TITANIUM Transportation Group Inc.

Unaudited Condensed Consolidated Interim Financial Statements

For the second quarter ended
June 30, 2021

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Financial Position

(unaudited)

(in Canadian dollars)

	June 30 2021	December 31 2020
Assets		
Current		
Cash	17,923,839	3,089,010
Trade and other receivables (note 5, 15)	50,450,375	37,557,962
Current taxes recoverable (note 5)	34,974	-
Finance lease receivables (note 6, 14)	1,429,854	1,607,300
Prepaid expenses and deposits (note 5)	2,929,962	2,134,797
Assets held for sale (note 7)	331,700	127,285
	73,100,704	44,516,354
Finance lease receivables (note 6, 14)	2,126,752	1,908,945
Property and equipment (note 5, 8)	59,901,987	35,688,941
Right of use assets (note 5, 9)	78,454,128	53,419,719
Deferred tax assets	531,483	405,116
Customer lists (note 5, 10)	6,799,893	857,050
Goodwill (note 10)	1,968,286	1,968,286
	222,883,233	138,764,411
Liabilities		
Current		
Bank indebtedness (note 5, 14, 15)	6,794,456	2,617,991
Acquisition loan (note 5, 11)	15,000,000	-
Trade and other payables (note 5)	31,825,517	22,250,038
Current taxes payable	1,580,159	1,629,437
Loans payable (note 5, 11, 14)	7,906,152	5,076,427
Finance lease liabilities (note 5, 11, 14, 15)	7,985,071	4,305,613
	71,091,355	35,879,506
Loans payable (note 5, 11, 14)	18,969,184	12,456,312
Finance lease liabilities (note 5, 11, 14, 15)	49,353,004	35,886,621
Deferred tax liabilities (note 5)	11,566,542	7,470,527
	150,980,085	91,692,966
Commitments and contingencies (note 17)		
Shareholders' Equity		
Share capital (note 12)	47,730,586	23,252,440
Contributed surplus (note 13)	8,644,694	8,781,964
Retained earnings	15,527,868	15,037,041
	71,903,148	47,071,445
	222,883,233	138,764,411

On behalf of the Board

"Ted Daniel"
Director

"Bill Chyfetz"
Director

See accompanying notes

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Comprehensive Income

Six months ended June 30, 2021 and 2020 (unaudited)

(in Canadian dollars)

	3 months ended June 30 2021	3 months ended June 30 2020	6 months ended June 30 2021	6 months ended June 30 2020
Revenue (note 15)	92,513,257	35,983,251	172,034,361	76,778,529
Fuel surcharge	8,284,361	1,969,111	14,437,961	5,486,076
	100,797,618	37,952,362	186,472,322	82,264,605
Operating expenses				
Carriers and independent contractors	60,661,944	19,730,094	113,058,477	43,074,241
Vehicle operating	12,860,079	5,727,311	23,036,553	12,211,060
Wages and casual labour (note 16, 18)	16,532,001	5,940,824	29,749,644	14,474,143
Other operating	3,012,278	1,248,919	5,381,451	2,653,052
	93,066,302	32,647,148	171,226,125	72,412,496
Income before the following	7,731,316	5,305,214	15,246,197	9,852,109
Depreciation (note 8, 9)	4,917,065	3,429,318	9,709,485	6,589,846
Gain on sale of property and equipment	(344,228)	(19,023)	(416,078)	(106,881)
Finance costs (note 15)	986,598	709,084	1,802,684	1,485,901
Finance income	(57,431)	(72,287)	(107,210)	(210,041)
Foreign exchange loss (gain)	235,873	(53,104)	378,394	(200,812)
Amortization of customer lists (note 10)	142,864	57,150	257,157	114,300
Transaction costs (note 5)	-	-	800,000	-
Loss (Gain) on sale of marketable securities	486,624	-	(111,120)	-
	6,367,365	4,051,138	12,313,312	7,672,313
Income before income taxes	1,363,951	1,254,076	2,932,885	2,179,796
Income tax expense	425,726	380,300	825,602	662,944
Net income and comprehensive income attributable to owners of the Company	938,225	873,776	2,107,283	1,516,852
Earnings per share:				
Basic	0.02	0.02	0.05	0.04
Diluted	0.02	0.02	0.05	0.04
Weighted average number of shares outstanding:				
Basic (note 12)	43,333,960	35,943,247	39,794,488	35,943,239
Diluted (note 12)	44,882,330	36,607,051	41,401,158	36,579,925

