# Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of financial condition and results of operations of Tornado Global Hydrovacs Ltd. ("TGHL" or the "Company") is supplemental to, and should be read in conjunction with the Company's unaudited condensed consolidated financial statements and related notes as at September 30, 2017 and for the three and nine months ended September 30, 2017 and 2016, and the audited consolidated financial statements and notes for the year ended December 31, 2016.

The interim unaudited condensed consolidated financial statements and accompanying notes of TGHL for the period ended September 30, 2017 have been prepared in conformity with International Financial Reporting Standards ("IFRS"): International Accounting Standard 34.

The condensed consolidated financial statements have been prepared by management and approved by TGHL's Board of Directors. These statements require management to make estimates and assumptions that affect amounts reported and disclosed in such financial statements and related notes. Actual results may differ materially. See "Cautionary Statement regarding Forward-Looking Information".

All amounts are reported in Canadian dollars unless specifically stated to the contrary.

This MD&A contains forward-looking information and statements. At the end of this MD&A is an advisory on forward-looking information and statements.

Additional information on TGHL is available through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Disclosure contained in this document is current to November 16, 2017, unless otherwise stated.

## Non-IFRS Methods

In this MD&A, the Company uses two financial management metrics that are not in accordance with IFRS namely "earnings (loss) before interest, tax, depreciation and amortization (EBITDA)" and "Gross Margin". Because these terms are not defined by IFRS they cannot be formally presented in the condensed consolidated financial statements. The definition of EBITDA does not take into account the Company's share of profit of an associate investment, gains and losses on the disposal of assets, fair value changes in foreign currency forward contracts and non-cash components of stock based compensation. EBIT is the result of the Company's EBITDA less depreciation and amortization expenses. The Gross Margin metric is the result of revenues less cost of sales, excluding depreciation of property, plant and equipment. It should be noted that the Company's definition of EBITDA, EBIT and Gross Margin may differ from those definitions used by other companies.

While not IFRS measures, EBITDA, EBIT and Gross Margin are used by management, creditors, analysts, investors and other financial stakeholders to assess the Company's performance and management from a financial and operational perspective.

## Business Description

TGHL designs, manufactures and sells hydrovac trucks for excavation service providers to the oil and gas industry and the municipal market. It operates through a leased production facility in Stettler, AB and a sales office located in Calgary, Alberta. TGHL is also in the early stages of commencing similar operations in China and has established an office in Beijing, China.

TGHL maintains its head office in Calgary, Alberta.

## Third Quarter 2017 Overview

- Revenue of $7,619 increased 13.2% compared to $6,733 in Q2/2017 and increased 160.2% compared to $2,928 in the comparable period in 2016. The increase in revenue was attributed to the recent improvement in the hydrovac market equipment purchase demand with increased interest coming out of the municipal sector in both Canada and United States.

- As a result of increased revenue, Gross Profit of $1,222 increased by $331 compared to $891 in Q2/2017. Gross Profit increased 407.1% compared to $241 in the comparable period in 2016.

- EBITDA of $74, comprising North America $561, China ($272) and Corporate ($215), improved by $365 compared to ($291) in Q2/2017, due to increased revenues and Gross profit. For the North America segment, EDITDA during the quarter of $561 increased significantly compared to Q2, due increased activity levels. For China, negative EDITDA during the quarter was ($272) and is expected to stay at this level until there is an increase in the scope of operations.

- Net income of $79 increased by $616 compared to a loss of $537 in Q2/2017 and improved by $1,078 compared to a loss of $999 in the comparable period in 2016. This is due to the factors discussed above, together with a gain of $151 on the conversion of debt through the issuance of shares.

- On September 15, 2017, the Company completed a Common Share Private Placement, a Shares for Debt Transaction and a Unit Private Placement. Under the Common Share Private Placement, the Company issued 27,777,778 Common Shares at a price of $0.09 per Common Share for gross proceeds of $2.5 million. Under the Shares for Debt transaction, principal and accrued interest totaling $2.7 million owed to the Company's former parent company, Empire Industries Ltd, was converted into 30,185,544 Common Shares of the Company at a price of $0.09 per Common Share. Under the Unit Private Placement the Company issued 3,100,000 units at a price of $0.09 per Unit for aggregate gross proceeds of $279. Each Unit comprised one Common Share and one Common Share Purchase Warrant. Each Common Share Purchase Warrant shall be exercisable into one Common Share at a price of $0.12 per share for a 5-year period.

