

CONTRANS GROUP INC.

*SECOND QUARTER REPORT
JUNE 30, 2011*

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REPORT FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER



Throughout 2011, Contrans has continued to strive to improve its operating results and to enhance long-term shareholder value. Because of the Company's well-established reputation for providing excellent service, Contrans was recently awarded contracts that we expect will, by themselves, add more than \$10 million of revenue annually to our top line.

We are also excited about three acquisitions that the Company has recently completed. On July 1, 2011, Contrans acquired the bulk trucking assets of Enterprises S&S and Logistique Barthelemy located in St. Barthelemy, Quebec. We believe there are significant growth opportunities for our bulk operations in this resource-rich region and, with a larger presence, we will be able to take greater advantage of them. On July 4, 2011, Contrans acquired the flatbed trucking business of Aim Transportation Systems Inc. This operation, now operating out of the Company's Hagersville, Ontario flatbed terminal, has complemented the Company's existing tandem flatbed operation very well. On July 25, 2011, Contrans acquired the pneumatic trucking business of TBM Transportation Ltd. located in Edmonton, Alberta. TBM trucking gives Contrans more exposure to the

oil-based economy of Western Canada. The integration of these acquisitions with existing Contrans subsidiaries will enhance the operating efficiency of both acquired and existing businesses.

Management's growth strategy includes targeting niche markets, such as the waste collection business, designed to add to the sustainability of Contrans' earnings. Armed with a balance sheet that is very strong, Contrans remains well-positioned to be able to execute this strategy. Management is committed to continuing to grow intelligently, not just growing for the sake of growth. We look forward to a strong finish to the year.

Respectfully submitted,

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

Stan G. Dunford
Chairman and Chief Executive Officer
August 4, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The consolidated interim financial statements contained in this interim report have been reported in Canadian funds and have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34") and with International Financial Reporting Standards ("IFRS") 1, First-time Adoption of IFRS ("IFRS 1"). The financial statements should be read in conjunction with the analysis that follows. A cautionary note regarding non-GAAP financial measures and forward-looking statements follows this Management's Discussion and Analysis of operations and financial condition.

FINANCIAL HIGHLIGHTS

For the periods ended June 30 (\$CAD millions except per share amounts)	Three Months				Six Months			
	2011		2010		2011		2010	
Revenue – as stated	\$ 107.6		\$ 101.0		\$ 208.7		\$ 194.8	
– fuel surcharges	(15.8)		(9.9)		(28.3)		(19.2)	
Revenue – transportation services	91.8	100.0%	91.1	100.0%	180.4	100.0%	175.6	100.0%
Direct operating expenses – net of fuel ⁽¹⁾	71.4	77.8	73.2	80.4	143.8	79.7	142.2	81.0
Gross margin	20.4	22.2	17.9	19.6	36.6	20.3	33.4	19.0
General and administration expenses	11.4	12.4	9.3	10.2	21.3	11.8	18.1	10.3
Net financing costs	1.3	1.4	1.4	1.5	2.6	1.4	2.9	1.7
Earnings before income taxes (EBT)	7.7	8.4	7.2	7.9	12.7	7.1	12.4	7.0
Income tax expense	2.5	2.7	2.1	2.3	4.0	2.2	3.8	2.2
Net earnings and comprehensive income	\$ 5.2	5.7%	\$ 5.1	5.6%	\$ 8.7	4.9%	\$ 8.6	4.8%
Earnings per share – basic and diluted	\$ 0.15		\$ 0.16		\$ 0.24		\$ 0.28	
Weighted average shares outstanding (000s)	35,794		31,739		35,794		30,843	

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

RESULTS FROM OPERATIONS

Revenue

Contrans acquired its waste collection business near the end of the third quarter in 2010. This business contributed \$3.4 million of revenue from transportation services ("revenue") in the second quarter of 2011 ("2011 Q2") and \$6.9 million of revenue in 2011 for the year-to-date. In general, new customers have been secured and volumes with certain customers have been higher this year than last year. This growth, however, has been offset by the effects of a shortage of owner-operators affecting the entire trucking industry. Contrans' 2011 revenue has also been impacted by business lost in competitive bid processes resulting in reduced year-to-date revenue of approximately \$5.0 million.

Revenue from fuel surcharges was higher in 2011 Q2 than in the second quarter of 2010 ("2010 Q2") due to higher diesel prices.

Direct operating expenses

Fuel expenses, net of fuel surcharges, were \$0.2 million higher in 2011 Q2 compared to 2010 Q2 (\$0.6 million higher year-to-date) primarily due to rising fuel prices. Contrans has fuel surcharge programs in place with its customers but these

programs lag changes in fuel prices. Depreciation charges increased in 2011 Q2 by \$1.0 million compared to 2010 Q2 (\$1.5 million increase year-to-date) due to higher than normal capital expenditures in 2010 and in 2011. Some of these expenditures were incurred to replace equipment that had been financed through operating leases. This has contributed to lower equipment lease expenses in 2011 Q2 compared to 2010 Q2 of \$0.7 million (\$1.4 million year-to-date). Estimates for future costs relating to the return of leased equipment were revised and resulted in a reduction in the provision for these costs of \$0.5 million in 2011 Q2. Provisions for insurance claims were \$0.4 million lower in 2011 Q2 than in 2010 Q2 (\$0.4 million lower year-to-date). Management also negotiated insurance premiums that were \$0.2 million lower in 2011 Q2 compared to 2010 Q2 (\$0.4 million lower year-to-date).

General and administration expenses ("G&A")

In 2011 Q2, \$0.8 million of stock-based compensation, relating to the issue of share options, was charged to G&A expenses. Contrans recorded a \$0.1 million foreign exchange loss in 2011 Q2 compared to a \$0.3 million recovery in 2010 Q2. These increases in G&A expenses were partially offset by a reduction in the provisions for doubtful accounts of \$0.4 million

recorded in the first quarter. Contrans' waste collection business incurred \$0.5 million in G&A in 2011 Q2 (\$1.1 million year-to-date).

Net financing costs

Net financing costs have been favourably impacted in 2011 compared to 2010 by the interest earned on the proceeds

received from the issue of shares in June 2010. This has been partially offset by an increase in interest expense in 2011 arising from increased equipment financing.

SUMMARY OF QUARTERLY RESULTS

(\$CAD millions except per share amounts)	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2011	2010	2011	2010	2010 ⁽¹⁾	2008 ⁽¹⁾	2010 ⁽¹⁾	2008 ⁽¹⁾
Revenue – as stated	\$ 101.1	\$ 93.8	\$ 107.6	\$ 101.0	\$ 101.7	\$ 99.0	\$ 99.8	\$ 99.2
– fuel surcharges	(12.5)	(9.3)	(15.8)	(9.9)	(8.9)	(8.0)	(9.7)	(9.3)
Revenue – transportation services	88.6	84.5	91.8	91.1	92.8	91.0	90.1	89.9
Net earnings	\$ 3.5	\$ 3.6	\$ 5.2	\$ 5.1	\$ 4.4	\$ 6.8	\$ 4.6	\$ 8.5
Earnings per share – basic and diluted	\$ 0.10	\$ 0.12	\$ 0.15	\$ 0.16	\$ 0.12	\$ 0.23	\$ 0.14	\$ 0.29

(1) Amounts reported using Canadian GAAP in effect prior to the adoption of IFRS.

