



Management's Discussion and Analysis

For the third quarter ended
September 30, 2019

Dated November 5, 2019

Titanium Transportation Group Inc.

Management's Discussion and Analysis for the third quarter ended September 30, 2019

GENERAL INFORMATION

The following is Titanium Transportation Group Inc.'s management discussion and analysis dated November 5, 2019 ("MD&A"), which provides a comparative overview of the Company's performance for its three month and nine month periods ended September 30, 2019 with the corresponding three month and nine month periods ended September 30, 2018, and it reviews the Company's financial position as at September 30, 2019. Throughout this MD&A, any reference to "Company", "we", "us", "our" 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, 2018 as well as the unaudited condensed consolidated interim financial statements of the Company for the third quarter ended September 30, 2019 ("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, 2019 were approved by its Board of Directors on November 5, 2019. 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 5, 2019. 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, with additional parking/switch yards in Sudbury, Brantford, Brockville and Trenton, Ontario and a freight brokerage office in Charlotte, North Carolina. The Company has over 1,000 customers across various industries, including large multinational corporations, with no one customer accounting for more than 7% of revenue. The Company has approximately 475 power units, 1,400 trailers, and 600 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 as well as 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

- ◆ Consolidated revenue for Q3 2019 was \$42.7 million, representing the strongest quarter in 2019 and the second highest third quarter revenue in the Company's history. Record revenues of \$44.8 million were recorded in Q3 2018 which was a period of unique robustness in the trucking industry.
- ◆ Operating income⁽¹⁾ was \$1.0 million for Q3 2019, representing a 2.6% operating margin⁽¹⁾, compared to \$2.3 million and a 5.6% operating margin⁽¹⁾ in Q3 2018.
- ◆ Titanium continued to strengthen its financial position in 2019. The Company further lowered its net-debt-to-equity ratio to 1.68, from 1.87 in Q2 2019 and 2.03 in December 31, 2018. Net debt decreased by \$11.4 million, or 14.4%, when compared to December 31, 2018.
- ◆ Truck Transportation segment revenue for Q3 2019 was \$27.3 million, representing a 4.8% decrease year over year. Operating income⁽¹⁾ was \$0.9 million, representing a 3.7% operating margin⁽¹⁾, for the third quarter. This compares to Q3 2018 operating income⁽¹⁾ of \$1.4 million and a 5.3% operating margin⁽¹⁾.
- ◆ Logistics segment revenue was \$16.7 million for Q3 2019, compared to \$17.3 million in the same period in 2018. Operating income⁽¹⁾ was \$0.8 million, representing a 5.3% operating margin⁽¹⁾, for the third quarter. This compares to Q3 2018 operating income⁽¹⁾ of \$1.5 million and a 9.0% operating margin⁽¹⁾.
- ◆ The following table sets out consolidated Q3 2019 revenue by industry:

Revenue by Industry	
Manufactured Goods	37.5%
Retail	14.3%
Logistics/ Trucking	14.2%
Metals	9.1%
Automotive	6.4%
Services	6.2%
Forest Products	4.6%
Food & Beverage	4.4%
Other	3.3%

Based on Q3 2019 revenue

¹ Refer to "Results of Operations" on page 3 and "Non-IFRS Financial Measures" on page 13 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)

		⁽²⁾ (Restated)		⁽²⁾ (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	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	38,172,846	39,151,569	109,754,125	123,890,110
EBITDA ⁽¹⁾	4,535,270	5,693,830	13,987,694	18,240,921
EBITDA margin ⁽¹⁾	11.4 %	13.7 %	12.2 %	13.8 %
Depreciation	3,453,533	3,293,045	10,061,300	9,802,843
Amortization of customer lists	57,150	57,150	171,450	171,450
Operating income ⁽¹⁾	1,024,587	2,343,635	3,754,944	8,266,628
Operating margin ⁽¹⁾	2.6 %	5.6 %	3.3 %	6.2 %
Gain on sale of property and equipment	(165,142)	(90,229)	(537,656)	(374,759)
Finance costs	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)
Income tax expense	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
Net income per share - basic	0.01	0.03	0.04	0.12
Net income per share - diluted	0.01	0.03	0.04	0.12

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

(2) Refer to "Changes in Accounting Policies". For the three months and nine months ended September 30, 2019, lease payments of \$441,132 and \$1,323,396, respectively, were deemed as repayment of finance leases, resulting in finance cost of \$381,589 and \$1,146,749, respectively. Depreciation of right-of-use asset as a result of the adoption of IFRS 16 reclassification was \$85,737 and \$257,212, respectively, during the three month and nine month periods ended September 30, 2019.

