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 referred to as the "China Operation(s)") is supplemental to, and should be read in conjunction with the Company's consolidated financial statements and related notes as at December 31, 2020 and for the years ended December 31, 2020 and 2019.

The audited consolidated financial statements and accompanying notes of the Company for the year ended December 31, 2020 and 2019 have been prepared in conformity with International Financial Reporting Standards ("IFRS").

Certain information (namely revenues and cost of sales) have been restated in 2019 and 2018, as described in Note 2 to the December 31, 2020 audited consolidated financial statements. This restatement had no impact on gross profit or net income. See "Significant Accounting Policies". Certain other prior period amounts have been reclassified to conform with the current period presentation.

The 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".

Unless otherwise indicated, a reference to a year relates to TGHL's fiscal year ended December 31. 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 April 29, 2021, 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, non-cash impairment and stock-based compensation), "Gross Profit" (revenue less cost of sales), "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 audited consolidated financial statements. EBIT is the result of the Company's EBITDAS less depreciation and amortization expenses, gains and losses on the disposal of assets, non-cash impairment 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, Gross Profit and Funds from Operating Activities may differ from those definitions used by other companies.

While not IFRS measures, EBITDAS, EBIT, Gross Profit 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, Alberta (the "Red Deer Facility" and Stettler, Alberta (the "Stettler Facility") 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.

2020 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 the Stettler Facility in June 2021, the Company made the strategic decision to acquire the Red Deer Facility, Alberta, Canada. This acquisition closed on February 3, 2020.

- Revenue of $30,832, decreased 37.8% compared to $49,598 in 2019. The Company's revenue was negatively impacted by COVID-19 from March 2020 onward.

- Gross profit of $5,275, decreased by $4,030 compared to $9,305 in 2019 due to decreased revenue from the North American Operations, offset by recoveries from the Canada Emergency Wage Subsidy (the "wage subsidy"). Gross profit was positively impacted by the increased benefits from cost savings on parts sourced from China during the year.

- EBITDAS of $1,124, decreased by $2,106 compared to $3,230 in 2019, due to decreased revenues and gross profit in North America, offset by the wage subsidy of $1,936.

- Net loss of $667, decreased by $967 compared to a net loss of $1,634 in 2019. This was due to the factors discussed above, offset by a decrease in income tax expense related to the North American Operations of $676 and a gain on impairment reversal related to the China Operations of $152. In 2020, an impairment reversal of $108 was recorded compared to an impairment write-down of $2,242 for 2019.

- During 2020, hydrovac truck parts sourced by Tornado China were sent to Canada for the production of hydrovac trucks.

Q4/2020 Overview

- The North American Operations continued to be negatively affected by COVID-19 during Q4/2020. This is discussed in more detail in the "Outlook" section of this MD&A.

- Revenue of $5,186, decreased 56.3% compared to $11,854 in Q4/2019 reflecting the negative impact of COVID-19.

- Gross profit of $681, decreased by $1,461 compared to $2,142 in Q4/2019 due to decreased revenue from the North American Operations, offset by the wage subsidy.

- EBITDAS of negative $588, decreased by $1,202 compared to positive $614 in Q4/2019, due to decreased revenues and gross profit in North America.

- Net loss of $1,035 decreased by $1,482 compared to a net loss of $2,517 in Q4/2019. This was due to the factors discussed above, offset by a decrease in income tax expense related to the North American Operations of $222. An impairment write-down of $66 was recorded in Q4/2020 compared to an impairment write-down of $2,242 in Q4 2019.

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

Selected Financial Information

	Three Months ended December 31			Year ended December 31		
	2020	**2019**	2018	**2020**	**2019**	2018
Revenue	**$ 5,186**	**$ 11,854**	$ 9,329	**$ 30,832**	**$ 49,598**	$ 31,341
Cost of sales	**4,505**	**9,712**	8,068	**25,557**	**40,293**	25,537
Gross Profit	**681**	**2,142**	1,261	**5,275**	**9,305**	5,804
Selling and general administrative expenses	**1,269**	**1,600**	1,373	**4,151**	**6,075**	5,418
Depreciation of property and equipment	**295**	**606**	143	**1,176**	**1,248**	585
Amortization of intangible assets	**166**	**166**	178	**593**	**608**	574
Impairment write-down (reversal)	**66**	**2,242**	-	**(108)**	**2,242**	-
Stock-based compensation	**-**	**68**	51	**-**	**129**	256
Finance income	**-**	**(80)**	4	**-**	**-**	(33)
Finance costs	**51**	**60**	14	**168**	**144**	50
Accretion expense	**92**	**-**	-	**142**	**-**	-
Other	**1**	**(1)**	(13)	**2**	**(1)**	4
Loss before tax	**(1,259)**	**(2,519)**	(489)	**(849)**	**(1,140)**	(1,050)
Income tax recovery (expense)	**224**	**2**	(41)	**182**	**(494)**	(273)
Net loss	**$ (1,035)**	**$ (2,517)**	$ (530)	**$ (667)**	**$ (1,634)**	$ (1,323)
Comprehensive loss	**$ (976)**	**$ (2,924)**	$ (406)	**$ (161)**	**$ (2,098)**	$ (1,156)
Net loss per share - basic and diluted	**(0.008)**	**$ (0.020)**	$ (0.004)	**($0.005)**	**$ (0.013)**	$ (0.010)
Total non-current financial liabilities	**$ 1,089**	**$ 808**	$ 700	**$ 1,089**	**$ 808**	$ 700
Total assets	**$ 27,626**	**$ 23,830**	$ 25,093	**$ 27,626**	**$ 23,830**	$ 25,093

