Management's Discussion and Analysis

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

The audited consolidated financial statements and accompanying notes of the Company for the year ended December 31, 2021 and 2020 have been prepared in conformity with International Financial Reporting Standards ("IFRS").

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

Unless otherwise indicated, a reference to a year relates to TGHL's fiscal year ended December 31. All amounts are reported in Canadian dollars unless specifically stated otherwise. Financial information disclosed in this MD&A is presented in thousands (000's) except for percentages and per share data.

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

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

Disclosure contained in this document is current to April 28, 2022, unless otherwise stated.

Non-IFRS Methods

In this MD&A, the Company uses eleven financial management metrics that are not in accordance with IFRS, namely "EBITDAS" (earnings (loss) before interest, tax, depreciation and amortization, non-cash impairment, gain/loss on disposal of fixed assets and stock-based compensation), "Gross Profit" (revenue less cost of sales), "Gross Profit % (Gross Profit, divided by revenue), "EBIT" (earnings before interest and taxes), "Adjusted Cost of Sales" (cost of sales less one-time non-recurring adjustments), "Adjusted General and Administrative" (General and Administrative less one-time non-recurring adjustments), "Adjusted EBITDAS" (EBITDAS, adjusted for non-cash impairment and gain/loss on disposal of fixed assets, stock-based compensation and other one-time, non-recurring items), "Adjusted Gross Profit" (gross profit excluding one-time, non-recurring items), "Adjusted Gross Profit %" (Adjusted Gross Profit, divided by revenue), "Adjusted Impairment" (impairment less one-time non-recurring adjustments) and "Adjusted Loss before Tax" (loss before tax less one-time non-recurring adjustments). Because these terms are not defined by IFRS they cannot be formally presented in the audited consolidated financial statements. Management believes that Adjusted Cost of Sales, Adjusted General and Administrative, Adjusted EBITDAS, Adjusted Impairment and Adjusted Loss before Tax are relevant when assessing normalized operating performance. 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. It should be noted that the Company's definition of EBITDAS, EBIT and Gross Profit 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, Gross Profit %, Adjusted Cost of Sales, Adjusted General and Administrative, Adjusted EBITDAS, Adjusted Gross Profit, Adjusted Gross Profit %, Adjusted Impairment and Adjusted Loss before Tax 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.

2021 Overview

- The Company completed two strategic actions during the second quarter of 2021.
    - The Company moved all production into the Red Deer Facility, effectively tripling the Company's monthly production capacity.
    - To capitalize on the expected increase in infrastructure spending in North America and the impact that such spending will have on construction demand in general and hydrovac excavation demand in particular, the Company strengthened its executive management team with the appointment of Brett Newton as President and Chief Operating Officer of the Company. In January 2022 Mr. Newton assumed the position of Chief Executive Officer and vacated the position of Chief Operating Officer.
- 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 revolving operating line of credit 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, which in turn is expected to increase the demand for hydrovac trucks in US.
- In 2021, the federal government introduced a clawback provision with respect to the Canada Emergency Wage Subsidy (the "wage subsidy") that requires employers that are public corporations to repay a part of their wage subsidy claims for a qualifying period, to the extent the compensation paid to its named executive officers in 2021 exceeds that paid in 2019. The wage subsidy clawback resulted in the Company being required to pay back a total of $384 (the "Clawback") to the federal government and negatively impacted the Company's gross profit and EBITDAS by $269 and $384 respectively.
- Revenue of $32,898 in 2021 increased 6.7% compared to $30,832 in 2020 as customer demand continued to recover.

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

- During Q4/2021, the Company recorded a number of one-time non-recurring items which negatively impacted the Company's Q4 and year-to-date results. The impact of these adjustments are summarized in the following table:

	Q4 2021			Year 2021		
	2021 Reported	One-time non-recurring Adjustments	Adjusted 2021 Results	2021 Reported	One-time non-recurring Adjustments	Adjusted 2021 Results
Revenue	9,494	-	9,494	32,898	-	32,898
Cost of Sales						
- Inventory and Provision (1)		(795)			(795)	
- Wage Subsidy Repayment (2)		(269)			(269)	
- Moving and facility set-up cost (3)		(58)			(162)	
Total	9,649	(1,122)	8,527	26,902	(1,226)	25,676
Gross Profit	(155)	1,122	967	5,996	1,226	7,222
Gross Profit %	-1.6%		10.2%	18.2%		22.0%
General and Administrative						
- Wage Subsidy Repayment (2)		(115)	(115)		(115)	(115)
- Moving and facility set-up cost (3)		(37)	(37)		(339)	(339)
Total	2,283	(152)	2,131	6,056	(454)	5,602
EBITDAS	(2,438)	1,274	(1,164)	(60)	1,680	1,620
Impairment (4)	189	(189)	-	953	(953)	-
Loss before Tax	(2,841)	1,463	(1,378)	(3,215)	2,633	(582)

Notes:

1. This relates to year-end inventory adjustment provision. The inventory adjustment resulted from relocating the Company's manufacturing operations to the Red Deer Facility and the identification of inventory that is no longer useable due to product design changes and improvements.
2. This is the Clawback discussed above. $269 relates to cost of sales and $115 relates to general and administrative expense.
3. This relates to the Company's moving and set up costs for the move to new Red Deer Facility.
4. This relates to certain non-core hydrovac equipment in North America and its related initial development cost, and rental vehicles.

Readers are cautioned that Adjusted Cost of Sales, Adjusted Gross Profit, Adjusted Gross Profit %, Adjusted General and Administrative, Adjusted EBITDAS, Adjusted Impairment and Adjusted Loss before Tax should not be considered to be more meaningful than Cost of Sales, General and Administrative, Impairment and Loss before Tax determined in accordance with IFRS.

- Gross Profit of $5,996 in 2021 increased by $721 compared to $5,275 in 2020 due to increased revenue and production efficiencies, including labour utilization, at the Company's Red Deer Facility. This was offset by reduced wage subsidy net of the amount repayable ($427 in 2021 compared to $1,206 in 2020) and one-time expenses discussed above. Gross Profit was positively impacted by the increased benefits from cost savings on parts sourced from China, although to a lesser extent than during 2020 due to increased freight and lead time. Gross Profit was negatively impacted by increased material costs experienced in Q4/2021 due to supply chain issues.

- General and administrative expense of $6,056 in 2021 increased by $1,905 compared to $4,151 in 2020. The increase was due to general increased employee costs in North America to handle present and anticipated growth. The wage subsidy net of the amount repayable was less in 2021 compared to 2020 ($213 vs $730). Also in 2020 the Company had temporarily laid off 40% of its employees and senior management and head office employees had taken salary reductions.

- EBITDAS of negative $60, decreased by $1,184 compared to $1,124 in 2020, due to the factors discussed above.

- In 2021, the Company recorded an impairment of $953 discussed above. In 2020, an impairment reversal of $108 was recorded.

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

- The Company recorded a net loss of $3,215 in 2021, which represents an increase in the net loss of $2,548 compared to net loss of $667 in 2020. This was due to the factors discussed above, plus stock based compensation expense of $489 which is a non cash item.

Q4/2021 Overview

- During Q4/2021, the Company recorded a number of one-time non-recurring items which negatively impacted the Company's Q4 results summarized in the table above.

- Revenue of $9,494, increased 83.1% compared to $5,186 in Q4/2020 as customer demand continued to recover.

- Gross Profit of negative $155, decreased by $836 compared to $681 in Q4/2020 principally due to adjustments discussed in the table above and reduced wage subsidy net of the amount repayable ($427 in 2021 compared to $1,206 in 2020). Gross Profit was negatively impacted by increased material costs experienced in Q4/2021 due to supply chain issues.

- EBITDAS of negative $2,438, increased by $1,850 compared to negative $588 in Q4/2020, due to the factors discussed above.

- Net loss of $2,841 increased by $1,806 compared to a net loss of $1,035 in Q4/2020. This was due to the factors discussed above and stocked-based compensation of $220 (2020 – $nil) which is a non cash item.

