Tornado Global Hydrovacs Ltd.

Consolidated Financial Statements

December 31, 2020

Audited

2020

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Tornado Global Hydrovacs Ltd.

Opinion

We have audited the consolidated financial statements of Tornado Global Hydrovacs Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statement of comprehensive loss, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – restated comparative information

We draw attention to Note 2 to the consolidated financial statements, which explains that certain comparative information for the year ended December 31, 2019 has been restated. Our opinion is not modified in respect of this matter.

The consolidated financial statements of the Company for the year ended December 31, 2019, excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on June 11, 2020.

As part of our audit of the consolidated financial statements of the Company for the year ended December 31, 2020, we also audited the adjustments described in Note 2 that were applied to restate certain comparative information presented for the year ended December 31, 2019. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements of the Company for the year ended December 31, 2019 other than with respect to the adjustments. Accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements for the year ended December 31, 2019 taken as a whole.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Kim Wiggins.

Ernst & Young LLP

Calgary, Canada
April 29, 2021

Chartered Professional Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at December 31 2020	2019
(In $000's CAD)			
ASSETS			
Current assets			
Cash and cash equivalents		$ **2,000**	$ 2,417
Accounts receivable	**4**	**2,944**	1,990
Inventory	**5**	**8,280**	11,383
Prepaid expenses and other assets		**500**	468
Current tax receivable		**295**	—
Fair value of foreign currency forward contracts	**19**	**—**	1
Total current assets		**14,019**	16,259
Non-current assets			
Property and equipment, net	**6**	**11,094**	4,303
Goodwill and intangible assets, net	**7**	**2,513**	3,071
Tax recoverable		**—**	197
Total non-current assets		**13,607**	7,571
Total assets		$ **27,626**	$ 23,830
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		$ **4,016**	$ 6,596
Customer deposits		**46**	110
Current portion of lease liabilities	**9**	**726**	643
Term loan	**8**	**647**	—
Mortgage payable	**10**	**5,847**	—
Current tax payable		**—**	354
Total current liabilities		**11,282**	7,703
Non-current liabilities			
Deferred tax	**17**	**426**	329
Lease liabilities	**9**	**1,089**	808
Total liabilities		**12,797**	8,840
Shareholders' Equity			
Share capital	**11**	**20,903**	20,903
Common share purchase warrants	**11**	**144**	144
Contributed surplus		**594**	594
Deficit		**(7,131)**	(6,464)
Accumulated other comprehensive income (loss)		**319**	(187)
Total shareholders' equity		**14,829**	14,990
Total liabilities and equity		$ **27,626**	$ 23,830

See accompanying notes to consolidated financial statements

On behalf of the Board of Directors:

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Notes		Year ended December 31 2020		December 31 2019
(In $000's CAD, except per share amounts)					(Restated) (See Note 2)
Revenues					
Revenue	**13**	**$**	**31,038**	$	49,637
Other loss - foreign exchange			**(206)**		(39)
			30,832		49,598
Cost of sales	**5, 14**		**25,557**		40,293
Gross Profit			**5,275**		9,305
Selling and general administrative expenses	**15**		**4,151**		6,075
Income before depreciation, amortization and other items			**1,124**		3,230
Depreciation of property and equipment	**6**		**1,176**		1,248
Amortization of intangible assets	**7**		**593**		608
Impairment write-down (reversal)	**16**		**(108)**		2,242
Loss on disposal of fixed assets			**1**		—
			1,662		4,098
Loss before the undernoted			**(538)**		(868)
Stock based compensation	**11**		**—**		129
Accretion expense	**10**		**142**		—
Finance costs			**168**		144
Change in fair value of derivative financial instruments	**19**		**1**		(1)
			311		272
Loss before tax			**(849)**		(1,140)
Income tax recovery (expense)					
Current	**17**		**279**		(428)
Deferred	**17**		**(97)**		(66)
			182		(494)
Net loss			**(667)**		(1,634)
Other comprehensive income (loss)					
Translation of foreign subsidiaries			**506**		(464)
Comprehensive loss		**$**	**(161)**	$	(2,098)
Net loss per share					
Basic	**12**	**$**	**(0.005)**	$	(0.013)
Diluted	**12**	**$**	**(0.005)**	$	(0.013)

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

(In $000's CAD)	Notes	Year ended December 31 2020	December 31 2019
OPERATING ACTIVITIES			
Net loss		$ (667)	$ (1,634)
Add (deduct) items not affecting cash:			
Depreciation of property and equipment	6	1,176	1,248
Amortization of intangible assets	7	593	608
Impairment write-down (reversal)	16	(108)	2,242
Accretion expense	10	142	—
Stock based compensation	11	—	129
Cost of sales on trucks transferred from property and equipment	6	1,217	2,134
Deferred income taxes	17	97	66
Change in fair value of foreign currency forward contracts	19	1	(1)
Loss on disposal of fixed assets		1	—
Reclassification from lease receivable subsequently reclassified to property and equipment	6	—	(748)
		2,452	4,044
Change in non-cash working capital	24	(806)	(294)
Income taxes paid		(370)	(204)
Change in tax recoverable		197	3
Cash flow from operating activities		1,473	3,549
INVESTING ACTIVITIES			
Additions of property and equipment	6	(1,900)	(1,870)
Additions of intangible assets	7	(35)	(404)
Proceeds from disposal of fixed assets	6	6	—
Cash flow used in investing activities		(1,929)	(2,274)
FINANCING ACTIVITIES			
Net repayment of leases	9	(800)	(345)
Net proceeds (repayment) of term loan	8	647	(758)
Proceeds from exercise of stock options	11	—	6
Cash flow used in financing activities		(153)	(1,097)
Effect of exchange rate changes on cash and cash equivalents		192	11
Net increase (decrease) in cash and equivalents during the year		(417)	189
Cash and cash equivalents, beginning of year		2,417	2,228
Cash and cash equivalents, end of year		$ 2,000	$ 2,417

