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. ("TGHL" or the "Company") is supplemental to, and should be read in conjunction with the Company's interim unaudited condensed consolidated financial statements and related notes as at September 30, 2018 and for the three and nine months ended September 30, 2018 and 2017, and the audited consolidated financial statements and notes for the year ended December 31, 2017.

The interim unaudited condensed consolidated financial statements and accompanying notes of TGHL for the period ended September 30, 2018 have been prepared in conformity with International Financial Reporting Standards ("IFRS"): International Accounting Standard 34.

The interim unaudited condensed consolidated financial statements have been prepared by management and approved by TGHL's Board of Directors. These statements require management to make estimates and assumptions that affect amounts reported and disclosed in such financial statements and related notes. Actual results may differ materially. See "Forward-Looking Information".

All amounts are reported in Canadian dollars unless specifically stated to the contrary.

This MD&A contains forward-looking information and statements. At the end of this MD&A is an advisory on forward-looking information and statements.

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

Disclosure contained in this document is current to November 7, 2018, unless otherwise stated.

Non-IFRS Methods

In this MD&A, the Company uses three financial management metrics that are not in accordance with IFRS namely "earnings (loss) before interest, tax, depreciation and amortization and stock-based compensation (EBITDAS)", "Gross Margin" and "earnings before interest and taxes (EBIT)". Because these terms are not defined by IFRS they cannot be formally presented in the interim unaudited condensed consolidated financial statements. The definition of EBITDAS does not take into account gains and losses on the disposal of assets, fair value changes in foreign currency forward contracts and non-cash components of stock-based compensation. EBIT is the result of the Company's EBITDAS less depreciation and amortization expenses, gains and losses on the disposal of assets and stock-based compensation. The 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 EBITDAS, EBIT and Gross Margin may differ from those definitions used by other companies.

While not IFRS measures, EBITDAS, EBIT and 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.

Business Description

TGHL designs, manufactures and sells 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, Alberta and a sales office located in Calgary, Alberta. TGHL is also in the early stages of commencing similar operations in China and has established an office in Beijing, China.

TGHL maintains its head office in Calgary, Alberta.

Overview

Third Quarter 2018 Overview and Recent Developments

- Revenue of $11,400 increased 49.6% compared to $7,619 in Q3/2017. The increase in revenue was due to the improvement in the hydrovac market equipment purchase demand from the municipal sector in both Canada and the United States ("US").

- Gross Profit of $2,119 increased by $897 compared to $1,222 in the same period of 2017 due to increased revenue, and production efficiencies, including labour utilization, at the Company's Stettler plant.

- EBITDAS of $547, comprising North America (positive $1,030), China (negative $334) and Corporate (negative $149), increased by $473 compared to $74 in Q3/2017, due to increased revenues and gross profit in North America. For the North America segment, EBITDAS during the quarter of $1,030 continued the improvement experienced in Q2/18 and increased significantly compared to Q1/2018.

- Net income of $62 decreased by $17 compared to net income of $79 in Q3/2017. This is due to the factors discussed above, offset by stock-based compensation expense of $69, income tax expense of $212 and change in fair value of derivative financial instruments of $24. In Q3/2017, a one-time gain of $151 was recorded on shares issued for debt.

- During Q3/2018, four custom designed skid-mounted hydrovac units were delivered to China for potential sale and when added to the two demonstration units shipped in Q2/2018, the Company now has six skid-mounted units in China at the end of September.

- In October 2018, the Company's wholly-owned subsidiary Tornado Global Hydrovacs (Beijing) Ltd. ("Tornado China") entered into a five year strategic partnership agreement with Anhui Jianghuai Yangtian Automobile Co., Ltd. to manufacture the Company's line-up of hydrovac trucks, which have been customized to satisfy all the Chinese regulatory requirements, for sale and operation in China. In addition, Tornado China executed a strategic partnership agreement with Daqing Haotian Xinda Technology Ltd. for an initial term of one year to assist Tornado China with developing a client base in the excavation market in Heilongjiang Province of China.