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

Segmented Information

Year ended December 31, 2020	**North America**	**China**	**Corporate**	**Total**
Revenue	**$ 30,832**	**$ -**	**$ -**	**$ 30,832**
Cost of sales	**25,557**	**-**	**-**	**25,557**
Selling and general administrative	**2,988**	**561**	**602**	**4,151**
	2,287	**(561)**	**(602)**	**1,124**
Depreciation and amortization	**1,034**	**5**	**730**	**1,769**
Impairment write-down (reversal)	**44**	**(152)**	**-**	**(108)**
Loss on disposal of fixed assets	**1**	**-**	**-**	**1**
Income (loss) before other items	**$ 1,208**	**$ (414)**	**$ (1,332)**	**$ (538)**

Year ended December 31, 2019	North America	China	Corporate	Total
Revenue	$ 49,598	$ -	$ -	$ 49,598
Cost of sales	40,293	-	-	40,293
Selling and general administrative	4,389	1,032	654	6,075
	4,916	(1,032)	(654)	3,230
Depreciation and amortization	1,120	119	617	1,856
Impairment write-down	14	1,642	586	2,242
Income (loss) before other items	$ 3,782	$ (2,793)	$ (1,857)	$ (868)

Operating Results

	Three months ended December 31		**Year ended December 31**	
	2020	2019	**2020**	2019
Revenues	**$ 5,186**	$ 11,854	**$ 30,832**	$ 49,598
Gross profit	**681**	2,142	**5,275**	9,305
Gross profit %	**13.1%**	18.1%	**17.1%**	18.8%
EBITDAS	**(588)**	614	**1,124**	3,230
EBITDAS %	**(11.3%)**	5.2%	**3.6%**	6.5%
EBIT	**(1,116)**	(2,601)	**(538)**	(997)
EBIT %	**(21.5%)**	(21.9%)	**(1.7%)**	(2.0%)
Net loss	**$ (1,035)**	$ (2,517)	**$ (667)**	$ (1,634)

The Gross Profit relates to the North American Operations. For the year ended December 31, 2020, Gross Profit of $5,275 decreased 43.3% compared to the same period in 2019. This decrease was due to decreased revenue from the North American Operations, offset by recoveries from the wage subsidy and benefits from cost savings on parts sourced from China. Gross margin percentage in Q4 2020 was negatively by the decreased revenue.

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 Red Deer Facility once it is fully operational in 2021. Production at the Stettler Facility was reduced by approximately 60% for Q3 and Q4 of 2020 and for Q1 2021. As at December 31, 2020, approximately 20% of the Company's employees had been permanently laid off.

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.

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

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 2021, 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 especially with respect to the impact of the roll out of vaccinations in the United States and Canada. 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 expects that the Company's access to government support currently available will be reduced or eliminated.

COVID-19 may also continue to 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, the Company expects its 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 in North America, particularly in the US as a result of recently announced proposed infrastructure programs, is anticipated post COVID-19 to support the market demand of hydrovac trucks in North America.
- Management believes the Company's commitment to continuous improvement of its hydrovac truck design 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.
- Manufacturing and production efficiencies from the Red Deer Facility, which is expected to become fully operational in mid 2021.
- Management anticipates the continued expansion of parts and services business in the Red Deer Facility.
- 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.

Revenue

	Three Months ended December 31		Year ended December 31	
	2020	2019	**2020**	2019
Revenues	**$ 5,186**	$ 11,854	**$ 30,832**	$ 49,598

During the year ended December 31, 2020, revenues were $30,832 compared to $49,598 in the same period of 2019. The decrease over the same period in 2019 reflects the negative impact of COVID-19 since March 2019.

During the three months ended December 31, 2020, revenues were $5,186 compared to $11,854 in the same period of 2019. The decrease over the same period in 2019 was due to the same factors discussed above.

The table below shows the geographical sales:

	Three Months ended December 31		Year ended December 31	
	2020	2019	**2020**	2019
Canada	**$ 3,703**	$ 3,781	**$ 19,986**	$ 22,062
United States	**1,483**	8,073	**10,846**	27,536
	$ 5,186	$ 11,854	**$ 30,832**	$ 49,598

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

Cost of sales

	Three Months ended December 31		Year ended December 31	
	2020	2019	**2020**	2019
Cost of Sales	**$ 4,505**	$ 9,712	**$ 25,557**	$ 40,293

For the year ended December 31, 2020, cost of sales was $25,557 compared to $40,293 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 in the amount of $1,206.

For the three months ended December 31, 2020, cost of sales was $4,505 compared to $9,712 in the same period of 2019. The decrease over the same period in 2019 was due to the same factors discussed above.

Gross Profit

	Three Months ended December 31		Year ended December 31	
	2020	2019	**2020**	2019
Gross Profit	**$ 681**	$ 2,142	**$ 5,275**	$ 9,305

Gross profit relates to the North American Operations and includes benefits from cost savings on parts sourced from China.

