

Q U A R T E R T H R E E 2 0 2 2



**Unaudited Condensed Consolidated
Interim Financial Statements**
**FOR THE THREE MONTH PERIOD ENDED
SEPTEMBER 30, 2022**

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Financial Position

(in '000 Canadian dollars)

(unaudited)

	September 30 2022	December 31 2021
Assets		
Current		
Cash	36,706	18,046
Restricted Cash	-	9,200
Trade and other receivables (note 5, 14)	76,055	68,132
Current taxes recoverable (note 5)	56	12
Finance lease receivables (note 6, 13)	1,397	1,417
Prepaid expenses and deposits (note 5)	1,619	3,701
	<u>115,833</u>	<u>100,508</u>
Finance lease receivables (note 6, 13)	2,672	2,303
Property and equipment (note 5, 7)	117,263	76,224
Right of use assets (note 8)	27,701	44,006
Deferred tax assets	1,314	392
Customer lists (note 9)	5,709	6,690
Goodwill (note 5, 9)	4,335	3,543
	<u>274,827</u>	<u>233,666</u>
Liabilities		
Current		
Bank indebtedness (note 10, 13)	-	21,805
Acquisition loan (note 10, 13)	-	15,000
Trade and other payables (note 5)	46,536	37,165
Current taxes payable	5,184	4,064
Loans payable (note 5, 10, 13)	18,514	9,724
Finance lease liabilities (note 10, 13, 14)	5,980	8,624
	<u>76,214</u>	<u>96,382</u>
Acquisition loan (note 10, 13)	13,750	-
Loans payable (note 5, 10, 13)	55,446	23,751
Finance lease liabilities (note 10, 13, 14)	18,538	25,929
Deferred tax liabilities (note 5)	17,068	13,890
	<u>181,016</u>	<u>159,952</u>
<i>Commitments and contingencies (note 16)</i>		
Shareholders' Equity		
Share capital (note 11)	50,685	48,204
Contributed surplus (note 12)	9,025	8,812
Retained earnings	34,101	16,698
	<u>93,811</u>	<u>73,714</u>
	<u>274,827</u>	<u>233,666</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, 2022 and 2021

(in '000 Canadian dollars, except for share amounts)

(unaudited)

	3 months ended Sept 30 2022	3 months ended Sept 30 2021	9 months ended Sept 30 2022	9 months ended Sept 30 2021
Revenue (note 14)	97,108	93,146	334,979	265,181
Fuel surcharge	16,248	8,542	50,547	22,980
	<u>113,356</u>	<u>101,688</u>	<u>385,526</u>	<u>288,161</u>
Operating expenses				
Carriers and independent contractors	61,854	64,451	226,993	177,509
Vehicle operating	14,360	11,639	47,644	34,676
Wages and casual labour (note 15)	18,505	15,758	55,531	45,508
Other operating	3,113	2,601	9,582	7,982
	<u>97,832</u>	<u>94,449</u>	<u>339,750</u>	<u>265,675</u>
Income before the following	<u>15,524</u>	<u>7,239</u>	<u>45,776</u>	<u>22,486</u>
Depreciation (note 7, 8)	6,930	5,025	18,251	14,735
Gain on sale of property and equipment	(3,344)	(839)	(5,839)	(1,255)
Finance costs (note 14)	1,257	952	3,188	2,754
Finance income	(55)	(66)	(148)	(173)
Foreign exchange loss (gain)	1,429	(158)	1,891	221
Amortization of customer lists (note 9)	327	505	981	762
Transaction costs (note 5)	-	-	-	800
Gain on sale of marketable securities	-	-	-	(111)
	<u>6,544</u>	<u>5,419</u>	<u>18,324</u>	<u>17,733</u>
Income before income taxes	<u>8,980</u>	<u>1,820</u>	<u>27,452</u>	<u>4,753</u>
Income tax expense	<u>2,443</u>	<u>466</u>	<u>7,370</u>	<u>1,292</u>
Net income and comprehensive income attributable to owners of the Company	<u>6,537</u>	<u>1,354</u>	<u>20,082</u>	<u>3,461</u>
Earnings per share:				
Basic	0.15	0.03	0.46	0.09
Diluted	0.14	0.03	0.45	0.08
Weighted average number of shares outstanding (in number of shares):				
Basic (note 11)	44,333,037	43,431,309	44,009,719	39,836,573
Diluted (note 11)	<u>45,364,447</u>	<u>44,774,933</u>	<u>44,947,182</u>	<u>41,264,328</u>

