Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of the consolidated operations of Tornado Global Hydrovacs Ltd. ("TGHL" or the "Company") and its wholly-owned subsidiaries Tornado Global Hydrovacs (North America) Inc. ("Tornado NA" or the "North American Operation(s)), Tornado Global Hydrovacs (Beijing) Ltd. ("Tornado China") and Tornado Hydrovacs Asia Pacific Holdings Ltd. ("Tornado Asia") and together with Tornado China are referred to as the ("China Operation(s)") is supplemental to, and should be read in conjunction with the Company's consolidated financial statements and related notes as at December 31, 2018 and for the years ended December 31, 2018 and 2017.

The audited consolidated financial statements and accompanying notes of the Company for the year ended December 31, 2018 and 2017 have been prepared in conformity with International Financial Reporting Standards ("IFRS").

The 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 "Cautionary Statement regarding Forward-Looking Information".

Unless otherwise indicated, a reference to a year relates to TGHL's fiscal year ended December 31. All amounts are reported in Canadian dollars unless specifically stated otherwise. Financial information disclosed in this MD&A is presented in thousands (000's) except for percentages and per share data.

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 April 15, 2019, 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 annual audited consolidated financial statements. 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. Gross Margin 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 municipal market and the oil and gas industry. It operates through a leased production facility in Stettler, Alberta and a sales office located in Calgary, Alberta. TGHL is also in the development stage of commencing similar operations in China and has established an office in Beijing, China.

TGHL maintains its head office in Calgary, Alberta.

2018 Overview

- Revenue of $38,850 increased 30.5% compared to $29,781 in 2017. The increase in revenue was due to the improvement during 2018 in hydrovac equipment demand with increased interest coming out of the municipal sector in both Canada and the United States ("US").

- As a result of increased revenue, gross profit of $5,804 increased by $1,316 compared to $4,488 in 2017.

- EBITDAS of $386, comprising North America -$2,337, China - negative $1,337 and Corporate - negative $614, improved by $716 compared to negative $330 in 2017, due to increased revenues and gross profit in North America, offset by increased selling, general and administrative expenses.

  For the North America segment, EBITDAS during 2018 of $2,337 increased significantly compared to $1,649 in 2017, due increased activity levels.

- The net loss of $1,323 decreased by $256 compared to a loss of $1,579 in 2017. This is due to the factors discussed above, offset by an increase in selling and general administrative expense of $600, an increase in stock based compensation expense of $43 and an increase in income tax expense relating to the Company's North America operation of $128.

- During 2018 six custom designed skid-mounted hydrovac units and one hydrovac truck were delivered to China for potential sale and demonstration.

- In October 2018, the Company's wholly-owned subsidiary 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.

- During Q4/2018, the first shipment of hydrovac truck parts sourced by Tornado China was sent to Canada for the production of hydrovac trucks in Stettler, Canada.

Q4/2018 Overview

- Revenues increased by 31.4% to $12,406 as compared to the same period in the prior year. Gross Margin of $1,261 decreased by 15.7% compared to the same period in 2017 due to year end adjustments comprising principally a provision for obsolete inventory and a year-end inventory count adjustment totaling $301.

- Selling and administrative expenses of $1,373 decreased by $143 compared to the same period in 2017 principally due to a decrease in compensation expense relating to the Company's China operation of $92.

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

- EBITDAS of negative $112 decreased by $91 compared to EBITDAS of negative $21 in Q4/2017 as a result of the factors discussed above. Negative EBIT of $433 decreased by $137 compared to negative $296 in the same period in 2017 as a result of the factors discussed above.
- During Q4/2018 a tax provision of $41 was recorded relating to the North America operations.
- As a result of these factors, a net loss of $530 for the Q4/2018 was recorded compared to a net loss of $799 in the same period in 2017.

