Tornado Global Hydrovacs Ltd.

Consolidated Financial Statements

December 31, 2017

Audited

2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Year ended December 31 2017		December 31 2016
(In $000's CAD)				
ASSETS				
Current assets				
Cash and equivalents	**7**	$	**5,633**	$ 4,444
Accounts receivable	**8**		**2,538**	1,500
Inventory	**9**		**6,490**	6,662
Prepaid expenses and other assets			**210**	142
Total current assets			**14,871**	12,748
Non-current assets				
Finance lease receivable	**8**		**335**	—
Property and equipment, net	**10**		**3,194**	2,754
Goodwill and intangible assets, net	**11**		**3,662**	4,037
Total non-current assets			**7,191**	6,791
Total assets		**$**	**22,062**	$ 19,539
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	**12**	**$**	**3,329**	$ 3,354
Current portion of note payable	**13**		**—**	240
Current portion of finance leases obligation	**14**		**151**	28
Current tax payable			**57**	—
Fair value of foreign currency forward contracts			**—**	27
Total current liabilities			**3,537**	3,649
Non-current liabilities				
Note payable	**13**		**—**	2,535
Deferred tax			**88**	—
Finance leases obligation	**14**		**584**	—
Total liabilities			**4,209**	6,184
Shareholders' Equity				
Share capital	**15**		**20,893**	15,283
Common share purchase warrants	**15**		**144**	—
Contributed surplus			**213**	—
Deficit			**(3,507)**	(1,928)
Accumulated other comprehensive loss			**110**	—
Total shareholders' equity			**17,853**	13,355
Total liabilities and equity		**$**	**22,062**	$ 19,539

See accompanying notes to consolidated financial statements

On behalf of the Board of Directors:

"Guy Nelson"
Non-Executive Chairman
Tornado Global Hydrovacs Ltd.

"Darrick Evong"
Chair of Audit Committee
Tornado Global Hydrovacs Ltd.

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Notes	Year ended December 31 2017		December 31 2016
(In $000's CAD, except per share amounts)				
Revenues				
Revenue		$	**29,660**	$ 17,037
Other income - foreign exchange			**121**	12
			29,781	17,049
Cost of sales (1)	**17**		**25,293**	15,907
Gross Profit			**4,488**	1,142
Selling and general administrative expenses	**18**		**4,818**	3,230
Loss before depreciation, amortization and other items			**(330)**	(2,088)
Depreciation of property and equipment			**476**	362
Depreciation of inventory			**22**	54
Amortization of intangible assets			**495**	304
			993	720
Loss before the undernoted			**(1,323)**	(2,808)
Stock based compensation	**15**		**213**	—
Finance income			**(24)**	(44)
Finance costs			**100**	63
Change in fair value of derivative financial instruments			**(27)**	27
Gain on shares issued for debt	**13**		**(151)**	—
Management fees			**—**	200
			111	246
Loss before tax			**(1,434)**	(3,054)
Income tax expense				
Current	**19**		**(57)**	3
Deferred	**19**		**(88)**	300
			(145)	303
Net loss			**(1,579)**	(2,751)
Other comprehensive income				
Translation of foreign subsidiaries			**110**	—
Comprehensive loss		**$**	**(1,469)**	$ (2,751)
Net income (loss) per share				
Basic	**16**	**$**	**(0.02)**	$ (0.05)
Diluted	**16**	**$**	**(0.02)**	$ (0.05)

(1) Cost of sales including depreciation and amortization was $26,207 for the year ending December 31, 2017 (2016 - $16,512)

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended December 31 2017	December 31 2016
(In $000's CAD)			
OPERATING ACTIVITIES			
Net loss		**$ (1,579)**	$ (2,751)
Add (deduct) items not affecting cash:			
Depreciation of property and equipment		**476**	224
Depreciation of inventory		**22**	—
Amortization of intangible assets		**495**	246
Change in fair value of foreign currency forward contracts		**(27)**	27
Interest settled in debt conversion	**13**	**43**	—
Gain on shares issued for debt	**13**	**(151)**	—
Stock based compensation		**213**	—
Deferred income taxes	**19**	**88**	—
Hydrovac business pre-acquisition net loss		**—**	823
		(420)	(1,431)
Change in non-cash working capital	**28**	**(902)**	(836)
Cash flow used in operating activities		**(1,322)**	(2,267)
INVESTING ACTIVITIES			
Acquisition of property and equipment	**10**	**(511)**	(86)
Acquisition of intangible assets	**11**	**(41)**	—
Cash flow used in investing activities		**(552)**	(86)
FINANCING ACTIVITIES			
Net proceeds (repayment) from finance leases		**(6)**	(37)
Proceeds from private placement of shares	**15**	**2,500**	6,954
Proceeds from unit private placement	**15**	**279**	—
Proceeds from unit rights offering	**15**	**525**	—
Repayment of note payable	**13, 15**	**—**	(120)
Share issue costs	**15**	**(116)**	—
Cash flow from financing activities		**3,182**	6,797
Effect of exchange rate changes on cash and cash equivalents		**(119)**	—
Net increase in cash and equivalents during the year		**1,189**	4,444
Cash and cash equivalents, beginning of year		**4,444**	**—**
Cash and cash equivalents, end of year		**$ 5,633**	$ 4,444

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

As at December 31, 2017

(In $000's CAD)	Common Shares	Common Share Purchase Warrants	Deficit	Accumulated Other Comprehensive Loss	Former Parent's net Investment	Contributed Surplus	Total Equity
As at December 31, 2016	**$ 15,283**	**$ -**	**$ (1,928)**	**$ -**	**$ -**	**$ -**	**$ 13,355**
Issue of shares - private placement	**2,500**	**-**	**-**	**-**	**-**	**-**	**2,500**
Issue of shares - debt conversion	**2,566**	**-**	**-**	**-**	**-**	**-**	**2,566**
Issue of shares - unit private placement	**135**	**-**	**-**	**-**	**-**	**-**	**135**
Issue of shares - rights offering	**525**	**-**	**-**	**-**	**-**	**-**	**525**
Issue of common share purchase warrants	**-**	**144**	**-**	**-**	**-**	**-**	**144**
Issue of stock options	**-**	**-**	**-**	**-**	**-**	**213**	**213**
Share issue costs	**(116)**	**-**	**-**	**-**	**-**	**-**	**(116)**
Loss for the year	**-**	**-**	**(1,579)**	**-**	**-**	**-**	**(1,579)**
Other comprehensive income for the year	**-**	**-**	**-**	**110**	**-**	**-**	**110**
As at December 31, 2017	**$ 20,893**	**$ 144**	**$ (3,507)**	**$ 110**	**$ -**	**$ 213**	**$ 17,853**

