Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of the consolidated operations of Tornado Global Hydrovacs Ltd. ("TGHL" or the "Company") and its wholly-owned subsidiaries Tornado Global Hydrovacs (North America) Inc. ("Tornado NA" or the "North American Operation(s)"), Tornado Global Hydrovacs (Shanghai) Ltd. ("Tornado China") and Tornado Hydrovacs Asia Pacific Holdings Ltd. ("Tornado Asia" and together with Tornado China are referred to as the "China Operation(s)") is supplemental to, and should be read in conjunction with the Company's interim unaudited condensed consolidated financial statements and related notes as at September 30, 2021 and for the three and nine months ended September 30, 2021 and 2020, and the audited consolidated financial statements and notes for the year ended December 31, 2020.

The interim unaudited condensed consolidated financial statements and accompanying notes of TGHL for the three and nine months ended September 30, 2021 have been prepared in conformity with International Financial Reporting Standards ("IFRS"): International Accounting Standard 34.

Certain information (namely revenues and cost of sales) was restated in 2020, as described in Note 2 to the December 31, 2020 audited consolidated financial statements. This restatement had no impact on Gross Profit (defined below) or net income. Certain other prior period amounts have been reclassified to conform with the current period presentation.

The interim unaudited condensed consolidated financial statements have been prepared by management and approved by TGHL's Board of Directors. These statements require management to make estimates and assumptions that affect amounts reported and disclosed in such financial statements and related notes. Actual results may differ materially. See "Forward-Looking Information".

All amounts are reported in Canadian dollars unless specifically stated otherwise. Financial information disclosed in this MD&A is presented in thousands (000's) except for percentages and per share data.

This MD&A contains forward-looking information and statements. At the end of this MD&A is an advisory on forward-looking information and statements.

Additional information on TGHL is available through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Disclosure contained in this document is current to November 17, 2021, unless otherwise stated.

Non-IFRS Financial Measures

In this MD&A, the Company uses four financial management metrics that are not in accordance with IFRS, namely "EBITDAS" (earnings (loss) before interest, tax, depreciation and amortization, non-cash impairment and stock-based compensation), "Gross Profit" (revenue less cost of sales), "EBIT" (earnings before interest and taxes) and "Funds from Operating Activities". Because these terms are not defined by IFRS they cannot be formally presented in the audited consolidated financial statements. EBIT is the result of the Company's EBITDAS less depreciation and amortization expenses, gains and losses on the disposal of assets, non-cash impairment and stock-based compensation. Funds from Operating Activities is calculated from cash from operating activities adjusted for change in tax recoverable, income taxes paid and changes in non-cash working capital. It should be noted that the Company's definition of EBITDAS, EBIT, Gross Profit and Funds from Operating Activities are not standardized financial measures under IFRS and may differ from those definitions used by other companies.

While not IFRS measures, EBITDAS, EBIT, Gross Profit and Funds from Operating Activities are used by management, creditors, analysts, investors and other financial stakeholders to assess the Company's performance and management from a financial and operational perspective.

Business Description

TGHL designs, manufactures and sells hydrovac trucks for excavation service providers to the municipal market and the oil and gas industry. It operates through a production facility located in Red Deer, Alberta (the "Red Deer Facility") and a sales office located in Calgary, Alberta. In China, the Company's subsidiaries are principally used to source certain parts for the North American Operations.

TGHL maintains its head office in Calgary, Alberta.

Overview

Third Quarter 2021 Overview and Recent Developments

All amounts are in thousands ($000's CAD)

- On July 14, 2021, the Company entered into a $4,875 term loan and a $3,000 revolving operating line of credit (together the "Credit Facility"). The term loan was used to repay the balance of the non-interest bearing vendor take-back mortgage secured against the Company's Red Deer Facility and the balance of the Credit Facility will be used for general working capital purposes.

- The $1.2 USD trillion infrastructure bill (the "Infrastructure Bill"), previously ratified by US Congress and passed by US Senate, was signed by the US President on November 15, 2021, is expected to create a significant number of jobs in the US to improve broadband, water suppliers and other public works and to increase the demand for hydrovac trucks in US.

- The market environment continued to improve during the third quarter. The Company's North American Operations continued to be affected by COVID-19 in Q3/2021, although to a lesser extent than during the past year. All key operating financial metrics improved compared to a year ago. Sales increased compared to Q2/21, however the Company's supply chain was impacted by a shortage of chassis driven by chip issues and other components at the manufacturer level. This is discussed in more detail in the "Outlook" section of this MD&A.

- Revenue of $8,355 increased 12.8% compared to $7,404 in Q3/2020 as customer demand continued to recover.