Selected Financial Information

	Three Months ended December 31			Year ended December 31		
	2021	**2020**	**2019**	**2021**	**2020**	**2019**
Revenue	**$ 9,494**	$ 5,186	$ 11,854	**$ 32,898**	$ 30,832	$ 49,598
Cost of sales	**9,649**	4,505	9,712	**26,902**	25,557	40,293
Gross Profit	**(155)**	681	2,142	**5,996**	5,275	9,305
Selling and general administrative expenses	**2,283**	1,269	1,600	**6,056**	4,151	6,075
Depreciation of property and equipment	**206**	295	606	**970**	1,176	1,248
Amortization of intangible assets	**158**	166	166	**605**	593	608
Impairment (reversal)	**189**	66	2,242	**953**	(108)	2,242
Accretion expense	**78**	92	-	**153**	142	-
Finance costs	**69**	51	60	**210**	168	144
Stock-based compensation	**220**	-	68	**489**	-	129
Loss on disposal of fixed assets	**-**	1	(81) -	**77**	2	(1)
Loss before tax	**(3,358)**	(1,259)	(2,519)	**(3,517)**	(849)	(1,140)
Income tax recovery (expense)	**517**	224	2	**302**	182	(494)
Net loss	**$ (2,841)**	$ (1,035)	$ (2,517)	**$ (3,215)**	$ (667)	$ (1,634)
	$ -					
Comprehensive loss	**$ (3,113)**	$ (976)	$ (2,924)	**$ (3,191)**	$ (161)	$ (2,098)
	-					
Net loss per share - basic and diluted	**$ (0.022)**	$ (0.008)	$ (0.020)	**$ (0.025)**	$ (0.005)	$ (0.013)
	$ -					
Total non-current financial liabilities	**$ 5,198**	$ 1,089	$ 808	**$ 5,198**	$ 1,089	$ 808
Total assets	**$ 25,315**	$ 27,626	$ 23,830	**$ 25,315**	$ 27,626	$ 23,830

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

Segmented Information

Year ended December 31, 2021	North America	China	Corporate	Total
Revenue	**$ 32,898**	**$ -**	**$ -**	**$ 32,898**
Cost of sales	**26,902**	**-**	**-**	**26,902**
Selling and general administrative	**4,601**	**404**	**1,051**	**6,056**
	1,395	**(404)**	**(1,051)**	**(60)**
Depreciation and amortization	**805**	**3**	**767**	**1,575**
Impairment write-down	**771**	**-**	**182**	**953**
Loss on disposal of fixed assets	**77**	**-**	**-**	**77**
Income (loss) before other items	**$ (258)**	**$ (407)**	**$ (2,000)**	**$ (2,665)**

Year ended December 31, 2020	North America	China	Corporate	Total
Revenue	$ 30,832	$ -	$ -	$ 30,832
Cost of sales	25,557	-	-	25,557
Selling and general administrative	2,988	561	602	4,151
	2,287	(561)	(602)	1,124
Depreciation and amortization	1,034	5	730	1,769
Impairment reversal	44	(152)	-	(108)
Loss on disposal of fixed assets	1	-	-	1
Income (loss) before other items	$ 1,208	$ (415)	$ (1,332)	$ (538)

Operating Results

	Three Months ended December 31		Year ended December 31	
	2021	2020	**2021**	2020
Revenues	**$ 9,494**	$ 5,186	**$ 32,898**	$ 30,832
Gross profit	**(155)**	681	**5,996**	5,275
Gross profit %	**-1.6%**	13.1%	**18.2%**	17.1%
EBITDAS	**(2,438)**	(588)	**(60)**	1,124
EBITDAS %	**-25.7%**	-11.3%	**-0.2%**	3.6%
EBIT	**(3,211)**	(1,115)	**(1,248)**	(538)
EBIT %	**-33.8%**	-21.5%	**-3.8%**	-1.7%
Net loss	**$ (2,841)**	$ (1,035)	**$ (3,215)**	$ (667)

For the year ended December 31, 2021, Gross Profit of $5,996 increased by 1.1% compared to 2020 notwithstanding a smaller amount of wage subsidy was received by the Company in 2021 compared to 2020. This increase was due to increased revenue and production efficiencies, including labour utilization, at the Company's Red Deer Facility.

The gross profit margin percentage in Q4 2021 was negatively impacted by one-time non-recurring adjustments discussed above and increased material costs due to supply chain issues.

Outlook

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

Management believes the Company's business will continue to strengthen and expects the Company's production and sales of hydrovac trucks in North America in 2022 to continue to grow and capitalize on the significantly increased capacity of its owned facility in Red Deer over the long term for the following reasons:

- A strengthened senior executive management team.
- Expanded capacity and manufacturing and production efficiencies from the Red Deer Facility, which is fully operational.
- Expected increased spending on infrastructure in North America, particularly in the US as a result of the Infrastructure Bill.

