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 Carve-Out Financial Statements of the Company for the fiscal year ended December 31, 2015, the unaudited interim condensed financial statements and related notes as at and for the three and nine month periods ended September 30, 2016 and the cautionary statement regarding forward-looking information and statements in this document. 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 audited Carve-Out Financial Statements and accompanying notes of the Company for the year ended December 31, 2015 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 year relates to the Company's fiscal year ended December 31. All amounts are reported in Canadian dollars unless specifically stated to the contrary. Tabular amounts disclosed in this MD&A are presented in thousands (000's) of dollar with the exception of percentages and per share data.

This MD&A and the interim financial statements were reviewed by the Audit Committee of Tornado's Board of Directors and approved by Tornado's Board of Directors on November 22, 2016.

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 in Stettler, AB and a sales office located in Calgary, AB and a leased laser cutting production facility in Calgary, AB.

Tornado maintains its head office in Calgary, AB.

Summary of Operating Results

Periods ended September 30 ($000's, except for percentages)	Nine months ended 2016 $	 2015 $	 Variance $	Quarter ended 2016 $	 2015 $	 Variance $
Operating Results:						
Revenues	12,074	15,026	(2,952)	2,928	3,715	(787)
Adjusted gross margin	606	1,761	(1,155)	241	373	(132)
Adjusted gross margin %	5.0%	11.7%	(6.7%)	8.2%	10.0%	(1.8%)
Adjusted EBITDA	(1,560)	(130)	(1,430)	(840)	(122)	(718)
Adjusted EBITDA %	(12.9%)	(0.9%)	(12.0%)	(28.7%)	(3.3%)	(25.4%)
Adjusted EBIT	(1,907)	(264)	(1,643)	(991)	(167)	(824)
Adjusted EBIT %	(15.8%)	(1.8%)	(14.0%)	(33.8%)	(4.5%)	(29.3%)
Net income	(1,822)	(826)	(996)	(999)	(351)	(648)

Selling and administrative expenses

	3 Months September 30, 2016 $	 September 30, 2015 $	9 Months 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)**

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 September 30, 2016 $	 September 30, 2015 $	9 Months 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.

2016 Overview

Revenues for the Company decreased 19.6% over the same period of 2015 to $12.1 million in 2016. The decrease in revenue was attributed to the significant drop in demand for hydrovac trucks caused by low oil prices and the corresponding reduction in oil production and associated capital expenditures.

Adjusted Gross Margin percentage declined 6.7% compared to the same period in 2015. This decrease was driven by price pressures arising from the drop in overall demand for hydrovac trucks and less cost efficiencies at lower production volumes. The build of new F3Eco truck with new designed curve floor has yet to achieve its optimum cost efficiency due to early stage of learning curve.

Selling and administrative expenses increased by $0.3 million compared to 2015 as the Company hired senior executives after it completed the acquisition and became an independent public listed company on the TSXV since July 8, 2016. Since the spin-out, the Company also incurred additional business development costs related to the strategic deployment of its hydrovac technology in China.

The Company's Adjusted EBITDA loss increased by $1.4 million as a result of factors discussed above. The Company's depreciation expense was $0.14 million higher than the prior year and thus the decrease in Adjusted EBIT of $1.6 million is also explained by the factors outlined above.

3Q16 Overview

Revenues and gross margins in the third quarter continued to suffer from the same slow demand and resulting price pressures discussed above. Revenues declined by 21.2% to $2.9 million in 3Q16 as compared to the same period in the prior year, Of which only $9 thousand revenue were generated from United States from a temporary truck lease. Adjusted Gross Margin declined by 1.8% to 8.2% in 3Q16 as compared to the same period in the prior year.

Selling and administrative expenses increased by $0.6 million compared to the same period in 2015 for the reasons discussed above. Of the increase, $0.4 million was from the new business development activities related to the China growth strategy as compared to none in the same period of 2015. The rest of the increase in selling and administrative expenses was contributed from the additional corporate governance cost associated with being an independent and public listed company on the TSXV.

