

CONTRANS GROUP INC.

*SECOND QUARTER REPORT
JUNE 30, 2010*

2

REPORT FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER



Contrans' steady improvement in year over year operating results continued in the second quarter. Although revenue has not yet returned to pre-recession levels, aggressive sales efforts produced new business and contributed to an 11% increase in quarter over quarter revenue, net of fuel surcharges. In addition, improved equipment utilization and ongoing cost rationalization have helped to substantially restore our profit margins. Profit, measured as a percentage of revenue, has always been the key measure of success at Contrans. I am very proud of the efforts that have been made throughout the organization that have contributed to this accomplishment.

In response to anticipated growth opportunities and favourable market conditions, Contrans raised \$53 million in a bought deal that closed on June 2, 2010. These funds bolstered a balance sheet that was already very strong. I am excited about the Company's prospects to make strategic acquisitions and the potential for delivering greater long-term value to our shareholders.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Stan G. Dunford'.

*Stan G. Dunford
Chairman and Chief Executive Officer
August 5, 2010*

MANAGEMENT'S DISCUSSION AND ANALYSIS

On December 1, 2009, under a plan of arrangement, Contrans Income Fund ("the Fund") was effectively converted into a corporation, Contrans Group Inc. ("the Group"). This conversion was recorded using the continuity of interest method of accounting. Accordingly, the consolidated financial statements contained in this interim report, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reported in Canadian funds, detail the performance and financial position of the Group and the Fund for the periods ended June 30, 2010 and 2009 as if the Group had always carried on the business carried on by the Fund. Accordingly, the use of "Contrans" hereafter is intended to be understood as a reference to the business carried on by the Fund and, after December 1, 2009, by the Group. The financial statements should be read in conjunction with the analysis that follows and the cautionary notes regarding use of non-GAAP measures and forward-looking statements.

FINANCIAL HIGHLIGHTS

(in millions except for per share amounts) For the periods ended June 30	Three Months				Six Months			
	2010		2009		2010		2009	
Revenue – as stated	\$ 101.0		\$ 87.4		\$ 194.8		\$ 175.4	
– fuel surcharges ⁽¹⁾	(9.9)		(6.0)		(19.2)		(13.1)	
Revenue – transportation services ⁽¹⁾	91.1	100.0%	81.4	100.0%	175.6	100.0%	162.3	100.0%
Operating expenses – net of fuel surcharges	69.7	76.5	63.7	78.3	135.5	77.1	127.6	78.6
Selling, general and administration expenses	8.9	9.8	7.5	9.2	17.0	9.7	16.7	10.3
Foreign exchange gain	(0.3)	(0.3)	(1.8)	(2.2)	(0.2)	(0.1)	(0.6)	(0.4)
Earnings before amortization, interest and income taxes	12.8	14.0	12.0	14.7	23.3	13.3	18.6	11.5
Amortization of property and equipment	3.1	3.4	3.1	3.8	6.2	3.5	6.1	3.8
Amortization of intangible assets	1.0	1.1	1.0	1.2	1.9	1.1	1.9	1.2
Net interest expense	1.4	1.5	1.4	1.7	2.9	1.7	2.8	1.7
Earnings before income taxes	7.3	8.0	6.5	8.0	12.3	7.0	7.8	4.8
Income tax provision (recovery):								
Current	1.0	1.1	2.1	2.6	4.8	2.7	1.9	1.2
Future	1.1	1.2	(1.8)	(2.2)	(1.1)	(0.6)	(1.8)	(1.1)
	2.1	2.3	0.3	0.4	3.7	2.1	0.1	0.1
Net earnings	\$ 5.2	5.7%	\$ 6.2	7.6%	\$ 8.6	4.9%	\$ 7.7	4.7%
Earnings per share – basic and diluted	\$ 0.16		\$ 0.20		\$ 0.28		\$ 0.26	

(1) See "Use of Non-GAAP Financial Measures" below.

