



Unaudited Condensed Consolidated Interim Financial Statements

For the third quarter ended
September 30, 2020

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Financial Position

(unaudited)

(in Canadian dollars)

	September 30 2020	December 31 2019
Assets		
Current		
Cash	2,881,389	442,828
Trade and other receivables (note 14)	32,734,916	25,609,855
Current taxes recoverable	75,232	1,215
Finance lease receivables (note 5, 13)	1,740,620	2,323,339
Prepaid expenses and deposits	1,255,049	2,294,619
Assets held for sale (note 6)	185,221	156,663
	<u>38,872,427</u>	<u>30,828,519</u>
Finance lease receivables (note 5, 13)	2,170,961	3,565,333
Property and equipment (note 7)	38,711,768	40,055,922
Right of use assets (note 8)	54,591,259	57,517,554
Deferred tax assets	567,477	368,280
Customer lists (note 9)	914,200	1,085,650
Goodwill (note 9)	1,968,286	1,968,286
	<u>137,796,378</u>	<u>135,389,544</u>
Liabilities		
Current		
Bank indebtedness (note 10, 13)	2,286,737	7,080,567
Trade and other payables	19,655,937	14,611,802
Current taxes payable	1,042,285	272,830
Loans payable (note 10, 13)	5,594,797	6,155,528
Finance lease liabilities (note 10, 13, 14)	5,493,571	7,657,289
	<u>34,073,327</u>	<u>35,778,016</u>
Loans payable (note 10, 13)	14,137,998	13,486,251
Finance lease liabilities (note 10, 13, 14)	36,530,451	38,432,400
Deferred tax liabilities	7,647,304	7,089,402
	<u>92,389,080</u>	<u>94,786,069</u>
<i>Commitments and contingencies (note 16)</i>		
Shareholders' Equity		
Share capital (note 11)	23,047,015	22,812,412
Contributed surplus (note 12)	8,683,891	8,257,345
Retained earnings	13,676,392	9,533,718
	<u>45,407,298</u>	<u>40,603,475</u>
	<u>137,796,378</u>	<u>135,389,544</u>

On behalf of the Board

"Ted Daniel"
Director

"Bill Chyfetz"
Director

See accompanying notes

1.

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Comprehensive Income

(unaudited)

(in Canadian dollars)

	3 months ended	3 months ended	9 months ended	9 months ended
	Sept 30 2020	Sept 30 2019	Sept 30 2020	Sept 30 2019
Revenue (note 14)	49,771,734	39,781,249	126,550,263	115,075,226
Fuel surcharge	2,855,560	2,926,867	8,341,635	8,666,593
	<u>52,627,294</u>	<u>42,708,116</u>	<u>134,891,898</u>	<u>123,741,819</u>
Operating expenses				
Carriers and independent contractors	30,250,372	21,713,092	73,324,613	59,782,733
Vehicle operating	6,410,093	6,479,651	18,621,153	20,465,764
Wages and casual labour (note 15, 17)	7,928,179	8,419,832	22,402,322	25,206,241
Other operating	1,325,841	1,560,271	3,978,893	4,299,387
	<u>45,914,485</u>	<u>38,172,846</u>	<u>118,326,981</u>	<u>109,754,125</u>
Income before the following	<u>6,712,809</u>	<u>4,535,270</u>	<u>16,564,917</u>	<u>13,987,694</u>
Depreciation (note 7, 8)	3,009,794	3,453,533	9,599,640	10,061,300
Gain on sale of property and equipment	(605,844)	(165,142)	(712,725)	(537,656)
Finance costs (note 14)	670,991	839,233	2,156,892	2,610,252
Finance income	(109,819)	(95,331)	(319,860)	(292,424)
Foreign exchange loss (gain)	146,601	(58,133)	(54,211)	(50,343)
Amortization of customer lists (note 9)	57,150	57,150	171,450	171,450
	<u>3,168,873</u>	<u>4,031,310</u>	<u>10,841,186</u>	<u>11,962,579</u>
Income before income taxes	<u>3,543,936</u>	<u>503,960</u>	<u>5,723,731</u>	<u>2,025,115</u>
Income tax expense	<u>889,153</u>	<u>190,899</u>	<u>1,552,097</u>	<u>712,746</u>
Net income and comprehensive income attributable to owners of the Company	<u>2,654,783</u>	<u>313,061</u>	<u>4,171,634</u>	<u>1,312,369</u>
Earnings per share:				
Basic	0.07	0.01	0.12	0.04
Diluted	0.07	0.01	0.11	0.04
Weighted average number of shares outstanding:				
Basic (note 11)	36,011,204	36,213,071	35,984,265	36,340,670
Diluted (note 11)	<u>36,752,480</u>	<u>36,713,726</u>	<u>36,679,890</u>	<u>36,780,704</u>

