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 September 30, 2020 and for the three and nine months ended September 30, 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 and nine months ended September 30, 2020 have been prepared in conformity with International Financial Reporting Standards ("IFRS"): International Accounting Standard 34.

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 November 16, 2020, 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 "EBITDAS" (earnings (loss) before interest, tax, depreciation and amortization, impairment write-down and stock-based compensation), "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, gains on impairment reversal 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-downs and reversals and stock-based compensation. 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 funds from operating activities may differ from those definitions used by other companies.

While not IFRS measures, EBITDAS, EBIT 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 two production facilities located in Red Deer and 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 North American Operations.

TGHL maintains its head office in Calgary, Alberta.

Overview

Third Quarter 2020 Overview and Recent Developments

- The North American Operations continued to be negatively affected by COVID-19 during the quarter. This is discussed in more detail in the "Outlook" section of this MD&A.

- Revenue of $10,125, decreased 37.6% compared to $16,237 in Q3/2019 reflecting the negative impact of COVID-19.

- Gross profit of $1,632, decreased by $1,305 compared to $2,937 in the same period of 2019 due to decreased revenue from the North American Operations, offset by eligible Canada Emergency Wage Subsidy (the "wage subsidy").

- EBITDAS of $800, decreased by $451 compared to $1,251 in Q3/2019, due to decreased revenues and gross profit in North America, offset by the wage subsidy of $674.

- Net income of $349, decreased by $151 compared to net income of $500 in Q3/2019. This was due to the factors discussed above, offset by a decrease in income tax expense related to the North American Operations of $114 and a gain on impairment reversal related to the China Operations of $174.

2020 Year to Date Overview

- 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 $31,130, decreased 33.6% compared to $46,892 in the same period in 2019. The Company's revenue was negatively impacted by COVID-19 from mid-March.

- Gross profit of $4,594, decreased by $2,746 compared to $7,340 in the same period of 2019 due to decreased revenue from the North American Operations, offset by recoveries from the wage subsidy.

- EBITDAS of $1,712, decreased by $1,153 compared to $2,865 in the same period of 2019, due to decreased revenues and gross profit in North America, offset by eligible wage subsidy of $1,351.

- Net income of $368, decreased by $515 compared to net income of $883 in the same period of 2019. This was due to the factors discussed above, offset by a decrease in income tax expense related to the North American Operations of $454 and a gain on impairment reversal related to the China Operations of $174.

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

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.

Selected Financial Information

	Three Months ended September 30			Nine month ended September 30		
	2020	2019	2018	**2020**	2019	2018
Revenue	**$ 10,125**	$ 16,237	$ 11,400	**$ 31,130**	$ 46,892	$ 26,444
Cost of sales	**8,493**	13,300	9,281	**26,536**	39,552	21,901
Gross Profit	**1,632**	2,937	2,119	**4,594**	7,340	4,543
Selling and general administrative expenses	**832**	1,686	1,572	**2,882**	4,475	4,045
Depreciation of property and equipment	**241**	187	149	**641**	570	442
Amortization of intangible assets	**142**	148	138	**427**	442	396
Depreciation of right-of-use assets	**78**	83	-	**240**	249	-
Finance costs	**45**	80	7	**117**	224	36
Accretion expense	**50**	-	-	**50**	-	-
Gain on impairment reversal	**(174)**	-	-	**(174)**	-	-
Change in fair value of derivative financial instruments	**-**	62	(86)	**1**	-	13
Stock-based compensation	**-**	21	69	**-**	61	205
Finance income	**-**	(13)	(4)	**-**	(60)	(37)
Loss on disposal of fixed assets	**-**	-	-	**-**	-	4
Income (loss) before tax	**418**	683	274	**410**	1,379	(561)
Income tax expense	**69**	183	212	**42**	496	232
Net income (loss)	**$ 349**	$ 500	$ 62	**$ 368**	$ 883	$ (793)
Comprehensive income (loss)	**$ 340**	$ 472	$ (81)	**$ 815**	$ 826	$ (750)
Net income (loss) per share - basic and diluted	**$ nil**	$ nil	$ nil	**$ nil**	$ 0.01	$ (0.01)
Total non-current financial liabilities	**$ 1,326**	$ 1,108	$ 364	**$ 1,326**	$ 1,108	$ 364
Total assets	**$ 28,747**	$ 28,125	$ 22,460	**$ 28,747**	$ 28,125	$ 22,460

