Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of the 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 consolidated financial statements and related notes as at December 31, 2017 and for the years ended December 31, 2017 and 2016.

The audited consolidated financial statements and accompanying notes of the Company for the year ended December 31, 2017 and 2016 have been prepared in conformity with International Financial Reporting Standards ("IFRS").

The 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".

Unless otherwise indicated, a reference to a year relates to TGHL's fiscal year ended December 31. All amounts are reported in Canadian dollars unless specifically stated otherwise. Financial information disclosed in this MD&A is presented in thousands (000's) except for percentages and per share data.

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 April 19, 2018, 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 and stock-based compensation ("EBITDAS") and "Gross Margin". Because these terms are not defined by IFRS they cannot be formally presented in the consolidated financial statements. The definition of EBITDAS does not take into account 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 EBITDAS less depreciation and amortization expenses, fair value changes in foreign currency forward contracts and stock-based compensation. 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 EBITDAS, EBIT and Gross Margin may differ from those definitions used by other companies.

While not IFRS measures, EBITDAS, 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 municipal market and oil and gas industry. 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.

2017 Overview

- Revenue of $29,781 increased 74.7% compared to $17,049 in 2016. The increase in revenue was due to the improvement during 2017 in hydrovac equipment 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 $4,488 increased by $3,346 compared to $1,142 in 2016.

- EBITDAS of negative $330, comprising North America ($1,649), China (negative $1,153) and Corporate (negative $826), improved by $1,758 compared to negative $2,088 in 2016, due to increased revenues and gross profit in North America, offset by increased selling, general and administrative expenses.

  For the North America segment, EDITDAS during 2017 of $1,649 increased significantly compared to negative $904 in 2016, due increased activity levels.

- The Net loss in 2017 of $1,579 decreased by $1,172 compared to a loss of $2,751 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, offset by stock-based compensation expense of $213 and incomes taxes of $145.

- 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 "A" Shares ("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. (the "Former Parent"), 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.

- On October 31, 2017, the Company completed a Rights Offering and issued 6,172,354 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.

4Q17 Overview

Revenues increased by 89.7% to $9,440 million in 4Q17 as compared to the same period in the prior year. Gross Margin of $1,495 increased by 178.9% in 4Q17 compared to the same period in 2016. This was the result of increased sales in North America.

Selling and administrative expenses of $1,516 increased by $452 compared to the same period in 2016 as a result of increased activity in North America, increased costs as the China operations added staff and increased public company costs as a result of operating as a stand-alone public company.

EBITDAS of negative $21 in 4Q17 compared to EBITDAS of negative $528 in 4Q16 as a result of the factors discussed above. EBIT of a loss of $296 improved by $605 compared to a loss of $901 in the same period in 2016.

During Q4/17 stock-based compensation expense of $213 was recorded following the grant of stock options in November 2017. In addition, a tax provision of $145 was recorded in Q4/17.

As a result of these factors, a net loss of $799 for the Q4/17 was recorded compared to a net loss of $929 in the same period in 2016.

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

Selected Financial Information

	Three Months ended December 31		Year ended December 31	
	2017	2016	**2017**	2016
Revenue	**$ 9,440**	$ 4,975	**$ 29,781**	$ 17,049
Cost of sales	**7,945**	4,439	**25,293**	15,907
Gross Profit	**1,495**	536	**4,488**	1,142
Selling and general administrative expenses	**1,516**	1,064	**4,818**	3,230
Depreciation of property and equipment	**145**	111	**476**	362
Depreciation of inventory	**4**	32	**22**	54
Amortization of intangible assets	**126**	230	**495**	304
Stock-based compensation	**213**	-	**213**	-
Finance income	**1**	(44)	**(24)**	(44)
Finance costs	**22**	45	**100**	63
Change in fair value of derivative financial instruments	**122**	27	**(27)**	27
Gain on shares issued for debt	**-**	-	**(151)**	-
Management fees	**-**	-	**-**	200
Loss before tax	**(654)**	(929)	**(1,434)**	(3,054)
Income tax expense	**(145)**	-	**(145)**	303
Net loss	**$ (799)**	$ (929)	**$ (1,579)**	$ (2,751)
Comprehensive loss	**$ (646)**	$ (929)	**$ (1,469)**	$ (2,751)
Net loss per share - basic and diluted	**$ (0.02)**	$ (0.02)	**$ (0.02)**	$ (0.05)
Total non-current financial liabilities	**$ 584**	$ 2,535	**$ 584**	$ 2,535
Total assets	**$ 22,062**	$ 19,539	**$ 22,062**	$ 19,539