The Company's Adjusted EBITDA loss of $0.8 million was $0.7 million more than the Company's Adjusted EBITDA of $0.1 million in the same period of 2015.

Significant Events

- On February 1, 2016, Empire Industries Ltd. (the "Former Parent") announced its intention to spin-out (the "Spin-Out Transaction"), by way of a Plan of Arrangement (the "Arrangement"), its wholly owned Hydrovac Business including all of the tangible and intangible assets, employees and operations of Tornado Trucks (the "Hydrovac Business"), a division of the Former Parent, to a new separate publicly traded company on the TSX Venture Exchange. In contemplation of the Arrangement, the Former Parent incorporated a wholly owned subsidiary holding company named Tornado Global Hydrovacs Inc. ("Holdco") to accept the transfer of the Hydrovac Business. The Former Parent's shareholders will own 54.5% and a Chinese partner would own the remaining 45.5%. The Former Parent also announced that the Holdco closed a private placement of subscription receipts for gross proceeds of approximately $5 million.
- On March 1, 2016, the Former Parent announced that the Holdco has closed a second private placement of subscription receipts for aggregate gross proceeds of RMB 11,946,110 (approximately $2,500,000)
- Holdco could not complete the Arrangement as contemplated because of its date of the incorporation. As such, the Company was incorporated on April 27, 2016 to complete the Arrangement as contemplated and all of the assets

and liabilities of Holdco, including the proceeds of the Subscription Receipt Financing, were wound-up into the Company pursuant to the Arrangement effective June 27, 2016. Holdco was subsequently formally dissolved and ceased to exist effective July 27, 2016.

- The Spin-Out Transaction was approved by the Board of Directors of the Former Parent on May 20, 2016, was approved by the Former Parent's shareholders on June 21, 2016 and closed effective June 27, 2016. The Spin-Out Transaction was completed pursuant to the terms of the Arrangement which included the transfer of the of Hydrovac Business to the Company, 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 effective June 27, 2016, the issuance of an interest bearing promissory note to the Former Parent, and the wind-up of Holdco into the Company. The Former Parent distributed the shares of the Company to the Former Parent's shareholders, such that the Former Parent's shareholders received one share of the Company for every eight common shares of the Former Parent.
- On July 14, the Company incorporated a wholly owned subsidiary in Hong Kong, named Tornado Hydrovacs Asia Pacific Holdings Limited (HK Holdco). The HK Holdco will be used as investment company to incorporate a wholly foreign owned enterprise in China (China WFOE) which is now in registration process.

Liquidity and Capital Resources

Liquidity

For the nine months ended September 30, 2016, the Company's operations used $1.9 million of cash, compared with $3.0 million of cash used in the same period of 2015 including the impact of changes in non-cash working capital amounts. The continued cash outflow during the nine months was mainly to cover the operating loss due to low sales volume in the current economic downturn in Western Canada and increased production and finished truck inventory level in order to shorten the delivery time to meet customer demand. The Company was also engaged in Hydrovac truck leasing business during the third quarter with three trucks under operating lease.

On June 27, 2016 the Company completed a spin-out and financing transaction that injected approximately an aggregate gross proceeds of $7 million (which consisted of $3.521 million USD and 11.946 million Chinese Yuan/RMB), $0.5 million short of original estimation due to exchange rate loss and a committed subordinated debt of $2.5 million when the China WFOE is set up. $6.5 million of these funds will be used by the Company to fund its expansion into China, which is anticipated to be sufficient to sustain the Chinese expansion until it becomes cash positive. The remaining $3 million of the financing transaction will be used by the Canadian operation. As a result of the spin out transaction, the Company will have new corporate overhead expenses, such as audit and professional fees, regulatory fees and executive compensation among others. These new expenses will be funded by cash from Canadian operations, supplemented if necessary by the $3 million from the financing transaction described above. As the volume in the Company's Canadian operation increases, it may require a line of credit or similar facility to support working capital requirements.

As part of the financing transaction, the Company also issued an interest bearing promissory note (Related Party Loan Payable) of $2.9 million to the Former Parent.

