Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of financial condition and results of operations of Tornado Global Hydrovacs Ltd. ("Tornado" or the "Company") is supplemental to, and should be read in conjunction with the audited financial statements for the fiscal year ended December 31, 2015. Reference should also be made to the annual MD&A for the year ended December 31, 2015 as well as the Management Information Circular of Empire Industries Ltd. dated May 20, 2016.

The interim condensed carve-out financial statements and accompanying notes of the Company for the period ended March 31, 2016 have been prepared in conformity with International Financial Reporting Standards ("IFRS") and require management to make estimates and assumptions that affect amounts reported and disclosed in such financial statements and related notes. Unless otherwise indicated, a reference to a period relates to the Company's three-month ended March 31. All amounts are reported in Canadian dollars unless specifically stated to the contrary.

Disclosure contained in this document is current to June 29, 2016, unless otherwise stated.

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

Business Description

The Company manufactures hydrovac trucks for excavation service providers to the oil and gas industry and the municipal market. It operates through a leased production facility is in Stettler, AB and a sales office located in Calgary, AB.

Tornado maintains its head office in Calgary, AB.

Consolidated Financial Results

Periods ended March 31	**Quarter ended**		
	2016 **$**	**2015** **$**	**Variance** **$**
Operating Results:			
Revenues	3,382	4,625	(1,243)
Adjusted gross margin	89	583	(494)
Adjusted gross margin %	2.6%	12.6%	(10.0%)
Adjusted EBITDA	(435)	(137)	(298)
Adjusted EBITDA %	(12.9%)	(3.0%)	(9.9%)
Adjusted EBIT	(533)	(182)	(351)
Adjusted EBIT %	(15.8%)	(3.9%)	(11.9%)
Net income after tax	(467)	(272)	(233)

1Q16 Overview

Revenues and gross margins in the quarter continued to suffer from the same slow demand and resulting price pressures experienced throughout 2015. Revenues declined by 27% to $3.4 million in 1Q16 as compared to the same period in the prior year. Adjusted Gross Margin declined by 10% to 2.6% in 1Q16 as compared to the same period in the prior year.

The Company sold seven units in 1Q16 versus 9 units in the same period of 2015. However, the Company has maintained its production capacity as it expects the demand to increase throughout 2016 and wants to be in a position to meet that demand.

The continued production level, sales of 2 fewer units and continued pricing pressures the key drivers behind the reduction in sales and reduced Adjusted Gross Profit Margins.

Selling and administrative expenses declined by $0.2 million compared to the same period in 2015 as expense reduction measures implemented in the prior year were fully realized in the quarter.

Adjusted EBITDA decreased by $0.3 million as result of the factors discussed above.

Significant Events

- On February 1, 2016, Empire Industries Ltd. ("Empire") announced its proposal to spin out its hydrovac business (the Tornado Hydrovacs business) into a separate publicly traded company on the TSX Venture Exchange. Empire shareholders will own 54.5% and a Chinese partner would own the remaining 45.5%. When all of the transactions associated with the proposal are completed, the spin out company will have approximately $10 million of cash and approximately $6 million of operating assets. Empire also announced that the new spinout company closed a private placement of subscription receipts for gross proceeds of approximately $5 million.
- On March 1, 2016, Empire Industries Ltd. announced that Tornado Global Hydrovacs Inc., has closed a second private placement of subscription receipts for aggregate gross proceeds of RMB 11,946,110 (approximately $2,500,000).

Subsequent Significant Events

- On May 18, Empire Industries Ltd. announced that it has entered into an arrangement agreement (the "Arrangement Agreement") with its wholly-owned subsidiaries, Tornado Global Hydrovacs Ltd. ("Tornado") and Tornado Global Hydrovacs Inc. contemplating the spin-out (the "Arrangement") to Tornado of Empire's hydrovac business including all of the tangible and intangible assets, employees and operations of Tornado Trucks, a division of Empire (the "Hydrovac Business"). Pursuant to the Arrangement, the Hydrovac Business will be owned by Tornado and the common shares of Empire will be exchanged for one quarter (1/4) of a new Empire common share and one eighth (1/8) of a new Tornado common share for every common shares of Empire currently owned.
- On June 21, Empire Industries held a special meeting of shareholders, at which time the shareholders voted 99.81% in favour of the special resolution approving the previously announced Arrangement.
- On June 27, Empire Industries Ltd. announced that it has successfully completed the previously announced Arrangement.