- Gross Profit of $2,064 increased by $432 compared to $1,632 in Q3/2020 due to increased revenue and production efficiencies, including labour utilization, at the Company's Red Deer Facility, and recoveries from the Canada Emergency Wage Subsidy (the "wage subsidy"). Gross Profit was also positively impacted by the increased benefits from cost savings on parts sourced from China during the quarter.

- General and administrative expense of $1,463 increased by $631 compared to $832 in Q3/2020. Included in Q3/21 were one-time employee costs of $52. Other increases were due to general increased employee costs in North America to handle present and anticipated growth. The wage subsidy was less in Q3/21 compared to Q3/20. Also in Q3/2020 the Company had temporarily laid off 40% of its employees and senior management and head office employees had taken salary reductions.

- EBITDAS of $601 decreased by $199 compared to $800 in Q3/2020, due to the factors discussed above.

- In Q3/2021 the Company recorded an impairment write-down of $764 related to certain non-core hydrovac equipment in North America which was disposed of in November 2021.

- The Company incurred a net loss of $651 in Q3/2021, which represents an income decrease of $1,000 compared to net income of $349 in Q3/2020. This was due to the factors discussed above, plus stock based compensation expense of $131.

Year to Date 2021 Overview

All amounts are in thousands ($000's CAD)

- In June 2021 the Company strengthened its senior management team with appointment of Brett Newton as President and Chief Operating Officer. Bill Rollins, the former President, remained in his role as Chief Executive Officer. Brett is a hydrovac industry leader, have worked his way up to be Vice President of Operations and Fleet Manager for Badger Infrastructure Solutions Ltd. franchises in Toronto, Hamilton and Niagara, then starting his own hydrovac service operation in Ontario, and for the past five years, a co-founding partner of Rival Hydrovacs, a competitor to the Company. Brett joined the Company to help the Company capture more of the growing hydrovac market in North America.

- Revenue of $23,404, decreased 8.7% compared to $25,647 in the same period in 2020 and was negatively impacted by COVID-19 and supply chain shortage.

- Gross Profit of $6,151, increased by $1,557 compared to $4,594 in the same period in 2020 due to production efficiencies, including labour utilization, at the Company's Red Deer Facility, and recoveries from the wage subsidy. Gross Profit was also positively impacted by the increased benefits from cost savings on parts sourced from China during the period.

- EBITDAS of $2,378, increased by $666 compared to $1,712 in the same period in 2020, due to increased gross profit in North America.

- Net loss of $374, which represents a decrease of $742 compared to net income of $368 in the same period in 2020. This was due to the factors discussed above, offset by stock based compensation expense of $269, an increase in income tax expense of $173 and the impairment write-down of $764 related to certain non-core hydrovac equipment in North America.

Unless otherwise provided herein, the Company's interim financial condition, and associated economic and industry factors, are substantially unchanged from the disclosure provided in the Company's MD&A for the fiscal year end dated December 31, 2020. For a complete discussion on these items, please refer to the Company's MD&A for the fiscal year end dated December 31, 2020 which can be found under the Company's profile at www.sedar.com.

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

Selected Financial Information

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	2021	2020
Revenue	$ 8,355	$ 7,404	$ 23,404	$ 25,647
Cost of sales	6,291	5,772	17,253	21,053
Gross Profit	2,064	1,632	6,151	4,594
Gross Profit %	24.7%	22.0%	26.3%	17.9%
Selling and general administrative expenses	1,463	832	3,773	2,882
Depreciation of property and equipment	163	319	764	881
Amortization of intangible assets	149	142	447	427
Impairment write-down (reversal)	764	(174)	764	(174)
Loss on disposal of fixed assets	14	-	77	-
Finance costs	68	45	141	118
Stock-based compensation	131	-	269	-
Accretion expense	-	50	75	50
Income (loss) before tax	(688)	418	(159)	410
Income tax recovery (expense)	37	(69)	(215)	(42)
Net income (loss)	$ (651)	$ 349	$ (374)	$ 368
Comprehensive income (loss)	$ (557)	$ 340	$ (78)	$ 815
Net income (loss) per share - basic and diluted	$ (0.005)	$ 0.003	$ (0.003)	$ 0.003
Total non-current financial liabilities	$ 5,162	$ 1,326	$ 5,162	$ 1,326
Total assets	$ 28,158	$ 28,747	$ 28,158	$ 28,747

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

Segmented Information

Three months ended September 30, 2021	**North America**	**China**	**Corporate**	**Total**
Revenue	**$ 8,355**	**$ -**	**$ -**	**$ 8,355**
Cost of sales	**6,291**	**-**	**-**	**6,291**
Selling and administrative expenses	**1,125**	**78**	**260**	**1,463**
	939	**(78)**	**(260)**	**601**
Depreciation and amortization expense	**121**	**-**	**190**	**312**
Impairment write-down	**582**	**-**	**182**	**764**
Loss on disposal of fixed assets	**14**	**-**	**-**	**14**
Income (loss) before other items of income	**$ 222**	**$ (78)**	**$ (632)**	**$ (489)**