As at December 31, 2016

(In $000's CAD)	Common Shares	Common Share Purchase Warrants	Deficit	Accumulated Other Comprehensive Loss	Former Parent's net Investment	Contributed Surplus	Total Equity
As at December 31, 2015	$ -	$ -	$ -	$ -	$ 7,054	$ -	$ 7,054
Pre -acquisition loss	-	-	-	-	(823)	-	(823)
Post-acquisition loss	-	-	(1,928)	-	—	-	(1,928)
Distribution to Former Parent	-	-	-	-	(6,231)	-	(6,231)
Acquisition of Hydrovac Business	8,329	-	-	-	-	-	8,329
Issue of shares - private placement	6,954	-	-	-	-	-	6,954
As at December 31, 2016	$ 15,283	$ -	$ (1,928)	$ -	$ -	$ -	$ 13,355

See accompanying notes to consolidated financial statements

1. Corporate information

Tornado Global Hydrovacs Ltd. ("TGHL" or the "Company") is incorporated in Alberta, Canada and through its subsidiaries, designs, fabricates, manufactures and sells hydrovac trucks to excavation service providers in the oil and gas and municipal markets in North America and is in the process of expanding into China. TGHL's corporate office is located at Suite 510, 7105 MacLeod Trail, SW, Calgary, Alberta, T2H 2K6, and was incorporated under the Business Corporations Act (Alberta) on April 27, 2016. Since July 8, 2016, TGHL's shares have been traded on the TSX Venture Exchange under the symbol "TGH".

On June 28, 2016 TGHL acquired substantially all of the tangible and intangible assets and liabilities of Tornado Trucks, a division of a wholly owned subsidiary of Empire Industries Ltd. (the "Former Parent") in exchange for an interest bearing note payable of $2,895 and 32,417,056 Class "A" Common Shares ("Common Shares") of TGHL valued at $8,329 that were immediately transferred by dividend to the shareholders of record of the Former Parent at 1:8 ratio. Concurrently a private placement with unrelated shareholders of $6,954 for 27,063,787 Common Shares was completed. The proceeds of the private placement have been used to establish the hydrovac business of TGHL in China and continue the hydrovac business in North America.

These consolidated financial statements were recommended for approval by the audit committee and were approved and authorized for issue by the Board of Directors on April 19, 2018.

2. Summary of significant accounting policies

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as issued by the International Accounting Standards Board ("IASB").

Basis of consolidation

The consolidated financial statements include the accounts of Tornado Global Hydrovacs Ltd. and its direct and indirect wholly owned subsidiaries Tornado Global Hydrovacs (North America) Inc., Tornado Hydrovacs Asia Pacific Holdings Ltd. and its subsidiary Tornado Global Hydrovacs (Beijing) Ltd.

Subsidiaries are fully consolidated from the date of acquisition, being the date of incorporation or the date which TGHL obtains control and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as TGHL, using consistent accounting policies. All inter-company balances, income and expenses and unrealized gains and losses resulting from inter-company transactions are eliminated.

Basis of presentation

These consolidated financial statements are prepared for the year ended December 31, 2017 and include the results for the comparative year ended December 31, 2016. The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value as disclosed. Included in these consolidated financial statements are the accounts of TGHL and its subsidiaries. These consolidated financial statements have been prepared in Canadian dollars which is the functional currency of TGHL. The functional currencies of Tornado Global Hydrovac (North America) Inc., Tornado Global Hydrovac (Beijing) Ltd. and Tornado Hydrovacs Asia Pacific Ltd. are Canadian dollars, Chinese Yuan ("RMB") and Hong Kong dollars respectively.

The consolidated comparative financial statements are prepared in accordance with a financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards for carve-out financial statements.

The operational results for the Hydrovac Business for the period of January 1, 2016 to June 28, 2016 prior to the acquisition have been included in these consolidated financial statements to present complete information about the acquired entity. The Carve-Out cash flows for the period January 1, 2016 to June 28, 2016 prior to the acquisition have not been included in the consolidated statements of cash flows.

The comparative net loss per share has been included on a proforma basis for the comparative period.

For comparative purposes, the pre-acquisition operational results of the Hydrovac Business have been included in the consolidated financial statements. The comparative consolidated financial statements have been prepared on a combined "carve-out" basis from the books and records of the Former Parent and purport to represent the historical results of operations, financial position and cash flows of the Hydrovac Business as if it had existed as a separate standalone entity for the periods presented under the Former Parent's management.

The historical results of operations, financial position and cash flows of TGHL may not be indicative of what they would have been had TGHL been carried out as a separate stand-alone entity, nor are they indicative of what TGHL's results of operations, financial position and cash flows may be in the future.

The following basis of preparation for the Carve-Out financial statements has been applied:

- All assets and liabilities directly related to TGHL have been attributed to TGHL. These do not include assets and liabilities that are not specifically identifiable with the TGHL.
- Revenue and expenses directly related to TGHL have been entirely attributed to TGHL.
- During the period ended December 31, 2016, TGHL received services and support functions from the Former Parent and the operations of TGHL were dependent upon the Former Parent's ability to perform these services and support functions. These administrative and other costs, relating to human resources and finance are used by TGHL and are paid by the Former Parent. These costs have been allocated to TGHL based on proportionate aggregated costs of professional services and sales and marketing departments attributed to TGHL compared to the aggregated expenses of these departments of the Former Parent. These allocated expenses have been recorded in management fees.
- TGHL did not have its own banking facility and relied on the facility of the Former Parent who accounted for the transactions through an intercompany account. Any interest income or expense that would have otherwise been incurred with a third party has been recorded as part of the management fee.
- While the TGHL was not a taxable entity before acquisition, the financial statements reflect the impact of tax on the TGHL as though it had been a stand-alone taxable entity for the periods presented.

Expenses allocated to TGHL for the purposes of the Carve-Out statements, have been recorded as contributions from the Former Parent within the Former Parent's owner's interest account. The Former Parent's owner's interest account represents the cumulative owner's interest by the Former Parent in TGHL through the dates presented and includes cumulative operating results.

Management believes the assumptions and allocations underlying the comparative consolidated financial statements and Carve-Out current reporting period before June 28, 2016 are reasonable and appropriate under the circumstances. The expenses and cost allocations have been determined on a basis considered by the Former Parent to be a reasonable reflection of the utilization of services provided to or the benefit received by TGHL during the periods presented. However, these assumptions and allocations are not necessarily indicative of the costs TGHL would have incurred if it had operated on a stand-alone basis or as an entity independent of the Former Parent.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments and liabilities incurred or assumed at the date of exchange. Acquisition costs for business combinations are expensed and included in selling, general and administrative expenses. Identifiable

assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition.

In situations where the initial accounting for a business combination is incomplete prior to the finalization of the consolidated financial statements, the Company records provisional amounts for those items for the accounting is incomplete. Such provisional amounts are subsequently adjusted to reflect new financial information obtained about the facts and circumstances that existed as of the acquisition date and, if known would have affected the amounts recognized as of that date.