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

As at December 31, 2020

(In $000's CAD)	Common Shares	Common Share Purchase Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Equity
As at December 31, 2019	**$ 20,903**	**$ 144**	**$ 594**	**$ (6,464)**	**$ (187)**	**$ 14,990**
Loss for the year	**-**	**-**	**-**	**(667)**	**-**	**(667)**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**506**	**506**
As at December 31, 2020	**$ 20,903**	**$ 144**	**$ 594**	**$ (7,131)**	**$ 319**	**$ 14,829**

As at December 31, 2019

(In $000's CAD)	Common Shares	Common Share Purchase Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Equity
As at December 31, 2018	$ 20,893	$ 144	$ 469	$ (4,830)	$ 277	$ 16,953
Exercise of stock options (Note 11)	10	-	(4)	-	-	6
Stock based compensation (Note 11)	-	-	129	-	-	129
Loss for the year	-	-	-	(1,634)	-	(1,634)
Other comprehensive loss for the year	-	-	-	-	(464)	(464)
As at December 31, 2019	$ 20,903	$ 144	$ 594	$ (6,464)	$ (187)	$ 14,990

See accompanying notes to consolidated financial statements

1. Corporate information

Tornado Global Hydrovacs 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".

2. Summary of significant accounting policies

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Except as noted elsewhere, the consolidated financial statements have been prepared using the same accounting policies and methods as the consolidated financial statements for the year ended December 31, 2019.

The consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2021.

Basis of consolidation

The consolidated financial statements include the accounts of Tornado Global Hydrovacs Ltd. and its direct and indirect wholly owned subsidiaries Tornado Global Hydrovacs (North America) Inc., Tornado Hydrovacs Asia Pacific Holdings Ltd. and Tornado Global Hydrovacs (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 or losses resulting from inter-company transactions are eliminated.

Basis of presentation

These consolidated financial statements are prepared for the year ended December 31, 2020 and include the results for the comparative year ended December 31, 2019. The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value as disclosed. Included in these consolidated financial statements are the accounts of TGHL and its subsidiaries. These consolidated financial statements have been prepared in Canadian dollars which is the functional currency of TGHL. The functional currencies of Tornado Global Hydrovac (North America) Inc., Tornado Global Hydrovac (Beijing) Ltd. and Tornado Hydrovacs Asia Pacific Ltd. are Canadian dollars, Chinese Yuan ("RMB") and US dollars respectively.

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 these consolidated financial statements have accordingly been restated; there was no effect on basic or diluted net loss per share for the year ended December 31, 2019. This adjustment did not have any effect on the Company's consolidated statement of financial position or consolidated statement of cash flows.

Certain other prior period amounts have been reclassified to conform with the current period presentation.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments and liabilities incurred or assumed at the date of exchange. Acquisition costs for business combinations are expensed and included in selling, general and administrative expenses. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition.

In situations where the initial accounting for a business combination is incomplete prior to the finalization of the consolidated financial statements, the Company records provisional amounts for those items for the accounting is incomplete. Such provisional amounts are subsequently adjusted to reflect new financial information obtained about the facts and circumstances that existed as of the acquisition date and, if known would have affected the amounts recognized as of that date.

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 consolidated statement of comprehensive loss over the periods in which the expenses that the subsidy is intended to offset are recognized.

Foreign currency transactions

For the purpose of preparing financial statements, Canadian and foreign operations apply the following procedures on transactions and balances in currencies other than their functional currency: 1) monetary items are translated into their functional currency using the exchange rate in effect at the period end rate; 2) non-monetary items are translated into their functional currency using the historical exchange rate if they are measured at cost, or using the exchange rate at the measurement date if they are measured at fair value; and 3) revenues and expenses are translated into their functional currency using the appropriate average exchange rate of the period. Any resulting gains or losses are recognized in net income and, if hedge accounting is applied, offsetting losses or gains from the hedging items are also recognized in net income.

For the purpose of preparing consolidated financial statements in Canadian dollars, the assets and liabilities of the Company's foreign operations that have a functional currency other than Canadian dollars are expressed in Canadian dollars using exchange rates prevailing at the end of the reporting period, while revenue and expenses items are translated at the appropriate average exchange rate for the period. Exchange differences arising on consolidation, if any, are recognized initially in other comprehensive income ("OCI") and reclassified from equity to net income on disposal or partial disposal of foreign operations.

Revenue recognition

Revenue is measured based on the consideration specified in a contract with the customer. The amount of revenue recognized by the Company is based on the transaction price allocated to each performance obligation. Such transaction price corresponds to the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer.

The Company enters into contracts with customers that can have performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The Company applies a practical expedient of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less, or for performance obligations where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date.

Contract modifications with the Company's customers could change the scope of the contract, the price of the contract, or both. A contract modification exists when the parties to the contract approve the modification either in writing, orally, or based on the parties' customary business practices. Contract modifications are accounted for either as a separate contract when there is an additional product at a stand-alone selling price, or as part of the existing contract, through either a cumulative catch-up adjustment or prospectively over the remaining term of the contract, depending on the nature of the modification and whether the remaining products are distinct.

The Company's obligation to repair or replace products under the standard warranty terms is recognized as a provision.

The Company applies the following 5-step revenue recognition model based on the principle that an entity should recognize revenue as performance obligations are satisfied based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from the sale of goods is recognized at the point when the Company has satisfied its performance obligations in the contract and control is transferred to the customer, generally upon shipment or delivery of the goods to the customer. Revenue is recognized at an amount that reflects the consideration to which the Company ultimately expects to be entitled in exchange for those goods.

The accounting treatment of a sale and leaseback transaction depends upon the substance of the transaction and whether the sale price reflects fair value. For sale and leasebacks, if the transaction is established at fair value, any gain or loss is recognized immediately. If the sale price is below fair value, any gain or loss is recognized immediately except that if the loss is compensated for by future lease payments at below market price, the loss is deferred and amortized in proportion to the lease payments over the term of the lease. If the sale price is above fair value, the excess over fair value is deferred and amortized over the term of the lease.