Three months ended September 30, 2020	North America	China	Corporate	Total
Revenue	$ 7,230	$ 174	$ -	$ 7,404
Cost of sales	5,598	174	-	5,772
Selling and administrative expenses	655	97	80	832
	977	(97)	(80)	800
Depreciation and amortization expense	279	-	182	461
Impairment reversal	-	(174)	-	(174)
Income (loss) before other items of income	$ 698	$ 77	$ (262)	$ 513

Nine months ended September 30, 2021	**North America**	**China**	**Corporate**	**Total**
Revenue	**$ 23,404**	**$ -**	**$ -**	**$ 23,404**
Cost of sales	**17,253**	**-**	**-**	**17,253**
Selling and general administrative	**2,840**	**208**	**724**	**3,773**
	3,311	**(208)**	**(724)**	**2,378**
Depreciation and amortization	**640**	**-**	**571**	**1,211**
Impairment write-down	**582**	**-**	**182**	**764**
Loss on disposal of fixed assets	**77**	**-**	**-**	**77**
Income (loss) before other items	**$ 2,012**	**$ (208)**	**$ (1,477)**	**$ 326**

Nine months ended September 30, 2020	North America	China	Corporate	Total
Revenue	$ 25,473	$ 174	$ -	$ 25,647
Cost of sales	20,879	174	-	21,053
Selling and general administrative	2,199	335	348	2,882
	2,395	(335)	(348)	1,712
Depreciation and amortization	782	3	523	1,308
Impairment reversal	-	(174)	-	(174)
Income (loss) before other items	$ 1,613	$ (164)	$ (871)	$ 578

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

Operating Results

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	**2021**	2020
Revenues	**$ 8,355**	$ 7,404	**$ 23,404**	$ 25,647
Gross profit	**2,064**	1,632	**6,151**	4,594
Gross profit %	**24.7%**	22.0%	**26.3%**	17.9%
EBITDAS	**601**	800	**2,378**	1,712
EBITDAS %	**7.2%**	10.8%	**10.2%**	6.7%
EBIT	**(620)**	513	**1,585**	230
EBIT %	**-7.4%**	6.9%	**6.8%**	0.9%
Net income (loss)	**$ (651)**	$ 349	**$ (374)**	$ 368

Outlook

In addition to other sections of the MD&A, this section contains forward-looking information and actual outcomes that may differ materially from those expressed or implied therein. For more information, see "Forward- Looking Information" section below.

The Company implemented two strategic actions during the second quarter of 2021:

- In June 2021, the Company moved all production into the Red Deer Facility, effectively tripling its monthly production capacity.

- To capitalize on the expected massive increase in infrastructure spending in North America and the impact that this will have on construction in general and hydrovac excavation in particular, the Company strengthened its executive management team with the appointment of Brett Newton as President and Chief Operating Officer.

The approval the Infrastructure Bill in the US is expected to validate the steps made by Tornado to triple its manufacturing capacity with the purchase of a state of the art, 57,000 square foot facility on 17 acres of land in Alberta, Canada in 2020. The investment by Tornado in additional manufacturing capacity is expected to assist Tornado in capitalizing on the increasing demand for hydrovac trucks, parts and services by our U.S. dealer and customers. The Company anticipates that the outlook for hydrovac demand throughout North America will remain strong over the next year.

The improving market environment experienced during the third quarter is expected to continue through the remainder of 2021 as customer confidence and spending levels continue to recover.

With the possibility of an adverse impact arising from the spread of COVID-19 variants in all relevant jurisdictions to the Company's supply chain and customer base and the impact of the roll out of vaccinations in the US and Canada, management recognizes that the situation continues to evolve. The Company continues to evaluate its business operations with a focus on health and safety of its employees, current company operations, business continuity and managing liquidity.

To manage such adverse impacts of COVID-19,, the Company has access to its unused line of credit and may have access to other forms of government support available to businesses impacted by the pandemic. As the Company's production and revenue increase, the Company will add staff as needed. As a result of an increase in production and a corresponding increase in revenue, the Company expects that the Company's access to government support currently available will be reduced or eliminated. The previous Canadian federal wage subsidy program ended on October 23, 2021 and although a replacement program may be introduced, details have not yet been announced.

Limiting factors on the Company's ability to meet increased demand include the possibility of chassis supply chain interruption due to chip shortages at the chassis manufacturer level and other supply chain issues related to other key components.

