



Tornado Global Hydrovacs Ltd.

Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended September 30, 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	September 30, 2021	December 31, 2020
(In \$000's CAD)			
ASSETS			
Current assets			
Cash and cash equivalents		\$ 1,778	\$ 2,000
Accounts receivable		3,013	2,944
Inventory	3	10,470	8,280
Prepaid expenses and other assets		339	500
Current tax receivable		—	295
Total current assets		15,600	14,019
Non-current assets			
Property and equipment, net	4	10,297	11,094
Goodwill and intangible assets, net	5	2,261	2,513
Total non-current assets		12,558	13,607
Total assets		\$ 28,158	\$ 27,626
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 6,099	\$ 4,016
Customer deposits		236	46
Current portion of lease liabilities	11	677	726
Term loan		471	647
Current portion of facility term loan	12	137	—
Current tax payable		60	—
Vendor take-back mortgage		—	5,847
Total current liabilities		7,680	11,282
Non-current liabilities			
Deferred tax		296	426
Lease liabilities	11	541	1,089
Facility term loan	12	4,621	—
Total liabilities		13,138	12,797
Shareholders' Equity			
Share capital	13	20,903	20,903
Common share purchase warrants	13	144	144
Contributed surplus		863	594
Deficit		(7,505)	(7,131)
Accumulated other comprehensive income		615	319
Total shareholders' equity		15,020	14,829
Total liabilities and equity		\$ 28,158	\$ 27,626

See accompanying notes to condensed consolidated financial statements

On behalf of the Board of Directors:

"Guy Nelson"
Non-Executive Chairman and Chair of Audit Committee

"Darrick Evong"
Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

	Notes	Three Months ended		Nine Months ended	
		September 30 2021	September 30 2020	September 30 2021	September 30 2020
(In \$000's CAD, except per share amounts)					
Revenues			(Restated) (See Note 2)		(Restated) (See Note 2)
Revenue	7	\$ 8,343	\$ 7,446	\$ 23,367	\$ 25,733
Other gain (loss) - foreign exchange		12	(42)	37	(86)
		8,355	7,404	23,404	25,647
Cost of sales	8	6,291	5,772	17,253	21,053
Gross Profit		2,064	1,632	6,151	4,594
Selling and general administrative expenses	9	1,463	832	3,773	2,882
Income before depreciation, amortization and other items		601	800	2,378	1,712
Depreciation of property and equipment	4	163	319	764	881
Amortization of intangible assets	5	149	142	447	427
Impairment write-down (reversal)	4&5	764	(174)	764	(174)
Loss on disposal of fixed assets		14	—	77	—
		1,090	287	2,052	1,134
Income (loss) before the undernoted		(489)	513	326	578
Finance costs		68	45	141	118
Stock based compensation	14	131	—	269	—
Accretion expense		—	50	75	50
		199	95	485	168
Income (loss) before tax		(688)	418	(159)	410
Income tax recovery (expense)					
Current		(86)	(68)	(344)	(14)
Deferred		123	(1)	129	(28)
		37	(69)	(215)	(42)
Net income (loss)		(651)	349	(374)	368
Other comprehensive income (loss)					
Translation of foreign subsidiaries		94	(9)	296	447
Comprehensive income (loss)		\$ (557)	\$ 340	\$ (78)	\$ 815
Net income (loss) per share					
Basic	6	\$ (0.005)	\$ 0.003	\$ (0.003)	\$ 0.003
Diluted	6	\$ (0.005)	\$ 0.003	\$ (0.003)	\$ 0.003

See accompanying notes to condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

	Notes	Nine Months ended	
		September 30 2021	September 30 2020
(In \$000's CAD)			
OPERATING ACTIVITIES			
Net income (loss)		\$ (374)	\$ 368
<i>Add (deduct) items not affecting cash:</i>			
Depreciation of property and equipment		764	881
Amortization of intangible assets		447	427
Impairment write-down (reversal)	4&5	764	(174)
Loss on disposal of fixed assets		77	—
Deferred income taxes		(129)	(28)
Accretion expense		75	50
Stock based compensation		269	—
Cost of sales on trucks transferred from property and equipment		—	1,180
		1,893	3,052
Change in non-cash working capital	17	530	715
Income taxes paid		—	(368)
Change in tax recoverable		—	31
Cash flow from operating activities		2,423	3,430
INVESTING ACTIVITIES			
Additions of property and equipment	4	(549)	(1,757)
Additions of intangible assets	5	(378)	(35)
Proceeds from disposal of fixed assets		60	6
Cash flow used in investing activities		(867)	(1,786)
FINANCING ACTIVITIES			
Net repayment of leases	11	(557)	(326)
Proceeds from (repayment) of term loan		(165)	704
Repayment of vender take-back mortgage		(6,000)	—
Net proceeds from facility term loan	12	4,758	—
Cash flow (used in) from financing activities		(1,964)	378
Effect of exchange rate changes on cash and cash equivalents		186	69
Net increase (decrease) in cash and equivalents during the period		(222)	2,091
Cash and cash equivalents, beginning of period		2,000	2,417
Cash and cash equivalents, end of period		\$ 1,778	\$ 4,508