On December 1, 2009, Contrans converted from an income trust to a corporation and became subject to corporate income taxes. Net earnings were adversely affected accordingly.

SEASONALITY

Generally, the second quarter is Contrans' strongest period. Volumes from customers in the construction industry typically increase in the spring, peak in the fall and then decline with the onset of winter. 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

Contrans incurred \$28.6 million of capital expenditures for the year-to-date in 2011. Approximately half of these capital expenditures were financed through finance leases. Land was purchased in Calgary, Alberta in 2011 Q2 for \$4.9 million for the purpose of potentially developing a terminal to replace premises that are currently being rented. Approximately \$5.0 million of expenditures have been incurred to replace tractors that had been financed through operating leases. Approximately \$1.5 million of expenditures have been incurred to acquire specialized equipment to service new customer contracts.

Contrans paid a deposit of \$6.3 million at the end of 2011 Q2 in respect of the acquisition of a bulk trucking operation. The acquisition closed July 1, 2011. Management made two other acquisitions in July 2011 consisting of the acquisition of a tandem flatbed operation for total expected consideration of \$0.4 million and the acquisition of a pneumatic tank operation for total expected consideration of \$1.8 million.

Contrans' Board of Directors has declared the following dividends in 2011:

- January 19, 2011 – \$0.08 per share, paid on February 15, 2011, totalling \$2.9 million
- April 18, 2011 – \$0.10 per share, paid on May 13, 2011, totalling \$3.6 million
- July 18, 2011 – \$0.10 per share, payable on August 15, 2011, totalling \$3.6 million

The payment of dividends is subject to the discretion of Contrans' Board of Directors. Prior to declaring a dividend, the Board of Directors considers many factors including Contrans' overall financial condition, its expected future financial performance, its anticipated capital requirements as well as its debt repayment obligations and the covenants that are contained in Contrans' loan agreements.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2011
(\$CAD millions)

Cash and cash equivalents	\$	0.2
Short-term investments	\$	61.8
Operating line cash available	\$	28.7
Current ratio		2.9:1
Total debt (including future tax obligations) to equity ratio		0.9:1

Contrans currently has a strong balance sheet. This is primarily due to the raising of share capital through an equity issue by Contrans in June 2010. Management intends to use these proceeds by making further acquisitions in a manner that will maximize shareholder value.

Contrans requires working capital to fund day-to-day operating activities and to pay dividends to its shareholders. These requirements are sourced from operating cash flows that management believes are sufficient to meet these needs. Contrans' operating line, which is secured by and margined with accounts receivable, is believed to be adequate to meet seasonal working capital requirements.

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

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

CONTRACTUAL OBLIGATIONS

As at June 30, 2011

(\$CAD millions)

	2011	2012	2013	2014	2015	Thereafter	Total
Senior secured notes payable	\$ 2.6	\$ 5.3	\$ 37.1	\$ 3.4	\$ 3.5	\$ 54.8	\$ 106.7
Equipment financing agreements	1.1	2.1	2.1	1.9	1.1	—	8.3
Finance lease liabilities	2.8	5.4	5.1	4.8	1.4	—	19.5
Operating lease commitments	1.8	2.8	1.8	1.3	0.3	—	8.0
Accounts payable and accrued liabilities	29.8	—	—	—	—	—	29.8
Property and equipment purchase commitments	12.7	—	—	—	—	—	12.7
Total	\$ 50.8	\$ 15.6	\$ 46.1	\$ 11.4	\$ 6.3	\$ 54.8	\$ 185.0

SHARE OPTIONS

Contrans has a stock option plan designed to encourage ownership of Contrans' shares by directors, officers and key employees. On April 5, 2011, 1,615,000 Class A Subordinate Voting Share stock options were granted to directors, officers and key employees of Contrans. Upon issuance, 20% of the stock options vested immediately and the remainder will vest at a rate of 20% per year. The exercise price of the options is \$8.95, the closing price of CGI's Class A shares on April 4, 2011. These options expire on April 4, 2021.

OUTSTANDING SHARES

As at July 31, 2011

(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 estimates and assumptions in preparing its financial statements, the most significant of which are as follows:

Financial Statement Item	Methodology, Assumptions
Accounts receivable – provisions for doubtful accounts	Specific account analysis performed and provisions created. A general provision is also established based on past experience of write-offs.
Property, equipment and intangible assets – useful lives, rates of depreciation	Based on past experience.
Provisions – matters involving litigation or accident claims	Settlement estimates are based on information provided by legal counsel or insurance claims professionals, levels of insurance coverage and deductibles that are in place.
Income tax estimates	Requires estimates of future taxable income and exercise of judgement regarding the probability that future tax assets will be realized.
Lease classification	Determining whether substantially all the risks and rewards incidental to ownership have been transferred to Contrans is based on past experience and the terms of lease agreements.
Share-based payments	Estimates of risk-free rates of return, expected volatility, expected life of options and market conditions based on past experience, current market values and discussions with investment bankers.
Business combinations	Values for tangible assets are based on estimates of current market values. Values for customer relationships and non-competition agreements are based on discounted expected future cash flows and estimates of the impact of possible competition from the vendor. Values for contingent consideration are based on management's best estimates of future operating results for the acquired entity.
Cash-generating units – impairment testing	Based on expected future earnings. Consideration is given to past performance and future conditions that are known or expected to change. Consideration is also given to opinions received from third party advisors regarding the application of appropriate earnings multiples.

Management does not believe that there are changes that are reasonably likely to occur in the foregoing estimates and assumptions that have been used that will have a material impact on Contrans' financial position, changes in financial condition or results from operations.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accompanying consolidated interim financial statements have been prepared in accordance with IAS 34 and with IFRS 1. These consolidated interim financial statements do not include all of the information required for full annual financial statements.

The impact of adopting IFRS is fully described in the notes to the financial statements. Management believes that the following standards will have the most significant ongoing impact on Contrans' financial statements and should be considered if comparing IFRS financial statements with Contrans' financial statements prepared under Canadian GAAP prior to the adoption of IFRS ("CGAAP").

IAS 36 – Impairment of Assets

Under IAS 36, testing for impairment is carried out on 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 of assets. Testing must be carried out once per year or sooner if there is an indication of possible impairment. The entire group of assets to be tested is therefore comprised of tangible and intangible assets (including goodwill) belonging to the same cash-generating unit ("CGU"). Under IFRS, CGUs align with Contrans' legal entities.

