	0.00	(0.00)	(0.01)
Per share - diluted	(0.00)	0.00	0.01	0.00	0.00	0.00	(0.00)	(0.01)
Net income (loss) and comprehensive income (loss) attributable to the owners of the Company(2)	(3,533)	17	299	129	119	130	(126)	(185)
Per share - basic	(0.10)	0.00	0.01	0.00	0.00	0.00	(0.00)	(0.01)
Per share - diluted	(0.10)	0.00	0.01	0.00	0.00	0.00	(0.00)	(0.01)

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

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

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.

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 and in Q4 2017 following the acquisition of Xpress. 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 industry conditions.

LIQUIDITY AND CAPITAL RESOURCES

	December 31 2017	December 31 2016	December 31 2015
Working capital (deficit)(1)	(14,225,568)	(7,372,208)	(1,799,887)
Total assets	114,210,256	112,145,867	87,772,549
Net Debt(2)	56,235,822	50,536,210	37,633,523
Shareholders' equity	32,639,307	36,238,286	34,021,470
Net debt to equity ratio(3)	1.72	1.39	1.11

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

The Company's working capital position decreased while the net debt position and net debt to equity ratio increased as at December 31, 2017 when compared to December 31, 2016, primarily as a result of the acquisition of Xpress on October 1, 2017 for cash consideration of $3.2 million, share consideration of $0.3 million and the assumption of $6 million in debt. This additional indebtedness was offset by operating and investing cash flows which allowed the Company to pay down its existing debt during the year. Although due on demand and classified as current, the Company uses its bank indebtedness and acquisition loan to finance long-term assets.

Minimal investment in replacement equipment was required during the year ended December 31, 2017, as the Company has been improving asset utilization and significant replenishments were made during 2015 and 2016 following the acquisitions of Muskoka Transport Limited and ProNorth. In addition, the Company generated $3,100,882 in cash from the sale of aged and redundant equipment during the year. In terms of growth spending, 10 Volvo's were purchased during the third quarter and an additional 13 Volvo's are expected to be purchased in the first quarter of 2018 to support increases in customer demand. During the fourth quarter, a total of 19 trucks were purchased in order to replace aged trucks purchased as part of the acquisition of Xpress. No further capital expenditures related to the acquisition of Xpress are expected to be required. Titanium keeps the average age of its fleet low in order to take advantage of extended warranty periods, reduce driver downtime and keep overall repair costs low. The Company has a policy of replacing trucks after 6 years, vans after 10 years and flatbeds after 15 years. 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 $1 million in debt, during 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 January 2018 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 December 31, 2017 include approximately $3.6 million under a revolving demand operating facility, $2 million under a non-revolving acquisition facility, $7.5 million under an accordion acquisition facility and $7.5 million under a finance lease loan facility. In addition, the Company has available approximately $6.2 million in finance leasing and loan facilities through other institutions.

The Company's credit facility agreement requires the Company to maintain two covenants on a quarterly basis. These covenants are measured on a consolidated rolling twelve-month basis. The first covenant requires the Company's debt to tangible net worth ratio to be less than 3.5. Debt to tangible net worth is a ratio of total liabilities plus future minimum lease payments on non-realty operating leases to shareholder's equity less goodwill, customer lists and deferred tax assets. The Company was in compliance with this covenant on December 31, 2017. The second covenant requires the Company's debt service coverage ratio to be greater than 1.15. Debt service coverage is a ratio of net income before interest income and expenses, gains on sale of equipment, depreciation, amortization and non-cash items, less unfinanced capital expenditures, plus proceeds of sale of equipment, to contractually required principal and interest payments made over the last twelve months. The Company was not in compliance with this covenant as of December 31, 2017, although this has been waived by the bank. This covenant was adjusted to 1.0 for the first and second quarter of 2018 and to 1.1 for the third quarter of 2018. The Company was in compliance with the amended covenant as of December 31, 2017 and believes it will be in compliance with all required covenants for the next twelve months.

Common Shares

In September 2017, the Company implemented a share purchase plan (the "Plan"), which allows all employees and independent contractors, but excluding insiders of the Company, to contribute up to 5% of their compensation 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, 71,126 have not vested.

On October 1, 2017, the Company issued 374,264 common shares in connection with the acquisition of Xpress. On November 8, 2017, 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 March 6, 2018, there are 36,308,004 common shares of the Company outstanding, and 4,426,665 outstanding warrants to acquire common shares of the Company. In addition, there are 1,824,000 stock options outstanding, of which 200,000 are exercisable. During the year, 2,018,250 warrants expired. The balance of the warrants outstanding expire on April 13, 2018.

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 $4,622,151 for the year ended December 31, 2017 (2016 - $3,478,244).

The Company also currently rents its head office from Caledon First Investments Limited, a company under common control with the Company. 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 year ended December 31, 2017 was $1,932,438 (2016 - $735,051). The Company has committed to annual base rent of $1,701,875, which will increase to $2,413,123 over a 14 year period.

Trunkeast Investments Canada Limited, the Company's controlling shareholder as of December 31, 2017, provides administrative and support services to the Company on a monthly basis. For these services, the Company was charged $60,000 for the year ended December 31, 2017 (2016 - $60,000).

In addition, during the prior year, the Company paid $1,966,607 to ZZEN Design Build Limited ("ZZEN") for leasehold improvements completed on the new head office building and yard. ZZEN provided financing for this improvement and interest totaling $14,147 was paid to ZZEN during the year ended December 31, 2016. This loan was fully repaid by December 31, 2016.

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, due to acquisitions that are completed each year and the time that it takes to fully realize synergies. After releasing Q4 2016 results, the Company estimated that post synergy annualized revenue and EBITDA would be $120 million and $13.5 million, respectively. Actual revenue and EBITDA for the last four quarters, excluding revenue and EBITDA contributions from Xpress, was $126 million and $12.4 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 industry 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 in the second half of 2017, further impacted this difference. As customer demands and spot rates in the Logistics segment are improving, the Company is adjusting its revenue and EBITDA run rates upwards to $155 million and $16 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, accelerated customer list amortization, goodwill impairment 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, accelerated customer list amortization, goodwill impairment and reverse takeover costs.

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

"Adjusted net income" is calculated as net income before items that are not in the normal course of business, such as accelerated customer list amortization, goodwill impairment and 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, 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 December 31, 2017 and have not been applied in preparing the consolidated financial statements. The full description of each of these recent pronouncements is available in our consolidated financial statements.

IFRS 16, Leases
IFRS 15, Revenue from Contracts with Customers
IFRS 9, Financial Instruments
IFRIC 23, Uncertainty over Income tax Treatments

TITANIUM
Transportation Group Inc.

Consolidated Financial Statements

December 31, 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Titanium Transportation Group Inc.

We have audited the accompanying consolidated financial statements of Titanium Transportation Group Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Titanium Transportation Group Inc. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Williams & Partners

Chartered Professional Accountants LLP
Licensed Public Accountants

Markham, Ontario
March 6, 2018

Titanium Transportation Group Inc.