- In October 2018, the first shipment of hydrovac truck parts sourced by Tornado China was sent to Canada for the production of hydrovac trucks in Stettler, Canada.

Year to date 2018 Overview

- Revenue of $26,444 increased 30% compared to $20,341 in the same period of 2017. The increase in revenue was the result of increased activity due to the continued improvement in the hydrovac market equipment purchase demand in both Canada and the US.

- As a result of increased revenue, Gross Profit of $4,543 increased by $1,550 compared to $2,993 in the same period of 2017.

- EBITDAS of $498, comprising North America (positive $1,958), China (negative $954) and Corporate (negative $506), increased by $807 compared to negative $309 in the same period of 2017, due to increased revenue and gross profit in North America. For the North America segment, EDITDAS during the nine month period of $1,958 increased significantly compared to $1,072 in the same period in 2017 due to increased activity levels. For China, negative EDITDAS during the nine-month period was $954, compared to negative of $808 in 2017, due to increased selling and administrative cost.

- Net loss of $793 increased $13 (1.7%) compared to the net loss of $780 in the same period of 2017. This is due to the factors discussed above, offset by stock-based compensation expense of $205, income tax expense of $232 and change in fair value of derivative financial instruments of $162. In Q3/2017, a one-time gain of $151 was recorded on shares issued for debt.

Unless otherwise provided herein, the Company's interim financial condition, and associated economic and industry factors, are substantially unchanged from the disclosure provided in the Company's MD&A for the fiscal year end dated December 31, 2017. For a complete discussion on these items, please refer to the Company's MD&A for the fiscal year end dated December 31, 2017 which can be found under the Company's profile at www.sedar.com.

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

Selected Financial Information

	Three Months ended September 30		Nine Months ended September 30	
	2018	2017	**2018**	2017
Revenue	**$ 11,400**	$ 7,619	**$ 26,444**	$ 20,341
Cost of sales	**9,281**	6,397	**21,901**	17,348
Gross Profit	**2,119**	1,222	**4,543**	2,993
Selling and general administrative expenses	**1,572**	1,148	**4,045**	3,302
Depreciation of property and equipment	**86**	117	**363**	349
Depreciation of inventory	**63**	-	**79**	-
Amortization of intangible assets	**138**	123	**396**	369
Loss on disposal of fixed assets	**-**	-	**4**	-
Stock-based compensation	**69**	-	**205**	-
Finance income	**(4)**	(6)	**(37)**	(25)
Finance costs	**7**	22	**36**	78
Gain on shares issued for debt	**-**	(151)	**-**	(151)
Change in fair value of derivative financial instruments	**(86)**	(110)	**13**	(149)
Loss before tax	**274**	79	**(561)**	(780)
Income tax expense	**(212)**	-	**(232)**	-
Net income (loss)	**$ 62**	$ 79	**$ (793)**	$ (780)
Comprehensive income (loss)	**$ (81)**	$ 58	**$ (750)**	$ (823)
Net loss per share - basic and diluted	**$ 0.00**	$ 0.00	**$ (0.01)**	$ (0.01)
Total non-current financial liabilities	**$ 364**	$ 314	**$ 364**	$ 314
Total assets	**$ 22,460**	$ 21,765	**$ 22,460**	$ 21,765

Segmented Information

Three months ended September 30, 2018	North America	China	Corporate	Total
Revenue	$ 11,400	$ -	$ -	$ 11,400
Cost of sales	9,281	-	-	9,281
Selling and administrative expenses	1,089	334	149	1,572
	1,030	(334)	(149)	547
Depreciation and amortization expense	122	27	138	287
Income (loss) before other items of income	$ 908	$ (361)	$ (287)	$ 260
Total assets	$ 14,937	$ 3,215	$ 4,308	$ 22,460
Capital Expenditures	$ -	$ 2	$ 396	$ 398

