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 interim unaudited condensed consolidated financial statements and related notes as at June 30, 2019 and for the three and six months ended June 30, 2019 and 2018, and the audited consolidated financial statements and notes for the year ended December 31, 2018.

The interim unaudited condensed consolidated financial statements and accompanying notes of TGHL for the three and six months ended June 30, 2019 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 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 August 9, 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 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. 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.

Overview

Second Quarter 2019 Overview and Recent Developments

- Revenue of $16,853 increased by $6,640 compared to $10,213 in Q2/2018. The increase in revenue was due to the continued improvement in the hydrovac market equipment purchase demand from the municipal sector in both Canada and the United States ("US").

- Gross profit of $2,279 increased by $743 compared to $1,536 in the same period of 2018 due to the increased revenue. The overall margin however was negatively impacted by lower margins on outsourced production to third party manufactures to meet growing demand.

- EBITDAS of $1,033, (comprising North America - $1,339, China - negative $137 and Corporate - negative $169), increased by $726 compared to $307 in Q2/2018, due to increased revenues and gross profit in North America and reduced compensation expense in China. For the North American Operations, EBITDAS during Q2/2019 continued the improvement experienced in Q1/2019.

- Net income of $501 increased by $721 compared to net loss of $220 in Q2/2018. This is due to the factors discussed above, offset by income tax expense of $204.

- During Q2/2019 additional shipments of hydrovac truck parts, sourced by Tornado China, were sent to Canada for the production of hydrovac trucks in Stettler, Canada.

First Half 2019 Overview

- Revenue of $30,655 increased by $15,611 compared to $15,044 in in the same period of 2018. The increase in revenue was due to the improvement in the hydrovac market discussed above.

- As a result of increased revenue, gross profit of $4,237 increased by $1,813 compared to $2,424 for the same period in 2018. The overall margin however was negatively impacted by lower margins on outsourced production to third party manufactures to meet growing demand.

- EBITDAS of $1,448, (comprising North America - $2,206, China - negative $399 and Corporate - negative $359), increased by $1,497 compared to negative $49 in in the same period of 2018 due to increased revenues and gross profit in North America and reduced compensation expense in China.

- Net income of $383 increased by $1,238 compared to net loss of $855 in the same period of 2018. This is due to the factors discussed above, offset by income tax expense of $313.

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

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

31, 2018. For a complete discussion on these items, please refer to the Company's MD&A for the fiscal year end dated December 31, 2018 which can be found under the Company's profile at www.sedar.com.

Selected Financial Information

	Three Months ended June 30		Six Months ended June 30	
	2019	2018	**2019**	2018
Revenue	**$ 16,853**	$ 10,213	**$ 30,655**	$ 15,044
Cost of sales	**14,574**	8,677	**26,418**	12,620
Gross Profit	**2,279**	1,536	**4,237**	2,424
Selling and general administrative expenses	**1,246**	1,229	**2,789**	2,473
Depreciation of property and equipment	**171**	161	**383**	293
Amortization of intangible assets	**149**	134	**294**	258
Loss on disposal of fixed assets	**-**	-	**-**	4
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
Income (loss) before tax	**705**	(156)	**696**	(835)
Income tax expense	**(204)**	(64)	**(313)**	(20)
Net income (loss)	**$ 501**	$ (220)	**$ 383**	$ (855)
Comprehensive income (loss)	**$ 444**	$ (322)	**$ 354**	$ (669)
Net income (loss) per share - basic and diluted	**$nil**	$nil	**$nil**	$ (0.01)
Total non-current financial liabilities	**$ 1,368**	$ 236	**$ 1,368**	$ 236
Total assets	**$ 28,530**	$ 22,415	**$ 28,530**	$ 22,415

Segmented Information

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**

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

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**
Income (loss) before other items of income	**$**	**1,874**	**$ (456)**	**$**	**(647)**	**$**	**771**

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)

Operating Results

	Three Months ended June 30		**Six Months ended June 30**	
	2019	**2018**	**2019**	2018
Revenues	**$ 16,853**	$ 10,213	**$ 30,655**	$ 15,044
Gross margin	**2,279**	1,536	**4,237**	2,424
Gross margin %	**13.5%**	15.0%	**13.8%**	16.1%
EBITDAS	**1,033**	307	**1,448**	(49)
EBITDAS %	**6.1%**	3.0%	**4.7%**	-0.3%
EBIT	**713**	12	**771**	(604)
EBIT %	**4.2%**	0.1%	**2.5%**	-4.0%
Net income (loss)	**$ 501**	$ (220)	**$ 383**	$ (855)

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.

