



Tornado Global Hydrovacs Ltd.

Unaudited Condensed Consolidated Interim Financial Statements

For the three month period ended March 31, 2021

Notice to Reader

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited)

	Notes	March 31, 2021	December 31, 2020
(In \$000's CAD)			
ASSETS			
Current assets			
Cash and cash equivalents		\$ 2,287	\$ 2,000
Accounts receivable		4,054	2,944
Inventory	3	8,301	8,280
Prepaid expenses and other assets		548	500
Current tax receivable		121	295
Total current assets		15,311	14,019
Non-current assets			
Property and equipment, net		10,804	11,094
Goodwill and intangible assets, net		2,364	2,513
Total non-current assets		13,168	13,607
Total assets		\$ 28,479	\$ 27,626
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 4,984	\$ 4,016
Customer deposits		62	46
Current portion of lease liabilities	9	711	726
Term loan		589	647
Mortgage payable	10	5,386	5,847
Total current liabilities		11,732	11,282
Non-current liabilities			
Deferred tax		418	426
Lease liabilities	9	888	1,089
Total liabilities		13,038	12,797
Shareholders' Equity			
Share capital	11	20,903	20,903
Common share purchase warrants	11	144	144
Contributed surplus		638	594
Deficit		(6,770)	(7,131)
Accumulated other comprehensive income (loss)		526	319
Total shareholders' equity		15,441	14,829
Total liabilities and equity		\$ 28,479	\$ 27,626

See accompanying notes to condensed consolidated financial statements

On behalf of the Board of Directors:

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

	Notes	Three Months ended	
		March 31 2021	March 31 2020
(In \$000's CAD, except per share amounts)			(Restated) (See Note 2)
Revenues			
Revenue	5	\$ 7,966	\$ 12,039
Other loss - foreign exchange		12	(201)
		7,978	11,838
Cost of sales	6	5,754	10,254
Gross Profit		2,224	1,584
Selling and general administrative expenses	7	1,125	1,244
Income before depreciation, amortization and other items		1,099	340
Depreciation of property and equipment		300	263
Amortization of intangible assets		149	141
		449	404
Income (loss) before the undernoted		650	(64)
Finance costs		39	29
Stock based compensation	12	44	—
Accretion expense	10	39	—
Change in fair value of derivative financial instruments		—	88
		122	117
Income (loss) before tax		528	(181)
Income tax recovery (expense)			
Current		(175)	94
Deferred		8	(22)
		(167)	72
Net income (loss)		361	(109)
Other comprehensive income (loss)			
Translation of foreign subsidiaries		207	504
Comprehensive income		\$ 568	\$ 395
Net income (loss) per share			
Basic	4	\$ 0.003	\$ (0.001)
Diluted	4	\$ 0.003	\$ (0.001)

See accompanying notes to condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

	Notes	Three Months ended	
		March 31 2021	March 31 2020
(In \$000's CAD)			
OPERATING ACTIVITIES			
Net income		\$ 361	\$ (109)
<i>Add (deduct) items not affecting cash:</i>			
Depreciation of property and equipment		300	263
Amortization of intangible assets		149	141
Deferred income taxes		(8)	(22)
Accretion expense	10	39	—
Stock based compensation		44	—
Cost of sales on trucks transferred from property and equipment		—	691
Change in fair value of foreign currency forward contracts		—	88
		885	1,052
Change in non-cash working capital	15	(21)	(865)
Change in tax recoverable		—	28
Cash flow from operating activities		864	215
INVESTING ACTIVITIES			
Additions of property and equipment		(10)	(1,589)
Additions of intangible assets		—	(20)
Proceeds from disposal of fixed assets		—	6
Cash flow used in investing activities		(10)	(1,603)
FINANCING ACTIVITIES			
Net proceeds (repayment) of leases	9	(121)	177
Repayment of mortgage	10	(500)	—
Repayment of term loan		(58)	—
Cash flow (used in) from financing activities		(679)	177
Effect of exchange rate changes on cash and cash equivalents		112	35
Net increase (decrease) in cash and equivalents during the period		287	(1,176)
Cash and cash equivalents, beginning of period		2,000	2,417
Cash and cash equivalents, end of period		\$ 2,287	\$ 1,241