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Changes in Equity

Six months ended June 30, 2021 and 2020 (unaudited)

(in Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Total
Balances at December 31, 2020	23,252,440	8,781,964	15,037,041	47,071,445
Share issuance (note 12)	23,509,911	-	-	23,509,911
Shares vested (note 12)	164,433	(164,433)	-	-
Options exercised (note 13)	803,802	(296,739)	-	507,063
Share-based compensation expense (note 13, 16)	-	323,902	-	323,902
Dividends paid (note 12)	-	-	(1,616,456)	(1,616,456)
Net income and comprehensive income	-	-	2,107,283	2,107,283
Balances at June 30, 2021	47,730,586	8,644,694	15,527,868	71,903,148
Balances at December 31, 2019	22,812,412	8,257,345	9,533,718	40,603,475
Share issuance (note 12)	162,512			162,512
Share-based compensation expense (note 13, 16)	-	318,715	-	318,715
Share cancellation (note 12)	(33,428)	-	(28,960)	(62,388)
Net income and comprehensive income	-	-	1,516,852	1,516,852
Balances at June 30, 2020	22,941,496	8,576,060	11,021,610	42,539,166

Titanium Transportation Group Inc.

Condensed Consolidated Interim Statements of Cash Flows

(unaudited)

(in Canadian dollars)

	3 months ended June 30 2021	3 months ended June 30 2020	6 months ended June 30 2021	6 months ended June 30 2020
Cash flows from operating activities				
Net income	938,225	873,776	2,107,283	1,516,852
Adjustments:				
Depreciation (note 8, 9)	4,917,065	3,429,318	9,709,485	6,589,846
Gain on sale of property and equipment	(344,228)	(19,023)	(416,078)	(106,881)
Finance costs	986,598	709,084	1,802,684	1,485,901
Finance income	(57,431)	(72,287)	(107,210)	(210,041)
Amortization of customer lists	142,864	57,150	257,157	114,300
Share-based compensation expense	146,131	160,928	323,902	318,715
Loss (Gain) on sale of marketable securities	486,624	-	(111,120)	-
Income tax expense	1,267,876	435,308	2,375,252	435,308
	8,483,724	5,574,254	15,941,355	10,144,000
Net change in non-cash operating working capital	(5,421,427)	5,370,225	(1,398,584)	4,587,192
	3,062,297	10,944,479	14,542,771	14,731,192
Interest paid	(994,354)	(738,033)	(1,770,261)	(1,521,977)
Interest received	57,431	72,287	107,210	210,041
Income taxes received (paid)	(2,315,705)	(55,008)	(3,305,451)	(45,318)
	(190,331)	10,223,725	9,574,269	13,373,938
Cash flows from investing activities				
Proceeds from finance lease receivables (note 14)	472,403	586,783	1,058,763	1,215,578
Proceeds from marketable securities (note 5)	(486,624)	-	2,059,299	-
Acquisition of property and equipment (note 8, 14)	(195,772)	(31,195)	(346,267)	(60,464)
Disposition of property and equipment (note 7, 8)	754,046	101,300	931,746	122,850
Acquisition of subsidiaries (note 5)	-	-	(27,000,000)	-
	544,053	656,888	(23,296,459)	1,277,964
Cash flows from financing activities				
Proceeds from bank indebtedness (note 14)	6,510,476	-	8,830,842	-
Repayment of bank indebtedness (note 14)	-	(8,008,329)	(4,928,794)	(6,953,392)
Proceeds from acquisition loans (note 14)	10,000,000	-	15,000,000	-
Repayment of loans payable (note 14)	(2,661,513)	(1,592,473)	(4,094,874)	(3,325,939)
Proceeds from finance lease liabilities (note 14)	-	-	-	335,225
Repayment of finance lease liabilities (note 14)	(5,709,010)	(1,611,537)	(8,650,673)	(3,552,447)
Dividends paid (note 12)	(876,403)	-	(1,616,456)	-
Issuance of shares (Cost adjustments) (note 12)	(213,375)	80,885	24,016,974	162,511
Shares repurchases (note 12)	-	(14,388)	-	(62,387)
	7,050,175	(11,145,842)	28,557,019	(13,396,429)
Increase (decrease) in cash	7,403,897	(265,229)	14,834,829	1,255,473
Cash, beginning	10,519,942	1,963,530	3,089,010	442,828
Cash, ending	17,923,839	1,698,301	17,923,839	1,698,301

Refer to note 14 for supplemental cash flow information.

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 August 10, 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.