Amounts reported in thousands ($000's CAD) except per share amounts

## Selected Financial Information

| | Three Months ended September 30 | | Nine Months ended September 30 | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Revenue | **$ 7,619** | $ 2,928 | **$ 20,341** | $ 12,074 |
| Cost of sales | **6,397** | 2,687 | **17,348** | 11,468 |
| Gross Profit | **1,222** | 241 | **2,993** | 606 |
| Selling and general administrative expenses | **1,148** | 1,081 | **3,302** | 2,166 |
| Depreciation of property and equipment | **117** | 135 | **349** | 273 |
| Amortization of intangible assets | **123** | 16 | **369** | 74 |
| Finance income | **(6)** | - | **(25)** | - |
| Finance costs | **22** | 8 | **78** | 18 |
| Management fees | **-** | - | **-** | 200 |
| Change in fair value of derivative financial instruments | **(110)** | - | **(149)** | - |
| Gain on shares issued for debt | **(151)** | - | **(151)** | - |
| Income (loss) before tax | **79** | (999) | **(780)** | (2,125) |
| Income tax recovery | **-** | - | **-** | 303 |
| Net income (loss) | **$ 79** | $ (999) | **$ (780)** | $ (1,822) |
| Comprehensive income (loss) | **$ 58** | $ (999) | **$ (823)** | $ (1,822) |
| Net loss per share - basic and diluted | **$ -** | $ (0.02) | **$ (0.01)** | $ (0.03) |
| Total non-current financial liabilities | **$ 314** | $ 2,835 | **$ 314** | $ 2,835 |
| Total assets | **$ 21,765** | $ 19,591 | **$ 21,765** | $ 19,591 |

## Operating Results

| | Three Months ended September 30 | | Nine Months ended September 30 | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | 2016 |
| Revenues | **$ 7,619** | $ 2,928 | **$ 20,341** | $ 12,074 |
| Gross margin | **1,222** | 241 | **2,993** | 606 |
| Gross margin % | **16.04%** | 8.23% | **14.71%** | 5.02% |
| EBITDA | **74** | (840) | **(309)** | (1,560) |
| EBITDA % | **0.97%** | -28.69% | **-1.52%** | -12.92% |
| EBIT | **(166)** | (991) | **(1,027)** | (1,907) |
| EBIT % | **-2.18%** | -33.85% | **-5.05%** | -15.79% |
| **Net income (loss)** | **$ 79** | $ (999) | **$ (780)** | $ (1,822) |

The Company's Gross Margin for the three months ended September 30, 2017 of $1,222 increased 407.1% compared to the same period in 2016. This increase was due to increased revenue resulting from the increase in overall demand for hydrovac trucks and improved cost efficiencies at higher production volumes.

## Significant Events during 2017

- On January 1, 2017, TGHL completed a re-organization and transferred its tangible assets, liabilities and employees (except for officers) into Tornado Global Hydrovac (North America) Inc., a wholly-owned subsidiary of TGHL.
- On January 19, 2017, TGHL incorporated Tornado Global Hydrovacs (Beijing) Limited which will carry out the Chinese expansion of TGHL.

Amounts reported in thousands ($000's CAD) except per share amounts

- On September 15, 2017, the Company completed a Common Share Private Placement, a Shares for Debt Transaction and a Unit Private Placement.
- On October 31, 2017, the Company completed a Rights Offering.

## Outlook

In addition to other sections of the Company's report, this section contains forward-looking information and actual outcomes may differ materially from those expressed or implied therein. For more information, see the section titled "Forward- Looking Information" in this MD&A.