Foreign currency transactions

Monetary items are translated into Canadian dollars at the closing exchange rate as of the reporting date. Exchange differences from monetary items are recognized in comprehensive loss. Non-monetary items that are not carried at fair value are translated using the exchange rates as at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the Company, and when the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discounts, volume rebates, and amounts collected on behalf of a third party.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer, usually when the products are completed and accepted by the customer, and collection is reasonably assured.

The accounting treatment of a sale and leaseback transaction depends upon the substance of the transaction and whether the sale price reflects fair value. For sale and finance leasebacks, any gain or loss from the sale is deferred and amortized over the term of the lease. For sale and operating leasebacks, if the transaction is established at fair value, any gain or loss is recognized immediately. If the sale price is below fair value, any gain or loss is recognized immediately except that if the loss is compensated for by future lease payments at below market price, the loss is deferred and amortized in proportion to the lease payments over the term of the lease. If the sale price is above fair value, the excess over fair value is deferred and amortized over the term of the lease.

Income taxes

Tax expense comprises current income tax and deferred income tax expense.

Current tax

Recoverable tax assets or current tax liabilities represent the tax authorities' obligations or claims for prior or current periods which are not received or paid at the end of the reporting period. Current tax is based on taxable income which differs from accounting income by definition. Recoverable tax assets or current tax liabilities are measured using the tax rates that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax

Deferred tax is determined based on differences between the carrying amounts of the assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of taxable income. Deferred tax assets or liabilities are measured based on tax rates that have been enacted or substantially enacted by the end of the reporting period, and that are expected to apply to the period when the asset is realized or the liability is settled.

Deferred tax assets or liabilities are recognized for all deductible or taxable temporary differences arising if it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Cash and cash equivalents

All highly liquid temporary investments with an operating maturity of three months or less when purchased are considered to be cash equivalents.

Property and equipment

Property and equipment are stated at cost, net of any accumulated depreciation, impairment losses and subsequent reversals (if any). Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Machinery and equipment ("M&E")	10 years
Office furniture and equipment ("Office Equip.")	3 years
Leasehold improvements ("Leaseholds")	5 years
Rental equipment ("Rental Equip.")	15 years
Vehicles	5 years

The assets' useful lives, residual values and methods of depreciation of assets are reviewed annually, and adjusted prospectively, if appropriate. Rental equipment includes rental hydrovac truck inventory.

Leases

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of comprehensive loss.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the statement of comprehensive loss on a straight-line basis over the lease term.

Intangible assets

Intangible assets are recognized at fair value at acquisition. Computer software is stated at cost, net of any accumulated amortization, impairment losses and subsequent reversals (if any). Amortization is calculated on a straight-line basis over the estimated useful lives of 5 years. Internally developed intangible assets are initially recognized when the recognition criteria outlined in IAS 38 – Intangible Assets are met. IAS 38 outlines the recognition criteria as well as the nature of the amounts to be recognized.

Internally generated intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite useful life is reviewed at least annually. Change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period

or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the statement of comprehensive (loss) income.

Finite life intangible assets are amortized on a straight-line basis over the estimated useful lives of the related assets which for patents pending is assumed to be 7 years. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive (loss) income when the asset is derecognized.

Goodwill

Goodwill arising in a business combination is recognized as an asset at the date of control (acquisition date). Goodwill is measured as the excess of the cost of the acquisition over the Company's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree recognized at the date of acquisition. Goodwill is not amortized but is tested for impairment annually if events or changes in circumstances indicate that the asset might be impaired.

The impairment test is carried out by comparing the carrying amount of the reporting unit with its fair value. When the carrying amount of a reporting unit, including goodwill, exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. Fair value of the reporting unit is determined through discounted cash flow analysis.

Impairment of non-financial assets

At the end of each reporting period, the Company assesses whether there is any indication that the non-financial assets have been impaired. If any such indication exists, the recoverable amount of the asset is determined. An impairment loss is recognized in profit or loss when the carrying amount of the asset exceeds its recoverable amount.

If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In the measurement of the value in use, estimates of future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of cash flows have not been adjusted.

Inventory

Inventory comprises raw materials, work in progress and finished goods. Inventory is valued at the lower of cost and net realizable value, using an average cost basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of the write down previously recorded is reversed.

Financial instruments

Financial assets and liabilities are initially recognized at fair value and subsequently recognized according to their classification. The classification depends on the intention with which the financial instruments were acquired and their characteristics. Unless specific circumstances permitted under IFRS are present, the classification is not modified after initial recognition.

Hierarchy of fair value measurements

The Company classifies its financial assets and liabilities measured at fair value into three levels according to the observability of the inputs used in their measurement.

Level 1

Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2

Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3

Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Financial assets

Financial assets are classified into the following specified categories:

Financial assets at fair value through profit or loss ("FVTPL") - Financial assets classified as assets held for trading are recognized at fair value at each reporting period date, and any change in the fair value is reflected in profit or loss in the period during which these changes take place.

Loans and receivables - Financial assets classified as loans and receivables are accounted for at amortized cost using the effective interest rate method. Interest income is included in profit or loss over the expected life of the financial asset.

Held-to-maturity investments - Bonds with fixed or determinable payments and fixed maturity dates where the Company has a positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis.

Available for sale assets - Financial assets classified as available-for-sale are recorded at fair value, and the gains/losses resulting from the revaluation at the end of each period are recognized in other comprehensive (loss) income. Upon derecognition, all cumulative gains or losses previously recognized in accumulated other comprehensive income are reflected in comprehensive (loss) income.

Impairment of financial assets

Financial assets, other than FVTPL, are assessed for indicators of impairment at the end of each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognized directly in equity.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds receivables.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Financial liabilities are classified as at FVTPL if the financial liability is either held for trading or it is designated as such upon initial recognition.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost, where applicable, using the effective interest method, with interest expense recognized on an effective yield basis.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Transaction costs

Transaction costs related to financial instruments that are not classified as assets and liabilities at fair value through profit and loss, are recognized on the statement of financial position as an adjustment to the cost of the financial instrument upon initial recognition and amortized using the effective interest rate method.

Earnings per share

The computation of earnings per share is based on the weighted average number of shares outstanding during the period. Diluted earnings per share are computed in a similar way to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares assuming the exercise of share options, share appreciation rights and convertible debt options, if dilutive.

Share-based compensation plans

Directors, employees and consultants of TGHL may receive remuneration in the form of stock options. Awards granted under the TGHL's stock option plan are recognized in comprehensive income using the fair value method using the Black Scholes method for option valuation.

Equity settled transactions

The cost of equity settled transactions is recognized, together with a corresponding increase in other capital reserves, in equity, over the period in which the performance and/or service conditions are fulfilled.

When options, warrants and other share-based compensation awards are exercised or exchanged, the amounts previously credited to contributed surplus are reversed and credited to shareholder's equity. The amount of cash, if any, received from participants is also credited to shareholder's equity. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Reportable segments
A reportable business segment is a component of TGHL that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the TGHL's other segments. All inter-segment transactions are accounted for at fair value. All operating segments' operating results are reviewed regularly by the TGHL's Chief Executive Officer and Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. TGHL segregates its business geographically between its North American operations and its operations in China and also includes a Corporate segment for its head office expenses in Calgary.