Selected Quarterly Financial Information

Quarterly Financial Information	2016	2015	2015	2015	2015	2014	2014	2014
For the quarters ended	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	3,382	5,152	3,715	6,686	4,625	9,398	9,519	8,316
Adjusted EBITDA	(435)	5	(122)	130	(137)	609	918	786
Profit (loss)	(467)	(370)	(222)	(63)	(272)	225	474	417

Liquidity and Capital Resources

Liquidity

For the period ended March 31, 2016, the Company's operations used $0.4 million of cash, compared with $0.2 million in the same period of 2015 excluding the impact of changes in non-cash working capital amounts. The Company expects that its operations will generate sufficient cash on a go forward basis to meet the Company's obligations.

Long term debt of $0.1 consists of finance leases.

Equity

Equity of $5.2 million at March 31, 2016 is $0.5 million lower than the equity at December 31, 2015 due to the net loss in the period. No dividends were declared or paid in the quarter.

Financial Ratios

The following information is based on the data disclosed in Note 7 (Capital Disclosures and Management) from the interim condensed Carve Out Financial Statements:

For the periods ended	March 31, 2016 $	December 31, 2015 $
Current portion of finance leases	74	67
Long-term portion of finance leases	10	35
Funded debt	84	102
Equity	5,286	5,753
Less: intangible assets (net)	(283)	(312)
Tangible net worth	5,003	5,441
Capitalization	5,087	5,543
Long-term funded debt : Capitalization	1.7%	1.8%

Forward Looking Information

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

Outlook

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

Empire Industries Ltd. plans to spin out the Tornado hydrovac truck business into its own public company named Tornado Global Hydrovacs Ltd. at the end of June 2016. With a Chinese investor injecting $10 million of cash into the spinout company, its exciting and invigorated strategy will start immediately and open up growth and profit opportunities in new geographic markets. This spin out gives the hydrovac business the access to capital and management focus required to execute its strategy.

Although management believes the medium and long term outlook for Tornado is positive, they recognize that 2016 will be a transition year for the Company. As such, the results in 2016 will be effected by the following:

- Over the past two years, the Company has been challenged to respond to the negative affect that the significant reduction in oil and gas prices has had on reducing capital expenditures in Western Canada, especially in the oil sands market. The Company has increased its emphasis on the US market and the municipal market to offset the adverse conditions in the western Canada industrial market. However, the Company's North American operating performance in 2016 is expected to be impacted negatively compared to 2015 if these efforts do not bear immediate results.

- Earnings from the Chinese venture will take time to develop, and as such, any revenues associated with the Chinese venture may not be sufficient to offset the startup costs that will be incurred in 2016.

Non-IFRS Methods

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

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

Reconciliation of Profit (loss) to Adjusted EBITDA

Periods ended March 31	Quarter ended		
	2016	2015	Variance
($000's, except for per share amounts)	$	$	$
Profit (loss) – before taxes	(638)	(373)	(265)
Add: Depreciation and amortization	98	45	53
Add: Finance costs	5	11	(6)
Add: Management fees	100	180	(80)
Adjusted EBITDA	(435)	(137)	(298)

Calculation of Adjusted EBIT

Periods ended March 31	Quarter ended		
	2016	2015	Variance
($000's, except for percentages)	$	$	$
Adjusted EBITDA	(435)	(137)	(298)
Less: Depreciation and amortization	(98)	(45)	(53)
Adjusted EBIT	(533)	(182)	(351)
% of revenue	(15.8%)	(3.9%)	(11.9%)

Calculation of Adjusted Gross Margin

Periods ended March 31	Quarter ended		
	2016	2015	Variance
($000's, except for percentages)	$	$	$
Revenues	3,382	4,625	(1,243)
Cost of sales excluding depreciation and amortization	(3,293)	(4,042)	749
Adjusted gross margin	89	583	(494)
% of revenue	2.6%	12.6%	(10.0%)