



Unaudited Condensed Consolidated Interim Financial Statements

For the third quarter ended
September 30, 2021

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Financial Position

(unaudited)

(in thousands of Canadian dollars)

	September 30	December 31
	2021	2020
Assets		
Current		
Cash	13,946	3,089
Trade and other receivables (note 5, 15)	59,470	37,558
Current taxes recoverable (note 5)	43	-
Finance lease receivables (note 6, 14)	1,522	1,607
Prepaid expenses and deposits (note 5)	2,638	2,135
Assets held for sale (note 7)	3,520	127
	<u>81,139</u>	<u>44,516</u>
Finance lease receivables (note 6, 14)	2,670	1,909
Property and equipment (note 5, 8)	69,276	35,689
Right of use assets (note 5, 9)	65,484	53,420
Deferred tax assets	669	405
Customer lists (note 5, 10)	5,795	857
Goodwill (note 10)	1,968	1,968
	<u>227,001</u>	<u>138,764</u>
Liabilities		
Current		
Bank indebtedness (note 5, 14, 15)	7,020	2,618
Trade and other payables (note 5)	31,272	22,250
Current taxes payable	2,815	1,629
Loans payable (note 5, 11, 14)	10,289	5,076
Finance lease liabilities (note 5, 11, 14, 15)	8,560	4,306
	<u>59,956</u>	<u>35,879</u>
Loans payable (note 5, 11, 14)	22,602	12,456
Finance lease liabilities (note 5, 11, 14, 15)	45,917	35,887
Acquisition loan (note 5, 11, 14)	15,000	-
Deferred tax liabilities (note 5)	10,855	7,471
	<u>154,330</u>	<u>91,693</u>
<i>Commitments and contingencies (note 17)</i>		
Shareholders' Equity		
Share capital (note 12)	47,934	23,252
Contributed surplus (note 13)	8,733	8,782
Retained earnings	16,004	15,037
	<u>72,671</u>	<u>47,071</u>
	<u>227,001</u>	<u>138,764</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

Nine months ended September 30, 2021 and 2020

(unaudited)

(in thousands of Canadian dollars, except per share amounts)

	3 months ended	3 months ended	9 months ended	9 months ended
	Sept 30 2021	Sept 30 2020	Sept 30 2021	Sept 30 2020
Revenue (note 15)	93,146	49,772	265,181	126,550
Fuel surcharge	8,542	2,855	22,980	8,342
	<u>101,688</u>	<u>52,627</u>	<u>288,161</u>	<u>134,892</u>
Operating expenses				
Carriers and independent contractors	64,451	30,250	177,509	73,325
Vehicle operating	11,639	6,410	34,676	18,621
Wages and casual labour (note 16, 18)	15,758	7,928	45,508	22,402
Other operating	2,601	1,326	7,982	3,979
	<u>94,449</u>	<u>45,914</u>	<u>265,675</u>	<u>118,327</u>
Income before the following	<u>7,239</u>	<u>6,713</u>	<u>22,486</u>	<u>16,565</u>
Depreciation (note 8, 9)	5,025	3,010	14,735	9,600
Gain on sale of property and equipment	(839)	(606)	(1,255)	(713)
Finance costs (note 15)	952	671	2,754	2,157
Finance income	(66)	(110)	(173)	(320)
Foreign exchange loss (gain)	(158)	147	221	(54)
Amortization of customer lists (note 10)	505	57	762	171
Transaction costs (note 5)	-	-	800	-
Gain on sale of marketable securities	-	-	(111)	-
	<u>5,419</u>	<u>3,169</u>	<u>17,733</u>	<u>10,841</u>
Income before income taxes	1,820	3,544	4,753	5,724
Income tax expense	466	889	1,292	1,552
Net income and comprehensive income attributable to owners of the Company	<u>1,354</u>	<u>2,655</u>	<u>3,461</u>	<u>4,172</u>
Earnings per share:				
Basic	0.03	0.07	0.09	0.12
Diluted	0.03	0.07	0.08	0.11
Weighted average number of shares outstanding (in number of shares):				
Basic (note 12)	43,431,309	36,011,204	39,836,573	35,984,265
Diluted (note 12)	44,774,933	36,752,480	41,264,328	36,679,890