3. Significant accounting judgement, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and the disclosure of contingent liabilities. Actual results could differ from those judgements, estimates and assumptions. The items whose actual results could differ significantly from those judgements, estimates and assumptions are described below.

Critical judgements made in applying TGHL's accounting policies

Cash generating units
For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. Management determines which groups of assets are capable of generating cash inflows that are largely independent of other operations.

Business combinations
The definition of a business combination and the application of IFRS 3 is contingent upon management's judgement that the collective assets acquired and liabilities assumed meet the definition of a business and that there has been a change in control. Management determined that the acquisition of the asset of the Former Parent in 2016 met this criterion.

Accounting for business combinations requires the allocation of the Company's purchase price to the various assets and liabilities of the acquired business at their respective fair values. The Company uses all available information to make these fair value determinations.

In some instances, assumptions with respect to the timing and amount of future revenues and expenses associated with an asset or group of assets may be used to determine fair value. Actual timing and amount of net cash flows from revenues and expenses related to that asset over time may differ materially from those initial estimates, and if the timing is delayed significantly or if the net cash flows decline significantly, the asset could become impaired.

Key sources of estimate uncertainty

Allowance for doubtful accounts
Given the nature of business and the credit terms provided to customers, estimates and judgements are inherent in the on-going assessment of the recoverability of some accounts receivable. TGHL maintains an allowance for doubtful accounts to reflect expected credit losses. TGHL is not able to predict changes in the financial conditions of its customers and TGHL's judgement related to the recoverability of accounts receivable may be materially impacted if the financial condition of TGHL's customers deteriorates.

Valuation of inventory
Estimates and judgements are inherent in the determination of the net realizable value of inventory. The cost of inventory may not be fully recoverable if it is damaged or if the selling price of the inventory is less than its cost. TGHL regularly reviews its inventory quantities and reduces the cost attributed to inventory no longer deemed to be fully

recoverable. Estimates related to the determination of net realizable value may be impacted by a number of factors including market conditions.

Intangible assets

Expenditures for research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognized in profit or loss as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product of process is technically and commercially feasible, future economic benefits are probable and TGHL intends to and has sufficient resources to complete development and to use or sell the asset.

Impairment of non-financial assets

TGHL's impairment test is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the forecast and do not include restructuring activities that TGHL is not yet committed to or significant future investments that may enhance the performance of the cash generating unit being tested. The calculation is sensitive to the discount rate applied as well as the expected future cash inflows.

Useful lives of key property and equipment, intangible assets and inventories

Estimated useful lives of property and equipment, intangible assets and inventories are based on management's judgment and experience. When management identifies that the actual useful lives for these assets differ materially from the estimates used to calculate depreciation and amortization, that change is adjusted prospectively. Asset lives, depreciation and amortization methods, and residual values are reviewed periodically.

TGHL periodically assesses the recoverability of values assigned to long-lived assets after considering potential impairment indicated by such factors as significant changes in technological, market, economic or legal environment, business and market trends, future prospects, current market value and other economic factors. In performing its review of recoverability, management estimates either the value in use or fair value less costs to sell.

Leases

The determination of whether a lease is operating or financing involves the consideration of various criteria and judgement to be applied by management. Management determined that the leases of Hydrovacs are financing in nature.

Warranty costs

TGHL provides for future warranty costs on products sold based on management's best estimate of such costs, taking into account past experience and the nature of the contracts.

Deferred taxes

TGHL accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on deductible or taxable temporary differences between the carrying amounts and tax bases of the assets and liabilities. Deferred tax assets and liabilities are measured using substantially enacted tax rates expected to apply in the years in which the temporary differences are expected to reverse. If the estimates and assumptions are modified in the future, TGHL may be required to reduce or increase the value of deferred tax assets or liabilities resulting in, where applicable, an income tax expense or recovery. TGHL regularly evaluates deferred tax assets and liabilities.

4. Adoption of new accounting standards

Effective January 1, 2017, the Corporation adopted the following standards, interpretations and/or amendments thereto, which had no material impact on the Corporation's financial statements: (i) IAS 7 Statement of Cash Flows -

Disclosure Initiative - amendment to IAS 7,to require disclosures that enable the evaluation of changes in liabilities arising from financing activities; and (ii) IAS 12 Income Taxes - amendment to IAS 12, to clarify accounting for deferred tax assets related to debt instruments measured at fair value.

5. Standards issued but not yet effective

As of January 1, 2018, or later dates, TGHL will be required to adopt certain standards and amendments issued by the IASB as described below, for which TGHL is currently assessing the impact. Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by TGHL for the consolidated financial statements at a future date as listed below:

IFRS 9 Financial instruments

IFRS introduces new requirements to classifying and measuring financial assets and financial liabilities. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 also introduced additional changes related to financial liabilities. The standard is effective for annual periods beginning on or after January 1, 2018. TGHL is currently assessing the impact of these amendments on its consolidated financial statements.

IFRS 15 Revenue from contracts with customers

IFRS 15, issued in May 2014, specifies how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 *Construction contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer loyalty programmes*, IFRIC 15 *Agreements for the construction of real estate*, IFRIC 18 *Transfers of assets from customers* and SIC-31 *Revenue – barter transactions involving advertising services*. The standard provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions. The five steps are:

1. Identify the contract(s) with the customer.
2. Identify the performance obligation(s) in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to each performance obligation in the contract.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. TGHL is currently assessing the impact of this standard on its consolidated financial statements.

IFRS 16 Leases

IFRS 16 - Leases replaces IAS 17 - Leases and requires lessees to account for leases on balance sheet by recognizing a right of use asset and a lease liability. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. TGHL is currently assessing the impact of this standard on its consolidated financial statements.

6. Acquisition of assets and liabilities of Tornado Trucks

On June 28, 2016, TGHL completed terms of the arrangement and acquired 100% of the assets and liabilities of Tornado Trucks for gross proceeds of $11,224. The gross proceeds consisted of 32,417,056 Common Shares of TGHL valued at $8,329 and a note payable to Empire Industries Ltd. of $2,895.

The acquisition was accounted for using the acquisition method. The assets acquired and liabilities assumed of Tornado Trucks were recorded in the consolidated financial statements at their estimated fair values as follows:

	$
Accounts receivable	997
Inventory – raw materials	2,261
Inventory – work-in-progress	1,206
Inventory – finished goods	1,024
Prepaid expenses	79
Property, plant & equipment	2,893
Identifiable intangible assets – patents pending	3,450
Goodwill	833
Accounts payable and accrued liabilities	(1,454)
Finance leases	(65)
Purchase consideration	**$11,224**

The goodwill of $833 comprises the value of the assembled workforce and other expected synergies. The fair value of the accounts receivable acquired is $997. This consists of the gross contractual value of $997, less the estimated amount not expected to be collected of $nil.