Related party loan payable

The loan of $2.9 million is repayable to the Former Parent over 84 months at an interest rate of 2.7% per annum. The Company is required to make payments of $20,000 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 $60,000 in principal to the Former Parent over the third quarter of 2016. Another $100,000 of principal and interest payment will be made in the fourth quarter 2016 through funds from operations.

Capital 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 issue of long-term debt.

Critical Accounting Policies and Estimates

The Company prepares its interim condensed financial statements in accordance with IFRS. In preparing its financial statements, management is required to make various estimates and judgments in determining the reported amounts of assets and liabilities, revenues and expenses, as well as the disclosure of commitments and contingencies. Management bases its estimates and judgments on its own experience and various other assumptions believed to be reasonable at the time and under the circumstances in existence when the financial statements were prepared. Anticipating future events cannot be done with certainty; therefore, these estimates may change as new events occur, more experience is acquired or the Company's operating environment changes. The following components of the financial statements depend most heavily on such management estimates, assumptions and judgment, any changes in which may have a material impact on the Company's financial condition or results of operations. More detailed information regarding the accounting estimates believed by management and which are material to the Company's financial reporting results are discussed in the audited Carve-Out Financial Statements of the Company for the fiscal year ended December 31, 2015. For more information about certain assumptions and risks that may affect these estimates, assumptions and judgments, please see the "Forward Looking Information" section of this MD&A.

Business combinations

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 including the current replacement value 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 Hydrovacs 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.

Risks and Uncertainties

Operating Results

Tornado's business requires significant financial resources, and there is no assurance that future revenues will be sufficient to generate the funds required to continue Tornado's business development and marketing activities. In certain markets, the Company competes with local, regional, national and international companies for sales. With the experience of the

Company's management, management believes it has developed systems, policies, and procedures to mitigate this risk.

Liquidity Requirements

The Company requires significant amounts of working capital in order to be able to operate. The Company's sales in North America are primarily based upon firm prices and while customer deposits are sometimes obtained, billing is generally performed upon delivery of the finished truck. In order to satisfy its North America customer demand in a timely manner, Tornado endeavours to have stock trucks available for immediate purchase, which is a capital intensive endeavor.

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

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

Credit Risk

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

Interest Rate Risk

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

Foreign Exchange Risk

Rapid currency fluctuations can have a significant impact on un-hedged non-Canadian dollar denominated sales or purchases. To mitigate this risk, the Company may implement a hedging program in the future.

Cost of Raw Material

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

Competitive Market

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

Global Economic Environment

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

Oil & Gas Related Production and Construction Activity

Particularly in western Canada, demand for Tornado's products and services tends to fluctuate directly with oil and gas related production and construction activity. This in turn strongly correlates with the price of oil. A decline in the demand for Tornado's products can occur if deteriorating economic conditions reduce these economic activities, which would have an adverse effect on Tornado's business, results of operations, and financial condition.

Reliance on Key Personnel

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

Safety (Reputation and Financial Results Could be Harmed in the Event of Accidents or Incidents)

Tornado is exposed to liabilities that are unique to the services that Tornado provides. Such liabilities may relate to an accident or incident involving one of Tornado's Hydrovacs or damage to equipment or property caused by one of Tornado's Hydrovacs, and could involve significant potential claims of injured employees and other third parties. The amount of Tornado's insurance coverage may not be adequate to cover potential claims or liabilities and Tornado may be forced to bear substantial costs as a result of one or more accidents. Substantial claims resulting from an accident in excess of its related insurance coverage would harm Tornado's financial condition and operating results. Moreover, any accident or incident involving Tornado, even if Tornado is fully insured or not held liable, could negatively affect Tornado's reputation among customers and the public, thereby making it more difficult for Tornado to compete effectively, and could significantly affect the cost and availability of insurance in the future. Due to the magnitude of insurance premiums, Tornado decided to self-insure against any physical damage it could incur on the hydrovac units. This decision will be re-evaluated periodically as circumstances change.