Consolidated Statements of Financial Position

December 31, 2017 and 2016 (in Canadian dollars)

	2017	2016
Assets		
Current		
Cash	479,012	152,808
Trade and other receivables (note 6, 17, 21)	24,302,160	19,349,970
Current taxes recoverable	62,305	469,398
Finance lease receivables (note 7, 21)	2,109,129	2,471,690
Prepaid expenses and deposits	1,727,554	1,620,151
Assets held for sale (note 8)	342,138	1,820,727
	29,022,298	25,884,744
Finance lease receivables (note 7, 21)	4,551,541	6,948,786
Property and equipment (note 9)	76,875,398	73,726,657
Deferred tax assets (note 10)	249,883	351,415
Customer lists (note 11)	1,542,850	718,440
Goodwill (note 11)	1,968,286	4,515,825
	114,210,256	112,145,867
Liabilities		
Current		
Bank indebtedness (note 13, 21)	11,361,611	7,728,358
Acquisition loan (note 13, 21)	3,000,000	-
Trade and other payables (note 12, 21)	12,636,579	9,205,205
Current taxes payable (note 21)	105,492	142,631
Loans payable (note 13, 21)	8,696,749	7,491,309
Finance lease liabilities (note 13, 21)	7,447,435	8,204,358
Finance lease liabilities on assets held for sale	-	485,091
	43,247,866	33,256,952
Loans payable (note 13, 21)	16,875,601	19,184,828
Finance lease liabilities (note 13, 21)	16,336,246	18,836,277
Deferred tax liabilities (note 10)	5,111,236	4,629,524
	81,570,949	75,907,581
Commitments and contingencies (note 20)		
Shareholders' Equity		
Share capital (note 14)	22,585,503	26,754,964
Contributed surplus (note 5, 15)	7,340,115	3,681,674
Retained earnings	2,713,689	5,801,648
	32,639,307	36,238,286
	114,210,256	112,145,867

On behalf of the Board

"Ted Daniel"
Director

"Bill Chyfetz"
Director

Titanium Transportation Group Inc.

Consolidated Statements of Comprehensive Income

years ended December 31, 2017 and 2016 (in Canadian dollars)

	2017	2016
Revenue (note 17)	121,990,785	110,172,635
Fuel surcharge (note 17)	7,593,531	6,389,551
	129,584,316	116,562,186
Expenses		
Carriers and independent contractors	64,748,906	54,418,807
Vehicle operating (note 20)	20,420,778	19,398,936
Wages and casual labour (note 18)	25,014,931	23,794,079
Other operating (note 17, 20)	6,784,242	7,008,237
	116,968,857	104,620,059
Income before the following	12,615,459	11,942,127
Depreciation (note 9)	10,728,535	10,314,822
Gain on sale of property and equipment	(575,298)	(550,966)
Finance costs (note 17)	1,891,323	1,880,495
Finance income	(409,459)	(376,141)
Foreign exchange loss	111,174	316,955
Amortization of customer lists (note 5, 11)	775,590	121,440
Transaction costs (note 4)	110,497	226,392
Impairment of goodwill (note 5, 11)	2,894,000	-
	15,526,362	11,932,997
Income (loss) before income taxes	(2,910,903)	9,130
Income tax expense (note 19)	177,056	71,221
Net income (loss) and comprehensive income (loss) attributable to owners of the Company	(3,087,959)	(62,091)
Earnings per share:		
Basic	(0.08)	(0.00)
Diluted	(0.08)	(0.00)
Weighted average number of shares outstanding:		
Basic (note 14)	37,280,278	36,874,852
Diluted (note 14)	37,280,278	36,874,852

Titanium Transportation Group Inc.

Consolidated Statements of Changes in Equity

years ended December 31, 2017 and 2016 (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 14)	380,539	-	-	380,539
ProNorth settlement (note 5)	(4,550,000)	3,416,792	-	(1,133,208)
Share-based compensation expense (note 14, 15, 18)	-	241,649	-	241,649
Net income (loss) and comprehensive income (loss)	-	-	(3,087,959)	(3,087,959)
Balances at December 31, 2017	22,585,503	7,340,115	2,713,689	32,639,307
Balances at December 31, 2015	24,765,964	3,391,767	5,863,739	34,021,470
Share issuance (note 14)	1,989,000	-	-	1,989,000
Share-based compensation expense (note 15, 18)	-	289,907	-	289,907
Net income (loss) and comprehensive income (loss)	-	-	(62,091)	(62,091)
Balances at December 31, 2016	26,754,964	3,681,674	5,801,648	36,238,286

Titanium Transportation Group Inc.

Consolidated Statements of Cash Flows

years ended December 31, 2017 and 2016 (in Canadian dollars)

	2017	2016
Cash flows from operating activities		
Net income (loss)	(3,087,959)	(62,091)
Adjustments:		
Depreciation (note 9)	10,728,535	10,314,822
Gain on sale of property and equipment	(575,298)	(550,966)
Finance costs	1,891,323	1,880,495
Finance income	(409,459)	(376,141)
Amortization of customer lists (note 5, 11)	775,590	121,440
Impairment of goodwill (note 5, 11)	2,894,000	-
Share-based compensation expense (note 14, 15, 18)	241,649	289,907
Income tax expense (note 19)	177,056	71,221
	12,635,437	11,688,687
Net change in non-cash operating working capital	(1,602,281)	880,344
	11,033,156	12,569,031
Interest paid	(1,866,568)	(1,848,009)
Interest received	409,459	376,141
Income taxes received (paid)	186,495	(774,941)
	9,762,542	10,322,222
Cash flows from investing activities		
Proceeds from finance lease receivables (note 16)	2,229,615	2,447,386
Acquisition of property and equipment (note 9, 16)	(1,403,272)	(11,125,747)
Disposition of property and equipment (note 9, 16)	3,100,882	8,865,003
Acquisition of subsidiaries (note 4)	(3,165,929)	-
	761,296	186,642
Cash flows from financing activities		
Proceeds from bank indebtedness (note 16)	2,600,749	3,524,537
Proceeds from acquisition loan	3,000,000	-
Proceeds from loans payable (note 16)	618,098	2,380,000
Repayment of loans payable (note 16)	(7,354,279)	(8,450,901)
Repayment of finance lease liabilities (note 16)	(9,176,241)	(6,485,600)
Repayment of related company loan	-	(1,902,001)
Repayment of amounts due to related parties	-	(200,000)
Issuance of shares (note 14)	114,039	(11,000)
	(10,197,634)	(11,144,965)
Increase (decrease) in cash	326,204	(636,101)
Cash, beginning	152,808	788,909
Cash, ending	479,012	152,808

Please refer to note 16 for supplemental cash flow information.

1. CORPORATE INFORMATION

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

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

The common shares of the Company trade on the TSX Venture Exchange under the symbol "TTR".

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

These consolidated financial statements were approved and authorized for issue by the Board of Directors on March 6, 2018.

Basis of Measurement

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

Functional and Presentation Currency

These consolidated 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.