In completing the measurement process, TGHL adjusted the Former Parent's carrying values of certain items of property and equipment to their estimated fair values which resulted in purchase consideration of $982 being allocated to items of property and equipment. Purchase consideration of $3,122 was allocated to specific finite life intangible assets relating to key proprietary components with patents pending of TGHL's Hydrovac Truck technology. These components include the tank, air distribution manifold and discharge features.

	$
Purchase consideration	11,224
Less: note payable to Former Parent	(2,895)
Purchase consideration transferred	**8,329**

A breakdown of the operating results in 2016 between the pre-acquisition and post-acquisition periods is as follows:

	Pre-June 28, 2016 $	Post June 28, 2016 $	2016 $
Revenue	9,146	7,903	17,049
Comprehensive loss	(730)	(1,928)	(2,658)

7. Cash and cash equivalents

As at December 31, 2016 included in cash and cash equivalents was 12,174,199 RMB held in trust which translated to $2,350. This cash has been used for TGHL's expansion into China. This cash was released from trust on May 17, 2017.

8. Accounts receivable

	Year ended December 31	
	2017	2016
Trade	$ 2,212	$ 556
Taxes receivable	213	207
Current portion of finance lease receivable	168	469
Allowance for doubtful accounts	(55)	(14)
Other receivables	-	282
	$ 2,538	$ 1,500

The current portion of finance lease receivable as at December 31, 2017, comprises a Hydrovac truck lease, receivable in monthly installments of $14. The current portion of finance lease receivable as at December 31, 2016, comprises a Hydrovac truck lease, receivable in monthly installments of $10, and guaranteed buyout amount of $437 in 6 months.

TGHL's breakdown of the aging of trade accounts receivables is as follows:

	Year ended December 31	
	2017	2016
< 30 days	$ 1,522	$ 279
> 30 day	204	91
> 60 days	176	48
> 90 days	310	138
	$ 2,212	$ 556

Tax receivables as at December 31, 2017, comprise Canada GST receivable ($51) and China VAT taxes receivable ($162). Tax receivables as at December 31, 2016, comprise Canada GST receivable ($207).

Finance lease receivable comprises:

	Year ended December 31	
	2017	2016
Total estimated minimum lease payments receivable	$ 503	$ 469
Less: current portion	(168)	(469)
	$ 335	$ -

The Company had a finance lease receivable relating to a Hydrovac truck lease, receivable in monthly installments of $14 and $10 as at December 31, 2017 and December 31, 2016 respectively. The lease contains an incentive to purchase the Hydrovac truck within the first year. Future estimated minimum lease payments receivable under the sales-type Hydrovac truck lease are as follows:

	Year ended December 31			
		2017		2016
Less than one year	**$**	**168**	$	469
Between two and three years		**335**		-
Residual value		**-**		-
	$	**503**	$	469

9. Inventory

	Year ended December 31			
		2017		2016
Work-in-process	**$**	**2,180**	$	2,629
Raw materials		**3,093**		2,291
Finished goods		**1,217**		571
Rental inventory		**-**		1,171
	$	**6,490**	**$**	**6,662**

There were no inventory write-downs recorded during the year (2016 - $32). Finished goods inventory consists of hydrovac equipment and two hydrovac trucks in China. TGHL has recorded depreciation of $22 during the year relating to this inventory category (2016 - $54). Rental trucks with a net book value of $796 previously recorded in inventory are now recognized in Property and Equipment.

10. Property and equipment

Cost	M&E	Office Equip	Leaseholds	Rental Equipment and Vehicles	Total
Balance, December 31, 2015	$ 2,494	$ 501	$ 1,029	$ 178	$ 4,202
Additions prior to transaction date	24	-	-	-	24
Additions subsequent to the transaction date	76	10	-	-	86
Acquisition adjustments	(896)	(341)	-	(98)	(1,335)
Balance, December 31, 2016	1,698	170	1,029	80	2,977
Additions	**25**	**41**	**37**	**408**	**511**
Transfer from accounts receivable	**-**	**-**	**-**	**405**	**405**
Balance, December 31, 2017	**$ 1,723**	**$ 211**	**$ 1,066**	**$ 893**	**$ 3,893**

Accumulated Depreciation	M&E	Office Equip	Leaseholds	Rental Equipment and Vehicles	Total
Balance, December 31, 2015	$ 1,072	$ 259	$ 673	$ 174	$ 2,178
Depreciation prior to transaction date	70	34	34	-	138
Depreciation subsequent to the transaction date	86	27	103	8	224
Acquisition adjustments	(1,143)	(293)	(707)	(174)	(2,317)
Balance, December 31, 2016	**85**	**27**	**103**	**8**	**223**
Depreciation for the year	**183**	**57**	**208**	**28**	**476**
Balance, December 31, 2017	**$ 268**	**$ 84**	**$ 311**	**$ 36**	**$ 699**

Net book value					
Balance, December 31, 2016	$ 1,613	$ 143	$ 926	$ 72	$ 2,754
Balance, December 31, 2017	**$ 1,455**	**$ 127**	**$ 755**	**$ 857**	**$ 3,194**

Rental Equipment and Vehicles as at December 31, 2017, comprise two Hydrovac trucks rented to customers as operating leases with a net book value of $796 and other operating vehicles $61.

11. Goodwill and intangible assets

Cost	Goodwill	Patents	Computer Software	Total
Balance, December 31, 2015	$ -	$ 331	$ -	$ 331
Additions prior to transaction date	-	82	-	82
Acquisition adjustments	833	3,037	-	3,870
Balance, December 31, 2016	833	3,450	-	4,283
Additions	**-**	**79**	**41**	**120**
Balance, December 31, 2017	**$ 833**	**$ 3,529**	**$ 41**	**$ 4,403**

Accumulated Amortization	Goodwill	Patents	Computer Software	Total
Balance, December 31, 2015	$ -	$ 19	$ -	$ 19
Amortization prior to transaction date	-	58	-	58
Amortization subsequent to the transaction date	-	246	-	246
Acquisition adjustments	-	(77)	-	(77)
Balance, December 31, 2016	-	246	-	246
Amortization for the year	**-**	**493**	**2**	**495**
Balance, December 31, 2017	**$ -**	**$ 739**	**$ 2**	**$ 741**

Net book value	Goodwill	Patents	Computer Software	Total
Balance, December 31, 2016	$ 833	$ 3,204	$ -	$ 4,037
Balance, December 31, 2017	**$ 833**	**$ 2,790**	**$ 39**	**$ 3,662**

Impairment

Goodwill is allocated to those Cash Generating Units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Company at which management monitors goodwill. The Company's goodwill is allocated to the North America Cash Generating Unit which comprises the Company's North America operations. As at December 31, 2017 and December 31, 2016, there was no goodwill impairment.