See accompanying notes to condensed consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

As at September 30, 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
Loss for the period	-	-	-	(374)	-	(374)
Stock based compensation	-	-	269	-	-	269
Other comprehensive income for the period	-	-	-	-	296	296
As at September 30, 2021	\$ 20,903	\$ 144	\$ 863	\$ (7,505)	\$ 615	\$ 15,020

As at September 30, 2020

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

See accompanying notes to condensed consolidated financial statements

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three and nine months ended September 30, 2021

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

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".

These financial statements were recommended for approval by the Company's Audit Committee and were approved and authorized for issue by the Board of Directors on November 17, 2021.

2. Summary of significant accounting policies

The interim condensed consolidated financial statements 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 and nine months ended September 30, 2021 and includes the results for the comparative periods 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 Hydrovacs Ltd. and its direct and indirect wholly owned subsidiaries Tornado Global Hydrovacs (North America) Inc. ("Tornado NA"), Tornado Hydrovacs Asia Pacific Holdings Ltd. and Tornado Global Hydrovacs (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 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 three and nine months ended September 30, 2020 is a reduction to both revenue and cost of sales of \$2.7 million and \$5.5 million respectively. 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 income per share for the three and nine months ended September 30, 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.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three and nine months ended September 30, 2021

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

Use of estimates

In the opinion of management, the unaudited interim condensed consolidated financial statements include all adjustments of a normal recurring nature to present fairly, the condensed consolidated financial position of the TGHL as at September 30, 2021. There have been no changes to the Company's significant accounting estimates and judgments as of September 30, 2021.

3. Inventory

Inventory comprises:

	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

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

4. Property and equipment

Cost	Office Space		Leaseholds	Rental		Land and Building	Total
	M&E	& Equip (4)		Equipment and Vehicles			
Balance, December 31, 2020	2,310	1,285	1,327	3,386	6,283	14,591	
Additions	162	-	-	-	387	549	
Disposals	(262)	-	-	-	-	(262)	
Balance, September 30, 2021	\$ 2,210	\$ 1,285	\$ 1,327	\$ 3,386	\$ 6,670	\$ 14,878	

Accumulated Depreciation

Balance, December 31, 2020	855	923	1,131	377	133	3,419
Depreciation for the period	286	49	126	179	125	764
Disposals	(185)	-	-	-	-	(185)
Impairment (1)	-	-	-	582	-	582
Balance, September 30, 2021	\$ 956	\$ 972	\$ 1,257	\$ 1,138	\$ 258	\$ 4,580

Net book value

Balance, December 31, 2020	\$ 1,455	\$ 362	\$ 196	\$ 3,009	\$ 6,072	\$ 11,094
Balance, September 30, 2021	\$ 1,254	\$ 313	\$ 70	\$ 2,248	\$ 6,412	\$ 10,297

- (1) During the three and nine months ended September 31, 2021, an impairment write-down of \$582 (2020 - \$nil) was recognized related to certain hydrovac equipment in North America, which was disposed of in November 2021.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three and nine months ended September 30, 2021

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

5. Goodwill and intangible assets

Cost	Goodwill	Patents	Development	Computer Software	Total
Balance, December 31, 2020	833	3,529	227	336	4,925
Additions	-	-	378	-	378
Balance, September 30, 2021	\$ 833	\$ 3,529	\$ 605	\$ 336	\$ 5,303

Accumulated Amortization					
Balance, December 31, 2020	-	2,230	72	110	2,412
Amortization for the period	-	370	41	37	447
Impairment (1)	-	-	182	-	182
Balance, September 30, 2021	\$ -	\$ 2,600	\$ 295	\$ 147	\$ 3,041

Net book value					
Balance, December 31, 2020	\$ 833	\$ 1,299	\$ 155	\$ 226	\$ 2,513
Balance, September 30, 2021	\$ 833	\$ 929	\$ 310	\$ 189	\$ 2,261

- (1) During the three and nine months ended September 30, 2021, an impairment write-down of \$182 (2020 - \$nil) was recognized related to the development of certain hydrovac equipment in North America, which was disposed of in November 2021.