Selected Financial Information

	Three Months ended December 31			Year ended December 31		
	2018	2017	2016	**2018**	2017	2016
Revenue	**$ 12,406**	$ 9,440	$ 4,975	**$ 38,850**	$ 29,781	$ 17,049
Cost of sales	**11,145**	7,945	4,439	**33,046**	25,293	15,907
Gross Profit	**1,261**	1,495	536	**5,804**	4,488	1,142
Selling and general administrative expenses	**1,373**	1,516	1,064	**5,418**	4,818	3,230
Depreciation of property and equipment	**143**	149	143	**585**	498	416
Amortization of intangible assets	**178**	126	230	**574**	495	304
Loss on disposal of fixed assets	**-**	-	-	**4**	-	-
Stock-based compensation	**51**	213	-	**256**	213	-
Finance income	**4**	1	(44)	**(33)**	(24)	(44)
Finance costs	**14**	22	45	**50**	100	63
Gain on shares issued for debt	**-**	-	-	**-**	(151)	-
Management fees	**-**	-	-	**-**	-	200
Change in fair value of derivative financial instruments	**(13)**	122	27	**-**	(27)	27
Loss before tax	**(489)**	(654)	(929)	**(1,050)**	(1,434)	(3,054)
Income tax recovery (expense)	**(41)**	(145)	-	**(273)**	(145)	303
Net loss	**$ (530)**	$ (799)	$ (929)	**$ (1,323)**	$ (1,579)	$ (2,751)
Comprehensive loss	**$ (406)**	$ (646)	$ (929)	**$ (1,156)**	$ (1,469)	$ (2,751)
Net loss per share - basic and diluted	**$ (0.00)**	$ (0.01)	$ (0.02)	**$ (0.01)**	$ (0.02)	$ (0.05)
Total non-current financial liabilities	**$ 700**	$ 584	$ 2,535	**$ 700**	$ 584	$ 2,535
Total assets	**$ 25,093**	$ 22,062	$ 19,539	**$ 25,093**	$ 22,062	$ 19,539

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

Segmented Information

Year ended December 31, 2018	North America	China	Corporate	Total
Revenue	$ 38,850	$ -	$ -	$ 38,850
Cost of sales	33,046	-	-	33,046
Selling and general administrative	3,467	1,337	614	5,418
	2,337	(1,337)	(614)	386
Depreciation and amortization	524	63	572	1,159
Loss on disposal of assets	4	-	-	4
Income (loss) before other items of income	$ 1,809	$ (1,400)	$ (1,186)	$ (777)

Year ended December 31, 2017	North America	China	Corporate	Total
Revenue	$ 29,781	$ -	$ -	$ 29,781
Cost of sales	25,293	-	-	25,293
Selling and general administrative	2,839	1,153	826	4,818
	1,649	(1,153)	(826)	(330)
Depreciation and amortization	495	3	494	993
Income (loss) before other items of income	$ 1,154	$ (1,156)	$ (1,320)	$ (1,323)

Year ended December 31, 2016	North America	China	Corporate	Total
Revenue	$ 17,049	$ -	$ -	$ 17,049
Cost of sales	15,907	-	-	15,907
Selling and general administrative	2,046	552	632	3,230
	(904)	(552)	(632)	(2,088)
Depreciation and amortization	720	-	-	720
Loss before other items of income	$ (1,624)	$ (552)	$ (632)	$ (2,808)

Operating Results

	Three Months ended December 31		Year ended December 31	
	2018	**2017**	**2018**	2017
Revenues	**$ 12,406**	$ 9,440	**$ 38,850**	$ 29,781
Gross margin	**1,261**	1,495	**5,804**	4,488
Gross margin %	**10.16%**	15.84%	**14.94%**	15.07%
EBITDAS	**(112)**	(21)	**386**	(330)
EBITDAS %	**-0.90%**	-0.22%	**0.99%**	-1.11%
EBIT	**(433)**	(296)	**(777)**	(1,323)
EBIT %	**-3.49%**	-3.14%	**-2.00%**	-4.44%
Net loss	**$ (530)**	$ (799)	**$ (1,323)**	$ (1,579)

The Gross Margin relates to the North American Operations. For the year ended December 31, 2018, Gross Margin of $5,804 increased 29.3% compared to the same period in 2017. This increase was due to increased revenue resulting from the increase in overall demand for hydrovac trucks.

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

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.

- The Company's production and sales of hydrovac trucks is expected to increase in 2019 for the following reasons:
  - Increased spending on infrastructure by both the Canadian and the US governments is expected to further increase the market demand of hydrovac trucks.
  - The Company introduced a newly designed hydrovac truck in 2018 which management believes has compelling advantages over hydrovac trucks currently offered in the market, including having a lighter weight and more debris capacity making it easier to comply with the road weight laws in North America.
  - The Company entered into an exclusive sales agreement in April 2018 with Custom Truck One Source ("Custom Truck"). Custom Truck has an integrated network of 23 locations across North America. Based on the positive impact that the strategic relationship with Custom Truck had on the Company's sales in the latter part of 2018, the Company expects sales in the US to continue at the same pace during all twelve months of 2019.
  - During 2018, the Company's Stettler facility was used to design and produce six skid mounted units and one hydrovac sewer flusher unit for China's rental and demonstration fleet. This resulted in reduced truck production capacity for the Stettler facility, which in turn negatively impacted the financial returns in 2018. In 2019, the Stettler facility's production capacity is planned to be used to produce more hydrovac trucks for sale in North America.