Overall, management believes the underlying fundamentals of the Company's business remain strong and expects its production and sales of hydrovac trucks in North America to recover and return to, and eventually exceed, the record pre-COVID levels achieved in 2019 over the long term for the following reasons:

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- Expanded capacity and manufacturing and production efficiencies from the Red Deer Facility, which is fully operational.
- A strengthened senior executive management team.
- Expected increased spending on infrastructure in North America, particularly in the US as a result of the Infrastructure Bill.
- The Company's commitment to continuous improvement of its hydrovac truck design which in the Company's view has compelling advantages over hydrovac trucks currently offered in the market.
- The continued expansion of parts and services business in the Red Deer Facility.

Revenue

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	**2021**	2020
Hydrovac sales	**$ 7,497**	$ 6,524	**$ 21,106**	$ 23,713
Parts and services	**679**	767	**1,855**	1,644
Rental	**179**	113	**443**	290
	$ 8,355	$ 7,404	**$ 23,404**	$ 25,647

During the nine months ended September 30, 2021, revenues were $23,404 compared to $25,647 in the same period of 2020. The decrease over the same period in 2020 reflects the negative impact of COVID-19 and supply chain shortages.

During the three months ended September 30, 2021, revenues were $8,355 compared to $7,404 in the same period of 2020. The increase over the same period in 2020 reflects the current positive market environment.

The table below shows the geographical sales:

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	**2021**	2020
Canada	**$ 4,168**	$ 7,076	**$ 15,352**	$ 16,617
United States	**4,187**	328	**8,052**	9,030
	$ 8,355	$ 7,404	**$ 23,404**	$ 25,647

During the three months ended September 30, 2021, sales to the US increased compared to the same period in 2020 due to increased demand from the Company's strategic partner in US.

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

Cost of sales

	Three Months ended September 30		Nine Months ended September 30	
	2021	**2020**	**2021**	**2020**
Cost of Sales	**$ 6,291**	$ 5,772	**$ 17,253**	$ 21,053

For the nine months ended September 30, 2021, cost of sales was $17,253 compared to $21,053 in the same period of 2020. The decrease in cost of sales was due to the decrease in revenue, offset by the decrease in recoveries from the wage subsidy in the amount of $646 (2020 – $880), plus increased benefits from cost savings on parts sourced from China.

For the three months ended September 30, 2021, cost of sales was $6,291 compared to $5,772 in the same period of 2020. The increase in cost of sales was due to the increase in revenue.

Gross Profit

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	**2021**	2020
Gross Profit	**$ 2,064**	$ 1,632	**$ 6,151**	$ 4,594

For the nine months ended September 30, 2021, Gross Profit was $6,151 compared to $4,594 in the same period of 2020 and the increase was due to production efficiencies, including labour utilization, at the Company's Red Deer Facility, and recoveries from the wage subsidy. Gross Profit was also positively impacted by the increased benefits from cost savings on parts sourced from China during the period.

For the three months ended September 30, 2021, Gross Profit was $2,064 compared to $1,632 in the same period of 2020 due to the same factors discussed above.

The Gross Profit relates to the North American Operations. During the three and nine months ended September 30, 2021, the Gross Profit as a percentage of revenue was 24.7% (2020 – 22.0%) and 26.3% (2020 – 17.9%). The increase from 2020 in both periods was due to improved production efficiencies and benefits from cost savings on parts sourced from China.

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

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	**2021**	2020
Selling and General and Administrative expense	**$ 1,463**	$ 832	**$ 3,773**	$ 2,882

For the nine months ended September 30, 2021, S,G&A expenses were $3,773 (comprising $2,840 in North America, $208 in China and $724 in Corporate) compared to $2,882 (comprising $2,199 in North America, $335 in China and $348 in Corporate) in the same period of 2020. The overall increase was principally due to increased employee costs in North America to handle present and anticipated growth, offset by the decreased wage subsidy recoveries in the amount of $341 (2020 – $471).

For the three months ended September 30, 2021, S,G&A expenses were $1,463 (comprising $1,124 in North America, $78 in

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China and $260 in Corporate) compared to $832 (comprising $655 in North America, $97 in China and $80 in Corporate) in the same period of 2020. Included in Q3/21 were one-time employee costs of $52. Other increases were due to general increased employee costs in North America to handle present and anticipated growth. The wage subsidy of $75 in Q3/21 decreased compared to $206 in Q3/20. Also in Q3/2020 the Company had temporarily laid off 40% of its employees and senior management and head office employees had taken salary reductions.

Depreciation of property and equipment

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	**2021**	2020
Depreciation	**$ 163**	$ 319	**$ 764**	$ 881

During the nine months ended September 30, 2021, depreciation of property and equipment was $764 compared to $881 in the same period of 2020, the majority of which related to the North American Operations.