6. Net income (loss) per share

Basic:			Diluted:		
Three Months ended September 30, 2021			Three Months ended September 30, 2021		
Net loss	Weighted average number of shares	Net loss per share	Net loss	Weighted average number of shares	Net loss per share
(\$651)	126,771,119	(\$0.005)	(\$651)	126,771,119	(\$0.005)
Three Months ended September 30, 2020			Three Months ended September 30, 2020		
Net income	Weighted average number of shares	Net income per share	Net income	Weighted average number of shares	Net income per share
\$349	126,771,119	\$0.003	\$349	128,295,133	\$0.003

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three and nine months ended September 30, 2021

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

Basic:			Diluted:		
Nine Months ended September 30, 2021			Nine Months ended September 30, 2021		
Net loss	Weighted average number of shares	Net loss per share	Net loss	Weighted average number of shares	Net loss per share
(\$374)	126,771,119	(\$0.003)	(\$374)	126,771,119	(\$0.003)
Nine Months ended September 30, 2020			Nine Months ended September 30, 2020		
Net income	Weighted average number of shares	Net income per share	Net income	Weighted average number of shares	Net income per share
\$368	126,771,119	\$0.003	\$368	128,295,133	\$0.003

The effects of dilution from 11,095,400 stock options (2020 - 7,445,400) and 3,100,000 warrants (2020 – 3,100,000) were excluded in the calculation of weighted average shares outstanding for diluted earnings per share for the three and nine months ended September 30, 2021 as they are anti dilutive.

7. Revenue

Revenue for the three and nine month periods ended September 30 comprised the following:

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	2021	2020
		(Restated, see Note 2)		(Restated, see Note 2)
Hydrovac sales	\$ 7,485	\$ 6,566	\$ 21,069	\$ 23,799
Parts and services	679	767	1,855	1,644
Rental	179	113	443	290
	\$ 8,343	\$ 7,446	\$ 23,367	\$ 25,733

During the nine months ended September 30, 2021, 38.2% (2020 - 37.9%) of hydrovac sales were attributable to one customer.

The table below shows geographical sales:

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	2021	2020
		(Restated, see Note 2)		(Restated, see Note 2)
Canada	\$ 4,156	\$ 7,118	\$ 15,315	\$ 16,703
United States	4,187	328	8,052	9,030
	\$ 8,343	\$ 7,446	\$ 23,367	\$ 25,733

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three and nine months ended September 30, 2021

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

8. Cost of sales

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	2021	2020
		(Restated, see Note 2)		(Restated, see Note 2)
Direct manufacturing costs	\$ 5,047	\$ 4,361	\$ 13,522	\$ 16,243
Indirect salaries and benefits	388	299	1,196	994
Indirect production costs	856	1,112	2,535	3,816
	\$ 6,291	\$ 5,772	\$ 17,253	\$ 21,053

Cost of sales for the three and nine months ended September 30, 2021 includes Canada Emergency Wage Subsidy ("CEWS") of \$190 (2020 – \$468) and \$646 (2020 – \$880) respectively.

9. Selling and general administrative expenses

	Three Months ended September 30		Nine Months ended September 30	
	2021	2020	2021	2020
Salaries and benefits	\$ 910	\$ 347	\$ 2,476	\$ 1,352
Selling, general and administrative expense	553	485	1,297	1,530
	\$ 1,463	\$ 832	\$ 3,773	\$ 2,882

Selling and general administrative expenses for the three and nine months ended September 30, 2021 includes CEWS of \$75 (2020 – \$206) and \$341 (2020 – \$471) and respectively.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three and nine months ended September 30, 2021

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

10. 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 and nine months ended September 30, 2021 and 2020 respectively:

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)
Total assets	\$	18,886	\$	839	\$	8,433	\$	28,158
Total liabilities	\$	7,395	\$	86	\$	5,657	\$	13,138
Capital Expenditures	\$	126	\$	-	\$	378	\$	504