RESULTS FROM OPERATIONS

Contrans' revenue from transportation services ("revenue") has increased in 2010 compared to 2009 for both the second quarter ("2010 Q2" and "2009 Q2" respectively) and for the first six months. Contrans' customers in the construction and steel industries have experienced the strongest growth compared to 2009. In addition, new customers generated approximately \$3.3 million of revenue in Q2 2010 (\$5.1 million year-to-date). The acquisition of Truboy Freight International Inc. in the first quarter of 2010 generated revenue of \$0.7 million in 2010 Q2 (\$1.2 million year-to-date). Fuel surcharge revenue increased in 2010 Q2 compared to 2009 Q2 due to higher fuel prices and increased volumes. Revenue from the

Company's bulk salt business, however, was \$0.5 million lower in 2010 Q2 (\$4.5 million lower year-to-date) due to milder winter weather in 2010 compared to 2009.

Contrans' rationalization of company tractors in 2009 has continued to favourably affect equipment utilization and accordingly has reduced operating expenses measured as a percentage of revenue. In addition, operating margins have benefited from a slight easing of pricing pressures in 2010 compared to 2009. These positive effects have been partially offset by a \$0.5 million increase in accident claim costs in 2010 Q2 compared to 2009 Q2 (\$0.9 million increase year-to-date).

SG&A expenses have increased in 2010 primarily due to the cancellation of the salary and wage roll-back program and

due to the reinstatement of management bonuses in 2010. In 2009, salaries and wages were rolled back and management bonuses were eliminated as part of Company-wide cost savings initiatives in response to the poor business climate at the time. Management continues to monitor staff levels and to scrutinize discretionary spending.

Contrans generates more US dollar revenue than US dollar expenses. Management manages the risk of fluctuating values of the Canadian dollar against the US dollar by entering into forward foreign exchange contracts when deemed appropriate. Contrans does not have any open foreign exchange contracts

currently. In 2009 Q2, mark-to-market adjustments to Contrans' open foreign exchange contracts were primarily responsible for a foreign exchange gain of \$1.8 million (2009 – \$0.6 million gain year-to-date).

Contrans completed a public offering of its Class A subordinate voting shares on June 2, 2010. This provided net cash proceeds of \$53.5 million to the Company. Net debt levels were significantly reduced accordingly. Interest rates on secure, highly liquid, short-term investments have remained low in 2010. Net interest expense has not materially changed in 2010 Q2 compared to 2009 Q2 as a result.

SUMMARY OF QUARTERLY RESULTS

(in millions except per share amounts)	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2010	2009	2010	2009	2009	2008	2009	2008
Revenue – as stated	\$ 93.8	\$ 88.0	\$ 101.0	\$ 87.4	\$ 99.0	\$ 128.9	\$ 99.2	\$ 109.6
– fuel surcharges ⁽¹⁾	(9.3)	(7.1)	(9.9)	(6.0)	(8.0)	(24.3)	(9.3)	(12.7)
Revenue – transportation services ⁽¹⁾	\$ 84.5	\$ 80.9	\$ 91.1	\$ 81.4	\$ 91.0	\$ 104.6	\$ 89.9	\$ 96.9
Net earnings	\$ 3.4	\$ 1.5	\$ 5.2	\$ 6.2	\$ 6.8	\$ 11.4	\$ 8.5	\$ 3.0
Earnings per share – basic and diluted	\$ 0.11	\$ 0.05	\$ 0.16	\$ 0.20	\$ 0.23	\$ 0.39	\$ 0.29	\$ 0.10

(1) See "Use of Non-GAAP Financial Measures" below.

SEASONALITY

Generally the second quarter is Contrans' strongest period. Volumes from customers in the construction industry typically increase as temperatures warm in the spring, peak in the fall and then decline with the onset of winter weather. Some manufacturing customers close their plants during the summer and many customers either shut down their production facilities or otherwise reduce shipments during the Christmas holiday season.

CASH FLOW

On June 2, 2010, Contrans issued 5,856,800 Class A Subordinate Voting Shares at a price of \$9.60 per share for net cash proceeds of \$53.5 million. Proceeds from the share issue will be used to fund acquisitions and for general corporate purposes.

