



Tornado Global Hydrovacs Ltd.

Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended September 30, 2020

Notice to Reader

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited)

	Notes	September 30, 2020	December 31, 2019
(In \$000's CAD)			(Audited)
ASSETS			
Current assets			
Cash and cash equivalents		\$ 4,508	\$ 2,417
Accounts receivable		2,900	1,990
Inventory	4	7,114	11,383
Prepaid expenses and other assets		218	468
Fair value of foreign currency forward contracts		—	1
Total current assets		14,740	16,259
Non-current assets			
Tax recoverable		166	197
Property and equipment, net	10	10,855	3,756
Goodwill and intangible assets, net		2,679	3,071
Right-of-use assets, net		307	547
Total non-current assets		14,007	7,571
Total assets		\$ 28,747	\$ 23,830
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 3,877	\$ 6,596
Customer deposits		71	110
Current portion of lease liabilities	11	852	643
Mortgage payable	12	5,755	—
Term loan	13	704	—
Tax payable		—	354
Total current liabilities		11,259	7,703
Non-current liabilities			
Deferred tax		357	329
Lease liabilities	11	1,326	808
Total liabilities		12,942	8,840
Shareholders' Equity			
Share capital	14	20,903	20,903
Common share purchase warrants	14	144	144
Contributed surplus		594	594
Deficit		(6,096)	(6,464)
Accumulated other comprehensive income (loss)		260	(187)
Total shareholders' equity		15,805	14,990
Total liabilities and equity		\$ 28,747	\$ 23,830

Related party transactions - see Note 16

See accompanying notes to condensed consolidated financial statements

On behalf of the Board of Directors:

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited)

	Notes	Three Months ended		Nine Months ended	
		September 30 2020	September 30 2019	September 30 2020	September 30 2019
(In \$000's CAD, except per share amounts)					
Revenues					
Revenue	6	\$ 10,167	\$ 16,183	\$ 31,216	\$ 46,917
Other gain (loss) - foreign exchange		(42)	54	(86)	(25)
		10,125	16,237	31,130	46,892
Cost of sales	7	8,493	13,300	26,536	39,552
Gross Profit		1,632	2,937	4,594	7,340
Selling and general administrative expenses	8	832	1,686	2,882	4,475
Income before depreciation, amortization and other items		800	1,251	1,712	2,865
Depreciation of property and equipment	10	241	187	641	570
Amortization of intangible assets		142	148	427	442
Depreciation of right-of-use assets		78	83	240	249
Gain on impairment reversal	10	(174)	—	(174)	—
		287	418	1,134	1,261
Income before the undernoted		513	833	578	1,604
Finance costs		45	80	117	224
Accretion expense	12	50	—	50	—
Change in fair value of foreign currency forward contracts		—	62	1	—
Finance income		—	(13)	—	(60)
Stock based compensation		—	21	—	61
		95	150	168	225
Income before tax		418	683	410	1,379
Income tax expense					
Current		68	101	14	371
Deferred		1	82	28	125
		69	183	42	496
Net income		349	500	368	883
Other comprehensive income (loss)					
Translation of foreign subsidiaries		(9)	(28)	447	(57)
Comprehensive income		\$ 340	\$ 472	\$ 815	\$ 826
Net income per share					
Basic	5	\$nil	\$nil	\$nil	\$ 0.01
Diluted	5	\$nil	\$nil	\$nil	\$ 0.01

See accompanying notes to condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