Basis of Consolidation

The consolidated financial statements consolidate the accounts of the Company and all of its subsidiaries. Subsidiaries are entities over which the Company has the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained by the Company, and are de-consolidated from the date control ceases. Fully consolidated means that all transactions with subsidiaries and any intercompany balances, gains or losses with subsidiaries have been eliminated on consolidation. The accounting policies have been applied consistently by all subsidiaries.

All of the Company's subsidiaries are wholly-owned, are domiciled in Canada and are in the truck transportation or logistics industries.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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

Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Chief Executive Officer ("CEO") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Sales between the Company's segments are measured at the exchange amount. Transactions, other than sales, are measured at carrying value. Segment capital expenditure is the total cost incurred during the period to acquire equipment including those acquired by way of finance lease.

Revenue Recognition

The Company recognizes revenue, including fuel surcharge revenue, upon acceptance of shipment at the final destination. Revenue is measured at the fair value of the consideration received or receivable, net of trade rebates and volume discounts, to the extent collection is probable.

The Company recognizes sales under financing type leases when significant risks and rewards of ownership are transferred to the Company's independent contractors and the Company ceases to have effective control over the assets.

Finance income is recognized as it accrues in income, using the effective interest method.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the reporting date. Cash is netted against bank indebtedness to the extent that cash can be used to offset bank indebtedness for the purposes of calculating finance costs and management intends to settle on a net basis.

Finance Lease Receivables

Financing leases are contracts under terms that provide for the transfer of substantially all the benefits and risks of rolling stock ownership to independent contractors and are carried at amortized cost. These leases are recorded at the aggregate of minimum payments, plus any guaranteed residual value, less unearned finance income. Financing leases are recognized as being impaired when the Company is no longer reasonably assured of the timely collection of the full amount of principal and interest. When amounts are considered impaired, their book value is adjusted to their estimated realizable value based on the fair value of any collateral underlying the receivable, net of any costs of realization, by totally or partially writing off the loan and/or establishing a provision for credit losses.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Assets Held for Sale

Property and equipment is classified as held for sale if it is highly probable that its carrying amount will be recovered primarily through sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in income or loss. Once classified as held for sale, property and equipment is no longer depreciated.

Property and Equipment

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Land is stated at cost less any impairment losses. Cost includes costs that are directly attributable to bringing the asset to a working condition for its intended use. When significant components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment. Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and the net is recognized within profit or loss.

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Maintenance and repair costs are expensed as incurred, except where they serve to increase productivity or to prolong the useful life of an asset, in which case they are capitalized.

Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of property and equipment, which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation methods, useful lives and residual values are reviewed each year and adjusted prospectively, if appropriate. Land is not depreciated. Depreciation is provided over the following useful lives:

Buildings	25 years
Leasehold improvements	9 years
Furniture and equipment	2 - 5 years
Rolling stock	5 - 15 years

Property and equipment is assessed for impairment when events or changes in circumstance indicate that the Company may not be able to recover its carrying value. The Company calculates impairment by comparing the carrying value against the higher of the value in use and the fair value less costs to sell. Value in use is calculated based on discounted cash flows expected from its use and disposition, and fair value is the expected price in a binding sale agreement in an arm's length transaction. Any excess is a charge against earnings. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that it does not exceed the amount that would have been determined had the impairment loss not been recognized.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Intangible Assets

Intangible assets are assets that can be identified, are controlled by the Company and provide future economic benefits to the Company. Intangible assets are recognized at cost and, unless determined to have an indefinite life, are amortized over their expected useful life.

Goodwill is not subject to amortization and is tested for impairment annually, or more frequently if events or circumstances indicate that the asset might be impaired. Impairment is determined by assessing whether the carrying value of a cash-generating unit, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell or the value in use. Any goodwill impairment is charged against income in the period in which the impairment is determined. An impairment loss recognized for goodwill cannot be reversed in subsequent periods.

Customer lists have finite lives and are recorded at cost less accumulated amortization and accumulated impairment losses. Customer lists are amortized on a straight line basis over seven years and are assessed for impairment annually, or more frequently if events or circumstances indicate that the asset might be impaired. If there is any indication of impairment, the carrying amount of customer lists is compared to its recoverable amount and any excess is charged to earnings.

Finance Lease Liabilities

Finance leases which transfer substantially all benefits and risks associated with ownership of property are treated as acquisitions of assets, measured initially at the lower of the fair value of the asset and the present value of minimum lease payments, and the corresponding obligations are treated as liabilities. Finance lease liabilities are reduced by lease payments net of imputed interest.

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares, stock options and warrants are recognized as a deduction from equity, net of any tax effects. When share capital recognized as equity is reacquired, the amount of consideration paid, including direct costs, net of tax effects, is recognized as a deduction from equity.

Share-Based Payments

The grant date fair value of share-based payment awards granted to employees, independent contractors and consultants is recognized as an expense, with a corresponding increase in contributed surplus, over the period that the employee or consultant unconditionally becomes entitled to the awards. The fair value of stock options is determined using the Black Scholes option pricing model. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service performance conditions at the vesting date.

When stock option awards are exercised, the proceeds, together with the amount originally recorded in contributed surplus, are recorded in share capital. When share purchase plan awards are fully vested, the amount originally recorded in contributed surplus is reclassified to share capital.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Finance Costs

Finance costs are comprised of interest expense on bank indebtedness, acquisition loan, loans payable and finance lease liabilities. Borrowing costs that are not directly attributable to the acquisition of a qualifying asset or liability are recognized in profit or loss using the effective interest method.

Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

The Company records an income tax asset or liability by calculating the amounts expected to be recovered from, or paid to, the taxation authorities. Current taxes are based on taxable income for the period which may differ from the income which has been reported on the consolidated statement of income and comprehensive income and the consolidated statement of changes in equity due to the treatment of certain amounts for tax purposes. Enacted or substantively enacted tax rates at the end of the reporting period were used to compute current taxes. Subsequent changes in taxes arising from a change in tax rates will be recognized in the period in which the change is effective.

Deferred tax assets and liabilities, when presented, reflect temporary differences between the accounting bases of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income. The deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is only recognized to the extent that it is probable that the future tax benefit will be realized.

Operating Leases

Operating lease payments are recognized as an expense on a straight-line basis unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis.

Earnings Per Share

The Company presents basic and diluted earnings per share data for its common shares. Basic earnings per share is calculated by dividing the income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the income or loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all potentially dilutive common shares.

Foreign Currency Translation

Transactions denominated in a foreign currency have been translated at the rate of exchange in effect on the date of the transaction. Monetary items included in the balance sheet have been translated at the rate of exchange in effect as at the balance sheet date. Gains and losses on translations of foreign currencies are included in income.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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, legal settlements, 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 consolidated financial statements in accordance with IFRS, requires management to make judgments that affect the application of accounting policies and the interpretation of accounting standards. Management periodically reviews its judgments and underlying assumptions 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.

