



Unaudited Condensed Consolidated Interim Financial Statements

For the second quarter ended
June 30, 2017

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Financial Position

(unaudited)

(in Canadian dollars)

	June 30 2017	December 31 2016
Assets		
Current		
Cash	221,952	152,808
Trade and other receivables (note 13)	20,675,082	19,349,970
Current taxes recoverable	1,074,360	469,398
Finance lease receivables (note 5)	2,207,292	2,471,690
Prepaid expenses and deposits	1,089,881	1,620,151
Assets held for sale (note 6)	-	1,820,727
	<u>25,268,567</u>	<u>25,884,744</u>
Finance lease receivables (note 5)	5,531,714	6,948,786
Property and equipment (note 7)	71,607,607	73,726,657
Deferred tax assets	290,277	351,415
Customer lists (note 8)	657,720	718,440
Goodwill (note 8)	4,515,825	4,515,825
	<u>107,871,710</u>	<u>112,145,867</u>
Liabilities		
Current		
Bank indebtedness (note 9)	6,801,659	7,728,358
Trade and other payables	11,345,847	9,205,205
Current taxes payable	3,556	142,631
Loans payable (note 9)	8,654,879	7,491,309
Finance lease liabilities (note 9)	7,425,165	8,204,358
Finance lease liabilities on assets held for sale	-	485,091
	<u>34,231,106</u>	<u>33,256,952</u>
Loans payable (note 9)	15,498,845	19,184,828
Finance lease liabilities (note 9)	15,994,813	18,836,277
Deferred tax liabilities	5,347,082	4,629,524
	<u>71,071,846</u>	<u>75,907,581</u>
<i>Commitments and contingencies (note 15)</i>		
Shareholders' Equity		
Share capital (note 10)	26,754,964	26,754,964
Contributed surplus (note 11)	3,814,868	3,681,674
Retained earnings	6,230,032	5,801,648
	<u>36,799,864</u>	<u>36,238,286</u>
	<u>107,871,710</u>	<u>112,145,867</u>

On behalf of the Board

"Ted Daniel"
Director

"Bill Chyfetz"
Director

See accompanying notes

1.

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Comprehensive Income

(unaudited)

(in Canadian dollars)

	3 months ended	3 months ended	6 months ended	6 months ended
	June 30 2017	June 30 2016	June 30 2017	June 30 2016
Revenue (note 13)	30,860,157	28,385,885	58,910,924	54,820,587
Fuel surcharge	1,933,644	1,581,471	3,712,303	3,255,344
	<u>32,793,801</u>	<u>29,967,356</u>	<u>62,623,227</u>	<u>58,075,931</u>
Operating expenses				
Carriers and independent contractors	16,707,673	14,285,031	31,112,581	26,607,194
Vehicle operating	4,764,965	4,798,880	9,774,265	10,107,528
Wages and casual labour (note 14)	6,145,631	5,932,637	12,001,101	12,094,181
Other operating (note 13)	1,799,847	1,785,559	3,449,878	3,621,594
	<u>29,418,116</u>	<u>26,802,107</u>	<u>56,337,825</u>	<u>52,430,497</u>
Income before the following	<u>3,375,685</u>	<u>3,165,249</u>	<u>6,285,402</u>	<u>5,645,434</u>
Depreciation (note 7)	2,612,815	2,619,979	5,183,278	5,023,162
Loss (gain) on sale of property and equipment	(69,388)	86,335	(345,313)	(244,998)
Finance costs	438,628	460,548	932,730	848,922
Finance income	(104,884)	(119,696)	(208,934)	(176,625)
Foreign exchange loss (gain)	24,946	(7,298)	(867)	266,399
Amortization of customer lists (note 8)	30,360	30,360	60,720	60,720
Transaction costs	-	226,392	-	226,392
	<u>2,932,477</u>	<u>3,296,620</u>	<u>5,621,614</u>	<u>6,003,972</u>
Income (loss) before income taxes	443,208	(131,371)	663,788	(358,538)
Income tax expense (recovery)	144,108	(5,231)	235,404	(47,269)
Net income (loss) and comprehensive income (loss) attributable to owners of the Company	<u>299,100</u>	<u>(126,140)</u>	<u>428,384</u>	<u>(311,269)</u>
Earnings (loss) per share:				
Basic	0.01	-	0.01	(0.01)
Diluted	0.01	-	0.01	(0.01)
Weighted average number of shares outstanding:				
Basic (note 10)	37,388,510	36,454,587	37,388,510	36,361,194
Diluted (note 10)	37,388,510	36,454,587	37,388,510	36,361,194