No revenue is recorded when the Company acts as agent under its contracts with customers where it is responsible for sourcing certain components of its hydrovac trucks. The Company does not charge a fee for sourcing the hydrovac truck components therefore there is no revenue to recognize on a net basis.

Income taxes
Tax expense comprises current income tax and deferred income tax expense.

Current tax
Recoverable tax assets or current tax liabilities represent the tax authorities' obligations or claims for prior or current periods which are not received or paid at the end of the reporting period. Current tax is based on taxable income which differs from accounting income by definition. Recoverable tax assets or current tax liabilities are measured using the tax rates that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax
Deferred tax is determined based on differences between the carrying amounts of the assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of taxable income. Deferred tax assets or liabilities are measured based on tax rates that have been enacted or substantially enacted by the end of the reporting period, and that are expected to apply to the period when the asset is realized or the liability is settled.

Deferred tax assets or liabilities are recognized for all deductible or taxable temporary differences arising if it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.
The benefits of Scientific Research and Experimental Development (SRED) tax incentives are not recognized until the expenditures have been approved by the tax authority.

Cash and cash equivalents

All highly liquid temporary investments with a term to maturity of three months or less when purchased are considered to be cash equivalents.

Property and equipment

Property and equipment are stated at cost, net of any accumulated depreciation, accumulated impairment losses and subsequent reversals (if any). Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Machinery and equipment ("M&E")	10 years
Office furniture and equipment ("Office Equip.")	3 years
Leasehold improvements ("Leaseholds")	5 years
Rental equipment ("Rental Equip.")	15 years
Vehicles	5 years
Building	25 years

The assets' useful lives, residual values and methods of depreciation of assets are reviewed annually, and adjusted prospectively, if appropriate. Rental equipment includes hydrovac truck rental inventory.

Leases

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfer's ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included within cost of sales and selling and general administrative expenses in the consolidated statement of comprehensive loss.

Intangible assets

Patents acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Computer software is stated at cost, net of any accumulated amortization, impairment losses and subsequent reversals (if any). Amortization is calculated on a straight-line basis over the estimated useful lives of 5 years. Internally developed intangible assets are initially recognized when the following recognition criteria are met:

- it is probable that the future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Internally generated intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite useful life is reviewed at least annually. Change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the consolidated statement of comprehensive loss.

Finite life intangible assets are amortized on a straight-line basis over the estimated useful lives of the related assets which for patents pending and development is assumed to be 7 years. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive loss when the asset is derecognized.

Goodwill

Goodwill arising in a business combination is recognized as an asset at the date of control (acquisition date). Goodwill is measured as the excess of the consideration paid over the Company's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree recognized at the date of acquisition. Goodwill is not amortized but is tested for impairment annually.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its property and equipment, and its intangible assets other than goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to an individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of: i) fair value less costs to sell; and ii) value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and risks. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in net income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognized immediately in net income.

Inventory

Inventory comprises raw materials, work in progress and finished goods. Inventory is valued at the lower of cost and net realizable value, using a weighted average cost basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of the write down previously recorded is reversed.

Financial instruments

Classification and Measurement of Financial Instruments

The Company measures its financial assets and financial liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification which, in the case of financial assets, is determined by the context of the Company's business model and the contractual cash flow characteristics of the financial asset. Financial assets are classified into two categories: (1) measured at amortized cost and (2) fair value through profit and loss ("FVTPL"). Financial liabilities are subsequently measured at amortized cost, other than financial liabilities that are measured at FVTPL or designated as FVTPL where any change in fair value resulting from an entity's own credit risk is recorded as OCI. The Company does not employ hedge accounting for its risk management contracts currently in place.

Amortized Cost

The Company classifies its cash and equivalents, accounts receivable, accounts payable, term loans, mortgage payable and accrued liabilities as measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. These financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method.

FVTPL

The Company classifies its risk management contracts as measured at FVTPL. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with changes in fair value charged immediately to the consolidated statement of comprehensive loss.

Hierarchy of fair value measurements
The Company classifies its financial assets and liabilities measured at fair value into three levels according to the observability of the inputs used in their measurement.

Level 1
Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2
Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3
Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Financial assets
Recognition and initial measurement
The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Impairment
The Company recognizes a loss allowance for the expected credit losses associated with its financial assets carried at amortized cost. Expected credit losses are measured to reflect a probability weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for accounts receivables and lease receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

Loss allowances for expected credit losses are presented in the consolidated statement of financial position for financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial assets.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Refer to Note 19 for additional information about the Company's credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

Derecognition of financial assets
The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial liabilities
Recognition and initial measurement
The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly

attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount. Transaction costs of equity transactions are treated as a deduction from equity.

Derecognition of financial liabilities
The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Derivatives
Derivatives are initially recognized at fair value on the date the Company becomes party to the provisions of the contract, and are subsequently remeasured at fair value at the end of each reporting period. Changes in the fair value of derivative instruments are recognized in profit or loss.

Offsetting
Financial assets and financial liabilities are offset, with the net amount presented in the consolidated statement of financial position, when, and only when, the Company has a current and legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or when arising from a group of similar transactions if the resulting income and expenses are not material.

Earnings per share
The computation of earnings per share is based on the weighted average number of shares outstanding during the period. Diluted earnings per share are computed in a similar way to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares assuming the exercise of share options and common share warrants, if dilutive.

Share-based compensation plans
Directors, employees and consultants of TGHL may receive remuneration in the form of stock options. Awards granted under the TGHL's stock option plan are recognized in profit or loss over the vesting period and is measured as at the option grant date using a Black-Scholes method.

Equity settled transactions
The cost of equity settled transactions is recognized, together with a corresponding increase in other capital reserves, in equity, over the period in which the performance and/or service conditions are fulfilled.