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

Nine Months ended September 30, 2018	North America	China	Corporate	Total
Revenue	$ 26,444	$ -	$ -	$ 26,444
Cost of sales	21,901	-	-	21,901
Selling and general administrative	2,585	954	506	4,045
	1,958	(954)	(506)	498
Depreciation and amortization	388	54	396	838
Loss on disposal of assets	4	-	-	4
Income (loss) before other items of income	$ 1,566	$ (1,008)	$ (902)	$ (344)
Total assets	$ 14,937	$ 3,215	$ 4,308	$ 22,460
Capital Expenditures	$ 151	$ 7	$ 912	$ 1,070

Operating Results

	Three Months ended September 30		Nine Months ended September 30	
	2018	2017	**2018**	2017
Revenues	**$ 11,400**	$ 7,619	**$ 26,444**	$ 20,341
Gross margin	**2,119**	1,222	**4,543**	2,993
Gross margin %	**18.59%**	16.04%	**17.18%**	14.71%
EBITDAS	**547**	74	**498**	(309)
EBITDAS %	**4.80%**	0.97%	**1.88%**	-1.52%
EBIT	**191**	(166)	**(549)**	(1,027)
EBIT %	**1.68%**	-2.18%	**-2.08%**	-5.05%
Net income/(loss)	**$ 62**	$ 79	**$ (793)**	$ (780)

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.

In North America, the market demand from the municipal sector in both Canada and the US is expected to remain strong. Management believes that the Company is positioned for continued strong performance in North America in 2018 for the following reasons:

- The indications of increased spending in infrastructure by both the Canadian and the US governments are expected to further increase the market demand of hydrovac trucks.
- The Company introduced a newly designed hydrovac truck this year with a lighter weight and more debris capacity. This newly designed truck has compelling advantages over hydrovac trucks currently offered in the market.
- The Company has entered into an exclusive sales and distribution relationship with its strategic partner in the US, Custom Truck One Source ("Custom Truck"). Custom Truck has an integrated network of 23 locations across North America.
- The Company will use its resources in China to source qualified materials and parts to reduce production costs.
- The weak Canadian dollar will continue to positively impact profit margins because more than half of the Company's hydrovac trucks are sold in US dollars while manufactured in Canada.

In China, the Company continues to develop this significant market. The Company continues its strategy to manufacture and sell its industry leading, patents pending, hydrovac truck and equipment and leveraging its unique and proprietary Chinese hydrovac truck design by deploying a sales and service strategy customized to the Chinese excavation and utilities markets.

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

In October 2018, as previously discussed, the Company entered into a five year strategic manufacturing partnership agreement with Anhui Jianghuai Yangtian Automobile Co., Ltd. to manufacture the Company's line-up of hydrovac trucks for sale and operation in China. In addition, Tornado China executed a strategic marketing and sales partnership agreement with Daqing Haotian Xinda Technology Ltd. for an initial term of one year to assist the Company with developing a client base in the excavation market in Heilongjiang Province of China.

The Company has carefully studied the Chinese hydrovac market opportunity and determined that its hydrovac design and features are not present. The Company believes there is an untapped market opportunity in China, which is one of the largest excavation markets in the world. The China office is staffed with local market experts in procurement and Chinese supply chain management, who are being trained and mentored by the Company's hydrovac excavation experts. At the end of Q3 2018, the Company had four unique types of products in China for demonstration and marketing purposes. Additional sales staff have been recruited and marketing demonstrations are scheduled for the remaining of the year. The business plan for China includes exporting selected commercial parts from its Chinese supply chain at a lower cost back to Canada to improve the profitability and competitiveness of its North American manufactured hydrovac trucks.

With the increasing demand in North America and expansion into China, management believes the Company's medium and long-term outlook is positive and improving. The Company will focus on marketing its newly designed trucks in North America and developing its business in China for the balance of 2018 and into 2019.