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

- 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 Company anticipates adding new innovative products to our product lines that cover infrastructure, telecom and oil and gas industries.
- Secured key manufacturing components, including chassis for customers, into future years through strategic relationships.
- Strengthened dealer relationships in both Canada and US to meet the expected demand increase.
- Expanded North American coverage for maintenance warranty and repair to better serve customers.
- The majority of the one-time, non-recurring expenses accrued in 2021 were non cash and totalled $2,633.
- The improved market environment experienced during the second half of 2021 is expected to continue into 2022 as customer confidence and spending levels continue to recover.

Limiting factors on the Company's ability to meet increased demand could 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 caused by the pandemic and exacerbated by the Russian invasion of Ukraine. However, management believes that it will be able to manage these supply chain issues.

Revenue

	Three Months ended December 31		Year ended December 31	
	2021	2020	**2021**	2020
Revenues	**$ 9,494**	$ 5,186	**$ 32,898**	$ 30,832

During the year ended December 31, 2021, revenues were $32,898 compared to $30,832 in the same period of 2020. The increase over the same period in 2020 reflects the improving market environment.

During the three months ended December 31, 2021, revenues were $9,494 compared to $5,186 in the same period of 2020. The increase over the same period in 2020 was due to the same factor discussed above.

The table below shows the geographical sales:

	Three Months ended December 31		Year ended December 31	
	2021	2020	**2021**	2020
Canada	**$ 5,966**	$ 3,703	**$ 21,318**	$ 19,986
United States	**3,528**	1,483	**11,580**	10,846
	$ 9,494	$ 5,186	**$ 32,898**	$ 30,832

During the three months and year ended December 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.

Cost of sales

	Three Months ended December 31		Year ended December 31	
	2021	2020	**2021**	2020
Cost of Sales	**$ 9,649**	$ 4,505	**$ 26,902**	$ 25,557

For the year ended December 31, 2021, cost of sales was $26,902 compared to $25,557 in the same period of 2020. The increase in cost of sales was due to the increase in revenue, year-end inventory adjustments ($694) and decrease in recoveries from the wage subsidy in the amount of $427 (2020 – $1,206).

For the three months ended December 31, 2021, cost of sales was $9,649 compared to $4,505 in the same period of 2020. The increase over the same period in 2020 was principally due to year-end inventory adjustments ($694) resulting from relocating to the Company's Red Deer Facility and the identification of inventory no longer useable due to product design changes and improvements. In Q4/2021, the Company recorded a subsidy repayment provision of $384 compared to a wage subsidy recovery of $369 in 2020.

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

Gross Profit

	Three Months ended December 31		Year ended December 31	
	2021	2020	**2021**	2020
Gross Profit	**-$ 155**	$ 681	**$ 5,996**	$ 5,275

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

For the year ended December 31, 2021, Gross Profit was $5,996 compared to $5,275 in the same period of 2020. The increase was due to increased revenue and production efficiencies, including labour utilization, at the Company’s Red Deer Facility, offset by one-time expenses including moving and set up costs relating to the Red Deer Facility ($589), inventory adjustments ($694) and reduction in wage subsidy ($427 in 2021 compared to $1,206 in 2020).

For the three months ended December 31, 2021, the Gross Profit was negative of $155 compared to $681 in the same period of 2020. The decrease in Gross Profit was principally due to one-time inventory adjustments and warranty provision ($999) and a wage subsidy repayment provision of $384 compared to a wage subsidy recovery of $369 in 2020.

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

	Three Months ended December 31		Year ended December 31	
	2021	2020	**2020**	2020
Selling and General and Administrative expense	**$ 2,283**	$ 1,269	**$ 6,056**	$ 4,151

For the year ended December 31, 2021, S,G&A expenses were $6,056 (comprising of $4,601 in North America, $404 in China and $1,051 in Corporate) compared to $4,151 (comprising of $2,988 in North America, $561 in China and $602 in Corporate in the same period of 2020. The overall increase was principally due to increased labour costs in North America to accommodate present and anticipated growth, and a decrease in the wage subsidy net of repayable amount to $213 (2020 – $730).