During the three months ended September 30, 2021, depreciation of property and equipment was $163 compared to $319 in the same period of 2020, the majority of which related to the North American Operations.

Amortization of intangible assets

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	**2021**	2020
Amortization of intangible assets	**$ 149**	$ 142	**$ 447**	$ 427

Amortization of intangible assets was comparable with the same periods of 2020.

Impairment write-down

	Three Months ended September 30		Nine Months ended September 30	
	2021	**2020**	**2020**	2019
Impairment write-down (reversal)	**$ 764**	**$ (174)**	**$ 764**	$ (174)

During the three and nine months ended September 30, 2021, the Company incurred an impairment write-down of $764 related to certain non-core hydrovac equipment in North America, disposed of in November 2021.

During the three and nine months ended September 30, 2020, the Company incurred an impairment reversal which was related to sale of a hydrovac truck in China that was previously fully impaired.

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

Stock based compensation

	Three Months ended September 30		Nine Months ended September 30	
	2021	**2020**	**2021**	2020
Stock Based Compensation	**$ 131**	**$ -**	**$ 269**	$ -

During the nine months ended September 30, 2021, stock-based compensation expense was $269 as a result of the grant of 1,300,000 options in Q1/2021 and 2,350,000 options in Q2/2021.

During the three months ended September 30, 2021, stock-based compensation expense was $131 reflecting the grant of options discussed above.

Income tax expense (recovery)

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	**2021**	2020
Current income tax expense	**$ 86**	$ 68	**$ 344**	$ 14
Deferred income tax expense	**(123)**	1	**(129)**	28
	$ (37)	$ 69	**$ 215**	$ 42

The Company's tax expense relates to Tornado NA.

During the nine months ended September 30, 2021, the Company recorded income tax expense of $215 compared to income tax expense of $42 in the same period of 2020. The increase reflects increased profitability.

During the three months ended September 30, 2021, the Company recorded income tax recovery of $37 compared to income tax expense of $69 in the same period of 2020. The decrease reflects decreased profitability.

Net income (loss)

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	**2021**	2020
Net income (loss)	**$ (651)**	$ 349	**$ (374)**	$ 368

For the nine months ended September 30, 2021, net loss was $374 compared to net income of $368 in the same period of 2020. This was due to increased Gross Profit in North America and recoveries from the wage subsidy, offset by stock based compensation expense of $269, an increase in income tax expense of $173 and the impairment write-down of $764. In the same period of 2020, the Company had a gain on impairment reversal related to the China Operations of $174.

For the three months ended September 30, 2021, net loss was $651 compared to net income of $349 in the same period of 2020. This was due to increased general and administrative expense, plus stock based compensation expense of $131, and the impairment write-down of $764. In Q3/2020, the Company had a gain on impairment reversal related to the China Operations of $174.

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

Inventory

	September 30, 2021	December 31, 2020
Work-in-process	$ 3,369	$ 2,076
Raw materials	7,101	4,459
Finished goods	-	1,745
	$ 10,470	$ 8,280

As at September 30, 2021, inventory increased to $10,470 compared to inventory of $8,280 as at December 31, 2020 due to increased activity. Finished goods inventory consists of hydrovac units in the North American Operations which decreased compared to December 31, 2020 due to the sale of hydrovac units in 2021.

Quarterly Financial Information

	2021	2021	2021	2020	2020	2020	2020	2019
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	$	$	$	$	$	$	$	$
Revenue (3)	$ 8,355	$ 7,071	$ 7,978	$ 5,186	$ 7,404	$ 6,405	$ 11,838	$ 11,854
EBITDAS	601	678	1,099	(588)	800	572	340	614
Net income (loss)	(651)	(84)	361	(1,035)	349	128	(109)	(2,517)
Comprehensive income (loss)	(557)	(89)	568	(976)	340	80	395	(2,924)
Net income (loss) per share - basic and diluted	$ (0.005)	$ (0.001)	$ 0.003	$ (0.008)	$ 0.003	$ 0.001	$ (0.001)	$ (0.020)

Notes:

(1) Quarterly information has been prepared in conformity with IFRS.
(2) Due to rounding, year to date numbers may round differently.
(3) Prior period revenues have been restated to reflect the change in accounting treatment as discussed in Note 2 to the September 30, 2021 unaudited condensed consolidated financial statements. This has no impact on EBITDAS or net income.

Factors That Have Caused Variations over the Quarters

In Q3/2021, revenue increased compared to Q2/2021 due to increased demand for hydrovac trucks in North America. In Q2/2021, revenue decreased compared to Q1/2021 due to restricted production capacity caused by supply chain shortages. In Q1/2021, revenue increased compared to Q4/2020 due to increased demand for hydrovac trucks in North America. In Q4/2020, revenue decreased compared to Q3/2020 as a result of reduced hydrovac trucks production and delivery in December 2020. In Q3/2020, revenue increased compared to Q2/2020 as a result of increased demand for hydrovac trucks in North America. In Q2/2020 and Q1/2020, revenue decreased compared to Q4/2019 as a result of the impact of COVID-19..