- Through its presence in China, the Company has established a strategic supply chain from China for certain parts. This is expected to have a positive impact on reducing the Company's production costs in North America. While the benefit of this did not impact any of the Company's financial results in 2018, it is expected to impact the 2019 results.

- The Company's newly designed skid mounted unit was introduced to the North American market at trade shows in Toronto and Indianapolis in Q1/2019. The skid mounted units received positive feedback from prospective customers. The skid mounted units will be produced in China which management anticipates will allow the Company to offer competitively priced skid mounted units for both the North American and Chinese markets.

- The Company expects that the weak Canadian dollar continues to positively impact profit margins because more than half of the Company's hydrovac trucks are sold in US dollars while manufactured in Canada.

- The Company refocused its business in China resulting in significantly reduced cost structure for its China subsidiary. The Company remains committed to its operations in China and exploiting the growth opportunities there. With a fleet of four distinct types of hydrovac units in China, the Company will concentrate, over the short term, on developing its business in China through unit rentals and educating the Chinese market through live demonstrations, of the benefits of hydrovac truck capabilities. The Company's China office will also be used to negotiate and source certain high quality, low cost hydrovac truck parts for North American truck production. The steps the Company has taken to refocus its business opportunities in China and the resulting reduction in cost structure is expected to positively impact the Company's 2019 financial results.

Revenue

	Three Months ended December 31		Year ended December 31	
	2018	2017	**2018**	2017
Revenues	**$ 12,406**	$ 9,440	**$ 38,850**	$ 29,781

During the year ended December 31, 2018, revenues were $38,850 (2017 - $29,781). The increase over 2017 reflects the improvement in the hydrovac market equipment demand with increased interest coming out of the municipal sector in both Canada and the US.

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

During the three months ended December 31, 2018, revenues were $12,406 (2017 - $9,440). The increase over the same period in 2017 is due to the same factors discussed above.

Cost of sales

	Three Months ended December 31		Year ended December 31	
	2018	2017	**2018**	2017
Cost of Sales	**$ 11,145**	$ 7,945	**$ 33,046**	$ 25,293

For the year ended December 31, 2018, cost of sales was $33,046 compared to $25,293 in the same period of 2017. The increase in cost of sales is principally due to an increase in the number of hydrovac trucks manufactured and sold.

For the three months ended December 31, 2018, cost of sales was $11,145 compared to $7,945 in the same period of 2017. The increase in cost of sales is due to the same factors discussed above, together with year end adjustments comprising principally a provision for obsolete inventory and a year-end inventory count adjustment totaling $301.

Gross Profit

	Three Months ended December 31		Year ended December 31	
	2018	2017	**2018**	2017
Gross Profit	**$ 1,261**	$ 1,495	**$ 5,804**	$ 4,488

Gross profit relates to the North American Operations and for the year ended December 31, 2018, the gross profit was $5,804 compared to $4,488 in the same period of 2017. The increase in gross profit is principally due to the increase in overall demand for hydrovac trucks and improved cost efficiencies at higher production volumes.

For the three months ended December 31, 2018, the gross profit was $1,261 compared to $1,495 in the same period of 2017. The decrease in gross profit is due to increased cost of sales and year end adjustments discussed above.

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

	Three Months ended December 31		Year ended December 31	
	2018	2017	**2018**	2017
Selling, General and Administrative expense	**$ 1,373**	$ 1,516	**$ 5,418**	$ 4,818

During the year ended December 31, 2018, S,G&A expenses were $5,418 (comprising $3,467 in North America, $1,337 in China and $614 in Corporate) compared to $4,818 (comprising $2,839 in North America, $1,153 in China and $826 in Corporate) in the same period of in 2017. The overall increase is principally due to increased expense in North America due to an increase in activity and in China due to increased sales staff.

During the three months ended December 31, 2018, S,G&A expenses were $1,373, (comprising $882 in North America, $383 in China and $108 in Corporate) compared to $1,516, (comprising $918 in North America, $345 in China and $253 in Corporate) in the same period of 2017. The overall decrease is principally due a decrease in compensation expense relating to the China Operations of $92.