See accompanying notes to condensed consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

As at March 31, 2021						
	Common Shares	Common Share Purchase Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Equity
(In \$000's CAD)						
As at December 31, 2020	\$ 20,903	\$ 144	\$ 594	\$ (7,131)	\$ 319	\$ 14,829
Income for the period	-	-	-	361	-	361
Stock based compensation	-	-	44	-	-	44
Other comprehensive income for the period	-	-	-	-	207	207
As at March 31, 2021	\$ 20,903	\$ 144	\$ 638	\$ (6,770)	\$ 526	\$ 15,441

As at March 31, 2020

	Common Shares	Common Share Purchase Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Equity
(In \$000's CAD)						
As at December 31, 2019	\$ 20,903	\$ 144	\$ 594	\$ (6,464)	\$ (187)	\$ 14,990
Loss for the period	-	-	-	(109)	-	(109)
Other comprehensive loss for the period	-	-	-	-	504	504
As at March 31, 2020	\$ 20,903	\$ 144	\$ 594	\$ (6,573)	\$ 317	\$ 15,385

See accompanying notes to condensed consolidated financial statements

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three months ended March 31, 2021

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

1. Corporate information

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

These financial statements were recommended for approval by the Company's Audit Committee and were approved and authorized for issue by the Board of Directors on May 19, 2021.

2. Summary of significant accounting policies

The interim condensed consolidated financial statements are condensed and have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Except as discussed below, the same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as disclosed in the TGHL's consolidated financial statements for the year ended December 31, 2020. TGHL's 2020 annual consolidated financial statements include incremental annual IFRS disclosures that may be helpful to readers of the interim results and therefore should be read in conjunction with these interim condensed consolidated financial statements.

Basis of presentation

These interim condensed consolidated financial statements are prepared for the three months ended March 31, 2021 and includes the results for the comparative period in 2020. The interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value as disclosed. The interim condensed consolidated financial statements include the accounts of Tornado Global Hydrovac Ltd. and its direct and indirect wholly owned subsidiaries Tornado Global Hydrovac (North America) Inc., Tornado Hydrovac Asia Pacific Holdings Ltd. and Tornado Global Hydrovac (Shanghai) Ltd.

These interim condensed 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 (Shanghai) Ltd. and Tornado Hydrovac 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 three months ended March 31, 2020 is a reduction to both revenue and cost of sales of \$1.6 million. The 2020 comparative figures presented in these interim condensed consolidated financial statements have accordingly been restated; there was no effect on basic or diluted net loss per share for the three months ended March 31, 2020. This adjustment did not have any effect on the Company's interim condensed consolidated statement of financial position or interim condensed consolidated statement of cash flows.

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

Use of estimates

Accounting measurements at interim dates inherently involve a greater reliance on estimates than at year-end. In the opinion of management, the unaudited interim condensed consolidated financial statements include all adjustments of a normal recurring nature to present fairly, the condensed consolidated financial position of the TGHL as at March 31,

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three months ended March 31, 2021

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

2021. There have been no changes to the Company's significant accounting estimates and judgments as of March 31, 2021.

3. Inventory

Inventory comprises:

	March 31, 2021	December 31, 2020
Work-in-process	\$ 2,709	\$ 2,076
Raw materials	4,705	4,459
Finished goods	887	1,745
	\$ 8,301	\$ 8,280

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

4. Net income (loss) per share

Basic:			Diluted:		
Three Months ended March 31, 2021			Three Months ended March 31, 2021		
Net income	Weighted average number of shares	Net income per share	Net income	Weighted average number of shares	Net income per share
\$361	126,771,119	\$0.003	\$361	132,797,311	\$0.003
Three Months ended March 31, 2020			Three Months ended March 31, 2020		
Net loss	Weighted average number of shares	Net loss per share	Net loss	Weighted average number of shares	Net loss per share
(\$109)	126,771,127	(\$0.001)	(\$109)	126,771,127	(\$0.001)