- Management expects the Company's production and sales of hydrovac trucks in North America to continue to be strong in the remainder of 2019 for the following reasons:

  - Increased spending on infrastructure by both the Canadian and the US governments is anticipated to further increase the market demand of hydrovac trucks in North America.
  - 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 of the US and Canadian provinces.
  - Based on the positive impact that the strategic relationship with Custom Truck One Source ("Custom Truck") has had on the Company's sales in the latter part of 2018 and in the first half of 2019, the Company expects sales in the US to continue at the same pace during the remainder of 2019. In 2018, the Company entered into an exclusive sales agreement with Custom Truck who has an integrated network of 23 locations across North America.

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

  - In the second half of 2019, the Stettler facility's production capacity is expected to be fully used to produce hydrovac trucks for sale in North America. The Company is also using sub-contractors to produce additional trucks to meet the increase in demand.

- 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. This benefit is expected to positively impact the financial results for the remainder of 2019.

- 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 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.

- The Company has refocused its business in China resulting in a significantly reduced cost structure for its China Operations. With a fleet of 4 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 Company anticipates that the steps it has taken to refocus its business opportunities in China and the resulting reduction in cost structure will continue to positively impact the Company's 2019 financial results.

Revenue

	Three Months ended June 30		Six Months ended June 30	
	2019	2018	**2019**	2018
Revenues	**$ 16,853**	$ 10,213	**$ 30,655**	$ 15,044

During the six months ended June 30, 2019, revenues were $30,655 (2018 - $15,044). The significant increase over the same period in 2018 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 June 30, 2019, revenues were $16,853 compared to $10,213 in the same period of 2018. The increase is due to the factors discussed above.

The table below shows the geographical sales:

	Three Months ended June 30		Six Months ended June 30	
	2019	2018	**2019**	2018
Canada	**$ 10,006**	$ 5,336	**$ 17,169**	$ 9,233
United states	**6,847**	4,877	**13,486**	5,811
	$ 16,853	$ 10,213	**$ 30,655**	$ 15,044

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

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

For the six months ended June 30, 2019, cost of sales was $26,418 compared to $12,620 in the same period of 2018. The significant increase in cost of sales is due to the increase in revenue and number of trucks sold.

For the three months ended June 30, 2019, cost of sales was $14,574 compared to $8,667 in the same period of 2018. The increase is due to the factors discussed above.

Gross Profit

	Three Months ended June 30		Six Months ended June 30	
	2019	2018	**2019**	2018
Gross Profit	**$ 2,279**	$ 1,536	**$ 4,237**	$ 2,424

For the six months ended June 30, 2019, gross profit was $4,237 compared to $2,424 in the same period of 2018 due principally to significantly increased revenue at the Company's Stettler plant. The overall margin however was negatively impacted by lower margins on outsourced production to third party manufactures to meet growing demand.

For the three months ended June 30, 2019, gross profit was $2,279 compared to $1,536 in the same period of 2018. The net increase in overall margin is due to the factors discussed above.

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

	Three Months ended June 30		Six Months ended June 30	
	2019	2018	**2019**	2018
Selling and General and Administrative expense	**$ 1,246**	$ 1,229	**$ 2,789**	$ 2,473

During the six months ended June 30, 2019, S,G&A was $2,789 (comprising $2,031 in North America, $399 in China and $359 in Corporate) compared to $2,473 (comprising $1,496 in North America, $620 in China and $357 in Corporate) in the same period of 2018. The overall increase is principally due to increased employee costs of the North American Operations, offset by a decrease in compensation expense relating to the China Operations.

During the three months ended June 30, 2019, S,G&A was $1,246 (comprising $940 in North America, $137 in China and $169 in Corporate) comparable to $1,229 (comprising $704 in North America, $333 in China and $192 in Corporate) in the same period of 2018.

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

Depreciation of property and equipment

	Three Months ended June 30		Six Months ended June 30	
	2019	2018	**2019**	2018
Depreciation	**$ 171**	$ 161	**$ 383**	$ 293

During the six months ended June 30, 2019, depreciation of property and equipment was $383 (2018 - $293), the majority of which related to operations in North America. The increase is due to depreciation on additional rental hydrovac trucks acquired in Q4 2018.

During the three months ended June 30, 2019, depreciation of property and equipment was $171 (2018 - $161), the majority of which related to operations in North America. The increase is due to the factors discussed above.

Amortization of intangible assets

	Three Months ended June 30		Six Months ended June 30	
	2019	2018	**2019**	2018
Amortization of intangible assets	**$ 149**	$ 134	**$ 294**	$ 258

During the six months ended June 30, 2019, amortization of intangible assets was $294 (2018 - $258). The increase is the result of a significant increase in intangible assets resulted from capitalized development costs relating to new equipment designed in 2018.

