



Unaudited Condensed Consolidated Interim Financial Statements

For the third quarter ended
September 30, 2019

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Financial Position

(unaudited)

(in Canadian dollars)

	September 30 2019	December 31 2018 (Restated)
Assets		
Current		
Cash	517,173	237,496
Trade and other receivables (note 14)	26,851,875	27,285,612
Current taxes recoverable	36,351	512,670
Finance lease receivables (note 5, 13)	2,401,360	2,462,208
Prepaid expenses and deposits	1,695,102	2,106,723
Assets held for sale (note 6)	173,992	130,396
	<u>31,675,853</u>	<u>32,735,105</u>
Finance lease receivables (note 5, 13)	4,199,595	5,135,162
Property and equipment (note 3, 7)	41,970,775	44,650,640
Right of use assets (note 3, 8)	57,763,026	60,033,714
Deferred tax assets (note 3)	557,669	254,904
Customer lists (note 9)	1,142,800	1,314,250
Goodwill (note 9)	1,968,286	1,968,286
	<u>139,278,004</u>	<u>146,092,061</u>
Liabilities		
Current		
Bank indebtedness (note 10, 13)	5,804,991	9,364,135
Trade and other payables (note 3)	16,410,561	13,139,050
Current taxes payable	94,537	475,640
Loans payable (note 10, 13)	7,153,262	8,748,259
Finance lease liabilities (note 3, 10, 13)	7,076,655	7,903,569
	<u>36,540,006</u>	<u>39,630,653</u>
Loans payable (note 10, 13)	14,941,283	16,534,574
Finance lease liabilities (note 3, 10, 13)	40,056,316	44,525,376
Deferred tax liabilities (note 3)	7,309,520	6,389,761
	<u>98,847,125</u>	<u>107,080,364</u>
<i>Commitments and contingencies (note 16)</i>		
Shareholders' Equity		
Share capital (note 11)	22,905,234	22,926,679
Contributed surplus (note 12)	8,074,545	7,667,086
Retained earnings (note 3)	9,451,100	8,417,932
	<u>40,430,879</u>	<u>39,011,697</u>
	<u>139,278,004</u>	<u>146,092,061</u>

Refer to note 3 for details regarding the restatement as a result of a change in accounting policy.

On behalf of the Board

"Ted Daniel"
Director

"Bill Chyfetz"
Director

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Comprehensive Income

(unaudited)

(in Canadian dollars)

		(Restated)		(Restated)
	3 months ended	3 months ended	9 months ended	9 months ended
	Sept 30 2019	Sept 30 2018	Sept 30 2019	Sept 30 2018
Revenue (note 14)	39,781,249	41,654,492	115,075,226	132,320,832
Fuel surcharge	2,926,867	3,190,907	8,666,593	9,810,199
	42,708,116	44,845,399	123,741,819	142,131,031
Operating expenses				
Carriers and independent contractors	21,713,092	22,442,943	59,782,733	74,609,000
Vehicle operating	6,479,651	6,651,402	20,465,764	19,571,020
Wages and casual labour (note 15)	8,419,832	8,932,977	25,206,241	25,443,724
Other operating (note 3, 14)	1,560,271	1,124,247	4,299,387	4,266,366
	38,172,846	39,151,569	109,754,125	123,890,110
Income before the following	4,535,270	5,693,830	13,987,694	18,240,921
Depreciation (note 3, 7, 8)	3,453,533	3,293,045	10,061,300	9,802,843
Gain on sale of property and equipment	(165,142)	(90,229)	(537,656)	(374,759)
Finance costs (note 3, 14)	839,233	935,945	2,610,252	2,857,383
Finance income	(95,331)	(95,971)	(292,424)	(253,100)
Foreign exchange loss (gain)	(58,133)	48,527	(50,343)	(26,370)
Amortization of customer lists (note 9)	57,150	57,150	171,450	171,450
	4,031,310	4,148,467	11,962,579	12,177,447
Income before income taxes	503,960	1,545,363	2,025,115	6,063,474
Income tax expense (note 3)	190,899	453,506	712,746	1,697,968
Net income and comprehensive income attributable to owners of the Company	313,061	1,091,857	1,312,369	4,365,506
Earnings per share:				
Basic	0.01	0.03	0.04	0.12
Diluted	0.01	0.03	0.04	0.12
Weighted average number of shares outstanding:				
Basic (note 11)	36,213,071	36,323,048	36,340,670	36,233,373
Diluted (note 11)	36,713,726	36,727,947	36,780,704	36,563,863

Refer to note 3 for details regarding the restatement as a result of a change in accounting policy.