The effects of dilution from 8,745,400 stock options (2020 - 7,445,400) and 3,100,000 (2020 - 3,100,000) warrants were included in the calculation of weighted average shares outstanding for diluted earnings per share for the three months ended March 31, 2021 as they are dilutive. With respect to the three months ended March 31, 2020, 7,445,400 stock options and 3,100,000 warrants were excluded from the calculation of weighted average shares outstanding for diluted earnings per share as they were anti-dilutive.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three months ended March 31, 2021

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

5. Revenue

Revenues	Three Months ended March 31	
	2021	2020
		(Restated, see Note 2)
Revenues	\$ 7,966	\$ 12,039

Revenue for the three months ended March 31, 2021 comprised truck and equipment sales \$7,275 (2020 -\$11,815), parts and services \$577 (2020 - \$123) and rental income \$114 (2020 - \$101). During the three months ended March 31, 2021, 29.0% (2020 - 26.9%) of truck sales was attributable to one customer.

The table below shows geographical sales:

	Three Months ended March 31	
	2021	2020
		(Restated, see Note 2)
Canada	\$ 5,540	\$ 5,077
United States	2,426	6,962
	\$ 7,966	\$ 12,039

6. Cost of sales

	Three Months ended March 31	
	2021	2020
		(Restated, see Note 2)
Direct manufacturing costs	\$ 4,632	\$ 7,920
Indirect salaries and benefits	371	496
Indirect production costs	751	1,838
	\$ 5,754	\$ 10,254

Cost of sales for the three months ended March 31, 2021 includes Canada Emergency Wage Subsidy ("CEWS") of \$183 (2020 - \$144).

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three months ended March 31, 2021

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

7. Selling and general administrative expenses

	Three Months ended March 31	
	2021	2020
Salaries and benefits	\$ 699	\$ 949
Selling, general and administrative expense	426	295
	\$ 1,125	\$ 1,244

Selling and general administrative expenses for the three months ended March 31, 2021 includes CEWS of \$25 (2020 – \$11).

8. Operating segments

TGHL has two operating segments; its North American manufacturing and sales operations and its China operations. 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.

The tables below show the North America, China and Corporate segments for the three months ended March 31, 2021 and 2020 respectively:

Three months ended March 31, 2021	North America		China	Corporate		Total
Revenue	\$ 7,978	\$ -	\$ -	\$ -	\$ -	\$ 7,978
Cost of sales	5,754	-	-	-	-	5,754
Selling and general administrative	882	71	172			1,125
	1,342	(71)	(172)			1,099
Depreciation and amortization	259	-	190			449
Income (loss) before other items	\$ 1,083	\$ (71)	\$ (362)	\$ -	\$ -	\$ 650
Total assets	\$ 18,714	\$ 1,062	\$ 8,703	\$ -	\$ -	\$ 28,479
Total liabilities	\$ 6,296	\$ 407	\$ 6,335	\$ -	\$ -	\$ 13,038
Capital Expenditures	\$ 10	\$ -	\$ -	\$ -	\$ -	\$ 10

Three months ended March 31, 2020	North America		China	Corporate		Total
Revenue	\$ 11,838	\$ -	\$ -	\$ -	\$ -	\$ 11,838
Cost of sales	10,254	-	-	-	-	10,254
Selling and general administrative	1,000	127	117			1,244
	584	(127)	(117)			340
Depreciation and amortization	245	3	156			404
Income (loss) before other items	\$ 339	\$ (130)	\$ (273)	\$ -	\$ -	\$ (64)
Total assets	\$ 19,868	\$ 1,073	\$ 9,666	\$ -	\$ -	\$ 30,607
Total liabilities	\$ 9,238	\$ 2	\$ 5,982	\$ -	\$ -	\$ 15,222
Capital Expenditures	\$ 1,239	\$ -	\$ 370	\$ -	\$ -	\$ 1,609

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three months ended March 31, 2021

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

9. Lease liabilities

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

As at March 31, 2021, the Company had 6 (December 31, 2020 – 6) hydrovac truck leases, 1 equipment lease (December 31, 2020 – 1) and 3 computer equipment leases (December 31, 2020 - 3), repayable in monthly installments totalling of \$54 (December 31, 2020 - \$54) with final installments totalling \$131 (December 31, 2020 - \$131), bearing interest at rates between 2% and 9%.