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

Segmented Information

Three months ended September 30, 2020	**North America**	**China**	**Corporate**	**Total**
Revenue	**$ 9,951**	**$ 174**	**$ -**	**$ 10,125**
Cost of sales	**8,319**	**174**	**-**	**8,493**
Selling and administrative expenses	**655**	**97**	**80**	**832**
	977	**(97)**	**(80)**	**800**
Depreciation and amortization expense	**279**	**-**	**182**	**461**
Impairment reversal	**-**	**(174)**	**-**	**(174)**
Income (loss) before other items of income	**$ 698**	**$ 77**	**$ (262)**	**$ 513**

Three months ended September 30, 2019	North America	China	Corporate	Total
Revenue	$ 16,237	$ -	$ -	$ 16,237
Cost of sales	13,300	-	-	13,300
Selling and administrative expenses	1,232	321	133	1,686
	1,705	(321)	(133)	1,251
Depreciation and amortization expense	243	31	144	418
Income (loss) before other items of income	$ 1,462	$ (352)	$ (277)	$ 833

Nine months ended September 30, 2020	**North America**	**China**	**Corporate**	**Total**
Revenue	**$ 30,956**	**$ 174**	**$ -**	**$ 31,130**
Cost of sales	**26,362**	**174**	**-**	**26,536**
Selling and general administrative	**2,199**	**335**	**348**	**2,882**
	2,395	**(335)**	**(348)**	**1,712**
Depreciation and amortization	**782**	**3**	**523**	**1,308**
Gain on impairment reversal	**-**	**(174)**	**-**	**(174)**
Income (loss) before other items	**$ 1,613**	**$ (164)**	**$ (871)**	**$ 578**

Nine months ended September 30, 2019	North America	China	Corporate	Total
Revenue	$ 46,892	$ -	$ -	$ 46,892
Cost of sales	39,552	-	-	39,552
Selling and general administrative	3,263	720	492	4,475
	4,077	(720)	(492)	2,865
Depreciation and amortization	741	88	432	1,261
Income (loss) before other items	$ 3,336	$ (808)	$ (924)	$ 1,604

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

Operating Results

	Three Months ended September 30		Nine Months ended September 30	
	2020	**2019**	**2020**	2019
Revenues	**$ 10,125**	$ 16,237	**$ 31,130**	$ 46,892
Gross profit	**1,632**	2,937	**4,594**	7,340
Gross profit %	**16.1%**	18.1%	**14.8%**	15.7%
EBITDAS	**800**	1,251	**1,712**	2,865
EBITDAS %	**7.9%**	7.7%	**5.5%**	6.1%
EBIT	**513**	833	**578**	1,604
EBIT %	**5.1%**	5.1%	**1.9%**	3.4%
Net income	**$ 349**	$ 500	**$ 368**	$ 883

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".

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 facilities 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. This outsourced production is expected to be performed in the Company's new Red Deer facility once it is fully operational. Production at the Company's manufacturing facility in Stettler, Alberta was reduced by approximately 60% for Q3 of 2020 and is expected to continue to be reduced for Q4 2020. As at September 30th, 2020, approximately 20% of the Company's employees were laid off. In addition, significant salary reductions were put in place with respect to head office employees from mid-March to mid-August.

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.

As a result of the (i) spread of COVID-19 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, may be negatively impacted.

Management recognizes that while it continues to respond to and navigate the impacts of COVID-19 on the Company's business, the situation continues to evolve. At this point, the Company has access to debt and other forms of government support available to businesses impacted by the pandemic. As the Company's production and revenue increase, the Company will add staff as needed. As a result of an increase in production and a corresponding increase in revenue, the Company's access to government support currently available will be reduced or eliminated.

COVID-19 may also further impact customer demand. Notwithstanding the current 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:

- Increased spending on infrastructure by both the Canadian and the US governments is anticipated post COVID-19 to support the market demand of hydrovac trucks in North America.

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

- 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.
- With the recent expansion of parts and services business into the Company's Red Deer facility, management anticipates this trend to continue.
- Cost savings from the Company's strategic supply chain from China for certain hydrovac truck parts.
- 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.