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Changes in Equity

Nine months ended September 30, 2019 and 2018

(unaudited)

(in Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Total
Restated Balances at December 31, 2018	22,926,679	7,667,086	8,417,932	39,011,697
Share issuance (note 11)	249,031	-	-	249,031
Share-based compensation expense (note 11, 12)	-	407,459	-	407,459
Share cancellation (note 11)	(270,476)	-	(279,201)	(549,677)
Net income and comprehensive income	-	-	1,312,369	1,312,369
Balances at September 30, 2019	22,905,234	8,074,545	9,451,100	40,430,879
Restated Balances at December 31, 2017	22,585,503	7,340,115	2,754,048	32,679,666
Share issuance (note 11)	262,439	-	-	262,439
Share-based compensation expense (note 11, 12)	-	230,893	-	230,893
Restated Net income and comprehensive income	-	-	4,365,506	4,365,506
Restated Balances at September 30, 2018	22,847,942	7,571,008	7,119,554	37,538,504

Refer to note 3 for details regarding the restatement as a result of a change in accounting policy.

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Cash Flows

(unaudited)

(in Canadian dollars)

		(Restated)		(Restated)
	3 months ended	3 months ended	9 months ended	9 months ended
	Sept 30 2019	Sept 30 2018	Sept 30 2019	Sept 30 2018
Cash flows from operating activities				
Net income	313,061	1,091,857	1,312,369	4,365,506
Adjustments:				
Depreciation (note 3)	3,453,533	3,293,045	10,061,300	9,802,843
Gain on sale of property and equipment	(165,142)	(90,229)	(537,656)	(374,759)
Finance costs (note 3)	839,233	935,945	2,610,252	2,857,383
Finance income	(95,331)	(95,971)	(292,424)	(253,100)
Amortization of customer lists	57,150	57,150	171,450	171,450
Share-based compensation expense	170,639	80,311	407,459	230,893
Income tax expense (note 3)	190,899	453,506	712,746	1,697,968
	4,764,042	5,725,614	14,445,496	18,498,184
Net change in non-cash operating working capital	3,879,604	6,448,458	4,121,414	(1,370,505)
	8,643,646	12,174,072	18,566,910	17,127,679
Interest paid (note 3)	(853,908)	(959,160)	(2,611,485)	(2,850,601)
Interest received	95,331	95,971	292,424	253,100
Income taxes received (paid)	(536)	(573,628)	(536)	(663,928)
	7,884,533	10,737,255	16,247,313	13,866,250
Cash flows from investing activities				
Proceeds from finance lease receivables	633,440	602,292	1,979,893	1,648,556
Acquisition of property and equipment (note 7, 13)	(372,322)	(178,514)	(913,280)	(1,461,290)
Disposition of property and equipment (note 6, 7)	231,052	222,314	489,802	1,146,187
	492,170	646,092	1,556,415	1,333,453
Cash flows from financing activities				
Repayment of bank indebtedness (note 13)	(3,518,322)	(7,481,699)	(3,570,369)	(4,059,740)
Proceeds from loans payable (note 13)	-	140,127	-	1,086,718
Repayment of loans payable (note 13)	(2,684,756)	(2,369,935)	(7,504,095)	(7,007,646)
Repayment of finance lease liabilities (note 13)	(2,029,466)	(1,930,445)	(6,148,941)	(5,791,221)
Issuance of shares (note 11)	86,722	76,703	249,031	262,439
Shares repurchases (note 11)	(230,317)	-	(549,677)	-
	(8,376,139)	(11,565,249)	(17,524,051)	(15,509,450)
Increase (decrease) in cash	564	(181,902)	279,677	(309,747)
Cash, beginning	516,609	351,167	237,496	479,012
Cash, ending	517,173	169,265	517,173	169,265

Refer to note 3 for details regarding the restatement as a result of a change in accounting policy.

