Tornado Global Hydrovacs Ltd.

Unaudited Condensed Consolidated Interim Financial Statements

For the three and six month periods ended June 30, 2019

Notice to Reader

These interim condensed consolidated financial statements have been prepared by the Management of Tornado Global Hydrovacs Ltd. and have not been audited or reviewed by the external auditor.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(unaudited)

(In $000's CAD)	Notes	June 30, 2019	December 31, 2018 (Audited)
ASSETS			
Current assets			
Cash and equivalents		**$ 1,756**	$ 2,228
Accounts receivable		**5,410**	3,945
Inventory	**4**	**10,549**	8,363
Prepaid expenses and other assets		**308**	160
Fair value of foreign currency forward contracts		**62**	—
Total current assets		**18,085**	14,696
Non-current assets			
Tax recoverable		**211**	200
Finance lease receivable		**645**	778
Property and equipment, net	**10**	**5,594**	5,558
Goodwill and intangible assets, net	**11**	**3,620**	3,861
Right-of-use assets, net	**14**	**375**	—
Total non-current assets		**10,445**	10,397
Total assets		**$ 28,530**	$ 25,093
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**$ 8,051**	$ 5,788
Term loans	**12**	**423**	758
Customer deposits	**13**	**203**	242
Current portion of finance lease obligation	**15**	**368**	234
Current portion of operating lease liabilities	**16**	**153**	—
Current tax payable		**305**	155
Total current liabilities		**9,503**	7,177
Non-current liabilities			
Deferred tax		**306**	263
Finance lease obligation	**15**	**1,114**	700
Operating lease liabilities	**16**	**254**	—
Total liabilities		**11,177**	8,140
Shareholders' Equity			
Share capital	**17**	**20,903**	20,893
Common share purchase warrants	**18**	**144**	144
Contributed surplus		**505**	469
Deficit		**(4,447)**	(4,830)
Accumulated other comprehensive income		**248**	277
Total shareholders' equity		**17,353**	16,953
Total liabilities and equity		**$ 28,530**	$ 25,093

Related party transaction - see Note 21
See accompanying notes to condensed consolidated financial statements

On behalf of the Board of Directors:

"Guy Nelson"
Non-Executive Chairman
Tornado Global Hydrovacs Ltd.

"Darrick Evong"
Chair of Audit Committee
Tornado Global Hydrovacs Ltd.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(unaudited)

		Three Months ended		Six Months ended	
		June 30	June 30	**June 30**	June 30
	Notes	**2019**	2018	**2019**	2018
(In $000's CAD, except per share amounts)					
Revenues					
Revenue	**6**	**$ 16,898**	$ 10,226	**$ 30,734**	$ 15,028
Other income (loss) - foreign exchange		**(45)**	(13)	**(79)**	16
		16,853	10,213	**30,655**	15,044
Cost of sales (1)	**7**	**14,574**	8,677	**26,418**	12,620
Gross Profit		**2,279**	1,536	**4,237**	2,424
Selling and general administrative expenses	**8**	**1,246**	1,229	**2,789**	2,473
Income (loss) before depreciation, amortization and other items		**1,033**	307	**1,448**	(49)
Depreciation of property and equipment		**171**	161	**383**	293
Amortization of intangible assets		**149**	134	**294**	258
Loss on disposal of fixed assets		**—**	—	**—**	4
		320	295	**677**	555
Income (loss) before the undernoted		**713**	12	**771**	(604)
Stock based compensation		**20**	68	**40**	136
Finance income		**(23)**	(2)	**(47)**	(33)
Finance costs		**70**	7	**144**	29
Change in fair value of derivative financial instruments		**(59)**	95	**(62)**	99
		8	168	**75**	231
Income (loss) before tax		**705**	(156)	**696**	(835)
Income tax recovery (expense)					
Current		**(169)**	(9)	**(270)**	24
Deferred		**(35)**	(55)	**(43)**	(44)
		(204)	(64)	**(313)**	(20)
Net income (loss)		**501**	(220)	**383**	(855)
Other comprehensive income (loss)					
Translation of foreign subsidiaries		**(57)**	(102)	**(29)**	186
Comprehensive income (loss)		**$ 444**	$ (322)	**$ 354**	$ (669)
Net loss per share					
Basic	**5**	**$nil**	$nil	**$nil**	$ (0.01)
Diluted	**5**	**$nil**	$nil	**$nil**	$ (0.01)

(1) Depreciation of right-of-use assets included in cost of sales was $24 and $48 for the three and six month periods ended June 30, 2019 respectively. (2018 - $nil and $nil respectively).