Under CGAAP, goodwill impairment was tested at the reporting unit level. A reporting unit consisted of a group of independent operating entities (similar to CGUs under IFRS) that had similar economic characteristics. Under CGAAP, Contrans had six reporting units, each aligned with Contrans' service lines. Impairment losses for individual operating entities within Contrans' reporting units were more than offset by the total surplus of fair values over carrying values of the other operating entities within the same reporting unit. Accordingly, Contrans did not record any goodwill impairment losses under CGAAP. Under IFRS any impairment arising on an individual operating entity will be recognized and charged to earnings in the period in which the impairment occurs.

Management had previously intended to apply the provisions of IFRS 3, Business Combinations, retrospectively. After consultations with the Company's auditor, however, management concluded that the benefits of applying this standard retrospectively were neither practical nor appropriate and, accordingly, did not do so.

NEW ACCOUNTING PRONOUNCEMENTS

IFRS 7, Financial Instruments: Disclosure

In October 2010, the International Accounting Standards Board ("IASB") amended IFRS 7, Financial Instruments: Disclosure ("IFRS 7"). This amendment enhances the disclosure requirements for transfers of financial assets that result in derecognition and is effective for Contrans' interim and annual consolidated financial statements commencing January 1, 2012. Contrans is assessing the impact of this new standard on its consolidated financial statements.

IFRS 9, Financial Instruments

In October 2010, the IASB issued IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amount, timing and uncertainty of an entity's future cash flows. This new standard is effective for Contrans' interim and annual consolidated financial statements commencing January 1, 2013. Contrans is assessing the impact of this new standard on its consolidated financial statements.

IFRS 10, Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10, Consolidated Financial Statements ("IFRS 10"). IFRS 10 replaces IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities, and is effective for annual periods beginning on or after January 1, 2013. This standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. Contrans is assessing the impact of this new standard on its consolidated financial statements.

IFRS 12, Disclosure of Interest in Other Entities

In May 2011, the IASB issued IFRS 12, Disclosure of Interest in Other Entities ("IFRS 12"). IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity and is effective for annual periods beginning on or after January 1, 2013. Contrans is assessing the impact of this new standard on its consolidated financial statements.

IFRS 13, Fair Value Measurement

In May 2011, the IASB issued IFRS 13, Fair Value Measurement ("IFRS 13"). IFRS 13 defines fair value, sets out a single framework for measuring fair value and requires disclosures about fair value measurements. This IFRS is effective for annual periods beginning on or after January 1, 2013. Contrans is assessing the impact of this new standard on its consolidated financial statements.

IAS 1, Presentation of Financial Statements

In June 2011, the IASB amended IAS 1, Presentation of Financial Statements ("IAS 1"). The amendments to IAS 1 retain the "one or two statement" approach to presenting the Statements of Income and Comprehensive Income at the option of the entity and only revise the way other comprehensive income is presented. This amended standard is effective for annual periods beginning on or after July 1, 2012. Contrans is assessing the impact of this new standard on its consolidated financial statements.

FINANCIAL INSTRUMENTS

Contrans enters into foreign exchange contracts from time to time to manage its exposure to currency fluctuations. As at June 30, 2011, Contrans had no foreign exchange contracts outstanding.

BUSINESS RISKS

The MD&A contained on pages 10 and 11 in Contrans' 2010 annual report discusses business risks. Those risks remain in effect as at the date of this report.

CONTROLS AND PROCEDURES

Management is in the process of designing and implementing a system of controls in its waste collection business. This operation had total assets of \$18 million as at June 30, 2011.

No changes were made in Contrans' systems that have materially affected, or are reasonably likely to materially affect, Contrans' internal control over financial reporting during the three month period ended June 30, 2011.

A control system, no matter how well conceived and operated, can provide only reasonable, and not absolute, assurance that the objectives of the control system are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including any instances of fraud, have been detected. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under future conditions.

TRANSACTIONS WITH RELATED PARTIES

In 2011 Q2, Contrans paid \$1.8 million (\$3.6 million year-to-date) to Peterbilt of Ontario Inc., a company controlled by the Chairman of Contrans, for tractor repairs, vehicle maintenance, equipment purchases and lease costs. In addition, Contrans leased certain premises to Peterbilt of Ontario Inc. in 2011 Q2 for \$0.1 million (year-to-date \$0.1 million). These transactions were carried out in the normal course of business and recorded at the exchange amount, which management has concluded approximates an arm's-length arrangement.

USE OF NON-GAAP FINANCIAL MEASURES

Management has included a non-GAAP financial measure, "Direct operating expenses – net of fuel surcharges", to sup-

plement its consolidated financial statements. This non-GAAP measure does not have any standardized meaning prescribed under IFRS and therefore it may not 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 IFRS.

Management believes that it is important to isolate the effects of fuel surcharges, a volatile source of revenue and operating expenses, when analyzing operating results. Accordingly, the percentages in the Financial Highlights table were calculated using revenue from transportation services alone as the base. In addition, operating expenses are stated after netting fuel surcharges against fuel expenses in the Financial Highlights table. Management believes that this facilitates a better comparison of operating expenses and profit margins between periods.

FORWARD-LOOKING STATEMENTS

Management's discussion and analysis 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 Contrans 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. Contrans is under no obligation (and expressly disclaims any such obligation) to update forward-looking statements if circumstances or management's views or estimates change. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements.

ADDITIONAL INFORMATION

Additional information is available at www.sedar.com.
August 4, 2011

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

(\$CAD thousands except for per share amounts)

(unaudited)

For the periods ended June 30	Three Months		Six Months	
	2011	2010	2011	2010
Revenue				
Transportation services	\$ 91,765	\$ 91,154	\$ 180,370	\$ 175,600
Fuel surcharges	15,859	9,807	28,348	19,153
	107,624	100,961	208,718	194,753
Direct operating expenses	87,154	83,004	172,090	161,336
Gross Margin	20,470	17,957	36,628	33,417
General and administration expenses	11,432	9,290	21,322	18,103
Finance costs	1,621	1,488	3,163	2,982
Finance income	(278)	(68)	(581)	(103)
Earnings Before Income Taxes	7,695	7,247	12,724	12,435
Income tax expense	2,480	2,147	4,057	3,785
Net Earnings and Comprehensive Income	\$ 5,215	\$ 5,100	\$ 8,667	\$ 8,650
Earnings per share – basic and diluted (Note 10)	\$ 0.15	\$ 0.16	\$ 0.24	\$ 0.28
Weighted average number of shares outstanding – basic and diluted	35,794	31,739	35,794	30,843

The accompanying notes are an integral part of these consolidated interim financial statements.