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 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 groups of assets (cash-generating units).

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 Asset*s – 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.

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.

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 June 30, 2021					
Revenue - external	43,065,859	57,731,759	-	-	100,797,618
Revenue - internal	1,697,234	-	-	(1,697,234)	-
Total revenue	44,763,093	57,731,759	-	(1,697,234)	100,797,618
Depreciation	4,756,465	160,600	-	-	4,917,065
Finance costs	939,219	47,379	-	-	986,598
Finance income	(57,431)	-	-	-	(57,431)
Income (loss) before income taxes	(2,036,623)	4,516,425	(1,115,851)	-	1,363,951
Income taxes (recoveries)	(399,782)	1,103,720	(278,212)	-	425,726
Capital expenditures	5,668,458	-	-	-	5,668,458
Three months ended June 30, 2020					
Revenue - external	23,307,106	14,645,256	-	-	37,952,362
Revenue - internal	1,045,454	-	-	(1,045,454)	-
Total revenue	24,352,560	14,645,256	-	(1,045,454)	37,952,362
Depreciation	3,252,477	176,841	-	-	3,429,318
Finance costs	673,182	35,902	-	-	709,084
Finance income	(72,287)	-	-	-	(72,287)
Income (loss) before income taxes	1,238,301	397,925	(382,150)	-	1,254,076
Income taxes (recoveries)	360,444	106,106	(86,250)	-	380,300
Capital expenditures	326,846	32,642	-	-	359,488

4. OPERATING SEGMENTS - continued

	Truck Transportation	Logistics	Corporate	Elimination	Total
Six months ended, June 30, 2021					
Revenue - external	81,199,781	105,272,541	-	-	186,472,322
Revenue - internal	2,743,858	-	-	(2,743,858)	-
Total revenue	83,943,639	105,272,541	-	(2,743,858)	186,472,322
Depreciation	9,440,181	269,304	-	-	9,709,485
Finance costs	1,709,258	93,426	-	-	1,802,684
Finance income	(107,210)	-	-	-	(107,210)
Income (loss) before income taxes	(3,505,942)	8,350,748	(1,911,919)	-	2,932,887
Income taxes (recoveries)	(745,508)	2,043,442	(472,332)	-	825,602
Capital expenditures	5,780,236	688,674	-	-	6,468,910
Six months ended, June 30, 2020					
Revenue - external	49,638,266	32,626,339	-	-	82,264,605
Revenue - internal	2,326,083	-	-	(2,326,083)	-
Total revenue	51,964,349	32,626,339	-	(2,326,083)	82,264,605
Depreciation	6,252,239	337,607	-	-	6,589,846
Finance costs	1,412,274	73,627	-	-	1,485,901
Finance income	(210,041)	-	-	-	(210,041)
Income (loss) before income taxes	2,095,340	754,209	(669,753)	-	2,179,796
Income taxes (recoveries)	624,975	184,446	(146,477)	-	662,944
Capital expenditures	497,242	61,910	-	-	559,152

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 June 30 2021	3 months ended June 30 2020	6 months ended June 30 2021	6 months ended June 30 2020
Canada	41,291,908	19,381,120	75,654,716	43,683,621
United States	59,505,710	18,571,241	110,817,606	38,580,984
	100,797,618	37,952,361	186,472,322	82,264,605

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 $15,884,352 and $27,888,888, for the three month period and six month period ended June 30, 2021, respectively. Overall, ITS contributed a net loss of $1,498,004 and $1,766,087 during the three month period and six month period ended June 30, 2021, respectively. If acquired at the beginning of the year, the Company estimates that ITS would have contributed approximately $33,535,888 and a net loss of $2,216,087.

Transaction costs of $800,000 were expensed on the condensed consolidated interim statements of comprehensive income during the six month period ended June 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, trade and other payables, deferred tax liabilities, loans payable and finance lease 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 June 30, 2021:

Trade and other receivables	9,774,094
Current Taxes receivable	703,976
Marketable securities	1,948,179
Prepaid expenses and deposits	1,601,692
Property and equipment	21,837,649
Right of Use Assets	32,469,588
Customer List	6,200,000
Bank indebtedness	(69,630)
Trade and other payables	(9,114,540)
Loans payable	(1,535,221)
Finance Lease liabilities	(25,296,489)
Deferred tax liabilities	(5,519,298)
Total identifiable net assets	33,000,000
Total consideration	33,000,000
Cash	27,000,000
Loan payable	6,000,000
Total consideration transferred	33,000,000

6. FINANCE LEASE RECEIVABLES

During the six month period ended June 30, 2021, the Company entered into new finance leases totaling $1,099,124, which are receivable over 10 to 72 months with interest rates ranging from 4.25% to 7.25%.