The Company's China Operations are currently not affected by COVID-19 and 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 September 30		Nine Months ended September 30	
	2020	2019	**2020**	2019
Revenues	**$ 10,125**	$ 16,237	**$ 31,130**	$ 46,892

During the nine months ended September 30, 2020, revenues were $31,130 (2019 - $46,892), comprised truck and equipment $29,286 (2019 - $44,367), parts and services $1,554 (2019 - $1,772) and rental income $290 (2019 - $753). The decrease over the same period in 2019 reflects the negative impact of COVID-19 since mid-March.

During the three months ended September 30, 2020, revenues were $10,125 (2019 - $16,237), comprised truck and equipment sales $9,559 (2019 - $15,573), parts and services $453 (2019 - $342) and rental income $113 (2019 - $322). The decrease over the same period in 2019 was due to the factors discussed above.

Included in revenue during both the quarter and year to date was $174 relating to the sale of a truck in China, which truck previously incurred a full written down in the form of an impairment charge as at December 31, 2019.

The table below shows geographical sales:

	Three Months ended September 30		Nine Months ended September 30	
	2020	2019	**2020**	2019
Canada	**$ 9,623**	$ 10,260	**$ 21,593**	$ 27,429
United States	**328**	5,977	**9,363**	19,463
China	**174**	-	**174**	-
	$ 10,125	$ 16,237	**$ 31,130**	$ 46,892

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

Cost of Sales

	Three Months ended September 30		Nine Months ended September 30	
	2020	2019	**2020**	2019
Cost of Sales	**$ 8,493**	$ 13,300	**$ 26,536**	$ 39,552

For the nine months ended September 30, 2020, cost of sales was $26,536 compared to $39,552 in the same period of 2019. The decrease in cost of sales was due to the decrease in revenue as well as the benefit of recoveries from the wage subsidy.

For the three months ended September 30, 2020, cost of sales was $8,493 compared to $13,300 in the same period of 2019. The decrease over the same period in 2019 reflects the decrease in revenue, plus the recoveries from the wage subsidy.

Gross Profit

	Three Months ended September 30		Nine Months ended September 30	
	2020	2019	**2020**	2019
Gross Profit	**$ 1,632**	$ 2,937	**$ 4,594**	$ 7,340

For the nine months ended September 30, 2020, Gross Profit was $4,594 compared to $7,340 in the same period of 2019 due to decreased revenue, offset by the benefit of the wage subsidy recoveries discussed above.

For the three months ended September 30, 2020, Gross Profit was $1,632 compared to $2,937 in the same period of 2019 due to the factors discussed above.

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

	Three Months ended September 30		Nine Months ended September 30	
	2020	2019	**2020**	2019
Selling and General and Administrative expense	**$ 832**	$ 1,686	**$ 2,882**	$ 4,475

During the nine months ended September 30, 2020, S,G&A expenses were $2,882 (comprising $2,199 in North America, $335 in China and $348 in Corporate) compared to $4,475 (comprising $3,263 in North America, $720 in China and $492 in Corporate) in the same period in 2019. The overall decrease was principally due to decreased employee costs in both North America and China, plus the benefit of the wage subsidy recoveries.

During the three months ended September 30, 2020, S,G&A expenses were $832 (comprising $655 in North America, $97 in China and $80 in Corporate) compared to $1,686 (comprising $1,232 in North America, $321 in China and $133 in Corporate) in the same period in 2019. The overall decrease was principally due to decreased employee costs in both North America and China, plus the benefit of the wage subsidy recoveries.

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

Depreciation of Property and Equipment

	Three Months ended September 30		Nine Months ended September 30	
	2020	2019	**2020**	2019
Depreciation	**$ 241**	$ 187	**$ 641**	$ 570

During the nine months ended September 30, 2020, depreciation of property and equipment was $641 (2019 - $570), the majority of which related to the North American Operations.

During the three months ended September 30, 2020, depreciation of property and equipment was $241 (2019 - $187), the majority of which related to the North American Operations.

Depreciation of Right-of-use Assets

	Three Months ended December 31		Year ended December 31	
	2020	2019	**2020**	2019
Depreciation	**$ 78**	$ 83	**$ 240**	$ 249

During the nine months ended September 30, 2020, depreciation of right-of-use assets was $240 (2019 - $249). 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.

During the three months ended September 30, 2020, depreciation of right-of-use assets was $78 (2019 - $83).