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Changes in Equity

Nine months ended September 30, 2022 and 2021

(in '000 Canadian dollars)

(unaudited)

	Share Capital	Contributed Surplus	Retained Earnings	Total
Balances at December 31, 2021	48,204	8,812	16,698	73,714
Share issuance (note 11)	1,979	-	-	1,979
Shares vested (note 11)	219	(219)	-	-
Options exercised (note 12)	283	(104)	-	179
Share-based compensation expense (note 12, 15)	-	536	-	536
Dividends paid (note 11)	-	-	(2,679)	(2,679)
Net income and comprehensive income	-	-	20,082	20,082
Balances at September 30, 2022	50,685	9,025	34,101	93,811
Balances at December 31, 2020	23,252	8,782	15,037	47,071
Share issuance (note 11)	23,510	-	-	23,510
Shares vested (note 11)	164	(164)	-	-
Options exercised (note 11)	804	(297)	-	507
Share-based compensation expense (note 12, 15)	-	324	-	324
Dividends paid (note 11)	-	-	(1,616)	(1,616)
Net income and comprehensive income	-	-	3,461	3,461
Balances at September 30, 2021	47,730	8,645	16,882	73,257

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Cash Flows

(in '000 Canadian dollars)

(unaudited)

	3 months ended Sept 30 2022	3 months ended Sept 30 2021	9 months ended Sept 30 2022	9 months ended Sept 30 2021
Cash flows from operating activities				
Net income	6,537	1,354	20,082	3,461
Adjustments:				
Depreciation (note 7, 8)	6,930	5,025	18,251	14,735
Gain on sale of property and equipment	(3,344)	(839)	(5,839)	(1,255)
Finance costs	1,257	952	3,188	2,754
Finance income	(55)	(66)	(148)	(173)
Amortization of customer lists (note 9)	327	505	981	762
Share-based compensation expense (note 12)	182	157	536	481
Gain on sale of marketable securities	-	-	-	(111)
Income tax expense	2,443	1,316	7,370	3,691
	<u>14,277</u>	<u>8,404</u>	<u>44,421</u>	<u>24,345</u>
Net change in non-cash operating working capital	12,186	(7,988)	12,561	(9,347)
	<u>26,463</u>	<u>416</u>	<u>56,982</u>	<u>14,998</u>
Interest paid	(1,225)	(973)	(3,190)	(2,743)
Interest received	55	66	148	173
Income taxes received (paid)	(3)	(939)	(4,455)	(4,244)
	<u>25,290</u>	<u>(1,430)</u>	<u>49,485</u>	<u>8,184</u>
Cash flows from investing activities				
Proceeds from finance lease receivables (note 13)	447	488	1,531	1,546
Proceeds from marketable securities (note 5)	-	-	-	2,059
Acquisition of property and equipment (note 7, 13)	(37)	(303)	(284)	(650)
Disposition of property and equipment (note 7, 13)	7,849	2,498	17,421	3,430
Acquisition of subsidiaries (note 5)	-	-	-	(27,000)
	<u>8,259</u>	<u>2,683</u>	<u>18,668</u>	<u>(20,615)</u>
Cash flows from financing activities				
Proceeds from bank indebtedness (note 13)	-	486	-	9,289
Repayment of bank indebtedness (note 13)	(6,448)	-	(20,651)	(4,929)
Proceeds from acquisition loans (note 13)	(938)	-	(1,250)	15,000
Repayment of loans payable (note 13)	(5,809)	(1,975)	(14,717)	(6,073)
Repayment of finance lease liabilities (note 13)	(2,026)	(2,999)	(10,854)	(11,657)
Dividends paid (note 11)	(897)	(878)	(2,679)	(2,494)
Issuance of shares (note 11)	338	135	658	24,152
	<u>(15,780)</u>	<u>(5,231)</u>	<u>(49,493)</u>	<u>23,288</u>
Increase (decrease) in cash	17,769	(3,978)	18,660	10,857
Cash, beginning	<u>18,937</u>	<u>17,924</u>	<u>18,046</u>	<u>3,089</u>
Cash, ending	<u>36,706</u>	<u>13,946</u>	<u>36,706</u>	<u>13,946</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, 2022 and 2021