When options, warrants and other share-based compensation awards are exercised, the amounts previously credited to contributed surplus are reversed and credited to shareholder's equity. The amount of cash, if any, received from participants is also credited to shareholder's equity.

Reportable segments
A reportable business segment is a component of TGHL that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the TGHL's other segments. All operating segments' operating results are reviewed regularly by the TGHL's Chief Executive Officer and Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. TGHL segregates its business geographically between its North American operations and its operations in China and also includes a Corporate segment for its head office expenses in Calgary.

3. Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and the disclosure of contingent liabilities. Actual results could differ from those judgements, estimates and assumptions. The items whose actual results could differ significantly from those judgements, estimates and assumptions are described below.

Critical judgements made in applying TGHL's accounting policies

Cash generating units
For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. Management determines which groups of assets are capable of generating cash inflows that are largely independent of other operations. The Company's cash generating units are its North American manufacturing and sales operations and its China operations.

Key sources of estimate uncertainty

Impact of COVID -19
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 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.

Loss allowance
Given the nature of business and the credit terms provided to customers, estimates and judgements are inherent in the on-going assessment of the recoverability of some accounts receivable. TGHL maintains a loss allowance to reflect expected credit losses. TGHL is not able to predict changes in the financial conditions of its customers and TGHL's estimates related to the recoverability of accounts receivable may be materially impacted if the financial condition of TGHL's customers deteriorates.

Valuation of inventory
Estimates are inherent in the determination of the net realizable value of inventory. The cost of inventory may not be fully recoverable if it is damaged or if the selling price of the inventory is less than its cost. TGHL regularly reviews its inventory quantities and reduces the cost attributed to inventory no longer deemed to be fully recoverable. Estimates related to the determination of net realizable value may be impacted by a number of factors including market conditions. A provision is recorded for slow moving inventory as required.

Intangible assets
Expenditures for research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognized in profit or loss as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and TGHL intends to and has sufficient resources to complete development and to use or sell the asset.

Measurement of right-of-use assets and lease liabilities

The application of IFRS 16 Leases requires assumptions and estimates in order to determine the value of the right-of-use assets and the lease liabilities which mainly relate to the implicit and incremental borrowing rates, as applicable. The Company's incremental borrowing rate is substantiated using a buildup approach, which references certain treasury rates plus a financing spread to determine a reasonable rate of interest that the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use-asset in a similar economic environment. Judgement must also be applied as to whether renewal options are reasonably certain of being exercised.

Impairment of non-financial assets

TGHL periodically assesses the recoverability of values assigned to long-lived assets (goodwill, intangible assets, and property and equipment) after considering potential impairment indicated by such factors as significant changes in technological, market, economic or legal environment, business and market trends, future prospects, current market value and other economic factors. In performing its review of recoverability, management estimates either the value in use or fair value less costs of disposal. For the purpose of intangible assets' impairment testing, intangible assets are assessed at the CGU level. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed. In determining the recoverable amount of a CGU or a group of CGUs, various estimates are employed. The Company determines value in use by using estimates including projected future revenues, earnings, working capital and capital investment consistent with strategic plans presented to the Board of Directors of the Company.

TGHL's goodwill impairment test is based on fair value less costs of disposal calculations that use a discounted cash flow model. The cash flows are derived from the forecast and do not include restructuring activities that TGHL is not yet committed to or significant future investments that may enhance the performance of the cash generating unit being tested. The calculation is sensitive to the discount rate applied as well as the expected future cash flows.

Useful lives of key property and equipment and intangible assets

Estimated useful lives of property and equipment and intangible assets are based on management's judgement and experience. When management identifies that the actual useful lives for these assets differ materially from the estimates used to calculate depreciation and amortization, that change is adjusted prospectively.

Deferred taxes

TGHL accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on deductible or taxable temporary differences between the carrying amounts and tax bases of the assets and liabilities. Deferred tax assets and liabilities are measured using substantially enacted tax rates expected to apply in the years in which the temporary differences are expected to reverse. If the estimates and assumptions are modified in the future, TGHL may be required to reduce or increase the value of deferred tax assets or liabilities resulting in, where applicable, an income tax expense or recovery. TGHL regularly evaluates deferred tax assets and liabilities.

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

4. Accounts receivable

	As at December 31			
		2020		2019
Trade	$	2,900	$	1,704
Taxes receivable		87		286
Loss allowance		(43)		-
	$	2,944	$	1,990

TGHL's breakdown of the aging of trade accounts receivables is as follows:

	As at December 31			
		2020		2019
≤ 30 days	$	2,441	$	1,469
> 30 days		150		79
> 60 days		64		40
> 90 days		245		116
	$	2,900	$	1,704

Taxes receivable as at December 31, 2020, comprise Canada GST receivable $87 (2019 - $286).

5. 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

There was no inventory write-down recorded during the year (2019 - $19) included in the cost of sales. A provision of $140 (2019 - $60) is included in the cost of sales for slow moving inventory. Finished goods inventory consists of 1 mobile hydrovac unit (2019 -1) and 5 (2019 - 1) hydrovac trucks in North America.

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

6. Property and equipment

Cost	M&E	Office Space & Equip (4)	Leaseholds	Rental Equipment and Vehicles (4)	Land and Building (3)	Total
Balance, December 31, 2018	$ 1,804	$ 1,110	$ 1,119	$ 3,705	$ -	$ 7,738
Additions	237	59	136	1,438	-	1,870
Reclassification from lease receivable	-	-	-	748	-	748
Reclassification to inventory	-	-	-	(2,134)	-	(2,134)
Reclassification from inventory	-	-	-	180	-	180
Impairment	(17)	-	-	(1,726)	-	(1,743)
Foreign exchange adjustments	-	-	-	(35)	-	(35)
Balance, December 31, 2019	2,024	1,169	1,255	2,176	-	6,624
Additions	**336**	**116**	**72**	**1,026**	**6,202**	**7,752**
Disposals	**(6)**	**-**	**-**	**-**	**-**	**(6)**
Reclassification to inventory (1)	**-**	**-**	**-**	**(1,295)**	**-**	**(1,295)**
Reclassification from inventory (2)	**-**	**-**	**-**	**1,479**	**-**	**1,479**
Impairment (3)	**(44)**	**-**	**-**	**-**	**-**	**(44)**
Borrowing costs	**-**	**-**	**-**	**-**	**3**	**3**
Balance, December 31, 2020	**$ 2,310**	**$ 1,285**	**$ 1,327**	**$ 3,386**	**$ 6,205**	**$ 14,513**