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(\$CAD thousands)

(unaudited)

For the six months ended June 30	Contributed Surplus	Share Capital	Retained Deficit	Total
Balances at January 1, 2011	\$ 961	\$ 182,922	\$ (5,655)	\$ 178,228
Stock-based compensation expense	837	—	—	837
Net earnings and comprehensive income	—	—	8,667	8,667
Dividends declared ⁽¹⁾	—	—	(6,443)	(6,443)
Balances at June 30, 2011	\$ 1,798	\$ 182,922	\$ (3,431)	\$ 181,289
Balances at January 1, 2010	\$ 961	\$ 128,716	\$ (15,199)	\$ 114,478
Share issue	—	54,206	—	54,206
Net earnings and comprehensive income	—	—	8,650	8,650
Dividends declared ⁽²⁾	—	—	(2,395)	(2,395)
Balances at June 30, 2010	\$ 961	\$ 182,922	\$ (8,944)	\$ 174,939

The accompanying notes are an integral part of these consolidated interim financial statements.

(1) 2011 Q2 – \$0.10 per share (2011 – Q1 \$0.08 per share).

(2) 2010 Q2 – \$0.08 per share.

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(\$CAD thousands)

(unaudited)

As at	June 30, 2011	December 31, 2010
Assets		
Current Assets		
Cash and cash equivalents	\$ 170	\$ 24,442
Short-term investments	61,767	61,318
Trade and other receivables	58,350	48,378
Other current assets	12,271	5,446
Total Current Assets	132,558	139,584
Non-Current Assets		
Property and equipment (Note 3)	135,751	116,253
Intangible assets (Note 4)	72,006	74,041
Total Non-Current Assets	207,757	190,294
Total Assets	\$ 340,315	\$ 329,878
Liabilities		
Current Liabilities		
Trade and other payables	\$ 29,780	\$ 32,234
Income taxes payable	9,809	6,556
Finance lease liabilities (Note 5)	4,928	2,049
Long-term debt	1,894	1,632
Total Current Liabilities	46,411	42,471
Non-Current Liabilities		
Finance lease liabilities (Note 5)	13,000	5,552
Long-term debt	89,608	89,221
Deferred tax liabilities	10,007	14,406
Total Non-Current Liabilities	112,615	109,179
Total Liabilities	159,026	151,650
Equity		
Contributed surplus	1,798	961
Share capital	182,922	182,922
Retained deficit	(3,431)	(5,655)
Total Equity	181,289	178,228
Total Liabilities and Equity	\$ 340,315	\$ 329,878

Contingency and Commitments (Note 8). Subsequent Events (Note 15).

The accompanying notes are an integral part of these consolidated interim financial statements.

Signed on behalf of the Board of Directors

Stan G. Dunford, Director

Archie M. Leach, C.A., Director

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW

(\$CAD thousands)

(unaudited)

<i>For the six months ended June 30</i>	2011	2010
Cash Provided by (Used in) Operating Activities		
Net earnings	\$ 8,667	\$ 8,650
Income tax expense	4,057	3,785
Net financing costs	2,582	2,879
Stock-based compensation expense (Note 11)	837	—
Change in unrealized loss (gain) on foreign exchange	(127)	7
Long-term debt – accretion	40	40
Asset retirement obligations – accretion	—	14
Depreciation (Note 3)	7,644	6,146
Amortization (Note 4)	2,035	1,783
Gain on sale of equipment	(408)	(25)
	25,327	23,279
Changes in non-cash working capital (Note 6)	(12,914)	(3,130)
	12,413	20,149
Taxes refunded (paid)	(5,203)	108
Interest paid	(3,156)	(2,968)
Cash Provided by Operating Activities	4,054	17,289
Cash Provided by (Used in) Investing Activities		
Proceeds from sale of property and equipment	1,819	1,141
Proceeds from note receivable	—	61
Purchase of short-term investments	(15,063)	(50,500)
Proceeds from sale of short-term investments	15,000	—
Asset retirement obligations – settlement	—	(90)
Interest received	197	85
Deposits paid in respect of business combinations (Note 15)	(6,256)	—
Acquisition of business (Note 9)	—	(448)
Purchase of property and equipment	(16,482)	(8,905)
Net Cash Used in Investing Activities	(20,785)	(58,656)
Cash Provided by (Used in) Financing Activities		
Proceeds from issuance of shares	—	53,505
Proceeds from long-term debt	1,984	872
Repayment of long-term debt	(1,302)	(363)
Payment of finance lease liabilities	(1,780)	(1,070)
Dividends paid	(6,443)	(6,886)
Net Cash Provided by (Used in) Financing Activities	(7,541)	46,058
Increase (Decrease) in Cash and Cash Equivalents	(24,272)	4,691
Cash and Cash Equivalents – Beginning of Period	24,442	30,193
Cash and Cash Equivalents – End of Period	\$ 170	\$ 34,884

The accompanying notes are an integral part of these consolidated interim financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the periods ended June 30, 2011 and 2010

(Unaudited, tabular amounts in \$CAD thousands)

1. General Information

Contrans Group Inc. ("CGI") is located at 1179 Ridgeway Road, Woodstock, Ontario, Canada. The consolidated interim financial statements as at and for the three and six months ended June 30, 2011 comprise CGI and its subsidiaries ("Contrans"). Contrans operates in a single reportable industry segment, freight transportation. CGI's Class A Subordinate Voting Shares are listed on the Toronto Stock Exchange under the symbol "CSS". Contrans operates in both Canada and the United States. However, due to the nature of the operations and inherent system limitations, it is impracticable to split the results from operations between the two countries.

The consolidated interim financial statements were authorized for issuance on August 4, 2011 by CGI's Board of Directors.

2. Significant Accounting Policies

Basis of preparation

These consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34") and with International Financial Reporting Standards ("IFRS") 1, First-time Adoption of IFRS ("IFRS 1"). These consolidated interim financial statements do not include all of the information required for full annual financial statements. These consolidated interim financial statements should be read in conjunction with the Company's 2010 annual consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles ("CGAAP") and with the IFRS accounting policies and transition disclosures included in Notes 2 and 15 of the Company's 2011 first quarter consolidated interim financial statements. Prior to adoption of IFRS, Contrans prepared its financial statements in accordance with CGAAP.

The Company transitioned to IFRS effective January 1, 2010. The impact of the transition from CGAAP to IFRS on these consolidated interim financial statements is explained in Note 16. The significant accounting policies adopted by the Company on transition to IFRS are disclosed in Note 2 of the Company's 2011 first quarter consolidated interim financial statements.

These consolidated interim financial statements have been prepared on the historical cost basis with the following exceptions:

- Certain land and buildings have been restated to fair value as at January 1, 2010 in accordance with IFRS 1; and
- Liabilities for cash-settled, share-based payment arrangements have been measured at their fair value in accordance with IFRS 2.

