Tornado Global Hydrovacs Ltd.

Consolidated Financial Statements

December 31, 2016

Audited

2016

Independent Auditors' Report

To the Shareholders of Tornado Global Hydrovacs Ltd.:

We have audited the accompanying consolidated financial statements of Tornado Global Hydrovacs Ltd. and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of loss and changes in shareholder equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tornado Global Hydrovacs Ltd. and its subsidiaries as at December 31, 2016 and December 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared in accordance with a financial framework specified in subsection 3.11(6) of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards for carve-out financial statements. The comparative results of these consolidated financial statements are prepared on a carve-out basis, and the operating results are prepared on a combination of carve-out financial results of the Company for the period to June 28, 2016 and the actual financial results for the period from June 29, 2016 to December 31, 2016.

Winnipeg, Manitoba

April 28, 2017

MNP LLP

Chartered Professional Accountants

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the periods ended December 31	Notes	2016	2015
(In $000's CAD, except per-share amounts)		$	$
Revenues *(1)*		**17,049**	20,178
Cost of sales, excluding depreciation and amortization *(2)*	**15**	**(15,907)**	(17,941)
Gross Profit, excluding depreciation and amortization		**1,142**	2,237
Selling and administrative expenses	**16**	**(3,230)**	(2,362)
Result before depreciation, amortization and other items		**(2,088)**	(125)
Depreciation of property and equipment	**9**	**(362)**	(309)
Depreciation of inventory	**8**	**(54)**	—
Amortization of intangible assets	**10**	**(304)**	(19)
Result before other items of income		**(2,808)**	(453)
Finance income		**44**	—
Finance costs		**(63)**	(27)
Management fees		**(200)**	(720)
Fair value changes in derivative financial instruments		**(27)**	—
		(246)	(747)
Net (loss) before tax		**(3,054)**	(1,200)
Income tax recovery (expense)			
Current	**17**	**3**	448
Deferred	**17**	**300**	(135)
		303	313
Comprehensive loss		**(2,751)**	**(887)**

(1) Included in revenue are foreign exchange gains of $12 for the year ended December 31, 2016 (2015 - foreign exchange losses of $43)

(2) Cost of sales including depreciation and amortization was ($16,512) for the twelve month period ended December 31, 2016 (2015 - ($18,259))

See accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at	Notes	31-Dec-16	31-Dec-15
(In $000's CAD)		$	$
ASSETS			
Current assets			
Cash and equivalents	**6**	**4,444**	—
Accounts receivable	**7**	**1,500**	1,609
Inventory	**8**	**6,662**	4,650
Prepaid expenses and other assets		**142**	87
Total current assets		**12,748**	6,346
Non-current assets			
Property and equipment, net	**10**	**2,754**	2,024
Goodwill and intangible assets, net	**9**	**4,037**	312
Total non-current assets		**6,791**	2,336
Total assets		**19,539**	**8,682**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	**11**	**3,354**	1,526
Current portion of non-current liabilities	**12**	**268**	67
Fair value of foreign currency forward contracts	**19**	**27**	—
Total current liabilities		**3,649**	1,593
Non-current liabilities			
Finance leases		**—**	35
Note payable	**12**	**2,535**	—
Total non-current liabilities		**2,535**	35
Total liabilities		**6,184**	**1,628**
EQUITY			
Former owner's net investment		**—**	7,054
Share capital	**13**	**15,283**	—
Retained deficit		**(1,928)**	—
Total equity attributable to owners		**13,355**	7,054
Total liabilities and equity		**19,539**	**8,682**

Contingencies *[note 21]*

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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND OWNER'S INTEREST

As at December 31, 2016

	Common Shares		Retained deficit	Former Parent's net investment	Total equity
(In $000's CAD except number of shares)	#	$	$	$	$
As at December 31, 2015		—	—	7,054	7,054
Comprehensive loss for the pre-acquisition period		—	—	(823)	(823)
Comprehensive loss for the post-acquisition period		—	(1,928)	—	(1,928)
Distribution to former parent		—	—	(6,231)	(6,231)
Acquisition of Hydrovac Business	32,417,056	8,329	—	—	8,329
Private placement of shares	27,063,787	6,954	—	—	6,954
As at December 31, 2016	59,480,843	15,283	(1,928)	—	13,355

