



Tornado Global Hydrovacs Ltd.

Unaudited Condensed Interim Financial Statements

For the three-month periods ended March 31, 2017

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 external auditor.



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the periods ended March 31	Notes	2017	2016
(In \$000's CAD, except per-share amounts)		\$	\$
Revenues (1)		5,989	3,382
Cost of sales, excluding depreciation and amortization (2)	5	(5,092)	(3,293)
Gross Profit, excluding depreciation and amortization		897	89
Selling and administrative expenses	6	(973)	(524)
Result before depreciation, amortization and other items		(76)	(435)
Depreciation of property and equipment		(116)	(69)
Depreciation of inventory		(17)	—
Amortization of intangible assets		(123)	(29)
Result before other items of income		(332)	(533)
Finance income		13	—
Finance costs		(30)	(5)
Management fees		—	(100)
Fair value changes in derivative financial instruments		27	—
		10	(105)
Net (loss) before tax		(322)	(638)
Income tax recovery (expense)			
Current		—	168
Deferred		—	3
		—	171
Other comprehensive income			
Translation of foreign subsidiary		4	—
		4	—
Comprehensive loss		(318)	(467)

(1) Included in revenue are foreign exchange gains of \$22 for the periods ended March 31, 2017 (2016 - foreign exchange gains of \$31)

(2) Cost of sales including depreciation and amortization was \$5,334 for the three month period ended March 31, 2017 (2016 - \$3,368)

See accompanying notes



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at	Notes	31-Mar-17	31-Dec-16	31-Mar-16
(In \$000's CAD)		\$	\$	\$
ASSETS				
Current assets				
Cash and equivalents		3,321	4,444	—
Accounts receivable		2,054	1,500	1,052
Inventory	3	6,940	6,662	5,815
Prepaid expenses and other assets		122	142	98
Total current assets		12,437	12,748	6,965
Non-current assets				
Property and equipment, net		2,664	2,754	1,956
Goodwill and intangible assets, net		3,913	4,037	283
Total non-current assets		6,577	6,791	2,239
Total assets		19,014	19,539	9,204
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		3,243	3,354	2,114
Current portion of non-current liabilities		259	268	74
Fair value of foreign currency forward contracts		—	27	—
Total current liabilities		3,502	3,649	2,188
Non-current liabilities				
Finance leases		—	—	10
Note payable		2,475	2,535	—
Total non-current liabilities		2,475	2,535	10
Total liabilities		5,977	6,184	2,198
Former owner's net investment		—	—	7,006
Share capital		15,283	15,283	—
Retained deficit		(2,246)	(1,928)	—
Total equity attributable to owners		13,037	13,355	7,006
Total liabilities and equity		19,014	19,539	9,204

Contingencies (note 9)

See accompanying notes

On behalf of the Board of Directors:

"James Chui"
Executive Chairman
Tornado Global Hydrovacs Ltd.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND OWNER'S INTEREST



As at March 31, 2017

	Common Shares	Retained deficit	Total equity
(In \$000's CAD except number of shares)	\$	\$	\$
As at December 31, 2016	15,283	(1,928)	13,355
Loss for the period	—	(322)	(322)
Accumulated other comprehensive income on translation of foreign subsidiary		4	
As at March 31, 2017	15,283	(2,246)	13,033

As at March 31, 2016

		Former Parent's net investment	Total equity
(In \$000's CAD except number of shares)	\$	\$	\$
As at December 31, 2015	—	7,473	7,473
Comprehensive loss for the period	—	(467)	(467)
As at March 31, 2016	—	7,006	7,006

See accompanying notes



CONDENSED STATEMENT OF CONSOLIDATED CASH FLOWS

(In \$000's CAD, except per-share amounts)	2017	2016
	\$	\$
OPERATING ACTIVITIES		
Net comprehensive loss	(318)	(467)
<i>Add (deduct) items not affecting cash</i>		
Depreciation of plant and equipment	116	69
Amortization of intangible assets	123	29
Fair value changes in foreign currency forward contracts	(27)	—
Deferred income taxes	—	(3)
Cash flow used in operations	(106)	(372)
Change in non-cash working capital	(923)	(200)
Cash flow used in operating activities	(1,029)	(572)
INVESTING ACTIVITIES		
Acquisition of property and equipment	(25)	(1)
Acquisition of intangible assets	—	—
Increase in amounts due to former parent	—	113
Cash flow used in investing activities	(25)	112
FINANCING ACTIVITIES		
Repayment of finance leases	(9)	(18)
Due to former parent	—	478
Repayment of note payable	(60)	—
Cash flow used in financing activities	(69)	460
Net decrease in cash and equivalents during the period	(1,123)	—
Cash and cash equivalents, beginning of period	4,444	—
Cash and cash equivalents, end of period	3,321	—

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2017 and 2016

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

1. Corporate information

Tornado Global Hydrovacs Ltd. ("TGHL") is incorporated in Canada and 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 is located at 7105 McLeod Trail, SW, Suite 510, Calgary, Alberta, T2H 2K6, and was incorporated under the Business Corporations Act (Alberta) on April 27, 2016. Since July 8, 2016 the TGHL's shares are traded on the TSX-V under the symbol "TGH".