Accumulated Depreciation	M&E	Office Space & Equip (4)	Leaseholds	Rental Equipment and Vehicles (4)	Land and Building (3)	Total
Balance, December 31, 2018	$ 456	$ 155	$ 534	$ 155	$ -	$ 1,300
Depreciation for the year	200	396	345	307	-	1,248
Foreign exchange adjustments	-	-	-	(27)	-	(27)
Reclassification to inventory	-	-	-	(78)	-	(78)
Impairment	(3)	-	-	(119)	-	(122)
Balance, December 31, 2019	653	551	879	238	-	2,321
Depreciation for the year	**202**	**372**	**252**	**217**	**133**	**1,176**
Reclassification to inventory (2)	**-**	**-**	**-**	**(78)**	**-**	**(78)**
Balance, December 31, 2020	**$ 855**	**$ 923**	**$ 1,131**	**$ 377**	**$ 133**	**$ 3,419**

Net book value	M&E	Office Space & Equip (4)	Leaseholds	Rental Equipment and Vehicles (4)	Land and Building (3)	Total
Balance, December 31, 2019	$ 1,371	$ 618	$ 376	$ 1,938	$ -	$ 4,303
Balance, December 31, 2020	**$ 1,455**	**$ 362**	**$ 196**	**$ 3,009**	**$ 6,072**	**$ 11,094**

(1) During 2020, two hydrovac trucks (2019 - nil) were reclassed from property and equipment to inventory and then subsequently sold and leased back from a third party. During 2020, one mobile hydrovac unit (2019 - nil) and one hydrovac truck (2019 – 6) were reclassed from property and equipment to inventory and then subsequently sold to a third party.

(2) During 2020, six mobile hydrovac units (2019 - nil) were reclassed from inventory to property and equipment.

(3) During 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.

(4) The carrying amount of leased assets included in both Office Space and Equipment and Rental Equipment and Vehicles at December 31, 2020 was $2,250 (2019 - $1,586).

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

Rental Equipment and Vehicles as at December 31, 2020, comprise 6 (2019 – 5) hydrovac trucks rented to customers under leases with a net book value of $1,826 (2019 - $1,658) in North America, 6 (2019 – 1) mobile hydrovac units for rental with a net book value of $1,121 (2019 - $183), other operating vehicles with a net book value of $59 (2019 - $91) in North America.

As at December 31, 2020, 6 (2019 – 3) hydrovac trucks rented to customers and 1 (2019 – 1) other equipment in North America are under leases which the Company entered into as lessee with a net book value of $1,895 (2019 - $1,014).

7. Goodwill and intangible assets

Cost	Goodwill	Patents	Development	Computer Software	Total
Balance, December 31, 2018	$ 833	$ 3,529	$ 678	$ 136	$ 5,176
Additions	-	-	239	165	404
Impairment (1)	-	-	(690)	-	(690)
Balance, December 31, 2019	833	3,529	227	301	4,890
Additions	**-**	**-**	**-**	**35**	**35**
Balance, December 31, 2020	**$ 833**	**$ 3,529**	**$ 227**	**$ 336**	**$ 4,925**

Accumulated Amortization	Goodwill	Patents	Development	Computer Software	Total
Balance, December 31, 2018	$ -	$ 1,232	$ 65	$ 18	$ 1,315
Amortization for the year	-	504	72	32	608
Impairment (1)	-	-	(104)	-	(104)
Balance, December 31, 2019	-	1,736	33	50	1,819
Amortization for the year	**-**	**494**	**39**	**60**	**593**
Balance, December 31, 2020	**$ -**	**$ 2,230**	**$ 72**	**$ 110**	**$ 2,412**

Net book value	Goodwill	Patents	Development	Computer Software	Total
Balance, December 31, 2019	$ 833	$ 1,793	$ 194	$ 251	$ 3,071
Balance, December 31, 2020	**$ 833**	**$ 1,299**	**$ 155**	**$ 226**	**$ 2,513**

(1) During 2019, an impairment write-down of $586 was recognized relating to the Company's development of the hydrovac trucks and equipment specific for the Chinese market (Note 16).

No research and development costs have been expensed in 2020 and 2019.

Annual goodwill impairment

Goodwill is allocated to those cash generating units ("CGU") that are expected to benefit from synergies of the related business combination and represent the lowest level within the Company at which management monitors goodwill. The Company's goodwill is allocated to the North America CGU which comprises the Company's North American operations. As at December 31, 2020 and December 31, 2019, there was no goodwill impairment.

Recoverable amount

Recoverable amount was based on fair value less costs of disposal. Fair value less costs of disposal was determined by discounting the future cash flows generated from the continuing use of the asset.

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

Key assumptions used in fair value less costs of disposal calculations

The calculations of fair value less costs of disposal for the cash generating units are most sensitive to the following assumptions:

1. Discount rate used
2. Growth rate for operating income and expenses used in the budget
3. Projected sales used to extrapolate cash flows beyond the budget date

A discount rate 11.5% was applied in the fair value less costs of disposal calculation. Cash flows were projected based on past experience, actual operating results and the business plan for a 1 year period. Cash flows for a 6 year period were extrapolated using projected sales and operating expenses.

Net sales and margins in the business plan were budgeted based on discussions with customers, past experience and trends, as well as planned initiatives. The anticipated annual net sales have been based on expected growth levels (net of any estimated inflationary effect of rising raw material prices).