Recoverable amount

Recoverable amount was based on value in use. Value in use was determined by discounting the future cash flows generated from the continuing use of the unit.

Key assumptions used in value-in-use calculations

The calculations of value in use for the Cash Generating Units are most sensitive to the following assumptions:

1. Discount rate used
2. Growth rate for operating expenses used in the budget
3. Projected sales used to extrapolate cash flows beyond the budget date

A range of discount rates from 17.5% - 22.5% were applied in the value in use calculation. Cash flows were projected based on past experience, actual operating results and the business plan for a 1 year period. Cash flows for a 3 year period were extrapolated using projected sales and operating expenses.

Net sales and margins in the business plan were budgeted based on discussions with customers, past experience and trends, as well as planned initiatives. The anticipated annual net sales have been based on expected growth levels (net of the inflationary effect of rising raw material prices).

12. Accounts payable and accrued liabilities

	Year ended December 31	
	2017	2016
Accounts payable and accrued liabilities	**$ 3,078**	$ 2,913
Accrued wages, vacation and bonuses payable	**251**	220
Deferred revenue	**-**	221
	$ 3,329	$ 3,354

13. Note payable

	Year ended December 31	
	2017	2016
Note payable – Former Parent	**$ -**	$ 2,775
Less: current portion of note payable	**-**	(240)
Long-term portion of note payable	**$ -**	$ 2,535

The amounts payable with respect to principal ($2,635) and accrued interest ($82) were converted on September 15, 2017 into 30,185,544 Common Class shares at an agreed upon conversion price of $0.09 per share. The fair value of the shares on the date of transaction was $0.085 and a gain on debt extinguishment of $151 was recorded in accordance with IFRIC 19.

The note bore interest at the prime rate of 2.7% and originally matured on June 30, 2023. TGHL agreed to make equal monthly principal payments of $20 for the first 60 months of the term with two annual balloon payments equal to 50% of the outstanding principal and accrued interest balance on the 72nd and 84th month of the term. Interest on the note payable was payable annually. The note payable was secured by all present and after-acquired property of TGHL, subordinate to TGHL's principal lender (if any) and convertible into Common Shares at the choice of the holder and under certain conditions including but not limited to, a default of the terms of the note payable that are not remedied in accordance with the terms of the agreement.

14. Finance leases obligation

As at December 31, 2017, the Company had two Hydrovac truck leases and a computer equipment lease, repayable in monthly installments totalling of $16 with final installments totalling $152, bearing interest at rates between 2% and 7%. At December 31, 2016 the current portion of finance leases obligation is for office equipment that bears interest at 3-5% with monthly payments of $4 and this lease matured in 2017.

	Year ended December 31	
	2017	2016
Finance leases obligation	**$ 735**	$ 28
Less: current portion of finance leases	**(151)**	(28)
	$ 584	$ -

Amounts due on the Hydrovac truck leases and computer equipment lease in the next four years are as follows:

		2017
2018	$	**193**
2019		**193**
2020		**192**
2021		**262**
2022		**-**
Total minimum lease payments		**840**
Amount representing interest		**(105)**
Present value of minimum lease payments		**735**
Less current portion of finance lease		**(151)**
	$	**584**

The Hydrovac truck leases resulted from two sale and leaseback transactions where the Company sold the trucks to a third party and leased them back under terms requiring treatment as finance leases.

15. Shareholder's equity

Common shares

The Company is authorized to issue an unlimited number of Class "A" Common Shares ("Common Shares") without nominal or par value. Each Common Share entitles its holder to one vote at all shareholder meetings. Holders of Common Shares are entitled to receive dividends if, as and when declared by the Board of Directors. Holders of Common Shares will participate in any distribution of net assets of TGHL on an equal per share basis.

The following table indicates issuances of Common Shares over the past 2 years:

	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

As of December 31, 2017, 9.0 million shares were 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.

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 company, Empire Industries Ltd, 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.

Common Share Purchase Warrants

	Warrants	Amount
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 Black Scholes valuation model, which assumed volatility of 75% (based on an analysis and comparison with peer companies) 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

As at December 31, 2017, there were 8,400,000 stock options outstanding with a weighted average exercise price of $0.11, of which 2,700,001 were exercisable at a weighted average exercise price of $0.11.

The following tables summarize Stock Option activity to December 31, 2017:

	Options Outstanding Number	Weighted Average Exercise Price ($)
Balance, December 31, 2016	-	-
Granted	8,400,000	$0.11
Balance, December 31, 2017	**8,400,000**	**$0.11**
Exercisable, December 31, 2017	**2,700,001**	**$0.11**

Option price	Options Outstanding	Weighted Average Remaining Contractual Life (years)
$0.11	**8,400,000**	**4.9**

The stock option value for options granted has been calculated using the Black Scholes pricing methodology based on expected volatility of 75% which is estimated by management based on an analysis and comparison with peer companies, a risk-free interest rate of 1.7% and an expected life of 60 months. 8,400,000 stock options were granted on November 21, 2017 at an option price of $0.11 per share. The fair value of the options at the grant date was $0.068. 86% of the options vested one third at the grant date, and will vest one third on each of the first and second anniversaries of the grant. 11% of the options will vest on the second anniversary of the grant. The remaining 3% of the options vested at the date of grant, resulting in total option expense of $213 (2016 - nil).

16. Loss per share

Basic:

Year ended December 31, 2017				
	Net loss	Weighted average number of shares		Net loss per share
$	(1,579)	78,413,142	$	(0.02)

Year ended ended December 31, 2016			
	Net loss	Weighted average number of shares	Net loss per share
$	(2,751)	59,480,843	$ (0.05)

Diluted:

Year ended December 31, 2017				
	Net Loss	Weighted average number of shares		Net loss per share
$	(1,579)	78,413,142	$	(0.02)

Year ended ended December 31, 2016			
	Net Loss	Weighted average number of shares	Net loss per share
$	(2,751)	59,480,843	$ (0.05)

The effects of dilution from 8,400,000 stock options and 3,100,000 warrants were excluded in the calculation of weighted average shares outstanding for diluted earnings per share for the year ended December 31, 2017 as they are anti-dilutive.