See accompanying notes to condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

	Notes	Six Months ended June 30 2019	June 30 2018
(In $000's CAD)			
OPERATING ACTIVITIES			
Net income (loss)		$ **383**	$ (855)
Add (deduct) items not affecting cash:			
Depreciation of property and equipment		**383**	293
Amortization of intangible assets		**294**	258
Depreciation of right-of-use assets		**48**	—
Change in fair value of foreign currency forward contracts		**(62)**	99
Loss on disposal of fixed assets		**—**	4
Stock based compensation		**40**	136
Cost of sold leased trucks transferred from property and equipment	**10**	**688**	—
Deferred income taxes		**43**	44
		1,817	(21)
Change in non-cash working capital	**23**	**(1,425)**	(2,128)
Proceeds from equipment buyback option		**—**	398
Change in tax recoverable		**(11)**	—
Cash flow from (used) in operating activities		**381**	(1,751)
INVESTING ACTIVITIES			
Acquisition of property and equipment	**10**	**(1,160)**	(118)
Proceeds from disposal of fixed assets		**—**	2
Additions of intangible assets	**11**	**(54)**	(554)
Cash flow used in investing activities		**(1,214)**	(670)
FINANCING ACTIVITIES			
Net proceeds of finance leases	**22**	**646**	73
Net repayment of term loans	**22**	**(335)**	—
Proceeds from exercise of stock options	**22**	**6**	—
Cash flow from financing activities		**317**	73
Effect of exchange rate changes on cash and cash equivalents		**44**	(23)
Net decrease in cash and equivalents during the year		**(472)**	(2,371)
Cash and cash equivalents, beginning of period		**2,228**	5,633
Cash and cash equivalents, end of period		$ **1,756**	$ 3,262

See accompanying notes to condensed consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

As at June 30, 2019

(In $000's CAD)	Common Shares	Common Share Purchase Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Equity
As at December 31, 2018	**$ 20,893**	**$ 144**	**$ 469**	**$ (4,830)**	**$ 277**	**$ 16,953**
Exercise of stock options	**10**	**-**	**(4)**	**-**	**-**	**6**
Stock based compensation	**-**	**-**	**40**	**-**	**-**	**40**
Income for the period	**-**	**-**	**-**	**383**	**-**	**383**
Other comprehensive income (loss) for the year	**-**	**-**	**-**	**-**	**(29)**	**(29)**
As at June 30, 2019	**$ 20,903**	**$ 144**	**$ 505**	**$ (4,447)**	**$ 248**	**$ 17,353**

As at June 30, 2018

(In $000's CAD)	Common Shares	Common Share Purchase Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Equity
As at December 31, 2017	**$ 20,893**	**$ 144**	**$ 213**	**$ (3,507)**	**$ 110**	**$ 17,853**
Stock based compensation	-	-	136	-	-	136
Loss for the period	-	-	-	(855)	-	(855)
Other comprehensive income for the period	-	-	-	-	186	186
As at June 30, 2018	**$ 20,893**	**$ 144**	**$ 349**	**$ (4,362)**	**$ 296**	**$ 17,320**

See accompanying notes to condensed consolidated financial statements

1. Corporate information

Tornado Global Hydrovacs Ltd. ("TGHL" or the "Company") is incorporated in Alberta, Canada and through its subsidiaries, designs, fabricates, manufactures and sells hydrovac trucks to excavation service providers in the municipal and oil and gas and markets in North America and is in the process of expanding into China. TGHL's corporate office is located at Suite 510, 7015 MacLeod Trail, SW, Calgary, Alberta, T2H 2K6, and was incorporated under the Business Corporations Act (Alberta) on April 27, 2016. TGHL's shares trade on the TSX Venture Exchange under the symbol "TGH".