On January 15, 2010, Contrans paid a final distribution of \$4.5 million in connection with the conversion of Contrans Income Fund to Contrans Group Inc. The conversion took effect on December 1, 2009. A dividend of \$0.08 per share (\$2.4 million in total) was paid May 14, 2010. On July 19, 2010, a further dividend of \$0.08 per share, payable on August 13, 2010, was declared by Contrans' Board of Directors.

On February 10, 2010 Contrans acquired certain assets of Truboy Freight International Inc. for cash consideration of \$0.5 million.

Income taxes payable have increased primarily due to the conversion to a corporation on December 1, 2009. Accounts payable and accrued liabilities decreased by \$2.7 million in 2010 due principally to payments made in January 2010 for equipment acquired in late December 2009.

LIQUIDITY AND CAPITAL RESOURCES

(in millions) As at	June 30, 2010	December 31, 2009
Cash and cash equivalents	\$ 85.4	\$ 30.2
Restricted cash	\$ 7.4	\$ 7.4
Operating line available	\$ 25.2	\$ 21.0
Current ratio	4.1:1	2.2:1
Total debt (including future tax obligations) to equity ratio	0.7:1	1.1:1

Contrans requires working capital for day-to-day operations. This is sourced from operating cash flows and from its operating line. Management believes that Contrans' operating line, which is secured by and margined with accounts receivable, is adequate to meet seasonal working capital requirements.

Under the terms of its long-term credit agreement, Contrans' restricted cash can only be used to finance growth activities or to repay senior secured notes.

Principal maturities of Contrans' senior secured debt are as follows:

(in millions)	
December 15, 2013	\$ 31.9
October 15, 2016	\$ 50.0

CONTRACTUAL OBLIGATIONS

(in millions)	2010	2011	2012	2013	2014	2015	Thereafter	Total
Senior secured notes payable ⁽¹⁾	\$ 2.6	\$ 5.1	\$ 5.1	\$ 36.9	\$ 3.3	\$ 3.3	\$ 55.0	\$ 111.3
Equipment finance agreements ⁽¹⁾	0.4	0.8	0.5	0.5	0.3	0.1	—	2.6
Capital leases	0.9	2.0	1.9	1.6	1.5	0.5	—	8.4
Operating leases	3.4	2.7	1.2	0.6	0.2	—	—	8.1
Accounts payable and accrued liabilities	27.3	—	—	—	—	—	—	27.3
Equipment purchase commitments	11.3	—	—	—	—	—	—	11.3
Total	\$ 45.9	\$ 10.6	\$ 8.7	\$ 39.6	\$ 5.3	\$ 3.9	\$ 55.0	\$ 169.0

(1) Includes interest.

OUTSTANDING SHARES

As at July 31, 2010

(in thousands)

Class A Subordinate Voting Shares	34,326
Class B Multiple Voting Shares	1,468
Total	35,794

CRITICAL ACCOUNTING ESTIMATES

Management is required to make significant estimates and assumptions in preparing its financial statements. The MD&A in Contrans' 2009 annual report contains a discussion of critical accounting estimates on page 8 of that annual report. These critical accounting estimates have remained substantially unchanged in 2010. Furthermore, management does not believe that there are changes that are reasonably likely to occur in the assumptions that have been used that will have a material impact on Contrans' financial position or on its results from operations.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In February 2008, the Canadian Accounting Standards Board (AcSB) announced that publicly-listed companies would, for fiscal years beginning on or after January 1, 2011, be required to report their results for 2011 and the comparative figures for 2010, under IFRS.

Contrans' changeover plan consists of several elements including addressing the impact of adopting IFRS on the Company's accounting policies, internal controls over financial reporting, disclosure controls and procedures, IT systems and business activities. The changeover plan will be culminated by the production of the Company's first set of IFRS financial statements.

Management will continue to assess the impact of implementing IFRS and will continue to monitor changes to IFRS. Amendments to IFRS occurring prior to December 31, 2011, may have a significant impact on Contrans' first set of financial statements prepared under IFRS as any new or amended standards would have retroactive application to January 1, 2010.

The final impact of implementing IFRS could be materially different from that which is disclosed here (see "Forward-Looking Statements" below).