Amortization of Intangible Assets

	Three Months ended September 30		Nine Months ended September 30	
	2020	2019	**2020**	2019
Amortization of intangible assets	**$ 142**	$ 148	**$ 427**	$ 442

During the nine months ended September 30, 2020, amortization of intangible assets was $427 (2019 - $442). The decrease was the result of the impairment write down recorded at December 31, 2019 on China related intangible assets.

During the three months ended September 30, 2020, amortization of intangible assets was $142 (2019 - $148). The decrease was due to the factors discussed above.

Gain on Impairment Reversal

	Three Months ended September 30		Nine Months ended September 30	
	2020	2019	**2020**	2019
Gain on impairment reversal	**$ (174)**	$ -	**$ (174)**	$ -

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

The gain on impairment reversal for the three and nine months ended September 30, 2020 was related to sale of a hydrovac truck in China that was previously fully impaired.

Accretion Expense

	Three Months ended September 30		Nine Months ended September 30	
	2020	2019	**2020**	2019
Accretion expense	**$ 50**	$ -	**$ 50**	$ -

Accretion expense for the three and nine months ended September 30, 2020 was related to the Company's mortgage payable for its Red Deer facility.

Stock Based Compensation

	Three Months ended September 30		Nine Months ended September 30	
	2020	**2019**	**2020**	2019
Stock Based Compensation	**$ -**	**$ 21**	**$ -**	$ 61

During the nine and three months ended September 30, 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 their vesting periods, which ranged from immediate to 2 years after the grant date. No options have been granted in 2020.

Income Tax Expense

	Three Months ended September 30		Nine Months ended September 30	
	2020	2019	**2020**	2019
Current income tax expense	**$ 68**	$ 101	**$ 14**	$ 371
Deferred income tax expense	**1**	82	**28**	125
	$ 69	$ 183	**$ 42**	$ 496

The Company's tax expense relates to Tornado NA.

Net Income

	Three Months ended September 30		Nine Months ended September 30	
	2020	2019	**2020**	2019
Net income	**$ 349**	$ 500	**$ 368**	$ 883

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

For the nine months ended September 30, 2020, net income was $368 compared to net income of $883 in the same period of 2019. The decrease in income was due to decreased gross profit in North America, offset by recoveries from the wage subsidy, a decrease in income tax expense related to the North American Operations and a gain on impairment reversal related to the China Operations.

For the three months ended September 30, 2020, net income was $349 compared to net income of $500 in the same period of 2019. The decrease was due to the factors discussed above.

Inventory

	September 30, 2020	December 31, 2019
Work-in-process	**$ 2,879**	$ 4,863
Raw materials	**4,185**	6,014
Finished goods	**50**	506
	$ 7,114	$ 11,383

As at September 30, 2020, inventory decreased to $7,114 compared to inventory of $11,383 as at December 31, 2019. Raw materials and work-in-process decreased compared to the same period of 2019 due to reduced production activities. 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.

Quarterly Financial Information

	2020	**2020**	**2020**	**2019**	**2019**	**2019**	**2019**	**2018**
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
	$	$	$	$	$	$	$	$
Revenue	$ 10,125	$ 7,617	$ 13,388	$ 13,495	$ 16,237	$ 16,853	$ 13,802	$ 12,406
EBITDAS	800	572	340	614	1,168	1,033	415	(112)
Net income (loss)	349	128	(109)	(2,517)	500	501	(118)	(530)
Comprehensive income (loss)	340	80	395	(2,924)	472	444	(90)	(406)
Net income (loss) per share - basic and diluted	$nil	$nil	$nil	$ (0.02)	$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 Q3/2020, revenue increased compared to Q2/20 as a result of increased demand for hydrovac trucks in North America. In Q2/2020, revenue decreased as a result of the impact of COVID-19. 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 Q4/2018 to Q2/2019 due to the continuing improvement in the hydrovac market equipment demand in North America.

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

In Q3/2020, EBITDAS increased compared to Q2/2020 due to increased revenue. In Q2/2020, EBITDAS decreased compared to Q4/2019 and Q3/2019 due to the impact of COVID-19 . In Q1/2020, EBITDAS decreased due to the impact of COVID-19 in mid-March and increased employee costs. In Q4/2019, EBITDAS decreased due to a year-end inventory 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 the North American Operations.