Segmented Information

Year ended December 31, 2017	North America	China	Corporate	Total
Revenue	$ 29,781	$ -	$ -	$ 29,781
Cost of sales	25,293	-	-	25,293
Selling and general administrative	2,839	1,153	826	4,818
	1,649	(1,153)	(826)	(330)
Depreciation and amortization	495	3	494	993
Income (loss) before other items of income	$ 1,154	$ (1,156)	$ (1,320)	$ (1,323)

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

Operating Results

	Three Months ended December 31		Year ended December 31	
	2017	**2016**	**2017**	2016
Revenues	**$ 9,440**	**$ 4,975**	**$ 29,781**	$ 17,049
Gross margin	**1,495**	**536**	**4,488**	1,142
Gross margin %	**15.84%**	10.77%	**15.07%**	6.70%
EBITDAS	**(21)**	(528)	**(330)**	(2,088)
EBITDAS %	**-0.22%**	-10.61%	**-1.11%**	-12.25%
EBIT	**(296)**	(901)	**(1,323)**	(2,808)
EBIT %	**-3.14%**	-18.11%	**-4.44%**	-16.47%
Net loss	**$ (799)**	$ (929)	**$ (1,579)**	$ (2,751)

The Company's Gross Margin relates to its North America segment and for the year ended December 31, 2017 Gross Margin of $4,488 increased 293% 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.

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 continue this improved performance in North America in 2018 for the following reasons:

- The indications of increased spending in infrastructure from both the Canadian and United States (the "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.
- The Company is experiencing increased demand in the US.
- The Company will use its resources in China to source qualified materials and parts to reduce production costs.
- The weak 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 to manufacture and sell its industry leading, patents pending, hydrovac truck and equipment 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. The China 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 Company has three demonstration trucks located in Beijing which will be used for demonstration and marketing purposes. 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 2018.

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

Revenue

	Three Months ended December 31		Year ended December 31	
	2017	2016	**2017**	2016
Revenues	**$ 9,440**	$ 4,975	**$ 29,781**	$ 17,049

During the year ended December 31, 2017, revenues were $29,781 (2016 - $17,049). The increase over 2016 reflects the improvement since the second quarter of 2017 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 December 31, 2017, revenues were $9,440 (2016 - $4,975). The increase over 2016 is due to the same factors discussed above.

Cost of sales

	Three Months ended December 31		Year ended December 31	
	2017	2016	**2017**	2016
Cost of Sales	**$ 7,945**	$ 4,439	**$ 25,293**	$ 15,907

For the year ended December 31, 2017, cost of sales was $25,293 compared to $15,907 in the same period of 2016. The increase in cost of sales is principally due to an increase in the number of trucks manufactured and sold.

For the three months ended December 31, 2017, cost of sales was $7,945 compared to $4,439 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 December 31		Year ended December 31	
	2017	2016	**2017**	2016
Gross Profit	**$ 1,495**	$ 536	**$ 4,488**	$ 1,142

Gross profit relates to the North America segment and for the year ended December 31, 2017, the gross profit was $4,488 compared to $1,142 in the same period of 2016. The increase in gross profit is principally due to the increase in overall demand for hydrovac trucks and improved cost efficiencies at higher production volumes.

For the three months ended December 31, 2017, the gross profit was $1,495 compared to $536 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 December 31		Year ended December 31	
	2017	2016	**2017**	2016
Selling, General and Administrative expense	**$ 1,516**	$ 1,064	**$ 4,818**	$ 3,230

During the year ended December 31, 2017, S,G&A expenses were $4,818 (comprising $2,839 in North America, $1,153 in China and $826 in Corporate) compared to $3,230 (comprising $2,046 in North America, $552 in China and $632 in Corporate) in the same period of in 2016. The overall increase is principally due to increased expense in North America due to an increase in activity, 12 months of operations in China compared to 6 months in 2016 and increased public company costs in Corporate.

