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 March 31, 2020 and for the three months ended March 31, 2020 and 2019, and the audited consolidated financial statements and notes for the year ended December 31, 2019.

The interim unaudited condensed consolidated financial statements and accompanying notes of TGHL for the three months ended March 31, 2020 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 July 8, 2020, unless otherwise stated.

Non-IFRS Methods

In this MD&A, the Company uses four financial management metrics that are not in accordance with IFRS, namely "EBITDAS" (earnings (loss) before interest, tax, depreciation and amortization, impairment write-down and stock-based compensation) "Gross Margin", "EBIT" (earnings before interest and taxes) and "funds from operating activities". 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, impairment write-down and stock-based compensation. Gross Margin is the result of revenues less cost of sales, excluding depreciation of property and equipment. Funds from operating activities is calculated from cash from operating activities adjusted for change in tax recoverable, income taxes paid and changes in non-cash working capital. 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, Gross Margin and funds from operating activities 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 located in Stettler, Alberta and a sales office located in Calgary, Alberta. In China, the Company's subsidiary is principally used to source certain parts for the Company's North American Operations.

TGHL maintains its head office in Calgary, Alberta.

Overview

First Quarter 2020 Overview and Recent Developments

- The Company's North American Operations were negatively affected by COVID-19 in mid-March 2020. This is discussed in more detail in the "Outlook" section of this MD&A.

- Prior to COVID-19, the Company was facing sales demand greater than its manufacturing capability. To address this and plan for the expiry of the Company's lease of its production facility in Stettler, Alberta in June 2021, the Company made the strategic decision to acquire a manufacturing facility in Red Deer, Alberta, Canada. This acquisition closed on February 3, 2020.

- Revenue of $13,388, decreased 3.0% compared to $13,802 in Q1/2019. The Company's revenue was negatively impacted by COVID-19 in the last two weeks of March.

- Gross profit of $1,584, decreased by $374 compared to $1,958 in the same period of 2019 due to decreased revenue from the Company's North American Operations and increased employee costs associated with preparing for transition of manufacturing and production to the Company's newly acquired Red Deer facility.

- EBITDAS of $340, comprising North America - positive $584, China - negative $127 and Corporate - negative $117, decreased by $75 compared to $415 in Q1/2019, due to decreased revenues and gross profit in North America, offset by a decrease in selling and general administrative expenses of $299. For the North American Operations, EBITDAS during Q1/2020 was negatively affected since mid-March by COVID-19.

- Net loss of $109, decreased by $9 compared to a net loss of $118 in Q1/2019. This was due to the factors discussed above, plus an increase in change in fair value of derivative financial instruments of $91, offset by a decrease in income tax expense related to the Company's North American Operations of $181.

Unless otherwise provided herein, the Company's interim financial condition, and associated economic and industry factors, are substantially unchanged from the disclosure provided in the Company's MD&A for the fiscal year end dated December 31, 2019. For a complete discussion on these items, please refer to the Company's MD&A for the fiscal year end dated December 31, 2019 which can be found under the Company's profile at www.sedar.com.

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

Selected Financial Information

	Three Months ended March 31	
	2020	2019
Revenue	**$ 13,388**	$ 13,802
Cost of sales	**11,804**	11,844
Gross Profit	**1,584**	1,958
Selling and general administrative expenses	**1,244**	1,543
Depreciation of property and equipment	**180**	188
Amortization of intangible assets	**141**	145
Depreciation of right-of-use assets	**83**	24
Stock-based compensation	**-**	20
Change in fair value of foreign currency forward contracts	**88**	(3)
Finance income	**-**	(24)
Finance costs	**29**	74
Loss before tax	**(181)**	(9)
Income tax expense (recovery)	**(72)**	109
Net loss	**$ (109)**	$ (118)
Comprehensive income (loss)	**$ 395**	$ (90)
Net loss per share - basic and diluted	**$ nil**	$ nil
Total non-current financial liabilities	**$ 6,874**	$ 651
Total assets	**$ 30,607**	$ 25,207