These financial statements were recommended for approval by the Company's Audit Committee and were approved and authorized for issue by the Board of Directors on August 9, 2019.

2. Summary of significant accounting policies

The interim condensed consolidated financial statements are condensed and have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Except as discussed below, the same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as disclosed in the TGHL's consolidated financial statements for the year ended December 31, 2018. TGHL's 2018 annual consolidated financial statements include incremental annual IFRS disclosures that may be helpful to readers of the interim results and therefore should be read in conjunction with these interim condensed consolidated financial statements.

Leases

Effective January 1, 2019, the Company applied IFRS 16. The following accounting policy is applicable from January 1, 2019:

The Company assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration.

As Lessee

Leases are recognized as a right-of-use ("ROU') asset and a corresponding lease liability at the date on which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be paid by the lessee under residual value guarantees, the exercise price of purchase options if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, less any lease incentives receivable. These payments are discounted using the Company's incremental borrowing rate when the rate implicit in the lease is not readily available. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics.

Lease payments are allocated between the liability and finance costs. The finance cost is charged to net earnings over the lease term.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company,

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in the consolidated statement of earnings if the carrying amount of the ROU asset has been reduced to zero.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located less any lease payments made at or before the commencement date.
The ROU asset is depreciated, on a straight-line basis, over the shorter of the estimated useful life of the asset or the lease term. The ROU asset may be adjusted for certain remeasurements of the lease liability and impairment losses.

Leases that have terms of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in the consolidated statement of earnings on a straight-line basis over the lease term.

A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Company will remeasure the lease liability using the Company's incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset. A modification that decreases the scope of the lease will be accounted for by decreasing the carrying amount of the ROU asset, and recognizing a gain or loss in net earnings that reflects the proportionate decrease in scope.

As Lessor

As a lessor, the Company assesses at inception whether a lease is a finance or operating lease. Leases where the Company transfers substantially all of the risk and rewards incidental to ownership of the underlying asset are classified as financing leases. Under a finance lease, the Company recognizes a receivable at an amount equal to the net investment in the lease which is the present value of the aggregate of lease payments receivable by the lessor. If substantially all the risks and rewards of ownership of an asset are not transferred the lease is classified as an operating lease. The Company recognizes lease payments received under operating leases as income on a straight- line basis over the lease term as other income.

When the Company is an intermediate lessor, it accounts for its interest in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the ROU asset from the head lease not with reference to the underlying assets. If the head lease is a short-term lease to which the Company applies the exemption for lease accounting, the sublease is classified as an operating lease.

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as issued by the International Accounting Standards Board ("IASB").

Basis of presentation

These interim condensed consolidated financial statements are prepared for the three and six months ended June 30, 2019 and includes the results for the comparative periods in 2018. The interim condensed consolidated financial statements include the accounts of Tornado Global Hydrovacs Ltd. and its direct and indirect wholly owned subsidiaries Tornado Global Hydrovacs (North America) Inc., Tornado Hydrovacs Asia Pacific Holdings Ltd. and Tornado Global Hydrovacs (Beijing) Ltd.

Subsidiaries are fully consolidated from the date of acquisition, being the date of incorporation or the date which TGHL obtains control and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as TGHL, using consistent accounting policies. All inter-company balances, income and expenses and unrealized gains and losses resulting from inter-company transactions are eliminated.

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

Use of estimates

Accounting measurements at interim dates inherently involve a greater reliance on estimates than at year-end. In the opinion of management, the unaudited interim condensed consolidated financial statements include all adjustments of a normal recurring nature to present fairly, the condensed consolidated financial position of the TGHL as at June 30, 2019. There have been no changes to the Company's significant accounting estimates and judgments as of June 30, 2019. With respect to leases, in determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

3. Adoption of new accounting standards

Effective January 1, 2019, the Company adopted IFRS 16, "Leases" ("IFRS 16"). The Company has applied the new standard using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Therefore, the comparative information in the Company's consolidated statement of financial position, consolidated statements of comprehensive loss, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity have not been restated.