In Q3/2021, EBITDAS decreased compared to Q2/2021 due to increased general and administrative expense. In Q2/2021, EBITDAS decreased compared to Q1/2021 due to decreased revenue and Gross Profit. In Q1/2021, EBITDAS increased compared to Q4/2020 due to increased revenue and Gross Profit. In Q4/2020, EBITDAS decreased compared to Q3/2020 due to decreased revenue and Gross Profit. In Q3/2020, EBITDAS increased compared to Q2/2020 due to increased revenue. In Q2/2020 and Q1/2020, EBITDAS decreased compared to Q4/2019 due to the impact of COVID-19 and increased employee costs.

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

In Q3/2021, net income (loss) decreased compared to Q2/2021 principally due to an impairment write-down of $764. In Q2/2021, net income (loss) decreased compared to Q1/2021 principally due to decreased revenue and Gross Profit. In Q1/2021, net income (loss) increased compared to Q4/2020 due to increased revenue and Gross Profit. In Q4/2020, net income (loss) decreased compared to Q3/2020 principally due to decreased revenue and Gross Profit. In Q3/2020, net income increased compared to Q2/2020 principally due to increased revenue and Gross Profit and an impairment reversal.

Funds from Operating Activities(1)

	Nine Months ended September 30	
	2021	2020
Cash from operating activities	**$ 2,363**	$ 3,430
Changes in non-cash working capital	**(470)**	(715)
Income taxes paid	**-**	368
Change in tax recoverable	**-**	(31)
Funds from operating activities	**$ 1,893**	$ 3,052

Notes:

(1) Funds from Operating Activities is a non IFRS measure and is calculated from cash used in operating activities adjusted for changes in non-cash working capital and change in tax recoverable.

During the nine months ended September 30, 2021, the Company generated $1,893 of Funds from Operating Activities compared to $3,052 from operations in the comparable period in 2020. The decrease was principally due to decreased Cash from Operating activities.

Liquidity, Capital Resources and Subsequent Event

Liquidity

The Company had working capital of $7,920 as at September 30, 2021 compared to working capital of $2,737 as at December 31, 2020. Included in the working capital at September 30, 2021 is $1,778 of cash.

On July 14, 2021 the Company entered into a Credit Facility, which consists of a $4,875 term loan ("Term Loan") and an up to $3,000 revolving operating line of credit ("Operating Line") and a with a Canadian Schedule I chartered bank (the "Lender"). The Credit Facility is secured by a first-ranking security interest in all of the present and future undertakings, property and assets of the Company and its subsidiary, Tornado NA, and a first-ranking mortgage charge on the Red Deer Facility. The Term Loan bears interest at a fixed rate of 2.83%, with advances repayable, together with interest, on a monthly basis until maturity in July 2026.

Pursuant to the terms of the Operating Line, the Lender will advance up to $3,000 based on the total of: (i) 90% of insured accounts receivable excluding statutory claims, customer deposits, accounts receivable aged greater than 90 days, and accounts receivable due from related parties, plus (ii)(A) 75% of other North American accounts receivable excluding statutory claims, customer deposits, accounts receivable aged greater than 90 days, and accounts receivable due from related parties; and (B) 50% of Canadian inventory excluding lienable supplier payables, priority claims, and work in process, up to maximum of $1,500. The Operating Line bears interest at a floating rate equal to the prime rate per annum established by the Lender, currently at 2.45%, plus 0.75%. The Operating Line is uncommitted, made available at the Lender's discretion, and is not automatically available upon satisfaction of the terms and conditions, conditions precedent, or financial tests set out in the

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

Credit Facility. Repayments under the Operating Line will be made on demand. As of the date of this MD&A, the Operating Line was unused and the Company is in compliance with the sole financial covenant ratio contained in the Credit Facility.

Please refer to Note 12 of the September 31, 2021 the interim condensed consolidated financial statements for additional information.

Apart from the sole financial covenant ratio and other standard positive, negative and reporting covenants associated with the Credit Facility, the Company does not have any externally imposed restrictions on its capital. TGHL manages its capital based on the projected needs of its individual geographic locations, being China and North America. TGHL monitors these amounts to ensure there is adequate cash to support the North American Operations and the China Operations. Should the projected requirements not be satisfied from cash on hand, available line of credit or cash flow from operations, TGHL would need to raise additional cash.