As at December 30, 2015

	Common Shares		Retained deficit	Former Parent's net investment	Total equity
(In $000's CAD except number of shares)	#	$		$	$
As at December 31, 2014	—	—	—	7,941	7,941
Comprehensive loss for the period	—	—	—	(887)	(887)
As at December 31, 2015	—	—	—	7,054	7,054

See accompanying notes

STATEMENT OF CONSOLIDATED CASH FLOWS

(In $000's CAD, except per-share amounts)	2016	2015
	$	$
OPERATING ACTIVITIES		
Net comprehensive loss	**(2,751)**	**(887)**
Add (deduct) items not affecting cash		
Hydrovac business pre-acquisition net loss	**823**	—
Depreciation of plant and equipment - post acquisition (note 10)	**224**	309
Amortization of intangible assets - post acqusition (note 9)	**246**	19
Fair value changes in foreign currency forward contracts	**27**	—
Deferred income taxes	**—**	135
Cash flow used in operations	**(1,431)**	**(424)**
Change in non-cash working capital	**(836)**	(4,306)
Cash flow used in operating activities	**(2,267)**	**(4,730)**
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(86)**	(559)
Acuisition of intangible assets	**—**	(331)
Increase (decrease) amounts due to former parent	**—**	(483)
Cash flow used in investing activities	**(86)**	**(1,373)**
FINANCING ACTIVITIES		
Repayment of finance leases	**(37)**	(41)
Due to former parent	**—**	2,235
Repayment of note payable	**(120)**	—
Issuance of share capital	**6,954**	—
Cash flow used in financing activities	**6,797**	**2,194**
Net decrease in cash and equivalents during the period	**4,444**	(3,909)
Cash and cash equivalents, beginning of period	**—**	3,909
Cash and cash equivalents, end of period	**4,444**	**—**

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 & 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 of Alberta, Canada on April 27, 2016. Since July 8, 2016 the TGHL's shares are traded on the TSX-V 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 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 will be used to establish the hydrovac business of TGHL in China and continue the hydrovac business in North America.

These financial statements were recommended for approval by the audit committee and were approved and authorized for issue by the Board of Directors on April 28, 2017.

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 wholly owned subsidiary Tornado Global Hydrovac (North America) Inc.

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 in full.

Basis of presentation

These consolidated financial statements are prepared for the year ended December 31, 2016 and include the results for the comparative year ended December 31, 2015. 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.

The 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.

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 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 periods ended December 31, 2016 and 2015, 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 that have been allocated to TGHL for the purposes of these consolidated financial statements up to June 28, 2016, 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 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 at the Canadian dollar spot rate as of the reporting date. Exchange differences from monetary items are recognized in comprehensive (loss) income. 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 is comprised of two components; current tax expense and deferred 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(s) 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
Vehicles	5 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.

Intangible assets

Intangible assets are recognized at fair value at acquisition. 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 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-current 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 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 a straight-line basis over 10 years

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.

Post-retirement benefit plans

The Company contributes to retirement savings plans subject to maximum limits per employee. The Company accounts for such defined contributions as an expense in the period in which the contributions are required to be made. The Company does not have any defined benefit plans.

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

Employees of the 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 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 establishment of its operations in China.

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 met this criteria.

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 inventories. The cost of inventories may not be fully recoverable if they are 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, and intangible assets

Estimated useful lives of property and equipment, and intangible assets 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 financial involves the consideration of various criteria and judgement to be applied by management. Management determined that the leases of Hydrovacs are financial 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. Standards issued but not yet effective

As of January 1, 2017, 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.

Amendments to IAS 7 Statements of Cash Flows

In January 2016, amendments to IAS 7 "Statement of Cash Flows" were issued to improve information provided to users of financial statements about an entity's changes in liabilities arising from financing activities. These amendments are effective for annual periods beginning on or after January 1, 2017 with early adoption permitted. TGHL is currently assessing the impact of the amended standard, management does not expect the amendments to have a significant impact on TGHL's consolidated financial statements. The amended standard will be adopted by the TGHL in 2017.

5. 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 are recorded in the consolidated financial statements at their estimated fair values as follows:

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

	$
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 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)**

6. Cash and cash equivalents

TGHL has total cash on hand of $4,444 as at December 31, 2016. Included in cash and cash equivalents is 12,174,199 Chinese Yuan (RMB) held in trust which as at December 31, 2016 translated to $2,350 Canadian dollars. The cash held in trust is expected to be used for TGHL's expansion into China. The balance of the cash of the cash and equivalents is for general operating purposes in TGHL's North American operations.