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EXECUTIVE SUMMARY

2019 has proven to be challenging for the transportation and logistics industry. In spite of this backdrop, Titanium continued to execute on its key priorities and posted another profitable quarter in 2019. We generated our highest quarterly revenue in 2019, continued to generate strong free cash flow and reduced net debt, as was the case throughout the year. Our unwavering focus on our underlying business will undoubtedly allow us to deliver on our organic and inorganic growth as opportunities arise.

Looking to the fourth quarter of 2019, it is evident that Canadian economic growth will likely remain soft for the remainder of the year. Geopolitical factors, such as the global trade tensions, continue to weigh heavily on shipper demand. Furthermore, overcapacity in the industry is being reflected in downward pressure on pricing in the spot market. From a cost perspective, the industry is facing increased operational costs in repairs and maintenance, insurance, as well as regulatory compliance. Where the industry experiences struggles and frustrations, Titanium envisions many opportunities for innovation.

In the Truck Transportation and Canadian Logistics segment, we continued to make strategic investments to supplement our technological advancements. Our investments allow us to capture vital operational data to further improve our efficiencies, increase our scalability for organic growth, and create innovative customer and vendor solutions for improved business-to-business experiences. As more technological disruption enters the industry, we have, and continue to, position ourselves at the forefront of industry trends to better serve our customers as a trusted partner. Internally, our focus allows us to mitigate the upward pressure on operating costs and allows us to expand organically with certainty in this uncertain marketplace.

Our new brokerage operation in Charlotte, North Carolina began in May 2019 and has since increased our presence south of the border. This office has formally become our U.S. headquarters and will serve as our bridge into the expansive U.S. logistics market. With an experienced and capable team, the U.S. operations continue to exceed expectations, and notably contributed positively to net income in the third quarter of 2019. While some level of uncertainty exists in the U.S. logistics market, we expect our U.S. logistics operations to create opportunities and contribute positively again in Q4 2019.

Given the current freight environment, we remain diligent in evaluating acquisition opportunities as they arise. With our improving balance sheet, we strongly believe that our defensive approach to capital allocation will reward our discipline in the near future. While we wait to capitalize on suitable opportunities, we repurchased 183,600 common shares in Q3 2019 under the Company's normal course issuer bid program and we will continue to seek out opportunistic share repurchases for the remainder of the year.

Overall, we believe that Titanium is well positioned to capitalize on the current transportation and logistics landscape. Our approach to sustainably invest in our people and best-in-class technology has allowed us to deliver an innovative and effective customer experience. In terms of growth, we remain focused on adding incremental volumes profitably, while enhancing our business through inorganic growth opportunities. As always, we are focused on delivering sustainable, profitable growth and creating long-term shareholder value.

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Selected Segmented Financial Information (unaudited)

		⁽²⁾ (Restated)		⁽²⁾ (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
Truck Transportation				
Revenue	25,341,468	26,440,182	77,973,971	77,696,633
Fuel surcharge	1,962,486	2,243,969	5,948,600	6,726,374
	27,303,954	28,684,151	83,922,571	84,423,007
Operating expenses				
Carriers and independent contractors	9,253,999	9,912,756	27,776,871	29,842,747
Vehicle operating	6,479,651	6,651,402	20,465,764	19,571,020
Wages and casual labour	6,646,816	6,835,298	20,234,785	19,233,431
Other operating	707,388	650,380	2,316,063	2,446,135
	23,087,854	24,049,836	70,793,483	71,093,333
EBITDA ⁽¹⁾	4,216,100	4,634,315	13,129,088	13,329,674
EBITDA margin ⁽¹⁾	16.6 %	17.5 %	16.8 %	17.2 %
Depreciation	3,233,675	3,171,967	9,503,749	9,440,255
Amortization of customer lists	57,150	57,150	171,450	171,450
Operating income ⁽¹⁾	925,275	1,405,198	3,453,889	3,717,969
Operating margin ⁽¹⁾	3.7 %	5.3 %	4.4 %	4.8 %
Gain on sale of property and equipment	(165,142)	(90,229)	(537,656)	(374,759)
Finance costs	803,362	890,933	2,513,168	2,679,310
Finance income	(95,331)	(95,971)	(292,424)	(253,100)
Foreign exchange loss (gain)	-	(4,504)	-	2,035
Income tax expense	134,044	219,112	567,259	486,228
Net income	248,342	485,857	1,203,542	1,178,255

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

(2) Refer to "Changes in Accounting Policies". For the three months and nine months ended September 30, 2019, lease payments of \$405,841 and \$1,217,524, respectively, were deemed as repayment of finance leases, resulting in finance cost of \$351,062 and \$1,055,009, respectively. Depreciation of right-of-use asset as a result of the adoption of IFRS 16 reclassification was \$78,878 and \$236,635, respectively, during the three month and nine month periods ended September 30, 2019.