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Changes in Equity

Nine months ended September 30, 2020 and 2019

(unaudited)

(in Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Total
Balances at December 31, 2019	22,812,412	8,257,345	9,533,718	40,603,475
Share issuance (note 11)	246,813	-	-	246,813
Shares vested (note 11)	21,218	(21,218)	-	-
Share-based compensation expense (note 11, 12)	-	447,764	-	447,764
Share cancellation (note 11)	(33,428)	-	(28,960)	(62,388)
Net income and comprehensive income	-	-	4,171,634	4,171,634
Balances at September 30, 2020	23,047,015	8,683,891	13,676,392	45,407,298
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

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Cash Flows

(unaudited)

(in Canadian dollars)

	3 months ended	3 months ended	9 months ended	9 months ended
	Sept 30 2020	Sept 30 2019	Sept 30 2020	Sept 30 2019
Cash flows from operating activities				
Net income	2,654,783	313,061	4,171,634	1,312,369
Adjustments:				
Depreciation (note 7, 8)	3,009,794	3,453,533	9,599,640	10,061,300
Gain on sale of property and equipment	(605,844)	(165,142)	(712,725)	(537,656)
Finance costs	670,991	839,233	2,156,892	2,610,252
Finance income	(109,819)	(95,331)	(319,860)	(292,424)
Amortization of customer lists	57,150	57,150	171,450	171,450
Share-based compensation expense	129,049	170,639	447,764	407,459
Income tax expense	758,424	190,899	1,193,733	712,746
	<u>6,564,528</u>	<u>4,764,042</u>	<u>16,708,528</u>	<u>14,445,496</u>
Net change in non-cash operating working capital	<u>(5,379,726)</u>	<u>3,879,604</u>	<u>(792,534)</u>	<u>4,121,414</u>
	1,184,802	8,643,646	15,915,994	18,566,910
Interest paid	(680,850)	(853,908)	(2,202,826)	(2,611,485)
Interest received	109,819	95,331	319,860	292,424
Income taxes received (paid)	(94,271)	(536)	(139,589)	(536)
	<u>519,500</u>	<u>7,884,533</u>	<u>13,893,439</u>	<u>16,247,313</u>
Cash flows from investing activities				
Proceeds from finance lease receivables (note 13)	551,009	633,440	1,766,587	1,979,893
Acquisition of property and equipment (note 7, 13)	-	(372,322)	(60,464)	(913,280)
Disposition of property and equipment (note 6, 7)	865,000	231,052	987,850	489,802
	<u>1,416,009</u>	<u>492,170</u>	<u>2,693,973</u>	<u>1,556,415</u>
Cash flows from financing activities				
Proceeds from bank indebtedness (note 13)	2,093,874	-	-	-
Repayment of bank indebtedness (note 13)	-	(3,518,322)	(4,859,518)	(3,570,369)
Repayment of loans payable (note 13)	(1,343,543)	(2,684,756)	(4,669,482)	(7,504,095)
Proceeds from finance lease liabilities (note 13)	-	-	335,225	-
Repayment of finance lease liabilities (note 13)	(1,587,053)	(2,029,466)	(5,139,500)	(6,148,941)
Issuance of shares (note 11)	84,301	86,722	246,812	249,031
Shares repurchases (note 11)	-	(230,317)	(62,388)	(549,677)
	<u>(752,421)</u>	<u>(8,376,139)</u>	<u>(14,148,851)</u>	<u>(17,524,051)</u>
Increase in cash	1,183,088	564	2,438,561	279,677
Cash, beginning	<u>1,698,301</u>	<u>516,609</u>	<u>442,828</u>	<u>237,496</u>
Cash, ending	<u>2,881,389</u>	<u>517,173</u>	<u>2,881,389</u>	<u>517,173</u>

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, 2020 and 2019

(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.

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

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

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, 2019.

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 10, 2020.

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.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2020 and 2019

(unaudited)

2. BASIS OF PRESENTATION - continued

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.

