UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2016

NOTICE TO READER

These interim consolidated financial statements have been prepared by the Management of Tornado Global Hydrovacs Ltd. and have not been audited or reviewed by an external auditor.

3Q16

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE LOSS

		3 months		9 months	
For the periods ended September 30	**Notes**	**2016**	**2015**	**2016**	**2015**
(In $000's CAD, except per-share amounts)		$	$	$	$
			Note 2		Note 2
Revenues *(1)*		**2,928**	**3,715**	**12,074**	**15,026**
Cost of sales, excluding depreciation and amortization *(2)*	**8**	**(2,687)**	(3,342)	**(11,468)**	(13,265)
Gross Profit, excluding depreciation and amortization		**241**	373	**606**	1,761
Selling and administrative expenses	**9**	**(1,081)**	(495)	**(2,166)**	(1,891)
Result before depreciation, amortization and other items		**(840)**	(122)	**(1,560)**	(130)
Depreciation of property, plant and equipment		**(135)**	(45)	**(273)**	(134)
Amortization of intangible assets		**(16)**	—	**(74)**	—
Result before other items of income		**(991)**	(167)	**(1,907)**	(264)
Finance costs		**(8)**	(4)	**(18)**	(22)
Management fees		**—**	(180)	**(200)**	(540)
		(8)	(184)	**(218)**	(562)
Net (loss) before tax		**(999)**	**(351)**	**(2,125)**	**(826)**
Income tax recovery (expense)					
Current		**—**	—	**300**	—
Deferred		**—**	—	**3**	—
		—	—	**303**	—
Comprehensive loss		**(999)**	**(351)**	**(1,822)**	**(826)**

(1) Included in revenue are foreign exchange losses of **$12** for the three month period ended September 30, 2016 (2015 - foreign exchange gains of $2)
Included in revenue are foreign exchange gains of **$49** for the nine-month period ended September 30, 2016 (2015 - foreign exchange losses of $34)

(2) Cost of sales including depreciation and amortization was (**$2,773)** for the three month period ended September 30, 2016 (2015 - ($3,374))
Cost of sales including depreciation and amortization was **($11,709)** for the nine-month ended September 30, 2016 (2015 - ($13,359))

See accompanying notes

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at	Notes	30-Sep-16	31-Dec-15
(In $000's CAD)		$	$ See Note 2
ASSETS			
Current assets			
Cash and cash equivalents		**5,038**	—
Accounts receivable	**11**	**763**	1,609
Inventory	**12**	**6,520**	4,650
Prepaid expenses and other assets		**136**	87
Total current assets		**12,457**	**6,346**
Non-current assets			
Property, plant and equipment, net		**2,985**	2,024
Goodwill and intangible assets, net	**5**	**4,150**	312
Total non-current assets		**7,134**	**2,336**
Total assets		**19,591**	**8,682**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**2,431**	1,526
Current portion of finance leases		**41**	67
Total current liabilities		**2,472**	**1,593**
Non-current liabilities			
Finance leases		**—**	35
Note payable	**16**	**2,835**	—
Total non-current liabilities		**2,835**	**35**
Total liabilities		**5,307**	**1,628**
EQUITY			
Former owner's net investment		**—**	7,054
Share capital		**14,284**	—
Total equity attributable to owners		**14,284**	**7,054**
Total liabilities and equity		**19,591**	**8,682**

See accompanying notes

As at September 30, 2016

	Common shares		Former Parent's net investment	Surplus/(Deficit)	Total equity
(In $000's CAD except number of shares)	#	$	$		$
As at December 31, 2015	—	—	7,054		7,054
Pre-acquisition loss			(822)		(822)
Distribution to Former Parent	—	—	(6,232)		(6,232)
Comprehensive loss for the period	—	—	—	(999)	(999)
Acquisition of Hydrovac Business	32,417,056	8,329	—	—	8,329
Private placement of shares	27,063,787	6,954	—	—	6,954
As at September 30, 2016	59,480,843	15,283	—	(999)	14,284

As at September 30, 2015 (Note 2)

	Common shares		Former Parent's net investment	Total equity
(In $000's CAD except number of shares)	#	$	$	$
As at December 31, 2014	—	—	6,640	6,640
Comprehensive loss for the period	—	—	(826)	(826)
As at September 30, 2015	—	—	5,814	5,814

