



Y E A R 2 0 2 3

**Unaudited Condensed Consolidated
Interim Financial Statements**

**FOR THE THREE MONTH PERIOD ENDED
September 30, 2023**

Titanium Transportation Group Inc.

Notice To Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice to this effect. The accompanying unaudited interim condensed consolidated financial statements of Titanium Transportation Group Inc. have been prepared by, and are the responsibility of, management of Titanium Transportation Group Inc..

Titanium Transportation Group Inc.'s independent auditor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the accompanying interim condensed consolidated financial statements. Readers are cautioned that these financial statements may not be appropriate for their intended purposes.

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Financial Position

(in '000 Canadian dollars)

(unaudited)

	September 30 2023	December 31 2022
Assets		
Current		
Cash	24,981	34,892
Trade and other receivables (note 5, 14)	58,659	71,209
Current taxes recoverable (note 5)	4,649	15
Finance lease receivables (note 5, 6, 13)	1,671	1,386
Prepaid expenses and deposits	2,532	3,419
	<u>92,492</u>	<u>110,921</u>
Finance lease receivables (note 5, 6, 13)	4,979	2,751
Property and equipment (note 5, 7)	209,819	131,586
Right of use assets (note 5, 8)	32,171	25,683
Deferred tax assets	979	484
Customer lists (note 9)	4,400	5,382
Goodwill (note 5, 9)	18,840	4,335
	<u>363,680</u>	<u>281,142</u>
Liabilities		
Current		
Bank indebtedness (note 10, 13)	21,295	11,078
Trade and other payables	45,246	37,114
Current taxes payable	-	4,975
Loans payable (note 5, 10, 13)	31,958	21,309
Finance lease liabilities (note 5, 10, 13)	7,560	4,976
	<u>106,059</u>	<u>79,452</u>
Acquisition loan (note 10, 13)	4,250	6,125
Loans payable (note 5, 10, 13)	116,390	68,732
Finance lease liabilities (note 5, 10, 13)	21,105	18,097
Deferred tax liabilities	11,401	10,516
	<u>259,205</u>	<u>182,922</u>
<i>Commitments and contingencies (note 16)</i>		
Shareholders' Equity		
Share capital (note 11)	50,532	51,005
Contributed surplus (note 12)	9,674	9,215
Accumulated other comprehensive income	950	-
Retained earnings	43,319	38,000
	<u>104,475</u>	<u>98,220</u>
	<u>363,680</u>	<u>281,142</u>

On behalf of the Board

"Ted Daniel"

Director

"Bill Chyfetz"

Director

See accompanying notes

2.

Titanium Transportation Group Inc.
Condensed Consolidated Interim Statements of Income
 Nine months ended September 30, 2023 and 2022
 (in '000 Canadian dollars, except for share amounts)

(unaudited)

	3 months ended Sept 30 2023	3 months ended Sept 30 2022	9 months ended Sept 30 2023	9 months ended Sept 30 2022
Revenue (note 14)	98,612	97,108	278,278	334,979
Fuel surcharge	14,073	16,248	41,108	50,547
	<u>112,685</u>	<u>113,356</u>	<u>319,386</u>	<u>385,526</u>
Operating expenses				
Carriers and independent contractors	61,901	61,854	177,230	226,993
Vehicle operating	13,250	14,360	38,694	47,644
Wages and casual labour (note 15)	20,230	18,505	55,993	55,531
Other operating	3,848	3,113	9,411	9,582
	<u>99,229</u>	<u>97,832</u>	<u>281,328</u>	<u>339,750</u>
Income before the following	<u>13,456</u>	<u>15,524</u>	<u>38,058</u>	<u>45,776</u>
Depreciation (note 7, 8)	8,065	6,930	21,732	18,251
Gain on sale of property and equipment	(415)	(3,344)	(3,728)	(5,839)
Finance costs (note 14)	2,522	1,257	6,078	3,188
Finance income	(109)	(55)	(412)	(148)
Foreign exchange loss	1,507	1,429	986	1,891
Amortization of customer lists (note 9)	327	327	982	981
Transaction costs (note 5)	205	-	1,285	-
	<u>12,102</u>	<u>6,544</u>	<u>26,923</u>	<u>18,324</u>
Income before income taxes	1,354	8,980	11,135	27,452
Income tax expense (recovery)	(520)	2,443	2,304	7,370
Net income	<u>1,874</u>	<u>6,537</u>	<u>8,831</u>	<u>20,082</u>
Earnings per share:				
Basic	0.04	0.15	0.20	0.46
Diluted	0.04	0.14	0.19	0.45
Weighted average number of shares outstanding (in number of shares):				
Basic (note 11)	44,344,700	44,333,037	44,442,323	44,009,719
Diluted (note 11)	45,471,116	45,364,447	45,602,811	44,947,182