Items included in the condensed consolidated interim financial statements of all of the Company's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the "functional currency"). The Company identified that all of their subsidiaries with the exception of one have a functional currency of the Canadian Dollar. Titanium American Logistics Inc. in the United States, a wholly owned subsidiary incorporated in fiscal 2019, was determined to have a functional currency of the United States Dollar.

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.

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.

During the nine month period ending September 30, 2020, the Company adopted the following accounting policy as a result of qualifying for the Canada Emergency Wage Subsidy ("CEWS") program by the Government of Canada.

Government Assistance

Government subsidies and monetary assistances are recognized when there is a reasonable assurance that the subsidy will be received and that the Company will comply with all required conditions. Government subsidies related to current expenses are recorded as a reduction of the related expenses.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2020 and 2019

(unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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 with regards to the significant items outline below. Readers are cautioned that the foregoing list is not exhaustive and other items may also be affected by judgment.

- a) *Impairment of Intangible Assets* - Goodwill and intangible assets that have an indefinite life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Except for risk factors identified in Note 17, the Company has not identified any indicators of impairment relating to COVID-19.
- b) *Business combinations* – Tangible assets acquired as part of a business combination are valued based on management estimates of current market values, recent selling activity and third party valuations. Intangible assets are valued based on future discounted expected cash flows, customer attrition and workforce turnover. Discount rates are estimated based on industry averages, company size and capital structure.
- c) *Income Taxes* – Future tax balances are estimated based on expected future tax rates and the probability of future taxable income needed to realize deferred tax assets. Expected future tax rates are based on currently enacted tax rates or pronounced changes. Future taxable income is based on past performance and future expected conditions.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2020 and 2019

(unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Use of Estimates and Assumptions

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 with regards to the significant items outline below. 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 the condensed consolidated interim statement of comprehensive income in the period in which they become known. Readers are cautioned that the foregoing list is not exhaustive and other items may also be affected by estimates.

- a) *Impairment of trade and other receivables* – An allowance for lifetime expected credit losses is established based on a combined approach of specific account identification and the use of a provision matrix. Management regularly analyzes its approach and exposure to credit loss based on an analysis of all relevant current information as well as historical trends. Except for risk factors identified in Note 17, the Company has not identified any indicators of impairment relating to COVID-19.
- b) *Depreciation and impairment of property and equipment and Right of Use Assets* – Estimates of useful lives for straight line depreciation are based on management's historical experience and are reviewed on an ongoing basis. Property and equipment, as well as Right-of-Use Assets, is assessed for impairment when events or changes in circumstances indicate that the Company may not be able to recover its carrying value.
- c) *Share-based payments* – Management estimates expected volatility, the expected life of the instrument and expected forfeitures when valuing share-based payments. Volatility is estimated based on historical trading data. The expected life of the instrument and expected forfeitures is based on past experience.
- d) *Provisions* – Estimates of expected settlements arising from matters involving litigation or accident claims are based on information provided by legal counsel or insurance professionals.

New Standard Adopted

IFRS 3, Definition of a Business, was amended in October 2019. The IASB issued narrow-scope amendments to the standards, including revising the definition of a business and introducing an option concentration test. The amendments are expected to assist companies in determining whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments became effective for the Company on January 1, 2020 and did not have an impact on the condensed consolidated interim financial statements.

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

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2020 and 2019

(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, 2020					
Revenue - external	26,635,868	25,991,426	-	-	52,627,294
Revenue - internal	829,091	-	-	(829,091)	-
Total revenue	<u>27,464,959</u>	<u>25,991,426</u>	<u>-</u>	<u>(829,091)</u>	<u>52,627,294</u>
Depreciation	2,933,051	76,743	-	-	3,009,794
Finance costs	626,645	44,346	-	-	670,991
Finance income	(109,819)	-	-	-	(109,819)
Income (loss) before income taxes	2,241,556	1,867,024	(564,644)	-	3,543,936
Income taxes (recoveries)	574,102	459,829	(144,778)	-	889,153
Capital expenditures	<u>4,187,950</u>	<u>647,726</u>	<u>-</u>	<u>-</u>	<u>4,835,676</u>
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	<u>27,303,954</u>	<u>16,712,323</u>	<u>-</u>	<u>(1,308,161)</u>	<u>42,708,116</u>
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	<u>1,138,074</u>	<u>62,236</u>	<u>-</u>	<u>-</u>	<u>1,200,310</u>

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2020 and 2019

(unaudited)