For the year ended December 31, 2020, Gross Profit was $5,275 compared to $9,305 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 December 31, 2020, the gross profit was $681 compared to $2,142 in the same period of 2019. The decrease in gross profit was due to the same factors discussed above.

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

	Three Months ended December 31		Year ended December 31	
	2020	2019	**2020**	2019
Selling and General and Administrative expense	**$ 1,269**	$ 1,600	**$ 4,151**	$ 6,075

For the year ended December 31, 2020, S,G&A expenses were $4,151 (comprising of $2,988 in North America, $561 in China and $602 in Corporate) compared to $6,075 (comprising $4,389 in North America, $1,032 in China and $654 in Corporate) in the same period of 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 in the amount of $730.

For the three months ended December 31, 2020, S,G&A expenses were $1,269 (comprising of $789 in North America, $226 in China and $254 in Corporate) compared to $1,600 (comprising $1,126 in North America, $312 in China and $162 in Corporate) in the same period of 2019. The overall decrease was principally due to the same factors discussed above.

Depreciation of property and equipment

	Three Months ended December 31		Year ended December 31	
	2020	2019	**2020**	2019
Depreciation	**$ 295**	$ 606	**$ 1,176**	$ 1,248

For the year ended December 31, 2020, depreciation of property and equipment was $1,176 (2019 - $1,248), the majority of which related to the North American Operations.

During the three months ended December 31, 2020, depreciation of property and equipment was $295 (2019 - $606), the majority of which related to the North American Operations.

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

Impairment write-down (reversal)

	Three Months ended December 31		Year ended December 31	
	2020	**2019**	**2020**	2019
Impairment write-down (reversal)	**$ 66**	**$ 2,242**	**$ (108)**	$ 2,242

During the 3 month period ended December 31, 2020, a $44 impairment write down was recorded related to the Company's laser shop facility in Calgary, Canada. During the year ended December 31, 2020, a $152 gain on impairment reversal was recorded related to sale of a hydrovac truck in China that was previously fully impaired.

Effective December 31, 2019, an impairment assessment was performed with respect to the Company's property and equipment located in China ("PE in China") and the related development costs. The assessment considered, among other things, the Company's historical success in marketing its equipment, historical cash flows, market assessment of the Company's products, the impact of COVID-19, and the likelihood of recovering costs from future cash flows. The conclusion was reached that an impairment write-down was required and as a result, an impairment write-down was recorded on PE in China of $1,656 and on intangible assets of $586.

Amortization of intangible assets

	Three Months ended December 31		Year ended December 31	
	2020	2019	**2020**	2019
Amortization of intangible assets	**$ 166**	$ 166	**$ 593**	$ 608

During the year ended December 31, 2020, amortization of intangible assets was $593 (2019 - $608). 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 December 31, 2020, amortization of intangible assets was $166 (2019 - $166).

Accretion Expense

	Three Months ended December 31		Year ended December 31	
	2020	2019	**2020**	2019
Accretion expense	**$ 92**	$ -	**$ 142**	$ -

Accretion expense for the three months and year ended December 31, 2020 related to the Company's mortgage on the Red Deer Facility.

Stock based compensation

	Three Months ended December 31		Year ended December 31	
	2020	**2019**	**2020**	2019
Stock Based Compensation	**$ -**	**$ 68**	**$ -**	$ 129

For the three months and year ended December 31, 2020, stock-based compensation expense was $nil since all stock options fully vested in November 2019. The 2019 expense resulted from expensing the Company's outstanding stock options granted in November 2017 over their vesting periods. No options were granted in 2020 or 2019.

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

Income tax expense (recovery)

	Three Months ended December 31		Year ended December 31	
	2020	2019	**2020**	2019
Current income tax expense (recovery)	**$ (293)**	$ 57	**$ (279)**	$ 428
Deferred income tax expense (recovery)	**69**	(59)	**97**	66
	$ (224)	$ (2)	**$ (182)**	$ 494

For the year ended December 31, 2020, the Company recorded income tax recovery of $182 compared to expense of $494 in the same period of 2019 principally due to tax loss in the Company's North American Operations

For the three months ended December 31, 2020, the Company recorded income tax recovery of $224 compared to recovery of $2 in the same period of 2019 due to the same factors discussed above.

Net loss

	Three Months ended December 31		Year ended December 31	
	2020	2019	**2020**	2019
Net loss	**$ (1,035)**	$ (2,517)	**$ (667)**	$ (1,634)

For the year ended December 31, 2020, net loss was $667 compared to a net loss of $1,634 in the same period of 2019. The decrease in loss was principally due to decreased gross profit in North America, offset by recoveries from the wage subsidy and a decrease in income tax expense related to the North American Operations. In 2020, a $108 impairment reversal was recorded compared to an impairment write-down of $2,242 in 2019 related to property and equipment in China and the related intangible property.

For the three months ended December 31, 2020, net loss was $1,035 compared to a net loss of $2,517 in the same period of 2019. The decrease was due to the factors discussed above.

Inventory

	As at December 31	
	2020	2019
Work-in-process	**$ 2,076**	$ 4,863
Raw materials	**4,459**	6,014
Finished goods	**1,745**	506
	$ 8,280	$ 11,383

As at December 31, 2020, inventory decreased to $8,280 compared to inventory of $11,383 as at December 31, 2019. The decrease in raw materials and work-in-process was due to decreased activity level. Finished goods inventory consists of mobile hydrovac unit and five (2019 – one) hydrovac trucks in North America.