During the three months ended June 30, 2019, amortization of intangible assets was $149 (2018 - $134). The increase is due to the factors discussed above.

Stock based compensation

	Three Months ended June 30		Six Months ended June 30	
	2019	**2018**	**2019**	2018
Stock Based Compensation	**$ 20**	**$ 68**	**$ 40**	$ 136

During the three and six months ended June 30, 2019, stock-based compensation expense of $20 and $40 respectively resulted from expensing the Company's outstanding stock options over the vesting period which ranges from immediate to 2 years after the grant date. No options have been granted in 2019.

Income tax expense

	Three Months ended June 30		Six Months ended June 30	
	2019	2018	**2019**	2018
Current income tax expense	**$ 169**	$ 9	**$ 270**	$ (24)
Deferred income tax expense	**35**	55	**43**	44
	$ 204	$ 64	**$ 313**	$ 20

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

The Company's tax expense relates to its wholly owned operating subsidiary in Canada.

Net income (loss)

	Three Months ended June 30		Six Months ended June 30	
	2019	2018	**2018**	2017
Net income (loss)	**$ 501**	$ (220)	**$ 383**	$ (855)

For the six months ended June 30, 2019, net income of $383 compared to a net loss of $855 in the same period of 2018. The increase in the income reflects the increased gross profit in North America, offset by increased employee costs of the North American Operations, decreased overhead costs of the China Operations and increased income tax expense.

For the three months ended June 30, 2019, net income was $501 compared to a net loss of $220 in the same period of 2018. The increase is due to the factors discussed above.

Inventory

	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

As at June 30, 2019, inventory increased to $10,549 compared to inventory of $8,363 as at December 31, 2018. The increase in raw materials and work-in process is due to stocking up for production in the third and fourth quarter. Finished goods inventory consists of hydrovac equipment in the North American Operations and China Operations and decreased due to the sale of two hydrovac trucks in Q1/2019.

Quarterly Financial Information

	2019	**2019**	**2018**	**2018**	**2018**	**2018**	**2017**	**2017**
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
	$	$	$	$	$	$	$	$
Revenue	$ 16,853	$ 13,802	$ 12,406	$ 11,400	$ 10,213	$ 4,831	$ 9,440	$ 7,620
EBITDAS	1,033	415	(112)	547	307	(356)	(21)	74
Net income (loss)	501	(118)	(530)	62	(220)	(635)	(799)	79
Comprehensive income (loss)	444	(90)	(406)	(81)	(322)	(347)	(646)	58
Net income (loss) per share - basic and diluted	$nil	$nil	$nil	$nil	$nil	$nil	$ (0.01)	$nil

The quarterly financial information has been prepared in accordance with IFRS.

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

Factors That Have Caused Variations over the Quarters

Quarterly revenue increased sequentially from Q1/2018 to Q2/2019 due to the 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 in both Canada and the US.

In Q2/2019 and Q1/2019 EBITDAS increased due to increased revenue and gross profit in North American Operations. 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.

The net income in Q2/2019 and Q1/2019 improved due to increased revenue and gross profit in 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/(Used) in Operating Activities(1)

	Six Months ended June 30	
	2019	2018
Cash from (used) in operating activities	**$ 381**	$ (1,751)
Proceeds from sale of leased truck	**-**	(398)
Change in tax recoverable	**11**	-
Changes in non-cash working capital	**1,425**	2,128
Funds from/(used) operating activities	**$ 1,817**	$ (21)

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 six months ended June 30, 2019, the Company generated $1,817 of funds from operating activities compared to $21 used in the comparable period in 2018. The increase was principally due to an increase in EBITDAS, from negative $49 to positive $1,448 principally resulting from increased revenue and gross profit in the North America, offset by increased employee costs of the North American Operations and also decreased overhead costs incurred by the China Operations.

Liquidity and Capital Resources

Liquidity

The Company had working capital of $8,582 as at June 30, 2019 compared to working capital of $7,519 as at December 31, 2018. Included in the working capital at June 30, 2019 is $1,756 of cash and $10,549 of inventory (which includes $1,041 for hydrovac equipment and parts in China).

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

For the six months ended June 30, 2019, TGHL's operations generated $1,817 of cash, compared to $21 of cash used in the same period in 2018, excluding the impact of changes in non-cash working capital amounts. The increase was principally due to an increase in EBITDAS, from negative $49 to positive $1,448 principally resulting from increased revenue and gross profit in the North America and decreased overhead costs of the China Operations.

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 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 June 30, 2019, together with ongoing cash flow from operations is expected to meet the budgeted requirements for the next 12 months.