Impact of IFRS on Accounting Policies

Management expects the following IFRS standards to have the most pronounced impact on the financial statements of the Company:

IFRS 1 – First-Time Adoption of International Financial Reporting Standards

Property, plant and equipment

Contrans has the option to revalue some or all of its assets to their fair value as at January 1, 2010 or to keep them at historical cost net of accumulated depreciation. If it chooses to revalue some or all of its assets, this revalued amount would become the new carrying value upon which future depreciation charges would be based. Any change in carrying value would be charged or credited to the opening deficit. Management has recommended to the Board of Directors that certain of its land holdings be revalued and is currently obtaining market appraisals.

Acquisition costs

Contrans has the option under IFRS 1 whether or not to apply IFRS 3 (Business Combinations) retrospectively to past business combinations. IFRS 3 does not permit the capitalization of expenses (e.g., legal costs) arising from an acquisition. Management has recommended to the Board of Directors that IFRS 3 be applied retrospectively. If approved, management expects that between \$1 million to \$2 million of past acquisition related costs that are currently included in the Company's goodwill balance will be written off to the opening deficit as at January 1, 2010. Under IFRS any future acquisition costs will be expensed as incurred.

Impairment of assets

Under IAS 36, testing for impairment is required to be carried out on the entire group of assets of each cash-generating unit ("CGU") annually. A CGU is defined to be the smallest group of

assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups thereof. Contrans operates on a decentralized basis so impairment testing under IFRS will be carried out on each of its operating entities. Under Canadian GAAP, groups of assets are tested individually for impairment. Additionally, goodwill impairment testing is carried out for each reporting unit. Contrans has five reporting units, each aligned with the Company's service lines, for the purposes of goodwill impairment testing under Canadian GAAP. In the past, impairment losses for individual operating entities within a service line have been more than offset by the surplus of fair values over carrying values of the individual operating entities within the same service line. Upon the implementation of IFRS, any impairment arising from an individual operating entity will be recognized and charged to the opening deficit as at January 1, 2010. While management has not completed its assessment of fair value of its operating entities and therefore cannot reasonably estimate the impact, management expects that there will be an impairment charge upon the adoption of IFRS.

Recognition of liabilities required under IFRS not previously recognized

Under IFRS 3, Contrans is required to recognize the fair value of any contingent consideration payable as a result of an acquisition. Accordingly, Contrans will be required to recognize contingent consideration of approximately \$0.5 million arising from the Q1 2010 acquisition of Truboy Freight International Inc. as a liability and additional goodwill. Any difference between the carrying amount of this liability and the final amount paid will be recognized in profit or loss.

IAS 16 – Property Plant and Equipment

Under IAS 16, the Company has the choice to value its assets at historical cost net of accumulated depreciation, at deemed cost (pursuant to IFRS 1) net of accumulated depreciation or at fair value. Contrans owns several thousand individual pieces of equipment. Contrans generally retains its assets until their useful economic lives are consumed. Fluctuations in market values of these assets could confuse financial statement readers and be potentially misleading. Furthermore, management believes that adopting fair value accounting for its property, plant and equipment would necessitate the adoption of procedures and controls that would be burdensome and costly. Accordingly, management has recommended to the Board of Directors to use historical and deemed costs (pursuant to IFRS 1) as the bases for the valuation of Contrans' property, plant and equipment.

Impact of IFRS on Internal Controls Over Financial Reporting (“ICFR”)

Contrans is in the freight transportation business. The business is not complex although there is a high volume of relatively low value transactions. Management believes, however, its system

of internal control is currently effective in ensuring that all transactions are recorded completely and accurately and reported in accordance with Canadian GAAP free of material error. Moreover, management believes that Contrans' information system is sufficiently robust that, in many cases, meeting the greater note disclosure standards under IFRS will only require publishing what is currently produced and used internally. In addition, management does not anticipate that the adoption of IFRS identified above will necessitate significant changes in Contrans' ICFR or its IT systems. If, however, Contrans' Board of Directors chooses to adopt fair value accounting for property, plant and equipment, management will need to establish systems to gather market values and to forecast cash flows for individual pieces of equipment.