In North America, the market demand from the municipal sector in both Canada and United States has contributed to a financial performance improvement in the Company's North America segment. Management believes that the Company is positioned to improve its performance in North America throughout the rest of the year for the following reasons:

- The indications of increased spending in infrastructure from both the Canadian and US governments and increased spending as a result of pipeline approvals are expected to further increase the market demand of hydrovac trucks.
- The Company introduced a newly designed hydrovac truck this year with a lighter weight and more debris capacity. This newly designed truck has compelling advantages over hydrovac trucks currently offered in the market.
- Using the Company's resources in China to source qualified materials and parts to further reduce production costs.
- The weaker Canadian dollar will continue to positively impact profit margins because more than half of the Company's hydrovac trucks are sold predominantly in US dollars while manufactured in Canada.

In China, the Company continues to develop this significant market. The Company continues its strategy of manufacturing and selling its industry leading, patents pending, hydrovac truck in North America and leveraging its unique and proprietary Chinese Hydrovac truck design by deploying a sales and service strategy customized to the Chinese excavation and utilities markets. The Company has carefully studied the Chinese hydrovac market opportunity and determined that its Hydrovac design and features are not present. The Company believes there is an untapped market opportunity in China, which is one of the largest excavation markets in the world. This office is staffed with local market experts in procurement and Chinese supply chain management, who are being trained and mentored by the Company's hydrovac excavation experts. The business plan for China includes exporting selected commercial parts from its Chinese supply chain at a lower cost back to Canada to improve the profitability and competitiveness of its North American manufactured hydrovac truck.

With the increasing demand in North America and expansion into China, management believes the Company's medium and long-term outlook is positive and improving. The Company will focus on marketing its newly designed trucks in North America and developing its business in China in the rest of 2017 and into 2018.

## Revenue

| | Three Months ended September 30 | | Nine Months ended September 30 | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Revenues | **$ 7,619** | $ 2,928 | **$ 20,341** | $ 12,074 |

During the nine months ended September 30, 2017, revenues were $20,341 (2016 - $12,074). The increase over 2016 reflects the recent improvement in the hydrovac market equipment demand with increased interest coming out of the municipal sector in both Canada and United States.

During the three months ended September 30, 2017, revenues were $7,619 (2016 - $2,928). The increase over 2016 is due to the same factors discussed above.

Amounts reported in thousands ($000's CAD) except per share amounts

## Cost of sales

| | Three Months ended September 30 | | Nine Months ended September 30 | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Cost of Sales | **$ 6,397** | $ 2,687 | **$ 17,348** | $ 11,468 |

For the nine months ended September 30, 2017, cost of sales was $17,348 compared to $11,468 in the same period of 2016. The increase in cost of sales is principally due to an increase in revenue and number of trucks sold.

For the three months ended September 30, 2017, cost of sales was $6,397 compared to $2,687 in the same period of 2016. The increase in cost of sales is also principally due to the same factors discussed above.

## Gross Profit

| | Three Months ended September 30 | | Nine Months ended September 30 | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Gross Profit | **$ 1,222** | $ 241 | **$ 2,993** | $ 606 |

For the nine months ended September 30, 2017, the gross profit was $2,993 compared to $606 in the same period of 2016. The increase in gross profit is principally due to the rising price resulted from the increase in overall demand for hydrovac trucks and improved cost efficiencies at higher production volumes.

For the three months ended September 30, 2017, the gross profit was $1,222 compared to $241 in the same period of 2016. The increase in gross profit is also principally due to the factors discussed above.

## Selling, General and Administrative Expenses ("S,G&A")

| | Three Months ended September 30 | | Nine Months ended September 30 | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Selling, General and Administrative expense | **$ 1,148** | $ 1,081 | **$ 3,302** | $ 2,166 |

During the nine months ended September 30, 2017, S,G&A expenses were $3,302 compared to $2,166 in the same period of in 2016. The increase is principally due to $808 (2016 - $359) of significant overhead costs of the China operation since it was established in Q3 2016 and increased costs associated with being a stand-alone public traded company.

During the three months ended September 30, 2017, S,G&A expenses were $1,148, similar to $1,081 in the same period of 2016.