4. OPERATING SEGMENTS - continued

	Truck Transportation	Logistics	Corporate	Elimination	Total
Nine months ended September 30, 2020					
Revenue - external	76,274,133	58,617,765	-	-	134,891,898
Revenue - internal	3,155,174	-	-	(3,155,174)	-
Total revenue	79,429,307	58,617,765	-	(3,155,174)	134,891,898
Depreciation	9,185,290	414,350	-	-	9,599,640
Finance costs	2,038,919	117,973	-	-	2,156,892
Finance income	(319,860)	-	-	-	(319,860)
Income (loss) before income taxes	4,236,896	2,621,233	(1,234,398)	-	5,623,731
Income taxes (recoveries)	1,199,077	644,275	(291,255)	-	1,552,097
Capital expenditures	4,685,192	709,636	-	-	5,394,828
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

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 2020	3 months ended Sept 30 2019	9 months ended Sept 30 2020	9 months ended Sept 30 2019
Canada	25,137,680	26,010,483	68,821,300	75,899,455
United States	27,489,614	16,697,633	66,070,598	47,842,364
	52,627,294	42,708,116	134,891,898	123,741,819

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2020 and 2019

(unaudited)

5. FINANCE LEASE RECEIVABLES

During the nine month period ended September 30, 2020, the Company entered into new finance leases totaling \$1,031,065, which are receivable over 10 to 60 months with interest rates ranging from 4.50% to 7.25%.

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, 2019	156,663
Reclassification from property and equipment	267,387
Disposals	<u>(238,829)</u>
Balance, September 30, 2020	<u>185,221</u>

7. PROPERTY AND EQUIPMENT

	Land, Buildings and Leaseholds	Furniture and Equipment	Rolling Stock	Total
Cost				
Balances, December 31, 2019	10,787,047	3,628,497	57,125,292	71,540,836
Reacquisition of rolling stock relating to finance lease receivables	-	-	1,324,535	1,324,535
Other additions	-	61,910	4,884,638	4,946,548
Sale of rolling stock relating to finance lease receivables	-	-	(1,160,125)	(1,160,125)
Other disposals	-	(273,427)	(879,778)	(1,153,205)
Reclassification to assets held for sale	-	-	(3,368,678)	(3,368,678)
Balances, September 30, 2020	<u>10,787,047</u>	<u>3,416,980</u>	<u>57,925,884</u>	<u>72,129,911</u>
Accumulated depreciation				
Balances, December 31, 2019	1,748,006	3,015,322	26,721,586	31,484,914
Depreciation	394,026	472,997	5,495,224	6,362,247
Sale of rolling stock relating to finance lease receivables	-	-	(297,701)	(297,701)
Other disposals	-	(273,183)	(756,843)	(1,030,026)
Reclassification to assets held for sale	-	-	(3,101,291)	(3,101,291)
Balances, September 30, 2020	<u>2,142,032</u>	<u>3,215,136</u>	<u>28,060,975</u>	<u>33,418,143</u>
Net carrying amounts				
At December 31, 2019	9,039,041	613,175	30,403,706	40,055,922
At September 30, 2020	<u>8,645,015</u>	<u>201,844</u>	<u>29,864,909</u>	<u>38,711,768</u>

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2020 and 2019

(unaudited)

8. RIGHT OF USE ASSETS

	Land and Buildings	Furniture and Equipment	Rolling Stock	Total
Cost				
Balances, December 31, 2019	34,742,752	1,531,949	36,195,567	72,470,268
Other additions	647,727	-	-	647,727
Other Disposals	-	-	(39,886)	(39,886)
Sale of rolling stock relating to finance lease receivables	-	-	(175,396)	(175,396)
Purchase of lease assets	-	-	(156,000)	(156,000)
Balances, September 30, 2020	<u>35,390,479</u>	<u>1,531,949</u>	<u>35,824,285</u>	<u>72,746,713</u>
Accumulated depreciation				
Balances, December 31, 2019	1,204,266	815,624	12,932,824	14,952,714
Depreciation	353,693	304,962	2,777,938	3,436,593
Sale of rolling stock relating to finance lease receivables	-	-	(63,032)	(63,032)
Other Disposals	-	-	(14,821)	(14,821)
Purchase of lease assets	-	-	(156,000)	(156,000)
Balances, September 30, 2020	<u>1,557,959</u>	<u>1,120,586</u>	<u>15,476,909</u>	<u>18,155,454</u>
Net carrying amounts				
At December 31, 2019	33,538,486	716,325	23,262,743	57,517,554
At September 30, 2020	<u>33,832,520</u>	<u>411,363</u>	<u>20,347,376</u>	<u>54,591,259</u>