Financial Instruments

All of the Company's financial assets are non-derivative and classified as loans and receivables. All of the Company's financial liabilities are non-derivative and classified as other liabilities and measured at amortized cost. Financial instruments measured at amortized cost are initially recognized at fair value, plus adjustments for transaction costs, and then subsequently at amortized cost using the effective interest rate method, with gains and losses recorded as a charge against earnings. Transaction costs related to financial assets measured at fair value, through the consolidated statement of comprehensive income, are expensed as incurred.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset and that the estimated future cash flow of that asset can be estimated reliably. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the consolidated statement of comprehensive income and reflected in an allowance account against accounts receivable. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of comprehensive income.

New Standard 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 consolidated financial statements.

New Standards not yet Adopted

The following new standards are not yet effective as of December 31, 2017 and have not been applied in preparing these consolidated 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 has reviewed the standard in detail and determined that the impact of this standard on the Company's consolidated financial statements will not be material.

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 has evaluated all significant customer contracts and determined that the impact of this standard on the Company's consolidated financial statements will not be material.

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. Although early adoption is permitted, the Company does not intend to adopt IFRS 16 until this standard becomes effective. The Company will be conducting a detailed assessment of the effect of this standard on the consolidated financial statements over the next three months.

years ended December 31, 2017 and 2016 (in Canadian dollars)

2. 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 standard on the consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued, but have future effective dates, are either not applicable or are not expected to have a significant impact on the Company’s consolidated financial statements.

3. OPERATING SEGMENTS

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

	Truck Transportation	**Logistics**	**Corporate**	**Elimination**	**Total**
Year Ended December 31, 2017					
Revenue - external	85,696,652	43,887,664	-	-	129,584,316
Revenue - internal	1,339,328	-	-	(1,339,328)	-
Total revenue	87,035,980	43,887,664	-	(1,339,328)	129,584,316
Depreciation	10,414,120	314,415	-	-	10,728,535
Amortization (note 5)	775,590	-	-	-	775,590
Finance costs	1,891,323	-	-	-	1,891,323
Finance income	(409,459)	-	-	-	(409,459)
Income (loss) before income taxes (note 5)	(3,199,394)	2,101,859	(1,813,368)	-	(2,910,903)
Income taxes (recoveries)	47,840	569,901	(440,685)	-	177,056
Capital expenditures	14,116,463	233,896	-	-	14,350,359
Goodwill acquisitions	346,461	-	-	-	346,461
Goodwill impairment (note 5)	2,894,000	-	-	-	2,894,000

years ended December 31, 2017 and 2016 (in Canadian dollars)

3. OPERATING SEGMENTS - continued

	Truck Transportation	Logistics	Corporate	Elimination	Total
Year Ended December 31, 2016					
Revenue - external	82,632,613	33,929,573	-	-	116,562,186
Revenue - internal	1,355,313	-	-	(1,355,313)	-
Total revenue	83,987,926	33,929,573	-	(1,355,313)	116,562,186
Depreciation	10,230,386	84,436	-	-	10,314,822
Finance costs	1,880,495	-	-	-	1,880,495
Finance income	(376,141)	-	-	-	(376,141)
Income (loss) before income taxes	477,682	1,506,140	(1,974,692)	-	9,130
Income taxes (recoveries)	129,448	414,121	(472,348)	-	71,221
Capital expenditures	44,419,576	-	-	-	44,419,576
Goodwill acquisitions	-	-	-	-	-

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.

	2017	2016
Canada	83,844,593	78,385,788
United States	45,739,723	38,176,398
	129,584,316	116,562,186

4. BUSINESS COMBINATIONS

On October 1, 2017, the Company acquired all the outstanding shares of 6475485 Canada Inc. (o/a Xpress Group) ("Xpress"), a van and flatbed carrier located in Windsor, Ontario. The acquisition was consistent with the Company's growth strategy and allowed the Company to add capacity to its existing Windsor terminal.

From the date of acquisition, Xpress contributed revenue of $3,130,385 and a net loss of $179,248. If the company were acquired January 1, 2017, the company would have contributed revenue of $14,453,012 and net income of $8,061.

All goodwill arising from the above business combinations represents expected synergies from combining operations of these entities with the Company and has been allocated to the Truck Transportation segment, which represents the lowest level at which goodwill is monitored internally. No portion of goodwill acquired is deductible for tax purposes.

years ended December 31, 2017 and 2016 (in Canadian dollars)

4. BUSINESS COMBINATIONS - continued

Trade and other receivables acquired include gross contractual amounts and amounts expected to be uncollectible at the acquisition dates as follows:

Gross contractual amount	2,094,675
Uncollectible at the acquisition date	(6,509)
	2,088,166

Transaction costs of $110,497 have been expensed as other operating expenses on the consolidated statement of comprehensive income in relation to this acquisition.

As at the reporting date, the Company has completed the purchase price allocation over the identifiable net assets and goodwill of Xpress. The table below presents the purchase price allocation.

Trade and other receivables	2,088,166
Current taxes recoverable	10,667
Prepaid expenses and deposits	225,503
Finance lease receivables	43,721
Property and equipment	5,732,885
Customer lists	1,600,000
Bank indebtedness	(939,929)
Trade and other payables	(857,235)
Loans payable	(1,705,299)
Finance lease liabilities	(2,512,197)
Deferred tax liabilities	(600,314)
Total identifiable net assets	3,085,968
Total consideration	3,432,429
Goodwill	346,461
Cash	3,165,929
Issuance of shares	266,500
Total consideration transferred	3,432,429

Share consideration was valued based on a five day volume weighted average price of the Company's shares prior to the close of the transaction, less a discount to account for escrow restrictions placed on the shares. The discount was calculated using the Black-Scholes option pricing model with the following assumptions: i) the expected life of the restriction is 3 years; ii) the risk free rate is 1.55%; 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 the date of issuance. Variables used in the Black-Scholes option pricing model are based on highly subjective assumptions and any change in the assumptions can materially affect the fair value estimate.

The Company did not complete any business combinations during the year ended December 31, 2016.

years ended December 31, 2017 and 2016 (in Canadian dollars)

5. PRONORTH SETTLEMENT AND GOODWILL IMPAIRMENT

On December 1, 2015, the Company acquired all of the outstanding shares of 618717 Ontario Inc., which held all of the outstanding shares of 682439 Ontario Inc. (o/a ProNorth Transportation) ("ProNorth") for total consideration of $11,444,349. Of the total consideration, $4,550,000 related to 1,750,000 common shares that were issued to the vendor. As part of the original purchase price allocation, the Company recognized $1,660,222 in goodwill and $850,000 in customer lists.

Subsequent to the purchase of ProNorth, the Company initiated proceedings under the purchase and sale agreement to address various claims the Company had against the vendor. These proceedings were settled on October 26, 2017 and resulted in the forfeiture for cancellation of the 1,750,000 shares originally issued to the vendor as consideration for the purchase, and the renunciation by the Company of $1,133,208 in receivables from the vendor that predominantly related to working capital shortfalls owing under the purchase and sale agreement (the "Settlement"). In addition, the vendor agreed to void a consulting agreement established in connection with the acquisition of ProNorth.

Consistent with IFRS 3 and IAS 32, the Settlement was recorded directly in equity. As more than 12 months have lapsed since the acquisition date, the original purchase price allocation may no longer be adjusted. In addition, since the transaction was settled by way of cancellation of the Company's own shares, a gain or loss on settlement may not be recognized on the Company's Statement of Comprehensive Income.