As at March 31, 2021, the Company had \$163 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.

	March 31, 2021	December 31, 2020
Lease obligations	\$ 1,599	\$ 1,815
Less: current portion of lease obligations	(711)	(726)
	\$ 888	\$ 1,089

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

2021	\$ 597
2022	607
2023	405
2024	177
2025	-
Total minimum lease payments	1,786
Amount representing interest	(187)
	1,599
Less current portion of lease	(711)
	\$ 888

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three months ended March 31, 2021

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

10. Mortgage payable

The mortgage payable relates to the Company's manufacturing and production facility in Red Deer, Alberta. The Company paid an aggregate of \$500 toward the purchase price of \$6,500 ("Purchase Price") at closing and the vendor provided a non-interest bearing vendor take-back mortgage secured against the new facility for the balance of the Purchase Price with a \$500 principal payment due on February 1, 2021 and the balance of the principal due on July 1, 2021. The fair value of the mortgage payable was determined to be \$5,705 by discounting the principal payments at a market interest rate of 2.7%.

As at January 1, 2021	\$	5,847
Less principal payment		(500)
Add: accretion expense		39
<hr/>		
Mortgage payable	\$	5,386

11. Share capital

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

As at March 31, 2021 and December 31, 2020 there were 126,771,119 Common Shares outstanding. No shares were issued during 2021.

No dividends were declared during 2021.

As at March 31, 2021 and December 31, 2020 there were 3,100,000 Common Share Purchase Warrants outstanding. Each Warrant is exercisable at \$0.12 and expires on September 15, 2022. No warrants were exercised during 2021.

12. Stock Options

The following tables summarize Stock Option activity for the three months ended March 31, 2021:

	Number of Options Outstanding	Weighted Average Exercise Price
Balance, December 31, 2020	7,445,400	\$0.11
Granted	1,300,000	\$0.23
Balance, March 31, 2021	8,745,400	\$0.13
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Exercisable, March 31, 2021	7,978,733	\$0.12
<hr/>		
Option price	Options Outstanding	Weighted Average Remaining Contractual Life (years)
\$0.11	7,445,400	1.6
\$0.23	1,300,000	4.4

1,300,000 stock options were granted on February 5, 2021 at an option price of \$0.23 per share. The stock option value for the options granted has been calculated using the Black Scholes pricing methodology based on expected volatility of 44% which is estimated by management based on an analysis and comparison with peer companies, a risk-free interest

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three months ended March 31, 2021

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

rate of 0.96% and an expected life of 60 months. The fair value of the options at the grant date was \$0.09. 88.5% of the options vested one third at the grant date and will vest one third on each of the first and second anniversaries of the grant. 11.5% of the options vested on the date of grant, resulting in total option expense of \$44 during three months ended March 31, 2021 (2020 - nil).

13. 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 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 March 31, 2021 TGHL had \$2,287 cash which together with operating cash flow is expected to meet the budgeted requirements for the next 12 months.

14. Related party transactions

During three months ended March 31, 2021, the Company's wholly-owned subsidiary Tornado Hydrovac Asia Pacific Holdings Limited ("Tornado Asia") purchased hydrovac truck components of \$nil (2020 - \$251) from Shanghai World Trade Resources Group Co. Ltd. ("ShanghaiCo") for the Company's North American Operations and advanced \$nil (2020 - \$490) to ShanghaiCo for the purchase of upcoming components. During the three months ended March 31, 2021, Tornado Asia incurred a service fee of \$nil (2020 - \$13) payable to ShanghaiCo that equals to 5% of the value of the components purchased by ShanghaiCo on its behalf. As at March 31, 2021, TGHL had a net receivable of \$168 (2020 - a net receivable of \$106) from ShanghaiCo.

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.

15. Changes in non-cash working capital

	Three Months ended March 31	
	2021	2020
Accounts receivable	\$ (1,110)	\$ (1,427)
Inventory	(21)	1,413
Prepaid expenses and other assets	(48)	(380)
Accounts payable and accrued liabilities	968	(734)
Customer deposits	16	357
Current tax receivable (payable)	174	(94)
Total change in non-cash working capital	\$ (21)	\$ (865)