	Notes	Nine Months ended	
		September 30 2020	September 30 2019
(In \$000's CAD)			
OPERATING ACTIVITIES			
Net income		\$ 368	\$ 883
<i>Add (deduct) items not affecting cash:</i>			
Depreciation of property and equipment	10	641	570
Amortization of intangible assets		427	442
Depreciation of right-of-use assets		240	72
Gain on impairment reversal		174	—
Accretion expense		50	—
Cost of sold leased trucks transferred from property and equipment		1,179	1,130
Deferred income taxes		(28)	125
Change in fair value of foreign currency forward contracts		1	—
Stock based compensation		—	61
		3,052	3,283
Change in non-cash working capital	18	715	(2,490)
Change in tax recoverable		31	(11)
Income taxes paid		(368)	(204)
Cash flow from operating activities		3,430	578
INVESTING ACTIVITIES			
Additions of property and equipment	10	(1,757)	(1,411)
Additions of intangible assets		(35)	(116)
Proceeds from disposal of fixed assets		6	—
Cash flow used in investing activities		(1,786)	(1,527)
FINANCING ACTIVITIES			
Net repayment from leases	17	(326)	296
Net proceeds (repayment) from (of) term loans	17	704	(383)
Proceeds from exercise of stock options		—	6
Cash flow from (used in) financing activities		378	(81)
Effect of exchange rate changes on cash and cash equivalents		69	(22)
Net increase (decrease) in cash and equivalents during the period		2,091	(1,052)
Cash and cash equivalents, beginning of period		2,417	2,228
Cash and cash equivalents, end of period		\$ 4,508	\$ 1,176

See accompanying notes to condensed consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

As at September 30, 2020						
	Common Shares	Common Share Purchase Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Equity
(In \$000's CAD)						
As at December 31, 2019	\$ 20,903	\$ 144	\$ 594	\$ (6,464)	\$ (187)	\$ 14,990
Income for the period	-	-	-	368	-	368
Other comprehensive income for the period	-	-	-	-	447	447
As at September 30, 2020	\$ 20,903	\$ 144	\$ 594	\$ (6,096)	\$ 260	\$ 15,805

As at September 30, 2019						
	Common Shares	Common Share Purchase Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Equity
(In \$000's CAD)						
As at December 31, 2018	\$ 20,893	\$ 144	\$ 469	\$ (4,830)	\$ 277	\$ 16,953
Exercise of stock options	10	-	(4)	-	-	6
Stock based compensation	-	-	61	-	-	61
Income for the period	-	-	-	883	-	883
Other comprehensive loss for the period	-	-	-	-	(57)	(57)
As at September 30, 2019	\$ 20,903	\$ 144	\$ 526	\$ (3,947)	\$ 220	\$ 17,846

See accompanying notes to condensed consolidated financial statements

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three and nine months ended September 30, 2020

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

1. Corporate information

Tornado Global Hydrovac Ltd. ("TGHL" or the "Company") is incorporated in Alberta, Canada and through its subsidiaries, designs, fabricates, manufactures and sells hydrovac trucks to excavation service providers in the municipal and oil and gas markets in North America. In China, the Company's subsidiary is used principally to source certain parts for the Company's North America operations. TGHL's corporate office is located at Suite 510, 7015 MacLeod Trail, SW, Calgary, Alberta, T2H 2K6, and was incorporated under the Business Corporations Act (Alberta) on April 27, 2016. Since July 8, 2016, TGHL's shares have been traded on the TSX Venture Exchange under the symbol "TGH".

These financial statements were recommended for approval by the Company's Audit Committee and were approved and authorized for issue by the Board of Directors on November 16, 2020.

2. Summary of significant accounting policies

The interim condensed consolidated financial statements are condensed and have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Except as discussed below, the same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as disclosed in the TGHL's consolidated financial statements for the year ended December 31, 2019. TGHL's 2019 annual consolidated financial statements include incremental annual IFRS disclosures that may be helpful to readers of the interim results and therefore should be read in conjunction with these interim condensed consolidated financial statements.

Government subsidies

The Company recognizes government subsidies on an accrual basis when there is a reasonable assurance that it will comply with the conditions required to qualify for the subsidy and that the collection of the subsidiary is also reasonably assured. Government subsidies are recognized on the condensed consolidated statement of financial position under accounts receivable and are recognized on the condensed consolidated statement of comprehensive income over the periods in which the expense that the subsidy is intended to offset are recognized.

Basis of presentation

These interim condensed consolidated financial statements are prepared for the three and nine months ended September 30, 2020 and includes the results for the comparative periods in 2019. The interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value as disclosed. The interim condensed consolidated financial statements include the accounts of Tornado Global Hydrovac Ltd. and its direct and indirect wholly owned subsidiaries Tornado Global Hydrovac (North America) Inc., Tornado Hydrovac Asia Pacific Holdings Ltd. and Tornado Global Hydrovac (Beijing) Ltd.