In addition, the Company determined that the value of customer lists recognized as part of its acquisition of ProNorth should be reduced to zero. Customer list amortization of $627,360 was recognized as a result, which represented the remaining balance of the original $850,000 recognized on the acquisition of ProNorth.

In addition, on December 31, 2017, the Company performed a goodwill impairment test and determined that the recoverable amount of the Truck Transportation segment was less than the carrying amount of goodwill, which included goodwill originally recognized on the acquisition of ProNorth. All goodwill has been allocated to the Truck Transportation segment, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The Truck Transportation Segment recognized a goodwill impairment of $2,894,000. The recoverable amount was determined using value in use, which is based on discounted future cash flows. In assessing value in use, a pre-tax discount rate of 12% (2016 – 10.5%) was used, which was based on the industry average and past experience. First year cash flows were projected based on past experience actual operating results and for a further 4-year period, cash flows were extrapolated using an average growth rate of 10.5% (2016 – 12.5%). The terminal value was determined using a long-term growth rate of 2.5% (2016 – 2.5%).

6. TRADE AND OTHER RECEIVABLES

	2017	2016
Trade receivables	23,218,416	17,981,598
Other receivables	1,083,744	1,368,372
	24,302,160	19,349,970

The Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in note 21.

years ended December 31, 2017 and 2016 (in Canadian dollars)

7. FINANCE LEASE RECEIVABLES

Finance lease receivables pertain to equipment leasing contracts provided to the Company's independent contractors. These contracts bear interest ranging from 4.9% to 13% and are secured by the underlying equipment. There were no impairment factors affecting finance lease receivables noted for the year. For more information on the Company's exposure to interest rate and liquidity risk, see note 21. Finance lease receivables are collectable as follows:

	Less than 1 Year	1 to 5 Years	2017	2016
Future minimum lease payments receivable	2,410,143	4,922,756	7,332,899	10,517,323
Unearned finance income	(301,014)	(371,215)	(672,229)	(1,096,847)
	2,109,129	4,551,541	6,660,670	9,420,476
Current portion			2,109,129	2,471,690
			4,551,541	6,948,786

8. ASSETS HELD FOR SALE

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

Balance, December 31, 2015	-
Reclassification from property and equipment	1,820,727
Balance, December 31, 2016	1,820,727
Reclassification from property and equipment	568,289
Disposals	(2,046,878)
Balance, December 31, 2017	342,138

years ended December 31, 2017 and 2016 (in Canadian dollars)

9. PROPERTY AND EQUIPMENT

	Land and Buildings	Furniture and Equipment	Rolling Stock	Total
Cost				
Balances, December 31, 2016	10,504,873	4,715,800	75,424,136	90,644,809
Additions through business combinations	-	156,885	5,576,000	5,732,885
Reacquisition of rolling stock relating to finance lease receivables	-	-	3,024,135	3,024,135
Other additions	254,670	969,693	7,393,111	8,617,474
Sale of rolling stock relating to finance lease receivable	-	-	(2,625,209)	(2,625,209)
Other disposals	-	(138,440)	(2,450,167)	(2,588,607)
Reclassification to assets held for sale	-	-	(1,141,761)	(1,141,761)
Balances, December 31, 2017	10,759,543	5,703,938	85,200,245	101,663,726
Accumulated depreciation				
Balances, December 31, 2016	291,528	2,092,456	14,534,168	16,918,152
Depreciation	471,657	947,863	9,309,015	10,728,535
Sale of rolling stock relating to finance lease receivables	-	-	(429,166)	(429,166)
Other disposals	-	(133,571)	(1,722,150)	(1,855,721)
Reclassification to assets held for sale	-	-	(573,472)	(573,472)
Balances, December 31, 2017	763,185	2,906,748	21,118,395	24,788,328
Net carrying amounts				
At December 31, 2017	9,996,358	2,797,190	64,081,850	76,875,398
Cost				
Balances, December 31, 2015	5,017,209	2,743,357	62,555,433	70,315,999
Other additions	5,497,984	2,577,588	36,344,004	44,419,576
Disposals	(10,320)	(605,145)	(21,041,930)	(21,657,395)
Reclassification to assets held for sale	-	-	(2,433,371)	(2,433,371)
Balances, December 31, 2016	10,504,873	4,715,800	75,424,136	90,644,809
Accumulated depreciation				
Balances, December 31, 2015	32,586	1,906,179	9,955,467	11,894,232
Depreciation	269,262	713,000	9,332,560	10,314,822
Disposals	(10,320)	(526,723)	(4,141,215)	(4,678,258)
Reclassification to assets held for sale	-	-	(612,644)	(612,644)
Balances, December 31, 2016	291,528	2,092,456	14,534,168	16,918,152
Net carrying amounts				
At December 31, 2016	10,213,345	2,623,344	60,889,968	73,726,657

years ended December 31, 2017 and 2016 (in Canadian dollars)

9. PROPERTY AND EQUIPMENT - continued

Included in rolling stock are leased assets with a carrying value of $30,432,904 (2016 - $32,815,766). There were no indicators of the carrying value not being recoverable noted for the year.

10. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	2017	**2016**
Finance lease receivables	(1,765,077)	(2,478,479)
Property and equipment	(6,820,186)	(4,156,229)
Finance lease liabilities	20,360	412,215
Finance costs	208,926	300,567
Income tax losses	2,911,253	1,271,032
Other	583,371	372,785
	(4,861,353)	(4,278,109)
Presented as:		
Deferred tax assets	249,883	351,415
Deferred tax liabilities	(5,111,236)	(4,629,524)
	(4,861,353)	(4,278,109)

	Balance Dec 31 2016	**Recognized in Income or Loss**	**Recognized Directly in Equity**	**Acquired in Business Combination**	**Balance Dec 31 2017**
Finance lease receivables	(2,478,479)	724,988	-	(11,586)	(1,765,077)
Property and equipment	(4,156,229)	(1,960,098)	-	(703,859)	(6,820,186)
Finance lease liabilities	412,215	(506,986)	-	115,131	20,360
Finance costs	300,567	(91,641)	-	-	208,926
Income tax losses	1,271,032	1,640,221	-	-	2,911,253
Other	372,785	210,586	-	-	583,371
	(4,278,109)	17,070	-	(600,314)	(4,861,353)

years ended December 31, 2017 and 2016 (in Canadian dollars)

10. DEFERRED TAX ASSETS AND LIABILITIES - continued

	Balance Dec 31 2015	Recognized in Income or Loss	Recognized Directly in Equity	Acquired in Business Combination	Balance Dec 31 2016
Finance lease receivables	(862,897)	(1,615,582)	-	-	(2,478,479)
Property and equipment	(4,926,494)	770,265	-	-	(4,156,229)
Finance lease liabilities	802,904	(390,689)	-	-	412,215
Finance costs	399,874	(102,222)	2,915	-	300,567
Income tax losses	90,855	1,180,177	-	-	1,271,032
Other	35,981	162,416	174,388	-	372,785
	(4,459,777)	4,365	177,303	-	(4,278,109)

11. GOODWILL AND CUSTOMER LISTS

	Goodwill	Customer Lists	Total
December 31, 2015	4,515,825	839,880	5,355,705
Amortization	-	(121,440)	(121,440)
Balances, December 31, 2016	4,515,825	718,440	5,234,265
Acquired through business combinations	346,461	1,600,000	1,946,461
Amortization	-	(775,590)	(775,590)
Impairment	(2,894,000)	-	(2,894,000)
Balances, December 31, 2017	1,968,286	1,542,850	3,511,136

All goodwill has been allocated to the Truck Transportation segment, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The Company performed its goodwill impairment test as at December 31, 2017 and determined that the recoverable amount of the Truck Transportation segment is less than its respective carrying amount and recognized an impairment. For more information, refer to note 5.