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

7. Accounts receivable

	December 31, 2016 $	December 31, 2015 $
Trade	556	1,600
Other receivables	751	9
Commodity taxes receivable	207	-
Allowance for doubtful accounts	(14)	-
	1,500	**1,609**

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

	December 31, 2016 $	December 31, 2015 $
< 30 days	279	1,336
> 30 day	91	112
> 60 days	48	71
> 90 days	138	81
	556	**1,600**

Other receivables denote finance lease receivables that pertain to a hydrovac truck leasing contract to a third party. This contract bears interest at 5.30% and is secured by the underlying equipment. There were no impairment factors affecting the finance lease receivables noted for the year.

The balance of other receivables are amounts due to TGHL from the Former Parent. This balance was due certain activities after the transaction date which were received by the Former Parent. This balance was repaid to TGHL subsequent to date of the statement of financial position.

8. Inventories

Inventories are comprised of the following:

	December 31, 2016 $	December 31, 2015 $
Work-in-process	2,629	911
Raw materials	2,291	2,136
Finished goods	1,742	1,603
	6,662	**4,650**

The amount of inventories recognized as an expense within cost of goods sold is $12,587 (2015 - $13,317). There were no inventory write-downs recorded during the year (2015 - $47). Finished goods inventory consists of hydrovac trucks which are designated as rental inventory. TGHL has recorded amortization of $54 during the year relating to this inventory category (2015 - $0).

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

9. Goodwill and intangible assets

	Goodwill $	Patents $	Total $
Opening cost balance December 31, 2014	-	-	**-**
Additions	-	331	**331**
Ending cost balance December 31, 2015	-	331	**331**
Opening amortization balance December 31, 2014	-	-	**-**
Amortization expense for the period	-	19	**19**
Ending amortization balance December 31, 2015	-	19	**19**
Opening net book value December 31, 2014	**-**	**-**	**-**
Ending net book value December 31, 2015	**-**	**312**	**312**
Opening cost balance December 31, 2015	-	331	**331**
Additions prior to the acquisition date	-	82	**82**
Acquisition adjustments	833	3,037	**3,870**
Ending cost balance December 31, 2016	833	3,450	**4,283**
Opening amortization balance December 31, 2015	-	19	**48**
Amortization prior to the acquisition date	-	58	**58**
Acquisition adjustments	-	(77)	**(77)**
Amortization expense for the period	-	246	**246**
Ending amortization balance December 31, 2016	-	246	**246**
Opening net book value December 31, 2015	**-**	**312**	**312**
Ending net book value December 31, 2016	**833**	**3,204**	**4,037**

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

10. Property and equipment

	M&E	Office Equip.	Lease- holds	Vehicles	Total
	$	$	$	$	$
COST					
Balance, December 31, 2014	**2,012**	**446**	**1,008**	**178**	**3,644**
Additions	482	55	21	-	558
Balance, December 31, 2015	**2,494**	**501**	**1,029**	**178**	**4,202**
DEPRECIATION					
Balance, December 31, 2014	**914**	**190**	**602**	**163**	**1,869**
Depreciation charge for the year	158	69	71	11	309
Balance, December 31, 2015	**1,072**	**259**	**673**	**174**	**2,178**
Net book value, December 31, 2015	**1,422**	**242**	**356**	**4**	**2,024**
Net book value, December 31, 2014	1,098	256	406	15	1,775
COST					
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**
DEPRECIATION					
Balance, December 31, 2015	**1,072**	**259**	**673**	**174**	**2,178**
Depreciation expense prior to the transaction date	70	34	34	-	138
Depreciation expense subsequent to the transaction dat	86	27	103	8	224
Acquisition adjustments	(1,143)	(293)	(707)	(174)	(2,317)
Balance, December 31, 2016	**85**	**27**	**103**	**8**	**223**
Net book value, December 31, 2016	**1,613**	**143**	**926**	**72**	**2,754**

11. Accounts payable and accrued liabilities

	December 31, 2016	December 31, 2015
	$	$
Accounts payable and accrued liabilities	2,913	1,230
Accrued wages, vacation and bonuses payable	220	165
Deferred revenue	221	131
	3,354	**1,526**

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

12. Notes payable and finance leases

	December 31, 2015 $	December 31, 2015 $
Note payable – Empire Industries Ltd. ("Former Parent")	2,775	-
Other finance leases	28	102
	2,803	**102**
Less: current portion of note payable including interest and finance leases	268	35
Long-term portion of note payable and finance leases	**2,535**	**67**

The note payable bears interest at the prime rate of 2.7% and matures on June 30, 2023. TGHL makes 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 is payable annually. As at December 31, 2016 the note payable balance has accrued interest of $39 recorded in accounts payable.