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Changes in Equity

Nine months ended September 30, 2021 and 2020

(unaudited)

(in thousands of Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Total
Balances at December 31, 2020	23,252	8,782	15,037	47,071
Share issuance (note 12)	23,645	-	-	23,645
Shares vested (note 12)	233	(233)	-	-
Options exercised (note 13)	804	(297)	-	507
Share-based compensation expense (note 13, 16)	-	481	-	481
Dividends paid (note 12)	-	-	(2,494)	(2,494)
Net income and comprehensive income	-	-	3,461	3,461
Balances at September 30, 2021	47,934	8,733	16,004	72,671
Balances at December 31, 2019	22,812	8,257	9,534	40,603
Share issuance (note 12)	247	-	-	247
Shares vested (note 12)	21	(21)	-	-
Share-based compensation expense (note 13, 16)	-	448	-	448
Share cancellation (note 12)	(33)	-	(30)	(63)
Net income and comprehensive income	-	-	4,172	4,172
Balances at September 30, 2020	23,047	8,684	13,676	45,407

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Cash Flows

(unaudited)

(in thousands of Canadian dollars)

	3 months ended Sept 30 2021	3 months ended Sept 30 2020	9 months ended Sept 30 2021	9 months ended Sept 30 2020
Cash flows from operating activities				
Net income	1,354	2,655	3,461	4,172
Adjustments:				
Depreciation (note 8, 9)	5,025	3,010	14,735	9,600
Gain on sale of property and equipment	(839)	(606)	(1,255)	(713)
Finance costs	952	671	2,754	2,157
Finance income	(66)	(110)	(173)	(320)
Amortization of customer lists	505	57	762	171
Share-based compensation expense	157	129	481	448
Gain on sale of marketable securities	-	-	(111)	-
Income tax expense	1,316	758	3,691	1,194
	<u>8,404</u>	<u>6,564</u>	<u>24,345</u>	<u>16,709</u>
Net change in non-cash operating working capital	(7,988)	(5,380)	(9,347)	(793)
	416	1,184	14,998	15,916
Interest paid	(973)	(681)	(2,743)	(2,203)
Interest received	66	110	173	320
Income taxes received (paid)	(939)	(94)	(4,244)	(140)
	<u>(1,430)</u>	<u>519</u>	<u>8,184</u>	<u>13,893</u>
Cash flows from investing activities				
Proceeds from finance lease receivables (note 14)	488	551	1,546	1,766
Proceeds from marketable securities (note 5)	-	-	2,059	-
Acquisition of property and equipment (note 8, 14)	(303)	-	(650)	(60)
Disposition of property and equipment (note 7, 8)	2,498	865	3,430	988
Acquisition of subsidiaries (note 5)	-	-	(27,000)	-
	<u>2,683</u>	<u>1,416</u>	<u>(20,615)</u>	<u>2,694</u>
Cash flows from financing activities				
Proceeds from bank indebtedness (note 14)	486	2,094	9,289	-
Repayment of bank indebtedness (note 14)	-	-	(4,929)	(4,860)
Proceeds from acquisition loans (note 14)	-	-	15,000	-
Repayment of loans payable (note 14)	(1,975)	(1,343)	(6,073)	(4,669)
Proceeds from finance lease liabilities (note 14)	-	-	-	335
Repayment of finance lease liabilities (note 14)	(2,999)	(1,587)	(11,657)	(5,140)
Dividends paid (note 12)	(878)	-	(2,494)	-
Issuance of shares (note 12)	135	84	24,152	247
Shares repurchases (note 12)	-	-	-	(62)
	<u>(5,231)</u>	<u>(752)</u>	<u>23,288</u>	<u>(14,149)</u>
Increase (decrease) in cash	(3,978)	1,183	10,857	2,438
Cash, beginning	17,924	1,698	3,089	443
Cash, ending	<u>13,946</u>	<u>2,881</u>	<u>13,946</u>	<u>2,881</u>

Refer to note 14 for supplemental cash flow information.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2021 and 2020

(unaudited)

(Tabular amounts in thousands of Canadian dollars, unless otherwise noted.)

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, Windsor, Belleville, Cornwall and Brantford, 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, 2020.

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 9, 2021.

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, 2021 and 2020
(unaudited)
(Tabular amounts in thousands of Canadian dollars, unless otherwise noted.)