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 six months. No gain or loss was recognized on reclassification of these assets to assets held for sale. These assets relate entirely to the Truck Transportation segment.

Balance, December 31, 2020	127,285
Reclassification from property and equipment	415,786
Disposals	(211,371)
Balance, June 30, 2021	331,700

8. PROPERTY AND EQUIPMENT

	Land, Buildings and Leaseholds	Furniture and Equipment	Rolling Stock	Total
Cost				
Balances, December 31, 2020	10,346,072	3,065,435	56,149,500	69,561,007
Other additions	-	346,269	8,137,932	8,484,201
Acquired through business combinations	6,000,000	125,000	16,596,061	22,721,061
Sale of rolling stock relating to finance lease receivables	-	-	(1,626,237)	(1,626,237)
Other disposals	-	(44,340)	(1,058,120)	(1,102,460)
Reclassification to assets held for sale	-	-	(3,567,114)	(3,567,114)
Balances, June 30, 2021	16,346,072	3,492,364	74,632,022	94,470,458
Accumulated depreciation				
Balances, December 31, 2020	2,218,596	3,005,039	28,648,431	33,872,066
Depreciation	278,891	120,334	4,824,495	5,223,720
Sale of rolling stock relating to finance lease receivables	-	-	(588,060)	(588,060)
Other disposals	-	(44,340)	(743,587)	(787,927)
Reclassification to assets held for sale	-	-	(3,151,328)	(3,151,328)
Balances, June 30, 2021	2,497,487	3,081,033	28,989,951	34,568,471
Net carrying amounts				
At December 31, 2020	8,127,476	60,396	27,501,069	35,688,941
At June 30, 2021	13,848,585	411,331	45,642,071	59,901,987

9. RIGHT OF USE ASSETS

	Land and Buildings	Furniture and Equipment	Rolling Stock	Total
Cost				
Balances, December 31, 2020	35,390,479	1,531,949	35,824,284	72,746,712
Other additions	649,956	-	2,183,171	2,833,127
Other disposals	-	-	(144,886)	(144,886)
Purchase of lease assets	-	-	(5,144,944)	(5,144,944)
Acquired through business combinations	-	-	31,586,176	31,586,176
Balances, June 30, 2021	36,040,435	1,531,949	64,303,801	101,876,185
Accumulated depreciation				
Balances, December 31, 2020	1,693,083	1,210,269	16,423,641	19,326,993
Depreciation	616,021	179,364	3,690,380	4,485,765
Other disposals	-	-	(94,175)	(94,175)
Purchase of lease assets	-	-	(296,526)	(296,526)
Balances, June 30, 2021	2,309,104	1,389,633	19,723,320	23,422,057
Net carrying amounts				
At December 31, 2020	33,697,396	321,680	19,400,643	53,419,719
At June 30, 2021	33,731,331	142,316	44,580,481	78,454,128

10. GOODWILL AND INTANGIBLES

	Goodwill	Customer Lists	Total
Balances, December 31, 2020	1,968,286	857,050	2,825,336
Acquired through business combinations	-	6,200,000	6,200,000
Amortization	-	(257,157)	(257,157)
Balances, June 30, 2021	1,968,286	6,799,893	8,768,179

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	6,794,456
Acquisition loan	PRIME+0.50%	2026	15,000,000
Loans payable	2.00% - 5.19%	2021-2031	26,875,336
Finance lease liabilities	0.99% - 13.14%	2021-2026	57,338,075
			106,007,867
Current portion			37,685,679
			68,322,188

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	23,252,440
Shares issued as part of share purchase plan	142,853	406,084
Shares issued on exercise of options	305,000	803,802
Shares issued through private placements	6,666,400	23,268,260
Balances, June 30, 2021	43,853,438	47,730,586

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, 464,215 (December 31, 2020 - 539,433) have not vested. During the three month and six month period ended June 30, 2021, the Company recognized an expense of $74,934 and $175,409 (2020 - $79,973 and $153,402) relating to the Plan, with a corresponding increase to contributed surplus.

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 $24,999,000. Cost incurred by the Company related to the private placement amounted to $1,730,740.

During the 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 $62,388. The excess of the purchase price paid over the carrying value of the shares repurchased, totaled $28,960 and was charged to retained earnings as a share repurchase premium.