(Tabular amounts in '000 Canadian dollars, unless otherwise noted.)

(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 in Bolton, Bracebridge, Napanee, North Bay, Windsor, Belleville, Cornwall, and Brantford, ON, with additional parking/switch yards in Sudbury, Brockville and Trenton, ON and freight brokerage offices in Windsor, ON, Montreal, QC, Charlotte, NC, Nashville, TN, Chicago, IL, Denver, CO, and Atlanta, GA. 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 Toronto Stock Exchange under the symbol "TTNM", and the OTCQX under the symbol "TTNMF".

The condensed consolidated interim financial statements include the accounts of the Company and all of its subsidiaries.

2. BASIS OF PRESENTATION

Basis of Consolidation

The condensed consolidated interim financial statements consolidate the accounts of the Company and all of its subsidiaries. Subsidiaries are entities over which the Company has the power to govern financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date control ceases. Fully consolidated means that all transactions with subsidiaries and any intercompany balances, gains or losses with subsidiaries have been eliminated on consolidation. The accounting policies have been applied consistently by all subsidiaries.

All of the Company's subsidiaries are wholly-owned, are domiciled in Canada and the United States, and are in the truck transportation or logistics industries.

The acquisition method of accounting is used to account for business combinations. The cost of an acquisition is measured at the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition costs are expensed as incurred. The excess of the cost of the acquisition over the fair value of the acquisition's identifiable net assets is recorded as goodwill. If the acquisition cost is less than the fair value of the net assets acquired, the difference is recognized directly in the consolidated statements of comprehensive income. Contingent consideration is included in total consideration and is recognized at its fair value as at the acquisition date.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2022 and 2021

(Tabular amounts in '000 Canadian dollars, unless otherwise noted.)

(unaudited)

2. BASIS OF PRESENTATION - continued

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, 2021.

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 7, 2022.

Basis of Measurement

These condensed consolidated interim financial statements have been prepared on a going concern basis using historical cost, except for assets and liabilities acquired in business combinations, which are measured at fair value at the acquisition date.

Functional and Presentation Currency

These condensed consolidated interim financial statements are presented in Canadian dollars ("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.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2022 and 2021

(Tabular amounts in '000 Canadian dollars, unless otherwise noted.)

(unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described in the Company's annual consolidated financial statements have been applied consistently to all periods presented in these condensed consolidated interim financial statements, unless otherwise indicated. The accounting policies have been applied consistently by all subsidiaries.

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.
- 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.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2022 and 2021

(Tabular amounts in '000 Canadian dollars, unless otherwise noted.)

(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. 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.
- 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.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2022 and 2021

(Tabular amounts in '000 Canadian dollars, unless otherwise noted.)

(unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

New Standards Adopted

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 adoption of this interpretation did not have a material impact on the condensed consolidated interim financial statements.

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.

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, 2022 and 2021

(Tabular amounts in '000 Canadian dollars, unless otherwise noted.)