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Comprehensive Income

Nine months ended September 30, 2023 and 2022

(in '000 Canadian dollars)

(unaudited)

	3 months ended Sept 30 2023	3 months ended Sept 30 2022	9 months ended Sept 30 2023	9 months ended Sept 30 2022
Net income	1,874	6,537	8,831	20,082
Other comprehensive (loss) income				
Foreign currency translation differences	950	-	950	-
Total comprehensive income	2,824	6,537	9,781	20,082

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Changes in Equity

Nine months ended September 30, 2023 and 2022

(in '000 Canadian dollars)

(unaudited)

	Share Contributed Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balances at December 31, 2022	51,005	9,215	38,000	-	98,220
Share issuance (note 11)	646	-	-	-	646
Shares vested (note 11)	239	(239)	-	-	-
Share-based compensation expense (note 12, 15)	-	698	-	-	698
Share cancellation (note 11)	(1,358)	-	(809)	-	(2,167)
Dividends paid (note 11)	-	-	(2,703)	-	(2,703)
Net income	-	-	8,831	-	8,831
Other comprehensive income	-	-	-	950	950
Balances at September 30, 2023	50,532	9,674	43,319	950	104,475
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	-	-	20,082	-	20,082
Balances at September 30, 2022	50,685	9,025	34,101	-	93,811

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Cash Flows

(in '000 Canadian dollars)

(unaudited)

	3 months ended Sept 30 2023	3 months ended Sept 30 2022	9 months ended Sept 30 2023	9 months ended Sept 30 2022
Cash flows from operating activities				
Net income	1,874	6,537	8,831	20,082
Adjustments:				
Depreciation (note 7, 8)	8,065	6,930	21,732	18,251
Gain on sale of property and equipment	(415)	(3,344)	(3,728)	(5,839)
Finance costs	2,522	1,257	6,078	3,188
Finance income	(109)	(55)	(412)	(148)
Amortization of customer lists (note 9)	327	327	982	981
Share-based compensation expense (note 12)	251	182	698	536
Income tax expense (recovery)	(626)	2,443	649	7,370
	11,889	14,277	34,830	44,421
Net change in non-cash operating working capital	1,362	12,186	21,551	12,561
	13,251	26,463	56,381	56,982
Interest paid	(2,505)	(1,225)	(6,043)	(3,190)
Interest received	109	55	412	148
Income taxes received (paid)	(157)	(3)	(6,670)	(4,455)
	10,698	25,290	44,080	49,485
Cash flows from investing activities				
Proceeds from finance lease receivables (note 13)	754	447	1,849	1,531
Proceeds from short term investments	7,000	-	15,000	-
Deposit to short term investments	-	-	(15,000)	-
Acquisition of property and equipment (note 7, 13)	(12,571)	(18,377)	(49,860)	(47,363)
Disposition of property and equipment (note 7, 13)	664	7,849	11,797	17,421
Acquisition of subsidiaries (note 5)	(57,066)	-	(57,066)	-
	(61,219)	(10,081)	(93,280)	(28,411)
Cash flows from financing activities				
Proceeds from bank indebtedness (note 13)	10,785	-	10,240	-
Repayment of bank indebtedness (note 13)	-	(6,448)	-	(20,651)
Repayment of acquisition loans (note 13)	(625)	(938)	(1,875)	(1,250)
Proceeds from loans payable (note 13)	27,813	18,340	61,925	46,594
Repayment of loans payable (note 13)	(9,305)	(5,809)	(21,641)	(14,717)
Proceeds from finance lease liabilities (note 13)	-	-	181	485
Repayment of finance lease liabilities (note 13)	(2,385)	(2,026)	(5,317)	(10,854)
Dividends paid (note 11)	(897)	(897)	(2,703)	(2,679)
Issuance of shares (note 11)	218	338	646	658
Share repurchase (note 11)	(868)	-	(2,167)	-
	24,736	2,560	39,289	(2,414)
Increase (decrease) in cash	(25,785)	17,769	(9,911)	18,660
Cash, beginning	50,766	18,937	34,892	18,046
Cash, ending	24,981	36,706	24,981	36,706