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

Quarterly Financial Information

	2020	2020	2020	2020	2019	2019	2019	2019
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	$	$	$	$	$	$	$	$
Revenue	$ 5,186	$ 7,404	$ 6,405	$ 11,838	$ 11,854	$ 13,575	$ 13,411	$ 10,758
EBITDAS	(588)	800	572	340	614	1,168	1,033	415
Net income (loss)	(1,035)	349	128	(109)	(2,517)	500	501	(118)
Comprehensive income (loss)	(976)	340	80	395	(2,924)	472	444	(90)
Net income (loss) per share - basic and diluted	$ (0.008)	$ 0.003	$ 0.001	$ (0.001)	$ (0.020)	$ 0.004	$ 0.004	$ (0.001)

Notes:

(1) Quarterly information has been prepared in conformity with IFRS.
(2) Due to rounding, year to date numbers may round differently.
(3) Prior period revenues have been restated to reflect the change in accounting treatment discussed under "Significant Accounting Polices". This has no impact on EBITDAS or net income.

Factors That Have Caused Variations over the Quarters

In Q4/2020, revenue decreased compared to Q3/2020 as a result of reduced hydrovac trucks production and delivery in December 2020. In Q3/2020, revenue increased compared to Q2/20 as a result of increased demand for hydrovac trucks in North America. In Q2/2020 and Q1/2020, revenue decreased compared to Q4/2019 as a result of the impact of COVID-19. 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 in Q2/19 and Q3/2019 due to the continuing improvement in the hydrovac market equipment demand in North America.

In Q4/2020, EBITDAS decreased compared to Q3/2020 due to decreased revenue and gross profit. In Q3/2020, EBITDAS increased compared to Q2/2020 due to increased revenue. In Q2/2020 and Q1/2020, EBITDAS decreased compared to Q4/2019 and Q3/2019 due to the impact of COVID-19 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 Q4/2020, net income (loss) decreased compared to Q3/2020 principally due to decreased revenue and gross profit. In Q3/2020, net income increased compared to Q2/2020 principally due to increased revenue and gross profit and an impairment reversal. 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. Net income decreased in Q4/2019 due to the factors discussed above, plus an impairment write-down of $2,242. Net income for Q2/2019 and Q3/2019 increased due to increased revenue and gross profit in the North American Operations.

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

Funds from Operating Activities (1)

	Year ended December 31	
	2020	2019
Cash from operating activities	**$ 1,473**	$ 3,549
Change in tax recoverable	**(197)**	(3)
Income taxes paid	**370**	204
Changes in non-cash working capital	**806**	294
Funds from operating activities	**$ 2,452**	$ 4,044

Note:

(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.

For the year ended December 31, 2020, the Company generated $2,452 of funds from operating activities compared to $4,044 in the same period of 2019. The decrease was principally due to decreased revenue and gross profit..

Liquidity and Capital Resources

Liquidity

The Company had working capital of $2,737 as at December 31, 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 matures on July 1, 2021. Included in working capital is cash of $2,000. The Company is currently in discussions with potential lenders with respect to refinancing the mortgage.

For the year ended December 31, 2020, TGHL's operations generated $2,452 of cash, compared to $4,044 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 revenue and gross profit.

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 and China Operations. 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. 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.

Subsequent Event

In February 2021, the Company granted incentive stock options for the purchase of 1,300,000 common shares at an option price of $0.23.

Capital Expenditures

During the year ended December 31, 2020, the Company incurred cash capital expenditures of $1,935 (comprising of $1,900 in property and equipment and $35 in intangible assets) compared to $2,274 (comprising of $1,870 in property and equipment and $404 in intangible assets) in the same period of 2019. The increase was relating principally to hydrovac trucks and equipment for rental market acquired in North America.

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

On February 3, 2020 the Company closed the purchase of the Red Deer Facility, an approximately 63,500 square foot facility built on approximately 17 acres of land located in Red Deer, Alberta, 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 Red Deer Facility for the balance of the Purchase Price. In January 2021, the Company paid another $500 principal payment and the balance of the principal is due on July 1, 2021. The acquisition of the Red Deer Facility was necessary as the Company's lease the Stettler Facility will expire on June 30, 2021 and the Company's long term production demands have out-grown the capacity of the Stettler Facility and demand for even more production capacity is expected to be needed going forward.

Contractual Obligations and Commitments

Lease Obligation

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

As at December 31, 2020, the Company had 6 (2019 – 3) hydrovac truck leases, 1 equipment lease (2019 – 1) and 3 computer equipment leases (2019 - 2), repayable in monthly installments totaling of $54 (2019 - $27) with final installments totaling $131 (2019 - $27), bearing interest at rates between 2% and 9%.

As at December 31, 2020, the Company had $243 lease liabilities relating to the Stettler Facility and premises in Calgary. The lease for the Stettler Facility expires on June 30, 2021.

	Year ended December 31	
	2020	2019
Leases obligation	**$ 1,815**	$ 1,451
Less: current portion of lease obligations	**(726)**	(643)
	$ 1,089	$ 808

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

2021	**$ 826**
2022	**607**
2023	**405**
2024	**177**
2025	**-**
Total minimum lease payments	**2,015**
Amount representing interest	**(200)**
	1,815
Less current portion of lease	**(726)**
	$ 1,089

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

Off Balance Sheet Arrangements

As of the date hereof, the Company does not have any 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 at December 31, 2020, April 29, 2021 and December 31, 2019, there were 126,771,119 Common Shares outstanding.