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

Depreciation of property and equipment

	Three Months ended December 31		Year ended December 31	
	2018	2017	**2018**	2017
Depreciation	**$ 143**	$ 149	**$ 585**	$ 498

During the year ended December 31, 2018, depreciation of property and equipment was $585 (2017 - $498), the majority of which related to operations in North America. The increase is due to depreciation on additional rental hydrovac trucks acquired in 2018.

During the three months ended December 31, 2018, depreciation was $143 (2017 - $149), the majority of which related to operations in North America.

Amortization of intangible assets

	Three Months ended December 31		Year ended December 31	
	2018	2017	**2018**	2017
Amortization of intangible assets	**$ 178**	$ 126	**$ 574**	$ 495

During the year ended December 31, 2018, amortization of intangible assets was $574 (2017 - $495). The increase is the result of a significant increase in intangible assets resulted from capitalized development costs relating to new equipment designs in 2018.

During the three months ended December 31, 2018, amortization of intangible assets was $178 (2017 - $126). The higher expense for Q4 2018 is due the factors discussed above.

Stock based compensation

	Three Months ended December 31		Year ended December 31	
	2018	**2017**	**2018**	2017
Stock Based Compensation	**$ 51**	**$ 213**	**$ 256**	$ 213

During the quarter and year ended December 31, 2018, stock-based compensation expense of $51 and $256 respectively (2017- $213 for both periods) resulted from expensing the Company's outstanding stock options granted in 2017 over the vesting period which ranges from immediate to 2 years after the grant date.

In November 2017, 8,400,000 options were granted to directors, officers, employees and consultants. The Company uses the fair value method of accounting for stock options granted, whereby, the fair value of all stock options granted is charged to income over the vesting periods. The fair value of common share options granted is estimated on the date of grant using the Black-Scholes option pricing model.

No stock options were granted in 2018.

Income tax expense (recovery)

	Three Months ended December 31		Year ended December 31	
	2018	2017	**2018**	2017
Current income tax expense	**$ (77)**	$ 57	**$ 98**	$ 57
Deferred income tax expense	**118**	88	**175**	88
	$ 41	$ 145	**$ 273**	$ 145

During the year ended December 31, 2018, the Company recorded income tax expense of $273 (2017 – $145) relating to its wholly owned operating subsidiary in Canada.

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

During the quarter ended December 31, 2018, the Company recorded income tax expense of $41 (2017 – $145) relating to its wholly owned operating subsidiary in Canada.

Net loss

	Three Months ended December 31		Year ended December 31	
	2018	2017	**2018**	2017
Net loss	**$ (530)**	$ (799)	**$ (1,323)**	$ (1,579)

For the year ended December 31, 2018, the net loss was $1,323 compared to the net loss of $1,579 in the same period of 2017. The decrease in the loss reflects the increased gross profit in North America, offset an increase in selling and general administrative expense of $600, an increase in stock based compensation expense of $43 and an increase in income tax expense relating to the Company's North America operation of $128.

For the three months ended December 31, 2018, the net loss was $530 compared to a net loss of $799 in the same period of 2017. The decrease in the loss was due principally to less stock based compensation expense ($162) and income tax expense ($104).

Inventory

	December 31, 2018	December 31, 2017
Work-in-process	**$ 1,960**	$ 2,180
Raw materials	**4,959**	3,093
Finished goods	**1,444**	1,217
	$ 8,363	$ 6,490

As at December 31, 2018, inventory increased to $8,363 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 2019. Finished goods inventory consists of two hydrovac trucks in the North American Operations and hydrovac equipment in the China Operations.

Quarterly Financial Information

	2018	**2018**	**2018**	**2018**	**2017**	**2017**	**2017**	**2017**
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
	$	$	$	$	$	$	$	$
Revenue	$ 12,406	$ 11,400	$ 10,213	$ 4,831	$ 9,440	$ 7,620	$ 6,733	$ 5,989
EBITDAS	(112)	547	307	(356)	(21)	74	(291)	(93)
Net income (loss)	(530)	62	(220)	(635)	(799)	79	(537)	(322)
Comprehensive income (loss)	(406)	(81)	(322)	(347)	(646)	58	(563)	(318)
Net loss per share - basic and diluted	$ -	$ -	$ -	$ (0.01)	$ (0.01)	$ -	$ (0.01)	$ (0.01)

The quarterly information above has been prepared in conformity with IFRS.