For the three months ended December 31, 2021, S,G&A expenses were $2,283 (comprising of $1,760 in North America, $196 in China and $327 in Corporate) compared to $1,269 (comprising of $789 in North America, $226 in China and $254 in Corporate) in the same period of 2020. The increase was due to general increased labour costs in North America to accommodate present and anticipated growth. A wage subsidy repayment provision of $115 recognized in Q4/2021 compared to a recovery of $243 in Q4/2020. Also in Q4/2020 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 December 31		Year ended December 31	
	2021	2020	**2021**	2020
Depreciation	**$ 206**	$ 295	**$ 970**	$ 1,176

For the year ended December 31, 2021, depreciation of property and equipment was $970 (2020 - $1,176), the majority of which related to the North American Operations.

During the three months ended December 31, 2021, depreciation of property and equipment was $206 (2020 - $295), the majority of which related to the North American Operations.

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Impairment (reversal)

	Three Months ended December 31		Year ended December 31	
	2021	**2020**	**2021**	2020
Impairment (reversal)	**$ 189**	**$ 66**	**$ 953**	$ (108)

During the year ended December 31, 2021, the Company incurred an impairment of $771 related to certain non-core hydrovac equipment in North America, disposed of in November 2021 and vehicles and an impairment of $182 related to development in North America. In 2020, a reversal of an impairment loss of $152 was recorded which related to the Company's equipment in China and an impairment write down of $44 was recorded on the Company's equipment in North America.

During the three months ended December 31, 2021, the Company incurred an impairment of $189 (2020 - $66) which principally related to certain of the Company's capitalized development costs in North America.

Amortization of intangible assets

	Three Months ended December 31		Year ended December 31	
	2021	2020	**2021**	2020
Amortization of intangible assets	**$ 158**	$ 166	**$ 605**	$ 593

During the year ended December 31, 2021, amortization of intangible assets was $605 (2020 - $593).

During the three months ended December 31, 2021, amortization of intangible assets was $158 (2020 - $166).

Accretion Expense

	Three Months ended December 31		Year ended December 31	
	2021	2020	**2021**	2020
Accretion expense	**$ 78**	$ 92	**$ 153**	$ 142

Accretion expense for the three months and year ended December 31, 2021 and 2020 related to the Company's previous mortgage on the Red Deer Facility.

Stock based compensation

	Three Months ended December 31		Year ended December 31	
	2021	**2020**	**2021**	2020
Stock Based Compensation	**$ 220**	**$ -**	**$ 489**	$ -

During the year ended December 31, 2021, stock-based compensation expense was $489 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 December 31, 2021, stock-based compensation expense was $220 reflecting the grant of options discussed above.

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

Income tax expense (recovery)

	Three Months ended December 31		Year ended December 31	
	2021	2020	**2021**	2020
Current income tax expense (recovery)	**$ (238)**	$ (293)	**$ 106**	$ (279)
Deferred income tax expense (recovery)	**(279)**	69	**(408)**	97
	$ (517)	$ (224)	**$ (302)**	$ (182)

During the year ended December 31, 2021, the Company recorded income tax recovery of $302 compared to income tax recovery of $182 in the same period of 2020. The increase reflects decreased profitability.

During the three months ended December 31, 2021, the Company recorded income tax recovery of $517 compared to an income tax income tax recovery of $224 in the same period of 2020. The increase reflects decreased profitability.

Net loss

	Three Months ended December 31		Year ended December 31	
	2021	2020	**2021**	2020
Net loss	**$ (2,841)**	$ (1,035)	**$ (3,215)**	$ (667)

For the year ended December 31, 2021, net loss was $3,215 compared to net loss of $667 for the year ended December 31, 2020. The increased net loss was due to decreased EBITDAS in North America, an impairment of $953 (2020 – gain on impairment reversal of $108), stock based compensation expense of $489 (2020 - $nil) and less recoveries from the wage subsidy received in 2021, $640 (2020 - $1,936).

For the three months ended December 31, 2021, net loss was $2,841 compared to a net loss of $1,035 in the same period in 2020. The decrease was due to the factors discussed above together with the wage subsidy repayment provision.