On adoption, Management elected to use the following practical expedients permitted under the standard:

- Apply a single discount rate to a portfolio of leases with similar characteristics.
- Account for leases with a remaining term of less than twelve months as at January 1, 2019 as short-term leases. Account for lease payments as an expense and not recognize a ROU asset if the underlying asset is of a low dollar value.
- The use of hindsight in determining the lease term where the contract contains terms to extend or terminate the lease.

The impacts of the adoption of IFRS 16 as at January 1, 2019 are as follows:

	As Reported at December 31, 2018	Adjustments	Balance on Adoption as at January 1, 2019
Assets			
Right-of-use assets, net	$ -	$ 423	$ 423
Liabilities and Shareholders' Equity			
Current portion of lease liabilities	$ -	$ (169)	$ (169)
Non-current lease liabilities	$ -	$ (254)	$ (254)

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17, "Leases" ("IAS 17"). Under the principles of the new standard these leases have been measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate of 7%, at January 1, 2019. Leases with a remaining term of less than twelve months and low-value leases were excluded. Total lease liabilities of $423 were recorded as at January 1, 2019, of which $169 is the current portion.

The associated ROU assets are measured at the amount equal to the lease liability on January 1, 2019, adjusted for any prepaid and accrued lease payments relating to the leases recognized in the statement of financial position immediately before the date of transition, with no impact on retained earnings.

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

The following table provides a reconciliation of the commitments as at December 31, 2018 to the Company's lease liabilities as at January 1, 2019:

Commitments as at December 31, 2018	$	775
Less: Short-Term Leases		(190)
Impact of discounting		(162)
Present value of lease liabilities as at January 1, 2019	$	423

As a lessor, there was no significant impact to lessor accounting from the adoption of IFRS 16.

4. Inventory

Inventory comprises:

	June 30, 2019	December 31, 2018
Work-in-process	$ 2,548	$ 1,960
Raw materials	7,378	4,959
Finished goods	623	1,444
	$ 10,549	$ 8,363

Finished goods inventory consists hydrovac equipment for sale in North America and China.

5. Net income (loss) per share

Basic:

Three months ended June 30, 2019		
Net income	Weighted average number of shares	Net income per share
$501	126,734,519	$ -

Three Months ended June 30, 2018		
Net loss	Weighted average number of shares	Net loss per share
($220)	126,716,519	$ -

Diluted:

Three months ended June 30, 2019		
Net income	Weighted average number of shares	Net income per share
$501	130,162,704	$ -

Three Months ended June 30, 2018		
Net Loss	Weighted average number of shares	Net loss per share
($220)	126,716,519	$ -

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

Basic:

Six months ended June 30, 2019		
Net income	Weighted average number of shares	Net income per share
$383	126,725,569	$ -

Diluted:

Six months ended June 30, 2019		
Net income	Weighted average number of shares	Net income per share
$383	130,162,704	$ -

Six Months ended June 30, 2018		
Net loss	Weighted average number of shares	Net loss per share
($855)	126,716,519	($0.01)

Six Months ended June 30, 2018		
Net Loss	Weighted average number of shares	Net loss per share
($855)	126,716,519	($0.01)

The effects of dilution from 7,445,400 stock options and 3,100,000 warrants were included in the calculation of weighted average shares outstanding for diluted earnings per share for the three months ended June 30, 2019 as they are dilutive.

6. Revenue

	Three Months ended June 30		Six Months ended June 30	
	2019	2018	**2019**	2018
Revenues	**$ 16,898**	$ 10,226	**$ 30,734**	$ 15,028

Revenue for the six months ended June 30, 2019 comprised truck sales $29,389 (2018 - $14,381), parts and services $1,014 (2018 - $455) and rental income $331 (2018 - $192). During the six months ended June 30, 2019, 27.81% (2018 – 13.98%) of truck sales was attributable to one customer.

