



Management's Discussion and Analysis

For the third quarter ended
September 30, 2018

Dated November 6, 2018

Titanium Transportation Group Inc.

Management's Discussion and Analysis for the third quarter ended September 30, 2018

GENERAL INFORMATION

The following is Titanium Transportation Group Inc.'s management discussion and analysis dated November 6, 2018 ("MD&A"), which provides a comparative overview of the Company's performance for its three month and nine month periods ended September 30, 2018 with the corresponding three month and nine month periods ended September 30, 2017, and it reviews the Company's financial position as at September 30, 2018. Throughout this MD&A, the term "Company" or "Titanium" shall mean Titanium Transportation Group Inc. and all of its direct and indirect wholly-owned subsidiaries. This discussion should be read in conjunction with the Company's MD&A, audited consolidated financial statements and accompanying notes as at and for the year ended December 31, 2017 as well as the unaudited condensed consolidated interim financial statements of the Company for the third quarter ended September 30, 2018 ("consolidated interim financial statements").

The consolidated interim financial statements of the Company and extracts from those consolidated interim financial statements contained in this MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated interim financial statements comply with IAS 34, Interim Financial Reporting, and do not include all of the information required for annual financial statements. The Company's presentation currency is the Canadian dollar. All financial information presented has been rounded to the nearest dollar, except per share amounts and where otherwise indicated. The Company's consolidated interim financial statements for the third quarter ended September 30, 2018 were approved by its Board of Directors on November 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 November 6, 2018. Additional information relating to the Company is available on SEDAR at www.sedar.com.

OVERVIEW

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

The Truck Transportation segment provides transport of general merchandise by long-haul, dedicated and local trucking services throughout Canada and the U.S. with a variety of trailer types, including 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 a variety of transportation services, including 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.

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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, truck capacity, fuel prices, driver availability, unemployment, 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 EBITDA¹ and operating income, revenue generated per truck and per mile, empty miles, driver retention and fuel efficiency.

Key Highlights

Revenue (including fuel surcharge) for the three month and nine month periods ended September 30, 2018 was \$44.8 million and \$142.1 million, respectively, a 42.3% and 51.0% increase over the same periods last year. Similarly, operating income¹ was \$2.0 million for the three month period ended September 30, 2018 and \$7.2 million for the nine month period ended September 30, 2018. Operating income for the first nine months of the year represents nearly 6 times the operating income of the same nine month period last year.

Despite international trade policy conflicts, both the Logistics and Truck Transportation segments continued to experience strong demand in the third quarter, which combined with ongoing capacity constraints led to improved year over year pricing. As a result of Titanium's previous and ongoing investments in technology and people, the Company was well positioned to effectively respond to heightened demand by increasing driver capacity. The Company's management expects these favourable conditions to continue in the immediate term.

The Truck Transportation segment continued to exhibit substantial revenue growth of 38.6% and 34.1%, respectively, for the three and nine month periods ended September 30, 2018 relative to the same periods in 2017. The growth was driven by the Company's acquisition of Xpress Group on October 1, 2017 as well as organic growth in both volumes and rates. Strong organic growth was supported by the Company's success in recruiting and retaining drivers as well as tighter industry conditions. The segment's revenue growth as well as investments in operating efficiencies and better asset utilization enabled operating income to increase to 7 times the level experienced in the third quarter of last year.

The Logistics segment also continued to demonstrate strong year over year revenue growth of 55.1% and 89.9%, respectively, for the three and nine month periods ended September 30, 2018. During the third quarter, brokerage demand stabilized at more sustainable levels following record activity experienced during the first half of 2018. Volumes in the Logistics segment remain strong and ahead of prior year levels, as a result of higher customer demand, driver capacity constraints in the market place and improved sales efficiencies. Increased volumes over relatively fixed costs, allowed the segment to deliver an operating income that is more than double that of prior year for both the three month and nine month period.