(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, 2022					
Revenue - external	53,728	59,628	-	-	113,356
Revenue - internal	1,220	-	-	(1,220)	-
Total revenue	54,948	59,628	-	(1,220)	113,356
Depreciation	6,787	143	-	-	6,930
Finance costs	1,098	159	-	-	1,257
Finance income	(55)	-	-	-	(55)
Income (loss) before income taxes	5,616	5,501	(2,137)	-	8,980
Income taxes (recoveries)	1,595	1,402	(554)	-	2,443
Capital expenditures	18,377	-	-	-	18,377
Three months ended September 30, 2021					
Revenue - external	42,240	59,448	-	-	101,688
Revenue - internal	535	-	-	(535)	-
Total revenue	42,775	59,448	-	(535)	101,688
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	7,386	-	-	-	7,386

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2022 and 2021

(Tabular amounts in '000 Canadian dollars, unless otherwise noted.)

(unaudited)

4. OPERATING SEGMENTS - continued

	Truck Transportation	Logistics	Corporate	Elimination	Total
Nine months ended September 30, 2022					
Revenue - external	159,356	226,169	-	-	385,526
Revenue - internal	3,547	-	-	(3,547)	-
Total revenue	162,903	226,169	-	(3,547)	385,526
Depreciation	17,869	382	-	-	18,251
Finance costs	2,853	335	-	-	3,188
Finance income	(148)	-	-	-	(148)
Income (loss) before income taxes	9,379	22,664	(4,591)	-	27,452
Income taxes (recoveries)	2,718	5,831	(1,179)	-	7,370
Capital expenditures	47,363	-	-	-	47,363
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

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 2022	3 months ended Sept 30 2021	9 months ended Sept 30 2022	9 months ended Sept 30 2021
Canada	56,352	41,401	171,516	117,056
United States	57,004	60,287	214,010	171,105
	113,356	101,688	385,526	288,161

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2022 and 2021

(Tabular amounts in '000 Canadian dollars, unless otherwise noted.)

(unaudited)

5. BUSINESS COMBINATIONS

On January 1, 2022, the Company acquired all the outstanding shares, land and building of Bert and Son's Cartage Limited ("BSC"), a truck-based carrier from Brantford, Ontario for \$9.0 million in cash and \$1.5 million in share considerations. The acquisition was consistent with the Company's growth strategy and to add capacity to its Brantford terminal.

From the date of acquisition, BSC contributed revenue of \$5.1 million and net income of \$0.9 million during the nine month period ended September 30, 2022.

The fair value allocations for the BSC acquisition are based on purchase allocations conducted by management. As the acquisition is within the measurement 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 BSC. Thus, property and equipment and deferred tax liabilities are presented as provisional amounts pending finalizing 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, 2022:

Cash and cash equivalents	359
Trade and other receivables	972
Current taxes receivable	22
Prepaid expense and deposits	97
Property and equipment	9,084
Trade and other payables	(291)
Loans payable	(30)
Finance lease liabilities	(66)
Deferred tax liabilities	(439)
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Total identifiable net assets	9,708
Total consideration	10,500
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Goodwill	792
Cash	9,000
Issuance of shares	1,500
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Total consideration transferred	10,500
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6. FINANCE LEASE RECEIVABLES

During the nine month period ended September 30, 2022, the Company entered into new finance leases totaling \$2.2 million which are receivable over 21 to 72 months with interest rates ranging from 4.25% to 7.50%.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2022 and 2021

(Tabular amounts in '000 Canadian dollars, unless otherwise noted.)

(unaudited)

7. PROPERTY AND EQUIPMENT

	Land, Buildings and Leaseholds	Furniture and Equipment	Rolling Stock	Total
Cost				
Balances, December 31, 2021	16,346	3,573	93,463	113,382
Other additions	126	70	46,680	46,876
Acquired through business combinations	7,100	-	1,984	9,084
Reacquisition - Rolling stock	-	-	350	350
Sale of rolling stock relating to finance lease receivables	-	-	(2,389)	(2,389)
Purchase of lease assets	-	-	6,910	6,910
Other disposals	-	(27)	(16,807)	(16,834)
Balances, September 30, 2022	23,572	3,616	130,191	157,379
Accumulated depreciation				
Balances, December 31, 2021	2,785	3,182	31,191	37,158
Depreciation	541	194	13,087	13,822
Sale of rolling stock relating to finance lease receivables	-	-	(324)	(324)
Other disposals	-	(27)	(10,513)	(10,540)
Balances, September 30, 2022	3,326	3,349	33,441	40,116
Net carrying amounts				
At December 31, 2021	13,561	391	62,272	76,224
At September 30, 2022	20,246	267	96,750	117,263

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2022 and 2021

(Tabular amounts in '000 Canadian dollars, unless otherwise noted.)