Segmented Information

Three months ended December 31, 2020	**North America**	**China**	**Corporate**	**Total**
Revenue	**$ 13,388**	**$ -**	**$ -**	**$ 13,388**
Cost of sales	**11,804**	**-**	**-**	**11,804**
Selling and general administrative	**1,000**	**127**	**117**	**1,244**
	584	**(127)**	**(117)**	**340**
Depreciation and amortization	**245**	**3**	**156**	**404**
Income (loss) before other items	**$ 339**	**$ (130)**	**$ (273)**	**$ (64)**

Three months ended December 31, 2019	North America	China	Corporate	Total
Revenue	$ 13,802	$ -	$ -	$ 13,802
Cost of sales	11,844	-	-	11,844
Selling and general administrative	1,091	262	190	1,543
	867	(262)	(190)	415
Depreciation and amortization	186	26	145	357
Income (loss) before other items	681	(288)	(335)	58

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

Operating Results

	Three Months ended March 31	
	2020	2019
Revenues	**$ 13,388**	$ 13,802
Gross margin	**1,584**	1,958
Gross margin %	**11.8%**	14.2%
EBITDAS	**340**	415
EBITDAS %	**2.5%**	3.0%
EBIT	**(64)**	58
EBIT %	**-0.5%**	0.4%
Net loss	**$ (109)**	$ (118)

Outlook

In addition to other sections of the MD&A, this section contains forward-looking information and actual outcomes may differ materially from those expressed or implied therein. For more information, see "Forward- Looking Information".

In December 2019, a novel coronavirus ("COVID-19") surfaced in Wuhan, China. The World Health Organization declared a global emergency on January 30, 2020 with respect to the outbreak, which was subsequently characterized as a pandemic on March 11, 2020, leading many countries to take drastic measures to manage the spread of the virus. As a result of the (i) spread of the coronavirus in all relevant jurisdictions to the Company's supply chain and customer base; (ii) impact of government measures imposed to help manage the spread of the virus; (iii) actions undertaken by the Company to ensure the well-being and safety of its employees; and (iv) uncertainty over the duration of business disruptions as a result of COVID-19, management expects that the Company's consolidated financial results in the remainder of fiscal year 2020, including its financial performance and liquidity, will be negatively impacted.

The Company continues to evaluate its business operations in the context of COVID-19, with a focus on health and safety of its employees, current company operations, business continuity and managing liquidity. As permitted by current government regulations, the Company continues to operate its manufacturing facility with strict cleaning protocols and social distancing measures in place. In April 2020, the Company reduced truck production and put in place an aggressive program to conserve cash. The Company was outsourcing approximately 1/3 of its production before the pandemic and this has been discontinued entirely. Production at the Company's manufacturing facility in Stettler, Alberta was reduced by approximately 60% for the months of April, May and June of 2020.

In specific, approximately 65% of the Company's employees were temporarily laid off. In addition, the Chief Executive Officer, Chief Financial Officer and two other head office employees took a significant salary reduction. These measures are intended to allow the Company to conserve cash and maintain its workforce through a period of lower production. The cost savings generated by the temporary layoffs and salary reductions are intended to protect the Company's balance sheet and to allow the Company to quickly ramp-up production once the pandemic has passed. The service and parts team are expected to remain unaffected so they can continue to assist customers.

Management recognizes that while it continues to respond to and navigate the impacts of COVID-19 on the Company's business, the COVID-19 situation continues to evolve. At this point, the Company has access to debt and potentially other forms of government support to be made available to businesses impacted by the pandemic. To the extent the situation in Canada and US continues to worsen, the degree to which the Company's operations could be affected may increase.

The outbreak of COVID-19 may also further impact customer demand. Notwithstanding the impact of COVID-19, management believes the underlying fundamentals of the Company's business remain strong and once the pandemic has passed expects the Company's production and sales of hydrovac trucks in North America to recover and return to and eventually exceed the level achieved in 2019 over the long term for the following reasons:

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

- Continued spending on infrastructure by both the Canadian and the US governments is anticipated to support the market demand of hydrovac trucks in North America.
- The Company introduced a newly designed hydrovac truck in 2019 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 Canada and the US.
- Benefits from the exclusive sales agreement with a US strategic partner who has an integrated network of 23 locations across North America that the Company entered into in 2019.
- Manufacturing and production efficiencies from the manufacturing facility in Red Deer, Alberta, Canada, once it becomes fully operational.
- The Company expects that the weak Canadian dollar will continue to positively impact profit margins because a significant number of the Company's hydrovac trucks are sold in US dollars while manufactured in Canada.