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

During the three months ended December 31, 2017, S,G&A expenses were $1,516, (comprising $918 in North America, $345 in China and $253 in Corporate) compared to $1,064 in the same period of 2016. The overall increase is principally due to increased expense in North America due to an increase in activity, increased expenses in China and increased public company costs and directors' fees in Corporate.

Depreciation of property and equipment

	Three Months ended December 31		Year ended December 31	
	2017	2016	**2017**	2016
Depreciation	**$ 145**	$ 111	**$ 476**	$ 362

During the year ended December 31, 2017, depreciation of property and equipment was $476 (2016 - $362), the majority 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 December 31, 2017, depreciation was $145 (2016 - $111), the majority of which related to operations in North America.

Amortization of intangible assets

	Three Months ended December 31		Year ended December 31	
	2017	2016	**2017**	2016
Amortization of intangible assets	**$ 126**	$ 230	**$ 495**	$ 304

During the year ended December 31, 2017, amortization of intangible assets was $495 (2016 - $304). 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 December 31, 2017, amortization of intangible assets was $126 (2016 - $230). The expense for 2016 was higher as it included year-end adjustments.

Stock based compensation

	Three Months ended December 31		Year ended December 31	
	2017	**2016**	**2017**	2016
Stock Based Compensation	**$ 213**	**$ -**	**$ 213**	$ -

During the quarter and year ended December 31, 2017, stock-based compensation expense of $213 resulted from expensing the Company's outstanding stock options over the vesting period which ranges from immediate to 2 years after the grant date.

8,400,000 options were granted to directors, officers, employees and consultants in November 2017. The Company uses the fair value method of accounting for stock options granted, whereby, the fair value of all stock options granted is charged to income over the vesting periods. The fair value of common share options granted is estimated on the date of grant using the Black-Scholes option pricing model.

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

Management fees

During the year ended December 31, 2017, there were no management fees from the Former Parent (2016 - $200) since the Company was a stand-alone public company for the whole year.

Income tax expense (recovery)

	Three Months ended December 31		Year ended December 31	
	2017	2016	**2017**	2016
Current Income tax (recovery)	**$ 57**	$ -	**$ 57**	$ (3)
Deferred income tax (recovery)	**88**	-	**88**	(300)
	$ 145	$ -	**$ 145**	$ (303)

During the quarter and year ended December 31, 2017, the Company recorded income tax expense of $145 ($57 - current: $88 - deferred) relating to its wholly owned operating subsidiary in Canada. In 2016 the Company recorded a tax recovery of $303.

Net loss

	Three Months ended December 31		Year ended December 31	
	2017	2016	**2017**	2016
Net loss	**$ (799)**	$ (929)	**$ (1,579)**	$ (2,751)

For the year ended December 31, 2017, the net loss was $1,579 compared to the net loss of $2,751 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, increased S,G&A costs in Corporate and stock-based compensation.

For the three months ended December 31, 2017, the net loss was $799 compared to a net loss of $929 in the same period of 2016. The decrease in the loss was due principally to increased gross margin in North America offset by stock-based compensation.

Quarterly Financial Information

	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	$	$	$	$	$	$	$	$
Revenue	$ 9,440	$ 7,620	$ 6,733	$ 5,989	$ 4,975	$ 2,928	$ 5,764	$ 3,382
EBITDAS	(21)	74	(291)	(93)	(528)	(840)	(285)	(435)
Net income (loss)	(799)	79	(537)	(322)	(929)	(999)	(355)	(467)
Comprehensive income (loss)	(646)	58	(563)	(318)	(929)	(999)	(355)	(467)
Net loss per share - basic and diluted	$ (0.02)	$ -	$ -	$ (0.01)	$ (0.02)	$ (0.02)		

The quarterly information above has been prepared in conformity with IFRS.

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

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

Factors That Have Caused Variations over the Quarters

Revenue increased in Q4 and 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 and Q3 2016 due to a downturn in the oil and gas market. This in turn led to a decrease in EBITDAS and an increase in the loss for these periods. In Q3, 2017 EBITDAS was positive due to increased revenue and gross margin in North America. During Q4, 2016 the increase in EBITDAS 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 EBITDAS and increased loss was due to the liquidation of aged inventory with no margin and increased S,G&A in North America. The net loss in Q4, 2017 increased due to stock-based compensation and income taxes.