Refer to note 13 for supplemental cash flow information.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2019 and 2018

(unaudited)

1. REPORTING ENTITY

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 but was not under the current ownership and operations until the aforementioned date of operation commencement.

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, 2018.

These 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 condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants of Canada for the review of interim financial statements.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 5, 2019.

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

Nine months ended September 30, 2019 and 2018

(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 industry 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, 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 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

Nine months ended September 30, 2019 and 2018

(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

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 became effective for annual periods beginning on January 1, 2019. The adoption of this interpretation did not have a material impact on the condensed consolidated interim financial statements.

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 became effective for annual periods beginning on January 1, 2019.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

The asset is initially measured at cost, comprised of the initial amount of the lease liability adjusted for any pre-commencement lease payments, plus any initial direct costs incurred, less any lease incentive received. The asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The estimated useful lives of leased assets are determined on the same basis as those of property and equipment. The carrying amount of the leased asset is reduced by impairment losses and remeasurement of the lease liability, if any.

The lease liability is initially measured at the present value of future lease payments, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. In the event of a change in the Company's assessment of whether it will exercise a purchase, extension or termination option, the lease liability will be remeasured and an adjustment will be made to the carrying amount of the right-of-use asset, or recognized in the consolidated interim statement of comprehensive income if the carrying value of the leased asset is zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

IFRS 16 was adopted retrospectively, without modifications, to allow for comparability of operating results. The following tables show the adjustment recognized for each individual line item. Line items that were not affected by the adoption of the standard have not been included. As a result, the sub-total and totals disclosed cannot be recalculated from the numbers provided.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2019 and 2018

(unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Condensed Consolidated Interim Statement of Financial Position (extract)	Dec 31, 2018		Dec 31, 2018
	As Reported	IFRS 16	Restated
Property and equipment	71,278,857	(26,628,217)	44,650,640
Right-of-use assets	-	60,033,714	60,033,714
Deferred tax assets	239,514	15,390	254,904
Total Assets	112,671,174	33,420,887	146,092,061
Current Liabilities			
Trade and other payables	13,733,603	(594,553)	13,139,050
Finance lease liabilities	18,297,505	34,131,440	52,428,945
Deferred tax liabilities	6,409,056	(19,295)	6,389,761
Total Liabilities	73,562,772	33,517,592	107,080,364
Retained earnings	8,514,637	(96,705)	8,417,932
Total shareholders' equity	39,108,402	(96,705)	39,011,697

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2019 and 2018

(unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

	3 months Ended	3 months Ended	
	Sept 30, 2018 As Reported	IFRS 16	Sept 30, 2018 Restated
Condensed Consolidated Interim Statements of Comprehensive Income (extract)			
Other operating expenses	1,549,716	(425,469)	1,124,247
Income before the following	5,268,361	425,469	5,693,830
Depreciation	3,207,308	85,737	3,293,045
Finance costs	551,863	384,082	935,945
Income before income taxes	1,589,713	(44,350)	1,545,363
Income tax expense	465,259	(11,753)	453,506
Net income and comprehensive income attributable to owners of the Company	1,124,454	(32,597)	1,091,857
Condensed Consolidated Interim Statements of Cash Flows (extract)			
	3 months Ended	3 months Ended	
	Sept 30, 2018 As Reported	IFRS 16	Sept 30, 2018 Restated
Net income	1,124,454	(32,597)	1,091,857
Depreciation	3,207,308	85,737	3,293,045
Finance costs	551,863	384,082	935,945
Income tax expense	465,259	(11,753)	453,506
	5,300,145	425,469	5,725,614
Interest paid	(575,078)	(384,082)	(959,160)
Cash flows from operating activities	10,695,869	41,386	10,737,255
Repayment of finance lease liabilities	(1,889,058)	(41,387)	(1,930,445)
Cash flows from financing activities	(11,523,862)	(41,387)	(11,565,249)