As discussed above in the "Outlook" section, in response to the COVID-19 pandemic, the Company has taken steps to manage liquidity through a period of lower production. In addition, as discussed above, the Company has secured an additional unused line of credit. Notwithstanding the foregoing, management has concluded that as of the date of this report, as a result of the impact of COVID-19 on the Company's supply chain, uncertainties exist which may impact the Company's operations over the next 12 months.

Capital Expenditures

During the nine months ended September 30, 2021, the Company incurred capital expenditures of $927 (comprising machinery and equipment - $162, building - $387 and hydrovac development - $378) compared to $1,792 (comprising machinery and equipment - $247, computer software - $35, hydrovac trucks purchased for rental use in North America - $1,037, office equipment - $123 and land and building - $350) in the same period of 2020.

On February 3, 2020 the Company closed the purchase of the Red Deer Facility for a total of $6,500.

Contractual Obligations and Commitments

Lease Obligations

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

As at September 30, 2021, the Company had 6 hydrovac truck leases (December 31, 2020 – 6), 1 equipment lease (December 31, 2020 – 1) and 3 computer equipment leases (December 31, 2020 - 3), repayable in monthly installments totaling of $54 (December 31, 2020 - $54) with final installments totaling $131 (December 31, 2020 - $131), bearing interest at rates between 2% and 9%.

As at September 30, 2021, the Company had $81 lease liabilities relating to premises in Calgary with no additional end of lease liabilities.

	September 30, 2021	December 31, 2020
Leases obligation	**$ 1,218**	$ 1,815
Less: current portion of leases obligation	**(677)**	(726)
	$ 541	$ 1,089

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

TGHL has the following lease commitments, which will be funded from ongoing operations over the next five years.

2021	$	**178**
2022		**607**
2023		**405**
2024		**177**
2025		**-**
Total minimum lease payments		**1,367**
Amount representing interest		**(149)**
		1,218
Less current portion of leases		**(677)**
	$	**541**

Off Balance Sheet Arrangements

As at September 30, 2021 and the date of this MD&A, the Company had no off balance sheet arrangements.

Shareholders' Equity

Share Capital

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

As of December 31, 2020, September 30, 2021 and the date of this MD&A, there were 126,771,119 Common Shares outstanding.

No dividends were declared during the period.

Common Share Purchase Warrants

As of December 31, 2020, September 30, 2021 and the date of this MD&A, there were 3,100,000 warrants outstanding, which are exercisable into 3,100,000 Common Shares at an exercise price of $0.12 per warrant and expire on September 15, 2022. No warrants were exercised during Q3/2021.

Stock Options

As at September 30, 2021 and the date of this MD&A, there were 11,095,400 stock options outstanding with a weighted average exercise price of $0.16 and weighted average remaining contractual life of 2.0 years. 9,195,400 options were exercisable at a weighted average exercise price of $0.14.

On February 5, 2021, 1,300,000 stock options were granted at an exercise price of $0.23. On May 21, 2021, 650,000 stock options were granted at an exercise price of $0.265. On May 31, 2021, 1,700,000 stock options were granted at an exercise price of $0.32.

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

Related Party Transactions

Transactions between the Company and related parties during the three and nine months ended September 30, 2021 comprised the following:

During three and nine months ended September 30, 2021, the Company's wholly-owned subsidiary Tornado Asia purchased hydrovac truck components of $nil (2020 - $249) and $nil (2020 - $500) respectively from Shanghai World Trade Resources Group Co. Ltd. ("ShanghaiCo") for the Company's North American Operations and during three and nine months ended September 30, 2021 Tornado Asia advanced $nil (2020 - $3) and $nil (2020 - $493) to ShanghaiCo for the purchase of components. During the three and nine months ended September 30, 2021, Tornado Asia incurred a service fee of $nil (2020 - $12) and $nil (2020 - $25) respectively payable to ShanghaiCo that equals to 5% of the value of the components purchased by ShanghaiCo on its behalf. As at September 30, 2021, TGHL had a net receivable of $168 (2020 – a net payable of $109) from ShanghaiCo.

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

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

Reconciliation of Loss before taxes to EBITDAS

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	**2021**	2020
Income (loss) before taxes	**$ (688)**	$ 418	**$ (159)**	$ 410
Add: Depreciation and amortization	**312**	461	**1,211**	1,308
Add: Accretion expense	**-**	50	**75**	50
Add: Finance costs	**68**	45	**141**	118
Add: Impairment write-down (reversal)	**764**	(174)	**764**	(174)
Add: Stock based compensation	**131**	-	**269**	-
Add: Loss on disposal of fixed assets	**14**	-	**77**	-
EBITDAS	**$ 601**	$ 800	**$ 2,378**	$ 1,712
% of revenue	**7.2%**	10.8%	**10.2%**	6.7%