Acquisitions

Tornado may seek to expand its business through acquisitions and may divest underperforming or non-core businesses. Tornado's success may depend in part upon management's ability to identify such acquisition and divestiture opportunities and to negotiate favourable contractual terms. Tornado's ability to successfully integrate acquisitions into its operations could affect Tornado's financial results.

Environment/Regulatory

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

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

Litigation

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

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. Such statements include statements with respect to the anticipated benefits of the spin out of Tornado from Empire, the market for hydrovac trucks, and anticipated effect of Tornado's newly designed hydrovac truck. 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.

Tornado Global Hydrovacs Ltd. was spunout by its Former Parent at the end of Q2 2016. This occurred concurrent with a Chinese strategic investor injecting $7 million of equity and $2.5 million of subordinate debt into TGH. This spinout gives the Hydrovac Business 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 affected by the following:

- Over the past two years, the Company has been challenged to respond to the negative effect 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 exporting its hydrovac trucks to the US municipal and industrial markets to offset the adverse conditions in the western Canadian industrial market. The Company has been talking with a few strategic partners in the USA that are planning to build large fleets of Hydrovac trucks and has a few prospective sales orders in quarter four and next year. The Company has also hired a new sales person who has relevant industry experience and extensive contacts with US customers to further enhance the sales in US market.

- The Company's newly designed, patents pending, hydrovac truck started production in July and it will replace its original hydrovac designed truck. This new design has compelling improvements and is anticipated to be well received in the North American Market.

- Approximately 65% of the proceeds of the recently closed private placement will be deployed to execute the China WFOE's business plan and 35% will be used as working capital to support Tornado's North American operations. We have hired a President and COO of the China WFOE, established a seasoned Board of Directors and opened an office in Shanghai and Beijing. Earnings from the Chinese venture will take time to develop, and as such, revenues associated with the China WFOE will not be sufficient to offset the start-up costs that will be incurred in 2016 and 2017.

China is also ramping up the business development activities in quarter three. We have built up a team with expertise in the industry and set up administrative infrastructures to support the operations team in China. Our Marketing investigations have confirmed there is a immediate need for this technology in China with multiply line strikes daily. Our Demo units will be ready for shipment early next year to prove up our business plan and demonstrate we can deliver a new safe way to dig in China, saving life's and infrastructure from being damage from conventional digging methods.

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 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 September 30	Nine months ended			Quarter ended		
	2016	2015	Variance	2016	2015	Variance
($000's, except for per share amounts)	$	$	$	$	$	$
Profit (loss) – continuing operations before taxes	(2,125)	(826)	(1,299)	(999)	(351)	(648)
Add: Depreciation and amortization	347	134	213	151	45	106
Add: Finance costs	18	22	(4)	8	4	4
Add: Management fees	200	540	(340)	-	180	(180)
Adjusted EBITDA – continuing operations	(1,560)	(130)	(1,430)	(840)	122	(718)

Calculation of Adjusted EBIT

Periods ended September 30	Nine months ended			Quarter ended		
	2016	2015	Variance	2016	2015	Variance
($000's, except for percentages)	$	$	$	$	$	$
Adjusted EBITDA	(1,560)	(130)	(1,430)	(840)	(122)	(718)
Less: Depreciation and amortization	(347)	(134)	(213)	(151)	(45)	(106)
Adjusted EBIT	(1,907)	(264)	(1,643)	(991)	(167)	(824)
% of revenue	(15.8%)	(1.8%)	(14.0%)	(33.8%)	(4.5%)	(29.3%)

Calculation of Adjusted Gross Margin

Periods ended September 30	Nine months ended			Quarter ended		
	2016	2015	Variance	2016	2015	Variance
($000's, except for percentages)	$	$	$	$	$	$
Revenues	12,074	15,026	(2,952)	2,928	3,715	(787)
Cost of sales excluding depreciation and amortization	(11,468)	(13,265)	1,797	(2,687)	(3,342)	655
Adjusted gross margin	606	1,761	(1,155)	241	373	(132)
% of revenue	5.0%	11.7%	(6.7%)	8.2%	10.0%	(1.8%)