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2019 and 2018

(unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

	9 months Ended	9 months Ended	
	Sept 30, 2018 As Reported	IFRS 16	Sept 30, 2018 Restated
Condensed Consolidated Interim Statements of Comprehensive Income (extract)			
Other operating expenses	5,542,773	(1,276,407)	4,266,366
Income before the following	16,964,514	1,276,407	18,240,921
Depreciation	9,545,632	257,211	9,802,843
Finance costs	1,703,759	1,153,624	2,857,383
Income before income taxes	6,197,902	(134,428)	6,063,474
Income tax expense	1,733,592	(35,624)	1,697,968
Net income and comprehensive income attributable to owners of the Company	4,464,310	(98,804)	4,365,506
Condensed Consolidated Interim Statements of Cash Flows (extract)			
	9 months Ended	9 months Ended	
	Sept 30, 2018 As Reported	IFRS 16	Sept 30, 2018 Restated
Net income	4,464,310	(98,804)	4,365,506
Depreciation	9,545,632	257,211	9,802,843
Finance costs	1,703,759	1,153,624	2,857,383
Income tax expense	1,733,592	(35,624)	1,697,968
	17,221,777	1,276,407	18,498,184
Interest paid	(1,696,977)	(1,153,624)	(2,850,601)
Cash flows from operating activities	13,743,468	122,782	13,866,250
Repayment of finance lease liabilities	(5,668,438)	(122,783)	(5,791,221)
Cash flows from financing activities	(15,386,667)	(122,783)	(15,509,450)

There is no change to the Company's Basic and Diluted Earnings per Share as a result of the restatement.

The above adjustments pertain largely to the lease of the Company's head office terminal and assume that the purchase option in 2026 will be exercised.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2019 and 2018

(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") are comprised mainly of expenses required to operate a publicly traded and multi-entity organization.

	Truck Transportation	Logistics	Corporate	Elimination	Total
Three months ended September 30, 2019					
Revenue - external	25,995,793	16,712,323	-	-	42,708,116
Revenue - internal	1,308,161	-	-	(1,308,161)	-
Total revenue	27,303,954	16,712,323	-	(1,308,161)	42,708,116
Depreciation	3,233,675	219,858	-	-	3,453,533
Finance costs	803,362	35,871	-	-	839,233
Finance income	(95,331)	-	-	-	(95,331)
Income (loss) before income taxes	382,386	577,755	(456,181)	-	503,960
Income taxes (recoveries)	134,044	154,657	(97,802)	-	190,899
Capital expenditures	1,138,074	62,236	-	-	1,200,310
Restated three months ended September 30, 2018					
Revenue - external	27,575,865	17,269,534	-	-	44,845,399
Revenue - internal	1,108,286	-	-	(1,108,286)	-
Total revenue	28,684,151	17,269,534	-	(1,108,286)	44,845,399
Depreciation	3,171,967	121,078	-	-	3,293,045
Finance costs	890,933	45,012	-	-	935,945
Finance income	(95,971)	-	-	-	(95,971)
Income (loss) before income taxes	704,969	1,257,163	(416,769)	-	1,545,363
Income taxes (recoveries)	219,112	334,914	(100,520)	-	453,506
Capital expenditures	2,337,762	3,700	-	-	2,341,462

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2019 and 2018

(unaudited)