3. Property and Equipment

Cost or Deemed Cost	Rolling Stock and Other				Total
	Land	Buildings	Owned	Leased	
Balance at January 1, 2011	\$ 7,740	\$ 27,927	\$ 137,974	\$ 13,527	\$ 187,168
Additions	4,871	598	10,909	12,263	28,641
Buyout of leased assets	—	—	118	(118)	—
Disposals	—	—	(3,954)	(967)	(4,921)
Balance at June 30, 2011	12,611	28,525	145,047	24,705	210,888
<i>Accumulated Depreciation and Impairment Losses</i>					
Balance at January 1, 2011	—	10,820	56,996	3,099	70,915
Depreciation	—	494	6,247	903	7,644
Buyout of leased assets	—	—	26	(26)	—
Disposals	—	—	(2,979)	(443)	(3,422)
Balance at June 30, 2011	—	11,314	60,290	3,533	75,137
Carrying Amount at June 30, 2011	\$ 12,611	\$ 17,211	\$ 84,757	\$ 21,172	\$ 135,751

Cost or Deemed Cost	Rolling Stock and Other				Total
	Land	Buildings	Owned	Leased	
Balance at January 1, 2010	\$ 7,460	\$ 25,679	\$ 124,771	\$ 12,728	\$ 170,638
Additions	280	2,248	19,500	783	22,811
Acquired through business combinations	—	—	5,608	90	5,698
Disposals	—	—	(11,905)	(74)	(11,979)
Balance at December 31, 2010	7,740	27,927	137,974	13,527	187,168
Accumulated Depreciation and Impairment Losses					
Balance at January 1, 2010	—	9,765	55,813	1,875	67,453
Depreciation	—	1,055	10,545	1,238	12,838
Disposals	—	—	(9,362)	(14)	(9,376)
Balance at December 31, 2010	—	10,820	56,996	3,099	70,915
Carrying Amount at December 31, 2010	\$ 7,740	\$ 17,107	\$ 80,978	\$ 10,428	\$ 116,253

4. Intangible Assets

Cost	Non-competition		Customer	Total
	Goodwill	agreements	relationships	
Balance at January 1, 2011	\$ 57,841	\$ 9,468	\$ 27,679	\$ 94,988
Expired	—	(1,626)	—	(1,626)
Balance at June 30, 2011	57,841	7,842	27,679	93,362
Accumulated Amortization and Impairment Losses				
Balance at January 1, 2011	—	7,397	13,550	20,947
Amortization charge for the period	—	718	1,317	2,035
Expired	—	(1,626)	—	(1,626)
Balance at June 30, 2011	—	6,489	14,867	21,356
Carrying amount				
Balance at June 30, 2011	\$ 57,841	\$ 1,353	\$ 12,812	\$ 72,006

Cost	Non-competition		Customer	Total
	Goodwill	agreements	relationships	
Balance at January 1, 2010	\$ 51,118	\$ 8,658	\$ 22,565	\$ 82,341
Acquired through business combinations	6,723	930	5,114	12,767
Expired	—	(120)	—	(120)
Balance at December 31, 2010	57,841	9,468	27,679	94,988
Accumulated Amortization and Impairment Losses				
Balance at January 1, 2010	—	5,990	11,331	17,321
Amortization charge for the period	—	1,527	2,219	3,746
Expired	—	(120)	—	(120)
Balance at December 31, 2010	\$ —	\$ 7,397	\$ 13,550	\$ 20,947
Carrying amount				
Balance at December 31, 2010	\$ 57,841	\$ 2,071	\$ 14,129	\$ 74,041

Contrans assessed its goodwill for impairment as at the IFRS transition date of January 1, 2010. This resulted in a decrease in goodwill of \$12.7 million, a decrease in non-competition agreements of \$0.3 million, a decrease in customer relationships of \$0.9 million and a decrease in land values of \$0.4 million with a corresponding charge to opening retained deficit of \$14.3 million. See Note 16 A i) for further details.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the periods ended June 30, 2011 and 2010

(Unaudited, tabular amounts in \$CAD thousands)

5. Finance Lease Liabilities

Contrans has entered into finance leases for rolling stock with the following liabilities:

As at June 30

2011	\$ 2,806
2012	5,439
2013	5,081
2014	4,833
2015	1,359
Thereafter	24
Minimum lease payments	\$ 19,542
Lease amount representing interest at rates ranging from 4.3% to 7.8% (2010 – 4.8% to 8.4%)	(1,614)
Present value of net minimum finance lease payments	\$ 17,928
Less current portion	(4,928)
	\$ 13,000

6. Non-Cash Working Capital

For the six months ended June 30

	2011	2010
Change in non-cash working capital		
Decrease (increase) in trade and other receivables	\$ (9,972)	\$ 192
Increase in other current assets	(569)	(648)
Decrease in trade and other payables	(2,373)	(2,674)
Change in non-cash working capital	\$ (12,914)	\$ (3,130)
Non-cash transactions		
Value of equipment financed through finance leases	\$ 12,263	\$ 702

7. Change in Estimates

In 2011 Q2, the provision for lease return costs was reduced by \$0.5 million and a related reduction in direct operating expense was recognized.

8. Contingency and Commitments

Letters of credit

Contrans had \$1.3 million in letters of credit outstanding as at June 30, 2011 (December 31, 2010 – \$2.2 million). These letters of credit expire at various dates from August 2011 to June 2012.

Capital commitments

At June 30, 2011, Contrans had entered into contracts to purchase trucks and trailers for \$6.3 million that are expected to be delivered during Q3 2011. On June 8, 2011, Contrans exercised its option to purchase a terminal facility, located in Oakville, Ontario, that the Company currently occupies as a tenant. The purchase price is \$6.4 million and the transaction is expected to close in 2011 Q3.

9. Acquisition of Business

On January 29, 2010, Contrans acquired certain assets of Truboy Freight International Inc. ("Truboy") for consideration of \$0.4 million cash at closing. Truboy was based in Ontario and operated a fleet of flatbed trailers. An additional \$0.5 million of consideration was negotiated to be paid over the three years following the acquisition contingent upon the achievement of certain financial objectives. The financial objectives for the first year were met and \$0.1 million of the contingent consideration was paid to the former owners during 2011 Q1. The balance of \$0.4 million remains outstanding and is included in trade and other payables at June 30, 2011 in the statements of financial position.

This acquisition has been accounted for using the acquisition method. The results of operations from the acquisition date have been included in these consolidated interim financial statements.

10. Earnings per Share

There are no dilutive items outstanding at June 30, 2011 or at June 30, 2010.

11. Share-Based Compensation Plan

On April 5, 2011, CGI established a stock option plan designed to encourage ownership of CGI shares by directors, officers and key employees. Under the terms of the plan, 2,993,739 Class A Subordinate Voting Shares ("Class A shares") have been reserved for issuance. The maximum number of options that can be granted to insiders cannot exceed 10% of the total number of Class A shares and Class B multiple Voting Shares ("Class B shares") then outstanding. The number of options that can be granted to an individual insider in a one-year period cannot exceed 5% of the total number of Class A shares and Class B shares then outstanding. Upon issuance, 20% of the options vest immediately and the remainder vest at a rate of 20% per year over the next four anniversary dates. In the event of their termination or retirement, participants will have 30 days, or such longer period as decided by the Board, in which to exercise their options. All options outstanding become exercisable in the event of a change in control over CGI. CGI's Board of Directors, in their discretion, may require a holder to exercise their options within a 30-day period in the event of a sale of CGI, provided that such a sale is completed within 180 days. In accordance with the plan, options are exercisable at the closing market price of the shares on the day prior to the date of the grant. Any option that is granted but is subsequently cancelled or terminated for any reason prior to its exercise will be returned to the pool and will be available for future share option grants.