## Depreciation of property and equipment

| | Three Months ended September 30 | | Nine Months ended September 30 | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Depreciation | **$ 117** | $ 135 | **$ 349** | $ 273 |

During the nine months ended September 30, 2017, depreciation of property and equipment was $349 (2016 - $273), all of which related to Operations in North America. The increase is due to certain items of property and equipment being marked upwards to fair value at the acquisition date in 2016 .

During the three months ended September 30, 2017, depreciation was $117 (2016 - $135), the majority of which related to Operations in North America.

Amounts reported in thousands ($000's CAD) except per share amounts

## Amortization of intangible assets

| | Three Months ended September 30 | | Nine Months ended September 30 | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Amortization of intangible assets | **$ 123** | $ 16 | **$ 369** | $ 74 |

During the nine months ended September 30, 2017, amortization of intangible assets was $369 (2016 - $74). The increase is the result of a significant increase in intangible assets resulted from capitalized Research and Development being marked upwards to fair value at the acquisition date in 2016.

During the three months ended September 30, 2017, amortization of intangible assets was $123 (2016 - $16). The increase is principally due to the factors discussed above.

## Income Tax recovery

| | Three Months ended September 30 | | Nine Months ended September 30 | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Income tax recovery | **$ -** | $ - | **$ -** | $ 303 |

Due to the early stage of being a stand-alone public traded company, the Company did not record a tax recovery as of September 30, 2017.

## Net income (loss)

| | Three Months ended September 30 | | Nine Months ended September 30 | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Net income (loss) | $ 79 | $ (999) | $ (780) | $ (1,822) |

For the nine months ended September 30, 2017, the net loss was $780 compared to the net loss of $1,822 in the same period of 2016. The decrease in the loss reflects the increased gross profit in North America, together with a gain of $151 on the conversion of debt through the issuance of shares, offset by significant additional costs in China and increased S,G&A costs in Corporate.

For the three months ended September 30, 2017, the net income was $79 compared to the net loss of $999 in the same period of 2016. The improvement was due to the same factors discussed above.

# Quarterly Financial Information

| | 2017 | 2017 | 2017 | 2016 | 2016 | 2016 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| Revenue | 7,619 | $ 6,733 | $ 5,989 | $ 4,975 | $ 2,928 | $ 5,764 | $ 3,382 | $ 5,152 |
| EBITDA | 74 | (291) | (93) | (528) | (840) | (285) | (435) | 5 |
| Comprehensive income (loss) | 58 | (563) | (318) | (929) | (999) | (355) | (467) | (370) |
| Net income (loss) per share - basic and diluted | $ - | $ - | $ (0.01) | $ (0.02) | $ (0.02) | | | |

The Company became a public company in Q3 2016, and therefore per share information is not applicable for prior quarters.

## Factors That Have Caused Variations over the Quarters

Revenue increased in Q3, 2017 due to the recent improvement in the hydrovac market equipment demand with increased interest coming out of the municipal sector in both Canada and United States. Revenue decreased in Q1 2016, Q3 2016 and Q3 2015 due to a downturn in the oil and gas market. This in turn led to a decrease in EBITDA and an increase in the loss for these periods. In Q3, 2017 EBITDA was positive due to increased revenue and gross margin in North America. During Q4, 2016 the increase in EBITDA was due to an increase in revenue and gross profit offset by additional costs in the Company's new China office, and the loss included additional depreciation and amortization relating to intangible assets. During Q2 2017, the decrease in EBITDA and increased loss was due to the liquidation of aged inventory with no margin and increased S,G&A in North America.

Amounts reported in thousands ($000's CAD) except per share amounts

## Funds From Operating Activities (1)

| | Nine Months ended September 30 | |
|---|---|---|
| | **2017** | 2016 |
| Cash used in operating activities | **$ (1,929)** | $ (1,870) |
| Changes in non-cash working capital | **1,622** | 92 |
| Funds used in operating activities | **$ (307)** | $ (1,778) |

(1) Funds from operating activities is a non IFRS measure and is calculated from cash flow from operations adjusted for changes in non-cash working capital.

During the nine months ended September 30, 2017, the Company used $307 of funds from operating activities compared to $1,778 in the comparable period in 2016. The decrease was principally due to an improvement in gross profit, from $606 to $2,993 resulted from increased revenue and gross margin, offset by increased costs in China.