Inventory

	As at December 31	
	2021	2020
Work-in-process	**$ 2,731**	$ 2,076
Raw materials	**5,576**	4,459
Finished goods	**-**	1,745
	$ 8,307	$ 8,280

As at December 31, 2021, work-in-process and raw materials increased compared to December 31, 2020 due to increased activity. Finished goods inventory in 2020 consists of hydrovac units in the North American Operations, which decreased compared to December 31, 2020 due to sales.

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

Quarterly Financial Information

	2021	2021	2021	2021	2020	2020	2020	2020
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	$	$	$	$	$	$	$	$
Revenue (3)	$ 9,494	$ 8,355	$ 7,071	$ 7,978	$ 5,186	$ 7,404	$ 6,405	$ 11,838
EBITDAS	(2,438)	601	678	1,099	(588)	800	572	340
Net income (loss)	(2,841)	(651)	(84)	361	(1,035)	349	128	(109)
Comprehensive income (loss)	(3,113)	(557)	(89)	568	(976)	340	80	395
Net income (loss) per share - basic and diluted	$ (0.022)	$ (0.005)	$ (0.001)	$ 0.003	$ (0.008)	$ 0.003	$ 0.001	$ (0.001)

Notes:

(1) Quarterly information has been prepared in conformity with IFRS.
(2) Due to rounding, year to date numbers may round differently.

Factors That Have Caused Variations over the Quarters need to update

In Q3/2021 and Q4/2021, 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 Q4/2021, EBITDAS decreased compared to Q3/2021 due to the wage subsidy repayment provision and year-end inventory adjustments. In Q3/2021 and Q4/2021, EBITDAS decreased compared to Q2/2021 due to increased general and administrative expense and inventory adjustments. 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 Q4/2021, net income (loss) decreased compared to Q3/2021 due to the wage subsidy repayment provision and year-end inventory adjustments. In Q3/2021 and Q4/2021, net income (loss) decreased compared to Q2/2021 principally due to an impairment of $953 and inventory adjustments. 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.

Liquidity and Capital Resources

Liquidity

The Company had working capital of $5,286 as at December 31, 2021 compared to working capital of $2,737 as at December 31, 2020. Included in the working capital at December 31, 2021 is $834 of cash. Working capital at December 31, 2020 included the mortgage payable of $5,847 which was due on July 14, 2021.

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.

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

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 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 9 of the December 31, 2021 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.

In response to the COVID-19 pandemic, the Company took 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 year ended September 30, 2021, the Company incurred capital expenditures of $1,603 (comprising machinery and equipment - $362, office equipment - $93, building - $663, computer software $106 and hydrovac development - $379) 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 Obligation

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

As at December 31, 2021, the Company had 6 (2020 – 6) hydrovac truck leases, 1 equipment lease (2020 – 1) and 5 computer equipment leases (2020 - 3), repayable in monthly installments totaling of $58 (2020 - $54) with final installments totaling $134 (2020 - $131), bearing interest at rates between 2% and 9%.

As at December 31, 2021, the Company had $67 lease liability relating to premises in Calgary with no additional end of lease liability.

	Year ended December 31	
	2021	2020
Leases obligation	**$ 1,177**	$ 1,815
Less: current portion of lease obligation	**(573)**	(726)
	$ 604	$ 1,089

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

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

2022	$	**625**
2023		**415**
2024		**175**
2025		**-**
2026		**-**
Total minimum lease payments		**1,215**
Amount representing interest		**(38)**
		1,177
Less current portion of leases		**(573)**
	$	**604**

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

Off Balance Sheet Arrangements

As of the date hereof, the Company does not have any off balance sheet arrangements.

Shareholders' Equity

Share Capital

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

As at December 31, 2021, and the date of this MD&A there were 126,796,119 Common Shares outstanding. (December 31, 2020 - 126,771,119 Common Shares)

25,000 Common Shares were issued in 2021 as a result of the exercise of Common Share Purchase Warrants.

No dividends were declared during 2021.

Common Share Purchase Warrants

As of December 31, 2021 and the date of this MD&A there were 3,075,000 warrants outstanding (December 31, 2020 – 3,100,000 warrants), which are exercisable into 3,075,000 Common Shares at an exercise price of $0.12 per warrant and expire on September 15, 2022.

25,000 warrants were exercised during 2021.