The grant date fair value of the stock options was measured using the Black-Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the stock options were as follows:

Fair value of stock options and assumptions

Option grant date	April 5, 2011
Option expiration date	April 4, 2021
Fair value at grant date (weighted average)	\$ 1.73
Share price at grant date	\$ 8.95
Exercise price	\$ 8.95
Expected volatility (weighted average volatility)	30%
Option life (expected weighted average life)	6 years
Expected dividend yield	4.47%
Risk-free interest rate (weighted average, based on government bonds)	2.89%

The number and weighted average exercise prices of stock options were as follows:

	Weighted average exercise price	Number of options
Outstanding at January 1	\$ —	—
Granted during the period	\$ 8.95	1,615
Exercised during the period	\$ —	—
Outstanding at June 30	\$ 8.95	1,615
Exercisable at June 30		323

The amount charged to stock-based compensation expense in the profit or loss for the three-month and six-month periods ended June 30, 2011 was \$837,000.

12. Related Party Transactions

Contrans had business transactions with and had balances owing to and from Peterbilt of Ontario Inc., a company controlled by the Chairman of CGI, as follows:

As at	June 30, December 31, 2011 2010	
Accounts payable	\$ 464	\$ 430
Accounts receivable	7	8

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the periods ended June 30, 2011 and 2010

(Unaudited, tabular amounts in \$CAD thousands)

For the periods ended June 30	Three Months		Six Months	
	2011	2010	2011	2010
Repairs, maintenance, purchases and leases	\$ 1,760	\$ 2,292	\$ 3,574	\$ 3,732
Rental income	52	46	104	96

These transactions were carried out in the normal course of business and recorded at exchange amounts, which approximate an arm's-length arrangement.

13. 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, 2010.

14. Seasonality of Operations

Generally, the second quarter is Contrans' strongest period. Volumes from customers in the construction industry typically increase in the spring, peak in the fall and then decline with the onset of winter. 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.

15. Subsequent Events

a) Restricted Stock Units

On July 1, 2011, a total of 92,576 restricted stock units were awarded to certain employees.

b) Business acquisitions

2011	S&S Enterprises ⁽ⁱ⁾	AIM ⁽ⁱⁱ⁾	TBM ⁽ⁱⁱⁱ⁾	Total
Accounts receivable	Note (i) a	\$ —	\$ —	\$ —
Other current assets	Note (i) a	—	—	—
Property and equipment	4,430	689	2,585	7,704
Intangible assets and goodwill	1,491	232	630	2,353
Customer relationships	Note (i) b	Note (ii) a	Note (iii) a	—
Non-competition agreements	Note (i) b	Note (ii) a	Note (iii) a	—
Goodwill	Note (i) b	Note (ii) a	Note (iii) a	—
Fair value of assets acquired	5,921	921	3,215	10,057
Accounts payable and accrued liabilities	Note (i) a	—	—	—
Future tax	Note (i) c	Note (ii) b	Note (iii) b	—
Debt assumed	2,109	505	1,379	3,993
Fair value of liabilities assumed	2,109	505	1,379	3,993
	\$ 3,812	\$ 416	\$ 1,836	\$ 6,064
Consideration				
Cash	\$ 3,812	\$ 150	\$ 1,171	\$ 5,133
Contingent consideration	—	266	665	931
	\$ 3,812	\$ 416	\$ 1,836	\$ 6,064

(i) On July 1, 2011 Contrans acquired all the outstanding shares of 9213-2901 Quebec Inc. ("S&S Enterprises"), a bulk truck operation based in St-Barthelemy, Quebec. This bulk operation was acquired to expand Contrans' bulk service offering in Quebec and Northern Ontario. Management expects that this acquisition will give Contrans greater market share and realize synergies through improved utilization of its existing bulk equipment as well as that of the acquired assets. The purchase price is subject to adjustments pending the finalization of the closing financial statements.

- a. Any deficit or surplus in the final working capital accounts will result in an adjustment to the amount of consideration payable to the vendors.
 - b. The vendors have entered into a seven year non-competition agreement with Contrans. In addition, Contrans acquired certain customers as part of the acquisition. The final allocation of the purchase price among customer relationships, non-competition agreements and goodwill will be made once their fair values have been determined.
 - c. A future tax asset or liability will be calculated on the difference in the value of the acquired assets and their tax value when fair values of the acquisition have been determined.
 - d. The fair values assigned to property and equipment may change once final valuations have been received.
 - e. Contrans assumed operating leases on 10 tractor units with expiry dates between 2011 and 2013 and gross lease costs of \$0.3 million.
 - f. Contrans has incurred nominal costs in relation to this acquisition. These costs have been charged to G&A expenses in 2011 Q2.
 - g. It is impracticable to determine precisely the impact that S&S Enterprises would have had on Contrans' 2011 results had it been acquired on January 1, 2011. Management expects there to be synergies realized that manifest themselves through reduced empty miles and improved equipment utilization, both factors that would enable the Company to compete for freight better. Before realizing any synergies, management expects that S&S Enterprises will contribute annual revenue of between \$12 million and \$15 million and \$1.0 million to \$1.5 million of earnings before tax and amortization of intangible assets annually.
 - h. In 2011 Q2, a deposit of \$6.3 million was paid relating to this acquisition that was subsequently used to acquire the company and repay the debt. This amount is included in other current assets in the consolidated interim statement of financial position.
- (ii) On July 4, 2011, Contrans acquired certain of the assets of AIM Transportation Systems Inc. and 6129005 Canada Inc. (together "AIM"), a flatbed trucking operation based in Stoney Creek, Ontario. This acquisition was made to expand the Company's flatbed service offering in Southern Ontario and has been combined with Contrans' existing flatbed operations located in Hagersville, Ontario. The purchase price includes contingent consideration, the amount of which will depend on revenues earned from AIM customers over the three years following acquisition. If earned, the contingent consideration will be paid on August 1 of each year beginning in 2012. The undiscounted amount of contingent consideration is expected to be between \$0.2 million and \$0.4 million. The accounting for this acquisition will be finalized once the fair values of the intangible assets have been determined.
- a. The vendors have entered into a five year non-competition agreement with Contrans. In addition, Contrans acquired certain customers as part of the acquisition.
 - b. A future tax asset or liability will be calculated on the difference in the fair value of the acquired assets and their tax value once the purchase price has been finalized.
 - c. The fair values assigned to property and equipment may change once final valuations have been received.
 - d. Contrans assumed operating leases on eight tractor units with expiry dates in 2015 and with outstanding lease obligations of \$0.9 million.
 - e. Contrans has incurred nominal costs in relation to this acquisition. These costs have been charged to G&A expenses in 2011 Q2.
 - f. Had AIM been acquired on January 1, 2011, management estimates that the additional revenue and earnings before taxes and amortization of intangible assets that would have been recorded in the six months to June 30, 2011 would have approximated \$1.5 million and \$0.1 million respectively.