During the year, the Company revised the remaining useful life of customer lists acquired as part of the acquisition of ProNorth. For more information, refer to note 5.

12. TRADE AND OTHER PAYABLES

	2017	2016
Trade payables	8,256,662	5,142,326
Other payables	4,379,917	4,062,879
	12,636,579	9,205,205

years ended December 31, 2017 and 2016 (in Canadian dollars)

13. LONG-TERM DEBT

The Company's interest-bearing debt is measured at amortized cost. For more information about the Company's exposure to interest rate, foreign exchange and liquidity risk, see note 21. Terms and conditions of outstanding long-term debt are as follows:

	Effective Interest Rate	Year of Maturity	2017 Carrying Amount	2016 Carrying Amount
Bank indebtedness	PRIME+0.50%	N/A	11,361,611	7,728,358
Acquisition loan	PRIME+1.00%	N/A	3,000,000	-
Loans payable	2.95% - 5.75%	2018-2031	25,572,350	26,676,137
Finance lease liabilities	2.56% - 3.89%	2018-2022	23,783,681	27,525,726
			63,717,642	61,930,221
Current portion			30,505,795	23,909,116
			33,211,847	38,021,105

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

a) CDN$15 million revolving demand operating facility, subject to margin requirements

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

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

d) USD$6.5 million (face value) foreign exchange forward contract facility

e) CDN$10.7 million and USD$6 million finance lease loan facility

f) CDN$2.25 million mortgage facility

This credit facility is secured by the following:

(i) General Security Agreement providing a first charge over all the assets of the Company;

(ii) Corporate unlimited guarantee from the Company and each of its subsidiaries; and

(iii) General Security Agreement providing a first charge over all the assets of the Company and each of its subsidiaries.

Based on the Company's financial ratios, interest rates vary between 50 and 75 basis points over the bank's prime rate on the revolving demand operating facility and between 75 and 125 basis points over the bank's prime rate on the non-revolving acquisition loan. The Company is subject to certain covenants regarding the maintenance of financial ratios. The Company was not in compliance with one of these covenants as of December 31, 2017, although this was waived by the bank prior to the end of the reporting period. Refer to note 22 for more information on the Company's policies around capital management.

years ended December 31, 2017 and 2016 (in Canadian dollars)

13. LONG-TERM DEBT - continued

Loans payable include loans issued as part of business acquisitions. These loans have a contractual interest rate of 0% and were discounted using imputed interest rates ranging from 3.48% to 4.5%. The face value and carrying value of these loans as of December 31, 2017 was $3,775,000 and $3,303,019 respectively. In addition, the Company has a $2.25 million mortgage facility outstanding for its terminal in Windsor, Ontario. Loans payable are secured by assets with a carrying value of $37,665,349 (2016 - $29,328,118).

Finance lease liabilities are secured by rolling stock with a carrying value of $30,432,904 (2016 - $32,815,766).

Loans payable and finance lease liabilities are payable as follows:

	Less than 1 Year	1 to 5 Years	More than 5 Years	2017	2016
Future minimum lease payments on finance lease liabilities	8,005,351	17,037,761	-	25,043,112	29,232,915
Interest	(557,916)	(701,515)	-	(1,259,431)	(1,707,189)
	7,447,435	16,336,246	-	23,783,681	27,525,726
Principal repayments on loans payable	8,696,749	14,144,430	2,731,171	25,572,350	26,676,137
	16,144,184	30,480,676	2,731,171	49,356,031	54,201,863

14. SHARE CAPITAL

Authorized

Unlimited number of common shares with no par value

	Common Shares #	Share Capital $
Issued		
Balances, December 31, 2015	36,267,802	24,765,964
Shares issued on acquisition of Windsor assets	1,120,708	1,989,000
Balances, December 31, 2016	37,388,510	26,754,964
Shares issued on acquisition of Xpress Group	374,264	266,500
Shares cancelled on ProNorth settlement (note 5)	(1,750,000)	(4,550,000)
Shares issued as part of share purchase plan	179,054	114,039
Balances, December 31, 2017	36,191,828	22,585,503

On June 17, 2016 the Company paid $900,000 in cash and issued 1,120,708 common shares with a stated capital amount of $2,000,000 on the acquisition of certain assets located in Windsor, Ontario. Issuance costs totaling $11,000 were incurred with respect to this transaction.

years ended December 31, 2017 and 2016 (in Canadian dollars)

14. SHARE CAPITAL - continued

On October 1, 2017 the Company acquired Xpress for cash and 374,264 newly issued common shares with a stated capital amount of $266,500.

On November 8, 2017, the Company cancelled 1,750,000 common shares as part of a settlement with the vendor of ProNorth. For more information, refer to note 5.

During the year, the Company implemented a share purchase plan (the "Plan"), which allows all employees and independent contractors, but excluding insiders of the Company, to contribute up to 5% of their compensation 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, 71,126 have not vested. During the year ended December 31, 2017, the Company recognized an expense of $7,336 (2016 - $NIL) relating to the Plan, with a corresponding increase to contributed surplus.

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

	2017	2016
Issued common shares, beginning	37,388,510	36,267,802
Net effect of issued (cancelled) shares	(108,232)	607,050
Weighted average number of common shares	37,280,278	36,874,852

No additional adjustments to earnings or the weighted average number of shares for the effects of dilutive potential ordinary shares were necessary. 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.

15. 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.

years ended December 31, 2017 and 2016 (in Canadian dollars)

15. CONTRIBUTED SURPLUS - continued

During the year ended December 31, 2017, 194,000 (2016 - 425,000) stock options were issued to various directors and employees, which entitle the holders to acquire common shares of the Company at an exercise price of $1.50 (2016 - $2.85) per common share. During the year, 23,000 (2016 - 50,000) stock options were forfeited and 250,000 (2016 - NIL) expired. No other stock options expired or were exercised during the reporting period. As at December 31, 2017, there were 1,536,000 (2016 - 1,615,000) stock options outstanding with a weighted average exercise price of $1.83 (2016 - $1.82) and weighted average remaining life of 7.7 years (2016 - 7.7 years). Of the stock options outstanding as at December 31, 2017, 801,000 (2016 - 675,000) 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. During the year ended December 31, 2017, the Company recognized an expense of $234,313 (2016 - $289,907) relating to stock options with a corresponding increase to contributed surplus.