Stock Options

As at December 31, 2021 and the date of this MD&A, there were 10,795,400 stock options outstanding with a weighted average exercise price of $0.14 and weighted average remaining contractual life of 1.7 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

During the year ended December 31, 2021, the Company's wholly-owned subsidiary Tornado Hydrovacs Asia Pacific Holdings Limited ("Tornado Asia") purchased hydrovac truck components of $nil (2020 - $2,590) from Shanghai World Trade Resources Group Co. Ltd. ("ShanghaiCo") for the Company's North American Operations and advanced $nil (2020 - $386) to ShanghaiCo for the purchase of upcoming components. During the year ended December 31, 2021, Tornado Asia incurred a service fee of $nil (2020 - $128) payable to ShanghaiCo that equals to 5% of the value of the components purchased by ShanghaiCo on its behalf. As at December 31, 2021, TGHL had a net receivable of $nil (2020 – $76) from ShanghaiCo.
Mr. Chuyu Wu, a director of the Company and Tornado Asia is a director of ShanghaiCo.

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

Reconciliation of Loss before taxes to EBITDAS

Reconciliation of loss before taxes to EBITDAS is a non-IFRS financial measure. EBITDAS is calculated by subtracting interest, tax, depreciation and amortization, non-cash impairment, gain/loss on disposal of fixed assets and stock-based compensation from earnings (loss). Readers are cautioned that Reconciliation of loss before taxes to EBITDAS should not be considered to be more meaningful than Loss before Tax determined in accordance with IFRS.

	Year ended December 31	
	2021	2020
Loss before taxes	$ **(3,517)**	$ (849)
Add: Depreciation and amortization	**1,575**	1,769
Add: Accretion expense	**153**	142
Add: Finance costs	**210**	168
Add: Impairment write-down (reversal)	**953**	(108)
Add: Loss on disposal of fixed assets	**77**	2
Add: Stock based compensation	**489**	-
EBITDAS	$ **(60)**	$ 1,124
% of revenue	**-0.2%**	3.6%

Calculation of EBIT

	Year ended December 31	
	2021	2020
EBITDAS	$ **(60)**	$ 1,124
Less: Depreciation and amortization	**(1,575)**	(1,769)
Less: Stock based compensation	**(489)**	-
Less: Loss on disposal of fixed assets	**(77)**	(1)
Less: Impairment write-down	**953**	108
EBIT	$ **(1,248)**	$ (538)

Calculation of Gross Margin

	Year ended December 31	
	2021	2020
Revenues	$ **32,898**	$ 30,832
Cost of sales	**26,902**	25,557
Gross margin	$ **5,996**	$ 5,275
% of revenue	**18.2%**	17.1%

Financial Instruments and Risk Management

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

The risks associated with these financial instruments, including foreign currency risk, credit risk, interest rate risk, liquidity risk and commodity price risk, are discussed under "Risks and Uncertainties".

The Company may use foreign exchange contracts to hedge its US dollar ("USD") revenues. As at December 31, 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, 2021 consolidated audited annual financial statements.

Risks and Uncertainties

Operating Results

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

Liquidity Requirements

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

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

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

Credit Risk

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

Interest Rate Risk

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

Foreign Exchange Risk

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

Cost of Raw Materials

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

Competitive Market in North America

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

Seminconductor Chip Shortages

The global shortage of semiconductor chips had a material adverse effect on global automotive production volumes in 2021, is expected to continue impacting volumes in 2022 and could worsen as a result of Russia's invasion of Ukraine.

Global Economic Environment – Pandemic

The current COVID-19 pandemic has caused companies and various international jurisdictions to impose restrictions, such as quarantines, closures, vaccine requirements, cancellations and travel restrictions. These measures undertaken to contain the spread of the virus have shown some success in curbing outbreaks of the virus. However, the pandemic, fueled by more contagious variants and uneven global vaccination rates or any other widespread health crisis, continues to pose a risk to the global economic recovery. The extent of the impact that this pandemic may have on the Canadian and global economy and the Company's business remains uncertain and difficult to predict. However, it is possible that the Company's consolidated results in 2022 and thereafter may be negatively impacted by this pandemic.