As at the six months ended June 30, 2019 the Company held cash in China totaling $215. 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 six months ended June 30, 2019 the Company incurred capital expenditures of $1,214 (comprising $1,160 in property and equipment and $54 in intangible) compared to $672 (comprising $118 in property and equipment and $554 in intangible) in the same period of 2018. The increase was relating principally to hydrovac trucks and equipment for rental market acquired in North America. The Company has no significant capital expenditures planned for the balance of 2019.

Contractual Obligations and Commitments

Finance Lease Obligation:

As at June 30, 2019, the Company had two hydrovac truck leases and a computer equipment lease, repayable in monthly installments totalling of $19 and 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**

These leases will be funded from ongoing operations over the next five years.

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 June 30, 2019 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 June 30, 2019 and August 9, 2019, there were 126,771,119 Common Shares outstanding. (December 31, 2018 - 126,716,519 Common Shares). 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.

Common Share purchase warrants

As at June 30, 2019 and and August 9, 2019 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 and expire on September 15, 2022.

Stock Options

As at June 30, 2019 and August 9, 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. No options were granted during the period. During the three months ended March 31, 2019, 900,000 stock options were cancelled. During the three months ended June 30, 2019, 54,600 stock options were exercised.

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

No options were granted during the period.

Related Party Transactions

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.

Reconciliation of Income (Loss) before taxes to EBITDAS

	Three Months ended June 30		Six Months ended June 30	
	2018	2017	**2019**	2018
Income (Loss) before taxes	**$ 705**	$ (156)	**$ 696**	$ (835)
Add: Depreciation and amortization	**320**	295	**677**	551
Deduct: Finance income	**(23)**	(2)	**(47)**	(33)
Add: Finance costs	**70**	7	**144**	29
Add: Changes in fair value in derivatives	**(59)**	95	**(62)**	99
Add: Stock based compensation	**20**	68	**40**	136
Deduct: Gain on disposal of fixed assets	**-**	-	**-**	4
EBITDAS	**$ 1,033**	$ 307	**$ 1,448**	$ (49)
% of revenue	**6.1%**	3.0%	**4.7%**	-0.3%

Calculation of EBIT

	Three Months ended June 30		Six Months ended June 30	
	2018	2017	**2019**	2018
EBITDAS	**$ 1,033**	$ 307	**$ 1,448**	$ (49)
Less: Depreciation and amortization	**(320)**	(295)	**(677)**	(551)
Less: Loss on disposal of fixed assets	**-**	-	**-**	(4)
EBIT	**$ 713**	$ 12	**$ 771**	$ (604)
% of revenue	**4.2%**	0.1%	**2.5%**	-4.0%

Calculation of Gross Margin

	Three Months ended June 30		Six Months ended June 30	
	2018	2017	**2019**	2018
Revenues	**$ 16,853**	$ 10,213	**$ 30,655**	$ 15,044
Cost of sales	**14,574**	8,677	**26,418**	12,620
Gross margin	**$ 2,279**	$ 1,536	**$ 4,237**	$ 2,424
% of revenue	**13.5%**	15.0%	**13.8%**	16.1%

New Accounting Standards Effective for the First Time from January 1, 2019

Certain pronouncements were issued that are mandatory for accounting periods beginning before or on January 1, 2019. Please refer to the Company's unaudited condensed consolidated financial statements for the three months and six months ended June 30, 2019 for the impact of adopting IFRS 16, "Leases".

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, customer deposits, 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, 2018.

From time to time, the Company uses foreign exchange contracts to hedge its U.S. dollar revenues. As at June 30, 2019, the Company had in place $1.9 million US on forward contracts which will expire on September 30, 2019. These contracts were revalued to fair market value using fair value accounting at the balance sheet date. For the three months ended June 30, 2019 the Company recorded $3 unrealized foreign exchange gain on these contracts.

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, 2018 audited annual financial statements. Except as described below, there have been no changes to the Company's significant accounting estimates and judgments as of June 30, 2019.

Internal Controls and Procedures

There have been no significant changes in TGHL's internal controls over financial reporting during the three months ended June 30, 2019 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. Such statements include statements with respect to: (i) the expected increase in the Company's production and sales of hydrovac trucks in North America in 2019 due to the expected increase in spending on infrastructure projects by the governments in Canada and the US, the expectation of the continued positive effect the agreement with Custom Truck has had on sales in the US and the expectation of increase production of hydrovac trucks at the Stettler facility; (ii) the anticipated production of the new skid mounted units in China will allow the Company to sell the same at competitive prices; (iii) the expectation that the weak Canadian dollar will positively impact profit margins; (iv) the anticipated benefit of reduction of the costs with respect to the China Operations; and (v) the anticipation that additional funds could be raised on terms satisfactory to TGHL, if needed. 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, 2018, 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 three and six months ended June 30, 2019.