The note payable is secured by all present and after-acquired property of TGHL, subordinate to TGHL's principal lender (if any) and convertible into Class "A" 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.

Other finance leases are for office equipment that bears interest a 3-5% with monthly payments of $4 maturing in 2017. The leases are secured by the assets being leased with a net book value of $122 (2015 - $186).

Principal amounts due on the note payable and finance leases in each of the next five years and thereafter are as follows:

	Note Payable $	Finance Leases $	Total $
2017	240	28	268
2018	240	-	240
2019	240	-	240
2020	240	-	240
2021	863	-	863
Thereafter	952	-	952
	2,775	**28**	**2,803**

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

13. Shareholder's equity

Common shares

The Group is permitted to issue an unlimited number of common shares without nominal or par value. Each common share of TGHL entitles its holder to one vote at all shareholder meetings. Each common share of TGHL 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 TGHL on an equal per share basis.

	December 31, 2016	December 31, 2015
Common shares (issued and outstanding – no par value)	59,480,843	-
	$	
Share capital – opening balance	-	-
Issuance of common shares – plan of arrangement	8,329,000	-
Issuance of common shares - private placement	6,954,000	-
	15,283,000	**-**

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.

14. Loss per share

Loss per share for the year ended December 31:

	December 31, 2016	December 31, 2015
Net loss attributable to shareholders	**(1,928)**	(887)
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	**(0.03)**	(0.01)

15. Cost of sales

	December 31, 2016 $	December 31, 2015 $
Direct construction costs	(14,221)	(15,665)
Indirect salaries and benefits	(274)	(405)
Indirect production costs	(1,412)	(1,871)
	(15,907)	**(17,941)**

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

16. Selling and administrative expenses

	December 31, 2016 $	December 31, 2015 $
Salaries and benefits	(1,634)	(1,453)
General, selling and administrative expenses	(1,596)	(909)
	(3,230)	**(2,362)**

17. Income tax expense (recovery)

The major components of tax expense (recovery) are as follows:

	Dec 31, 2016	Dec 31, 2015
Current tax expense (recovery)	-	(448)
Deferred tax expense relating to origination and reversal of temporary differences, unused losses, and unused tax credits	-	135
Total income tax recovery	-	(313)

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

	Dec 31, 2016	Dec 31, 2015
Accounting loss	**(2,751)**	(1,200)
Combined federal and provincial statutory income tax rate	**27%**	27%
Income tax calculated using combined federal and provincial statutory income tax rate	**(743)**	(324)
Non-deductible expenses		2
Change in tax rates		11
Deferred tax assets not recognized	**519**	
Other	**224**	(2)
Income tax expense (recovery)	-	(313)

As at December 31, 2016, TGHL has unused non-capital tax losses of approximately $1,460 which expire at the end of 2036 and deductible temporary differences of $960.

18. Operating segments

TGHL has two operating segments which are separated geographically, its North American manufacturing and sales operation and its China operations as described in note 2. During 2016, 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.

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

The tables below show the segmented performance for TGHL from its two operating segments, North America and China for the years ended December 31, 2016 and 2015 respectively:

2016	North America $	China $	Total $
Revenues	17,049	-	**17,049**
Cost of sales excluding depreciation and amortization	(15,907)	-	**(15,907)**
	1,142	-	**1,142**
Selling and administrative expenses	(2,678)	(552)	**(3,230)**
	(1,536)	(552)	**(2,088)**
Depreciation and amortization expense	(401)	(123)	**(524)**
	(1,937)	(675)	**(2,612)**

2015	North America $	China $	Total $
Revenues	20,178	-	**20,178**
Cost of sales excluding depreciation and amortization	(17,941)	-	**(17,941)**
	2,237	-	**2,237**
Selling and administrative expenses	(2,362)	-	**(2,362)**
	(125)	-	**(125)**
Depreciation and amortization expense	(338)	-	**(338)**
	(453)	-	**(453)**