(unaudited)

8. RIGHT OF USE ASSETS

	Land and Buildings	Furniture and Equipment	Rolling Stock	Total
Cost				
Balances, December 31, 2021	18,285	1,532	34,179	53,996
Other additions	485	-	-	485
Other disposals	-	-	(6,881)	(6,881)
Purchase of lease assets	-	-	(10,917)	(10,917)
Balances, September 30, 2022	18,770	1,532	16,381	36,683
Accumulated depreciation				
Balances, December 31, 2021	2,164	1,498	6,328	9,990
Depreciation	1,509	34	2,886	4,429
Other disposals	-	-	(1,430)	(1,430)
Purchase of lease assets	-	-	(4,007)	(4,007)
Balances, September 30, 2022	3,673	1,532	3,777	8,982
Net carrying amounts				
At December 31, 2021	16,121	34	27,851	44,006
At September 30, 2022	15,097	-	12,604	27,701

9. GOODWILL AND INTANGIBLES

	Goodwill	Customer Lists	Total
Balances, December 31, 2021	3,543	6,690	10,233
Acquired through business combinations (note 5)	792	-	792
Amortization	-	(981)	(981)
Balances, September 30, 2022	4,335	5,709	10,044

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2022 and 2021

(Tabular amounts in '000 Canadian dollars, unless otherwise noted.)

(unaudited)

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	-
Acquisition loan	PRIME+0.50%	2026	13,750
Loans payable	2.00% - 5.49%	2022-2031	73,960
Finance lease liabilities	0.99% - 10.32%	2022-2026	24,518
			<u>112,228</u>
Current portion			<u>24,494</u>
			<u>87,734</u>

11. SHARE CAPITAL

Authorized

Unlimited number of common shares with no par value

	Common Shares #	Share Capital \$
Issued		
Balances, December 31, 2021	44,037,513	48,204
Shares issued as part of share purchase plan	331,607	698
Shares issued on exercise of options (note 12)	120,000	283
Shares issued on business combination (note 5)	400,000	1,500
	<u>44,889,120</u>	<u>50,685</u>
Balances, September 30, 2022		

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 \$9,600 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, 454,800 (December 31, 2021 - 462,603) have not vested. During the three month and nine month period ended September 30, 2022, the Company recognized an expense of \$0.1 million and \$0.2 million (2021 - \$0.1 million and \$0.2 million) relating to the Plan, with a corresponding increase to contributed surplus.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2022 and 2021

(Tabular amounts in '000 Canadian dollars, unless otherwise noted.)

(unaudited)

11. SHARE CAPITAL - continued

On January 1, 2022, the Company completed the acquisition of Bert & Son's Cartage Limited. The purchase price included share consideration of 400,000 common shares of the Company at a price of \$3.75 per common share for a total of \$1.5 million.

During the quarter ended September 30, 2022, dividends of \$0.9 million or \$0.02 per common share (2021 - \$0.9 million) were 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 Sept 30 2022	3 months ended Sept 30 2021	9 months ended Sept 30 2022	9 months ended Sept 30 2021
Issued common shares, beginning	44,686,199	43,853,438	44,037,513	36,739,185
Effect of unvested common shares	(452,123)	(465,057)	(451,098)	(502,666)
Effect of issued common shares	98,961	42,928	423,304	3,600,054
Weighted average number of common shares	44,333,037	43,431,309	44,009,719	39,836,573
Dilutive effect of restricted common shares and stock options	1,031,410	1,343,624	937,463	1,427,755
Weighted average number of diluted common shares	45,364,447	44,774,933	44,947,182	41,264,328

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2022 and 2021

(Tabular amounts in '000 Canadian dollars, unless otherwise noted.)