Funds from Operating Activities (1)

	Year ended December 31	
	2017	2016
Cash used in operating activities	**$ (1,322)**	$ (2,267)
Changes in non-cash working capital	**902**	836
Funds used in operating activities	**$ (420)**	$ (1,431)

(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 year ended December 31, 2017, the Company used $420 of funds from operating activities compared to $1,431 in the comparable period in 2016. The decrease was principally due to an improvement in gross profit, from $1,142 to $4,488 resulted from increased revenue and gross margin in North America, offset by increased costs in China.

Liquidity, Capital Resources and Subsequent Event

Liquidity

The Company had working capital of $11,334 as at December 31, 2017 compared to working capital of $9,099 as at December 31, 2016. Included in the working capital at December 31, 2017 is $5,633 of cash and $6,490 of inventory (which includes $987 relating to two demonstration units in China). For the year ended December 31, 2017, TGHL's operations used $420 of cash, compared to $1,431 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 $1,142 to $4,488 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 ongoing planned expansion into China. Should the projected requirements not be satisfied from cash on hand at the Company or cash flow from operation, TGHL would need to raise additional cash. Management anticipates that additional funds could be raised on terms satisfactory to TGHL through either the issuance of additional equity, acquisition of additional debt, or a combination thereof. Cash on hand as at December 31, 2017, together with ongoing cash flow from operations and proceeds from the financing arrangement described below is expected to be able meet the budgeted requirements for the next 12 months.

As at December 31, 2017 the Company held cash in China totaling $3,800. This cash is intended to be used to fund the Company's future China operations. In the event the Company decides to transfer these funds back to Canada, due to currency restrictions in China there may be practical difficulties in the timing of such transfer.

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.

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.

On October 31, 2017, the Company completed a Rights Offering and issued 6,172,354 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 exercised by insiders of the Company. The intention of the Rights Offering was to permit TGHL'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.

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

Capital Expenditures

The Company incurred capital expenditures of $1,036 during the year ended December 31, 2017, comprising principally two hydrovac trucks used for rental purposes.

Contractual Obligations and Commitments

Operating lease commitments:

The Company rents premises in Stettler Canada, under an operating lease that requires annual payments of $234 expires June 30, 2021. 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. 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 which expires in August 2019.

TGHL has the following lease commitments, which will be funded from ongoing operations over the next 4 years:

	2018	2019	2020	2021	2022
Stettler	$ 234	$ 234	$ 234	$ 117	$ -
Calgary Office	75	44	-	-	-
Calgary Other	78	72	-	-	-
Beijing Office	79	53	-	-	-
	$ 466	**$ 403**	**$ 234**	**$ 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

As of the date hereof, the Company does not have any off balance sheet arrangements.

Shareholders' Equity

Share Capital

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

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

	Shares		Amount
Outstanding common shares, December 31, 2015	-	$	-
Issuance of common shares – plan of arrangement	32,417,056		8,329
Issuance of common shares - private placement	27,063,787		6,954
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
Issued by way of rights offering, October 31, 2017	6,172,354		525
Share issue costs	-		(116)
Outstanding common shares, December 31, 2017	**126,716,519**	$	20,893

On June 28, 2016, TGHL issued 32,417,056 Common Shares to the Former Parent as partial consideration of the assets and liabilities acquired under the plan of arrangement which were immediately distributed to the shareholders of the Former Parent and were valued at $8,329. Also on June 28, 2016, TGHL issued 27,063,787 Common Shares to a shareholder in connection with the private placement for proceeds of $6,954.

On September 15, 2017, the Company completed three financing transactions. Under a 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 a Unit Private Placement, the Company issued 3,100,000 units at a price of $0.09 per Unit for aggregate gross proceeds of $279. This was allocated $135 to Common Shares and $144 to Common Shares warrants. Under a Shares for Debt transaction, principal and accrued interest totaling $2.7 million owed to the Company's Former Parent, was converted into 30,185,544 Common Shares at a price of $0.09 per Common Share.