No dividends were declared during 2020.

Common Share Purchase Warrants

As of December 31, 2020 and April 29, 2021 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 2020.

Stock Options

As of December 31, 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 1.9 years. 7,445,400 stock options were exercisable at a weighted average exercise price of $0.11. No stock options were granted during 2020.

On February 5, 2021, 1,300,000 stock options were granted at an exercise price of $0.23. As of April 29, 2021 there are 7,445,400 stock options outstanding with a weighted average exercise price of $0.13 and weighted average remaining contractual life of 2.1 years.

Related Party Transactions

Transactions between the Company and related parties during the year ended December 31, 2020 comprised the following:

During the year ended December 31, 2020, Tornado Asia purchased hydrovac truck components of $2,590 from Shanghai World Trade Resources Group Co. Ltd. ("ShanghaiCo") for the Company's North American Operations and advanced $386 to ShanghaiCo for the purchase of upcoming components. During the year ended December 31, 2020, Tornado Asia incurred a service fee of $128 payable to ShanghaiCo that equals to 5% of the value of the components purchased by ShanghaiCo on its behalf. As at December 31, 2020, TGHL had a net receivable of $76 from ShanghaiCo.

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

These transactions were in the normal course of operations and are measured at the amount of consideration agreed to by the parties.

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

Reconciliation of Loss before taxes to EBITDAS

Reconciliation of income (loss) to EBITDAS

	Year ended December 31	
	2020	2019
Income (Loss) before taxes	$ **(849)**	$ (1,140)
Add: Depreciation and amortization	**1,769**	1,856
Add: Impairment write-down (reversal)	**(108)**	2,242
Add: Accretion expense	**142**	-
Add: Finance costs	**168**	144
Add: Changes in fair value in derivatives	**1**	(1)
Add: Stock based compensation	**-**	129
Deduct: Gain on disposal of fixed assets	**1**	-
EBITDAS	$ **1,124**	$ 3,230
% of revenue	**3.6%**	6.5%

Calculation of EBIT

	Year ended December 31	
	2020	2019
EBITDAS	$ **1,124**	$ 3,230
Less: Stock based compensation	**-**	(129)
Less: Depreciation and amortization	**(1,769)**	(1,856)
Less: Loss on disposal of fixed assets	**(1)**	-
Less: Impairment write-down	**108**	(2,242)
EBIT	$ **(538)**	$ (997)
% of revenue	**(1.7%)**	(2.0%)

Calculation of Gross Profit

	Year ended December 31	
	2020	2019
Revenues	$ **30,832**	$ 49,598
Cost of sales	**25,557**	40,293
Gross profit	$ **5,275**	$ 9,305
% of revenue	**17.1%**	18.8%

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, loans payable 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, are discussed under "Risks and Uncertainties".

The Company may use foreign exchange contracts to hedge its US dollar ("USD") revenues. As at December 31, 2020, the Company had no USD forward 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 judgements used by the Company can be found in Note 3 to the December 31, 2020 consolidated audited annual financial statements.

Significant Accounting Policies

During 2020, the Company reassessed the facts used in applying judgement in assessing whether it acts as principal or agent under its contracts with customers where it is responsible for sourcing a component of its hydrovac trucks. Based on this reassessment of facts, the Company has concluded that it acts as agent rather than principal for this component. The effect of this adjustment on the year ended December 31, 2019 is a reduction to both revenue and cost of sales of $10.8 million. The 2019 comparative figures presented in the MD&A have accordingly been restated; there was no effect on basic or diluted net loss per share for the year ended December 31, 2019.

Risks and Uncertainties

Operating Results

TGHL's business requires significant financial resources, and there is no assurance that future revenues will be sufficient to generate the funds required to continue TGHL's business development and marketing activities. In certain markets, the Company competes with local, regional, national and international companies for sales. Management believes it has developed systems, policies, and procedures to mitigate this risk in the North American market. The Company currently has no revenue in the Chinese market, and there is no assurance that any will develop.

Liquidity Requirements

The Company requires significant amounts of working capital in order to be able to operate. The Company's sales in North America are primarily based upon negotiated prices and while customer deposits are sometimes obtained, payment is generally received upon delivery of the finished hydrovac truck. In order to satisfy customer demand on a timely manner, TGHL endeavors to have stock hydrovac trucks available for immediate purchase, which requires an investment of capital.

The Company's ability to obtain additional capital is a significant factor in achieving its strategy of expansion in the North American market. There can be no assurance that the current working capital of TGHL and future operating cash flow will be sufficient to enable it to implement all of its objectives. Furthermore, any credit contraction in the world's financial markets may limit the Company's ability to access credit in the event that it identifies a potential acquisition or other business opportunity that would require a significant investment in resources. There can be no assurance that if and when TGHL seeks equity or debt financing, it will be able to obtain the required funding on favorable commercial terms, or at all. Any such future financing may also result in additional dilution to existing shareholders.

TGHL requires sufficient financing to fund its operations. Failure to obtain financing on a timely basis could cause missed acquisition opportunities, delays in expansion and may also impact ongoing operations.