8. Term loan

	As at December 31	
	2020	2019
Term loan	**$ 647**	$ -

At December 31, 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 mobile hydrovac units in the Company's rental equipment with a total net book value of $953.

9. Lease liabilities

The Company's lease liabilities consist of leases obligation 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 totalling of $54 (2018 - $27) with final installments totalling $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 Company's facility leases in Calgary and in Stettler which expires on June 30, 2021 with no additional end of lease liabilities.

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

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

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

Lease related amounts recognized as an expense in the consolidated statement of comprehensive loss are as follows:

	Year ended December 31			
		2020		2019
Interest expense on lease liabilities	$	139	$	91
Expenses relating to short-term leases		-		43
	$	139	$	134

10. Mortgage payable

The mortgage payable relates to the Company's manufacturing and production facility in Red Deer, Alberta, acquired in 2020. 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 2.7%.

As at January 1, 2020	$	-
Fair value of mortgage exchanged for property		5,705
Add: accretion expense		142
Mortgage payable as at December 31, 2020	$	5,847

11. Shareholders' equity

Common Shares

The Company is authorized to issue an unlimited number of Class "A" Common Shares ("Common Shares") without nominal or par value. Each Common Share entitles its holder to one vote at all shareholder meetings. Holders of Common Shares are entitled to receive dividends if, as and when declared by the Board of Directors. Holders of Common Shares will participate in any distribution of net assets of TGHL on an equal per share basis.

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

The following table indicates issuances of Common Shares over the past 2 years:

	Shares	Amount
Outstanding common shares, December 31, 2018	126,716,519	20,893
Exercise of stock options in 2019	54,600	10
Outstanding common shares, December 31, 2019 and 2020	**126,771,119**	**$20,903**

No shares were issued during the year ended December 31, 2020.

No dividends were declared during the years ended December 31, 2020 and December 31, 2019.

Common Share Purchase Warrants

	Warrants	Amount
December 31, 2020 and 2019	3,100,000	$144

Each Warrant is exercisable at $0.12 and expires on September 15, 2022.

No warrants were exercised during the years ended December 31, 2020 and December 31, 2019.

Stock Options

As at December 31, 2020, there were 7,445,400 stock options outstanding with a weighted average exercise price of $0.11, all of which were exercisable. No options were exercised during the year ended December 31, 2020 (2019 - 54,600). No options were granted during the years ended December 31, 2019 and December 31, 2020.

The following tables summarize Stock Option activity to December 31, 2020:

	Number of Options Outstanding	Weighted Average Exercise Price
Balance, December 31, 2018	8,400,000	$0.11
Options Cancelled	(900,000)	$0.11
Options Exercised	(54,600)	$0.11
Balance, December 31, 2019 and 2020	7,445,400	$0.11
Exercisable, December 31, 2019 and 2020	7,445,400	$0.11

Option price	Options Outstanding	Contractual Life (years)
$0.11	7,445,400	1.9

Stock based compensation expense in 2020 was $nil (2019 - $129).

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

12. Loss per share

Basic:			Diluted:		
Year ended December 31, 2020			Year ended December 31, 2020		
Net loss	Weighted average number of shares	Net loss per share	Net loss	Weighted average number of shares	Net loss per share
($667)	126,771,119	($0.005)	($667)	126,771,119	($0.005)
Year ended December 31, 2019			Year ended December 31, 2019		
Net loss	Weighted average number of shares	Net loss per share	Net Loss	Shares	Net loss per share
($1,634)	126,748,533	($0.013)	($1,634)	126,748,533	($0.013)

The effects of dilution from 7,445,400 (2019 – 7,445,400) stock options and 3,100,000 (2019 – 3,100,000) warrants were excluded in the calculation of weighted average shares outstanding for diluted loss per share for the years ended December 31, 2019 and December 31, 2020 as they are antidilutive.

13. Revenue

Revenue for the year ended December 31, 2020 comprised truck and equipment sales of $26,616 (2019 - $46,654), parts and services of $4,003 (2019 - $2,096) and rental income of $419 (2019 - $887).

During 2020, 34.9% (2019 – 40.3%) of truck and equipment sales were attributable to one customer.

The table below shows the geographical sales:

	Year ended December 31	
	2020	2019
		(Restated, see Note 2)
Canada	**$ 19,263**	$ 22,101
United States	**11,775**	27,536
	$ 31,038	$ 49,637

14. Cost of sales

	Year ended December 31	
	2020	2019
		(Restated, see Note 2)
Direct manufacturing costs	**$ 20,124**	$ 32,253
Indirect salaries and benefits	**1,372**	1,784
Indirect production costs	**4,061**	6,256
	$ 25,557	$ 40,293

Cost of sales for the year ended December 31, 2020 includes Canada Emergency Wage Subsidy ("CEWS") of $1,206 (2019 – $nil).

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

15. Selling and general administrative expenses

	Year ended December 31	
	2020	2019
Salaries and benefits	**$ 1,909**	$ 3,623
Selling, general and administrative expense	**2,242**	2,452
	$ 4,151	$ 6,075

Selling and general administrative expenses for the year ended December 31, 2020 includes CEWS of $730 (2019 – $nil).

16. Impairment Write-down

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

In 2020, a reversal of an impairment loss of $152 was recorded which related to the Company's equipment in China and an impairment write down of $44 was recorded on the Company's equipment in North America.

As at December 31, 2019, an impairment assessment was performed with respect to property and equipment in China ("PE in China") and the related intangible assets. The assessment considered:

- The Company's historical success in marketing its equipment;
- Historical cash flows;
- Assessment of the market for 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 loss was required and as a result an impairment write down was recorded on PE in China of $1,656 and intangible assets of $586.

Key assumptions used for property and equipment impairment

The key assumptions used to calculate the fair value less costs of disposal for property and equipment are those regarding the ability to sell, lease and the shipping and reconfiguration of the units for Canada. These assumptions are considered to be level 3 in the fair value hierarchy.