2. BASIS OF PRESENTATION - continued

Functional and Presentation Currency

These condensed consolidated interim financial statements are presented in Canadian dollars ("CAD"), which is the functional currency of the Company and its wholly owned subsidiaries unless otherwise stated. All financial information presented has been rounded to the nearest thousands of 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 ("USD").

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.

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 assets or the cash-generating unit ("CGU") 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 CGU.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2021 and 2020

(unaudited)

(Tabular amounts in thousands of Canadian dollars, unless otherwise noted.)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

- 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) *Lease contracts* – Lease contracts with extensions, terminations or early buyout options are evaluated based on management judgement on whether it is reasonably certain that the option will be exercised. Management considers all relevant factors and economic incentives such as current market values of underlying asset, recent market renewals and third party valuations. In addition, management also evaluate relevant factors such as bank mortgage rate, interest rates and borrowing conditions when assessing the incremental borrowing rate to measure the lease liability.

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. Actual results could differ materially from these estimates, in which case the impact would be recognized in the consolidated financial statements in future periods.

- 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.
- 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.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2021 and 2020

(unaudited)

(Tabular amounts in thousands of Canadian dollars, unless otherwise noted.)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

- e) *Income Taxes* – Deferred 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.

New Standard not yet adopted

IAS 1, Presentation of Financial Statements, was amended in January 2020. The IASB clarified the classification of liabilities as current or non-current by removing the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must exist at the end of the reporting period. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company has not early adopted these amendments.

IAS 37, Provisions, Contingent Liabilities and Contingent Assets, was amended in May 2020 with the issuance of *Onerous Contracts - Cost of Fulfilling a Contract* by IASB. The IASB specified the costs of fulfilling a contract to include incremental costs incurred and allocation of other direct costs when determining whether a contract is onerous. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company has not early adopted these amendments.

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, 2021 and 2020

(unaudited)

(Tabular amounts in thousands of Canadian dollars, unless otherwise noted.)

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, 2021					
Revenue - external	42,240	59,448	-	-	101,688
Revenue - internal	535	-	-	(535)	-
Total revenue	<u>42,775</u>	<u>59,448</u>	<u>-</u>	<u>(535)</u>	<u>101,688</u>
Depreciation	4,939	86	-	-	5,025
Finance costs	884	68	-	-	952
Finance income	(66)	-	-	-	(66)
Income (loss) before income taxes	(804)	3,270	(646)	-	1,820
Income taxes (recoveries)	(181)	807	(160)	-	466
Capital expenditures	<u>7,386</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,386</u>
Three months ended September 30, 2020					
Revenue - external	26,636	25,991	-	-	52,627
Revenue - internal	829	-	-	(829)	-
Total revenue	<u>27,465</u>	<u>25,991</u>	<u>-</u>	<u>(829)</u>	<u>52,627</u>
Depreciation	2,933	77	-	-	3,010
Finance costs	627	44	-	-	671
Finance income	(110)	-	-	-	(110)
Income (loss) before income taxes	2,242	1,867	(565)	-	3,544
Income taxes (recoveries)	574	460	(145)	-	889
Capital expenditures	<u>4,188</u>	<u>648</u>	<u>-</u>	<u>-</u>	<u>4,836</u>

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2021 and 2020

(unaudited)

(Tabular amounts in thousands of Canadian dollars, unless otherwise noted.)

4. OPERATING SEGMENTS - continued

	Truck Transportation	Logistics	Corporate	Elimination	Total
Nine months ended September 30, 2021					
Revenue - external	123,441	164,720	-	-	288,161
Revenue - internal	3,278	-	-	(3,278)	-
Total revenue	126,719	164,720	-	(3,278)	288,161
Depreciation	14,380	355	-	-	14,735
Finance costs	2,593	161	-	-	2,754
Finance income	(173)	-	-	-	(173)
Income (loss) before income taxes	(4,309)	11,621	(2,559)	-	4,753
Income taxes (recoveries)	(927)	2,850	(631)	-	1,292
Capital expenditures	13,206	649	-	-	13,855
Nine months ended September 30, 2020					
Revenue - external	76,274	58,618	-	-	134,892
Revenue - internal	3,155	-	-	(3,155)	-
Total revenue	79,429	58,618	-	(3,155)	134,892
Depreciation	9,185	415	-	-	9,600
Finance costs	2,039	118	-	-	2,157
Finance income	(320)	-	-	-	(320)
Income (loss) before income taxes	4,237	2,621	(1,234)	-	5,624
Income taxes (recoveries)	1,199	644	(291)	-	1,552
Capital expenditures	4,685	710	-	-	5,395