Impact of IFRS on Disclosure Controls and Procedures

The effectiveness of Contrans' disclosure controls and procedures rests essentially upon management's ability to remain informed of the activities of the various accounting standard setting bodies and market regulators. Management stays informed in many ways including attending educational seminars and webinars, reading relevant literature as well as through consultation with the Company's advisors.

Contrans' Audit Committee and Board of Directors have been briefed on IFRS by the Company's external auditors. Management has also kept the Audit Committee and Board of Directors informed of alternative accounting policies available under IFRS, changes necessitated by the adoption of IFRS and their potential impacts. In addition, management has been reporting to the Audit Committee and the Board of Directors on its progress in its changeover plan. Final decisions on the accounting policies are expected to be made before the release of the 2010 third quarter results.

Based on investigations and discussions undertaken to date as well as on feedback received from analysts, management believes that its continuous disclosure documents will adequately communicate the impact of adopting IFRS on the Company to all interested parties.

Impact of IFRS on Business Activities

Management does not expect that the implementation of IFRS will significantly impact its business or operations. The impact on Contrans debt covenants, from the implementation of IFRS, has been evaluated. Should the Board of Directors decide to revalue the Company's land holdings upon conversion to IFRS, management does not believe that there will be a material impact on the Company's net funded debt to tangible equity ratio. Should the Board of Directors decide to adopt fair value accounting as the basis for valuing the Company's property and equipment, there will be an ongoing impact on the same ratio as well as upon the Company's asset coverage ratio. The extent of these impacts cannot be determined with any degree of precision since they depend on future events.

First Set of IFRS Financial Statements

Management has drafted IFRS-based consolidated financial statements as well as a balance sheet prepared as at January 1, 2010 based upon accounting policies that it has recommended to the Board of Directors. These financial statements are currently being reviewed by the Company's external auditors and the audit of the opening balance sheet is expected to be completed late in 2010.

BUSINESS RISKS

In the MD&A contained in Contrans' 2009 annual report, there is a discussion of business risks on pages 10 and 11. Those risks remain in effect as at June 30, 2010.

TRANSACTIONS WITH RELATED PARTIES

In Q2 2010, Contrans paid \$2.3 million (\$3.7 million year-to-date) to Peterbilt of Ontario Inc., a company controlled by the Chairman of Contrans, for tractor repairs, maintenance and equipment lease costs. Contrans also leased certain premises to Peterbilt of Ontario Inc. for consideration of \$0.1 million (\$0.1 million year-to-date) in the second quarter of 2010. These transactions were carried out in the normal course of business and recorded at the exchange amounts, which management has concluded approximates an arm's-length arrangement.

USE OF NON-GAAP FINANCIAL MEASURES

Management has included certain non-GAAP measures to supplement its consolidated financial statements which are presented in accordance with Canadian GAAP. Non-GAAP measures do not have any standardized meaning prescribed under Canadian GAAP and therefore they are unlikely to be comparable to similar measures employed by other issuers. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP. Management has included these non-GAAP measures for the reasons set forth below.

Revenue – transportation services, revenue – fuel surcharges:

Management believes that it is important to isolate the effects of fuel surcharges, a volatile source of revenue, when analyzing operating results. Management regards revenue from transportation services as the relevant indicator of business level activity. Accordingly, the percentages in the "Financial Highlights" table were calculated using revenue from transportation services as a base. In addition, operating expenses are stated after netting fuel surcharges against fuel expenses in the "Financial Highlights" table. Management believes that this presentation facilitates a better comparison of operating costs between periods.

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements that involve a number of risks and uncertainties. Forward-looking statements relate to future events or future performance and include, but are not limited to, changes in government regulations regarding weights and dimensions of highway equipment, the age and condition of the transportation fleet and the growth of Contrans' business. Often, but not always, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other comparable terminology. Such statements reflect the current views and estimates of management of Contrans with respect to future events, as of the date such statements are made, and they involve known and unknown risks and uncertainties which may cause actual events or results to differ materially from those expressed or implied by forward-looking statements. In evaluating these statements, readers should specifically consider factors such as the risks outlined under "Risk Factors" in Contrans' Annual Information Form, which is available at www.sedar.com. Although management has attempted to identify important factors that could cause actual events, actions or results to differ materially from those described in the forward-looking statements, there may be other factors that cause such events, actions or results to differ. Management is under no obligation (and expressly disclaims any such obligation) to update or alter any forward-looking statements or assumption whether as a result of new information, future events or otherwise, except as required by law.