Through its presence in China, the Company has established a strategic supply chain from China for certain hydrovac truck parts. This has had a positive impact by reducing the Company's production costs in North America and this benefit is expected to continue to positively impact the financial results of the Company. The COVID-19 outbreak has resulted in the temporary shutdown of certain businesses throughout China. Because the Company's Chinese suppliers are operating again and with the slower pace of sales activities, and the Company's build up of inventory before the pandemic started, absent any negative impact from general trade relations between North America and China, management does not believe that the Company will have any challenges ramping up its supply chain in the future, as sales activity picks up.

Revenue

	Three Months ended March 31	
	2020	2019
Revenues	**$ 13,388**	$ 13,802

During the three months ended March 31, 2020, revenues were $13,388 (2019 - $13,802). The small decrease over the same period in 2019 reflects the negative impact of COVID-19 in the last two weeks of March.

Cost of sales

	Three Months ended March 31	
	2020	2019
Cost of Sales	**$ 11,804**	$ 11,844

For the three months ended March 31, 2020, cost of sales was $11,804 compared to $11,844 in the same period of 2019. The decrease in cost of sales was due to the decrease in revenue, offset by increased employee costs associated with preparing for transition of manufacturing and production to the Company's newly acquired Red Deer facility.

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

Gross Profit

	Three Months ended March 31	
	2020	2019
Gross Profit	**$ 1,584**	$ 1,958

For the three months ended March 31, 2020, Gross Profit was $1, 584 compared to $1,958 in the same period of 2019 due to decreased revenue and increased employee costs discussed above.

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

	Three Months ended March 31	
	2020	2019
Selling and General and Administrative expense	**$ 1,244**	$ 1,543

During the three months ended March 31, 2020, S,G&A expenses were $1,244 (comprising $1,000 in North America, $127 in China and $117 in Corporate) compared to $1,543 (comprising $1,091 in North America, $262 in China and $190 in Corporate). The overall decrease was principally due to decreased employee costs in both North America and China.

Depreciation of property and equipment

	Three Months ended March 31	
	2020	2019
Depreciation	**$ 180**	$ 188

During the three months ended March 31, 2020, depreciation of property and equipment was $180 (2019 - $188), the majority of which related to operations in North America. In addition depreciation decreased due to the impairment write down recorded at December 31, 2019 on China trucks and equipment.

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

Depreciation of right-of-use assets

	Year ended December 31	
	2020	2019
Depreciation	**$ 83**	$ 24

During the three months ended March 31, 2020, depreciation of right-of-use assets was $83 (2019 - $24). The right-of-use asset relates to the Company's leased production facility in Stettler, leased office and production facilities in Calgary and leased photocopiers.

Amortization of intangible assets

	Three Months ended March 31	
	2020	2019
Amortization of intangible assets	**$ 141**	$ 145

During the three months ended March 31, 2020, amortization of intangible assets was $141 (2019 - $145). The decrease was the result of the impairment write down recorded at December 31, 2019 on China related intangible assets.

Stock based compensation

	Three Months ended March 31	
	2020	2019
Stock Based Compensation	**$ -**	$ 20

During the three months ended March 31, 2020, stock-based compensation expense was $nil since all stock options fully vested in November 2019. The prior year period expense resulted from expensing the Company's outstanding stock options granted in November 2017 over the vesting period which ranges from immediate to 2 years after the grant date. No options have been granted in Q1/2020.

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

Income tax expense (recovery)

	Three Months ended March 31	
	2020	2019
Current income tax expense (recovery)	**$ (94)**	$ 101
Deferred income tax expense	**22**	8
	$ (72)	$ 109

The Company's tax expense relates to Tornado NA.

Net loss

	Three Months ended March 31	
	2020	2019
Net loss	**$ (109)**	$ (118)

For the three months ended March 31, 2020, the net loss was $109 compared to the net loss of $118 in the same period of 2019. The decrease in the loss was due to decreased gross profit in North America, plus an increase in change in fair value of derivative financial instruments, offset by a decrease in income tax expense related to the Company's North American Operations.