## Liquidity, Capital Resources and Subsequent Event

### Liquidity

The Company had working capital of $11,946 as at September 30, 2017 compared to working capital of $9,099 as at December 31, 2016. Included in the working capital at September 30, 2017 is $5,373 of cash and $8,173 of inventory (which includes $1,235 relating to two demonstration units in China). For the nine months ended September 30, 2017, TGHL's operations used $307 of cash, compared to $1,778 of cash used in 2016, excluding the impact of changes in non-cash working capital amounts. The decrease was principally due to improvement in gross profit in North America, from $606 to $2,993 resulted from increased revenue and gross margin.

TGHL does not have any externally imposed restrictions on its capital. TGHL considers its net free cash to be its capital and manages the amounts based upon the projected needs of its individual geographic locations, those being China and North America. TGHL monitors these amounts to ensure there is adequate cash to support the North American operations and the planned expansion into China. Should the projected requirements not be fulfilled, TGHL expects to raise additional cash through either the issuance of additional equity, acquisition of additional debt, or a combination thereof. Cash on hand as at September 30, 2017, together with ongoing cash flow from operations and proceeds from the proposed financing arrangement described below propped, is expected to be able meet the budgeted requirements for the next 12 months.

On September 15, 2017, the Company completed a Common Share Private Placement, a Shares for Debt Transaction and a Unit Private Placement.

Under the Common Share Private Placement, the Company issued 27,777,778 Common Shares at a price of $0.09 per Common Share for gross proceeds of $2.5 million. Under the Shares for Debt transaction, principal and accrued interest totaling $2.7 million was converted into 30,185,544 Common Shares of the Company at a price of $0.09 per Common Share. Under the Unit Private Placement the Company issued 3,100,000 units at a price of $0.09 per Unit for aggregate gross proceeds of $279. Each Unit comprised one Common Share and one Common Share Purchase Warrant. Each Common Share Purchase Warrant shall be exercisable into one Common Share at a price of $0.12 per share for a 5 year period.

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Proceeds from these transactions have strengthened the Company's financial position and will be used to fund the Company's expansion on China and for general working capital purposes.

### Subsequent Event

On October 31, 2017, the Company completed a Rights Offering and issued 6,172,354 Common "A' Shares ("Common Shares") for gross proceeds of $525. The Company issued to holders of its issued and outstanding Common Shares one Right for each issued and outstanding share held. Each Right entitled the holder to subscribe for one Common Share at a price of $0.085 per share. 1,620,047 Rights were subscribed for by insiders of the Company. The intention of the Rights Offering was to permit Tornado's shareholders to purchase additional Common Shares at a similar price per share as those issued pursuant to the Common Share Private Placement, Shares for Debt Transaction and the Unit Private Placement.

## Capital Expenditures

The Company incurred minimal capital expenditures during the three and nine months ended September 30, 2017.

## Contractual Obligations And Commitments

### Operating Lease commitments:

The Company rents office space in Calgary, Canada, under a sub-lease which expires on July 31, 2019 that requires annual payments of $75. The Company also rents premises in Calgary under an operating lease that requires annual payments of $78 which expires on November 30, 2019. The Company also rents premises in Stettler Canada, under an operating lease that requires annual payments of $234 expires June 30, 2021. This lease may be canceled upon 6 months' notice. The Company also rents premises in Beijing, China, under an operating lease that requires annual payments of $79, and the lease is renewable annually.

TGHL has the following lease commitments, which will be funded from ongoing operations over the next 5 years:

| | Q4 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Calgary Office | $ 19 | $ 75 | $ 44 | | |
| Calgary Other | 20 | 78 | 72 | | |
| Stettler | 59 | 234 | 234 | 234 | 117 |
| Beijing Office | 20 | 79 | 53 | | |
| Other | 11 | 19 | 19 | 5 | |
| | **$ 129** | **$ 485** | **$ 422** | **$ 239** | **$ 117** |

In the ordinary course of business, the Company and its subsidiaries may enter into contracts which contain indemnification provisions, such as service agreements, leasing agreements, asset purchase and sale agreements, joint venture agreements, operating agreements, land use agreements, etc. In such contracts, the Company may indemnify counterparties to the contracts if certain events occur. These indemnification provisions vary on an agreement-by-agreement basis. In some cases, there are no pre-determined amounts or limits included in the indemnification provisions and the occurrence of contingent events that would trigger payment under them is difficult to predict. Therefore, the maximum potential future amount that the Company could be required to pay cannot be estimated.