Intangible assets impairment

As at December 31, 2019, the Company reviewed the carrying amounts of its intangible assets other than goodwill. The Company assessed development costs relating to hydrovac trucks and equipment specific for the Chinese market. The Company considered the recoverable amount of these assets based on future cash flows and determined that future cash flows are expected to be nominal. As a result, these assets were considered to be impaired and costs were fully written off.

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

Key assumptions used for intangible asset impairment

The key assumptions used to calculate the fair value less costs of disposal are those regarding the revenue, and gross margin growth rates, sales channel mixture and growth in selling, general and administrative expenses. These assumptions are considered to be Level 3 in the fair value hierarchy.

17. Income tax expense

The components of tax expense (recovery) are as follows:

	Year ended December 31	
	2020	2019
Current income tax expense (recovery)	**$ (279)**	$ 428
Deferred income tax expense	**97**	66
	$ (182)	$ 494

The reconciliation between income tax expense (recovery) and the accounting profit multiplied by the combined federal and provincial statutory income tax rate is as follows:

	Year ended December 31	
	2020	2019
Loss before income tax	**$ (849)**	$ (1,140)
Combined federal and provincial statutory income tax rate	**24.0%**	26.5%
Expected tax recovery using combined federal and provincial statutory income tax rate	**(204)**	(302)
Effect on income tax resulting from:		
Stock based compensation	**-**	34
Non deductible expenses	**3**	12
Statutory rate differences and effect of rate changes	**-**	78
Unrecognized tax benefit	**132**	717
Other	**(113)**	(45)
Income tax expense	**$ (182)**	$ 494

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

The Company has not recorded deferred income tax assets in relation to its estimated total income tax pools due to the uncertainty related to the realization of such assets. As at December 31, 2020 and 2019, no deferred income tax assets were recognized in the statements of financial position for the following deductible temporary differences:

	Year ended December 31	
	2020	2019
Domestic Operations		
Non-capital losses	**$ 388**	$ 353
Share issue costs	**11**	11
Intangible assets	**440**	395
Investment tax credits	**-**	103
	839	862
Foreign Operations		
Non-capital losses	**1,432**	871
Property and equipment	**1**	407
	1,433	1,278
Deductible temporary differences and unused tax losses for which no deferred tax asset has been recognized	**(2,272)**	(2,140)
Total	**$ -**	$ -

As at December 31, 2020, in Canada the Company has unused non-capital tax losses of approximately $1,687 (2019 - $1,533) which expire from 2036 to 2040, and deductible temporary differences of $187 (2019 – $1,766). As at December 31, 2020, in China the Company has unused non-capital tax losses of approximately $5,732 (2019 - $3,485) which expire from 2022 to 2025 and taxable temporary differences of $66 (2019 - $1,627).

The Company has a deferred tax liability arising from its operating subsidiary in Canada as follows:

	Year ended December 31	
	2020	2019
Property and equipment and right-of-use assets	**$ (416)**	$ (316)
Intangible assets and other	**(10)**	(13)
	$ (426)	$ (329)

18. 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.

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

The tables below show the North America, China and Corporate segments for the year ended December 31, 2020 and 2019 respectively:

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)**
Total assets	**$ 17,739**	**$ 1,031**	**$ 8,856**	**$ 27,626**
Total liabilities	**$ 4,938**	**$ 987**	**$ 6,872**	**$ 12,797**
Capital Expenditures	**$ 1,550**	**$ -**	**$ 385**	**$ 1,935**

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)
Total assets	$ 19,198	$ 1,114	$ 3,518	$ 23,830
Total liabilities	$ 8,076	$ 442	$ 322	$ 8,840
Capital Expenditures	$ 1,902	$ -	$ 372	$ 2,274

19. Risk management

Risk management

In the normal course of its business, TGHL is exposed to multiple risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. As a part of the overall operation of TGHL, management considers the avoidance of undue concentrations of risk. TGHL manages its risks and risk exposures through a combination of financial instruments, insurance, a system of internal and disclosure controls and sound business practices. The primary types of financial risk which arise are liquidity, credit, and market risk. These risks and the actions taken to manage them are as follows:

Liquidity risk

Liquidity risk is the risk that TGHL cannot meet its financial obligations as they come due. A range of alternatives is available to TGHL including cash flow provided by operations, additional debt, the issuance of equity or a combination thereof. Cash on hand and cashflow from operations are primarily used to finance working capital and capital expenditure requirements and are expected to be adequate to meet the Company's foreseeable financial obligations associated with financial liabilities.

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

The following table summarizes the TGHL's financial liabilities with corresponding maturity dates as at December 31, 2020:

As at December 31, 2020	Total	2021	2022	2023	2024	2025 +
Accounts payable and accrued liabilities	$ 4,016	$ 4,016	$ -	$ -	$ -	$ -
Lease liabilities	1,815	726	547	364	178	-
Loan payable	647	236	246	165	-	-
Mortgage payable	5,847	5,847	-	-	-	-
Total	$ 12,325	$ 10,825	$ 793	$ 529	$ 178	$ -

TGHL currently has a vendor take back mortgage on the Red Deer property which matures on July 1, 2021. TGHL is in discussions with potential lenders to refinance the mortgage before its maturity date.

Credit risk

Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfill their commitments to TGHL. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. TGHL has credit policies to address credit risk on accounts receivable from customers, which may include the analysis of the financial position of customers and review of credit limits. TGHL also reviews new customer credit history before establishing credit and periodically reviews existing customer credit performance. Generally, cash is received prior to the delivery of trucks. The Company applies the simplified approach for accounts receivables and lease receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime. At December 31, 2020, the Company had a loss allowance of $43 (2019 - $nil).

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company.

At December 31, 2020, TGHL had one customer accounting for approximately 39.1% of total accounts receivable (2019 – 20.0%).

Market risk

Market risk is the risk that changes in market prices will influence future cash flows associated with financial instruments. There has been no change to the TGHL's exposure to market risks and the way these risks are managed or measured. Market risk comprises three types of risk: currency risk, industry/commodity price risk, and interest rate risk.