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

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RESULTS OF OPERATIONS

Financial Highlights (unaudited)

	3 months ended Sept 30 2018	3 months ended Sept 30 2017	9 months ended Sept 30 2018	9 months ended Sept 30 2017
Revenue	41,654,492	29,827,618	132,320,832	88,738,542
Fuel surcharge	3,190,907	1,688,836	9,810,199	5,401,139
	44,845,399	31,516,454	142,131,031	94,139,681
Operating expenses	39,577,038	28,683,041	125,166,517	85,020,866
EBITDA ⁽¹⁾	5,268,361	2,833,413	16,964,514	9,118,815
EBITDA margin ⁽¹⁾	12.6 %	9.5 %	12.8 %	10.3 %
Depreciation	3,207,308	2,580,884	9,545,632	7,764,162
Amortization of customer lists	57,150	30,360	171,450	91,080
Operating income ⁽¹⁾	2,003,903	222,169	7,247,432	1,263,573
Operating margin ⁽¹⁾	4.8 %	0.7 %	5.5 %	1.4 %
Gain on sale of property and equipment	(90,229)	(92,124)	(374,759)	(437,437)
Finance costs	551,863	430,516	1,703,759	1,363,246
Finance income	(95,971)	(109,127)	(253,100)	(318,061)
Foreign exchange loss (gain)	48,527	74,850	(26,370)	73,983
Income tax expense (recovery)	465,259	(98,880)	1,733,592	136,524
Net income and comprehensive income attributable to owners of the Company	1,124,454	16,934	4,464,310	445,318
Net income per share - basic	0.03	0.00	0.12	0.01
Net income per share - diluted	0.03	0.00	0.12	0.01

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

Revenue by Industry

Manufactured Goods	34.0%
Retail	15.1%
Logistics/ Trucking	10.9%
Automotive	9.7%
Metals	9.2%
Food & Beverage	6.9%
Forest Products	4.6%
Services	4.1%
Other	5.5%

Based on Q3 2018 revenue

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Selected Segmented Financial Information (unaudited)

	3 months ended Sept 30 2018	3 months ended Sept 30 2017	9 months ended Sept 30 2018	9 months ended Sept 30 2017
Truck Transportation				
Revenue	26,440,182	19,417,982	77,696,633	58,876,192
Fuel surcharge	2,243,969	1,280,312	6,726,374	4,062,857
	28,684,151	20,698,294	84,423,007	62,939,049
Operating expenses				
Carriers and independent contractors	9,912,756	7,493,314	29,842,747	21,884,594
Vehicle operating	6,651,402	4,741,931	19,571,020	14,516,196
Wages and casual labour	6,835,298	4,779,096	19,233,431	14,501,651
Other operating	1,038,349	1,009,352	3,610,042	3,328,338
	24,437,805	18,023,693	72,257,240	54,230,779
EBITDA ⁽¹⁾	4,246,346	2,674,601	12,165,767	8,708,270
EBITDA margin ⁽¹⁾	16.1 %	13.8 %	15.7 %	14.8 %
Depreciation	3,093,089	2,502,298	9,203,621	7,532,746
Amortization of customer lists	57,150	30,360	171,450	91,080
Operating income ⁽¹⁾	1,096,107	141,943	2,790,696	1,084,444
Operating margin ⁽¹⁾	4.1 %	0.7 %	3.6 %	1.8 %
Gain on sale of property and equipment	(90,229)	(92,124)	(374,759)	(437,437)
Finance costs	537,578	430,516	1,617,976	1,363,246
Finance income	(95,971)	(109,127)	(253,100)	(318,061)
Foreign exchange loss (gain)	(4,504)	(61,493)	2,035	(109,396)
Income tax expense (recovery)	230,942	(95,625)	521,855	95,727
Net income	518,291	69,796	1,276,689	490,365
Logistics				
Revenue	16,322,596	10,726,051	57,827,614	30,731,594
Fuel surcharge	946,938	408,524	3,083,825	1,338,282
	17,269,534	11,134,575	60,911,439	32,069,876
Operating expenses				
Carriers and independent contractors	13,638,473	9,142,464	47,969,668	26,416,594
Wages and casual labour	1,807,922	930,633	5,411,839	2,801,893
Other operating	384,355	403,231	1,503,007	1,101,732
	15,830,750	10,476,328	54,884,514	30,320,219
EBITDA/ Operating income ⁽¹⁾	1,438,784	658,247	6,026,925	1,749,657
EBITDA/ Operating margin ⁽¹⁾	8.8 %	6.1 %	10.4 %	5.7 %
Depreciation	114,219	78,586	342,011	231,416
Finance costs	14,285	-	85,783	-
Foreign exchange loss (gain)	53,031	136,343	(28,405)	183,379
Income tax expense	334,837	120,772	1,513,500	363,039
Net income	922,412	322,546	4,114,036	971,823

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

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Revenue (unaudited)

	3 months ended Sept 30 2018	3 months ended Sept 30 2017	9 months ended Sept 30 2018	9 months ended Sept 30 2017
Truck Transportation				
Revenue	26,440,182	19,417,982	77,696,633	58,876,192
Fuel surcharge	2,243,969	1,280,312	6,726,374	4,062,857
	<u>28,684,151</u>	<u>20,698,294</u>	<u>84,423,007</u>	<u>62,939,049</u>
Logistics				
Revenue	16,322,596	10,726,051	57,827,614	30,731,594
Fuel surcharge	946,938	408,524	3,083,825	1,338,282
	<u>17,269,534</u>	<u>11,134,575</u>	<u>60,911,439</u>	<u>32,069,876</u>

For the three month and nine month periods ended September 30, 2018, the Company's consolidated revenues increased by \$13.3 million and \$48.0 million, or 42.3% and 51.0%, respectively, when compared to same periods ended September 30, 2017. The increase in revenue was a result of an increase in revenue in both segments.