9. GOODWILL AND INTANGIBLES

	Goodwill	Customer Lists	Total
Balances, December 31, 2019	1,968,286	1,085,650	3,053,936
Amortization	-	(171,450)	(171,450)
Balances, September 30, 2020	<u>1,968,286</u>	<u>914,200</u>	<u>2,882,486</u>

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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	2,286,737
Loans payable	2.67% - 5.19%	2020-2031	19,732,795
Finance lease liabilities	2.43% - 5.60%	2021-2026	42,024,022
			64,043,554
Current portion			13,375,105
			<u>50,668,449</u>

11. SHARE CAPITAL

Authorized

Unlimited number of common shares with no par value

	Common Shares #	Share Capital \$
Issued		
Balances, December 31, 2019	36,357,576	22,812,412
Shares issued as part of share purchase plan	309,056	268,031
Shares repurchase and cancelled	(53,200)	(33,428)
Balances, September 30, 2020	<u>36,613,432</u>	<u>23,047,015</u>

The Company offers 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, 561,202 (December 31, 2019 - 422,808) have not vested. During the three month and nine month period ended September 30, 2020, the Company recognized an expense of \$77,102 and \$230,504 (2019 - \$56,280 and \$147,506) relating to the Plan, with a corresponding increase to contributed surplus.

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11. SHARE CAPITAL - continued

On May 19, 2020, the Company renewed its normal course issuer bid, allowing the Company to purchase up to 1,821,831 of its common shares (the "NCIB"), representing 5% of its issued and outstanding common shares. The NCIB will terminate on May 18, 2021, 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 month period, the Company repurchased 53,200 common shares at a weighted average purchase price of \$1.17 and a total purchase price of \$62,388. The excess of the purchase price paid over the carrying value of the shares repurchased, totaled \$28,960 and was charged to retained earnings as a share repurchase premium.

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

	3 months ended Sept 30 2020	3 months ended Sept 30 2019	9 months ended Sept 30 2020	9 months ended Sept 30 2019
Issued common shares, beginning	36,499,027	36,616,769	36,357,576	36,655,488
Effect of unvested common shares	(545,026)	(371,226)	(501,239)	(327,364)
Effect of issued common shares	57,203	58,461	136,795	173,968
Effect of repurchased common shares	-	(90,933)	(8,867)	(161,422)
Weighted average number of common shares	36,011,204	36,213,071	35,984,265	36,340,670
Dilutive effect of restricted common shares and stock options	741,276	500,655	695,625	440,034
Weighted average number of diluted common shares	36,752,480	36,713,726	36,679,890	36,780,704

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12. CONTRIBUTED SURPLUS

Share-based compensation expense is comprised of the following:

	3 months ended	3 months ended	9 months ended	9 months ended
	Sept 30 2020	Sept 30 2019	Sept 30 2020	Sept 30 2019
Share purchase plan	77,102	56,280	230,504	147,506
Stock options	51,947	114,359	217,260	259,953
	<u>129,049</u>	<u>170,639</u>	<u>447,764</u>	<u>407,459</u>

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 7% 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. The following table summarizes the changes in outstanding stock options:

	Grant #	Exercise Price
Balances, December 31, 2019	1,728,000	1.71
Issued	250,800	1.50
Forfeited	(40,000)	2.35
Balances, September 30, 2020	<u>1,938,800</u>	<u>1.67</u>

Of the total stock options issued during the period, 50,000 (2019 - NIL) stock options were issued to key management personnel. 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 0.37% and 1.59%; iii) the dividend yield will be \$NIL; and iv) expected volatility is 58.41% to 60.20%. Volatility was determined using the Company's trading data from the first day of trading to the date of issuance. Variables used in the Black-Scholes option pricing model are based on highly subjective assumptions and any change in the assumptions can materially affect the fair value estimate.