See accompanying notes

	3 months		9 months	
(In $000's CAD, except per-share amounts)	2016	2015	2016	2015
	$	$	$	$
		Note 2	Note 2	Note 2
OPERATING ACTIVITIES				
Net comprehensive (loss)*	**(999)**	—	**(999)**	—
Add (deduct) items not affecting cash				
Hydrovac business pre-acquisition net loss		(351)	**(823)**	(826)
Depreciation of property, plant and equipment	**135**	45	**273**	134
Amortization of intangible assets	**16**	—	**74**	—
Deferred income taxes	**—**	—	**(303)**	—
Cash flow from (used in) operations	**(848)**	**(306)**	**(1,778)**	**(692)**
Change in non-cash working capital	**(690)**	(278)	**(92)**	(2,296)
Cash flow used in operating activities	**(1,538)**	**(584)**	**(1,870)**	**(2,988)**
INVESTING ACTIVITIES				
Increase / (decrease) in amounts due to related parties	**(4)**	—	**(4)**	—
Acquisition of intangible assets	**—**	—	**(101)**	—
Acquisition of property, plant and equipment	**(296)**	(80)	**(318)**	(293)
Cash flow used in investing activities	**(300)**	**(80)**	**(423)**	**(293)**
FINANCING ACTIVITIES				
Proceeds received from finance leases	**—**	—	**—**	32
Repayment of finance leases	**(18)**	(35)	**(55)**	(54)
Proceeds from private placement of shares	**—**	—	**6,954**	—
Contributions by former parent	**—**	699	**492**	3,303
Repayment of note payable to former parent	**(60)**		**(60)**	
Cash flow used in financing activities	**(78)**	**664**	**7,331**	**3,281**
Net decrease in cash and equivalents during the period	**(1,916)**	**—**	**5,038**	**—**
Cash and cash equivalents, beginning of period	**6,954**	—	**—**	—
Cash and cash equivalents, end of period	**5,038**	**—**	**5,038**	**—**

* Net comprehensive (loss) of TGHL are presented with post acquisition operational results only,
as pre-acquisition operational results were absorbed under Former Parent and are presented in separate line.

Notes to the Interim Condensed Financial Statements

For the three and nine months ended September 30, 2016 and 2015 (unaudited)

Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

1. Corporate information

Tornado Global Hydrovacs Ltd. (the "Company") designs, fabricates and, manufactures hydrovac trucks in Canada and sells hydrovac trucks in Canada and the United States. The Company's head office is located at 7105 McLeod Trail, SW, Suite 510, Calgary, Alberta, T2H 2K6.

The Company was indirectly capitalized through a private placement for aggregate gross proceeds of $7,500 CAD (which consisted of $3,521 USD and 11,996 RMB). The proceeds are to be used to organize and fund a wholly-owned subsidiary in China to establish the Company's Hydrovac Business (as defined below) in China and as general working capital for the Company.

The Company's former parent, Empire Industries Ltd., (the "Former Parent") transferred its wholly-owned hydrovac business including all of the tangible and intangible assets, employees and operations of Tornado Trucks (the "Hydrovac Business") to the Company pursuant to a Plan of Arrangement in exchange for the issuance of shares in the Company, equaling 54.5% of the total issued and outstanding shares of the Company, to the shareholders of the Former Parent and the issuance of an interest bearing promissory note to the Former Parent (the "Transaction"). The Transaction closed effective June 27, 2016. The Company commenced trading on the Toronto Venture Exchange under the stock symbol TGH-V on July 8, 2016.

2. Basis of preparation

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting*,* as issued by the International Accounting Standards Board ("IASB") and using the accounting policies as described in the audited carve-out financial statements of the Hydrovac Business of the Former Parent for fiscal year ended December 31, 2015 as included in the Form 2B listing Application dated July 7, 2016. These condensed interim financial statements were approved by the Board of Directors on Nov xx, 2016.

Basis of presentation

For comparative purpose, the operational results for the Hydrovac Business of the Former Parent for the pre-acquisition period of January 1, 2016 to June 27, 2016 have been included in these condensed interim financial statements to present complete information about the Company. For net income (loss) per share, only third quarter 2016 results have been included as the Company's operating income (loss) because the pre-acquisition period results were realized and recognized under the ownership of the Former Parent.

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

The following basis of preparation for the comparative information has been applied:

- All pre-acquisition assets and liabilities directly related to those acquired by the Company have been attributed to the Company. These do not include assets and liabilities that are not specifically identifiable with the Company. Assets and liabilities taken over by TGHL from the Former Parent after acquisition have been measured at fair value as of Jun 28, 2016 as disclosed.
- Revenue and expenses directly related to the Hydrovac Business of the Former Parent have been entirely attributed to the Company.