On October 31, 2017 the Company closed a Rights Offering by issuing 6,172,354 Common Shares at a price of $0.085 per share for gross proceeds of $ 525. The Company issued to shareholders one right for each issued and outstanding Common Share. Each Right entitled the holder to subscribe for one Common Share. The intention of the Rights Offering was to permit shareholders to purchase additional Common Shares at a similar price to those issued in the September 15, 2017 transactions.

As of March 27, 2018, there are 126,716,519 Common Shares outstanding.

As of December 31, 2017, there was 9.0 million Common Shares held in escrow as a result of the spin-out transaction in 2016. These shares were released from escrow on January 7, 2018.

No dividends were declared during the period.

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

Common Share purchase warrants

	Warrants	Amount
As at December 31, 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.

Stock options

The Company has 8,400,000 stock options outstanding at December 31, 2017, exercisable at $0.11 per share and expiring on November 21, 2022.

Related Party Transactions

Transactions between the Company and related parties during the year ended December 31, 2017 comprised the following:

(a) During the year ended December 31, 2017, the Company had purchases from the Former Parent in the amount of $360 (2016 - $299). As at December 31, 2017, the Company had a payable of $297 (2016 - $8) to the Former Parent. The Company may make additional purchases in the future.

(b) During the year ended December 31, 2017, TGHL was charged management fees from the Former Parent of $Nil (2016 - $200). There is no further ongoing commitment with respect to management fees.

(c) During the year ended December 31, 2017 the Company incurred interest on the loan from the Former Parent of $53 (2016 - $39). The loan was converted to equity on September 15, 2017.

(d) During the year ended December 31, 2017, $137 (2016 - $41) legal fees were incurred and paid to Carscallen LLP. Mr. George Tai, a director of the Company, was a partner of Carscallen LLP for a portion of the year ended December 31, 2017. Mr. Tai is no longer a partner at Carscallen LLP.

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 EBITDAS

	Year ended December 31	
	2017	2016
Loss before taxes	**$ (1,434)**	$ (3,054)
Add: Depreciation and amortization	**993**	720
Deduct: Finance income	**(24)**	(44)
Add: Finance costs	**100**	63
Add: Changes in fair value in derivatives	**(27)**	27
Add: Gain on shares issued for debt	**(151)**	-
Add: Stock based compensation	**213**	-
Add: Management fees	**-**	200
EBITDAS	**$ (330)**	$ (2,088)
% of revenue	**-1.11%**	-12.25%

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

Calculation of EBIT

	Year ended December 31	
	2017	2016
EBITDAS	**$ (330)**	$ (2,088)
Less: Depreciation and amortization	**(993)**	(720)
EBIT	**$ (1,323)**	$ (2,808)
% of revenue	**-4.44%**	-16.47%

Calculation of Gross Margin

	Year ended December 31	
	2017	2016
Revenues	**$ 29,781**	$ 17,049
Cost of sales	**25,293**	15,907
Gross margin	**$ 4,488**	$ 1,142
% of revenue	**15.07%**	6.70%

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, accrued liabilities and income taxes payable. 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 are discussed under "Risks and Uncertainties".

The Company may use foreign exchange contracts to hedge its U.S. dollar revenues. As at December 31, 2017, the Company had no forward contracts in place.

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, 2017 audited annual financial statements.

Risks and Uncertainties

Operating Results

TGHL's business requires significant financial resources, and there is no assurance that future revenues will be sufficient to generate the funds required to continue TGHL's business development and marketing activities. In certain markets, the Company competes with local, regional, national and international companies for sales. With the experience of the Company's management, the Company believes it has developed systems, policies, and procedures to mitigate this risk in the North American market. The Company currently has no revenues in the China market, and there is no assurance that any will develop.

Liquidity Requirements

The Company requires significant amounts of working capital in order to be able to operate. The Company's sales in North

America are primarily based upon negotiated prices and while customer deposits are sometimes obtained, payment is generally received upon delivery of the finished truck. In order to satisfy customer demand in a timely manner, TGHL endeavors to have stock trucks available for immediate purchase, which is a capital intensive endeavour.