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 2021	3 months ended Sept 30 2020	9 months ended Sept 30 2021	9 months ended Sept 30 2020
Canada	41,401	25,138	117,056	68,821
United States	60,287	27,489	171,105	66,071
	101,688	52,627	288,161	134,892

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2021 and 2020

(unaudited)

(Tabular amounts in thousands of Canadian dollars, unless otherwise noted.)

5. BUSINESS COMBINATIONS

On February 5, 2021, the Company acquired all the outstanding shares of International Truckload Services Group ("ITS"), a truck-based carrier from Belleville, Ontario with terminals in Brantford and Cornwall. The acquisition was consistent with the Company's growth strategy.

From the date of acquisition, ITS contributed revenue of \$14.7 million and \$42.6 million, for the three month period and nine month period ended September 30, 2021, respectively. Overall, ITS contributed a net loss of \$1.1 million and \$2.8 million during the three month period and nine month period ended September 30, 2021, respectively. If acquired at the beginning of the year, the Company estimates that ITS would have contributed approximately \$48.2 million and a net loss of \$3.3 million.

Transaction costs of \$0.8 million were expensed on the condensed consolidated interim statements of comprehensive income during the nine month period ended September 30, 2021.

The fair value allocation for the ITS acquisition are based on preliminary purchase allocations conducted by management. As the acquisition is within the measure period under IFRS 10, it continues to be refined. The Company had not yet completed the purchase price allocation over the identifiable net assets of ITS, Right of Use Assets, customer list, and deferred tax liabilities are presented as provisional amounts due to valuation of assets acquired and post-closing adjustments, which are not completed at the time that these condensed consolidated interim financial statements were approved by the Board of Directors. The table below presents the provisional purchase price allocation as at September 30, 2021:

Trade and other receivables	9,774
Current Taxes receivable	704
Marketable securities	1,948
Prepaid expenses and deposits	1,602
Property and equipment	21,838
Right of Use Assets	32,470
Customer List	5,700
Bank indebtedness	(70)
Trade and other payables	(9,115)
Loans payable	(1,535)
Finance Lease liabilities	(25,297)
Deferred tax liabilities	<u>(5,519)</u>
Total identifiable net assets	32,500
Total consideration	<u>32,500</u>
Cash	27,000
Loan payable	<u>5,500</u>
Total consideration transferred	<u>32,500</u>

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2021 and 2020

(unaudited)

(Tabular amounts in thousands of Canadian dollars, unless otherwise noted.)

6. FINANCE LEASE RECEIVABLES

During the nine month period ended September 30, 2021, the Company entered into new finance leases totaling \$2.2 million which are receivable over 10 to 72 months with interest rates ranging from 4.25% to 7.50%.

7. ASSETS HELD FOR SALE

Assets held for sale are composed of excess and aged rolling stock that is inactive and awaiting sale. These assets are expected to be sold over the next twelve 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, 2020	127
Reclassification from property and equipment	4,510
Disposals	<u>(1,117)</u>
Balance, September 30, 2021	<u>3,520</u>

8. PROPERTY AND EQUIPMENT

	Land, Buildings and Leaseholds	Furniture and Equipment	Rolling Stock	Total
Cost				
Balances, December 31, 2020	10,346	3,065	56,150	69,561
Other additions	-	455	26,056	26,511
Acquired through business combinations	6,000	125	16,596	22,721
Sale of rolling stock relating to finance lease receivables	-	-	(2,713)	(2,713)
Other disposals	-	(64)	(4,588)	(4,652)
Reclassification to assets held for sale	-	-	(17,393)	(17,393)
Balances, September 30, 2021	<u>16,346</u>	<u>3,581</u>	<u>74,108</u>	<u>94,035</u>
Accumulated depreciation				
Balances, December 31, 2020	2,219	3,005	28,648	33,872
Depreciation	423	167	7,519	8,109
Sale of rolling stock relating to finance lease receivables	-	-	(594)	(594)
Other disposals	-	(44)	(3,699)	(3,743)
Reclassification to assets held for sale	-	-	(12,885)	(12,885)
Balances, September 30, 2021	<u>2,642</u>	<u>3,128</u>	<u>18,989</u>	<u>24,759</u>
Net carrying amounts				
At December 31, 2020	8,127	60	27,502	35,689
At September 30, 2021	<u>13,704</u>	<u>453</u>	<u>55,119</u>	<u>69,276</u>