Inventory

	March 31, 2020	December 31, 2019
Work-in-process	**$ 4,732**	$ 4,863
Raw materials	**5,187**	6,014
Finished goods	**51**	506
	$ 9,970	$ 11,383

As at March 31, 2020, inventory decreased to $9,970 compared to inventory of $11,383 as at December 31, 2019. Raw materials and work-in process are comparable to the same period of 2019. Finished goods inventory consists of hydrovac equipment in the North American Operations and decreased compared to December 31, 2019 due to the sale of one hydrovac truck in Q1/2020.

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

Quarterly Financial Information

	2020	2019	2019	2019	2019	2018	2018	2018
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	$	$	$	$	$	$	$	$
Revenue	$ 13,388	$ 13,495	$ 16,237	$ 16,853	$ 13,802	$ 12,406	$ 11,400	$ 10,213
EBITDAS	340	614	1,168	1,033	415	(112)	547	307
Net income (loss)	(109)	(2,517)	500	501	(118)	(530)	62	(220)
Comprehensive income (loss)	395	(2,924)	472	444	(90)	(406)	(81)	(322)
Net income (loss) per share - basic and diluted	$nil	$ (0.02)	$nil	$nil	$nil	$nil	$nil	$nil

(1) Quarterly information has been prepared in conformity with IFRS.
(2) Due to rounding, year to date numbers may round differently.

Factors That Have Caused Variations over the Quarters

In Q1/2020, revenue decreased slightly as a result of the impact of COVID-19 in mid-March. In Q4/2019, revenue decreased as a result of reduced hydrovac trucks production and delivery in December 2019 due to holiday closures. Quarterly revenue increased sequentially from Q2/2018 to Q2/2019 due to the continuing improvement in the hydrovac market equipment demand in North America.

In Q1/2020, EBITDAS decreased due the impact of COVID-19 and increased employee costs. In Q4/2019, EBITDAS decreased due to a year-end inventory count adjustment and write-off of VAT tax receivable in China. From Q1/2019 to Q3/2019 EBITDAS increased each quarter due to increased revenue and gross profit in North American Operations. The Q4/2018 EBITDAS was low in comparison to the Q3/2018 and Q2/2018 EBITDAS due to year-end adjustments comprising principally a provision for obsolete inventory and a year-end inventory count adjustment.

Net income decreased in Q1/2020 compared to Q3/2019 and Q2/2019 due to the impact of COVID-19 and increased employee costs offset by decreased income tax expense related to the Company's North American Operations. Net income decreased in Q4/2019 due to the factors discussed above, plus an impairment write-down of $2,242. Net income (loss) for Q1/2019, Q2/2019 and Q3/2019 improved in comparison to the same quarters in 2018 due to increased revenue and gross profit in the North American Operations. The greater net loss in Q4/2018 was due to the factors discussed above together with increased stock-based compensation and income tax expense. 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.

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

Funds from Operating Activities[1]

	Three Months ended March 31	
	2020	2019
Cash from operating activities	**$ 215**	$ 1,448
Change in tax recoverable	**(28)**	11
Changes in non-cash working capital	**865**	(1,171)
Funds from operating activities	**$ 1,052**	$ 288

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 change in tax recoverable.

During the three months ended March 31, 2020, the Company generated $1,052 of funds from operating activities compared to $288 from operations in the comparable period in 2019. The increase was principally due to changes in non-cash working capital offset by reduced cash from operating activities.

Liquidity and Capital Resources

Liquidity

The Company had working capital of $7,329 as at March 31, 2020 compared to working capital of $8,556 as at December 31, 2019. Included in the working capital at March 31, 2020 is $1,241 of cash and $9,970 of inventory (which includes $187 for hydrovac equipment and parts in China)

For the three months ended March 31, 2020, TGHL's operations generated $1,052 of cash, compared to $288 of cash generated in Q1/2019, excluding the impact of changes in non-cash working capital amounts. The increase was principally due to changes in non-cash working capital offset by reduced cash from operating activities.

TGHL does not have any externally imposed restrictions on its capital. TGHL manages its capital based on the projected needs of its individual geographic locations, being China and North America. TGHL monitors these amounts to ensure there is adequate cash to support the North American Operations and the ongoing operations in 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.