The table below shows the geographical sales:

	Three Months ended June 30		Six Months ended June 30	
	2019	2018	**2019**	2018
Canada	**$ 10,051**	$ 5,349	**$ 17,248**	$ 9,217
United states	**6,847**	4,877	**13,486**	5,811
	$ 16,898	$ 10,226	**$ 30,734**	$ 15,028

7. Cost of sales

	Three Months ended June 30		Six Months ended June 30	
	2019	2018	**2019**	2018
Cost of Sales	**$ 14,574**	$ 8,677	**$ 26,418**	$ 12,620

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

8. Selling and general administrative expenses

	Three Months ended June 30		Six Months ended June 30	
	2019	2018	**2019**	2018
Salaries and benefits	**$ 709**	$ 579	**$ 1,605**	$ 1,569
Selling, general and administrative expense	**537**	650	**1,184**	904
	$ 1,246	$ 1,229	**$ 2,789**	$ 2,473

9. Operating segments

TGHL has two geographic operating segments; its North American manufacturing and sales operations and its China operation. It also has a Corporate segment which comprises expenses incurred at its head office in Calgary. The China operating segment is in the development stage.

The tables below show the North America, China and Corporate segments for the six months ended June 30, 2019 and 2018 and three months ended June 30, 2019 and 2018 with all intercompany transactions eliminated:

Three months ended June 30, 2019	**North America**	**China**	**Corporate**	**Total**
Revenue	**$ 16,853**	**$ -**	**$ -**	**$ 16,853**
Cost of sales	**14,574**	**-**	**-**	**14,574**
Selling and administrative expenses	**940**	**137**	**169**	**1,246**
	1,339	**(137)**	**(169)**	**1,033**
Depreciation and amortization expense	**146**	**31**	**143**	**320**
Income (loss) before other items of income	**$ 1,193**	**$ (168)**	**$ (312)**	**$ 713**
Total assets	**$ 21,544**	**$ 3,190**	**$ 3,796**	**$ 28,530**
Total liabilities	**$ 10,748**	**$ 225**	**$ 204**	**$ 11,177**
Capital Expenditures	**$ 1,083**	**$ -**	**$ -**	**$ 1,083**

Three months ended June 30, 2018	North America	China	Corporate	Total
Revenue	$ 10,213	$ -	$ -	$ 10,213
Cost of sales	8,677	-	-	8,677
Selling and administrative expenses	704	333	192	1,229
	832	(333)	(192)	307
Depreciation and amortization expense	152	9	134	295
Income (loss) before other items of income	680	(342)	(326)	12
Total assets	$ 13,657	$ 3,237	$ 5,521	$ 22,415
Total liabilities	$ 5,318	$ 6	$ 152	$ 5,476
Capital Expenditures	$ 102	$ 3	$ 408	$ 513

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

Six Months ended June 30, 2019	North America	China	Corporate	Total
Revenue	$ 30,655	$ -	$ -	$ 30,655
Cost of sales	26,418	-	-	26,418
Selling and general administrative	2,031	399	359	2,789
	2,206	(399)	(359)	1,448
Depreciation and amortization	332	57	288	677
Loss on disposal of assets	-	-	-	-
Income (loss) before other items of income	$ 1,874	$ (456)	$ (647)	$ 771
Total assets	$ 21,544	$ 3,190	$ 3,796	$ 28,530
Total liabilities	$ 10,748	$ 225	$ 204	$ 11,177
Capital Expenditures	$ 1,214	$ -	$ -	$ 1,214

Six Months ended June 30, 2018	North America	China	Corporate	Total
Revenue	$ 15,044	$ -	$ -	$ 15,044
Cost of sales	12,620	-	-	12,620
Selling and general administrative	1,496	620	357	2,473
	928	(620)	(357)	(49)
Depreciation and amortization	268	25	258	551
Loss on disposal of assets	4	-		4
Income (loss) before other items of income	656	(645)	(615)	(604)
Total assets	$ 13,657	$ 3,237	$ 5,521	$ 22,415
Total liabilities	$ 5,318	$ 6	$ 152	$ 5,476
Capital Expenditures	$ 151	$ 5	$ 516	$ 672