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

Factors That Have Caused Variations over the Quarters

Revenue increased in Q4/2018, 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 the development of a new demonstration hydrovac truck and equipment for the China Operations. 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 Q4/2018 EBITDAS decreased due to year end adjustments comprising principally a provision for obsolete inventory and a year-end inventory count adjustment. In Q3/2018 and Q2/2018 EBITDAS increased due to increased revenue and gross margin in the North American Operations. In Q3/2017 EBITDAS was positive due to increased revenue and gross margin in the North American Operations. 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 for the North American Operations.

The net loss in Q4/2018 increased due to the factors discussed above together with increased stock-based compensation and income tax expense. The net income (loss) in Q3/2018 and Q2/2018 improved due to increased revenue and gross margin for the North American Operations, 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 Operating Activities (1)

	Year ended December 31	
	2018	2017
Cash from (used) in operating activities	**$ 64**	$ (1,322)
Change in tax recoverable	**200**	-
Changes in non-cash working capital	**431**	902
Funds from/(used) operating activities	**$ 695**	$ (420)

(1) Funds from operating activities is a non IFRS measure and is calculated from cash flow from operations adjusted for changes in non-cash working capital.

During the year ended December 31, 2018, the Company generated $695 of funds from operating activities compared to $420 used in operations in the comparable period in 2017. The increase was principally due to an increase in EBITDAS, from negative $330 to positive $386 principally resulting from increased revenue and gross profit from the North American Operations, offset by increased employee costs incurred by the North American Operations and increased overhead costs incurred by the China Operations.

Liquidity and Capital Resources

Liquidity

The Company had working capital of $7,519 as at December 31, 2018 compared to working capital of $11,334 as at December 31, 2017. Included in the working capital at December 31, 2018 is $2,228 of cash and $8,363 of inventory (which includes $650 for hydrovac equipment and parts in China). The decrease in working capital was principally due to an increase in capital expenditures relating to the North American Operations and the China Operations.

For the year ended December 31, 2018, TGHL's operations generated $695 of cash, compared to $420 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 $330 to positive $386 principally resulting from increased revenue and gross profit in the North America, offset by increased employee costs of the North American Operations and increased overhead costs of the China Operations. In addition, proceeds of $398 were received from the sale of a rental hydrovac truck.

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

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 Company or cash flow from operations, 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 December 31, 2018, together with ongoing cash flow from operations is expected to meet the budgeted requirements for the next 12 months.

As at December 31, 2018 the Company held cash in China totaling $245. 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

During the year ended December 31, 2018 the Company incurred capital expenditures of $4,150 (2017 - $1,036), relating principally to seven hydrovac trucks and equipment for rental market. In addition the Company incurred $678 relating to expenditures on development costs. The Company has no significant capital expenditures planned for 2019.

Contractual Obligations and Commitments

Operating lease commitments:

The Company rents premises in Stettler Canada, under operating leases that requires annual total payments of $253 and expire between February 7, 2020 and June 30, 2021. The Company rents office space in Calgary, Canada, under a sub-lease agreement which expires on July 31, 2019 that requires annual payments of $75. The Company also rents premises in Calgary, Canada under an operating lease that requires annual payments of $78 which expires on November 30, 2019. Tornado China also rents premises in Beijing, China, under an operating lease that requires annual payments of $79 which expires in August 2019.

The Company has the following lease commitments, which will be funded from ongoing operations over the next 4 years:

	2019	2020	2021	2022	2023 And Beyond
Stettler	$ 253	$ 236	$ 117	$ -	$ -
Calgary Office	44	-	-	-	-
Calgary Other	72	-	-	-	-
Beijing Office	53	-	-	-	-
	$ 422	**$ 236**	**$ 117**	**$ -**	**$ -**

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 of the date hereof, the Company does not have any off balance sheet arrangements.

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

Shareholders' Equity

Share Capital

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

As of December 31, 2018, December 31, 2017 and April 15, 2019, there were 126,716,519 Common Shares outstanding ($20,893).

No dividends were declared during the period.

Common Share purchase warrants

	Warrants	Amount
As at December 31, 2018 and April 15, 2019	3,100,000	$144

Each Warrant is exercisable at $0.12 and expires on September 15, 2022.

Stock options

The Company has 8,400,000 stock options outstanding at April 15, 2019, exercisable at $0.11 per share and expiring on November 21, 2022.