As discussed above in the "Outlook" section, in response to the COVID-19 pandemic, the Company has taken steps to conserve cash and maintain its workforce through a period of lower production including, but not limited to: (i) temporary layoffs of 65% of the Company's employees; (ii) eliminating the outsourcing of the Company's production; and (iii) head office management and sales salary reductions. Notwithstanding the foregoing, management has concluded that as of the date of this report, as a result of the impact of COVID-19, uncertainties exist which may cast doubt regarding the Company's ability to meet its obligations as they come due over the next 12 months.

If required, management anticipates that it could raise additional funds, both in the short term and in the long term, on terms satisfactory to TGHL through either the issuance of additional equity, acquisition of additional debt, or a combination thereof.

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

Subsequent Event

Subsequent to March 31, 2020, the Company executed a $1,000,000 operating line of credit that it has not drawn on and also secured an equipment financing loan of $950,000.

Capital Expenditures

During the three months ended March 31, 2020 the Company incurred capital expenditures of $1,609 (2019 - $131), comprising machinery and equipment ($140), computer software ($20), hydrovac trucks purchased for rental use in North America ($1,099) and land and building ($350).

On February 3, 2020, the Company closed the purchase of an approximately 63,500 square foot facility built on approximately 17 acres of land located in Red Deer, Alberta (the "New Facility") for $6,500 (the "Purchase Price") from an arm's length third party vendor (the "Vendor"). The Company paid an aggregate of $500 toward the Purchase Price at closing and the Vendor provided a non-interest bearing vendor take-back mortgage secured against the New Facility for the balance of the Purchase Price with a $500 principal reduction due on February 1, 2021 and the balance of the principal due on July 1, 2021. The acquisition of the New Facility was necessary as the Company's lease for its current production facility located in Stettler, Alberta (the "Existing Facility") will expire on June 30, 2021 and at the time of purchase the Company's long term production demands had outgrown the capacity of the Existing Facility and demand for more production capacity is expected to be needed going forward.

Contractual Obligations and Commitments

Lease Obligation

As at March 31, 2020, the Company had 6 hydrovac truck leases, 1 equipment lease and 2 computer equipment leases, repayable in monthly installments totalling of $52 with final installments totalling $129, bearing interest at rates between 2% and 9%.

	March 31, 2020	December 31, 2019
Finance leases obligation	**$ 1,835**	$ 894
Less: current portion of finance lease obligations	**(507)**	(329)
	$ 1,328	$ 565

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

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

2020	$ 467
2021	611
2022	547
2023	354
2024	159
Total minimum lease payments	2,138
Amount representing interest	(303)
	1,835
Less current portion of finance lease	(507)
	$ 1,328

These leases are expected to be funded from ongoing operations over the next five years.

Lease Commitments

The Company rents premises in Stettler, Alberta, under an operating lease that requires annual total payments of $234 which expires on June 30, 2021. The Company also rents office space in Calgary, Alberta, under an operating lease which expires on July 31, 2024 that requires annual payments from $17 to $30. The Company also rents premises in Calgary, Alberta, under an operating lease that requires annual payments of $78, which expires on July 30, 2021.

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

	2020	2021	2022	2023	2024 And Beyond
Stettler	$ 176	$ 117	$ -	$ -	$ -
Calgary Office	13	19	24	30	18
Calgary Other	59	46	-	-	-
	$ 247	$ 182	$ 24	$ 30	$ 18

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 March 31, 2020 and the date of this document, the Company had no 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 ("Common Shares").

As of December 31, 2019, March 31, 2020 and July 8, 2020, there were 126,771,119 Common Shares outstanding.

No dividends were declared during the period.

Common Share Purchase Warrants

As at March 31, 2020 and and July 8, 2020 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. No warrants were exercised during Q1/2020.

Stock Options

As at March 31, 2020 and July 8, 2020, there were 7,445,400 stock options outstanding with a weighted average exercise price of $0.11 and weighted average remaining contractual life of 2.3 years. All options were exercisable at a weighted average exercise price of $0.11. No options were granted or exercised in Q1/2020.