- For the period up to June 27, 2016, the Hydrovac Business of the Former Parent received services and support functions from the Parent and the operations of the Hydrovac Business of the Former Parent were dependent upon the Parent's ability to perform these services and support functions. These administrative and other costs, relating to human resources and finance were used by the Hydrovac Business of the Former Parent and were paid by the Parent. These costs have been allocated to the Company based on proportionate aggregated costs of professional services and sales and marketing departments attributed to the Company compared to the aggregated expenses of these departments of the Former Parent. These allocated expenses have been recorded in management fees.
- For the period up to June 27, 2016, the Hydrovac Business of the Former Parent 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 was recorded as part of the management fee.
- While the Hydrovac Business of the Former Parent was not a taxable entity before acquisition, the comparative information reflects the impact of tax on the Company as though it had been a stand-alone taxable entity for the period up to June 27, 2016.
- After acquisition, the Company ceased to use the Former Parent to provide services and support functions, and no management fees have been included.

Functional and presentation currency

The condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

Use of estimates

Accounting measurements at interim dates inherently involve a greater reliance on estimates than at year-end. In the opinion of management, the unaudited interim condensed financial statements include all adjustments of a normal recurring nature to present fairly, the financial position of the Company as at September 30, 2016.

3. Summary of significant accounting policies

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 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 know would have affected the amounts recognized as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

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.

Revenue from operating leases is recognized in income on a straight-line basis over the term of the relevant lease. Costs, including depreciation, incurred in earning the lease revenue are recognized as an expense.

Property, plant and equipment

Property, plant and equipment are measured at fair value at the acquisition date and are otherwise 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")	3 to 15 years
Office furniture and equipment ("Office Equip.")	3 to 10 years
Leasehold improvements ("Leaseholds")	Over the term of the lease
Vehicles	1 to 7 years

The assets' useful lives, residual values and methods of depreciation of assets are reviewed annually, and adjusted prospectively, if appropriate.

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) income.

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) income on a straight-line basis over the lease term.

Inventory

Inventory is comprised of 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.

The rental truck inventory is depreciated on straight line basis over the remaining useful life which is based on management best estimates and ranges from 2 to 10 years.

4. Significant accounting judgement, estimates and assumptions

Business combinations

Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

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.

Leases

Revenue from operating leases is recognized in income on a straight-line basis over the term of the relevant lease. Costs, including depreciation, incurred in earning the lease revenue are recognized as an expense.

Management has determined that the lease of its Hydrovac trucks to its customers in the third quarter to be an operating lease and will recognize the lease revenue on a straight-line basis over the lease term.

5. Acquisition of assets and liabilities of Tornado Trucks

On June 27, 2016, the Company completed terms of the arrangement and acquired the assets and liabilities of Tornado Trucks for gross proceeds of $11,224. The gross proceeds consisted of 32,417,056 common shares of the Company valued at $8,329 and a note payable to the Former Parent of $2,895.

The assets acquired and liabilities assumed of Tornado Trucks on the date of acquisition have been preliminarily recorded in the Q2 2016 unaudited interim condensed financial statements at their estimated fair values. Subsequently, the Company conducted a fair value exercise based on additional information obtained from the market in the third quarter and adjusted the fair value of inventory truck down by $78 and fixed assets up by $1,070 as at acquisition date which results a reduction in goodwill value as compared to what was preliminary reported in Q2 financial statements by $992.

	$
Accounts receivable	995
Inventory – raw materials	2,261
Inventory – work-in-progress	1,206
Inventory – finished goods	1,026
Prepaid expenses	111
Property, plant & equipment	2,980
Intangible assets acquired	328
Goodwill	3,838
Accounts payable and accrued liabilities	(1,455)
Finance leases	(65)
Purchase consideration	**11,224**

The goodwill of $3,838 comprises the value of the assembled workforce and the knowledge base to introduce this technology to China, which is one of the longer-term goals of the business plan.

Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

6. Net income (loss) per share

	3 Months		9 Months	
	September 30, 2016 $	September 30, 2015 $	September 30, 2016 $	September 30, 2015 $
Net loss	(999)	(351)	(1,822)	(826)
Number of shares	59,480,843	-	59,480,843	-
Net loss per share	**(0.02)**	**-**	**(0.03)**	**-**

7. Shareholder's equity

Share capital

Authorized

The authorized capital of the Company consists of an unlimited number of common shares. Each common share of the Company entitles its holder to one vote at all meetings of shareholders subject to certain restrictions with respect to the voting rights.

Each common share of the Company is also 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 the Company upon liquidation, dissolution or winding up of the Company on an equal basis per share.

Issuance of common shares

59,480,843 common shares (2015 – nil)

On June 28, 2016, the Company 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 distributed to the shareholder's of the Former Parent. Also on June 28, 2016, the Company issued 27,063,787 common shares to shareholders in connection with a private placement for proceeds of $6,954. The private placement funds were released from trust on July 8, 2016 and thus shown as proceeds held in trust at June 30, 2016.