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

Use of estimates

Accounting measurements at interim dates inherently involve a greater reliance on estimates than at year-end. In the opinion of management, the unaudited interim condensed consolidated financial statements include all adjustments of a normal recurring nature to present fairly, the condensed consolidated financial position of the TGHL as at September 30, 2020. There have been no changes to the Company's significant accounting estimates and judgments as of September 30, 2020.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three and nine months ended September 30, 2020

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

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The outbreak and the measures implemented by governments across the world intended to limit the pandemic have adversely impacted global commercial activity, including significantly reducing demand for hydrovac trucks in North America.

The full extent of the impact of COVID-19 on the Company's operations and future financial performance is currently unknown. The outbreak presents uncertainty and risk with respect to the Company, its performance, and estimates and assumptions in the preparation of its financial results. These uncertainties increase the complexity of estimates and assumptions used to prepare the condensed interim consolidated financial statements, and changes to these assumptions could result in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

3. Adoption of new accounting standards

Effective January 1, 2020, the Company adopted amendments to IFRS 3 Business Combinations. The amendments seek to clarify whether a transaction results in an asset or a business acquisition. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. The amendments have no impact on the Company's consolidated financial statements.

4. Inventory

Inventory comprises:

	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

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

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three and nine months ended September 30, 2020

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

5. Net income per share

Basic:			Diluted:		
Three Months ended September 30, 2020			Three Months ended September 30, 2020		
Net income	Weighted average number of shares	Net income per share	Net income	Weighted average number of shares	Net income per share
\$349	126,771,119	\$nil	\$349	128,295,133	\$nil
Three Months ended September 30, 2019			Three Months ended September 30, 2019		
Net income	Weighted average number of shares	Net income per share	Net income	Weighted average number of shares	Net income per share
\$500	126,771,121	\$nil	\$500	129,463,613	\$nil
Basic:			Diluted:		
Nine months ended September 30, 2020			Nine months ended September 30, 2020		
Net income	Weighted average number of shares	Net income per share	Net income	Weighted average number of shares	Net income per share
\$368	126,771,119	\$nil	\$368	128,295,133	\$nil
Nine months ended September 30, 2019			Nine months ended September 30, 2019		
Net income	Weighted average number of shares	Net income per share	Net income	Weighted average number of shares	Net income per share
\$883	126,740,920	\$0.01	\$883	129,463,613	\$0.01

The effects of dilution from 7,445,400 stock options (2019 - 7,445,400) and 3,100,000 (2019 - 3,100,000) warrants were included in the calculation of weighted average shares outstanding for diluted earnings per share for the three and nine months ended September 30, 2020 as they are dilutive.

6. Revenue

	Three Months ended September 30		Nine Months ended September 30	
	2020	2019	2020	2019
Revenues	\$ 10,167	\$ 16,183	\$ 31,216	\$ 46,917

Revenue for the three and nine months ended September 30, 2020, comprised truck and equipment sales \$9,601 and \$29,372 respectively (2019 - \$15,519 and \$44,392 respectively), parts and services \$453 and \$1,554 respectively (2019 - \$342 and \$1,772 respectively) and rental income \$113 and \$290 respectively (2019 - \$322 and \$753 respectively). During the nine months ended September 30, 2020, 28.9% (2019 - 28.8%) of truck sales was attributable to one customer.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three and nine months ended September 30, 2020

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

The table below shows geographical sales:

	Three Months ended September 30		Nine Months ended September 30	
	2020	2019	2020	2019
Canada	\$ 9,665	\$ 10,206	\$ 21,679	\$ 27,454
United States	328	5,977	9,363	19,463
China	174	-	174	-
	\$ 10,167	\$ 16,183	\$ 31,216	\$ 46,917

7. Cost of sales

	Three Months ended September 30		Nine Months ended September 30	
	2020	2019	2020	2019
Direct manufacturing costs	\$ 7,082	\$ 10,925	\$ 21,726	\$ 32,479
Indirect salaries and benefits	299	467	994	1,390
Indirect production costs	1,580	1,908	4,696	5,683
Wage subsidy	(468)	-	(880)	-
	\$ 8,493	\$ 13,300	\$ 26,536	\$ 39,552

Cost of sales as for the three and nine months ended September 30, 2020 includes Canada Emergency Wage Subsidy ("wage subsidy") of \$468 and \$880 respectively (2019 – \$nil for both periods).