ADDITIONAL INFORMATION

Additional information, including Contrans' Annual Information Form, is available at www.sedar.com.

August 5, 2010

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

(in thousands except for per share amounts)

(unaudited)

For the periods ended June 30	Three Months		Six Months	
	2010	2009	2010	2009
Revenue	\$ 100,961	\$ 87,433	\$ 194,753	\$ 175,393
Operating expenses	79,649	69,860	154,698	140,786
Selling, general and administration expenses	8,841	7,474	16,987	16,680
Foreign exchange gain	(309)	(1,773)	(193)	(615)
Amortization of property and equipment	3,096	3,039	6,150	6,077
Amortization of intangible assets	966	941	1,915	1,885
	8,718	7,892	15,196	10,580
Net interest expense (income) – long-term	1,480	1,451	2,968	2,916
– short-term	(68)	(31)	(103)	(110)
Earnings Before Income Taxes	7,306	6,472	12,331	7,774
Income Tax Provision (Recovery):				
Current	1,052	2,130	4,811	1,948
Future	1,045	(1,768)	(1,128)	(1,831)
	2,097	362	3,683	117
Net Earnings and Comprehensive Income	\$ 5,209	\$ 6,110	\$ 8,648	\$ 7,657
Earnings per share – basic and diluted	\$ 0.16	\$ 0.20	\$ 0.28	\$ 0.26
Weighted average number of shares outstanding – basic and diluted	31,739	29,937	30,843	29,857

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)

(in thousands)

(unaudited)

For the periods ended June 30	Three Months		Six Months	
	2010	2009	2010	2009
Retained Earnings (Deficit) – Beginning of Period	\$ 2,961	\$ (4,221)	\$ (478)	\$ 435
Net earnings	5,209	6,110	8,648	7,657
Dividend declared	(2,395)	—	(2,395)	(6,203)
Retained Earnings – End of Period	\$ 5,775	\$ 1,889	\$ 5,775	\$ 1,889

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

(in thousands)

As at	June 30, 2010	December 31, 2009
Assets	<i>(unaudited)</i>	<i>(audited)</i>
Current Assets		
Cash and cash equivalents	\$ 85,402	\$ 30,193
Accounts receivable	48,717	48,909
Income taxes recoverable	—	495
Other current assets	5,737	5,089
	139,856	84,686
Restricted Cash (Note 5)	7,375	7,375
Note Receivable	27	88
Property and Equipment	105,258	104,381
Intangible Assets	13,580	15,135
Goodwill	63,815	63,764
	\$ 329,911	\$ 275,429
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 27,261	\$ 32,057
Distributions payable	—	4,491
Income taxes payable	4,424	—
Current portion of capital lease obligations	2,011	1,921
Current portion of long-term debt	734	339
	34,430	38,808
Capital Lease Obligations	6,527	6,978
Long-Term Debt	85,920	85,193
Asset Retirement Obligations	674	720
Future Income Taxes	12,702	14,531
	140,253	146,230
Shareholders' Equity (Note 3)		
Contributed surplus	961	961
Share capital	182,922	128,716
Retained earnings (deficit)	5,775	(478)
	189,658	129,199
	\$ 329,911	\$ 275,429

Subsequent Event (Note 9)

The accompanying notes are an integral part of these statements.