(unaudited)

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 2022	Sept 30 2021	Sept 30 2022	Sept 30 2021
Share purchase plan	114	85	331	261
Stock options	68	72	205	220
	182	157	536	481

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, 2021	1,996,600	1.86
Issued	338,500	2.60
Exercised	(120,000)	1.50
Forfeited	(7,500)	2.23
Balances, September 30, 2022	2,207,600	1.99

Of the total stock options issued during the period, 65,000 (2021 - 100,000) 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 1.44% and 1.72%; iii) the dividend yield will be 3.13%; and iv) expected volatility is 59.63%. 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, 2022:

Exercise Price \$	Options Outstanding #	Weighted Average Remaining Life in years	Options Exercisable #
1.50	1,273,800	4.3	1,059,200
2.60	723,800	8.3	35,100
2.85	195,000	3.4	195,000
3.00	15,000	8.8	-
1.99	2,207,600	5.6	1,289,300

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2022 and 2021

(Tabular amounts in '000 Canadian dollars, unless otherwise noted.)

(unaudited)

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Balance Dec 31 2021	Cash Flows	Non-Cash Changes		Balance Sept 30 2022
			New Leases	Reacquired Leases	
Finance lease receivables	3,720	(1,531)	2,232	(352)	4,069

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

	Balance Dec 31 2021	Cash Flows	Non-Cash Changes		Balance Sept 30 2022
			New Leases /Loans	Foreign Exchange Movement	
Bank indebtedness	21,805	(20,651)	-	(1,154)	-
Acquisition loan	15,000	(1,250)	-	-	13,750
Loan payable	33,475	(14,717)	51,511	3,691	73,960
Finance lease liabilities	34,553	(10,854)	551	268	24,518
	104,833	(47,472)	52,062	2,805	112,228

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 2022	3 months ended Sept 30 2021	9 months ended Sept 30 2022	9 months ended Sept 30 2021
Provided truck transportation services to Vision Extrusions Group Limited, Vision Profile Extrusions Ltd. and Sunview Patio Doors Ltd., companies under common control	5,172	3,341	14,586	9,546
Paid rent to Caledon First Investments Limited, a company under common control	-	(464)	-	(1,392)
	5,172	2,877	14,586	8,154

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2022 and 2021

(Tabular amounts in '000 Canadian dollars, unless otherwise noted.)

(unaudited)

14. RELATED PARTY TRANSACTIONS AND BALANCES - continued

Under IFRS 16, rent was paid to Caledon First Investments Limited until it was sold during Q4 2021. In the three and nine month periods ended September 30, 2021, total payments of \$0.4 million and \$1.1 million respectively, were considered repayment of finance lease obligations, with deemed interest paid for right-of-use asset included in finance costs.

As at September 30, 2022, there are no amounts payable to Caledon First Investments Limited. (2021 - \$33.3 million)

Included in trade and other receivables as at September 30, 2022 is a total of \$3.7 million (2021 - \$1.5 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.

15. WAGES AND CASUAL LABOUR

Included in wages and casual labour are the following:

	3 months ended	3 months ended	9 months ended	9 months ended
	Sept 30 2022	Sept 30 2021	Sept 30 2022	Sept 30 2021
Share-based compensation expense	182	157	536	481
Employee benefits	285	160	857	1,011
Key management personnel:				
Salaries and benefits	411	172	1,190	524
Share-based compensation expense	39	37	109	111

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

16. COMMITMENTS AND CONTINGENCIES

- As at September 30, 2022, the Company was committed to purchasing approximately \$31.0 million in rolling stock.
- The Company has a letter of credit outstanding for \$0.7 million in favour of Colonnade BridgePort ITF as a security deposit required under the lease for its Bolton head office.
- Subsequent to the quarter end, the Company has committed to renting additional office space. The future minimum lease payment for the lease is \$0.7 million for the duration of the lease.
- 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.