17. Cost of sales

	Year ended December 31			
		2017		2016
Direct construction costs	**$**	**22,113**	$	14,221
Indirect salaries and benefits		**448**		274
Indirect production costs		**2,732**		1,412
	$	**25,293**	$	15,907

18. Selling and general administrative expenses

	Year ended December 31			
		2017		2016
Salaries and benefits	**$**	**2,154**	$	1,634
Selling, general and administrative expense		**2,664**		1,596
	$	**4,818**	$	3,230

19. Income tax expense

The components of tax expense are as follows:

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

The reconciliation between income tax expense (recovery) and the accounting profit multiplied by the combined federal and provincial statutory income tax rate is as follows:

	Year ended December 31	
	2017	2016
Loss before income tax	**$ (1,434)**	$ (3,054)
Combined federal and provincial statutory income tax rate	**27.0%**	27.0%
Expected tax recovery using combined federal and provincial statutory income tax rate	**(387)**	(825)
Effect on income tax resulting from:		
Stock based compensation	**57**	-
Other non deductible expenses	**6**	2
Unrecognized tax benefit	**469**	519
Other	**-**	1
Income tax expense (recovery)	**$ 145**	$ (303)

The Company has not recorded deferred income tax assets in relation to its estimated total income tax pools due to the uncertainty related to the realization of such assets. As at December 31, 2017 and 2016, no deferred income tax assets were recognized in the statements of financial position for the following deductible temporary differences:

	Year ended December 31	
	2017	2016
Domestic Operations		
Non-capital losses	**$ 396**	$ 395
Share issue costs and intangibles	**25**	-
Intangibles	**169**	98
Property and equipment	**(1)**	11
Other	**-**	15
Foreign Operations		
Subsidiary non-capital losses	**398**	-
Property and equipment	**1**	-
Temporary differences for which no deferred tax asset has been recognized	**(988)**	(519)
Total	**$ -**	$ -

As at December 31, 2017, in Canada the Company has unused non-capital tax losses of approximately $1,466 (2016 - $1,460) which expire at the end of 2036 and 2037, and deductible temporary differences of $713 (2016 – $459). As at December 31, 2017, in China the Company has unused non-capital tax losses of approximately $1,593 (2016 - $nil) which expire at the end of 2022 and deductible temporary differences of $4.

The Company has a deferred tax liability arising from its operating subsidiary in Canada as follows:

	Year ended December 31 2017
Property and equipment	(88)
	$ (88)

20. Operating segments

TGHL has two geographic operating segments; its North American manufacturing and sales operations and its China operation. It also has a Corporate segment which comprises expenses incurred at its head office in Calgary. The China operating segment is in the early stage phase with only selling and general administrative expenses incurred during 2017 and minimal activity in the comparative period.

The tables below show the North America, China and Corporate segments for the year ended December 31, 2017 and 2016 respectively:

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)**
Total assets (1)	**$ 13,108**	**$ 4,990**	**$ 3,952**	**$ 22,062**
Capital Expenditures	**$ 915**	**$ 16**	**$ 105**	**$ 1,036**

Year ended December 31, 2016	North America	China	Corporate	Total
Revenue	$ 17,049	$ -	$ -	$ 17,049
Cost of sales	15,907	-	-	15,907
Selling and general administrative	2,046	552	632	3,230
	(904)	(552)	(632)	(2,088)
Depreciation and amortization	720	-	-	720
Income (loss) before other items of income	$ (1,624)	$ (552)	$ (632)	$ (2,808)
Total assets	$ 10,530	$ -	$ 9,009	$ 19,539
Capital Expenditures	$ 86	$ -	$ -	$ 86

The table below shows the geographical sales for the years ended:

	2017	2016
Canada	**$ 17,241**	$ 12,359
United states	**12,540**	4,690
China	**-**	-
	$ 29,781	$ 17,049

21. Financial instruments and risk management

The following table presents information on the Group's assets and liabilities measured at fair value and discloses the fair value hierarchy of the valuation techniques used to determine this fair value at December 31, 2017:

As at December 31, 2017:	Carrying Value	Fair Value	Classification	Level
Cash and equivalents	$ 5,633	$ 5,633	FVTPL	1
Accounts receivable	2,538	2,538	Loans & Rec	2
Current tax payable	57	57	FVTPL	2
Accounts payable and accrued liabilities	(3,329)	(3,329)	Other Fin Liab	2

As at December 31, 2016:	Carrying Value	Fair Value	Classification	Level
Cash and equivalents	$ 4,444	$ 4,444	FVTPL	1
Accounts receivable	1,500	1,500	Loans & Rec	2
Derivative contracts	(27)	(27)	FVTPL	2
Accounts payable and accrued liabilities	(3,354)	(3,354)	Other Fin Liab	2
Notes payable	(2,803)	(2,803)	Other Fin Liab	2

The fair values of cash and equivalents, accounts receivable, accounts payable and accrued liabilities and income taxes payable approximate their carrying values given their short-term maturities. Management has determined that the fair value of notes payable do not materially differ from its carrying values as the fixed interest rates associated with each of the debt instruments is reflective of the prevailing market rates. The fair value of derivative contracts is determined by calculating the rate differential between the settlement rate in the forward contract at the exchange rate at the date of the statement of financial position.

Risk management

In the normal course of its business, TGHL is exposed to multiple risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. As a part of the overall operation of TGHL, management considers the avoidance of undue concentrations of risk. TGHL manages its risks and risk exposures through a combination of financial instruments, insurance, a system of internal and disclosure controls and sound business practices. The primary types of financial risk which arise are liquidity, credit, and market risk. These risks and the actions taken to manage them are as follows:

Liquidity risk

Liquidity risk is the risk that TGHL cannot meet its financial obligations associated with financial liabilities in full. A range of alternatives is available to TGHL including cash flow provided by operations, additional debt, the issuance of equity or a combination thereof. Cash on hand and cashflow from operations are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Group's foreseeable financial obligations associated with financial liabilities.

The following table summarizes the TGHL's financial liabilities with corresponding maturity dates as at December 31, 2017:

	Total	2018	2019	2020	2021	2022 +
Accounts payable and accrued liabilities	$ 3,329	$ 3,329	$ -	$ -	$ -	$ -
Finance leases	840	193	193	192	262	-
Current taxes payable	57	57	-	-	-	-
Total	$ 4,226	$ 3,579	$ 193	$ 192	$ 262	$ -

TGHL expects to have adequate resources to discharge these financial liabilities.

Credit risk

Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfill their commitments to TGHL. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. TGHL has credit policies to address credit risk on accounts receivable from customers, which may include the analysis of the financial position of customers and review of credit limits. TGHL also reviews new customer credit history before establishing credit and periodically reviews existing customer credit performance. Generally cash is received prior to the delivery of trucks. An allowance for doubtful accounts is established based upon factors surrounding credit risk of specific customers, historical trends and other information. At December 31, 2017, TGHL had one individual customer from the North America segment accounting for approximately 29.0% of total accounts receivable (2016 – 37.0%).

Market risk

Market risk is the risk that changes in market prices will influence future cash flows associated with financial instruments. There has been no change to the TGHL's exposure to Market risks and the way these risks are managed or measured. Market risk comprises three types of risk: currency risk, industry and commodity price risk.

Currency risk

In North America TGHL sells its products, as well as, purchases goods in both Canadian and U.S. currencies. Accordingly, TGHL is exposed to currency risk as it relates to customer accounts receivable balances and trade accounts payable denominated in U.S. currency. TGHL is also exposed to changes in the exchange rate in China (RMB) with its operating segment in China. Changes in the applicable exchange rate may result in a decrease or increase in foreign exchange income or expense. TGHL enters into forward foreign exchange contracts or use other hedging activities to manage part of the foreign currency risk exposures relating to customer accounts receivable balances and trade accounts payable denominated in U.S. currency.