Signed on behalf of the Board of Directors

Stan G. Dunford, Director

Archie M. Leach, C.A., Director

CONSOLIDATED STATEMENTS OF CASH FLOW

(in thousands)

(unaudited)

For the periods ended June 30	Three Months		Six Months	
	2010	2009	2010	2009
Cash Provided by (Used in):				
Operating Activities				
Net earnings	\$ 5,209	\$ 6,110	\$ 8,648	\$ 7,657
Items not affecting cash:				
Change in unrealized loss (gain)				
on foreign exchange	27	(3,310)	7	(3,825)
Unit-based compensation expense	—	(7)	—	43
Long-term debt – accretion	20	19	40	39
Gain on sale of business units	—	—	—	(23)
Fair value adjustment of notes receivable	—	257	—	257
Asset retirement obligations – accretion	7	10	14	20
Amortization of property and equipment	3,096	3,039	6,150	6,077
Amortization of intangible assets	966	941	1,915	1,885
Future income taxes	1,045	(1,768)	(1,128)	(1,831)
Loss (gain) on sale of equipment	61	16	(25)	(327)
	10,431	5,307	15,621	9,972
Change in non-cash working capital (Note 6)	(2,315)	(605)	1,789	6,050
	8,116	4,702	17,410	16,022
Investing Activities				
Expended on acquisitions (Note 2)	—	—	(466)	(3,000)
Asset retirement obligations – settlements	(29)	(2)	(90)	(58)
Proceeds from disposal of business unit	—	21	—	121
Proceeds from note receivable	30	—	61	—
Proceeds from sale of equipment	644	1,325	1,141	2,507
Purchase of property and equipment	(4,648)	(2,468)	(8,905)	(5,296)
	(4,003)	(1,124)	(8,259)	(5,726)
Financing Activities				
Dividends paid	(2,395)	—	(6,886)	(9,290)
Proceeds from restricted cash	—	—	—	3,000
Proceeds from long-term debt	754	32	872	126
Repayment of long-term debt	(166)	(85)	(363)	(354)
Payment of capital lease obligations	(504)	(478)	(1,070)	(882)
Net proceeds from issuance of shares/trust units (Note 3)	53,505	—	53,505	1,531
	51,194	(531)	46,058	(5,869)
Increase in Cash and Cash Equivalents	55,307	3,047	55,209	4,427
Cash and Cash Equivalents –				
Beginning of Period	30,095	19,831	30,193	18,451
Cash and Cash Equivalents – End of Period	\$ 85,402	\$ 22,878	\$ 85,402	\$ 22,878

The accompanying notes are an integral part of these statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30, 2010 and 2009

(Unaudited, tabular amounts in thousands)

1. Basis of Presentation

These unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements using the same accounting policies as were applied in the audited consolidated financial statements for the year ended December 31, 2009. These interim financial statements do not conform in all respects with disclosure required for annual financial statements and should be read in conjunction with the audited consolidated financial statements of Contrans for the year ended December 31, 2009.

a) Continuity of interest

On December 1, 2009, under a plan of arrangement, Contrans Income Fund ("the Fund") was effectively converted into a corporation, Contrans Group Inc. ("the Group"). This conversion was recorded using the continuity of interest method of accounting. Accordingly, the consolidated financial statements contained in this interim report, which have been prepared in accordance with GAAP and reported in Canadian funds, detail the performance and financial position of the Group and the Fund for the periods ended June 30, 2010 and 2009 as if the Group had always carried on the business carried on by the Fund.

2. Acquisition

Period ended June 30, 2010	Truboy
Property and equipment	\$ 712
Intangible assets	
Customer relationships	160
Non-competition agreements	200
Goodwill	51
Fair value of assets acquired	1,123
Accounts payable and accrued liabilities	5
Capital leases assumed on acquisition	79
Debt assumed on acquisition	573
Fair value of liabilities assumed	657
	\$ 466
Consideration	
Cash	\$ 466

Entity Acquired	Date	% Shares Acquired	Province	Service Area
Truboy Freight International Inc. ("Truboy")	Jan. 29, 2010	Assets acquired	Ontario	Flatbed

This acquisition has been accounted for using the purchase method. The results of operations from the acquisition date have been included in these consolidated financial statements. An additional \$0.5 million of consideration is payable contingent upon the achievement of certain financial objectives. If earned, the contingent consideration will be payable in three annual instalments and will be recorded as an increase to goodwill.