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Selected Segmented Financial Information (unaudited), continued

		⁽²⁾ (Restated)		⁽²⁾ (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
Logistics				
Revenue	15,747,942	16,322,596	40,936,519	57,827,614
Fuel surcharge	964,381	946,938	2,717,993	3,083,825
	16,712,323	17,269,534	43,654,512	60,911,439
Operating expenses				
Carriers and independent contractors	13,767,254	13,638,473	35,841,127	47,969,668
Wages and casual labour	1,520,683	1,807,922	4,253,310	5,411,839
Other operating	590,902	346,855	1,480,047	1,390,507
	15,878,839	15,793,250	41,574,484	54,772,014
EBITDA/ Operating income ⁽¹⁾	833,484	1,476,284	2,080,028	6,139,425
EBITDA/ Operating margin ⁽¹⁾	5.3 %	9.0 %	5.1 %	10.6 %
Depreciation	219,858	121,078	557,551	362,588
Finance costs	35,871	45,012	97,084	178,073
Foreign exchange loss (gain)	-	53,031	-	(28,405)
Income tax expense	154,657	334,914	407,643	1,513,503
Net income	423,098	922,249	1,017,750	4,113,666

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

(2) Refer to "Changes in Accounting Policies". For the three months and nine months ended September 30, 2019, lease payments of \$35,291 and \$105,872, respectively, were deemed as repayment of finance leases, resulting in finance cost of \$30,527 and \$91,740, respectively. Depreciation of right-of-use asset as a result of the adoption of IFRS 16 reclassification was \$6,859 and \$20,577, respectively, during the three month and nine month periods ended September 30, 2019.

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Revenue (unaudited)

	3 months ended Sept 30 2019	3 months ended Sept 30 2018	9 months ended Sept 30 2019	9 months ended Sept 30 2018
Truck Transportation				
Revenue	25,341,468	26,440,182	77,973,971	77,696,633
Fuel surcharge	1,962,486	2,243,969	5,948,600	6,726,374
	<u>27,303,954</u>	<u>28,684,151</u>	<u>83,922,571</u>	<u>84,423,007</u>
Logistics				
Revenue	15,747,942	16,322,596	40,936,519	57,827,614
Fuel surcharge	964,381	946,938	2,717,993	3,083,825
	<u>16,712,323</u>	<u>17,269,534</u>	<u>43,654,512</u>	<u>60,911,439</u>

For the three month and nine month periods ended September 30, 2019, the Company's consolidated revenues decreased by \$2.1 million and \$18.4 million, or 4.8% and 12.9%, respectively, when compared to same periods ended September 30, 2018. The decrease in revenue was a result of a decrease in volumes and rates.

The Truck Transportation segment experienced a decrease in revenue of \$1.4 million or 4.8% for the three month period and a decrease of \$0.5 million, or 0.6% for the nine month period ended September 30, 2019 when compared to the same periods in 2018. The decrease in the segment was primarily a result of a decrease in volume demand and fuel surcharge.

The Logistics segment saw a decrease in revenues of \$0.6 million or 3.2%, for the three month period ended September 30, 2019 and a decrease of \$17.3, million, or 28.3%, for the nine month period ended September 30, 2019, when compared to that of 2018. Volume demand decrease reflecting industry overcapacity was the primary driver for the contraction in segment revenues.