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Changes in Equity

Six months ended June 30, 2017 and 2016

(unaudited)

(in Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Total
Balances at December 31, 2016	26,754,964	3,681,674	5,801,648	36,238,286
Share-based compensation expense (note 11)	-	133,194	-	133,194
Net income and comprehensive income	-	-	428,384	428,384
Balances at June 30, 2017	26,754,964	3,814,868	6,230,032	36,799,864
Balances at December 31, 2015	24,765,964	3,391,767	5,863,739	34,021,470
Share issuance	1,989,000	-	-	1,989,000
Share-based compensation expense	-	137,664	-	137,664
Net income (loss) and comprehensive income (loss)	-	-	(311,269)	(311,269)
Balances at June 30, 2016	26,754,964	3,529,431	5,552,470	35,836,865

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Cash Flows

(unaudited)

(in Canadian dollars)

	3 months ended June 30 2017	3 months ended June 30 2016	6 months ended June 30 2017	6 months ended June 30 2016
Cash flows from operating activities				
Net income (loss)	299,100	(126,140)	428,384	(311,269)
Adjustments:				
Depreciation	2,612,815	2,619,979	5,183,278	5,023,162
Loss (gain) on sale of property and equipment	(69,388)	86,335	(345,313)	(244,998)
Finance costs	438,628	460,548	932,730	848,922
Finance income	(104,884)	(119,696)	(208,934)	(176,625)
Amortization of customer lists	30,360	30,360	60,720	60,720
Share-based compensation expense	51,885	76,846	133,194	137,664
Income tax expense (recovery)	144,108	(5,231)	235,404	(47,269)
	<u>3,402,624</u>	<u>3,023,001</u>	<u>6,419,463</u>	<u>5,290,307</u>
Net change in non-cash operating working capital	1,293,890	159,452	1,223,809	874,865
	<u>4,696,514</u>	<u>3,182,453</u>	<u>7,643,272</u>	<u>6,165,172</u>
Interest paid	(444,260)	(427,037)	(944,335)	(789,053)
Interest received	104,884	119,696	208,934	176,625
Income taxes paid	(4,478)	(199,530)	(200,745)	(634,378)
	<u>4,352,660</u>	<u>2,675,582</u>	<u>6,707,126</u>	<u>4,918,366</u>
Cash flows from investing activities				
Proceeds from finance lease receivables	559,364	613,665	1,075,254	1,117,285
Acquisition of property and equipment (note 7, 12)	(671,830)	(8,006,438)	(812,163)	(8,456,532)
Disposition of property and equipment (note 6, 7)	1,203,959	3,250,105	2,079,558	3,647,896
	<u>1,091,493</u>	<u>(4,142,668)</u>	<u>2,342,649</u>	<u>(3,691,351)</u>
Cash flows from financing activities				
Proceeds from bank indebtedness	-	4,887,430	-	5,614,039
Repayment of bank indebtedness (note 12)	(1,580,419)	-	(979,460)	-
Repayment of loans payable (note 12)	(1,794,666)	(2,344,708)	(3,574,780)	(4,980,297)
Repayment of finance lease liabilities (note 12)	(2,053,743)	(1,527,098)	(4,426,391)	(2,549,024)
Issuance of shares	-	(11,000)	-	(11,000)
	<u>(5,428,828)</u>	<u>1,004,624</u>	<u>(8,980,631)</u>	<u>(1,926,282)</u>
Increase (decrease) in cash	15,325	(462,462)	69,144	(699,267)
Cash, beginning	<u>206,627</u>	<u>552,104</u>	<u>152,808</u>	<u>788,909</u>
Cash, ending	<u>221,952</u>	<u>89,642</u>	<u>221,952</u>	<u>89,642</u>

Refer to note 12 for supplemental cash flow information.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2017 and 2016

(unaudited)

1. REPORTING ENTITY

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

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

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

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent annual consolidated financial statements of the Company, including the notes thereto, for the year ended December 31, 2016.

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

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 9, 2017.