Currency risk

In North America TGHL sells its products and purchases goods in both Canadian and U.S. currencies ("USD"). Accordingly, TGHL is exposed to currency risk as it relates to customer accounts receivable balances and accounts payable balances denominated in USD. TGHL is also exposed to changes in the exchange rate in China (RMB) with its operating segment in China. Changes in the applicable exchange rate may result in a decrease or increase in foreign exchange gain or loss. TGHL enters into forward foreign exchange contracts or uses other hedging activities to manage part of the foreign currency risk exposures relating to customer accounts receivable balances and accounts payable denominated in USD.

As at December 31, 2020, TGHL had $nil (2019 - $1) change in fair value of foreign currency forward contracts (2019 - $150 USD). The undernoted include amounts denominated in USD that have been converted to the Canadian dollar equivalent on the balance sheet date at a rate of $1.2732 per USD (2019 - $1.2988):

	As at December 31			
(In $000's USD)		**2020**		2019
Cash and equivalents	**$**	**769**	$	420
Accounts receivable		**629**		351
Accounts payable & accrued liabilities		**(1,307)**		(801)
Net foreign currency exposure	**$**	**91**	$	(30)

For the year ended December 31, 2020, if the Canadian dollar had strengthened 10% percent against the USD with all other variables held constant, net income for the year would have been $11 lower (2019 - $4 higher). Conversely, if the Canadian dollar had weakened 10% percent against the USD with all other variables held constant, net income would have been $13 higher (2019 - $4 lower). Included in revenue are realized and unrealized losses on foreign currency transactions of $206 for the year ended December 31, 2020 (2019 – $39).

As at December 31, 2020, TGHL had no RMB foreign currency forward contracts (2019 - nil). The undernoted include amounts denominated in RMB that have been converted to the Canadian dollar equivalent on the balance sheet date at a rate of $0.1949 per RMB (2019 - $0.1865):

	As at December 31			
(In ¥000's Chinese Yuan)		**2020**		2019
Cash and equivalents	**¥**	**858**	¥	414
Accounts receivable		**-**		2,145
Prepaid expenses and other assets		**76**		148
Inventories		**932**		745
Property and equipment, net		**8**		14
Goodwill and intangible assets, net		**36**		51
Accounts payable & accrued liabilities		**55**		(110)
Net foreign currency exposure	**¥**	**1,965**	¥	3,407

For the year ended December 31, 2020, if the Canadian dollar had strengthened 10% percent against the RMB with all other variables held constant, net income for the year would have been $35 lower (2019 - $58 lower). Conversely, if the Canadian dollar had weakened 10% percent against the RMB with all other variables held constant, net income would have been $73 higher (2019 - $71 higher).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk primarily through its variable rates on term loans. The Company manages exposure to interest rate risk by using a combination of fixed and floating rate debt instruments. For the year ended December 31, 2020, if interest rates had been 50 basis points lower with all other variables held constant, net income for the period would have been $5 (2019 — $nil) higher, arising mainly as a result of lower interest expenses on variable borrowings. If interest rates had been 50 basis points higher, with all other variables held constant, net income would have been $5 (2019 — $nil) lower, arising mainly as a result of higher interest expenses on variable interest rate borrowings.

20. Capital disclosure and management

TGHL does not have any externally imposed restrictions on its capital. TGHL considers its cash and cash flows from operating activities 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 China operations. Should the Company require additional external financing, TGHL expects to raise additional cash through either the issuance of additional equity, acquisition of additional debt, or a combination thereof. As at December 31, 2020 TGHL had $2,000 cash which together with operating cash flow is expected to meet the budgeted requirements for the next 12 months.

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

21. Contingencies

TGHL is subject to various product liability or general claims and legal proceedings covering matters that arise in the ordinary course of business. All such matters are adequately covered by insurance or by accruals, or are determined by management to be without merit, or of such kinds or amounts as would not have a material adverse effect on the financial results of TGHL.

22. Related party transactions

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

(a) During the year ended December 31, 2020, $nil (2019 - $10) 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.

(b) During the year ended December 31, 2020, the Company's wholly-owned subsidiary Tornado Hydrovacs Asia Pacific Holdings Limited ("Tornado Asia") purchased hydrovac truck components of $2,590 (2019 - $537) from Shanghai World Trade Resources Group Co. Ltd. ("ShanghaiCo") for the Company's North American Operations and advanced $386 (2019 - $85) to ShanghaiCo for the purchase of upcoming components. During the year ended December 31, 2020, Tornado Asia incurred a service fee of $128 (2019 - $nil) 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 (2019 – a net payable of $270) from ShanghaiCo.

During the year ended December 31, 2019, the Company sold raw materials of $106 to the ShanghaiCo. for further manufacturing mobile hydrovac units and parts in China for its North America operations.

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.

23. Key management compensation

The Company's key management comprised its directors and executive officers who have been remunerated as follows:

	Year ended December 31			
		2020		2019
Management cash compensation	**$**	**322**	$	565
Management short term benefits		**13**		17
Management share based compensation		**-**		29
Directors share based compensation		**-**		58
Directors fees		**100**		120
	$	**436**	$	789

Short-term employee benefits include non-equity incentive plan compensation and other short-term benefits. Share based compensation represents the portion of the Company's share based payments expense incurred during the year attributable to the key management and directors.

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

24. Changes in non-cash working capital

	Year ended December 31	
	2020	2019
Accounts receivable	$ **(954)**	$ 1,955
Inventory	**3,103**	(3,020)
Prepaid expenses and other assets	**(32)**	(308)
Accounts payable and accrued liabilities	**(2,580)**	808
Customer deposits	**(64)**	(132)
Current tax payable	**(649)**	199
	(1,176)	(498)
Less: income taxes paid	**(370)**	(204)
Total change in non-cash working capital	$ **(806)**	$ (294)

25. 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.