The Company's ability to obtain additional capital is a significant factor in achieving its strategy of expansion in the North American and Chinese markets. There can be no assurance that the current working capital of TGHL will be sufficient to enable it to implement all of its objectives. Furthermore, the current credit contraction in the world's financial markets may limit the Company's ability to access credit in the event that it identifies a potential acquisition or some other business opportunity that would require a significant investment in resources. There can be no assurance that if and when TGHL seeks equity or debt financing, it will be able to obtain the required funding on favorable commercial terms, or at all. Any such future financing may also result in additional dilution to existing shareholders.

TGHL requires sufficient financing to fund its operations. Failure to obtain financing on a timely basis could cause missed acquisition opportunities, delays in expansion and may also impact ongoing operations.

Credit Risk

Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfill their commitments to the Company. Notwithstanding the Company's current credit policies and practices, there can be no assurance that customers will remain able to fulfill their commitments to the Company which may have an adverse effect on the Company's financial performance.

Interest Rate Risk

Fluctuations in interest rates will affect that portion of the Company's debt that is subject to variable interest rates, and will also affect the prices for other financial instruments. Such fluctuations could have an adverse effect on the Company's financial performance.

Foreign Exchange Risk

Rapid currency fluctuations can have a significant impact on un-hedged non-Canadian dollar denominated sales and raw material costs. To mitigate this risk the Company may enter into forward contracts to sell US dollars. See also, "*Risks Associated with Sales to the US and Operations in China – Currency Risk*".

Cost of Raw Materials

The principal cost of raw materials is chassis, mechanical components, and tanks and other steel components. These supply and pricing arrangements are negotiated directly with vendors in supply agreements of varying duration. TGHL mitigates its risk, to the extent possible, through contracted buying arrangements or limitations on the length of time that bids can remain outstanding prior to acceptance. Volatility in raw material costs may negatively impact margins and therefore the company's future results of operations or financial position.

Competitive Market in North America

Due to the competitive nature of the business in North America, TGHL must compete on price and quality of its hydrovac trucks. Delivery time is also an important consideration for customers, meaning that having a finished goods inventory of hydrovac trucks gives a competitive advantage. There can be no assurance that TGHL will have the financial capacity to maintain a sufficient finished goods inventory in North America.

Global Economic Environment

Economic downturns have demonstrated that businesses and industries throughout the world are very tightly connected to each other. Thus, events seemingly unrelated to TGHL may adversely affect TGHL over the course of time. For example, a credit contraction in financial markets, combined with reduced economic activity, may adversely affect economic activity of businesses in North America that collectively are expected to constitute a significant portion of TGHL's customer base. As a result, these customers may need to reduce their purchases of TGHL's products or services, or TGHL may experience greater difficulty in receiving payment for the products or services that these customers purchase from TGHL. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on TGHL's business, operating results, and financial condition.

Change in Demand

Particularly in western Canada, demand for TGHL’s products and services tends to fluctuate directly with oil and gas related production and construction activity. This in turn strongly correlates with the price of oil. A decline in the demand for TGHL’s products can occur if deteriorating economic conditions reduce these economic activities, which would have an adverse effect on TGHL’s business, results of operations, and financial condition. TGHL has largely expanded its business into the municipal market in both Canada and United States. A decrease in demand from the infrastructure development could negatively impact its business and performance.

Reliance on Key Personnel

The business activities of TGHL involve a certain degree of risk that even a combination of experience, knowledge and diligence may not be able to overcome. Shareholders must rely on the ability, expertise, judgment, direction and integrity of the management of TGHL. Success will be dependent on the services of a number of key personnel, including its executive officers and other key employees, the loss of any one of whom could have an adverse effect on its operations and business prospects. TGHL feels that by being a publicly traded company it will have more flexibility than its private competitors to implement attractive incentive plans for key employees to attract and retain the necessary employees.

Safety

TGHL is exposed to liabilities that are unique to the services that TGHL provides. Such liabilities may relate to an accident or incident involving one of TGHL’s hydrovac trucks or damage to equipment or property caused by one of TGHL’s hydrovac trucks and could result in damage claims against the Company. The amount of TGHL’s insurance coverage may not be adequate to cover potential claims or liabilities and TGHL may be forced to bear substantial costs as a result of one or more accidents. Substantial claims resulting from mechanical failure, in excess of its related insurance coverage, could harm TGHL’s financial condition and operating results. Moreover, any accident or incident involving TGHL, even if TGHL is fully insured or not held liable, could negatively affect TGHL's reputation among customers and the public, thereby making it more difficult for TGHL to compete effectively, and could significantly affect the cost and availability of insurance in the future.