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Operating Expenses and Income (unaudited)

		⁽²⁾ (Restated)		⁽²⁾ (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
Truck Transportation				
Revenue	27,303,954	28,684,151	83,922,571	84,423,007
Operating expenses	23,087,854	24,049,836	70,793,483	71,093,333
EBITDA ⁽¹⁾	4,216,100	4,634,315	13,129,088	13,329,674
EBITDA margin ⁽¹⁾	16.6 %	17.5 %	16.8 %	17.2 %
Depreciation and amortization	3,290,825	3,229,117	9,675,199	9,611,705
Operating income ⁽¹⁾	925,275	1,405,198	3,453,889	3,717,969
Operating margin ⁽¹⁾	3.7 %	5.3 %	4.4 %	4.8 %
Logistics				
Revenue	16,712,323	17,269,534	43,654,512	60,911,439
Operating expenses	15,878,839	15,793,250	41,574,484	54,772,014
EBITDA/ Operating income ⁽¹⁾	833,484	1,476,284	2,080,028	6,139,425
EBITDA/ Operating margin ⁽¹⁾	5.3 %	9.0 %	5.1 %	10.6 %
Corporate				
Operating expenses	514,314	416,769	1,221,423	1,228,178

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

(2) Refer to "Changes in Accounting Policies". In Truck Transportation, for the three months and nine months ended September 30, 2019, lease payments of \$405,841 and \$1,217,524 were deemed as repayment of finance leases, resulting in finance cost of \$351,092 and \$1,055,009, respectively. Depreciation of right-of-use asset due to the adoption of IFRS 16 reclassification was \$78,878 and \$236,635, respectively, during the three month and nine month periods ended September 30, 2019. In Logistics, for the three months and nine months ended September 30, 2019, lease payments of \$35,291 and \$105,872 were deemed as repayment of finance leases, resulting in finance cost of \$30,527 and \$91,740, respectively. Depreciation of right-of-use asset due to the adoption of IFRS 16 reclassification was \$6,859 and \$20,577, respectively, during the three month and nine month periods ended September 30, 2019.

For the Truck Transportation segment, operating expenses decreased by \$1.0 million, or 4.0%, for the three month period ended September 30, 2019 and decreased by \$0.3 million, or 0.4%, for the nine month period ended September 30, 2019, when compared to the same periods in 2018. The decrease was largely in line with the decrease in segmented revenue, with a modest 1% differential due to a \$0.3 million increase in driver pay and rolling stock repairs and maintenance costs. The Truck Transportation segment operating margin decreased to 3.7% for the three month period ended September 30, 2019 from 5.3% in the same period in 2018. For the nine month period ended September 30, 2019, the segment operating margin decreased slightly to 4.4% from 4.8%, reflecting the decrease in revenue over a relative fixed cost base.

For the Logistics segment, operating expenses increased by a marginal \$0.1 million or 0.5% for the three month period ended September 30, 2019 and decreased by \$13.2 million or 24.1% for the nine month period ended September 30, 2019, when compared to the same periods in 2018. The increase in expense can be largely attributed to increases in operating cost incurred as part of the U.S. expansion. Also, included in the Logistics segment operating expenses are investments required to support the company's U.S. freight brokerage business, which began servicing its customers in May 2019.

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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)

	Q3'19	Q2'19	Q1'19	Q4'18 ⁽²⁾	Q3'18 ⁽²⁾	Q2'18 ⁽²⁾	Q1'18 ⁽²⁾	Q4'17 ⁽²⁾
Revenue	42,708	42,041	38,992	42,687	44,845	51,810	45,476	35,445
EBITDA ⁽¹⁾	4,535	4,868	4,585	5,844	5,694	7,147	5,400	3,991
EBITDA margin ⁽¹⁾	11.4 %	12.4 %	12.7 %	14.8 %	13.7 %	14.8 %	12.7 %	12.0 %
Operating income ⁽¹⁾	1,025	1,442	1,288	2,455	2,344	3,724	2,199	884
Operating margin ⁽¹⁾	2.6 %	3.7 %	3.6 %	6.2 %	5.6 %	7.7 %	5.2 %	2.7 %
Adjusted net income (loss) ⁽¹⁾	313	455	544	1,299	1,092	2,189	1,085	5
Per share - basic	0.01	0.01	0.01	0.04	0.03	0.06	0.03	0.00
Per share - diluted	0.01	0.01	0.01	0.04	0.03	0.06	0.03	0.00
Net income (loss) and comprehensive income (loss) attributable to the owners of the Company	313	455	544	1,299	1,092	2,189	1,085	(3,516)
Per share - basic	0.01	0.01	0.01	0.04	0.03	0.06	0.03	(0.10)
Per share - diluted	0.01	0.01	0.01	0.04	0.03	0.06	0.03	(0.10)

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

(2) Refer to "Changes in Accounting Policies".