Revenue

	Three Months ended September 30		Nine Months ended September 30	
	2018	2017	**2018**	2017
Revenues	**$ 11,400**	$ 7,619	**$ 26,444**	$ 20,341

During the nine months ended September 30, 2018, revenues were $26,444 (2017 - $20,341). The increase over 2017 reflects the continuing improvement in the hydrovac market equipment demand with increased interest coming out of the municipal sector in both Canada and the US.

During the three months ended September 30, 2018, revenues were $11,400 (2017 - $7,619). The increase in revenue was due to the factor above.

Cost of sales

	Three Months ended September 30		Nine Months ended September 30	
	2018	2017	**2018**	2017
Cost of Sales	**$ 9,281**	$ 6,397	**$ 21,901**	$ 17,348

For the nine months ended September 30, 2018, cost of sales was $21,901 compared to $17,348 in the same period of 2017. The increase in cost of sales is due to the increase in revenue and number of trucks sold.

For the three months ended September 30, 2018, cost of sales was $9,281 compared to $6,397 in the same period of 2017. The increase is due to the factors discussed above.

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

Gross Profit

	Three Months ended September 30		Nine Months ended September 30	
	2018	2017	**2018**	2017
Gross Profit	**$ 2,119**	$ 1,222	**$ 4,543**	$ 2,993

For the nine months ended September 30, 2018, Gross Profit was $4,543 compared to $2,993 in the same period of 2017 due to increases in revenue and production efficiencies at the Company's Stettler plant.

For the three months ended September 30, 2018, Gross Profit was $2,119 compared to $1,222 in the same period of 2017 due to the factors discussed above.

Selling, General and Administrative Expenses ("S,G&A")

	Three Months ended September 30		Nine Months ended September 30	
	2018	2017	**2018**	2017
Selling, General and Administrative expense	**$ 1,572**	$ 1,148	**$ 4,045**	$ 3,302

During the nine months ended September 30, 2018, S,G&A expenses were $4,045 compared to $3,302 in the same period of in 2017. The increase is principally due to increased employee costs of the North America operation and increased overhead costs of the China operation.

During the three months ended September 30, 2018, S,G&A expenses were $1,572 compared to $1,148 in the same period of in 2017. The increase is principally due to the factors discussed above.

Depreciation of property and equipment

	Three Months ended September 30		Nine Months ended September 30	
	2018	2017	**2018**	2017
Depreciation	**$ 86**	$ 117	**$ 363**	$ 349

During the nine months ended September 30, 2018, depreciation of property and equipment was $363 (2017 - $349), the majority of which related to operations in North America.

During the three months ended September 30, 2018, depreciation of property and equipment was $86 (2017 - $117), the majority of which related to operations in North America.

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

Amortization of intangible assets

	Three Months ended September 30		Nine Months ended September 30	
	2018	2017	**2018**	2017
Amortization of intangible assets	**$ 138**	$ 123	**$ 396**	$ 369

During the nine months ended September 30, 2018, amortization of intangible assets of $396 was comparable to $369 in the same period of 2017.

During the three months ended September 30, 2018, amortization of intangible assets of $138 was comparable to $123 in the same period of 2017.

Stock based compensation

	Three Months ended September 30		Nine Months ended September 30	
	2018	**2017**	**2018**	2017
Stock Based Compensation	**$ 69**	**$ -**	**$ 205**	$ -

During the three and nine months ended September 30, 2018, stock-based compensation expense of $69 and $205 respectively resulted from expensing the Company's outstanding stock options granted in November 2017 over the vesting period which ranges from immediate to 2 years after the grant date. No options have been granted in 2018.