The estimated fair value of stock options issued during fiscal 2017 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 1.91%; iii) the dividend yield will be $NIL; and iv) expected volatility is 65% to 70%. Volatility was determined using the Company's trading data from the first day of trading to the date of issuance. Variables used in the Black-Scholes option pricing model are based on highly subjective assumptions and any change in the assumptions can materially affect the fair value estimate.

On January 22, 2018, 288,000 stock options were issued to various employees and directors, of which 233,000 was to key management personnel. Each option entitles the holders to acquire common shares of the Company at an exercise price of $1.50 per common share. Of the options granted, 93,000 vest over a period of three years. The remaining options vest over a period of six years, with half vesting three years from issuance and the other half vesting six years from issuance. These options expire on January 22, 2028.

During the year, 2,018,250 warrants expired, having an exercise price of $3.50. The total number of warrants outstanding as of December 31, 2017 is 4,426,665, with an exercise price of $2.50 and expiry of April 13, 2018.

16. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Finance Lease Receivables	
	2017	**2016**
Balance, beginning of year	9,420,476	3,765,729
Cash flows	(2,229,615)	(2,447,386)
Non-cash changes		
New leases	2,410,549	8,512,830
Leases acquired through business combination	43,721	-
Reacquired leases	(2,984,461)	(410,697)
Balance, end of year	6,660,670	9,420,476

years ended December 31, 2017 and 2016 (in Canadian dollars)

16. SUPPLEMENTAL CASH FLOW INFORMATION- continued

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

	Bank Indebtedness	Loans Payable	Finance Lease Liabilities	Total 2017	Total 2016
Balances, beginning of year	7,728,358	26,676,137	27,525,726	61,930,221	41,988,161
Cash flows	2,600,749	(6,736,181)	(9,176,241)	(13,311,673)	(9,031,964)
Non-cash changes					
New leases/loans	-	4,979,462	2,234,740	7,214,202	28,974,024
Liabilities assumed through business combination	939,929	1,705,299	2,512,197	5,157,425	-
Conversion	-	(1,052,367)	1,052,367	-	-
Foreign exchange	92,575	-	(365,108)	(272,533)	-
Balances, end of year	11,361,611	25,572,350	23,783,681	60,717,642	61,930,221

17. RELATED PARTY TRANSACTIONS

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

	2017	2016
Provided truck transportation services to Vision Extrusions Group Limited, Vision Profile Extrusions Ltd. and Sunview Patio Doors Ltd., companies under common control	4,622,151	3,478,244
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	-	(302,545)
Paid rent to Caledon First Investments Limited, a company under common control	(1,932,438)	(432,506)
Paid for leasehold improvements to ZZEN Design Build Limited	-	(1,966,607)
Paid management fees to Trunkeast	(60,000)	(60,000)
Paid interest to ZZEN Design Build Limited	-	(14,147)
	2,629,713	702,439

Included in trade and other receivables as at December 31, 2017 is a total of $297,405 (2016 - $261,024) due from these related companies.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

years ended December 31, 2017 and 2016 (in Canadian dollars)

18. WAGES AND CASUAL LABOUR

Included in wages and casual labour are the following:

	2017	2016
Share-based compensation expense	241,649	289,907
Employee benefits	528,352	512,273
Key management personnel:		
Salaries and benefits	843,852	808,338
Share-based compensation expense	100,300	105,821

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

19. INCOME TAXES

	2017	2016
Current tax expense	194,126	75,586
Deferred tax expense		
Temporary differences	1,826,152	1,207,345
Income tax losses	(1,641,877)	(1,180,560)
Adjustment for prior years	(124,347)	(31,150)
Other	(76,998)	-
	(17,070)	(4,365)
Income taxes reported	177,056	71,221

The Company's income tax expense as presented differs from the amount that would be computed by applying the combined Canadian federal and provincial statutory income tax rate as a result of the following:

	2017	2016
Income (loss) before income taxes	(2,910,903)	9,130
Statutory income tax rate	26.50%	26.50%
Income tax provision (recovery) based on statutory income tax rate	(771,389)	2,419
Increase (decrease) in income taxes resulting from:		
Non-deductible items	1,050,627	125,510
Adjustment for prior years	(102,182)	(56,708)
Income taxes reported	177,056	71,221

years ended December 31, 2017 and 2016 (in Canadian dollars)

20. 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	1,847,723
Between one and five years	7,439,068
More than five years	18,962,502

Operating leases that were charged to income during the year totaled $2,509,835 (2016 - $2,405,163).

b) As at December 31, 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.

21. FINANCIAL INSTRUMENTS

Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework but has delegated to management the responsibility for monitoring and managing the risks that the Company faces. The Company manages its exposure to the risks associated with financial instruments that have the potential to affect its operating and financial performance in accordance with the risk management policy of the Company's management. The Company's risk management policies are established to identify and analyse the risks faced by the Company to set appropriate risk limits and controls and to monitor risks and adherence to market conditions in relation to the Company's activities. Financial instruments present a number of specific risks as identified below:

Fair Value of Financial Assets and Financial Liabilities

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

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

years ended December 31, 2017 and 2016 (in Canadian dollars)

21. FINANCIAL INSTRUMENTS - continued

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

	2017		2016	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Finance lease receivables	6,660,670	6,644,163	9,420,476	9,496,592
Loans payable	(25,572,350)	(25,447,066)	(26,676,137)	(26,849,530)
Finance lease liabilities	(23,783,681)	(23,536,703)	(27,525,726)	(27,483,724)
	(42,695,361)	(42,339,606)	(44,781,387)	(44,836,662)

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

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

	2017	**2016**
Finance lease receivables	6.00 %	5.25 %
Loans payable	3.75 %	3.25 %
Finance lease liabilities	3.75 %	3.25 %

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

	2017	**2016**
Finance lease receivables	6,538,547	9,318,436
Loans payable	(24,929,948)	(26,249,463)
Finance lease liabilities	(23,228,522)	(27,261,288)
	(41,619,923)	(44,192,315)

years ended December 31, 2017 and 2016 (in Canadian dollars)

21. FINANCIAL INSTRUMENTS - continued

Credit Risk

Credit risk arises from the potential that debtors will fail to satisfy their obligations as they come due. The Company is exposed to credit risk on its trade receivables from its customers, on its finance lease receivables from its drivers and on its other receivables. The Company's maximum exposure to credit risk is the carrying value of trade receivables and finance lease receivables. In order to reduce its credit risk, the Company has adopted credit policies which include the analysis of the financial position of its customers and the regular review of their credit limits. In addition, a portion of the Company's receivables originating from July 1, 2016 to December 31, 2017 are insured. The Company ceased insuring its receivables effective January 1, 2018. The Company does not have a significant exposure to any individual customer or counterpart.

The Company does not have any collateral security on its outstanding trade and other receivables. Finance lease receivables are secured by the respective equipment being leased. In determining the amount of provision for trade and other receivables as well as finance lease receivables, management considers historical trends and the financial health of individual customers/independent contractors. No provision was established for finance lease receivables as historically the amount of collateral has been sufficient to offset any amounts receivable. No provision was established for other receivables.