In Q3/2020, net income increased compared to Q2/2020 due principally to increased revenue and gross profit. Net income decreased in Q3/2020 and Q2/2020 compared to Q3/2019 and Q2/2019 due to the full impact of COVID-19. 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 North American Operations. In Q3/2020 net income increased as a result of an impairment reversal. 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 increased due to increased revenue and gross profit in the North American Operations.

Funds from Operating Activities(1)

	Nine Months ended September 30	
	2020	2019
Cash from operating activities	**$ 3,430**	$ 578
Change in tax recoverable	**(31)**	11
Income taxes paid	**368**	204
Changes in non-cash working capital	**(715)**	2,490
Funds from operating activities	**$ 3,052**	$ 3,283

Notes:

(1) Funds from operating activities is a non IFRS measure and is calculated from cash generated from operating activities adjusted for changes in non-cash working capital, changes in tax recoverable and taxes paid.

During the nine months ended September 30, 2020, the Company generated $3,052 of funds from operating activities compared to $3,283 from operations in the comparable period in 2019. The decrease was principally due to decreased net income.

Liquidity and Capital Resources

Liquidity

The Company had working capital of $3,481 as at September 30, 2020 compared to working capital of $8,556 as at December 31, 2019. The decrease is primarily due to the mortgage on the Red Deer facility, which is payable on July 1, 2021. Included in working capital at September 30, 2020 is cash of $4,508.

For the nine months ended September 30, 2020, TGHL's operations generated $3,052 of cash, compared to $3,283 of cash generated in the same period in 2019, excluding the impact of changes in non-cash working capital amounts. The decrease was principally due to decreased net income.

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.

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

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) layoffs of 20% 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 impact the Company's operations 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.

Capital Expenditures

During the nine months ended September 30, 2020 the Company incurred capital expenditures of $1,792 (2019 - $1,527), comprised of machinery and equipment ($247), computer software ($35), hydrovac trucks purchased for rental use in North America ($1,037), office equipment ($123) 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 of the New Facility the Company's long term production demands had outgrown the capacity of the Existing Facility and demand for more production capacity is also expected to be needed going forward.

Contractual Obligations and Commitments

Lease Obligation

As at September 30, 2020, the Company had 6 hydrovac truck leases, 1 equipment lease and 4 computer equipment leases, repayable in monthly installments totalling of $55 with final installments totalling $132, bearing interest at rates between 2% and 9%.

	September 30, 2020	December 31, 2019
Leases obligation	**$ 1,850**	$ 894
Less: current portion of lease obligations	**(601)**	(329)
	$ 1,249	$ 565

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

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

2020	$	**161**
2021		**650**
2022		**586**
2023		**354**
2024		**182**
Total minimum lease payments		**1,933**
Amount representing interest		**(83)**
		1,850
Less current portion of finance lease		**(601)**
	$	**1,249**

As at September 30, 2020, the Company had $328 of lease liabilities relating to the Company's facilities in Stettler and Calgary, which consists of $251 current portion and $77 non-current portion.

	September 30, 2020		December 31, 2019	
Current	**$**	**(251)**	$	(314)
Non-current		**(77)**		(243)
	$	**(328)**	$	(557)

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

Off Balance Sheet Arrangements

As at September 30, 2020 and the date of this document, the Company had no off balance sheet arrangements.

Shareholders' Equity

Share Capital

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

As of December 31, 2019, September 30, 2020 and November 16, 2020, there were 126,771,119 Common Shares outstanding.

No dividends have been declared during 2020.

Common Share Purchase Warrants

As at September 30, 2020 and and November 16, 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 have been exercised during 2020.

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

Stock Options

As at September 30, 2020 and November 16, 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 2.0 years. All options are exercisable at a weighted average exercise price of $0.11. No options have been granted or exercised in 2020.

Related Party Transactions

(a) 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. During the three month and nine months ended September 30, 2020, Tornado Asia purchased hydrovac truck components of $249 and $500 respectively from ShanghaiCo for the North American Operations. During the three month and nine months ended September 30, 2020, Tornado Asia advanced $3 and $493 respectively to ShanghaiCo for the purchase of upcoming components. As at September 30, 2020, TGHL had a net payable of $109 to ShanghaiCo.

During the three and nine months ended September 30, 2019, the Company sold raw materials of $106 to the ShanghaiCo. for further manufacturing hydrovac equipment and parts in China for its North America operations.