Changes from quarter to quarter are mainly the result of seasonality of operations, changes in industry conditions and acquisitions. Market conditions were exceptionally favorable in the first half of 2018 as macroeconomic factors, such as introduction of mandatory ELDs and robust economic growth, caused restrained capacity resulting in significant improvements in spot rates and demand. Normal industry supply adjustments emerged and industry conditions began to stabilize beginning with the third quarter of 2018. Concurrently, the introduction of import tariffs in the United States had a dampening impact on overall aggregate demand, especially but not exclusively in the sectors targeted by tariffs.

In the first nine months of 2019, continuing geopolitical matters, such as global trade tension, slowed economic growth momentum from 2018. The industry also experienced downward pressure in pricing due to overcapacity. Historically, the Logistics segment is more immediately reflective of changing market conditions and changes in 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. In addition, there has historically been an increase in revenue and a decrease in margins in quarters following an acquisition. Following the quarter in which an acquisition has occurred, revenues have often decreased, stabilized and then increased while EBITDA margins have increased. This historical trend can be observed in Q4 2017 following the acquisition of Xpress. It may be difficult to isolate this impact if the integration process of two or more acquisitions overlap or if there are significant changes in industry conditions.

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LIQUIDITY AND CAPITAL RESOURCES

	September 30 2019	⁽⁴⁾ (Restated) December 31 2018
Working capital (deficit) ⁽¹⁾	(4,864,153)	(6,895,548)
Total assets	139,278,004	146,092,061
Net debt ⁽²⁾ / ⁽⁴⁾	67,740,387	79,110,651
Shareholders' equity	40,430,879	39,011,697
Net debt to equity ratio ⁽³⁾ / ⁽⁴⁾	1.68	2.03

(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.

(4) Refer to "Changes in Accounting Policies". As a result of the adoption of IFRS16, net debt for September 30, 2019 and December 31, 2018 increased by \$33,954,792 and \$34,131,440, respectively, for obligations relating to the lease of the Company's head office terminal.

The Company's working capital position improved and net debt decreased as at September 30, 2019 when compared to December 31, 2018. Net debt decreased by \$11.4 million, or 14.4%, over the nine months ended September 2019. We continued our successful capital management strategy and further enhanced the Company's net debt to equity position after significant improvements in 2018, mainly due to increases in cash flow generated from profitable operations. The Company is in a working capital deficit as a result of the Company's bank indebtedness being classified as current. The Company uses its bank indebtedness to finance long-term assets.

Minimal investment in replacement equipment was required during the quarter ended September 30, 2019, as we have been improving asset utilization and significant replenishments were made during 2015 and 2016 following the acquisitions of Muskoka Transport Limited and ProNorth. We keep the average age of our fleet low in order to take advantage of extended warranty periods, reduce driver downtime and keep overall repair costs low. Our rolling stock replacement policy is to replace trucks after 6 years, vans after 10 years and flatbeds after 15 years. We believe there is sufficient financing available to fund planned capital expenditures in the future and to provide for the further organic and inorganic 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
Loans	22,094	7,153	4,793	4,003	2,996	1,127	2,022
Restated finance leases ⁽¹⁾	47,133	7,077	5,188	1,539	728	645	31,956
	69,227	14,230	9,981	5,542	3,724	1,772	33,978

(1) Refer to "Changes in accounting policies".

Titanium 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. We believes the Company's operating cash flows are sufficient to fund daily operating activities and meet regular debt repayment obligations.

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The portion of the Company's bank credit facilities which were unused as of September 30, 2019 include approximately \$13.6 million under the revolving demand operating facility, \$5.0 million under a non-revolving acquisition facility, \$7.5 million under an accordion acquisition facility and \$6.0 million under a finance lease loan facility. In addition, the Company has \$9.1 million available in finance leasing and loan facilities through other institutions.

The Company's credit facility and finance leasing agreements requires Titanium to maintain three 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 1.10. 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 third covenant requires the Company's fixed charge coverage ratio to be greater than 1.10. Fixed charge coverage is a ratio of net income before interest income and expenses, gains on sale of equipment, depreciation, and amortization, less unfinanced capital expenditures, plus proceeds of sale of equipment, to contractually required principal and interest payments made over the prior twelve months. As a result of the adoption of IFRS16, the Company must calculate its financial position by adjusting its net income and debt to exclude the effects of IFRS 16. We were in compliance with all covenants as of September 30, 2019 and we believe the Company will be in compliance with all required covenants for the next twelve months.