8. Selling and general administrative expenses

	Three Months ended September 30		Nine Months ended September 30	
	2020	2019	2020	2019
Salaries and benefits	\$ 553	\$ 1,201	\$ 1,823	\$ 2,906
Selling, general and administrative expense	485	485	1,530	1,569
Wage subsidy	(206)	-	(471)	-
	\$ 832	\$ 1,686	\$ 2,882	\$ 4,475

Selling and general administrative expenses for the three and nine months ended September 30, 2020 includes wage subsidy of \$206 and \$471 respectively (2019 – \$nil for both periods).

9. Operating segments

TGHL has two operating segments; its North American manufacturing and sales operations and its China operation. It also has a Corporate segment which comprises expenses incurred at its head office in Calgary. The China operating segment is used principally to source certain parts to the North America segment.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three and nine months ended September 30, 2020

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

The tables below show the North America, China and Corporate segments for the three and nine months ended September 30, 2020 and 2019 respectively:

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
Total assets	\$	18,876	\$	681	\$	9,190	\$ 28,747
Total liabilities	\$	6,993	\$	2	\$	5,947	\$ 12,942
Capital Expenditures	\$	52	\$	-	\$	15	\$ 67

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
Total assets	\$	21,006	\$	3,484	\$	3,635	\$ 28,125
Total liabilities	\$	9,749	\$	295	\$	235	\$ 10,279
Capital Expenditures	\$	169	\$	-	\$	144	\$ 313

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
Total assets	\$	18,876	\$	681	\$	9,190	\$ 28,747
Total liabilities	\$	6,993	\$	2	\$	5,947	\$ 12,942
Capital Expenditures	\$	1,407	\$	-	\$	385	\$ 1,792

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
Total assets	\$	21,006	\$	3,484	\$	3,635	\$ 28,125
Total liabilities	\$	9,749	\$	295	\$	235	\$ 10,279
Capital Expenditures	\$	1,383	\$	-	\$	144	\$ 1,527

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three and nine months ended September 30, 2020

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

10. Property and equipment

Cost	M&E	Office Equip	Leaseholds	Rental Equipment and Vehicles	Land and Building (4)	Total
Balance, December 31, 2019	\$ 2,024	\$ 289	\$ 1,255	\$ 2,176	\$ -	\$ 5,744
Additions	247	123	-	1,037	6,202	7,609
Disposals	(6)	-	-	-	-	(6)
Reclassification to inventory (1)	-	-	-	(1,469)	-	(1,469)
Reclassification from inventory (2)	-	-	-	1,313	-	1,313
Impairment reversal (3)	-	-	-	174	-	174
Borrowing costs	-	-	-	-	3	3
Balance, September 30, 2020	\$ 2,265	\$ 412	\$ 1,255	\$ 3,231	\$ 6,205	\$ 13,368

Accumulated Depreciation

Balance, December 31, 2019	\$ 653	\$ 218	\$ 879	\$ 238	\$ -	\$ 1,988
Depreciation for the period	148	27	188	185	93	641
Reclassification to inventory (1)	-	-	-	(116)	-	(116)
Balance, September 30, 2020	\$ 801	\$ 245	\$ 1,067	\$ 307	\$ 93	\$ 2,513

Net book value

Balance, December 31, 2019	\$ 1,371	\$ 71	\$ 376	\$ 1,938	\$ -	\$ 3,756
Balance, September 30, 2020	\$ 1,464	\$ 167	\$ 188	\$ 2,924	\$ 6,112	\$ 10,855