The following table summarizes information about stock options outstanding as at September 30, 2020:

Exercise Price \$	Options Outstanding #	Weighted Average Remaining Life in years	Options Exercisable #
1.50	1,693,800	5.4	861,997
2.85	245,000	5.4	122,500
<u>1.67</u>	<u>1,938,800</u>	<u>5.4</u>	<u>984,497</u>

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13. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Balance Dec 31 2019	Cash Flows	Non-Cash Changes		Balance Sept 30 2020
			New Leases	Reacquired Leases	
Finance lease receivables	5,888,672	(1,766,587)	1,031,065	(1,241,569)	3,911,581

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

	Balance Dec 31 2019	Cash Flows	Non-Cash Changes		Balance Sept 30 2020
			New Leases /Loans	Foreign Exchange Movement	
Bank indebtedness	7,080,567	(4,859,518)	-	65,688	2,286,737
Loan payable	19,641,779	(4,669,482)	4,707,834	52,664	19,732,795
Finance lease liabilities	46,089,689	(5,139,500)	647,726	426,107	42,024,022
	72,812,035	(14,668,500)	5,355,560	544,459	64,043,554

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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.

	3 months ended Sept 30 2020	3 months ended Sept 30 2019	9 months ended Sept 30 2020	9 months ended Sept 30 2019
Provided truck transportation services to Vision Extrusions Group Limited, Vision Profile Extrusions Ltd. and Sunview Patio Doors Ltd., companies under common control	2,541,831	1,973,936	6,498,974	5,643,138
Paid rent to Caledon First Investments Limited, a company under common control	(448,029)	(441,132)	(1,344,105)	(1,323,396)
Paid occupancy costs to Caledon First Investments Limited, a company under common control	(67,925)	(67,925)	(203,775)	(203,775)
Paid management fees to Trunkeast	(7,500)	(7,500)	(22,500)	(22,500)
	<u>2,018,377</u>	<u>1,457,379</u>	<u>4,928,594</u>	<u>4,093,467</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 \$378,597 and \$1,138,104 (2019 - \$381,589 and \$1,146,749), respectively, during the three and nine month period ended September 30, 2020.

Included in finance lease liabilities as at September 30, 2020 is a total of \$33,681,672 (2019 - \$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, 2020 is a total of \$909,708 (2019 - \$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 Sept 30 2020	3 months ended Sept 30 2019	9 months ended Sept 30 2020	9 months ended Sept 30 2019
Share-based compensation expense	129,049	170,639	447,764	407,459
Employee benefits	133,205	227,160	441,998	639,097
Key management personnel:				
Salaries and benefits	171,390	166,127	521,477	520,158
Share-based compensation expense	43,173	32,138	126,403	101,289

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

16. COMMITMENTS AND CONTINGENCIES

- a) As at September 30, 2020, the Company was committed to purchasing approximately \$12.8 million in rolling stock.
- b) The Company has a letter of credit outstanding for \$665,843 in favour of Caledon First Investments Limited, a company under common control, as a security deposit required under the lease for its Bolton head office.
- c) 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.

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17. COVID-19 INFORMATION

As the duration and impact of the COVID-19 pandemic to the global economy is indeterminable, it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the financial results and operations of the Company. The Company will continue to closely monitor the situation as it develops day-to-day and will take further actions, if necessary, to ensure the wellbeing of our workforce, customers, suppliers and other stakeholders, as well as minimize the disruption to Titanium's services.

In March 2020, the Government of Canada introduced the Canada Emergency Wage Subsidy ("CEWS") to support employers severely affected by COVID-19 and protect Canadian jobs. The subsidy covers 75% of an employee's wages (to maximum of \$1,129 per week) for employers with decrease in gross revenues of at least 15% in period relating to March 2020 when compared to March 2019, and 30% in periods relating to April to June. This program has recently been extended to December 2020 with revised calculations with reduced subsidies for periods relating to July and onwards.

During the three month and nine month period ending September 30, 2020, the Company qualified for the CEWS program and recognized \$1.19 million and \$3.37 million, respectively, in subsidies as a reduction to wages and casual labour expenses.

The Company will continue to review all programs offered by the Government and ensure that it applies for all appropriate support.

The Company's exposure to interest rate risk and foreign exchange risk has heightened during the pandemic. We continue to monitor the economic conditions on a daily basis to mitigate these risks.

The Company does not expect any material changes to other risk factors provided the temporary COVID-19 precautionary measures relax in the near future. If these measures extend indefinitely, there will be adverse effects on Titanium's credit risks as customers may become financially distressed. There may also be additional risks to the Company's operations as available workforce may contract for the Company, its customers and its suppliers. Furthermore, a prolonged period of precautionary measures will likely have severe effects on the Company's liquidity position and financial performance.