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2021 and 2020

(unaudited)

(Tabular amounts in thousands of Canadian dollars, unless otherwise noted.)

9. RIGHT OF USE ASSETS

	Land and Buildings	Furniture and Equipment	Rolling Stock	Total
Cost				
Balances, December 31, 2020	35,390	1,532	35,825	72,747
Other additions	844	-	2,183	3,027
Other disposals	-	-	(528)	(528)
Purchase of lease assets	-	-	(29,766)	(29,766)
Acquired through business combinations	-	-	31,586	31,586
Balances, September 30, 2021	36,234	1,532	39,300	77,066
Accumulated depreciation				
Balances, December 31, 2020	1,693	1,210	16,424	19,327
Depreciation	779	243	5,604	6,626
Other disposals	-	-	(289)	(289)
Purchase of lease assets	-	-	(14,082)	(14,082)
Balances, September 30, 2021	2,472	1,453	7,657	11,582
Net carrying amounts				
At December 31, 2020	33,697	322	19,401	53,420
At September 30, 2021	33,762	79	31,643	65,484

10. GOODWILL AND INTANGIBLES

	Goodwill	Customer Lists	Total
Balances, December 31, 2020	1,968	857	2,825
Acquired through business combinations	-	5,700	5,700
Amortization	-	(762)	(762)
Balances, September 30, 2021	1,968	5,795	7,763

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11. 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	7,020
Acquisition loan	PRIME+0.50%	2026	15,000
Loans payable	2.00% - 5.19%	2021-2031	32,891
Finance lease liabilities	0.99% - 10.32%	2021-2026	54,477
			<u>109,388</u>
Current portion			<u>25,869</u>
			<u>83,519</u>

12. SHARE CAPITAL

Authorized

Unlimited number of common shares with no par value

	Common Shares #	Share Capital \$
Issued		
Balances, December 31, 2020	36,739,185	23,252
Shares issued as part of share purchase plan	228,709	610
Shares issued on exercise of options	305,000	804
Shares issued through private placements	6,666,400	23,268
	<u>43,939,294</u>	<u>47,934</u>
Balances, September 30, 2021		

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, 465,899 (December 31, 2020 - 539,433) have not vested. During the three month and nine month period ended September 30, 2021, the Company recognized an expense of \$0.1 million and \$0.2 million (2020 - \$0.1 million and \$0.2 million) relating to the Plan, with a corresponding increase to contributed surplus.

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12. 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 terminated on May 18, 2021.

On March 31, 2021, the Company completed a private placement of 6,666,400 common shares of the Company at a price of \$3.75 per common share for gross proceeds of \$25.0 million. Cost incurred by the Company related to the private placement amounted to \$1.7 million.

During the nine month period, the Company did not repurchase any common shares. For the same period in 2020, 53,200 common shares were repurchased at a weighted average purchase price of \$1.17 and a total purchase price of \$0.1 million. The excess of the purchase price paid over the carrying value of the shares repurchased was charged to retained earnings as a share repurchase premium.

During the quarter ended September 30, 2021, dividends of \$0.9 million or \$0.02 per common share (2020 - \$NIL) was declared and paid by the Company to its shareholders.