As at December 31, 2017, TGHL had no USD foreign currency forward contracts (2016 - $1,500). The undernoted include amounts denominated in U. S. currency that have been converted to the Canadian dollar equivalent on the balance sheet date at a rate of $1.2545 per U.S. dollar (2016 - $1.3427):

	Year ended December 31	
(In $000's USD)	**2017**	2016
Cash and equivalents	**$ 1,262**	$ 348
Accounts receivable	**1**	-
Accounts payable & accrued liabilities	**(58)**	(68)
Foreign currency forward contracts related to above accounts	**-**	(1,500)
Net foreign currency exposure	**$ 1,205**	$ (1,220)

For the year ended December 31, 2017, if the Canadian dollar had strengthened 10% percent against the US dollar with all other variables held constant, net loss for the year would have been $121 higher (2016 - $122 lower). Conversely, if the Canadian dollar had weakened 10% percent against the US dollar with all other variables held constant, net income would have been $121 lower (2016 - $122 higher). Included in revenue are realized gains on translation of foreign currency monetary assets and liabilities and realized gains on foreign currency transactions of $121 for the year ended December 31, 2017 (2016 – $12).

As at December 31, 2017, TGHL had no RMB foreign currency forward contracts (2016 - $Nil). The undernoted include amounts denominated in RMB that have been converted to the Canadian dollar equivalent on the balance sheet date at a rate of $0.1928 per RMB (2016 - $0.1930):

	Year ended December 31	
(In ¥000's Chinese Yuan)	**2017**	2016
Cash and equivalents	¥ **17,686**	¥ 12,174
Accounts receivable	**840**	-
Prepaid expenses and other assets	**169**	-
Inventories	**5,119**	-
Property and equipment, net	**30**	-
Goodwill and intangible assets, net	**64**	-
Accounts payable & accrued liabilities	**(400)**	-
Foreign currency forward contracts related to above accounts	**-**	-
Net foreign currency exposure	¥ **23,508**	¥ 12,174

For the year ended December 31, 2017, if the Canadian dollar had strengthened 10% percent against the RMB with all other variables held constant, net income for the year would have been $145 higher and other comprehensive income would be $453 lower (2016 - $262). Conversely, if the Canadian dollar had weakened 10% percent against the RMB with all other variables held constant, net income would have been $177 lower and other comprehensive income would be $453 higher (2016 - $262).

Industry and commodity price risk

TGHL's primary market is the municipal infrastructure industries as its core product is an integral technology utilized in that industry. In addition, demand for TGHL's equipment in the oil and gas industry is heavily influenced by activity levels, which in turn, is influenced by commodity prices of oil and natural gas. To manage this risk, TGHL has redesigned and expanded its core product lines to offer trucks that are built and priced for more industries such as the municipal markets and the milder climates and terrains of eastern Canada and the United States.

Manufacturing costs for the TGHL's products are affected by fluctuations in the price of raw materials. To manage its risk, TGHL implements selling price adjustments to match raw material cost changes where the market will bear it. This matching is not always possible as customers react to selling price pressures related to raw material cost fluctuations per conditions pertaining to their markets.

The sensitivity analyses in the currency risk above do not take into consideration that the TGHL's liabilities are actively managed. Additionally, the financial position of TGHL may vary at the time that any actual market movement occurs or be mitigated by management's actions to reduce exposure to risks.

Conditions in China

General

TGHL's subsidiary, Tornado Global Hydrovacs (Beijing) Limited, operates and has assets in China. As a result, TGHL is 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.

22. Capital disclosure and management

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, China and North America, and its Corporate segment. TGHL monitors these amounts to ensure there is adequate cash to support the North American operations and the planned expansion in China. Should the projected requirements not be fulfilled, TGHL expects to raise additional cash through either the issuance of additional equity, acquisition of debt, or a combination thereof. As at December 31, 2017, TGHL had $1,831 cash in North America and Corporate and $3,801 in China available for the Chinese expansion. These levels are expected to meet the budgeted requirements for the next 12 months.

23. Contingencies

Director and officer indemnification

TGHL indemnifies its directors and officers against all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. TGHL has acquired and maintains liability insurance for its directors and officers.

Other indemnification provisions contingencies

From time to time, TGHL enters agreements in the normal course of operations and about business or asset acquisitions and dispositions. By their nature, these agreements may provide for indemnification of counterparties. The varying nature of these indemnification agreements prevents TGHL from making a reasonable estimate of the maximum potential amount it could incur.

Other contingencies

TGHL is subject to various product liability or general claims and legal proceedings covering matters that arise in the ordinary course of business. All such matters are adequately covered by insurance or by accruals, or are determined by management to be without merit, or of such kinds or amounts as would not have a material adverse effect on the financial results of TGHL.

24. 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. This lease may be canceled upon 6 months' notice. The Company also 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 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 5 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**	**$ -**

25. 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. In addition, during the year ended December 31, 2017 the Company was charged management fees from its Former Parent Company of $Nil (2016 - $200).

(b) 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.

(c) 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.

26. Key management compensation

The Company's key management comprised its directors and executive officers who have been remunerated as follows:

	Year ended December 31	
	2017	2016
Management cash compensation	**$ 621**	$ 417
Management short term benefits	**24**	22
Management share based compensation	**58**	-
Management termination benefits	**29**	-
Directors share based compensation	**85**	-
Directors fees	**125**	-
	$ 943	$ 439

Short-term employee benefits include non-equity incentive plan compensation and other short-term benefits. Share-based compensation represents the portion of the Company's share based payments expense incurred during the year attributable to the key management and directors, accounted for in accordance with IFRS 2 'Share Based Payments'.

27. Cash flow changes from financing activities

Details of changes in financing activities for the year ended December 31, 2017 are as follows:

	January 1, 2017	Cash Flows	Non-cash changes				December 31, 2017
			Debt for Share Conversion	Fair Value / Amortization	Common Share Warrants Valuation	Change in Finance Leases	
Note payable	2,775	-	(2,566)	(209)	-	-	-
Finance lease receivable	469	(335)	-	-	-	369	503
Finance leases obligation	28	329	-	-	-	378	735
Foreign currency forward contracts	27	-	-	(27)	-	-	-
Share capital	15,283	3,188	2,566	-	(144)	-	20,893
Common share purchase warrants	-		-	-	144	-	144
Total	**$ 18,582**	**$ 3,182**	**$ -**	**$ (236)**		**$ 747**	**$ 22,275**

28. Changes in non-cash working capital

	Year ended December 31	
	2017	2016
Cash provided by (used for):		
Accounts receivable	**$ (1,038)**	$ (503)
Inventory	**172**	(2,171)
Prepaid expenses and other assets	**(68)**	(63)
Accounts payable and accrued liabilities	**(25)**	1,901
Current tax payable	**57**	-
Total cash used for operating activities	**$ (902)**	$ (836)