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, 2023 and 2022

(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, Brantford, ON, Oakwood, GA and Falkville, AL 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, Atlanta, GA, Fayetteville, AR and Jacksonville, FL. 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.

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

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, 2023 and 2022

(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, 2022.

These condensed consolidated interim financial statements have been prepared by and are the sole responsibility of the Company's management.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 14, 2023.

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 three have a functional currency of the Canadian Dollar. Titanium American Logistics, Inc., Crane Transport, Inc., and Titanium American Trucking, Inc. in the United States are wholly owned subsidiaries that were determined to have a functional currency of the United States Dollar ("USD"). Titanium American Logistics, Inc. was incorporated in 2016, Crane Transport, Inc. was acquired in July 2023, and Titanium American Trucking, Inc. was incorporated in September of 2023.

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, 2023 and 2022

(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 groups of assets (CGU). The Company must determine its CGU units grouping for the purpose of goodwill impairment testing. These CGU's consist of the Companies operating units: trucking and logistics.
- 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, 2023 and 2022

(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 indefinite life intangible assets* – An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The determination of value in use requires the estimation and discounting of expected future cash flows which involves key estimates related to future growth rates, terminal growth rate, post-tax discount rate.
- b) *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.
- c) *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.
- d) *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.
- e) *Provisions* – Estimates of expected settlements arising from matters involving litigation or accident claims are based on information provided by legal counsel or insurance professionals.
- f) *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, 2023 and 2022

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

(unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

New Standards Adopted

IAS 12, Income Taxes, was amended in May 2021 which clarified the issues surrounding *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* by IASB. The IASB specified that the initial recognition exemption does not apply to transactions in which equal amounts of deferred tax assets and liabilities arise on the initial recognition. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The adoption of this interpretation did not have a material impact on the condensed consolidated interim financial statements.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors was amended in February 2021 through the publication of *Definition of Accounting Estimates (Amendments to IAS 8)* by the IASB to help distinguish between accounting policies and accounting estimates. The amendments changed the definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The adoption of this interpretation did not have a material impact on the condensed consolidated interim financial statements.

New Standards 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, 2024. 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, 2023 and 2022

(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, 2023					
Revenue - external	61,142	51,543	-	-	112,685
Revenue - internal	1,255	-	-	(1,255)	-
Total revenue	<u>62,397</u>	<u>51,543</u>	<u>-</u>	<u>(1,255)</u>	<u>112,685</u>
Depreciation	7,875	190	-	-	8,065
Finance costs	2,149	373	-	-	2,522
Finance income	(53)	-	(56)	-	(109)
Income (loss) before income taxes	31	3,908	(2,585)	-	1,354
Income taxes (recoveries)	(286)	460	(694)	-	(520)
Capital expenditures	<u>12,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,571</u>
Three months ended September 30, 2022					
Revenue - external	53,728	59,628	-	-	113,356
Revenue - internal	1,220	-	-	(1,220)	-
Total revenue	<u>54,948</u>	<u>59,628</u>	<u>-</u>	<u>(1,220)</u>	<u>113,356</u>
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	<u>18,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,377</u>