Credit Risk

Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfill their commitments to the Company. Notwithstanding the Company's current credit policies and practices, there can be no assurance that customers will remain able to fulfill their commitments to the Company which may have an adverse effect on the Company's financial performance.

Interest Rate Risk

Fluctuations in interest rates will affect that portion of the Company's debt that is subject to variable interest rates, and will also affect the prices for other financial instruments. Such fluctuations could have an adverse effect on the Company's financial performance.

Foreign Exchange Risk

Rapid currency fluctuations can have a significant impact on un-hedged non-Canadian dollar denominated sales and raw material costs. To mitigate this risk the Company may enter into forward contracts to sell USD. See also, "*Risks Associated* *with Sales to the US and Operations in China – Currency Risk*".

Cost of Raw Materials

The principal cost of raw materials is chassis, mechanical components, and tanks and other steel components. These supply and pricing arrangements are negotiated directly with vendors in supply agreements of varying duration. TGHL mitigates its risk, to the extent possible, through contracted buying arrangements or limitations on the length of time that bids can remain outstanding prior to acceptance. Volatility in raw material costs may negatively impact margins and therefore the company's future results of operations or financial position.

Competitive Market in North America

Due to the competitive nature of the business in North America, the Company must compete on price and quality of its hydrovac trucks. Delivery time is also an important consideration for customers, meaning that having a finished goods inventory of hydrovac trucks gives the Company a competitive advantage. There can be no assurance that the Company will have the financial capacity to maintain a sufficient finished goods inventory in North America.

Global Economic Environment – Pandemic

In December 2019, COVID-19 surfaced in China. The outbreak spread throughout the world including Canada and the US, causing companies and various international jurisdictions to impose restrictions, such as quarantines, closures, cancellations and travel restrictions. While these effects are expected to be temporary and the impact of vaccines has yet to be fully assessed, the duration of the business disruptions internationally and related financial impact cannot be estimated at this time with any reasonable certainty. At this point, the extent to which the COVID-19 may impact the Company's results is uncertain, however, it is possible that the Company's consolidated results in 2021 and thereafter may be negatively impacted by this event. The impacts of the outbreak are unknown and rapidly evolving.

The Company sources certain components for its hydrovac trucks from suppliers and manufacturers in China. In late 2019 and throughout 2020, the pandemic resulted in the extended shutdown of certain businesses throughout China, which may result in continued disruptions or delays to the Company's supply chain. These may include disruptions from the temporary closure of third-party supplier and manufacturer facilities, interruptions in product supply or restrictions on the export or shipment of our products. Any disruption of the Company's suppliers and their contract manufacturers may impact the Company's ability to manufacture the Company's products as cost-effectively as possible and may likely impact operating results. The outbreak of COVID-19 may also impact customer demand, the availability of components sourced from China, logistics flows and the availability of other resources to support operations in the Asia Pacific region.

A local, regional, national or international outbreak of a contagious disease, including, but not limited to, COVID-19, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu or any other similar illness, or a fear of any of the foregoing, could adversely impact the Company by causing operating, manufacturing supply chain, and project development delays and disruptions, labour shortages, travel and shipping disruption and shutdowns (including as a result of government regulation and prevention measures). If the Company is unable to mitigate the impacts of the COVID-19 outbreak on its operations, it may be unable to fulfill its product delivery obligations to customers, its costs may increase, and its revenue and margins could decrease. It is unknown whether and how the Company may be affected if such an epidemic persists for an extended period of time. A widespread health crisis could adversely affect the global economy, resulting in an economic downturn that could impact demand for the Company's products.

In 2020, COVID-19 has had a material adverse impact on the Company's operations. However, the future impact of the outbreak is highly uncertain and cannot be predicted, and there is no assurance that the outbreak will not have a material adverse impact on the future results of the Company. The extent of the impact, if any, will depend on future developments, including actions taken to contain COVID-19.

Other Global Economic Environment Risks

Economic downturns have demonstrated that businesses and industries throughout the world are very tightly connected to each other. Thus, events seemingly unrelated to TGHL may adversely affect TGHL over the course of time. For example, a credit contraction in the financial markets, combined with reduced economic activity, may adversely affect economic activity of businesses in North America that collectively are expected to constitute a significant portion of TGHL's customer base. As a result, these customers may need to reduce their purchases of TGHL's products or services, or TGHL may experience greater difficulty in receiving payment for the products or services that these customers purchase from TGHL. Any of these events, or any other events caused by turmoil in the world financial markets, may have a material adverse effect on TGHL's business, operating results, and financial condition.

Change in Demand

TGHL has largely expanded its business into the municipal market in both Canada and the US. A decrease in demand from the infrastructure development could negatively impact TGHL's business and performance. Particularly in western Canada, demand for TGHL's products and services tends to fluctuate directly with oil and gas related production and construction activity. This in turn strongly correlates with the price of oil. A decline in the demand for TGHL's products can occur if deteriorating economic conditions reduce these economic activities, which would have an adverse effect on TGHL's business, results of operations, and financial condition.

Reliance on Key Personnel

The business activities of TGHL involve a certain degree of risk that even a combination of experience, knowledge and diligence may not be able to overcome. Shareholders must rely on the ability, expertise, judgement, direction and integrity of the management of TGHL. Success will be dependent on the services of a number of key personnel, including its executive officers and other key employees, the loss of any one of whom could have an adverse effect on its operations and business prospects. TGHL feels that by being a publicly traded company it will have more flexibility than its private competitors to implement attractive incentive plans for key employees to attract and retain the necessary employees.