Environment/Regulatory

Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. No assurance can be given that environmental laws will not result in an increase in the costs of TGHL’s activities or otherwise adversely affect the its financial condition, results of operations or prospects.

TGHL maintains insurance consistent with industry practice to protect against losses due to sudden and accidental environmental contamination, accidental destruction of assets, and other operating accidents or disruption. TGHL also has operational and emergency response procedures, and safety and environmental programs in place to reduce potential loss exposure. TGHL believes that it is in substantial compliance, in all material respects, with all current environmental legislation and is taking such steps as it believes are prudent to ensure that compliance will be maintained.

Litigation

Legal proceedings may arise from time to time in the course of TGHL’s business. All industries, including the hydrovac industry, are subject to legal claims, with and without merit. Such legal claims may be brought against TGHL or one or more of its subsidiaries in the future from time to time. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, such process could take away from management time and effort and the resolution of any particular legal proceeding to which TGHL may become subject could have a material effect on TGHL’s financial position and results of operations.

Lease agreements with customers

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.

Risks Associated with Sales to the US and Operations in China

General Description

The Company conducts business on an international basis, with sales from its Stettler, Alberta, Canada manufacturing facility to customers in the US and has operations in China, which have inherent unique risks and uncertainties including:

- burdens to comply with multiple and potentially conflicting foreign laws and regulations, including export requirements, tariffs and other barriers, environmental health and safety requirements and unexpected changes in any of these laws and regulations;
- to the extent cash is held outside of North America, the Company’s repatriation of such cash may be subject to the approval of foreign governments and to the potentially adverse impact of foreign and domestic tax laws as well as changes in foreign exchange or capital controls;
- political and economic instability and disruptions, including the imposition of political and economic sanctions that could adversely affect the profitability of sales into the US and the operations in China;
- disadvantages of competing against companies that are not subject to Canadian laws and regulations, including the *Corruption of Foreign Officials Act* (Canada) (“CFPO”);
- increased complexity and costs of managing operations in China due to time zone differences and local language capabilities;
- increased challenges in protecting and enforcing intellectual property rights, particularly in China;
- potentially adverse tax consequences due to overlapping or differing tax structures or changes in tax rates; and
- fluctuations in currency exchange rates.

To the Company’s knowledge, it holds all material permits and licenses and is in compliance with all material applicable laws and regulations in China.

The Company’s operations in China and sales into the US are subject to a number of unique risks including trade barriers, exchange controls and restrictions on currency conversion, political risks or increased duties, taxes and tariffs, as well as changes in laws, regulations and policies governing operations in China and sales into the US such as embargos. Despite the activity and progress in developing its legal system, China does not have a system of laws as comprehensive and predictable as in Canada.

China currently imposes foreign exchange controls and restrictions on currency conversion. In order to move money in or out of China, the Company must comply with strict rules and procedures imposed by the Chinese government, including timely reporting requirements and the provision of supporting documentation to the requisite authorities in order to obtain the necessary approvals. To date, the Company has not had to repatriate funds from its operations in China, however, the Company could be adversely affected by changes in foreign exchange, capital control or other laws, regulations or policies, or changes in the interpretation thereof, which could restrict its continued ability to do so. Should there be any unexpected delays in processing these requests or any failure to receive the requisite approvals, this could adversely affect the Company’s liquidity and its ability to plan for its future liquidity needs.

Political instability in either China or the US could have a material adverse effect on the Company. The Chinese government exercises significant control over China’s economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatment to particular industries or companies. Political instability could result in changes to the laws and regulations affecting the Company and for the reasons noted above, may have a material adverse effect on the Company’s operations in China.