Income tax expense

	Three Months ended September 30		Nine Months ended September 30	
	2018	2017	**2018**	2017
Current income tax expense	**$ 199**	$ -	**$ 175**	$ -
Deferred income tax expense	**13**	-	**57**	-
	$ 212	$ -	**$ 232**	$ -

The Company's tax expense relates to its North America operations.

Net loss

	Three Months ended September 30		Nine Months ended September 30	
	2018	2017	**2018**	2017
Net loss	**$ 62**	$ 79	**$ (793)**	$ (780)

For the nine months ended September 30, 2018, the net loss was $793 compared to the net loss of $780 in the same period of 2017. The increase in the loss reflects the increased gross profit in North America, offset by increased employee costs of the North America operation, increased overhead costs of the China operation, increased stock-based compensation expense, increased income tax expense and increased unrealized foreign exchange loss on foreign exchange contracts. Also in 2017 a $151 gain was recorded on shares issued for debt.

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

For the three months ended September 30, 2018, the net income was $62 compared to net income of $79 in the same period of 2017. The decrease was due to the same factors discussed above.

Inventory

	September 30, 2018	December 31, 2017
Work-in-process	$ 2,204	$ 2,180
Raw materials	4,570	3,093
Finished goods	1,894	1,217
Rental inventory	1,042	-
	$ 9,710	$ 6,490

As at September 30, 2018, inventory increased to $9,710 compared to inventory of $6,490 as at December 31, 2017. The increase in raw materials is due to stocking up for production ramp-up in the second quarter. The increase in finished goods is due to hydrovac trucks and equipment built for China market. Rental inventory includes three hydrovac trucks which are currently rented to customers in North America. Finished goods and rental inventory which is available for sale is net of depreciation of $79.

Quarterly Financial Information

	2018	2018	2018	2017	2017	2017	2017	2016
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	$	$	$	$	$	$	$	$
Revenue	$ 11,400	$ 10,213	$ 4,831	$ 9,440	$ 7,620	$ 6,733	$ 5,989	$ 4,975
EBITDAS	547	307	(356)	(21)	74	(291)	(93)	(528)
Net income (loss)	62	(220)	(635)	(799)	79	(537)	(322)	(929)
Comprehensive income (loss)	(81)	(322)	(347)	(646)	58	(563)	(318)	(929)
Net loss per share - basic and diluted	$ (0.01)	$ (0.01)	$ -	$ (0.02)	$ -	$ -	$ (0.01)	$ (0.02)

Factors That Have Caused Variations over the Quarters

Revenue increased in Q3/2018 and Q2/2018 due to continuing improvement in the hydrovac market equipment demand in North America. Revenue decreased in Q1/2018 due to a delay in production and delivery of hydrovac trucks caused by developing a new demonstration hydrovac truck and equipment for the China operation. Revenue increased in Q4/2017 and Q3/2017 due to an improvement in the hydrovac market equipment demand with increased interest coming out of the municipal sector in both Canada and the US.

In Q3/2018 and Q2/2018 EBITDAS increased due to increased revenue and gross margin in North America. In Q3/2017

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EBITDAS was positive due to increased revenue and gross margin in North America. During Q2/2017, the decrease in EBITDAS and increased loss was due to the liquidation of aged inventory with no margin and increased S,G&A in North America. During Q4/2016 the negative EBITDAS was due to an increase in revenue and gross profit offset by additional costs in Tornado China's office, and additional depreciation and amortization relating to intangible assets.

The net income (loss) in Q3/2018 and Q2/2018 improved due to increased revenue and gross margin in North America, offset by stock-based compensation and income tax expense. The net loss in Q4/2017 increased due to stock-based compensation and income tax expense.

Funds From/(Used) in Operating Activities(1)

	Nine Months ended September 30	
	2018	2017
Cash used in operating activities	**$ (1,660)**	$ (1,929)
Proceeds from sale of leased truck	**(398)**	-
Changes in non-cash working capital	**$ 2,382**	$ 1,622
Funds from/(used) operating activities	**$ 324**	$ (307)

Notes:

(1) Funds from operating activities is a non IFRS measure and is calculated from cash used in operating activities adjusted for changes in non-cash working capital and proceeds from sale of leased truck.