The movement in the provision for trade receivables during the respective year was as follows:

	2017	2016
Balance, beginning of year	436,948	766,805
Bad debt expenses	59,039	238,793
Provision acquired	6,509	-
Amount written off and recoveries	(118,537)	(568,650)
Balance, end of year	383,959	436,948

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

	2017		
	Gross	Impairment	Carrying Value
Not past due	11,013,555	-	11,013,555
Past due 0-30 days	7,507,408	-	7,507,408
Past due 31-60 days	2,289,775	-	2,289,775
Past due more than 60 days	2,791,637	383,959	2,407,678
	23,602,375	383,959	23,218,416

years ended December 31, 2017 and 2016 (in Canadian dollars)

21. FINANCIAL INSTRUMENTS - continued

	Gross	Impairment	2016 Carrying Value
Not past due	8,883,764	-	8,883,764
Past due 0-30 days	4,780,441	-	4,780,441
Past due 31-60 days	1,392,964	-	1,392,964
Past due more than 60 days	3,361,377	436,948	2,924,429
	18,418,546	436,948	17,981,598

Liquidity Risk

Liquidity risk is the risk that the Company cannot settle its obligations as they come due. The Company's exposure to liquidity risk is minimal as management maintains sufficient levels of liquid assets to meet its continuing obligations. The Company manages liquidity risk by monitoring cash balances on a daily basis. The current assets reflected on the statement of financial position are highly liquid as they are comprised primarily of cash as well as trade and other receivables. On average, trade and other receivables are settled within two months.

The following summarises contractual cash flows pertaining to financial liabilities, including estimated interest payments.

	Carrying Amount	Contractual Cash-Flows	Less than 1 Year	1 to 2 Years	2 to 5 Years	More than 5 Years
December 31, 2017						
Bank indebtedness	11,361,611	11,361,611	11,361,611	-	-	-
Acquisition loan	3,000,000	3,252,000	126,000	1,594,500	1,531,500	-
Trade and other payables	12,636,579	12,636,579	12,636,579	-	-	-
Loans payable	25,572,350	27,664,599	9,423,389	7,605,407	7,558,858	3,076,945
Finance lease liabilities	23,783,681	25,043,112	8,005,351	7,780,917	9,256,844	-
	76,354,221	79,957,901	41,552,930	16,980,824	18,347,202	3,076,945
Other liabilities requiring the use of cash:						
Current taxes payable	105,492	105,492	105,492	-	-	-
	76,459,713	80,063,393	41,658,422	16,980,824	18,347,202	3,076,945

years ended December 31, 2017 and 2016 (in Canadian dollars)

21. FINANCIAL INSTRUMENTS - continued

	Carrying Amount	Contractual Cash-Flows	Less than 1 Year	1 to 2 Years	2 to 5 Years	More than 5 Years
December 31, 2016						
Bank indebtedness	7,728,358	7,728,358	7,728,358	-	-	-
Trade and other payables	9,205,205	9,205,205	9,205,205	-	-	-
Loans payable	26,676,137	29,058,608	8,126,778	7,577,590	9,969,601	3,384,639
Finance lease liabilities	27,525,726	29,232,915	9,155,190	6,701,156	13,376,569	-
	71,135,426	75,225,086	34,215,531	14,278,746	23,346,170	3,384,639
Other liabilities requiring the use of cash:						
Current taxes payable	142,631	142,631	142,631	-	-	-
	71,278,057	75,367,717	34,358,162	14,278,746	23,346,170	3,384,639

Market Risk

Market risk refers to the risk that a change in one or more general market conditions will result in losses to the Company. The Company is exposed to interest rate risk and foreign exchange risk and manages these risks through daily monitoring of its financial instruments. The Company is not exposed to other price risk as it does not hold any assets or liabilities at fair value.

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will have a negative affect on the value of financial instruments. The Company is exposed to interest rate cash flow risk on certain debts bearing interest at a floating rate and interest rate price risk on certain debts bearing interest at a fixed rate.

The interest rate profile of the Company's carrying amount of interest-bearing financial instruments was as follows:

	2017	2016
Net fixed rate financial instruments	(42,695,361)	(44,781,387)
Net variable rate financial instruments	(14,361,611)	(7,728,358)
	(57,056,972)	(52,509,745)

Finance costs consist entirely of interest paid on financial instruments. As all of the Company's financial instruments bearing interest at a fixed rate are measured at amortized cost, a change in interest rates would not affect the Company's earnings.

A 1% change in interest rates on variable rate instruments at the reporting date would have increased or decreased equity and net income and comprehensive income by $82,301 (2016 - $75,410). This analysis assumes that all other variables are held constant. The analysis is performed on the same basis for all periods presented.

21. FINANCIAL INSTRUMENTS - continued

(ii) Foreign exchange risk

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

	2017	2016
Cash	132,018	-
Accounts receivable	6,855,164	3,487,277
Bank indebtedness	801,007	1,036,500
Accounts payable	(1,527,252)	(866,664)
Finance leases liabilities	(3,709,128)	(4,090,891)
	2,551,809	(433,778)
Average USD	1.2980	1.3256
Closing USD	1.2517	1.3427

As at December 31, 2017, had the foreign exchange rate between the US dollar and the Canadian dollar changed by 500 basis points, with all other variables held constant, the increase or decrease in net income before income taxes would have amounted to approximately $127,590 (2016 - $21,689). In practice, the actual results may differ from this sensitivity analysis and the difference may be material.

22. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to ensure the Company's ability to continue as a going concern, to maintain compliance with financial covenants and to provide adequate returns to shareholders on a long-term basis. Management defines capital as the aggregate of its equity, which is comprised of share capital, contributed surplus and retained earnings.

The Company manages its capital structure and makes adjustments in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company may sell property and equipment, repay long-term debt or issue shares. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as annual capital and operating budgets.

The Company monitors capital on the basis of its debt-to-equity ratio. The debt-to-equity ratio is calculated as long-term debt divided by shareholders' equity. The Company's debt-to-equity ratios are as follows:

	2017	2016
Long-term debt	63,717,642	61,930,221
Shareholders' equity	32,639,307	36,238,286
	2.0	1.7

22. CAPITAL MANAGEMENT - continued

The Company's credit facility agreement requires the Company to maintain two ratios on a quarterly basis. The first is a ratio of total liabilities plus future minimum lease payments on non-realty operating leases to shareholder's equity less goodwill, customer lists and deferred tax assets. The Company was in compliance with this covenant on December 31, 2017. The second is a ratio of net income before interest income and expenses, gains on sale of equipment, depreciation, amortization and non-cash items, less unfinanced capital expenditures, plus proceeds of sale of equipment, to contractually required principal and interest payments made over the last twelve months. The Company was not in compliance with this covenant as of December 31, 2017, although this was waived by the bank prior to the end of the reporting period. This covenant was adjusted for the next three quarters and the Company was in compliance with the amended covenant as of December 31, 2017.

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