Basis of Measurement

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

Functional and Presentation Currency

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

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2017 and 2016

(unaudited)

2. BASIS OF PRESENTATION - continued

Seasonality of Interim Operations

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

Use of Estimates

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

Use of Judgment

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

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2017 and 2016

(unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES

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

New Standards Adopted

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

New Standards not yet Adopted

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

IFRS 15, Revenue from Contracts with Customers, which will replace IAS 18, Revenue, will become effective for periods beginning on or after January 1, 2018. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. New estimates and judgemental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company is currently assessing the impact of this standard on the condensed consolidated interim financial statements.

IFRS 9, Financial Instruments, was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this standard on the condensed consolidated interim financial statements.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2017 and 2016

(unaudited)

4. OPERATING SEGMENTS

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

	Truck Transportation	Logistics	Corporate	Elimination	Total
Three months ended June 30, 2017					
Revenue - external	21,335,324	11,458,477	-	-	32,793,801
Revenue - internal	273,584	-	-	(273,584)	-
Total revenue	21,608,908	11,458,477	-	(273,584)	32,793,801
Depreciation	2,535,431	77,384	-	-	2,612,815
Finance costs	438,628	-	-	-	438,628
Finance income	(104,884)	-	-	-	(104,884)
Income (loss) before income taxes	413,166	497,449	(467,407)	-	443,208
Income taxes (recoveries)	124,836	134,831	(115,559)	-	144,108
Capital expenditures	1,717,522	6,675	-	-	1,724,197
Three months ended June 30, 2016					
Revenue - external	21,091,798	8,875,558	-	-	29,967,356
Revenue - internal	349,588	-	-	(349,588)	-
Total revenue	21,441,386	8,875,558	-	(349,588)	29,967,356
Depreciation	2,616,332	3,647	-	-	2,619,979
Finance costs	460,548	-	-	-	460,548
Finance income	(119,696)	-	-	-	(119,696)
Income (loss) before income taxes	14,293	395,893	(541,557)	-	(131,371)
Income taxes (recoveries)	17,693	109,391	(132,315)	-	(5,231)
Capital expenditures	23,351,268	-	-	-	23,351,268

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2017 and 2016

(unaudited)

4. OPERATING SEGMENTS - continued

	Truck Transportation	Logistics	Corporate	Elimination	Total
Six months ended, June 30, 2017					
Revenue - external	41,687,926	20,935,301	-	-	62,623,227
Revenue - internal	552,829	-	-	(552,829)	-
Total revenue	42,240,755	20,935,301	-	(552,829)	62,623,227
Depreciation	5,030,448	152,830	-	-	5,183,278
Finance costs	932,730	-	-	-	932,730
Finance income	(208,934)	-	-	-	(208,934)
Income (loss) before income taxes	611,921	891,544	(839,677)	-	663,788
Income taxes (recoveries)	191,352	242,267	(198,215)	-	235,404
Capital expenditures	2,279,836	91,695	-	-	2,371,531
Six months ended, June 30, 2016					
Revenue - external	42,049,559	16,026,372	-	-	58,075,931
Revenue - internal	768,220	-	-	(768,220)	-
Total revenue	42,817,779	16,026,372	-	(768,220)	58,075,931
Depreciation	5,017,383	5,779	-	-	5,023,162
Finance costs	848,922	-	-	-	848,922
Finance income	(176,625)	-	-	-	(176,625)
Income (loss) before income taxes	119,897	583,539	(1,061,974)	-	(358,538)
Income taxes (recoveries)	47,849	162,358	(257,476)	-	(47,269)
Capital expenditures	33,259,457	58,350	-	-	33,317,807

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

	3 months ended June 30 2017	3 months ended June 30 2016	6 months ended June 30 2017	6 months ended June 30 2016
Canada	21,172,422	19,436,078	40,386,945	37,753,420
United States	11,621,379	10,531,287	22,236,282	20,322,520
	32,793,801	29,967,365	62,623,227	58,075,940

5. FINANCE LEASE RECEIVABLES

During the six month period ended June 30, 2017, the Company entered into new finance leases totaling \$1,365,395, which are receivable over 36 to 60 months with interest rates of 5.25%.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2017 and 2016

(unaudited)