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For the periods ended June 30, 2011 and 2010

(Unaudited, tabular amounts in \$CAD thousands)

(iii) On July 25, 2011, Contrans acquired the bulk trucking assets of TBM Transportation Ltd. ("TBM") based in Edmonton, Alberta.

This acquisition was made to expand the bulk service offering in Alberta and has been combined with Contrans' bulk operations that are based in Calgary, Alberta. The purchase price includes contingent consideration, the final amount of which will depend on revenues earned from TBM customers over the three years following acquisition. If earned, the contingent consideration will be paid on August 15 of each year beginning in 2012. The undiscounted amount of contingent consideration is expected to be between \$0.6 million and \$0.9 million. The accounting for this acquisition will be finalized once the fair values of the intangible assets have been determined.

- a. The vendors have entered into a five-year non-competition agreement with Contrans. In addition, Contrans acquired certain customers as part of the acquisition.
 - b. A future tax asset or liability will be calculated on the difference in the fair value of the acquired assets and their tax value once the purchase price has been finalized.
 - c. The fair values assigned to property and equipment may change once final valuations have been received.
 - d. The finance lease debt assumed was for six tractor units and six trailer units and with expiry dates between 2014 and 2015.
 - e. Contrans expects to incur nominal costs in relation to this acquisition. These costs will be charged to G&A expenses in 2011 Q3.
 - f. Had TBM been acquired on January 1, 2011, management estimates that the additional revenue and earnings before taxes and amortization of intangible assets that would have been recorded in the six months to June 30, 2011 would have approximated \$2.0 million and \$0.3 million respectively.
- c) On July 18, 2011, CGI announced a dividend of \$0.10 per share. As a result, approximately \$3.6 million will be paid on August 15, 2011 to shareholders of record as at July 31, 2011.
- d) On July 20, 2011, Contrans entered into a loan agreement with Integrated Private Debt, the existing lender of its senior secured notes payable, to make available an additional debt facility of \$5.0 million.

16. Transition to IFRS

The accounting policies set out in Note 2 have been applied in preparing financial statements for the three and six months ended June 30, 2011, in the comparative information presented in these consolidated interim financial statements and in the preparation of an opening IFRS statement of financial position at January 1, 2010 and statements of financial position at June 30, 2010 and December 31, 2010.

The impact of the transition from CGAAP to IFRS as at and for the three and six months ended June 30, 2010 is set out in the following tables and notes.

Consolidated Statements of Financial Position – Effect of Transition to IFRS

As at June 30, 2010	CGAAP ⁽²⁾	Effect of transition to IFRS ⁽¹⁾	IFRS
Assets			
Current Assets			
Cash and cash equivalents	\$ 34,884	\$ —	\$ 34,884
Short-term investments	50,518	—	50,518
Trade and other receivables	48,717	—	48,717
Other current assets	5,737	—	5,737
Total current assets	139,856	—	139,856
Non-current Assets			
Restricted cash	7,375	—	7,375
Note receivable	27	—	27
Property and equipment	105,258	(1,192)	104,066
Intangible assets	77,395	(13,264)	64,131
Total non-current assets	190,055	(14,456)	175,599
Total assets	\$ 329,911	\$ (14,456)	\$ 315,455
Liabilities			
Current Liabilities			
Trade and other payables	\$ 27,261	\$ 1,261	\$ 28,522
Income taxes payable	4,424	—	4,424
Finance lease liabilities	2,011	—	2,011
Long-term debt	734	—	734
Total current liabilities	34,430	1,261	35,691
Non-current Liabilities			
Finance lease liabilities	6,527	—	6,527
Long-term debt	85,920	—	85,920
Asset retirement obligations	674	(674)	—
Deferred tax liabilities	12,702	(324)	12,378
Total non-current liabilities	105,823	(998)	104,825
Total liabilities	140,253	263	140,516
Equity			
Contributed surplus	961	—	961
Share capital	182,922	—	182,922
Retained earnings (deficit)	5,775	(14,719)	(8,944)
Total equity	189,658	(14,719)	174,939
Total liabilities and equity	\$ 329,911	\$ (14,456)	\$ 315,455

(1) See "Table 1 Summary of IFRS Transition Adjustments" below.

(2) Certain of the CGAAP balances have been reclassified to conform to IFRS presentation.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the periods ended June 30, 2011 and 2010

(Unaudited, tabular amounts in \$CAD thousands)

Consolidated Statements of Comprehensive Income – Effect of Transition to IFRS

	For the Three Months Ended June 30, 2010			For the Six Months Ended June 30, 2010		
	CGAAP	Effect of Transition to IFRS ⁽¹⁾	IFRS	CGAAP	Effect of Transition to IFRS ⁽¹⁾	IFRS
Revenue						
Transportation services	\$ 91,154	\$ —	\$ 91,154	\$ 175,600	\$ —	\$ 175,600
Fuel surcharges	9,807	—	9,807	19,153	—	19,153
	100,961	—	100,961	194,753	—	194,753
Direct operating expenses	—	83,004	83,004	—	161,336	161,336
Gross Margin			17,957			33,417
Operating expenses	79,649	(79,649)	—	154,698	(154,698)	—
General and administration expenses	8,841	449	9,290	16,987	1,116	18,103
	12,471	(3,804)	—	23,068	(7,754)	—
Foreign exchange gain	(309)	309	—	(193)	193	—
Depreciation	3,096	(3,096)	—	6,150	(6,150)	—
Amortization of intangible assets	966	(966)	—	1,915	(1,915)	—
Earnings from Operations Before						
Financing Costs and Income Taxes	8,718	(51)	—	15,196	118	—
Finance costs	1,480	8	1,488	2,968	14	2,982
Finance income	(68)	—	(68)	(103)	—	(103)
Net Financing Costs	1,412	8	—	2,865	14	—
Earnings Before Income Taxes	7,306	(59)	7,247	12,331	104	12,435
Income tax expense						
Income tax expense	—	2,147	2,147	—	3,785	3,785
Current	1,052	(1,052)	—	4,811	(4,811)	—
Deferred	1,045	(1,045)	—	(1,128)	1,128	—
	2,097	50	—	3,683	102	—
Net Earnings and						
Comprehensive Income	\$ 5,209	\$ (109)	\$ 5,100	\$ 8,648	\$ 2	\$ 8,650
Earnings per share – basic and diluted	\$ 0.16	\$ —	\$ 0.16	\$ 0.28	\$ —	\$ 0.28
Weighted average number of shares						
outstanding – basic and diluted	31,739	31,739	31,739	30,843	30,843	30,843

(1) See "Table 1 Summary of IFRS Transition Adjustments" below.