4. OPERATING SEGMENTS - continued

	Truck Transportation	Logistics	Corporate	Elimination	Total
Nine months ended September 30, 2019					
Revenue - external	80,087,307	43,654,512	-	-	123,741,819
Revenue - internal	3,835,264	-	-	(3,835,264)	-
Total revenue	83,922,571	43,654,512	-	(3,835,264)	123,741,819
Depreciation	9,503,749	557,551	-	-	10,061,300
Finance costs	2,513,168	97,084	-	-	2,610,252
Finance income	(292,424)	-	-	-	(292,424)
Income (loss) before income taxes	1,770,801	1,425,394	(1,171,080)	-	2,025,115
Income taxes (recoveries)	567,259	407,643	(262,156)	-	712,746
Capital expenditures	5,808,335	281,631	-	-	6,089,966
Restated Nine months ended September 30, 2018					
Revenue - external	81,219,592	60,911,439	-	-	142,131,031
Revenue - internal	3,203,415	-	-	(3,203,415)	-
Total revenue	84,423,007	60,911,439	-	(3,203,415)	142,131,031
Depreciation	9,440,255	362,588	-	-	9,802,843
Finance costs	2,679,310	178,073	-	-	2,857,383
Finance income	(253,100)	-	-	-	(253,100)
Income (loss) before income taxes	1,664,483	5,627,169	(1,228,178)	-	6,063,474
Income taxes (recoveries)	486,228	1,513,503	(301,763)	-	1,697,968
Capital expenditures	7,082,125	3,700	-	-	7,085,825

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 Sept 30 2019	3 months ended Sept 30 2018	9 months ended Sept 30 2019	9 months ended Sept 30 2018
Canada	26,010,483	25,437,127	75,899,455	78,461,575
United States	16,697,633	19,417,272	47,842,364	63,669,456
	42,708,116	44,854,399	123,741,819	142,131,031

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2019 and 2018

(unaudited)

5. FINANCE LEASE RECEIVABLES

During the nine month period ended September 30, 2019, the Company entered into new finance leases totaling \$2,618,231, which are receivable over 30 to 60 months with interest rates ranging from 5.25% to 6.75%.

6. 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, 2018	130,396
Reclassification from property and equipment	185,267
Disposals	<u>(141,671)</u>
Balance, September 30, 2019	<u>173,992</u>

7. PROPERTY AND EQUIPMENT

	Land, Buildings and Leaseholds	Furniture and Equipment	Rolling Stock	Total
Cost				
Restated balances, December 31, 2018	10,776,660	5,420,336	54,492,371	70,689,367
Reacquisition of rolling stock relating to finance lease receivables	-	-	1,658,385	1,658,385
Other additions	10,387	376,490	4,587,900	4,974,777
Sale of rolling stock relating to finance lease receivables	-	-	(2,524,993)	(2,524,993)
Other disposals	-	(1,499,293)	-	(1,499,293)
Reclassification to assets held for sale	-	-	(836,714)	(836,714)
Balances, September 30, 2019	<u>10,787,047</u>	<u>4,297,533</u>	<u>57,376,949</u>	<u>72,461,529</u>
Accumulated depreciation				
Restated balances, December 31, 2018	1,258,546	4,057,486	20,722,695	26,038,727
Depreciation	364,301	856,398	5,454,724	6,675,423
Sale of rolling stock relating to finance lease receivables	-	-	(80,156)	(80,156)
Other disposals	-	(1,491,793)	-	(1,491,793)
Reclassification to assets held for sale	-	-	(651,447)	(651,447)
Balances, September 30, 2019	<u>1,622,847</u>	<u>3,422,091</u>	<u>25,445,816</u>	<u>30,490,754</u>
Net carrying amounts				
At December 31, 2018, restated	9,518,114	1,362,850	33,769,676	44,650,640
At September 30, 2019	<u>9,164,200</u>	<u>875,442</u>	<u>31,931,133</u>	<u>41,970,775</u>