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

	December 31, 2016 $	December 31, 2015 $
Canada	12,359	14,866
United states	4,690	5,312
	17,049	**20,178**

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

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

19. 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, 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

As at December 31, 2015:

	Carrying Value $	Fair Value $	Classification	Level
Accounts receivable	1,609	1,609	Loans & Rec	2
Accounts payable and accrued liabilities	(1,526)	(1,526)	Other Fin Liab	2

The fair values of cash and equivalents, accounts receivable and accounts payable and accrued liabilities 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. The funds 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 Group's financial liabilities with corresponding maturity dates as at December 31, 2016:

	Total	2017	2018	2019	2020	2021 +
Accounts payable and accrued liabilities	$ 3,354	$ 3,354	$ -	$ -	$ -	$ -
Notes payable and finance leases	2,803	268	240	240	240	1,815
Derivative financial instruments	27	27	-	-	-	-
Total	**$ 6,184**	**$ 3,649**	**$ 240**	**$ 240**	**$ 240**	**$ 1,815**

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. An allowance for doubtful accounts is established based upon factors surrounding credit risk of specific customers, historical trends and other information. At December 31, 2016, TGHL had one individual customer accounting for approximately 37% of total accounts receivable (2015 – 53.5%).

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

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's is also exposed to changes in the exchange rate in China (Yuan/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, 2016, TGHL had USD foreign currency forward contracts for $1,500 (2015 - $nil) at a forward rate of $1.3248 maturing on March 1, 2017. The accounts noted below 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 $1.3427 per U.S. dollar (2015 - $1.3840):

(In $000's USD)	Dec 31, 2016	Dec 31, 2015
Cash and equivalents	**348**	-
Accounts receivable	**-**	-
Accounts payable & accrued liabilities	**(68)**	(80)
Foreign currency forward contracts related to above accounts	**(1,500)**	-
Net foreign currency exposure	**(1,220)**	(80)

For the year ended December 31, 2016, if the Canadian dollar had strengthened 10% percent against the US dollar with all other variables held constant, net income for the year would have been $122 lower (2015 - $8 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 $122 higher (2015 - $8 higher). Included in revenue are realized gains on translation of foreign currency monetary assets and liabilities and realized gains on foreign currency transactions of $12 for the year ended December 31, 2016 (2015 – losses of $43).

For the year ended December 31, 2016, if the Canadian dollar had strengthened 10% percent against the Chinese Yuan (RMB) with all other variables held constant, net income for the year would have been $262 lower (2015 - $nil). Conversely, if the Canadian dollar had weakened 10% percent against the Chinese Yuan (RMB) with all other variables held constant, net income would have been $262 higher (2015 - $nil). Included in revenue are realized gains on translation of foreign currency monetary assets and liabilities and realized gains on foreign currency transactions of $44 for the year ended December 31, 2016 (2015 – $nil).

Industry and commodity price risk

TGHL's primary market is the oil and natural gas industries as its core product is an integral technology utilized in that industry. Thus, demand for TGHL's products is heavily influenced by the activity in the industry, 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. Other limitations in the above sensitivity analyses includes the use of hypothetical market movements to demonstrate potential risk that only represent TGHL's view of possible near-term market changes that cannot be predicted with any certainty.

20. 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, those being China and North America. 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 December 31, 2016, TGHL had $2,094 free cash in North America and $2,350 in China available for the Chinese expansion. These levels met the budgeted requirements for the next 12 months.

21. 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.

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

Operating Leases

TGHL has the following commitments for operating leases over the next 5 years:

	$
2017	644
2018	551
2019	494
2020	383
2021	244
	2,316

22. Related party transactions

TGHL had purchases from the Former Parent in the period in the amount of $299 (2015 - $1,245) and sales to the Former Parent of $20 (2015 - $nil). In addition to the that, TGHL was charged management fees from its parent Company in the period of $200 (2015 - $720). 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.

Compensation awarded to key management during 2016 in the form of salary and short term benefits was $439 (2015 $184).

23. Subsequent events

On January 1, 2017, TGHL completed a re-organization and transferred its tangible assets and liabilities and employees (except for officers) into Tornado Global Hydrovac (North America) Inc. a wholly-owned subsidiary of TGHL. On January 19, 2017, TGHL incorporated Tornado Global Hydrovacs (Beijing) Limited which will carry out the Chinese expansion of TGHL.