Safety

TGHL is exposed to liabilities that are unique to the services that TGHL provides. Such liabilities may relate to an accident or incident involving one of TGHL's hydrovac trucks or damage to equipment or property caused by one of TGHL's hydrovac trucks and could result in damage claims against the Company. The amount of TGHL's insurance coverage may not be adequate to cover potential claims or liabilities and TGHL may be forced to bear substantial costs as a result of one or more accidents. Substantial claims resulting from mechanical failure, in excess of its related insurance coverage, could harm TGHL's financial condition and operating results. Moreover, any accident or incident involving TGHL, even if TGHL is fully insured or not held liable, could negatively affect TGHL's reputation among customers and the public, thereby making it more difficult for TGHL to compete effectively, and could significantly affect the cost and availability of insurance in the future.

Environment/Regulatory

Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increasing capital expenditures and operating costs. No assurance can be given that environmental laws will not result in an increase in the costs of TGHL's activities or otherwise adversely affect its financial condition, results of operations or prospects.

TGHL maintains insurance consistent with industry practice to protect against losses due to sudden and accidental environmental contamination, accidental destruction of assets, and other operating accidents or disruption. TGHL also has operational and emergency response procedures, and safety and environmental programs in place to reduce potential loss exposure. TGHL believes that it is in substantial compliance, in all material respects, with all current environmental legislation and is taking such steps as it believes are prudent to ensure that compliance will be maintained.

Litigation

Legal proceedings may arise from time to time in the course of TGHL's business. All industries, including the hydrovac industry, are subject to legal claims, with and without merit. Such legal claims may be brought against TGHL or one or more of its subsidiaries in from time to time. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, such process could take away from management time and effort and the resolution of any particular legal proceeding to which TGHL may become subject to could have a material effect on TGHL's financial position and results of operations.

Lease and Other Agreements

From time to time the Company may enter into agreements to lease certain equipment in the Company's inventory to customers or to sublease certain equipment to customers that the Company has leased from third parties. Such lease arrangements will be subject to terms and conditions negotiated by the Company and the customer which may include short lease termination provisions. Any such lease arrangements may, depending on the number of leases and the value of such leases, be material to the Company's financial performance. To the extent that such leases are terminated with short notice to the Company, the Company's financial performance may be materially negatively impacted. As at the date hereof, the Company is not reliant on any agreement for the lease of vehicles to a customer for a material amount of the Company's cash flow and no such lease agreements are otherwise material to the Company's operations.

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, 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.

Risks Associated with Sales to the US and Operations in China

General Description

The Company conducts business on an international basis, with sales from its Canadian manufacturing facilities to customers in the US and part sourcing operations in China, which have inherent unique risks and uncertainties including:

- burdens to comply with multiple and potentially conflicting foreign laws and regulations, including export requirements, tariffs and other barriers, environmental health and safety requirements and unexpected changes in any of these laws and regulations;
- to the extent cash is held outside of North America, the Company's repatriation of such cash may be subject to the approval of foreign governments and to the potentially adverse impact of foreign and domestic tax laws as well as changes in foreign exchange or capital controls;
- political and economic instability and disruptions, including the imposition of political and economic sanctions that could adversely affect the profitability of sales into the US and the operations in China;
- disadvantages of competing against companies that are not subject to Canadian laws and regulations, including the *Corruption of Foreign Officials Act* (Canada);
- complexity and costs of managing operations in China due to time zone differences and local language capabilities;
- increased challenges in protecting and enforcing intellectual property rights, particularly in China;
- potentially adverse tax consequences due to overlapping or differing tax structures or changes in tax rates; and
- fluctuations in currency exchange rates.

To the Company's knowledge, it holds all material permits and licenses and is in compliance with all material applicable laws and regulations in China.

The Company's operations in China and sales into the US are subject to a number of unique risks including trade barriers, exchange controls and restrictions on currency conversion, political risks or increased duties, taxes and tariffs, as well as changes in laws, regulations and policies governing operations in China and sales into the US such as embargos. Despite the activity and progress in developing its legal system, China does not have a system of laws as comprehensive and predictable as in Canada.

China currently imposes foreign exchange controls and restrictions on currency conversion. In order to move money in or out of China, the Company must comply with strict rules and procedures imposed by the Chinese government, including timely reporting requirements and the provision of supporting documentation to the requisite authorities in order to obtain the necessary approvals. To date, the Company has not had to repatriate funds from its operations in China, however, the Company could be adversely affected by changes in foreign exchange, capital control or other laws, regulations or policies, or changes in the interpretation thereof, which could restrict its continued ability to do so. Should there be any unexpected delays in processing these requests or any failure to receive the requisite approvals, this could adversely affect the Company's liquidity and its ability to plan for its future liquidity needs.

Political instability in either China or the US could have a material adverse effect on the Company. The Chinese government exercises significant control over China's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatment to particular industries or companies. Political instability could result in changes to the laws and regulations affecting the Company and for the reasons noted above, may have a material adverse effect on the Company's operations in China.