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8. RIGHT OF USE ASSETS

	Land and Buildings	Furniture and Equipment	Rolling Stock	Total
Cost				
Restated balances, December 31, 2018	34,220,000	1,023,160	35,308,490	70,551,650
Other additions	474,362	508,789	467,628	1,450,779
Purchase of lease assets	-	-	(460,000)	(460,000)
Balances, September 30, 2019	<u>34,694,362</u>	<u>1,531,949</u>	<u>35,316,118</u>	<u>71,542,429</u>
Accumulated depreciation				
Restated balances, December 31, 2018	814,503	338,801	9,364,632	10,517,936
Depreciation	278,452	342,778	2,764,647	3,385,877
Purchase of lease assets	-	-	(124,410)	(124,410)
Balances, September 30, 2019	<u>1,092,955</u>	<u>681,579</u>	<u>12,004,869</u>	<u>13,779,403</u>
Net carrying amounts				
At December 31, 2018, restated	33,405,497	684,359	25,943,858	60,033,714
At September 30, 2019	<u>33,601,407</u>	<u>850,370</u>	<u>23,311,249</u>	<u>57,763,026</u>

9. GOODWILL AND INTANGIBLES

	Goodwill	Customer Lists	Total
Balances, December 31, 2018	1,968,286	1,314,250	3,282,536
Amortization	-	(171,450)	(171,450)
Balances, September 30, 2019	<u>1,968,286</u>	<u>1,142,800</u>	<u>3,111,086</u>

10. LONG-TERM DEBT

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

	Effective Interest Rate	Year of Maturity	Carrying Amount
Bank indebtedness	PRIME+0.50%	N/A	5,804,991
Loans payable	2.95% - 5.75%	2019-2031	22,094,545
Finance lease liabilities	2.56% - 5.60%	2019-2023	47,132,971
			<u>75,032,507</u>
Current portion			<u>20,034,908</u>
			<u>54,997,599</u>

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11. SHARE CAPITAL

Authorized

Unlimited number of common shares with no par value

	Common Shares #	Share Capital \$
Issued		
Balances, December 31, 2018	36,655,488	22,926,679
Shares issued as part of share purchase plan	326,403	249,031
Shares repurchase and cancelled	(431,800)	(270,476)
Balances, September 30, 2019	<u>36,550,091</u>	<u>22,905,234</u>

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, 395,689 have not vested. During the three month and nine month periods ended September 30, 2019, the Company recognized an expense of \$56,280 and \$147,506 (2018 - \$29,229 and \$67,727), respectively, relating to the Plan, with a corresponding increase to contributed surplus.

On May 17, 2019, the Company began a normal course issuer bid to purchase up to 1,839,267 of its common shares (the "NCIB"), representing 5% of its issued and outstanding common shares. The NCIB will terminate on May 16, 2020, or on an earlier date in the event that the maximum number of common shares sought in the NCIB have been repurchased. Purchases pursuant to the NCIB are expected to be made through the facilities of the TSX Venture Exchange (the "TSXV"), or such other permitted means, including through alternative trading systems in Canada, at prevailing market prices or as otherwise permitted by the policies of the TSXV.

During the nine months ended September 30, 2019, the Company repurchased 431,800 common shares at a weighted average purchase price of \$1.27 and a total purchase price of \$549,677. The excess of the purchase price paid over the carrying value of the shares repurchase in the amount of \$279,201 was charged to retained earnings as share repurchase premium.

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11. SHARE CAPITAL - continued

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

	3 months ended	3 months ended	9 months ended	9 months ended
	Sept 30 2019	Sept 30 2018	Sept 30 2019	Sept 30 2018
Issued common shares, beginning	36,616,769	36,492,715	36,655,488	36,191,828
Effect of unvested common shares	(371,226)	(208,111)	(327,364)	(147,343)
Effect of issued common shares	58,461	38,444	173,968	188,888
Effect of repurchase of shares	(90,933)	-	(161,422)	-
Weighted average number of common shares	36,213,071	36,323,048	36,340,670	36,233,373
Dilutive effect of restricted common shares and stock options	500,655	404,899	440,034	330,490
Weighted average number of diluted common shares	36,713,726	36,727,947	36,780,704	36,563,863