Currency Risk

The Company’s financial results are reported in Canadian dollars, which is subject to fluctuations in respect of the currencies of the countries in which the Company operates. The Company also holds a significant portion of its cash in Renminbi in China. Management expects revenues to continue to be earned in a number of different currencies. Accordingly, fluctuations in the exchange rates of world currencies could have a positive or negative effect on reported results on a consolidated basis. Given the constantly changing currency exposures and the substantial volatility of currency exchange rates, the Company cannot predict the effect of exchange rate fluctuations upon the Company’s future operating results. There can be no assurance that the Company will not experience losses in the future from currency devaluations or changes in exchange rates, which could have a material adverse effect on the business, revenues, operating results and financial condition of the Company. In the event of a change in the value of the US dollar relative to the Canadian or the Renminbi relative to the Canadian dollar, there is no assurance, due to competitive pressure, of a corresponding change in selling prices of the Company’s products. The Company exports a significant portion of its products produced in Canada to the US. These exports are invoiced and paid for primarily in US dollars. The Company does not currently hedge against the risk of revaluation of the US dollar or Renminbi

Changes in Tax Laws

The introduction of new tax laws, regulations or rules, or changes to, or differing interpretation of, or application of, existing tax laws, regulations or rules in Canada, the US or China, could result in an increase in the Company’s taxes, or other governmental charges, duties or impositions. In addition, the Company is eligible, from time to time, for certain tax incentives in various jurisdictions in which it operates, which are subject to change and/or expiry. No assurance can be given that new tax laws, rules or regulations will not be enacted or that existing tax laws will not be changed, interpreted or applied in a manner that could result in the Company’s profits being subject to additional taxation or that could otherwise have a material adverse effect on the Company.

Conditions in China

General

Our subsidiary, Tornado Global Hydrovacs (Beijing) Limited, operates and has assets in China. As a result we are vulnerable to the political, economic and legal and regulatory conditions affecting our business in China. The Chinese economy differs from the economies of most developed countries in a number of respects, including its structure, the level of government involvement, the control of foreign exchange and the allocation of resources.

Government Control

An increasing number of strict regulations exist over the way business can be done in China. While all of the Company’s competitors are subject to the same laws and regulations, the enforcement of those compliance regulations may be different for many local competitors. In certain designated industries, for example, multinational companies are required to co-operate with local joint venture partners, which are generally selected by the Chinese government, and governmental orders may be redirected towards local competitors in the future.

Inconsistent interpretation of rules and regulations

The Chinese government has issued a number of laws and regulations relating to taxes, such as corporate income tax law and transfer pricing. However, certain detailed implementation guidelines for these laws and regulations are still not pronounced, even though the respective laws and regulations may have taken effect. In addition, local authorities retain the right to interpret existing laws and regulations, resulting in a lack of consistency between individual provinces and jurisdictions.

Concerns about intellectual property

China’s intellectual property laws are not as well developed as the intellectual property laws in many other first world countries with a more mature intellectual property protection regime. There is no assurance that the Company will be able to protect its intellectual property in China in the manner, with the same effect, or as on a timely basis, as it would have in such other countries.

Uncertainty Regarding Chinese Withholding Tax on Indirect Transfers of Chinese Enterprises by Non-Chinese Residents

The Company and its shareholders face uncertainties with respect to taxes imposed by Chinese authorities on previous and potential future indirect transfers of equity interests in enterprises resident in China or other assets attributed to a Chinese establishment of a non-Chinese company, or immovable properties located in China owned by non-Chinese companies, such as the Company’s operations in China.

Corporate chop

Our China subsidiary relies on a corporate chop (physically similar to a corporate seal) to be able to enter into contracts, conduct banking activities and undertake day-to-day corporate and business activities. Misappropriation or misuse of the corporate chop could materially and adversely affect our business operations there and allow unauthorized access to our bank account(s) in China. Our China Subsidiary’s chop is accessible only by our authorized personnel, who are members of our senior management based in China. We may also adopt other measures from time to time to protect our corporate chop. Although we monitor the authorized personnel and the use of the corporate chop, there is no assurance that such procedures will prevent all instances of abuse or negligence. Accordingly, if any of our authorized personnel misuse or misappropriate our corporate chop, our China Subsidiary's bank account(s) may be compromised, and we may experience significant disruption to our China Subsidiary's operations until our corporate chop is replaced.

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.