6. ASSETS HELD FOR SALE

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

7. PROPERTY AND EQUIPMENT

	Land, Buildings and Leaseholds	Furniture and Equipment	Rolling Stock	Total
Cost				
Balances, December 31, 2016	10,504,873	4,715,800	75,424,136	90,644,809
Reacquisition of rolling stock relating to finance lease receivables	-	-	2,505,628	2,505,628
Other additions	33,851	634,817	1,702,863	2,371,531
Sale of rolling stock relating to finance lease receivables	-	-	(1,579,122)	(1,579,122)
Other disposals	-	(13,000)	(383,609)	(396,609)
Reclassification to assets held for sale	-	-	(649,761)	(649,761)
Balances, June 30, 2017	<u>10,538,724</u>	<u>5,337,617</u>	<u>77,020,135</u>	<u>92,896,476</u>
Accumulated depreciation				
Balances, December 31, 2016	291,528	2,092,456	14,534,168	16,918,152
Depreciation	233,625	447,813	4,501,840	5,183,278
Sale of rolling stock relating to finance lease receivables	-	-	(303,274)	(303,274)
Other disposals	-	(12,333)	(73,344)	(85,677)
Reclassification to assets held for sale	-	-	(423,610)	(423,610)
Balances, June 30, 2017	<u>525,153</u>	<u>2,527,936</u>	<u>18,235,780</u>	<u>21,288,869</u>
Net carrying amounts				
At December 31, 2016	10,213,345	2,623,344	60,889,968	73,726,657
At June 30, 2017	<u>10,013,571</u>	<u>2,809,681</u>	<u>58,784,355</u>	<u>71,607,607</u>

8. GOODWILL AND INTANGIBLES

	Goodwill	Customer Lists	Total
Balances, December 31, 2016	4,515,825	718,440	5,234,265
Amortization	-	(60,720)	(60,720)
Balances, June 30, 2017	<u>4,515,825</u>	<u>657,720</u>	<u>5,173,545</u>

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2017 and 2016

(unaudited)

9. LONG-TERM DEBT

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

	Effective Interest Rate	Year of Maturity	Carrying Amount
Bank indebtedness	PRIME+0.50%	N/A	6,801,659
Loans payable	2.95% - 4.50%	2017-2031	24,153,724
Finance lease liabilities	2.56% - 5.50%	2017-2021	23,419,978
			<u>54,375,361</u>
Current portion			<u>22,881,703</u>
			<u>31,493,658</u>

Included in current portion of loans payable is a promissory note for \$1,052,367 that will be converted to a long-term finance lease liability. Subsequent to the reporting period, the Company received loan proceeds totaling \$618,098 relating to rolling stock purchases made during the three month period ended June 30, 2017.

10. SHARE CAPITAL

During the six month period ended June 30, 2017, there were no shares issued, cancelled or repurchased. As of June 30, 2017, there were 37,388,510 common shares of the Company outstanding.

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

	3 months ended June 30 2017	3 months ended June 30 2016	6 months ended June 30 2017	6 months ended June 30 2016
Issued common shares, beginning	37,388,510	36,267,802	37,388,510	36,267,802
Effect of issued common shares	-	186,785	-	93,392
Weighted average number of common shares	<u>37,388,510</u>	<u>36,454,587</u>	<u>37,388,510</u>	<u>36,361,194</u>

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

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2017 and 2016

(unaudited)

11. CONTRIBUTED SURPLUS

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

During the six month period ended June 30, 2017, 174,000 stock options were issued to various directors and employees. Each stock option entitles the holder to acquire a common share of the Company at an exercise price of \$1.50 per common share. During the period, 10,000 stock options were forfeited. No other stock options expired, were exercised or were forfeited during the reporting period. As at June 30, 2017, there were 1,779,000 stock options outstanding with a weighted average exercise price of \$1.79 and weighted average remaining life of 8.4 years. Of the stock options outstanding as at June 30, 2017, 814,000 were held by key management personnel. In addition, of the total options outstanding, 450,000 are fully vested and exercisable at a price of \$1.50. During the three month and six month period ended June 30, 2017, the Company recognized an expense of \$51,885 and \$133,194 (2016 - \$76,846 and \$137,664) relating to stock options with a corresponding increase to contributed surplus.

The estimated fair value of stock options was calculated using the Black-Scholes option pricing model with the following assumptions: i) the expected life of each stock option is between 5.5 and 8.5 years; ii) the risk free rate is between 0.91% and 1.56%; iii) the dividend yield will be \$NIL; and iv) expected volatility is 65%. Volatility was determined using the Company's trading data from the first day of trading to January 9, 2017. Variables used in the Black-Scholes option pricing model are based on highly subjective assumptions and any change in the assumptions can materially affect the fair value estimate.