During the nine months ended September 30, 2018, the Company generated $324 of funds from operating activities compared to $307 used in operations in the comparable period in 2017. The increase was principally due to an increase in EBITDAS, from negative $309 to positive $498 principally resulting from increased revenue and gross profit in the North America, offset by increased employee costs of the North America operation and increased overhead costs of the China operation.

Liquidity and Capital Resources

Liquidity

The Company had working capital of $11,048 as at September 30, 2018 compared to working capital of $11,334 as at December 31, 2017. Included in the working capital at September 30, 2018 is $3,023 of cash and $9,710 of inventory (which includes $1,669 for 9 demonstration units relating to China).

For the nine months ended September 30, 2018, TGHL's operations generated $324 of cash, compared to $307 of cash used in 2017, excluding the impact of changes in non-cash working capital amounts. The increase was principally due to an increase in EBITDAS, from negative $309 to positive $498 principally resulting from increased revenue and gross profit in the North America, offset by increased employee costs of the North America operation and increased overhead costs of the China operation. In addition proceeds of $398 were received from the sale of a rental hydrovac truck.

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 ongoing planned expansion into China. Should the projected requirements not be satisfied from cash on hand at the

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Company or cash flow from operation, TGHL would need to raise additional cash. Management anticipates that additional funds could be raised on terms satisfactory to TGHL through either the issuance of additional equity, acquisition of debt, or a combination thereof. Cash on hand as at September 30, 2018, together with ongoing cash flow from operations is expected to meet the budgeted requirements for the next 12 months.

As at September 30, 2018 the Company held cash in China totaling $1,067. This cash is intended to be used to fund the Company's future China operations. In the event the Company decides to transfer these funds back to Canada, there may be practical difficulties in the timing of such transfer due to currency restrictions in China.

Capital Expenditures

Capital expenditures in 2018 comprised:

	North America	China	Corporate	Total
Property and equipment	$ 113	$ 7	$ -	$ 120
Intangible assets	38	-	912	950
	$ 151	$ 7	$ 912	$ 1,070

Capital expenditures in Corporate relate to intangible assets relating to prototypes designed in Canada for the China market.

Contractual Obligations and Commitments

Operating Lease Commitments:

The Company rents premises in Stettler, Canada, under an operating lease that requires annual payments of $234 which expires September 30, 2021. The Company also rents office space in Calgary, Canada, under a sub-lease which expires on July 31, 2019 that requires annual payments of $75. The Company also rents premises in Calgary under an operating lease that requires annual payments of $78 which expires on November 30, 2019. The Company rents premises in Beijing, China, under an operating lease that requires annual payments of $79 which expires in August 2019.

TGHL has the following lease commitments, which will be funded from ongoing operations over the next 5 years:

	2018	**2019**	**2020**	**2021**	**2022 And Beyond**
Stettler	$ 59	$ 234	$ 234	$ 117	$ -
Calgary Office	19	44	-	-	-
Calgary Other	20	72	-	-	-
Beijing Office	20	53	-	-	-
	$ 117	**$ 403**	**$ 234**	**$ 117**	**$ -**

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Finance Lease Obligation:

As at September 30, 2018, the Company had two hydrovac truck leases and a computer equipment lease, repayable in monthly installments totalling of $18 and bearing interest at rates between 2% and 6%.