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

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three and nine months ended September 30, 2021

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

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
Total assets	\$	18,886	\$ 839	\$ 8,433	\$ -	\$ 28,158
Total liabilities	\$	7,395	\$ 86	\$ 5,657	\$ -	\$ 13,138
Capital Expenditures	\$	549	\$ -	\$ 378	\$ -	\$ 927

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

11. Lease liabilities

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 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 September 30, 2021, the Company had \$81 lease liabilities relating to the Company's facility leases 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

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three and nine months ended September 30, 2021

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

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

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

12. Credit Facility

On July 14, 2021 the Company entered into a Credit Facility, which consists of an up to \$3,000 revolving operating line of credit ("Operating Line") and a \$4,875 term loan ("Term Loan") 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. 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.

As at January 1, 2021	\$	-
Gross proceeds		4,875
Less principal repayment		(22)
Less: capitalized transaction cost		(95)
Facility term loan payable as at September 30, 2021	\$	4,758

Pursuant to the terms of the Operating Loan, 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 Credit Facility. Repayments under the Operating Line will be made on demand. As of September 30, 2021, the Operating Line was unused.

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three and nine months ended September 30, 2021

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

Under the terms of the Credit Facility, the Company is required to comply with the following financial covenant:

	Covenant Limit	September 30, 2021
Debt Service Coverage ratio (DSC) at all times (1)	not less than 120%	181%

- (1) The DSC is calculated as follows: (EBITDA less: Unfinanced CAPEX) / (Scheduled Principal + Interest on all debt). EBITDA is defined as earnings before interest, taxes, depreciation, amortization, plus(minus) extraordinary losses (gains), non-cash losses (gains), non-recurring losses (gains). Unfinanced Capex shall be calculated as total capital expenditures net of debt advanced in support of such expenditures, proceeds from the sale of fixed assets, net proceeds of equity issuances and undrawn portion of the credit facilities.

13. Share capital

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

As at September 30, 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 September 30, 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.

14. Stock Options

The following tables summarize Stock Option activity for the nine months ended September 30, 2021:

	Number of Options Outstanding	Weighted Average Exercise Price
Balance, December 31, 2020	7,445,400	\$0.11
Granted	3,650,000	\$0.27
Balance, September 30, 2021	11,095,400	\$0.13
Exercisable, September 30, 2021	9,195,400	\$0.14

Option price	Options Outstanding	Weighted Average Remaining Contractual Life (years)
\$0.11	7,445,400	1.1
\$0.23	1,300,000	4.1
\$0.27	650,000	2.6
\$0.32	1,700,000	4.7

1,300,000 stock options were granted on February 5, 2021 at an option price of \$0.23 per share. 650,000 stock options were granted on May 21, 2021 at an option price of \$0.27 per share. 1,700,000 stock options were granted on May 31, 2021 at an option price of \$0.32 per share. The stock option value per share 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 rate of 0.96% and an expected life of 60 months. The fair value of the three tranches of options as discussed above at the grant date was \$0.09, \$0.11 and \$0.13 respectively. 2,850,000 stock options vested one third at the grant date and will vest one third on each of the first and

Notes to the Interim Condensed Consolidated Financial Statements

Unaudited three and nine months ended September 30, 2021

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

second anniversaries of the grant. 800,000 stock options fully vested on the date of grant, resulting in total option expense of \$131 and \$269 during three and nine months ended September 30, 2021 (2020 - nil) respectively.

15. Capital disclosure and management

As of September 30, 2021, TGHL does not have any externally imposed restrictions on its capital other than as discussed above under "Credit Facility". 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 September 30, 2021 TGHL had \$1,778 cash which together with the available unused line of credit and operating cash flow is expected to meet the budgeted requirements for the next 12 months.

16. Related party transactions

During three and nine months ended September 30, 2021, the Company's wholly-owned subsidiary Tornado Hydrovac Asia Pacific Holdings Limited ("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 upcoming 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. 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.

17. Changes in non-cash working capital

	Nine Months ended September 30	
	2021	2020
Accounts receivable	\$ (69)	\$ (910)
Inventory	(2,190)	4,269
Prepaid expenses and other assets	161	100
Accounts payable and accrued liabilities	2,083	(2,719)
Customer deposits	190	(39)
Current tax receivable	295	-
Current tax payable	60	(354)
	530	347
Less: income taxes paid	-	(368)
Total change in non-cash working capital	\$ 530	\$ 715