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2023 and 2022

(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, 2023					
Revenue - external	158,925	160,461	-	-	319,386
Revenue - internal	4,303	-	-	(4,303)	-
Total revenue	163,228	160,461	-	(4,303)	319,386
Depreciation	21,191	541	-	-	21,732
Finance costs	5,172	906	-	-	6,078
Finance income	(204)	-	(208)	-	(412)
Income (loss) before income taxes	3,103	11,743	(3,711)	-	11,135
Income taxes (recoveries)	800	2,469	(965)	-	2,304
Capital expenditures	49,679	181	-	-	49,860
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

Revenue is attributed to geographical locations based on the location of the origin of the service. Majority of the Company's assets are located in Canada. With the acquisition of Crane, about 27% of the Company's assets are located in U.S.

	3 months ended Sept 30 2023	3 months ended Sept 30 2022	9 months ended Sept 30 2023	9 months ended Sept 30 2022
Canada	62,430	56,352	161,246	171,516
United States	50,255	57,004	158,140	214,010
	112,685	113,356	319,386	385,526

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2023 and 2022

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

(unaudited)

5. BUSINESS COMBINATIONS

On July 31, 2023, the Company acquired all the outstanding shares of Crane Transport, Inc. ("Crane"), a truck-based carrier from Oakwood, GA with a satellite terminal in Falkville, AL. This marks the Company's first US acquisition and is consistent with its growth strategy.

From the date of acquisition, Crane contributed revenue of \$14.4 million and net loss of \$0.4 million, for the quarter ended September 30, 2023. If Crane was acquired January 1, 2023, Crane would have contributed revenue of \$43.2 million and net income of \$0.6 million.

Transaction costs of \$1.3 million were expensed on the condensed consolidated interim statements of income during the nine month period ended September 30, 2023.

The total consideration transferred has been preliminary allocated to the identifiable net assets acquired based on their estimated fair values. Given the recency of the acquisition, the Company had not yet completed the determination of fair value of identifiable net assets including the determination of potential deferred tax liabilities in accordance with IFRS 3 at the time that these condensed consolidated interim financial statements were approved by the Board.

The table below presents the presents the provisional purchase price allocation as at September 30, 2023.

Trade and other receivables	5,734
Current taxes receivable	5,113
Property and equipment	56,505
Right of use assets	10,331
Trade and other payables	(7,535)
Loans payable	(17,256)
Finance lease liabilities	(10,331)
Total identifiable net assets	42,561
Total consideration	57,066
Goodwill	14,505
Cash	39,936
Loan payable	17,130
Total consideration transferred	57,066

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2023 and 2022

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

(unaudited)

6. FINANCE LEASE RECEIVABLES

During the nine month period ended September 30, 2023, the Company entered into new finance leases totaling \$4.7 million which are receivable over 24 to 72 months with interest rates ranging from 4.25% to 8.00%.

7. PROPERTY AND EQUIPMENT

	Land, Buildings and Leaseholds	Furniture and Equipment	Rolling Stock	Total
Cost				
Balances, December 31, 2022	23,572	3,700	148,935	176,207
Other additions	91	199	49,804	50,094
Acquired through business combinations	7,906	66	48,533	56,505
Reacquisition - Rolling stock	-	-	592	592
Sale of rolling stock relating to finance lease receivables	-	-	(4,523)	(4,523)
Other disposals	-	(65)	(22,816)	(22,881)
Effect of movements in exchange rates	206	2	1,265	1,473
Balances, September 30, 2023	<u>31,775</u>	<u>3,902</u>	<u>221,790</u>	<u>257,467</u>
Accumulated depreciation				
Balances, December 31, 2022	3,506	3,427	37,688	44,621
Depreciation	564	165	17,546	18,275
Sale of rolling stock relating to finance lease receivables	-	-	(311)	(311)
Effect of movements in exchange rates	-	-	18	18
Other disposals	-	(16)	(14,939)	(14,955)
Balances, September 30, 2023	<u>4,070</u>	<u>3,576</u>	<u>40,002</u>	<u>47,648</u>
Net carrying amounts				
At December 31, 2022	20,066	273	111,247	131,586
At September 30, 2023	<u>27,705</u>	<u>326</u>	<u>181,788</u>	<u>209,819</u>