Related Party Transactions

In Q3/2018, Tornado China purchased inventory (the "Transaction") in the amount of $234 (the "Transaction Amount") on behalf of Dynamic Attractions Ltd. ("Dynamic"), a subsidiary of Empire Industries Ltd. ("Empire") that has operations in China. 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 Transaction constituted a "related party transaction" under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"). The Company relied on the exemption from the formal valuation requirement provided under Section 5.5(a) of MI 61-101 and the exemption from the minority approval requirement provided under Section 5.7(a) of MI 61-101 in both instances on the basis that the fair market value of the Transaction did not exceed 25% of the Company's market capitalization, calculated in accordance with MI 61-101.

The Transaction Amount is being repaid to Tornado China on commercially acceptable terms. As at December 31, 2018, Tornado China was carrying an outstanding receivable in the amount of $101 related to the Transaction, which was paid in April 2019.

During the year ended December 31, 2018, $10 of legal fees were incurred and paid to a China-based office of Dentons, a multinational law firm. Mr. George Tai, a director of the Company, is a Partner of a Canada-based office of Dentons Canada LLP.

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

Reconciliation of Loss before taxes to EBITDAS

	Year ended December 31			
		2018		2017
Income (Loss) before taxes	$	(1,050)	$	(1,434)
Add: Depreciation and amortization		1,159		993
Deduct: Finance income		(33)		(24)
Add: Finance costs		50		100
Add: Changes in fair value in derivatives		-		(27)
Add: Stock based compensation		256		213
Add: Gain on shares issued for debt		-		(151)
Deduct: Gain on disposal of fixed assets		4		-
EBITDAS	$	386	$	(330)
% of revenue		0.99%		-1.11%

Calculation of EBIT

	Year ended December 31			
		2018		2017
EBITDAS	$	386	$	(330)
Less: Depreciation and amortization		(1,159)		(993)
Less: Loss on disposal of fixed assets		(4)		-
EBIT	$	(777)	$	(1,323)
% of revenue		-2.00%		-4.44%

Calculation of Gross Margin

	Year ended December 31			
		2018		2017
Revenues	$	38,850	$	29,781
Cost of sales		33,046		25,293
Gross margin	$	5,804	$	4,488
% of revenue		14.94%		15.07%

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, tax recoverable, accounts payable, accrued liabilities, loans payable and income taxes payable. 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 are discussed under "Risks and Uncertainties".

The Company may use foreign exchange contracts to hedge its US dollar ("USD") revenues. As at December 31, 2018, the Company had no forward contracts in place. As at April 15, 2019, the Company had USD forward contracts in the amount of $1,000 USD.

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 3 to the December 31, 2018 audited annual financial statements.

Significant Accounting Policies

The Company adopted IFRS 15, Revenue from Contracts with Customers and IFRS 9, Financial Instruments effective January 1, 2018. Refer to Note 4 "Adoption of new accounting standards" in the Company's Consolidated Financial Statements for the year ended December 31, 2018, for further discussion. Other standards, amendments and interpretations, which are effective for the financial year beginning on January 1, 2018, have been assessed and do not have a material impact to the Company.

New Accounting Standards Not Yet Adopted

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2018 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

IFRS 16 Leases

IFRS 16, issued in January 2016, introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The standard will supersede IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of adopting this standard on our consolidated financial statements and cannot reasonably estimate the effect at this time. This standard, amendment and interpretation is described in Note 5 of our December 31, 2018 consolidated financial statements and are incorporated by reference in this report.

Risks and Uncertainties

Operating Results

TGHL's business requires significant financial resources, and there is no assurance that future revenues will be sufficient to generate the funds required to continue TGHL's business development and marketing activities. In certain markets, the Company competes with local, regional, national and international companies for sales. Management believes it has developed systems, policies, and procedures to mitigate this risk in the North American market. The Company currently has no revenues in the China market, and there is no assurance that any will develop.

Liquidity Requirements

The Company requires significant amounts of working capital in order to be able to operate. The Company's sales in North America are primarily based upon negotiated prices and while customer deposits are sometimes obtained, payment is generally received upon delivery of the finished truck. In order to satisfy customer demand in a timely manner, TGHL endeavors to have stock trucks available for immediate purchase, which requires an investment of capital.

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

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

Credit Risk

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

Interest Rate Risk

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

Foreign Exchange Risk

Rapid currency fluctuations can have a significant impact on un-hedged non-Canadian dollar denominated sales and raw material costs. To mitigate this risk the Company may enter into forward contracts to sell USD. See also, "*Risks Associated with Sales to the US and Operations in China – Currency Risk*".