- (1) During nine months ended September 30, 2020, two hydrovac trucks (2019 - nil) were reclassified from property and equipment to inventory and then subsequently sold and leased back from a third party. During nine months ended September 30, 2020, one hydrovac equipment (2019 - nil) and one hydrovac truck (2019 - nil) were reclassified from property and equipment to inventory and then subsequently sold to a third party.
- (2) During nine months ended September 30, 2020, five hydrovac equipment (2019 - nil) were reclassified from inventory to property and equipment.
- (3) During nine months ended September 30, 2020, one hydrovac truck in China (2019 - nil) that was fully impaired previously was sold.
- (4) During Q1 2020, the Company acquired a new manufacturing and production facility in Red Deer, Alberta. The land and building were recorded at fair value net of imputed borrowing costs relating to the associated mortgage. \$500 was paid toward the purchase price at closing. \$6,000 was financed by way of a vendor take back mortgage.

11. Lease liabilities

The Company's lease liabilities consist of leases relating to hydrovac trucks and equipment and leases relating to facilities and office equipment.

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%.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three and nine months ended September 30, 2020

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

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

Amounts due on the hydrovac truck leases, equipment lease and computer equipment 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 lease	(601)
	\$ 1,249

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

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

12. Mortgage payable

The mortgage payable relates to the Company's newly acquired manufacturing and production facility in Red Deer, Alberta. The Company paid an aggregate of \$500 toward the purchase price of \$6,500 ("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 payment due on February 1, 2021 and the balance of the principal due on July 1, 2021. The fair value of the mortgage payable was determined to be \$5,705 by discounting the principal payments at a market interest rate of 3.45%.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three and nine months ended September 30, 2020

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

As at January 1, 2020	\$	-
Fair value of mortgage exchanged for property		5,705
Add: accretion expense		50
Mortgage payable	\$	5,755

13. Term loan

As at September 30, 2020, the Company had one term loan classified as current as it is due on demand, bearing interest at a rate of 4.25% and repayable in monthly instalments of \$22, maturing August 2023 and secured by hydrovac equipment in the Company's rental equipment with a total net book value of \$970.

Amounts due on the term loan in the next five years are as follows:

2020	\$	65
2021		259
2022		259
2023		168
2024		-
Total minimum loan payments		751
Amount representing interest		(47)
	\$	704

14. Share capital

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

As at September 30, 2020 and December 31, 2019 there were 126,771,119 Common Shares outstanding. No shares were issued during 2020.

No dividends were declared during 2020. No options or warrants were granted or exercised during 2020.

15. Capital disclosure and management

TGHL does not have any externally imposed restrictions on its capital. TGHL considers its net free cash to be its capital and manages the amounts based upon the projected needs of its geographic operating segments. TGHL monitors these amounts to ensure there is adequate cash to support the North American operations and the planned expansion in China. Should the projected requirements not be fulfilled, TGHL expects to raise additional cash through either the issuance of additional equity, acquisition of additional debt, or a combination thereof. As at September 30, 2020 TGHL had \$4,508 cash which is expected to meet the budgeted requirements for the next 12 months.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three and nine months ended September 30, 2020

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

16. Related party transactions

- (a) During the three and nine months ended September 30, 2020, the Company's wholly-owned subsidiary Tornado Hydrovacs Asia Pacific Holdings Limited ("Tornado Asia") purchased hydrovac truck components of \$249 and \$500 respectively from Shanghai World Trade Resources Group Co. Ltd. ("ShanghaiCo") for the Company's North American Operations. During the three 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.

17. Cash flow changes from financing activities

Details of changes in financing activities for the nine months ended September 30, 2020 are as follows:

	January 1, 2020	Cash Flows	Non-cash changes		September 30, 2020
			Fair Value / Amortization	Change in Leases	
Lease liabilities	1,451	(326)	-	1,053	2,178
Term loans	-	704	-	-	704

18. Changes in non-cash working capital

	Nine months ended September 30	
	2020	2019
Accounts receivable	\$ (910)	\$ (554)
Inventory	4,269	(3,715)
Prepaid expenses and other assets	100	(141)
Accounts payable and accrued liabilities	(2,719)	1,593
Customer deposits	(39)	(19)
Current tax payable	(354)	142
	\$ 347	\$ (2,694)
Less: income taxes paid	(368)	(204)
Total change in non-cash working capital	\$ 715	\$ (2,490)