3. Shareholders' Equity

	Contributed Surplus	Share Capital	Retained Earnings	Total
Balance at December 31, 2009	\$ 961	\$ 128,716	\$ (478)	\$ 129,199
Issue of share capital ^(a)	—	54,206	—	54,206
Net earnings	—	—	8,648	8,648
Dividends declared ⁽¹⁾	—	—	(2,395)	(2,395)
Balance at June 30, 2010	\$ 961	\$ 182,922	\$ 5,775	\$ 189,658

(1) A dividend of \$0.08 per share was paid on May 14, 2010 to shareholders of record as at April 30, 2010.

a) Issue of share capital

On June 2, 2010 Contrans issued 5,856,800 Class A Subordinate Voting Shares, for cash, at a price of \$9.60 per share. The total number of Class A Subordinate Voting Shares in issue at June 30, 2010 was 34,326,474.

Proceeds from issue of share capital

Gross proceeds	\$ 56,225
Costs of issue	(2,720)
Net cash proceeds	53,505
Future tax benefit on costs of issue	701
Increase in equity	\$ 54,206

b) Normal course issuer bid

On April 20, 2010, Contrans received regulatory approval to proceed with a normal course issuer bid to purchase certain of its outstanding Class A Subordinate Voting Shares to a maximum of 2,349,446 shares. The bid commenced on April 22, 2010 and expires on April 21, 2011. Class A shares purchased pursuant to the bid will be cancelled. There were no repurchases of shares in the period to June 30, 2010.

4. Financial Instruments

Risk management

Contrans is exposed to credit risk, foreign exchange risk, interest rate risk and liquidity risk from its financial assets and liabilities. Risk management strategies are designed to ensure Contrans' risks and related exposures are consistent with its business objectives and risk tolerance. There have been no significant changes to Contrans' risk management strategies since December 31, 2009.

5. Restricted Cash

Under the terms of Contrans' long-term debt facility, restricted cash may only be used to repay senior secured notes and to fund growth opportunities.

6. Cash Flow

Change in non-cash working capital:

For the periods ended June 30	Three Months		Six Months	
	2010	2009	2010	2009
Decrease (increase) in accounts receivable	\$ (1,530)	\$ (124)	\$ 192	\$ 6,898
Decrease (increase) in other current assets	210	191	(648)	(99)
Decrease in accounts payable and accrued liabilities	(2,094)	(2,916)	(2,674)	(2,467)
Increase in income taxes payable	1,099	2,244	4,919	1,718
Net change in non-cash working capital	\$ (2,315)	\$ (605)	\$ 1,789	\$ 6,050
Cash paid (received) in respect of:				
Interest paid	\$ 1,417	\$ 1,458	\$ 2,881	\$ 2,916
Interest received	(68)	(37)	(103)	(135)
Income taxes – net	212	(153)	125	288
Non-cash transactions				
Value of equipment financed through capital leases	—	—	702	—

7. Seasonality

Generally the second quarter is Contrans' strongest period. Volumes from customers in the construction industry typically increase as temperatures warm in the spring, peak in the fall and then decline with the onset of winter weather. Some manufacturing customers close their plants during the summer and many customers either shut down their production facilities or otherwise reduce shipments during the Christmas holiday season.

8. Future Accounting Changes

International Financial Reporting Standards ("IFRS")

In February 2008 the Canadian Accounting Standards Board ("AcSB") announced that publicly-listed companies would, for fiscal years beginning on or after January 1, 2011, be required to report their results under IFRS. IFRS allows for different accounting treatments on first implementation. Contrans has completed its initial assessment of the possible impacts of implementing IFRS, and the standards which may have the most significant impact on Contrans upon first adoption of IFRS include IAS 16 – Property, Plant and Equipment, IAS 36 – Impairment of Assets, and IFRS 1 – First-time Adoption of International Financial Reporting Standards. The adoption of IFRS will require restatement of Contrans' consolidated financial statements for comparative purposes for its year ended December 31, 2010 and of the opening balance sheet as at January 1, 2010.

9. Subsequent Event

Dividend

On July 19, 2010 Contrans announced a dividend of \$0.08 per share (\$2.9 million in total) to be paid on August 13, 2010 to shareholders of record at July 31, 2010.

10. Comparative Figures

Certain comparative figures have been restated to conform to the current period's basis of presentation.

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