Cost of Raw Materials

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

Competitive Market in North America

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

Global Economic Environment

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

Change in Demand

Particularly in western Canada, demand for TGHL's products and services tends to fluctuate directly with oil and gas related production and construction activity. This in turn strongly correlates with the price of oil. A decline in the demand for TGHL's products can occur if deteriorating economic conditions reduce these economic activities, which would have an adverse effect on TGHL's business, results of operations, and financial condition. TGHL has largely expanded its business into the municipal market in both Canada and US. A decrease in demand from the infrastructure development could negatively impact its business and performance.

Reliance on Key Personnel

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

Safety

TGHL is exposed to liabilities that are unique to the services that TGHL provides. Such liabilities may relate to an accident or incident involving one of TGHL's hydrovac trucks or damage to equipment or property caused by one of TGHL's hydrovac trucks and could result in damage claims against the Company. The amount of TGHL's insurance coverage may not be adequate to cover potential claims or liabilities and TGHL may be forced to bear substantial costs as a result of one or more accidents. Substantial claims resulting from mechanical failure, in excess of its related insurance coverage, could harm TGHL's financial condition and operating results. Moreover, any accident or incident involving TGHL, even if TGHL is fully insured or not held liable, could negatively affect TGHL's reputation among customers and the public, thereby making it more difficult for TGHL to compete effectively, and could significantly affect the cost and availability of insurance in the future.

Environment/Regulatory

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

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

Litigation

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

Lease agreements with customers

From time to time the Company may enter into agreements to lease certain equipment in the Company's inventory to customers or to sublease certain equipment to customers that the Company has leased from third parties. Such lease arrangements will be subject to terms and conditions negotiated by the Company and the customer which may include short lease termination provisions. Any such lease arrangements may, depending on the number of leases and the value of such leases, be material to the Company's financial performance. To the extent that such leases are terminated with short notice to the Company, the Company's financial performance may be materially negatively impacted. As at the date hereof, the Company is not reliant on any agreement for the lease of vehicles to a customer for a material amount of the Company's cash flow and no such lease agreements are otherwise material to the Company's operations.

Risks Associated with Sales to the US and Operations in China

General Description

The Company conducts business on an international basis, with sales from its Stettler, Alberta, Canada manufacturing facility to customers in the US and has operations in China, which have inherent unique risks and uncertainties including:

- burdens to comply with multiple and potentially conflicting foreign laws and regulations, including export requirements, tariffs and other barriers, environmental health and safety requirements and unexpected changes in any of these laws and regulations;
- to the extent cash is held outside of North America, the Company's repatriation of such cash may be subject to the approval of foreign governments and to the potentially adverse impact of foreign and domestic tax laws as well as changes in foreign exchange or capital controls;
- political and economic instability and disruptions, including the imposition of political and economic sanctions that could adversely affect the profitability of sales into the US and the operations in China;

- disadvantages of competing against companies that are not subject to Canadian laws and regulations, including the *Corruption of Foreign Officials Act* (Canada) ("CFPO");
- increased complexity and costs of managing operations in China due to time zone differences and local language capabilities;
- increased challenges in protecting and enforcing intellectual property rights, particularly in China;
- potentially adverse tax consequences due to overlapping or differing tax structures or changes in tax rates; and
- fluctuations in currency exchange rates.

To the Company's knowledge, it holds all material permits and licenses and is in compliance with all material applicable laws and regulations in China.

The Company's operations in China and sales into the US are subject to a number of unique risks including trade barriers, exchange controls and restrictions on currency conversion, political risks or increased duties, taxes and tariffs, as well as changes in laws, regulations and policies governing operations in China and sales into the US such as embargos. Despite the activity and progress in developing its legal system, China does not have a system of laws as comprehensive and predictable as in Canada.

China currently imposes foreign exchange controls and restrictions on currency conversion. In order to move money in or out of China, the Company must comply with strict rules and procedures imposed by the Chinese government, including timely reporting requirements and the provision of supporting documentation to the requisite authorities in order to obtain the necessary approvals. To date, the Company has not had to repatriate funds from its operations in China, however, the Company could be adversely affected by changes in foreign exchange, capital control or other laws, regulations or policies, or changes in the interpretation thereof, which could restrict its continued ability to do so. Should there be any unexpected delays in processing these requests or any failure to receive the requisite approvals, this could adversely affect the Company's liquidity and its ability to plan for its future liquidity needs.

Political instability in either China or the US could have a material adverse effect on the Company. The Chinese government exercises significant control over China's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatment to particular industries or companies. Political instability could result in changes to the laws and regulations affecting the Company and for the reasons noted above, may have a material adverse effect on the Company's operations in China.