During the quarter ended June 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 June 30 2021	**3 months ended June 30 2020**	**6 months ended June 30 2021**	**6 months ended June 30 2020**
Issued common shares, beginning	43,769,221	36,397,654	36,739,185	36,357,576
Effect of unvested common shares	(477,369)	(505,091)	(501,824)	(485,060)
Effect of issued common shares	42,108	57,284	3,557,127	97,323
Effect of repurchased common shares	-	(6,600)	-	(26,600)
Weighted average number of common shares	43,333,960	35,943,247	39,794,488	35,943,239
Dilutive effect of restricted common shares and stock options	1,548,370	663,804	1,606,670	636,686
Weighted average number of diluted common shares	44,882,330	36,607,051	41,401,158	36,579,925

13. CONTRIBUTED SURPLUS

Share-based compensation expense is comprised of the following:

	3 months ended June 30 2021	3 months ended June 30 2020	6 months ended June 30 2021	6 months ended June 30 2020
Share purchase plan	74,934	79,973	175,409	153,403
Stock options	71,197	80,956	148,493	165,312
	146,131	160,929	323,902	318,715

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	395,300	2.60
Exercised	(305,000)	1.76
Balances, June 30, 2021	2,004,100	1.86

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 0.58%; iii) the dividend yield will be 3.11%; and iv) expected volatility is 60.55%. 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 June 30, 2021:

Exercise Price $	Options Outstanding #	Weighted Average Remaining Life in years	Options Exercisable #
1.50	1,401,300	5.4	1,065,598
2.60	395,300	8.7	-
2.85	207,500	4.6	85,000
1.86	2,004,100	6.0	1,150,598

14. SUPPLEMENTAL CASH FLOW INFORMATION

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

		Cash Flows	Non-Cash Changes		
	Balance Dec 31 2020		New Leases	Reacquired Leases	Balance June 30 2021
Finance lease receivables	3,516,245	(1,058,763)	1,099,124	-	3,556,606

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

		Cash Flows	Non-Cash Changes		
	Balance Dec 31 2020		New Leases /Loans	Foreign Exchange Movement	Balance June 30 2021
Bank indebtedness	2,617,991	3,902,048	69,630	204,787	6,794,456
Loan payable	17,532,739	(4,094,874)	13,731,913	(294,442)	26,875,336
Finance lease liabilities	40,192,234	(8,650,673)	25,946,456	(149,942)	57,338,075
	60,342,964	(8,843,499)	39,747,999	(239,597)	91,007,867

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 June 30 2021	3 months ended June 30 2020	6 months ended June 30 2021	6 months ended June 30 2020
Provided truck transportation services to Vision Extrusions Group Limited, Vision Profile Extrusions Ltd. and Sunview Patio Doors Ltd., companies under common control	3,329,692	1,878,513	6,204,472	3,957,142
Paid rent to Caledon First Investments Limited, a company under common control	(464,031)	(448,029)	(928,062)	(896,076)
Paid occupancy costs to Caledon First Investments Limited, a company under common control	(67,925)	(62,491)	(135,850)	(124,895)
Paid management fees to Trunkeast	(7,500)	(7,500)	(15,000)	(15,000)
	2,790,236	1,360,493	5,125,560	2,921,171

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 $375,800 and $752,582 (2020 - $379,371 and $759,506), respectively, during the three and six month period ended June 30, 2021.

Included in finance lease liabilities as at June 30, 2021 is a total of $33,419,916 (2020 - $33,751,104) payable to Caledon First Investments Limited for the use of the Company's head office terminal.

Included in trade and other receivables as at June 30, 2021 is a total of $1,173,450 (2020 - $820,418) 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 June 30 2021	**3 months ended June 30 2020**	**6 months ended June 30 2021**	**6 months ended June 30 2020**
Share-based compensation expense	146,131	160,928	323,902	318,715
Employee benefits	522,520	143,311	850,338	308,793
Key management personnel:				
Salaries and benefits	174,423	170,790	351,934	350,087
Share-based compensation expense	36,635	42,689	88,578	83,230

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

17. COMMITMENTS AND CONTINGENCIES

a) As at June 30, 2021, the Company was committed to purchasing approximately $20.6 million in rolling stock.

b) The Company has a letter of credit outstanding for $665,843 in favour of Caledon First Investments Limited, a company under common control, as a security deposit required under the lease for its Bolton head office.

c) The Company has letters of credit outstanding for $411,000 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 $150,000 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.

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 six months ended June 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.