A director of the Company and Tornado Asia, is a director of ShanghaiCo.

(b) During the three and nine months ended September 30, 2019, $nil and $16 respectively of legal fees were incurred and paid to a China-based office of Dentons, a multinational law firm.

A director of the Company, is a Partner of a Canada-based office of Dentons Canada LLP.

Reconciliation of Loss before taxes to EBITDAS

	Three Months ended September 30		Nine Months ended September 30	
	2020	2019	**2020**	2019
Income (loss) before taxes	**$ 418**	$ 683	**$ 410**	$ 1,379
Add: Depreciation and amortization	**461**	418	**1,308**	1,261
Deduct: Gain on impairment reversal	**(174)**	-	**(174)**	-
Deduct: Finance income	**-**	(13)	**-**	(60)
Add: Finance costs	**45**	80	**117**	224
Add: Accretion expense	**50**	-	**50**	-
Add: Changes in fair value in derivatives	**-**	62	**1**	-
Add: Stock based compensation	**-**	21	**-**	61
EBITDAS	**$ 800**	$ 1,251	**$ 1,712**	$ 2,865
% of revenue	**7.9%**	7.7%	**5.5%**	6.1%

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

Calculation of EBIT

	Three Months ended September 30		Nine Months ended September 30	
	2020	2019	**2020**	2019
EBITDAS	**$ 800**	$ 1,251	**$ 1,712**	$ 2,865
Deduct: Depreciation and amortization	**(461)**	(418)	**(1,308)**	(1,261)
Less: Gain on impairment reversal	**174**	-	**174**	-
EBIT	**$ 513**	$ 833	**$ 578**	$ 1,604
% of revenue	**5.1%**	5.1%	**1.9%**	3.4%

Calculation of Gross Profit

	Three Months ended September 30		Nine Months ended September 30	
	2020	2019	**2020**	2019
Revenues	**$ 10,125**	$ 16,237	**$ 31,130**	$ 46,892
Cost of sales	**8,493**	13,300	**26,536**	39,552
Gross profit	**$ 1,632**	$ 2,937	**$ 4,594**	$ 7,340
% of revenue	**16.1%**	18.1%	**14.8%**	15.7%

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 September 30, 2020 for the impact of adopting amendments to IFRS 3, "Business 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, accounts payable, accrued liabilities, customer deposits, lease liabilities, and mortgage 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 September 30, 2020, the Company had no contracts outstanding. For the three and nine months ended September 30, 2020, the Company recorded minimal foreign exchange gains or losses on foreign exchange 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. There have been no changes to the Company's significant accounting estimates and judgments as of September 30, 2020.

Internal Controls and Procedures

There have been no significant changes in TGHL's internal controls over financial reporting during the three months ended September 30, 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. Forward-looking statements include those with respect to: (i) the Company's outlook for the remainder of 2020; (ii) the expectation that prior outsourced production will be performed in the Company's new Red Deer facility once it is fully operational; (iii) the expectation that production at the Company's manufacturing facility in Stettler, Alberta will be reduced for Q4 of 2020; (iv) the expected impact of COVID-19 on the Company's financial results and liquidity in 2020; (v) 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; (vi) the expectation that the Company will have access to debt and other forms of government support available to businesses impacted by the pandemic; (vii) management's belief that the underlying fundamentals of the Company's business will remain strong over the long term; (viii) the expectation that long term production and sales of hydrovac trucks in North America will recover and eventually exceed the levels achieved in 2019; (ix) the anticipated increased spending on infrastructure by both the Canadian and the US governments post COVID-19 to support the market demand of hydrovac trucks in North America; (x) the anticipated benefits from the exclusive sales agreement with a US strategic partner; (xi) the anticipated manufacturing and production efficiencies from the manufacturing facility in Red Deer, Alberta, Canada, once it becomes fully operational; (xii) cost savings from the Company's strategic supply chain from China for certain hydrovac truck parts; (xiii) the expectation that the weak Canadian dollar will continue to positively impact profit margins; (xiv) management's anticipation that with the recent expansion of parts and services business into the Company's Red Deer facility, this trend to continue; and (xv) management's belief that the Company will not have any challenges ramping up its supply chain in the future, as sales activity picks up. 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.

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 September 30, 2020.