Currency Risk

The Company's financial results are reported in Canadian dollars ("CAD"), which is subject to fluctuations in respect of the currencies of the countries in which the Company operates. The Company also holds cash in Renminbi in China. Management expects revenues to continue to be earned in a number of different currencies. Accordingly, fluctuations in the exchange rates of world currencies could have a positive or negative effect on reported results on a consolidated basis. Given the constantly changing currency exposures and the substantial volatility of currency exchange rates, the Company cannot predict the effect of exchange rate fluctuations upon the Company's future operating results. There can be no assurance that the Company will not experience losses in the future from currency devaluations or changes in exchange rates, which could have a material adverse effect on the business, revenues, operating results and financial condition of the Company. In the event of a change in the value of the USD relative to the CAD or the Renminbi relative to the Canadian dollar, there is no assurance, due to competitive pressure, of a corresponding change in selling prices of the Company's products. The Company exports a significant portion of its products produced in Canada to the US. These exports are invoiced and paid for primarily in USD. The Company from time to time may hedge its USD receivables against the risk of revaluation of the USD.

Changes in Tax Laws

The introduction of new tax laws, regulations or rules, or changes to, or differing interpretation of, or application of, existing tax laws, regulations or rules in Canada, the US or China, could result in an increase in the Company's taxes, or other governmental charges, duties or impositions. In addition, the Company is eligible, from time to time, for certain tax incentives in various jurisdictions in which it operates, which are subject to change and/or expiry. No assurance can be given that new tax laws, rules or regulations will not be enacted or that existing tax laws will not be changed, interpreted or applied in a manner that could result in the Company's profits being subject to additional taxation or that could otherwise have a material adverse effect on the Company.

Conditions in China

General

The Company's subsidiaries, Tornado China and Tornado Asia, operate and have assets in China. As a result the Company is vulnerable to the political, economic and legal and regulatory conditions affecting its business in China. The Chinese economy differs from the economies of most developed countries in a number of respects, including its structure, the level of government involvement, the control of foreign exchange and the allocation of resources.

Government Control

An increasing number of strict regulations exist over the way business can be done in China. While all of the Company's competitors are subject to the same laws and regulations, the enforcement of those compliance regulations may be different for many local competitors. In certain designated industries, for example, multinational companies are required to co-operate with local joint venture partners, which are generally selected by the Chinese government, and governmental orders may be redirected towards local competitors in the future.

Inconsistent interpretation of rules and regulations

The Chinese government has issued a number of laws and regulations relating to taxes, such as corporate income tax law and transfer pricing. However, certain detailed implementation guidelines for these laws and regulations are still not pronounced, even though the respective laws and regulations may have taken effect. In addition, local authorities retain the right to interpret existing laws and regulations, resulting in a lack of consistency between individual provinces and jurisdictions.

Concerns about intellectual property

China's intellectual property laws are not as well developed as the intellectual property laws in many other first world countries with a more mature intellectual property protection regime. There is no assurance that the Company will be able to protect its intellectual property in China in the manner, with the same effect, or as on a timely basis, as it would have in such other countries.

Uncertainty Regarding Chinese Withholding Tax on Indirect Transfers of Chinese Enterprises by Non-Chinese Residents

The Company and its shareholders face uncertainties with respect to taxes imposed by Chinese authorities on previous and potential future indirect transfers of equity interests in enterprises resident in China or other assets attributed to a Chinese establishment of a non-Chinese company, or immovable properties located in China owned by non-Chinese companies, such as the Company's operations in China.

Corporate chop

Each of Tornado China and Tornado Asia relies on a corporate chop (physically similar to a corporate seal) to be able to enter into contracts, conduct banking activities and undertake day-to-day corporate and business activities. Misappropriation or misuse of the corporate chops could materially and adversely affect business operations there and allow unauthorized access to the Company's bank account(s) in China. Tornado China and Tornado Asia chop are each only accessible by authorized personnel, who are members of senior management based in China. The Company may also adopt other measures from time to time to protect the corporate chop. Although the Company monitors the authorized personnel and the use of the corporate chops, there is no assurance that such procedures will prevent all instances of abuse or negligence. Accordingly, if any of the Company's authorized personnel misuse or misappropriate the corporate chops, the bank account(s) for Tornado China and Tornado Asia may be compromised, and the Company may experience significant disruption to its China Operations until the applicable corporate chop is replaced.

Forward Looking Information

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