Amounts reported in thousands ($000's CAD) except per share amounts

## Off Balance Sheet Arrangements And Financial Instruments

None.

## Shareholders' Equity

### Share Capital

The Company is authorized to issue an unlimited number of Class "A" Common Shares.

Changes in the Company's share capital during the period are as follows:

| | Shares | | Amount |
|---|---|---|---|
| Outstanding common shares, December 31, 2016 | 59,480,843 | $ | 15,283 |
| Issued by way of private placement, September 15, 2017 | 27,777,778 | | 2,500 |
| Issued by way of Unit private placement, September 15, 2017 | 3,100,000 | | 135 |
| Issued from debt conversion, September 15, 2017 | 30,185,544 | | 2,566 |
| Share issue costs | - | | (66) |
| **Outstanding common shares, September 30, 2017** | **120,544,165** | **$** | **20,418** |

As of November 16, 2017, there are 126,716,519 Class "A" Common Shares outstanding.

As of September 30, 2017, there was 9.0 million shares held in escrow as a result of the spin-out transaction in 2016. These shares will be released from escrow on January 7, 2018.

No dividends were declared during the period. TGHL does not have any stock options outstanding at September 30, 2017.

### Common Share purchase warrants

| | Warrants | Amount |
|---|---|---|
| As at September 30, 2017 | 3,100,000 | $144 |

On September 15, 2017 the Company closed a Unit Private Placement, under which 3,100,000 Units were issued at a price of $0.09 per Unit for aggregate gross proceeds of $279. Each Unit comprised one Common Share and one Common Share purchase warrant ("Warrant"). Each Warrant was fair valued at $0.046 using a Black Scholes valuation model, which assumed volatility of 75% and risk free interest rate of 1.70%. Each Warrant is exercisable at $0.12 and expires on September 15, 2022. The Units were subscribed for by directors, officers and management.

## Related Party Transactions

Transactions between the Company and related parties during the three and nine months ended September 30, 2017 comprised the following:

(a) During the three and nine months ended September 30, 2017 TGHL had purchases from Empire Industries Ltd. (the "Former Parent") in the amount of $99 (2016 - $Nil) and $155 (2016 – $299) respectively and sales to the Former Parent of $Nil (2016 - $Nil) and $Nil (2016 - $20) respectively. In addition, during the three and nine months ended September 30, 2017 TGHL was charged management fees from its Former Parent Company of $Nil (2016 - $Nil) and $Nil (2016 – $200) respectively.

(b) During the three and nine months ended September 30, 2017 TGHL incurred interest on the loan from the Former Parent of $15 (2016 - $19) and $53 (2016 – $19) respectively. The loan was converted to equity on September 15, 2017.

Amounts reported in thousands ($000's CAD) except per share amounts

(c) During the three and nine months ended September 30, 2017 $115 (2016 - $16) and $122 (2016 – $16) respectively in legal fees were incurred to a legal firm in which a director of the Company is a former partner.

These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

### Reconciliation of Loss before taxes to EBITDA

| | Three Months ended September 30 | | Nine Months ended September 30 | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Income (loss) before taxes | **$ 79** | $ (999) | **$ (780)** | $ (2,125) |
| Add: Depreciation and amortization | **240** | 151 | **718** | 347 |
| Deduct: Finance income | **(6)** | - | **(25)** | - |
| Add: Finance costs | **22** | 8 | **78** | 18 |
| Add: Changes in fair value in derivatives | **(110)** | - | **(149)** | - |
| Add: Gain on shares issued for debt | **(151)** | - | **(151)** | - |
| Add: Management fees | **-** | - | **-** | 200 |
| EBITDA | **$ 74** | $ (840) | **$ (309)** | $ (1,560) |
| % of revenue | **0.97%** | -28.69% | **-1.52%** | -12.92% |