	September 30, 2018	December 31, 2017
Finance leases obligation	$ 560	$ 735
Less: current portion of finance leases	(196)	(151)
	$ 364	$ 584

Amounts due on the hydrovac truck leases and computer equipment lease in the next five years are as follows:

2018	$ 58
2019	220
2020	202
2021	130
2022 And Beyond	-
Total minimum lease payments	610
Amount representing interest	(50)
Present value of minimum lease payments	560
Less current portion of finance lease	(196)
	$ 364

In the ordinary course of business, the Company and its subsidiaries may enter into contracts which contain indemnification provisions, such as service agreements, leasing agreements, asset purchase and sale agreements, joint venture agreements, operating agreements, land use agreements, etc. In such contracts, the Company may indemnify counterparties to the contracts if certain events occur. These indemnification provisions vary on an agreement-by-agreement basis. In some cases, there are no pre-determined amounts or limits included in the indemnification provisions and the occurrence of contingent events that would trigger payment under them is difficult to predict. Therefore, the maximum potential future amount that the Company could be required to pay cannot be estimated.

Off Balance Sheet Arrangements

As at September 30, 2018 and the date of this document, the Company had no off balance sheet arrangements.

Shareholders’ Equity

Share Capital

The Company is authorized to issue an unlimited number of Class “A” Common Shares (“Common Shares”).

As of December 31, 2017, September 30, 2018 and November 7, 2018, there were 126,716,519 Common Shares outstanding.

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

As of December 31, 2017, there were 9.0 million shares held in escrow as a result of the spin-out transaction in 2016. These shares were released from escrow on January 7, 2018.

No dividends were declared during the period.

Common Share purchase warrants

As at September 30, 2018 there were 3,100,000 Warrants outstanding, which are exercisable into 3,100,000 Common Shares at an exercise price of $0.12 per Warrant.

Stock Options

As at September 30, 2018, there were 8,400,000 stock options outstanding with a weighted average exercise price of $0.11 and weighted average remaining contractual life of 3.9 years. 2,700,001 options were exercisable at a weighted average exercise price of $0.11. No options were granted during the period.

Related Party Transactions

In Q3 2018, Tornado China agreed to purchase inventory in the amount of $234 (the "Purchase Amount") on behalf of Dynamic Attractions Ltd ("Dynamic"), a subsidiary of Empire Industries Ltd ("Empire"). Empire is a "control person" of the Company pursuant to Empire's ownership or control over an aggregate of 30,185,544 Common Shares of The Company, representing approximately 25.03% if the issued and outstanding Common Shares of the Company. In addition, Guy Nelson and James Chui are directors of both the Company and Empire.

The Purchase Amount is being repaid by Dynamic on agreed commercial terms. Dynamic will pay a commercially reasonable fee to the Company for its services. This transaction was measured at the exchange amount, which is the amount of consideration established and agreed to by the parties. As at September 30, 2018 the Company had a receivable of $89 from Dynamic. The purpose of this transaction was to provide short term assistance to the Company's potential strategic partner, Dynamic, during its early stage of operation in China.

Reconciliation of Income (Loss) before taxes to EBITDAS

	Three Months ended September 30		Nine Months ended September 30	
	2018	2017	**2018**	2017
Income (Loss) before taxes	**$ 274**	$ 79	**$ (561)**	$ (780)
Add: Depreciation and amortization	**287**	240	**838**	718
Deduct: Finance income	**(4)**	(6)	**(37)**	(25)
Add: Finance costs	**7**	22	**36**	78
Add: Changes in fair value in derivatives	**(86)**	(110)	**13**	(149)
Add: Stock based compensation	**69**	-	**205**	-
Add: Gain on shares issued for debt	**-**	(151)	**-**	(151)
Deduct: Gain on disposal of fixed assets	**-**	-	**4**	-
EBITDAS	**$ 547**	$ 74	**$ 498**	$ (309)
% of revenue	**4.80%**	0.97%	**1.88%**	-1.52%