The total number of warrants outstanding as of June 30, 2017 was 6,444,915, of which 4,426,665 have an exercise price of \$2.50 and expire on April 1, 2018. On July 7, 2017, 2,018,250 warrants with an exercise price of \$3.50 expired.

At the Company's Annual and Special Meeting of Shareholders on June 13, 2017, shareholders approved a Company Share Purchase Plan (the "Plan"), which will be implemented by September 2017. The Plan will allow participants who have enrolled in the Plan to contribute up to 5% of their compensation towards the Plan in each pay period. Participants will include Titanium's approximately 500 employees and independent owner operators, but exclude insiders of the Company. Contributions under the Plan will be used to purchase Shares from treasury based on a 20 day volume weighted trading price on the TSX-V. The Company will match 100% of all participant contributions and the matched portion will be subject to a three year vesting period in the case of employees, or a three year deferred matching period in the case of independent contractors. The maximum number of shares which may be issued under this plan may not exceed 1,500,000, representing approximately 4% of the number of issued and outstanding shares of the Company.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2017 and 2016

(unaudited)

12. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Cash Flows		Non-Cash Changes		
	Balance December 31 2016		New Leases	Return Leases	Balance June 30 2017
Finance lease receivables	9,420,476	(1,075,254)	1,365,395	(1,971,611)	7,739,006

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

	Cash Flows		Non-Cash Changes		
	Balance December 31 2016		New Leases /Loans	Foreign Exchange Movement	Balance June 30 2017
Bank indebtedness	7,728,358	(979,460)	-	52,761	6,801,659
Loan payable	26,676,137	(3,574,780)	1,052,367	-	24,153,724
Finance lease liabilities	27,525,726	(4,426,391)	507,000	(186,357)	23,419,978
	61,930,221	(8,980,631)	1,559,367	(133,596)	54,375,361

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2017 and 2016

(unaudited)

13. RELATED PARTY TRANSACTIONS

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

	3 months ended June 30 2017	3 months ended June 30 2016	6 months ended June 30 2017	6 months ended June 30 2016
Provided truck transportation services to Vision Extrusions Group Limited, Vision Profile Extrusions Ltd. and Sunview Patio Doors Ltd., companies under common control	1,244,416	990,597	2,119,375	1,709,194
Paid rent for premises to Vaughan West II Limited and Vision Extrusions Group Limited, paid rent for yard to Roybridge Holdings Limited, all companies under common control	-	(112,843)	-	(225,730)
Paid rent to Caledon First Investments Limited, a company under common control	(481,469)	-	(962,938)	-
Paid management fees to Trunkeast	(15,000)	(15,000)	(30,000)	(30,000)
	<u>747,947</u>	<u>862,754</u>	<u>1,126,437</u>	<u>1,453,464</u>

Included in trade and other receivables as at June 30, 2017 is a total of \$462,654 due from these related companies.

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

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2017 and 2016

(unaudited)

14. WAGES AND CASUAL LABOUR

Included in wages and casual labour are the following:

	3 months ended June 30 2017	3 months ended June 30 2016	6 months ended June 30 2017	6 months ended June 30 2016
Share-based compensation expense	51,885	76,846	133,194	137,664
Employee benefits	110,418	126,101	242,802	250,149
Key management personnel:				
Salaries and benefits	206,481	255,199	422,804	447,276
Share-based compensation expense	23,264	27,450	56,178	51,433

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

15. COMMITMENTS AND CONTINGENCIES

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

Less than one year	1,857,958
Between one and five years	7,407,282
More than five years	19,921,416

Operating leases that were charged to income during the three month and six month period ended June 30, 2017 totaled \$604,474 and \$1,227,626 (2016 - \$554,766 and \$1,300,493).

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

- b) As at June 30, 2017, the Company was committed to purchasing equipment and rolling stock for approximately \$750,000.
- 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) In connection with the ProNorth Transportation purchase, the Company has initiated proceedings under the sale purchase agreement to address various claims the Company has against the vendor. At the reporting date, management cannot provide a practicable estimate of the financial effect that will result from such proceedings.
- e) 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.