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2023 and 2022

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

(unaudited)

8. RIGHT OF USE ASSETS

	Land and Buildings	Furniture and Equipment	Rolling Stock	Total
Balances, December 31, 2022	19,293	1,532	13,950	34,775
Other additions	181	-	-	181
Acquired through business combinations	-	-	10,331	10,331
Other disposals	-	-	(1,468)	(1,468)
Effect of movements in exchange rates	-	-	269	269
Balances, September 30, 2023	19,474	1,532	23,082	44,088
Accumulated depreciation				
Balances, December 31, 2022	4,266	1,532	3,294	9,092
Depreciation	1,679	-	1,778	3,457
Other disposals	-	-	(645)	(645)
Effect of movements in exchange rates	-	-	13	13
Balances, September 30, 2023	5,945	1,532	4,440	11,917
Net carrying amounts				
At December 31, 2022	15,027	-	10,656	25,683
At September 30, 2023	13,529	-	18,642	32,171

Terms and conditions of right of use assets are presented below:

	Effective Interest Rate	Net Carrying Amount
Real estate	4.49% - 6.50%	13,529
Rolling stock	0.99% - 10.32%	18,642
		32,171

9. GOODWILL AND INTANGIBLES

	Goodwill	Customer Lists	Total
Balances, December 31, 2022	4,335	5,382	9,717
Acquired through business combinations (note 5)	14,505	-	14,505
Amortization	-	(982)	(982)
Balances, September 30, 2023	18,840	4,400	23,240

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2023 and 2022

(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	21,295
Acquisition loan	PRIME+0.50%	2024	4,250
Loans payable	2.00% - 7.25%	2023-2031	148,348
Finance lease liabilities	0.99% - 10.32%	2023-2027	28,665
			<u>202,558</u>
Current portion			<u>60,813</u>
			<u>141,745</u>

11. SHARE CAPITAL

Authorized

Unlimited number of common shares with no par value

	Common Shares #	Share Capital \$
Issued		
Balances, December 31, 2022	45,122,621	51,005
Shares issued as part of share purchase plan	431,743	885
Shares repurchase and cancelled	(796,245)	(1,358)
Balances, September 30, 2023	<u>44,758,119</u>	<u>50,532</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 \$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, 500,147 (December 31, 2022 - 495,947) have not vested. During the three month and nine month period ended September 30, 2023, the Company recognized an expense of \$0.2 million and \$0.5 million (2022 - \$0.1 million and \$0.2 million) relating to the Plan, with a corresponding increase to contributed surplus.

On October 18, 2023, the Company renewed its normal course issuer bid, allowing the Company to purchase up to 2,236,184 of its common shares (the "NCIB"), representing 5% of its issued and outstanding common shares.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2023 and 2022

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

(unaudited)

11. SHARE CAPITAL - continued

During the nine month period ended September 30, 2023, the Company repurchased 796,245 (2022 - nil) common shares at a weighted average price of \$2.72 and a total purchase price of 2.2 million. The excess of the purchase price paid over the carrying value of the shares repurchased, totalled \$0.8 million and was charged to retained earnings as a share repurchase premium.