Table 1**Summary of IFRS Transition Adjustments**

Note	Accounts	Statement of Financial	Profit/Loss	
		Position	for the Period Ended	
		As at	Three Months	Six Months
		Increase in Asset/ Decrease in Liability (Decrease in Asset)/ (Increase in Liability)	Ended	Ended
		June 30, 2010	June 30, 2010	June 30, 2010
A i)	Land impairment	\$ (343)	\$ —	\$ —
B i)	Land valuation	(572)	—	—
B i)	Building valuation	(277)	2	4
		(1,192)	2	4
A i)	Goodwill	(12,709)	—	—
A i)	Other intangible assets	(1,101)	(53)	132
A ii)	Truboy goodwill – earn-out liability	501	—	—
A iii)	Truboy goodwill – acquisition costs	(18)	—	—
A iii)	Truboy acquisition costs	—	—	(18)
A ii)	Narum reversal of goodwill	—	—	—
A ii)	Narum goodwill	63	—	—
		(13,264)	(53)	114
A ii)	Narum contingent consideration	(74)	(1)	(2)
A ii)	Narum settlement of earn-out liability	—	—	—
A ii)	Truboy contingent consideration	(513)	(7)	(12)
B ii)	Asset retirement obligation	(674)	—	—
		(1,261)	(8)	(14)
B ii)	Asset retirement obligation	674	—	—
C	Deferred tax	324	(50)	(102)
		\$ (14,719)	\$ (109)	\$ 2

Notes to the Reconciliation of Equity and Earnings**A. Mandatory adjustments arising from the implementation of IFRS reporting****i) CGU impairment**

Upon transition to IFRS, Contrans was required to assess its CGUs for impairment as at January 1, 2010. Contrans' CGUs are identified as each of CGI's subsidiaries. Under CGAAP, goodwill impairment was tested at the reporting unit (service line) level.

The impairment test was performed by comparing the carrying value and the recoverable amount of each CGU. Under IFRS, the recoverable amount is the higher of the CGU's fair value less costs to sell and value in use. Fair value is calculated by applying a multiple to management's best estimate of sustainable earnings. Management applied a 7.1 times multiple, obtained from an independent investment analyst, to calculate the recoverable amounts in the impairment test. Management used the four-year weighted average of historical annual earnings (before interest, income tax, depreciation and amortization of intangible assets, reduced by a corporate overhead allocation) to estimate sustainable earnings. An estimate of costs to sell was then deducted from the calculated fair value to arrive at fair value less costs to sell. The value in use of each CGU was determined by considering the future expected cash flow over the next four years, expected growth rates and an estimated terminal value discounted at a risk-adjusted rate. Future expected cash flows were based on historical performance, known trends and anticipated capital expenditures. Growth rates were assumed to be 2% and a discount rate of 14% was applied.

Four CGUs were found to be impaired by a combined total of \$14.3 million. This amount was charged to the opening retained deficit and corresponding reductions were made to the carrying amounts of goodwill, other intangible assets and

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(Unaudited, tabular amounts in \$CAD thousands)

land. As a result of the impairment charge, intangible asset amortization was reduced by \$0.1 million for the six-month period ended June 30, 2010.

Two of the CGUs that were found to be impaired, Tripar Transportation LP and Tri-Line Carriers LP, each make up a significant portion of the carrying value of Contrans' remaining intangibles. The carrying amount of their goodwill and intangibles as at January 1, 2010 are summarized as follows:

	Tri-line	Tripar
Goodwill	\$ 2,943	\$ 21,991
Other intangible assets	468	5,479
Basis on which the CGU's recoverable amount has been determined	Value in use	Fair value less costs to sell

ii) Contingent consideration on acquisitions

Contingent consideration for Narum, a business acquired in 2007, was outstanding as at the transition date. The fair value of this contingent consideration was \$0.1 million as at January 1, 2010 and was recorded as an increase to goodwill and trade and other payables upon transition to IFRS. The fair value was increased by \$1,000 for the three months ended June 30, 2010.

The fair value of contingent consideration outstanding in respect of the acquisition of Truboy was \$0.5 million as at June 30, 2010. This amount was recorded as an increase to goodwill and trade and other payables. The fair value was increased by \$5,000 for the three-month period ended June 30, 2010 and was charged to income as a finance cost.

iii) Acquisition costs

Under IFRS 3, an amount of \$18,000 relating to acquisition costs of Truboy was charged to general and administration expenses for the six-month period ended June 30, 2010 and reduced goodwill as previously reported under CGAAP as at June 30, 2010 and December 31, 2010.

iv) Reclassification of CGAAP balances

Contrans has chosen to classify its expenses according to their function. Accordingly, operating expenses presented under CGAAP have been reclassified to direct operating expenses. Depreciation has been reclassified partially into direct operating expenses and partially into general and administration expenses depending on the nature of the property and equipment. Amortization of intangible assets and foreign exchange loss has been reclassified into general and administration expenses. Current and deferred income tax expenses have been reclassified into income tax expense.

B. Optional adjustments arising from IFRS 1 on the implementation of IFRS reporting

i) Land and buildings valuations

Under IFRS 1, Contrans elected to revalue certain of its land and buildings at January 1, 2010 and has treated the revalued amounts as deemed cost as at that date. The impact on Contrans of the revaluations was a net decrease in land and building values of \$0.5 million and \$0.3 million respectively with a corresponding increase in the opening retained deficit. Depreciation expense for the three months ended June 30, 2010 was reduced by \$2,000.

ii) Reclassifications on transition to IFRS

Asset retirement obligations are considered to be provisions under IFRS and have been included in trade and other payables accordingly. In addition, interest paid and income taxes paid have been moved into the body of the consolidated interim statements of cash flow as part of operating activities, whereas they were previously disclosed as supplementary information under CGAAP.

C. The above adjustments decreased the deferred tax liability as follows:

	June 30, 2010
As at	
Deductible reserves	\$ 116
Property and equipment	(80)
Intangible assets	288
Decrease in deferred tax liability	\$ 324

	Three months ended June 30, 2010	Six months ended June 30, 2010
Increase in tax expense for the period	\$ 50	\$ 102

D. The effects of the above adjustments on equity were as follows:

	Note	June 30, 2010
Goodwill	A i)	\$ 12,709
Acquisition costs	A iii)	18
Other intangible assets	A i), A iii)	1,101
Change in fair value of contingent consideration	A ii)	23
Property and equipment	A i), B i)	1,192
Deferred tax liability	C	(324)
Total increase in opening deficit		14,719
Equity per CGAAP		189,658
Equity per IFRS		\$ 174,939

Head Office

Contrans Group Inc.
1179 Ridgeway Road
Woodstock, Ontario N4V 1E3
(519) 421-4600
Website: www.contrans.ca