### Calculation of EBIT

| | Three Months ended June 30 | | Six Months ended June 30 | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| EBITDA | **$ 74** | $ (840) | **$ (309)** | $ (1,560) |
| Less: Depreciation and amortization | **(240)** | (151) | **(718)** | (347) |
| EBIT | **$ (166)** | $ (991) | **$ (1,027)** | $ (1,907) |
| % of revenue | **-2.18%** | -33.85% | **-5.05%** | -15.79% |

### Calculation of Gross Margin

| | Three Months ended June 30 | | Six Months ended June 30 | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Revenues | **$ 7,619** | $ 2,928 | **$ 20,341** | $ 12,074 |
| Cost of sales | **6,397** | 2,687 | **17,348** | 11,468 |
| Gross margin | **$ 1,222** | $ 241 | **$ 2,993** | $ 606 |
| % of revenue | **16.04%** | 8.23% | **14.71%** | 5.02% |

## Financial Instruments And Risk Management

The Company's financial instruments recognized in the consolidated balance sheet consist of cash and cash equivalents, accounts receivable, finance leases, accounts payable and accrued liabilities. The carrying value of these balance sheet items approximates their fair market value due to their short-term nature.

The risks associated with these financial instruments including foreign currency risk, credit risk, interest rate risk, liquidity risk and commodity price risk have not changed from December 31, 2016.

The Company may use foreign exchange contracts to hedge its U.S. dollar revenues. As at September 30, 2017, the Company had in place $2 million US on forward contracts which expires on November 30 and December 29, 2017. These contracts were revalued to fair market value using fair value accounting at the balance sheet date. For the nine months ended September 30, 2017 the company recorded $149 of unrealized foreign exchange gains on these contracts.

## Significant Judgements And Estimates

The preparation of the Company's financial statements requires management to adopt accounting policies that involve the use of significant estimates and assumptions. These estimates and assumptions are developed based on the best available information and are believed by management to be reasonable under the existing circumstances. New events or additional information may result in the revision of these estimates over time. A summary of the critical estimates and judgments used by the Company can be found in note 4 to the December 31, 2016 audited annual financial statements. There have been no changes to the Company's significant accounting estimates and judgments as of September 30, 2017.

## Internal Controls And Procedures

There have been no significant changes in TGHL's internal controls over financial reporting during the nine months ended September 30, 2017 that have materially affected, or are reasonability likely to materially affect TGHL's internal controls over financial reporting.

## Forward Looking Information

This MD&A contains certain "forward-looking statements." All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding financial and business prospects and financial outlook) are forward looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company, based on information currently available to the Company. Forward-looking statements are subject to a number of risks, uncertainties and assumptions that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements and, even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, changes in general economic and market conditions, changes to regulations affecting the Company's activities, and uncertainties relating to the availability and costs of financing needed in the future. Any forward-looking statement speaks only as at the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward looking statements are not guarantees of future performance and, accordingly, undue reliance should not be put on such statements due to the inherent uncertainty therein.

## Business Risks And Uncertainties

From time to time the Company may enter into agreements to lease certain equipment in the Company's inventory to customers or to sublease certain equipment to customers that the Company has leased from third parties. Such lease arrangements will be subject to terms and conditions negotiated by the Company and the customer which may include short lease termination provisions. Any such lease arrangements may, depending on the number of leases and the value of such leases, be material to the Company's financial performance. To the extent that such leases are terminated with short notice to the Company, the Company's financial performance may be materially negatively impacted. As at the date hereof, the Company is not reliant on any agreement for the lease of vehicles to a customer for a material amount of the Company's cash flow and no such lease agreements are otherwise material to the Company's operations.

Please refer to the Company's annual MD&A and audited consolidated financial statements for the year ended December 31, 2016, available on SEDAR at www.sedar.com, for a discussion of the other risks and uncertainties associated with the Company's activities. There have been no significant changes in these risks and uncertainties during the first nine months of 2017. Additional risks and uncertainties that management may be unaware of may become important factors which affect TGHL.