10. Property and equipment

Cost	M&E	Office Equip	Leaseholds	Rental Equipment and Vehicles	Total
Balance, December 31, 2018	$ 1,804	$ 230	$ 1,119	$ 3,705	$ 6,858
Additions	**194**	**57**	**-**	**909**	**1,160**
Reclassification to inventory (1)				**(730)**	**(730)**
Balance, June 30, 2019	**$ 1,998**	**$ 287**	**$ 1,119**	**$ 3,884**	**$ 7,288**

Accumulated Depreciation	M&E	Office Equip	Leaseholds	Rental Equipment and Vehicles	Total
Balance, December 31, 2018	$ 456	$ 155	$ 534	$ 155	$ 1,300
Depreciation for the period	**100**	**46**	**112**	**178**	**436**
Reclassification to inventory (1)				$ (42)	$ (42)
Balance, June 30, 2019	**$ 556**	**$ 201**	**$ 646**	**$ 291**	**$ 1,694**

Net book value	M&E	Office Equip	Leaseholds	Rental Equipment and Vehicles	Total
Balance, December 31, 2018	$ 1,348	$ 75	$ 585	$ 3,550	$ 5,558
Balance, June 30, 2019	**$ 1,442**	**$ 86**	**$ 473**	**$ 3,593**	**$ 5,594**

(1) In Q2 2019, two hydrovac trucks were reclassed from property and equipment to inventory and then subsequently sold to customers.

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

11. Goodwill and intangible assets

Cost	Goodwill	Patents	Development	Computer Software	Total
Balance, December 31, 2018	833	3,529	678	136	5,176
Additions	**-**	**-**	**-**	**54**	**54**
Balance, June 30, 2019	**$ 833**	**$ 3,529**	**$ 678**	**$ 190**	**$ 5,230**
Accumulated Amortization					
Balance, December 31, 2018	-	1,232	65	18	1,315
Amortization for the period	**-**	**-**	**279**	**16**	**295**
Balance, June 30, 2019	**$ -**	**$ 1,232**	**$ 344**	**$ 34**	**$ 1,610**
Net book value					
Balance, December 31, 2018	$ 833	$ 2,297	$ 613	$ 118	$ 3,861
Balance, June 30, 2019	**$ 833**	**$ 2,297**	**$ 334**	**$ 156**	**$ 3,620**

12. Term loans

	June 30 2019	December 31, 2018
Term loans	**$ 423**	$ 758

As at June 30, 2019, the Company had two term loans classified as current as they are due on demand bearing interest at rates between 5.75% and 5.85%, repayable in monthly blended instalments between $7 and $8, maturing between September 2021 and December 2021 and secured by hydrovac trucks in the Company's rental equipment with a total net book value of $314.

Amounts due on the term loans in the next three years are as follows:

2019	**$ 95**
2020	**190**
2021	**167**
2022	**-**
2023	**-**
Total minimum loan payments	**452**
Amount representing interest	**(29)**
	$ 423

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

13. Customer deposits

	June 30, 2019	December 31, 2018
Customer deposits	**$ 203**	$ 242

Customer deposits relate to cash deposits received from customers for hydrovac trucks that were not sold as at the reporting date.

14. Right-of-use assets, net

Cost	
As at January 1, 2019 (Note 2)	$423
Additions	-
As at June 30, 2019	$423

Accumulated depreciation	
As at January 1, 2019 (Note 2)	$ -
Depreciation	48
As at June 30, 2019	$ 48

Net book value	
As at January 1, 2019 (Note 2)	$423
As at June 30, 2019	$375

The right of use asset relates to the Company's leased production facility in Stettler, Canada.

15. Finance lease obligation

As at June 30, 2019, the Company had two hydrovac truck leases and a computer equipment lease, repayable in monthly installments totaling of $19 with final installments totaling $39, bearing interest at rates between 2% and 7%.

	June 30, 2019	December 31, 2018
Finance leases obligation	**$ 1,482**	$ 934
Less: current portion of finance lease obligations	**(368)**	(234)
	$ 1,114	$ 700

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

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

2019	$	**212**
2020		**424**
2021		**412**
2022		**348**
2023		**197**
Total minimum lease payments		**1,593**
Amount representing interest		**(111)**
		1,482
Less current portion of finance lease		**(368)**
	$	**1,114**

16. Lease liabilities

As at June 30, 2019, the Company had $407 lease liabilities relating to the Company's facility lease in Stettler, which consists $153 current portion of lease liabilities and $254 non-current lease liabilities.