During the quarter ended September 30, 2023, dividends of \$0.9 million or \$0.02 per common share (2022 - \$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 2023	3 months ended Sept 30 2022	9 months ended Sept 30 2023	9 months ended Sept 30 2022
Issued common shares, beginning	44,956,227	44,686,199	45,122,621	44,037,513
Effect of unvested common shares	(512,473)	(452,123)	(498,047)	(451,098)
Effect of issued common shares	61,546	98,961	215,872	423,304
Effect of repurchased common shares	(160,600)	-	(398,123)	-
Weighted average number of common shares	44,344,700	44,333,037	44,442,323	44,009,719
Dilutive effect of restricted common shares and stock options	1,126,416	1,031,410	1,160,488	937,463
Weighted average number of diluted common shares	45,471,116	45,364,447	45,602,811	44,947,182

12. CONTRIBUTED SURPLUS

Share-based compensation expense is comprised of the following:

	3 months ended Sept 30 2023	3 months ended Sept 30 2022	9 months ended Sept 30 2023	9 months ended Sept 30 2022
Share purchase plan	155	114	462	331
Stock options	96	68	236	205
	251	182	698	536

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2023 and 2022

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

(unaudited)

12. CONTRIBUTED SURPLUS - continued

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 10% 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, 2022	2,207,600	1.99
Issued	704,400	2.26
Exercised	(3,300)	1.50
Forfeited	(10,000)	2.60
Balances, September 30, 2023	2,898,700	2.06

Of the total stock options issued during the period, 260,000 (2022 - 65,000) 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 2.79% and 3.22%; iii) the dividend yield will be 3.48%; and iv) expected volatility is 56.11%. 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, 2023:

Exercise Price \$	Options Outstanding #	Weighted Average Remaining Life in years	Options Exercisable #
1.50	1,270,500	3.3	1,172,000
2.25	664,400	9.3	-
2.50	40,000	9.3	-
2.60	713,800	7.3	104,700
2.85	195,000	2.4	195,000
3.00	15,000	7.8	-
2.06	2,898,700	5.7	1,471,700

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2023 and 2022

(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 2022	Cash Flows	Non-Cash Changes		Balance Sept 30 2023
			New Leases	Reacquired Leases	
Finance lease receivables	4,137	(1,849)	5,142	(780)	6,650

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

	Balance Dec 31 2022	Cash Flows	Non-Cash Changes		Balance Sept 30 2023
			New Leases /Loans	Foreign Exchange Movement	
Bank indebtedness	11,078	10,240	-	(23)	21,295
Acquisition loan	6,125	(1,875)	-	-	4,250
Loan payable	90,041	40,284	17,257	766	148,348
Finance lease liabilities	23,073	(5,136)	10,331	397	28,665
	130,317	43,513	27,588	1,140	202,558

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 2023	3 months ended Sept 30 2022	9 months ended Sept 30 2023	9 months ended Sept 30 2022
Provided truck transportation services to Vision Extrusions Group Limited, Vision Profile Extrusions Ltd. and Sunview Patio Doors Ltd., companies under common control	4,424	5,172	13,070	14,586
	4,424	5,172	13,070	14,586

Included in trade and other receivables as at September 30, 2023 is a total of \$2.8 million (2022 - \$3.7 million) due from these related companies.

These transactions are in the normal course of operations materially under the same commercial terms and conditions as transactions with unrelated companies and are measured at fair value.

Titanium Transportation Group Inc.

Notes to Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2023 and 2022

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

(unaudited)

15. WAGES AND CASUAL LABOUR

Included in wages and casual labour are the following:

	3 months ended Sept 30 2023	3 months ended Sept 30 2022	9 months ended Sept 30 2023	9 months ended Sept 30 2022
Share-based compensation expense	251	182	698	536
Employee benefits	570	285	1,146	857
Key management personnel:				
Salaries and benefits	507	411	1,383	1,190
Share-based compensation expense	48	39	141	109

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

16. COMMITMENTS AND CONTINGENCIES

- As at September 30, 2023, the Company was committed to purchasing approximately \$14.0 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.

17. SUBSEQUENT EVENTS

Subsequent to the year end, on October 18, 2023, the Company renewed its normal course issuer bid, allowing the Company to purchase up to 2,236,184 of its common shares (the "NCIB"), representing 5% of its issued and outstanding common shares. The NCIB will terminate on October 17, 2024, or such earlier time as the NCIB is completed or terminated at the option of the Company.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the December 31, 2022 consolidated financial statements.