8. Cost of sales

	3 Months		9 Months	
	September 30, 2016 $	September 30, 2015 $	September 30, 2016 $	September 30, 2015 $
Direct construction costs	(2,481)	(3,048)	(10,356)	(11,690)
Indirect salaries and benefits	(53)	(64)	(202)	(310)
Indirect production costs	(153)	(230)	(910)	(1,265)
	(2,687)	**(3,342)**	**(11,468)**	**(13,265)**

Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

9. Selling and administrative expenses

	3 Months		9 Months	
	September 30, 2016 $	September 30, 2015 $	September 30, 2016 $	September 30, 2015 $
North America				
Salaries and benefits	(390)	(324)	(1,151)	(1,153)
General, selling and administrative expenses	(332)	(171)	(656)	(738)
	(722)	**(495)**	**(1,807)**	**(1,891)**
China				
Salaries and benefits	(50)	(-)	(50)	(-)
General, selling and administrative expenses	(309)	(-)	(309)	(-)
	(359)	**(-)**	**(359)**	**(-)**
	(1,081)	**(495)**	**(2,166)**	**(1,891)**

10. Operating segments

The Company operates as one operating segment. The table below shows the geographical sales performance for the three-month and nine-month periods ended September 30:

	3 Months		9 Months	
	September 30, 2016 $	September 30, 2015 $	September 30, 2016 $	September 30, 2015 $
Canada	2,919	3,715	10,017	13,715
United states	9	-	2,057	1,311
China	-	-	-	-
	2,928	**3,715**	**12,074**	**15,026**

All of the Company's non-current assets are located in Canada.

11. Accounts receivable

	September 30, 2016 $	December 31, 2015 $
< 30 days	244	1,336
> 30-59 days	27	112
> 60-89 days	255	71
> 90 days	237	90
	763	**1,609**

12. Inventory

	September 30, 2016 $	December 31, 2015 $
Work-in-process	1,396	911
Raw materials	2,458	2,136
Finished goods	2,666	1,603
	6,520	**4,650**

The finished goods include four demonstration trucks and three leasing trucks as at September 30, 2016.

13. Capital disclosure and management

The Company's objective when managing its long-term capital structure is to strive for a long-term manageable level of long-term funded debt to total capitalization. The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, sell redundant or non-core assets or borrow through the issuance of long-term debt.

14. Contingencies

Director and officer indemnification

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for its directors and officers as well as those of its wholly-owned subsidiaries and certain affiliated companies.

Other indemnification provisions contingencies

From time to time, the Company enters into agreements in the normal course of operations and in connection with 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 the Company from making a reasonable estimate of the maximum potential amount it could incur. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

Other contingencies

The Company 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 the Corporate.

15. Related party transactions (including transactions with the former parent)

Before the acquisition, the Company had purchases from an affiliate in the period in the amount of $299 (2015 - $877), as well as sales to an affiliate in the period of $20 (2015 - $nil). In addition to that, the Company was charged management fees from its parent Company in the period of $200 (2015 - $540). These transactions are 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.

After the acquisition, the Former Parent continues to be considered a related party , which is the largest creditor of the Company and has a common director. There were no operational transactions between the Company and the Former Parent after the acquisition other than the interest and principal payments associated with the related party loan payable.

16. Related party note payable

The loan payable to the Former Parent of $2,895 is repayable over 84 months at an interest rate of 2.7% per annum. The Company is required to make payments of $20 per month for the first 60 months and then pay the remaining balance outstanding in two payments on the 72nd and 84th month. The Company has paid down $60 in principal to the Former Parent over the third quarter of 2016.

17. Comparative Information

Amounts are stated in thousands of dollars except per share amounts and certain other exceptions as noted

Certain comparative figures have been reclassified to better reflect the current economic structure of the entity and provide more meaningful information. Intercompany financing and bank indebtedness of pre-acquisition position have been offset and deferred income tax liabilities have been derecognized as they are not assumed by the Company. All of these amounts have been reflected as an adjustment to Former owner's net investment as follows:

	As presented in the December 31, 2015 Carve-Out Statement of Financial Position	Adjustment	As presented in the September 30, 2016 Interim Condensed Statement of Financial Position
	$	$	$
Intercompany receivable	4,631	-4,631	-
Bank Indebtedness	-2,235	2,235	-
Deferred income tax liability	-416	416	-
Payable to related parties	-3,281	3,281	-
Former owner's net investment	-5,753	-1,301	-7,054