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 2021	Sept 30 2020	Sept 30 2021	Sept 30 2020
Issued common shares, beginning	43,853,438	36,499,027	36,739,185	36,357,576
Effect of unvested common shares	(465,057)	(545,026)	(502,666)	(501,239)
Effect of issued common shares	42,928	57,203	3,600,054	136,795
Effect of repurchased common shares	-	-	-	(8,867)
Weighted average number of common shares	43,431,309	36,011,204	39,836,573	35,984,265
Dilutive effect of restricted common shares and stock options	1,343,624	741,276	1,427,755	695,625
Weighted average number of diluted common shares	44,774,933	36,752,480	41,264,328	36,679,890

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13. 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 2021	Sept 30 2020	Sept 30 2021	Sept 30 2020
Share purchase plan	85	77	261	231
Stock options	72	52	220	217
	157	129	481	448

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, 2020	1,913,800	1.67
Issued	410,300	2.61
Exercised	(305,000)	1.76
Balances, September 30, 2021	2,019,100	1.87

Of the total stock options issued during the period, 100,000 (2020 - 50,000) 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 0.28% and 1.01%; iii) the dividend yield will be between 2.78% and 3.11%; and iv) expected volatility is 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, 2021:

Exercise Price	Options Outstanding	Weighted Average Remaining Life	Options Exercisable
\$	#	in years	#
1.50	1,401,300	5.4	1,065,598
2.60	395,300	8.7	-
2.85	207,500	4.6	85,000
3.00	15,000	9.8	-
1.87	2,019,100	5.8	1,150,598

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14. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Balance Dec 31 2020	Cash Flows	Non-Cash Changes		Balance Sept 30 2021
			New Leases	Reacquired Leases	
Finance lease receivables	3,516	(1,546)	2,222	-	4,192

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

	Balance Dec 31 2020	Cash Flows	Non-Cash Changes		Balance Sept 30 2021
			New Leases /Loans	Foreign Exchange Movement	
Bank indebtedness	2,618	4,360	69	(27)	7,020
Acquisition loan	-	15,000	-	-	15,000
Loan payable	17,532	(6,073)	21,236	196	32,891
Finance lease liabilities	40,193	(11,657)	25,946	(5)	54,477
	60,343	1,630	47,251	164	109,388

15. 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 2021	3 months ended Sept 30 2020	9 months ended Sept 30 2021	9 months ended Sept 30 2020
Provided truck transportation services to Vision Extrusions Group Limited, Vision Profile Extrusions Ltd. and Sunview Patio Doors Ltd., companies under common control	3,341	2,542	9,546	6,499
Paid rent to Caledon First Investments Limited, a company under common control	(464)	(448)	(1,392)	(1,344)
Paid occupancy costs to Caledon First Investments Limited, a company under common control	(68)	(68)	(204)	(204)
Paid management fees to Trunkeast	(8)	(8)	(23)	(23)
	2,801	2,018	7,927	4,928

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15. RELATED PARTY TRANSACTIONS AND BALANCES - continued

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 \$0.4 million and \$1.1 million (2020 - \$0.4 million and \$1.1 million), respectively, during the three and nine month period ended September 30, 2021.

Included in finance lease liabilities as at September 30, 2021 is a total of \$33.3 million (2020 - \$33.7 million) 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, 2021 is a total of \$1.5 million (2020 - \$0.9 million) 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.

16. 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 2021	Sept 30 2020	Sept 30 2021	Sept 30 2020
Share-based compensation expense	157	129	481	448
Employee benefits	160	133	1,011	442
Key management personnel:				
Salaries and benefits	172	171	524	521
Share-based compensation expense	37	43	111	126

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

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17. COMMITMENTS AND CONTINGENCIES

- a) As at September 30, 2021, the Company was committed to purchasing approximately \$28.5 million in rolling stock.
- b) The Company has a letter of credit outstanding for \$0.7 million 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 has letters of credit outstanding for \$0.4 million in favour of Marsh Captive Insurance Solution, as a security deposit required for fleet insurance for the ITS Group.
- d) The Company has a letter of credit outstanding for \$0.2 million in favour of Northbridge Insurance, as a security deposit required for fleet insurance for the ITS Group.
- e) The Company is regularly subject to litigation in the normal course of business. In the opinion of management, the outcome of current pending claims, in aggregate, is not likely to be material to the financial condition or results of operations of the Company.

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18. COVID-19 INFORMATION

As the duration and ongoing 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 a percentage (to a maximum of 75%) of an employee's wages (to maximum of \$1,129 per week) for employers with decrease in gross revenues of at least 10% for periods affected by the pandemic, starting March 2020. This program has recently been extended to October 2021.

During the nine months ended September 30, 2021, the Company qualified for the CEWS program and recognized \$0.5 million 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.