The Truck Transportation segment experienced an increase in revenue of \$8.0 million or 38.6% for the three month period and \$21.5 million or 34.1% for the nine month period ended September 30, 2018 when compared to that of 2017. Approximately \$4 million and \$11.8 million, respectively, can be attributed to the acquisition of Xpress Group on October 1, 2017. The balance represents organic growth in volumes, attributable to aggressive driver recruitment and strong customer demand, as well as significantly improved contract rates supported by strong industry conditions.

The Logistics segment saw an increase in revenue of \$6.1 million or 55.1% for the three month period ended September 30, 2018 and an increase of \$28.8 million or 89.9% for the nine month period ended September 30, 2018, when compared to that of 2017. Tightening of trucking capacity significantly increased reliance on freight brokerage during the first half of 2018, and the Company was able to capitalize on increased demand through its strong carrier relationships and prior investments in infrastructure and technology. Brokerage demand stabilized during the third quarter, but the segment continued to demonstrate strong year over year growth as a result of increased customer demand and a more efficient sales force and operations team.

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Operating Expenses and Income (unaudited)

	3 months ended Sept 30 2018	3 months ended Sept 30 2017	9 months ended Sept 30 2018	9 months ended Sept 30 2017
Truck Transportation				
Revenue	28,684,151	20,698,294	84,423,007	62,939,049
Operating expenses	24,437,805	18,023,693	72,257,240	54,230,779
EBITDA ⁽¹⁾	4,246,346	2,674,601	12,165,767	8,708,270
EBITDA margin ⁽¹⁾	16.1 %	13.8 %	15.7 %	14.8 %
Depreciation and amortization	3,150,239	2,532,658	9,375,071	7,623,826
Operating income ⁽¹⁾	1,096,107	141,943	2,790,696	1,084,444
Operating margin ⁽¹⁾	4.1 %	0.7 %	3.6 %	1.8 %
Logistics				
Revenue	17,269,534	11,134,575	60,911,439	32,069,876
Operating expenses	15,830,750	10,476,328	54,884,514	30,320,219
EBITDA/ Operating income ⁽¹⁾	1,438,784	658,247	6,026,925	1,749,657
EBITDA/ Operating margin ⁽¹⁾	8.8 %	6.1 %	10.4 %	5.7 %
Corporate				
Operating expenses	416,769	499,435	1,228,178	1,339,112

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

For the Truck Transportation segment, operating expenses increased by \$6.4 million or 35.6% for the three month period ended September 30, 2018 and increased by \$18.0 million or 33.2% for the nine month period ended September 30, 2018, when compared to the same periods in 2017. The increase was driven by the acquisition of Xpress Group, a significant driver pay increase, and organic volume growth. Despite increases in operating expenses, contract rate and volume increases more than compensated for fixed cost and driver pay increases, and operating margins grew to 4.1% from 0.7% for the three month period, and to 3.6% from 1.8% for the nine month period. Xpress Group contributed approximately \$3 million to the operating expense increase.

For the Logistics segment, operating expenses increased by \$5.4 million or 51.1% for the three month period ended September 30, 2018 and increased by \$24.6 million or 81.0% for the nine month period ended September 30, 2018. The increase was primarily driven by a higher volume of orders resulting in higher carrier costs and sales commissions. The improvement in operating margin from 6.1% to 8.8% for the three month period and from 5.7% to 10.4% for the nine month period is a product of both a higher volume of revenue over relatively fixed costs as well as improved contribution margins as a result of tightening capacity.