Common Shares

In September 2017, we 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 yet vested.

On May 17, 2019, we established a normal course issuer bid to purchase up to 1,839,267 of the Company's 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, we repurchased 431,800 common shares pursuant to the NCIB at a weighted average purchase price of \$1.27 and a total purchase price of \$549,677.

As of November 5, 2019, there are 36,298,333 common shares of the Company outstanding. In addition, there are 1,743,000 stock options outstanding, of which 750,831 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 \$1,973,936 and \$5,643,138, respectively, for the three month and nine month periods ended September 30, 2019 (2018 - \$1,482,032 and \$4,095,684).

The Company also currently rents its head office terminal from Caledon First Investments Limited, a company under common control. Total rent paid to such company for the three month and nine month periods ended September 30, 2019 was \$441,132 and \$1,323,396, respectively (2018 - \$425,469 and \$1,276,407). 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, 2019, provides administrative and support services to the Company on a monthly basis. For these services, the Company was charged \$7,500 and \$22,500 (2018 - \$7,500 and \$22,500) for the three month and nine month periods ended September 30, 2019, 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.

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From time to time, we will disclose our 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 Q2 2018 results, we estimated that post synergy annualized revenue and EBITDA would be \$180 million and \$20 million, respectively. Actual revenue and EBITDA (excluding the impact of IFRS 16) for the last four quarters was \$166.4 million and \$18.1 million, respectively. The difference in revenue is primarily a result of a much more dramatic decline in industry conditions than expected, which was not reflected in the Company's run rates.

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, interpretations and amendments to standards became effective for the period ended September 30, 2019. The full description of each of these changes in accounting policies is available in our consolidated interim financial statements. The impact of the adoption of these standards is outlined below.

IFRIC 23, Uncertainty over Income Tax Treatments, was issued by IASB on June 7, 2017. The adoption of this interpretation did not have a material impact on the 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 was adopted retrospectively, without modifications, to allow for comparability of operating results. As of December 31, 2018, the Company recognized a right-of-use asset of \$33,405,497, a reduction of deferred rent liability of \$595,055 and a corresponding finance lease obligation of \$34,131,440 as a result of the adoption of the new standard. The timing difference of the asset and obligation also gave rise to an additional deferred tax liability of \$34,685 and a retained earnings adjustment for prior period losses totalling \$96,203. The following tables show the adjustment recognized for each individual line item for the three month and nine month periods ended September 30, 2018. 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.

	3 months Ended Sept 30, 2018 As Reported	IFRS 16	3 months Ended Sept 30, 2018 Restated
Truck Transportation			
Other operating expenses	1,038,349	(387,969)	650,380
EBITDA ⁽¹⁾	4,246,346	387,969	4,634,315
Depreciation	3,093,089	78,878	3,171,967
Finance costs	537,578	353,355	890,933
Income (loss) before income taxes	749,233	(44,264)	704,969
Income tax expense (recovery)	230,942	(11,830)	219,112
Net income (loss)	518,291	(32,434)	485,857
Logistics			
Other operating expenses	384,355	(37,500)	346,855
EBITDA ⁽¹⁾	1,438,784	37,500	1,476,284
Depreciation	114,219	6,859	121,078
Finance costs	14,285	30,727	45,012
Income before income taxes	1,257,249	(86)	1,257,163
Income tax expense	334,837	77	334,914
Net income	922,412	(163)	922,249

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

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	9 months Ended Sept 30, 2018 As Reported	IFRS 16	9 months Ended Sept 30, 2018 Restated
Truck Transportation			
Other operating expenses	3,610,042	(1,163,907)	2,446,135
EBITDA ⁽¹⁾	12,165,767	1,163,907	13,329,674
Depreciation	9,203,621	236,634	9,440,255
Finance costs	1,617,976	1,061,334	2,679,310
Income (loss) before income taxes	1,798,544	(134,061)	1,664,483
Income tax expense (recovery)	521,855	(35,627)	486,228
Net income (loss)	1,276,689	(98,434)	1,178,255
Logistics			
Other operating expenses	1,503,007	(112,500)	1,390,507
EBITDA ⁽¹⁾	6,026,925	112,500	6,139,425
Depreciation	342,011	20,577	362,588
Finance costs	85,783	92,290	178,073
Income before income taxes	5,627,536	(367)	5,627,169
Income tax expense	1,513,500	3	1,513,503
Net income	4,114,036	(370)	4,113,666

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

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.