Currency Risk

The Company's financial results are reported in Canadian dollars ("CAD"), which is subject to fluctuations of the currencies of the countries in which the Company operates. The Company also holds cash in Renminbi in China. Management expects revenues to continue to be earned in both CAD and USD. Accordingly, fluctuations in the exchange rates of world currencies could have a positive or negative effect on reported results on a consolidated basis. Given the constantly changing currency exposures and the substantial volatility of currency exchange rates, the Company cannot predict the effect of exchange rate fluctuations on the Company's future operating results. There can be no assurance that the Company will not experience losses in the future from currency devaluations or fluctuations in exchange rates, which could have a material adverse effect on the business, revenues, operating results and financial condition of the Company. In the event of a change in the value of the USD relative to the CAD or the Renminbi relative to the CAD, there is no assurance, due to competitive pressure, of a corresponding change in selling prices of the Company's products. The Company exports a significant portion of its products produced in Canada to the US. These exports are invoiced and paid for primarily in USD. The Company from time to time may hedge its USD receivables to protect against currency risk.

Changes in Tax Laws

The introduction of new tax laws, regulations or rules, or changes to, or differing interpretation of, or application of, existing tax laws, regulations or rules in Canada, the US or China, could result in an increase in the Company's taxes, or other governmental charges, duties or impositions. In addition, the Company is eligible, from time to time, for certain tax incentives in various jurisdictions in which it operates, which are subject to change and/or expiry. No assurance can be given that new tax laws, rules or regulations will not be enacted or that existing tax laws will not be changed, interpreted or applied in a manner that could result in the Company's profits being subject to additional taxation or that could otherwise have a material adverse effect on the Company.

Conditions in China

General

The Company's subsidiaries, Tornado China and Tornado Asia, operate and have assets in China. As a result the Company is vulnerable to the political, economic and legal and regulatory conditions affecting its business in China. The Chinese economy differs from the economies of most developed countries in a number of respects, including its structure, the level of government involvement, the control of foreign exchange and the allocation of resources.

Government Control

An increasing number of strict regulations exist over the way business can be done in China. While all of the Company's competitors are subject to the same laws and regulations, the enforcement of those compliance regulations may be different for many local competitors. In certain designated industries, for example, multinational companies are required to co-operate with local joint venture partners, which are generally selected by the Chinese government, and governmental orders may be redirected towards local competitors in the future.

Inconsistent Interpretation of Rules and Regulations

The Chinese government has issued a number of laws and regulations relating to taxes, such as corporate income tax law and transfer pricing. However, certain detailed implementation guidelines for these laws and regulations are still not pronounced, even though the respective laws and regulations may have taken effect. In addition, local authorities retain the right to interpret existing laws and regulations, resulting in a lack of consistency between individual provinces and jurisdictions.

Concerns about Intellectual Property

China's intellectual property laws are not as well developed as the intellectual property laws in many other first world countries with a more mature intellectual property protection regime. There is no assurance that the Company will be able to protect its intellectual property in China in the manner, with the same effect, or as on a timely basis, as it would have in such other countries.

Uncertainty Regarding Chinese Withholding Tax on Indirect Transfers of Chinese Enterprises by Non-Chinese Residents

The Company and its shareholders face uncertainties with respect to taxes imposed by Chinese authorities on previous and potential future indirect transfers of equity interests in enterprises resident in China or other assets attributed to a Chinese establishment of a non-Chinese company, or immovable properties located in China owned by non-Chinese companies, such as the Company's operations in China.

Corporate Chop

Each of Tornado China and Tornado Asia relies on a corporate chop (physically similar to a corporate seal) to be able to enter into contracts, conduct banking activities and undertake day-to-day corporate and business activities. Misappropriation or misuse of the corporate chops could materially and adversely affect business operations in China and allow unauthorized access to the Company's bank account(s) in China. Tornado China and Tornado Asia's corporate chops are each only accessible by authorized personnel, who are members of senior management based in China. The Company may also adopt other measures from time to time to protect the corporate chop. Although the Company monitors the authorized personnel and the use of the corporate chops, there is no assurance that such procedures will prevent all instances of abuse or negligence. Accordingly, if any of the Company's authorized personnel misuse or misappropriate the corporate chops, the bank account(s) for Tornado China and Tornado Asia may be compromised, and the Company may experience significant disruption to its China Operations until the applicable corporate chop is replaced.

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 2021 fiscal year; (ii) the expectation that prior outsourced production will be performed in the Red Deer Facility once it is fully operational in 2021; (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 expected negative impact of COVID-19 on the Company's financial results and liquidity in 2021; (v) the expectation that the Company's access to government support currently available will be reduced or eliminated as the Company's production and revenue increases; (vi) management's belief that the underlying fundamentals of the Company's business will remain strong over the long term; (vii) the expectation that long term production and sales of hydrovac trucks in North America will recover and eventually exceed the levels achieved in 2019; (viii) the anticipated increased spending on infrastructure in North America post COVID-19 to support the market demand of hydrovac trucks in North America; (ix) management's belief that the Company's commitment to continuous improvement of its hydrovac truck design has compelling advantages over hydrovac trucks currently offered in the market; (x) the anticipated manufacturing and production efficiencies from the Red Deer Facility, once it becomes fully operational in mid 2021; (xi) management's anticipation of continued expansion of parts and services business into the Red Deer Facility; (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 the Company could raise additional funds in the short term and long term through either the issuance of additional equity, acquisition of additional debt, or a combination thereof; and 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.