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SUMMARY OF QUARTERLY RESULTS

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

(in thousands)

	<u>Q3'18</u>	<u>Q2'18</u>	<u>Q1'18</u>	<u>Q4'17</u>	<u>Q3'17</u>	<u>Q2'17</u>	<u>Q1'17</u>	<u>Q4'16</u>
Revenue	44,845	51,810	45,476	35,445	31,516	32,794	29,829	28,647
EBITDA ⁽¹⁾	5,268	6,722	4,974	3,497	2,833	3,376	2,910	3,061
EBITDA margin ⁽¹⁾	12.6 %	13.9 %	11.7 %	10.5 %	9.5 %	10.9 %	10.4 %	11.3 %
Operating income ⁽¹⁾	2,004	3,384	1,859	475	222	733	309	374
Operating margin ⁽¹⁾	4.8 %	7.0 %	4.4 %	1.4 %	0.7 %	2.4 %	1.1 %	1.4 %
Adjusted net income (loss) ⁽¹⁾	1,124	2,222	1,118	(12)	17	299	129	119
Per share - basic	0.03	0.06	0.03	(0.00)	0.00	0.01	0.00	0.00
Per share - diluted	0.03	0.06	0.03	(0.00)	0.00	0.01	0.00	0.00
Net income (loss) and comprehensive income (loss) attributable to the owners of the Company	1,124	2,222	1,118	(3,533)	17	299	129	119
Per share - basic	0.03	0.06	0.03	(0.10)	0.00	0.01	0.00	0.00
Per share - diluted	0.03	0.06	0.03	(0.10)	0.00	0.01	0.00	0.00

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

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. Industry conditions began to improve near the end of 2017, particularly in the United States, when strong economic growth along with the persistent shortage of drivers and the introduction of mandatory ELDs, constrained truck capacity. Historically, the Logistics division has reacted much faster to industry change as it is predominantly reliant on spot rates.

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.

There has also 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 Q4 2017 following the acquisition of Xpress Group. 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.

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LIQUIDITY AND CAPITAL RESOURCES

	September 30 2018	December 31 2017
Working capital (deficit) ⁽¹⁾	(9,652,543)	(14,225,568)
Total assets	113,948,146	114,210,256
Net debt ⁽²⁾	46,206,158	56,235,822
Shareholders' equity	37,596,949	32,639,307
Net debt to equity ratio ⁽³⁾	1.23	1.72

(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 improved and net debt decreased as at September 30, 2018 when compared to December 31, 2017, primarily as a result of the Company's strong profitability and free cash flow year to date in 2018. As a result, net debt to equity significantly improved. 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 nine month period ended September 30, 2018, 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 Transportation. In terms of growth spending, 34 new power units were purchased during the first nine months of 2018 and the Company expects to spend an additional \$4.2 million towards the purchase of rolling stock and IT projects during the fourth quarter. Titanium keeps the average age of its fleet low in order to take advantage of extended warranty periods, reduced driver downtime and lower repair costs. 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 following table sets out the Company's contractual obligations, excluding future interest payments:

(in thousands)

	Total	1 Year	2 Years	3 Years	4 Years	5 Years	After 5 Years
Acquisition loan ⁽¹⁾	3,000	563	750	750	750	187	-
Loans	24,005	8,718	5,404	3,343	2,479	1,395	2,666
Finance leases	19,478	7,647	6,394	4,363	934	140	-
Operating leases ⁽²⁾	26,962	1,913	1,833	1,870	1,895	1,951	17,500
	73,445	18,841	14,381	10,326	6,058	3,673	20,166

(1) Classified as current on the Company's consolidated interim financial statements as the loan is due on demand.

(2) Pertains largely to the lease of the Company's head office terminal. Upon adoption of IFRS 16 on January 1, 2019, operating leases will be presented as long-term debt. Refer to "Changes in Accounting Policies" for further disclosure on the impact this standard will have on the Company's consolidated interim financial statements.

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.

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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 head office terminal, these leases expire between January 2019 and February 2022. The lease for the Company's head office expires September 2031, with an option to purchase in March 2026.

The Company's revolving demand facility was increased from \$15 million to \$20 million during the first quarter of 2018. The portion of the Company's bank credit facilities which were unused as of September 30, 2018 include approximately \$12.0 million under the revolving demand operating facility, \$2 million under a non-revolving acquisition facility, \$7.5 million under an accordion acquisition facility and \$6 million under a finance lease loan facility. In addition, the Company has available approximately \$17.2 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 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 prior twelve months. The Company was in compliance with all covenants as of September 30, 2018 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 to a maximum of \$4,800 per year towards the purchase of Titanium common shares. Contributions are matched at a rate of 100% by the Company and shares are issued from treasury in order to fund the Plan. In the case of employees, matched shares are subject to a three year vesting period. In the case of independent contractors, matched shares are issued after three years of service. The maximum number of shares approved for issuance under the Plan is reviewed by the board of directors annually. Of the shares issued to date, 233,927 have not yet vested.