17. Share capital

The Company is authorized to issue an unlimited number of Class "A" Common Shares ("Common Shares") without nominal or par value.

The following table indicates issuances of Common Shares over the past 2 years:

	Shares	Amount
Outstanding common shares, December 31, 2016	59,480,843	$15,283
Issued by way of private placement, September 15, 2017	27,777,778	2,500
Issued by way of Unit private placement, September 15, 2017	3,100,000	135
Issued from debt conversion, September 15, 2017	30,185,544	2,566
Issued by way of rights offering, October 31, 2017	6,172,354	525
Share issue costs	-	(116)
Outstanding common shares, December 31, 2017 and 2018	126,716,519	20,893
Exercise of stock options	54,600	10
Outstanding common shares, June 30, 2019	**126,771,119**	**$20,903**

As at June 30, 2019 there were 126,771,119 Common Shares outstanding. During the three months ended June 30, 2019 54,600 shares were issued as a result of the exercise of stock options.

No dividends were declared during the period.

18. Common share purchase warrants

As at June 30, 2019 there were 3,100,000 Warrants outstanding. Each Warrant is exercisable at $0.12 and expires on September 15, 2022. No warrants were issued during the period.

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

19. Stock options

As at June 30, 2019, there were 7,445,400 stock options outstanding with a weighted average exercise price of $0.11 and weighted average remaining contractual life of 3.3 years. 5,045,400 options were exercisable at a weighted average exercise price of $0.11. 54,600 options were exercised during the three months ended June 30. No options were granted during the period.

The following tables summarize Stock Option activity to June 30, 2019:

	Number of Options Outstanding	Weighted Average Exercise Price
Balance, December 31, 2018	8,400,000	$0.11
Options Cancelled	(900,000)	$0.11
Options Exercised	(54,600)	$0.11
Balance, June 30, 2019	7,445,400	$0.11
Exercisable, June 30, 2019	5,045,400	$0.11

Option price	Options Outstanding	Contractual Life (years)
$0.11	7,445,400	3.3

For the six months ended June 30, 2019, $nil stock based compensation expense related to the 900,000 options cancelled was recognized.

20. Capital disclosure and management

TGHL does not have any externally imposed restrictions on its capital. TGHL considers its net free cash to be its capital and manages the amounts based upon the projected needs of its geographic operating segments. TGHL monitors these amounts to ensure there is adequate cash to support the North American operations and the planned expansion in China. Should the projected requirements not be fulfilled, TGHL expects to raise additional cash through either the issuance of additional equity, acquisition of additional debt, or a combination thereof. As at June 30, 2019, TGHL had $1,756 cash which is expected to meet the budgeted requirements for the next 12 months.

21. Related party transaction

During the three and six months ended June 30, 2019, $16 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

22. Cash flow changes from financing activities

Details of changes in financing activities for the six month ended June 30, 2019 are as follows:

	January 1, 2019	Cash Flows	Non-cash changes		June 30, 2019
			Fair Value / Amortization	Change in Finance Leases	
Finance lease receivable	1,164	133	-	8	1,023
Finance leases obligation	(934)	513	-	35	(1,482)
Foreign currency forward contracts	-	-	62	-	62
Loan payable	(758)	(335)	-	-	(423)
Share capital	20,893	6	-	-	20,899
Total	**$ 20,365**	**$ 317**	**$ 62**	**$ 43**	**$ 20,079**

23. Changes in non-cash working capital

	Six Months ended June 30	
	2019	2018
Accounts receivable	**$ (1,465)**	$ (603)
Inventory	**(2,186)**	(2,689)
Prepaid expenses and other assets	**(148)**	3
Accounts payable and accrued liabilities	**2,263**	1,230
Deferred Revenue	**(39)**	-
Current tax payable	**150**	(69)
Total change in non-cash working capital	**$ (1,425)**	$ (2,128)