Related Party Transactions

In 2019, the Company's wholly-owned subsidiary Tornado Asia entered into an agency framework agreement with Shanghai World Trade Resources Group Co. Ltd. ("ShanghaiCo") to assist in the procurement, export and import of certain components used in the manufacture and assembly of its proprietary hydrovac trucks on behalf of Tornado Asia in and from mainland China. In Q1/2020, Tornado Asia purchased hydrovac truck components of $251 from ShanghaiCo for the Company's North American Operations. During Q1/2020, Tornado Asia advanced $490 to Shanghai Co for the purchase of upcoming components. As at March 31, 2020, Tornado Asia had a receivable of $106 from ShanghaiCo. and a payable of $nil to ShanghaiCo.

Mr. Chuyu Wu, a director of the Company and Tornado Asia, is a director of ShanghaiCo.

Reconciliation of Loss before taxes to EBITDAS

	Three Months ended March 31	
	2020	2019
Loss before taxes	**$ (181)**	$ (9)
Add: Depreciation and amortization	**404**	357
Deduct: Finance income	**-**	(24)
Add: Finance costs	**29**	74
Add: Changes in fair value in derivatives	**88**	(3)
Add: Stock based compensation	**-**	20
EBITDAS	**$ 340**	$ 415
% of revenue	**2.5%**	3.0%

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

Calculation of EBIT

	Three Months ended March 31	
	2020	2019
EBITDAS	**$ 340**	$ 415
Less: Depreciation and amortization	**(404)**	(357)
EBIT	**$ (64)**	$ 58
% of revenue	**-0.5%**	0.4%

Calculation of Gross Margin

	Three Months ended March 31	
	2020	2019
Revenues	**$ 13,388**	$ 13,802
Cost of sales	**11,804**	11,844
Gross margin	**$ 1,584**	$ 1,958
% of revenue	**11.8%**	14.2%

New Accounting Standards Effective for the First Time from January 1, 2020

Certain pronouncements were issued that are mandatory for accounting periods beginning before or on January 1, 2020. Please refer to the Company's unaudited condensed consolidated financial statements for the three months ended March 31, 2020 for the impact of adopting IFRS 3, "Combinations".

Financial Instruments and Risk Management

The Company's financial instruments recognized in the consolidated balance sheet consist of cash and cash equivalents, accounts receivable, tax recoverable, accounts payable, accrued liabilities, lease liabilities, mortgage 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 have not changed from December 31, 2019.

From time to time, the Company uses foreign exchange contracts to hedge its U.S. dollar revenues. As at March 31, 2020, the Company had in place $1,050 US on forward contracts which expire between June 15, 2020 and June 30, 2020. These contracts were revalued to fair market value using fair value accounting at the balance sheet date. For the three months ended March 31, 2020 the Company recorded $88 unrealized foreign exchange loss 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, 2019 audited annual financial statements. Except as described below, there have been no changes to the Company's significant accounting estimates and judgments as of March 31, 2020.

Internal Controls and Procedures

There have been no significant changes in TGHL's internal controls over financial reporting during the three months ended March 31, 2020 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 forward-looking statements may be identified by words such as "anticipate", "will", "intend", "could", "should", "may", "expect", "forecast", "plan", "potential", "project", "estimate", "assume", "believe", "shall", "target", "forward looking to", and similar terms or the negatives thereof or other comparable terminology. 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 forward-looking statements due to the inherent uncertainty therein. . Such statements include those with respect to: (i) the Company's outlook for the remainder of 2020; (ii) the impact of COVID-19 on the Company's financial results and liquidity in 2020; (iii) cost saving measures intended to allow the Company to conserve cash maintain its workforce through a period of lower production and quickly ramp-up production once the COVID-19 pandemic has passed; (iv) the expectation that the Company will have access to debt and potentially other forms of government support to be made available to businesses impacted by the pandemic; (v) management's belief that the underlying fundamentals of the Company's business will remain strong over the long term; (vi) the expectation that long term production and sales of hydrovac trucks in North America will recover and eventually exceed the levels achieved in 2019; (vii) the anticipated manufacturing and production efficiencies from the manufacturing facility in Red Deer, Alberta, Canada, once it becomes fully operational; (viii) the anticipated benefits from the exclusive sales agreement with a US strategic partner; (ix) the expectation that the weak Canadian dollar will continue to positively impact profit margins; (x) management's belief that the Company will not have any challenges ramping up its supply chain in the future, as sales activity picks up;

Business Risks and Uncertainties

Please refer to the Company's annual MD&A and audited consolidated financial statements for the year ended December 31, 2019, 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 months ended March 31, 2020.