12. CONTRIBUTED SURPLUS

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

During the nine month period ended September 30, 2019, 319,000 stock options were issued to various directors, employees and consultants. 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, 212,500 stock options were forfeited. No other stock options expired, were exercised or were forfeited during the reporting period. As at September 30, 2019, there were 1,743,000 (December 31, 2018 - 1,636,500) stock options outstanding with a weighted average exercise price of \$1.72 (December 31, 2018 - \$1.79) and weighted average remaining life of 5.7 years (December 31, 2018 - 7.1 years). Of the stock options outstanding as at September 30, 2019, 706,000 (December 31, 2018 - 869,000) were held by key management personnel. In addition, of the total options outstanding, 750,831 (December 31, 2018 - 496,166) are fully vested and exercisable at a weighted average price of \$1.75 (December 31, 2018 - \$1.50). During the three and nine month period ended September 30, 2019, the Company recognized an expense of \$114,359 and \$259,953 (2018 - \$51,082 and \$163,166), respectively, 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 3.5 and 8.5 years; ii) the risk free rate is between 1.41% and 1.94%; iii) the dividend yield will be \$NIL; and iv) expected volatility is between 59.37% and 60.69%. 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.

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13. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Balance December 31 2018	Cash Flows	Non-Cash Changes		Balance Sept 30 2019
			New Leases	Reacquired Leases	
Finance lease receivables	7,597,370	(1,979,893)	2,618,232	(1,634,754)	6,600,955

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

	Restated Balance December 31 2018	Cash Flows	Non-Cash Changes		Balance Sept 30 2019
			New Leases /Loans	Foreign Exchange Movement	
Bank indebtedness	9,364,135	(3,570,369)	-	11,225	5,804,991
Loans payable	25,282,833	(7,504,095)	4,445,853	(130,046)	22,094,545
Finance lease liabilities	52,428,945	(6,148,941)	983,151	(130,184)	47,132,971
	87,075,913	(17,223,405)	5,429,004	(249,005)	75,032,507

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14. RELATED PARTY TRANSACTIONS AND BALANCES

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.

		(Restated)		(Restated)
	3 months ended	3 months ended	9 months ended	9 months ended
	Sept 30 2019	Sept 30 2018	Sept 30 2019	Sept 30 2018
Provided truck transportation services to Vision Extrusions Group Limited, Vision Profile Extrusions Ltd. and Sunview Patio Doors Ltd., companies under common control	1,973,936	1,482,032	5,643,138	4,095,684
Paid rent to Caledon First Investments Limited, a company under common control	(441,132)	(425,469)	(1,323,396)	(1,276,407)
Paid occupancy costs to Caledon First Investments Limited, a company under common control	(67,925)	(62,563)	(203,775)	(187,688)
Paid management fees to Trunkeast	(7,500)	(7,500)	(22,500)	(22,500)
	<u>1,457,379</u>	<u>986,500</u>	<u>4,093,467</u>	<u>2,609,089</u>

Under IFRS 16, rent paid to Caledon First Investments Limited is considered repayment of finance lease obligations, with deemed interest paid for right-of-use asset included in finance costs of \$381,589 and \$1,146,749 (2018, restated - \$384,082 and \$1,153,623), respectively, during the three month and nine month period ended September 30, 2019.

Included in finance lease liabilities as at September 30, 2019 is a total of \$33,954,792 payable to Caledon First Investments Limited for the use of the Company's head office terminal.

Included in trade and other receivables as at September 30, 2019 is a total of \$557,740 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.

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15. WAGES AND CASUAL LABOUR

Included in wages and casual labour are the following:

	3 months ended	3 months ended	9 months ended	9 months ended
	Sept 30 2019	Sept 30 2018	Sept 30 2019	Sept 30 2018
Share-based compensation expense	170,639	80,311	407,459	230,893
Employee benefits	227,160	162,352	639,097	436,048
Key management personnel:				
Salaries and benefits	166,127	619,054	520,158	1,088,880
Share-based compensation expense	32,138	26,737	101,289	83,443

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

16. COMMITMENTS AND CONTINGENCIES

- As at September 30, 2019, the Company was committed to purchasing \$1 million in rolling stock.
- 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 head office terminal.
- 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.