On April 13, 2018, 4,426,665 warrants to acquire common shares of the Company expired.

As of November 6, 2018, there are 36,595,114 common shares of the Company outstanding. In addition, there are 1,739,000 stock options outstanding, of which 598,666 are exercisable.

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TRANSACTIONS WITH RELATED PARTIES

The Company provides truck transportation services to companies under common control. These companies include Vision Extrusions Group Limited, Vision Profile Extrusions Ltd. and Sunview Patio Doors Ltd. Aggregate revenues from these companies totaled \$1,482,032 and \$4,095,684, respectively, for the three month and nine month periods ended September 30, 2018 (2017 - \$1,273,581 and \$3,392,956).

The Company also currently rents its head office terminal from Caledon First Investments Limited, a company under common control. Total rent paid to this company for the three month and nine month periods ended September 30, 2018 was \$488,032 and \$1,464,094, respectively (2017 - \$481,469 and \$1,444,407). The Company has committed to annual base rent of \$1,764,528, which will increase to \$2,413,123 over a 14 year period.

Trunkeast Investments Canada Limited, the Company's controlling shareholder as of September 30, 2018, provides administrative and support services to the Company on a monthly basis. For these services, the Company was charged \$7,500 and \$22,500 (2017 - \$15,000 and \$45,000) for the three month and nine month periods ended September 30, 2018, respectively.

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.

Titanium Transportation Group Inc.

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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 and the time that it takes to fully realize synergies. After releasing Q3 2017 results, the Company estimated that post synergy annualized revenue and EBITDA would be \$140 million and \$15 million, respectively. Actual revenue and EBITDA for the last four quarters was \$178 million and \$20.6 million, respectively. The difference is primarily a result of a much more dramatic improvement in industry conditions than expected, as well as organic growth which is not reflected in the Company's run rates. As there have been no material changes to operations or industry conditions, the Company's revenue and EBITDA run rates remain at \$180 million and \$20 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 and goodwill impairment.

"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 and goodwill impairment.

"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 and goodwill impairment, 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 measures 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.

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CHANGES IN ACCOUNTING POLICIES

The following new standards and amendments to standards are not yet effective for the period ended September 30, 2018 and have not been applied in preparing the consolidated interim financial statements:

IFRS 16, Leases
IFRIC 23, Uncertainty over Income tax Treatments

The Company has conducted a preliminary assessment of the effect of IFRS 16, Leases, and determined that the standard will have the following impact on the Company's segmented results:

	Truck Transportation		Logistics	
	3 months ended Sept 30 2018	9 months ended Sept 30 2018	3 months ended Sept 30 2018	9 months ended Sept 30 2018
Revenue	26,440,182	77,696,633	16,322,596	57,827,614
Fuel surcharge	2,243,969	6,726,374	946,938	3,083,825
	28,684,151	84,423,007	17,269,534	60,911,439
Operating expenses				
Carriers and independent contractors	9,912,756	29,842,747	13,638,473	47,969,668
Vehicle operating	6,651,402	19,571,020	-	-
Wages and casual labour	6,835,298	19,233,431	1,807,922	5,411,839
Other operating⁽²⁾	650,380	2,446,135	346,855	1,390,507
	24,049,836	71,093,333	15,793,250	54,772,014
EBITDA ⁽¹⁾	4,634,315	13,329,674	1,476,284	6,139,425
EBITDA margin ⁽¹⁾	17.5 %	17.2 %	9.0 %	10.6 %
Depreciation⁽²⁾	3,219,430	9,582,644	125,205	374,969
Amortization of customer lists	57,150	171,450	-	-
Operating income ⁽¹⁾	1,357,735	3,575,580	1,351,079	5,764,456
Operating margin ⁽¹⁾	5.1 %	4.6 %	8.3 %	10.0 %
Gain on sale of property and equipment	(90,229)	(374,759)	-	-
Finance costs⁽²⁾	846,522	2,547,107	41,150	166,578
Finance income	(95,971)	(253,100)	-	-
Foreign exchange loss (gain)	(4,504)	2,035	53,031	(28,405)
Income tax expense⁽²⁾	218,303	483,530	334,844	1,513,268
Net income	483,614	1,170,767	922,054	4,113,015

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

(2) Refer to Note 3 of the consolidated interim financial statements for a full description of the IFRS 16 standard change.

The changes pertain largely to the lease of the Company's head office terminal and assume that the purchase option in 2026 will be exercised. The full description of each of these recent pronouncements is available in the consolidated interim financial statements.