These financial statements were recommended for approval by the audit committee and were approved and authorized for issue by the Board of Directors on May 25, 2017.

2. Summary of significant accounting policies

The interim consolidated financial statements are condensed and have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). The same accounting policies and methods of computation were followed in the preparation of these condensed interim consolidated financial statements as disclosed in the TGHL's consolidated financial statements for the year ended December 31, 2016. TGHL's 2016 annual consolidated financial statements include incremental annual IFRS disclosures that may be helpful to readers of the interim results and therefore should be read in conjunction with these interim consolidated financial statements.

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 presentation

These interim condensed consolidated financial statements are prepared for the period ended March 31, 2017 and include the results for the comparative period ended March 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 subsidiary. These consolidated financial statements have been prepared in Canadian dollars which is the functional currency of TGHL. Effective January 1st, 2017, TGHL has two operating subsidiaries including Tornado Global Hydrovacs (Beijing) Ltd. and Tornado Global Hydrovacs (North America) Inc. The functional currencies for each subsidiary are Chinese RMB and Canadian dollars respectively.

The interim condensed consolidated 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 carveout financial statements

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

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 consolidated financial statements include all adjustments of a normal recurring nature to present fairly, the consolidated financial position of the TGHL as at March 31, 2017

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2017 and 2016

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

3. Inventories

Inventories are comprised of the following:

	March 31, 2017	December 31, 2016	March 31, 2016
	\$		\$
Work-in-process	2,981	2,629	677
Raw materials	2,841	2,291	2,494
Finished goods	1,118	1,742	2,644
	6,940	6,662	5,815

Work-in-process inventory contains the cost of direct material, direct labor, and factory overhead placed into the unfinished hydrovac trucks, including two demo units being built for TGHL's Chinese operation. Finished goods inventory consists of hydrovac trucks which are designated as rental inventory. TGHL has recorded amortization of \$17 during the first quarter of 2017 relating to this inventory category.

4. Loss per share

Loss per share for the year ended December 31:

	March 31, 2017	March 31, 2016
Net loss attributable to shareholders	(322)	(467)
Basic weighted average number of shares	59,480,843	59,480,843
Effect of diluted securities		
Net incremental dilutive shares	-	-
Diluted weighted average number of shares	59,480,843	59,480,843
Net loss per share		
Basic and diluted	(0.01)	(0.01)

5. Cost of sales

	March 31, 2017	March 31, 2016
	\$	\$
Direct construction costs	(4,315)	(2,971)
Indirect salaries and benefits	(97)	(91)
Indirect production costs	(680)	(231)
	(5,092)	(3,293)

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2017 and 2016

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

6. Selling and administrative expenses

	March 31, 2017 \$	March 31, 2016 \$
Salaries and benefits	(547)	(360)
General, selling and administrative expenses	(426)	(164)
	(973)	(524)

7. Operating segments

TGHL has two operating segments which are separated geographically, its North American manufacturing and sales operation and its China operation. TGHL's China operating segment was in the preliminary phases with only selling, general and administrative expenses incurred during the year ended and no activity in the comparative period.

The tables below show the segmented performance for TGHL from its North America and China operating segments, for the periods ended March 31, 2017 and 2016 respectively:

2017 (presented in \$000's)	North America \$	China \$	Total \$
Revenues	5,989	-	5,989
Cost of sales excluding depreciation and amortization	(5,092)	-	(5,092)
	897	-	897
Selling and administrative expenses	750	223	973
	147	(223)	(76)
Depreciation and amortization expense	(194)	(62)	(256)
	(47)	(285)	(332)

2016	North America \$	China \$	Total \$
Revenues	3,382	-	3,382
Cost of sales excluding depreciation and amortization	(3,293)	-	(3,293)
	89	-	89
Selling and administrative expenses	(524)	-	(524)
	(435)	-	(435)
Depreciation and amortization expense	(98)	-	(98)
	(533)	-	(533)

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2017 and 2016

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

8. 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 geographic operating segments. 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 additional debt, or a combination thereof. As at March 31, 2017, TGHL had \$954 (2016 – \$nil) free cash in North America and \$2,367 (2016 - \$nil) in China available for the Chinese expansion. These levels met the budgeted requirements for the next 12 months.

9. 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.

10. Related Party Transactions

TGHL did not have any transactions with the Former Parent in the first quarter of 2017. TGHL deems all related party transactions are in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed by the parties.