Calculation of EBIT

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	**2021**	2020
EBITDAS	**$ 601**	$ 800	**$ 2,378**	$ 1,712
Less: Depreciation and amortization	**(312)**	(461)	**(1,211)**	(1,308)
Less: Stock based compensation	**(131)**	-	**(269)**	-
Less: Loss on disposal of fixed assets	**(14)**	-	**(77)**	-
Less: Impairment write-down	**(764)**	174	**764**	(174)
EBIT	**$ (620)**	$ 513	**$ 1,585**	$ 230

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

Calculation of Gross Profit

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	**2021**	2020
Revenues	**$ 8,355**	$ 7,404	**$ 23,404**	$ 25,647
Cost of sales	**6,291**	5,772	**17,253**	21,053
Gross margin	**$ 2,064**	$ 1,632	**$ 6,151**	$ 4,594
% of revenue	**24.7%**	22.0%	**26.3%**	17.9%

Financial Instruments and Risk Management

The Company's financial instruments recognized in the consolidated balance sheet consist of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, term loan and facility term loan payable. The carrying value of these balance sheet items approximates their fair market value due to their short-term nature.

The risks associated with these financial instruments, including foreign currency risk, credit risk, interest rate risk, liquidity risk and commodity price risk, are discussed under "Risks and Uncertainties" in the Company's annual MD&A for the year ended December 31, 2020.

The Company may use foreign exchange contracts to hedge its US dollar ("USD") revenues. As at September 30, 2021, the Company had no USD forward contracts.

Significant Judgements and Estimates

The preparation of the Company's financial statements requires management to adopt accounting policies that involve the use of significant estimates and assumptions. These estimates and assumptions are developed based on the best available information and are believed by management to be reasonable under the existing circumstances. New events or additional information may result in the revision of these estimates over time. A summary of the critical estimates and judgements used by the Company can be found in Note 3 to the December 31, 2020 consolidated audited annual financial statements. There have been no changes to the Company's significant accounting estimates and judgments as of September 30, 2021.

Internal Controls and Procedures

There have been no significant changes in TGHL's internal controls over financial reporting during the three and nine months ended September 30, 2021 that have materially affected, or are reasonability likely to materially affect TGHL's internal controls over financial reporting.

Forward Looking Information

This MD&A contains certain "forward-looking statements." All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding financial and business prospects and financial outlook) are forward looking statements. Such forward-looking statements may be identified by words such as "anticipate", "will", "intend", "could", "should", "may", "expect", "forecast", "plan", "potential", "project", "estimate", "assume", "believe", "shall", "target", "forward looking to", and similar terms or the negatives thereof or other comparable terminology. Forward-looking statements include those with respect to: (i) the expectation that the Infrastructure Bill will lead to an increase in infrastructure spending and result in job creations and increased demand for hydrovac trucks; (ii) the Company's outlook for the 2021 fiscal year; (iii) the expectation that the improving market environment is expected to continue through the remainder of 2021; (iv) the anticipation that the outlook for hydrovac demand throughout North America will remain bullish for years to come; (v) the expectation that the Company's access to government support currently available will be reduced or eliminated as the Company's production and revenue increases; (vi) the Company's ability to meet increased demand may be limited by factors including chassis supply chain interruption due to chip shortages at the chassis manufacturer level and other supply chain issues related to other key components; (vii) management's belief that the underlying fundamentals of the Company's business will remain strong over the long term; (viii) the expectation that long term production and sales of hydrovac in North America will recover and eventually exceed the record pre-COVID levels achieved in 2019; (ix) the expectation that spending on infrastructure in North America will increase; (x) management's belief that the Company's commitment to continuous improvement of its hydrovac truck design will continue to provide compelling advantages over hydrovac trucks currently offered in the market; (xi) the anticipated manufacturing and production efficiencies from the Red Deer Facility; and (xii) management's anticipation of continued expansion of parts and services business in the Red Deer Facility. These forward-looking statements reflect the current expectations or beliefs of the Company, based on information currently available to the Company. Forward-looking statements are subject to a number of risks, uncertainties and assumptions that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements and, even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, changes in general economic and market conditions, changes to regulations affecting the Company's activities, and uncertainties relating to the availability and costs of financing needed in the future. Any forward-looking statement speaks only as at the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward looking statements are not guarantees of future performance and, accordingly, undue reliance should not be put on such forward-looking statements due to the inherent uncertainty therein.

Business Risks and Uncertainties

Please refer to the Company's annual MD&A and audited consolidated financial statements for the year ended December 31, 2020, available on SEDAR at www.sedar.com and on the Company's web site at www.tornadotrucks.com for a discussion of the other risks and uncertainties associated with the Company's activities. There have been no significant changes in these risks and uncertainties during the three and nine months ended September 30, 2021.