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

Calculation of EBIT

	Three Months ended September 30		Nine Months ended September 30	
	2018	2017	**2018**	2017
EBITDAS	**$ 547**	$ 74	**$ 498**	$ (309)
Less: Depreciation and amortization	**(287)**	(240)	**(838)**	(718)
Less: Loss on disposal of fixed assets	**-**	-	**(4)**	-
Less: Stock based compensation	**(69)**	-	**(205)**	-
EBIT	**$ 191**	$ (166)	**$ (549)**	$ (1,027)
% of revenue	**1.68%**	-2.18%	**-2.08%**	-5.05%

Calculation of Gross Margin

	Three Months ended September 30		Nine Months ended September 30	
	2018	2017	**2018**	2017
Revenues	**$ 11,400**	$ 7,619	**$ 26,444**	$ 20,341
Cost of sales	**9,281**	6,397	**21,901**	17,348
Gross margin	**$ 2,119**	$ 1,222	**$ 4,543**	$ 2,993
% of revenue	**18.59%**	16.04%	**17.18%**	14.71%

New Accounting Standards Effective For The First Time From January 1, 2018

Certain pronouncements were issued that are mandatory for accounting periods beginning before or on January 1, 2018. Please refer to the Company's unaudited condensed consolidated financial statements for the period ended September 30, 2018 for the impact of adopting IFRS 15, "Revenue from Contracts with Customers" and IFRS 9, "Financial Instruments".

Financial Instruments And Risk Management

The Company's financial instruments recognized in the consolidated balance sheet consist of cash and cash equivalents, accounts receivable, finance leases, accounts payable and accrued liabilities. The carrying value of these balance sheet items approximates their fair market value due to their short-term nature.

The risks associated with these financial instruments including foreign currency risk, credit risk, interest rate risk, liquidity risk and commodity price risk have not changed from December 31, 2017.

From time to time, the Company uses foreign exchange contracts to hedge its U.S. dollar revenues. As at September 30, 2018, the Company had in place $1.5 million US on forward contracts which expire between October 31 and December 31, 2018. These contracts were revalued to fair market value using fair value accounting at the balance sheet date. For the three and nine month periods ended September 30, 2018 the Company recorded $86 unrealized foreign exchange gain and $13 unrealized foreign exchange loss on these contracts respectively.

Significant Judgements And Estimates

The preparation of the Company's financial statements requires management to adopt accounting policies that involve the use of significant estimates and assumptions. These estimates and assumptions are developed based on the best available information and are believed by management to be reasonable under the existing circumstances. New events or additional information may result in the revision of these estimates over time. A summary of the critical estimates and judgments used by the Company can be found in Note 4 to the December 31, 2017 audited annual financial statements. Except as described below, there have been no changes to the Company's significant accounting estimates and judgments as of September 30, 2018.

The Company may enter into contracts which provide for an option for the customer to sell back the truck to the Company at an agreed price. The Company assesses the likelihood of such option being exercised when determining the appropriate accounting treatment.

The Company may enter into lease contracts which provide for an option for the customer to purchase the truck at the end of the term using partial monthly payments to set against the purchase price. The Company assesses the likelihood of such option being exercised when determine the appropriate accounting treatment.

Internal Controls And Procedures

There have been no significant changes in TGHL's internal controls over financial reporting during the nine months ended September 30, 2018 that have materially affected, or are reasonability likely to materially affect TGHL's internal controls over financial reporting.

Forward Looking Information

This MD&A contains certain "forward-looking statements." All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding financial and business prospects and financial outlook) are forward looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company, based on information currently available to the Company. Forward-looking statements are subject to a number of risks, uncertainties and assumptions that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements and, even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, changes in general economic and market conditions, changes to regulations affecting the Company's activities, change in the political or economic climate in China 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.

Business Risks And Uncertainties

Please refer to the Company's annual MD&A and audited consolidated financial statements for the year ended December 31, 2017, available on SEDAR at www.sedar.com and on the Company's web site at www.tornadotrucks.com for a discussion of the other risks and uncertainties associated with the Company's activities. There have been no significant changes in these risks and uncertainties during the nine months ended September 30, 2018.