The magnitude of the impact of global supply chain constraints resulting from the pandemic and COVID-19 on the Company's business will depend on future developments which cannot currently be predicted, including the speed at which the Company's suppliers and logistics providers can return to and/or maintain full production, the impact of supplier prioritization of backlog, infection resurgences, government responses, and the status of labour shortages. The Company sources certain components for its hydrovac trucks from suppliers and manufacturers in China and the pandemic continues to result in the extended shutdowns of certain businesses and urban centers throughout China, which may result in continued disruptions or delays to the Company's supply chain. Any disruption of the Company's suppliers and their contract manufacturers may impact the Company's ability to manufacture the Company's products as cost-effectively as possible and may likely impact operating results. The pandemic also continues to impact customer demand, the availability of components sourced from China, logistics flows and the availability of other resources to support operations in the Asia Pacific region.

If the Company is unable to mitigate the impacts of the COVID-19 outbreak on its operations, it may be unable to fulfill its product delivery obligations to customers, its costs may increase, and its revenue and margins could decrease.

In 2021, COVID-19 has had an adverse impact on the Company's operations. However, the future impact of the pandemic is highly uncertain and cannot be predicted, and there is no assurance that the pandemic will not have a material adverse impact on the future results of the Company.

Global Economic Environment – Russian Invasion of Ukraine

In response to Russia's invasion of Ukraine, a number of countries, including the U.S, Canada, U.K., and European Union member states, have taken actions against Russia, such as: imposition of sanctions targeting certain Russian leadership and other individuals; restrictions on certain sectors of the Russian economy; expulsion of some Russian banks from the SWIFT global banking payment system; and other measures, with further restrictions likely as the conflict continues. The conflict and restrictive measures against Russia could exacerbate a number of risks described elsewhere in these Risk and Uncertainties, specifically, worsening the current semiconductor chip shortage since Russia and Ukraine are critical suppliers of neon gas and palladium used in chip production.

We are monitoring the current conflict in Ukraine and its effect on our business. Although we do not have customers in Russia or the Ukraine, the conflict there may indirectly impact our business given the sanctions imposed upon Russia, particularly in terms commodity prices for inputs. While it is too early to definitively quantify the impact these sanctions will have on our business, thus far the impacts have been negligible.

Other Global Economic Environment Risks

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

Change in Demand

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

Reliance on Key Personnel

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

Safety

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

Environment/Regulatory

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

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

Litigation

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

Lease and Other Agreements

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

In the ordinary course of business, the Company and its subsidiaries may enter into contracts which contain indemnification provisions, such as service agreements, leasing agreements, asset purchase and sale agreements, joint venture agreements, operating agreements, etc. In such contracts, the Company may indemnify counterparties to the contracts if certain events occur. These indemnification provisions vary on an agreement-by-agreement basis. In some cases, there are no pre-determined amounts or limits included in the indemnification provisions and the occurrence of contingent events that would trigger payment under them is difficult to predict. Therefore, the maximum potential future amount that the Company could be required to pay cannot be estimated.

Risks Associated with Sales to the US and Operations in China

General Description

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

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

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

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

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

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

Currency Risk

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

Changes in Tax Laws

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

Conditions in China

General

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

Government Control

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

Inconsistent Interpretation of Rules and Regulations

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

Concerns about Intellectual Property

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

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

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

Corporate Chop

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

Forward Looking Information

This MD&A contains certain "forward-looking statements." All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding financial and business prospects and financial outlook) are forward looking statements. Such forward-looking statements may be identified by words such as "anticipate", "will", "intend", "could", "should", "may", "expect", "forecast", "plan", "potential", "project", "estimate", "assume", "believe", "shall", "target", "forward looking to", and similar terms or the negatives thereof or other comparable terminology. Forward-looking statements include those with respect to: (i) management belief that the Company's business will continue to strengthen; (ii) management's expectation that the Company's production and sales of hydrovac trucks in North America in 2022 will continue to grow; (iii) management's expectation that the Company will be able to capitalize on the significantly increased capacity of its owned facility in Red Deer over the long term; (iv) the expectation that the Infrastructure Bill will lead to an increase in infrastructure spending and result in job creations and increased demand for construction and hydrovac trucks; (v) the Company's outlook for the 2022 fiscal year generally; (vi) the Company's expectation of adding new innovative products to its product lines that cover infrastructure, telecom and oil and gas industries; (vii) management's belief in the positive impact of securing key manufacturing components, including chassis, for customers into future years through strategic relationships; (viii) management's belief in the positive impact of strengthened dealer relationships in both Canada and US; (ix) management's belief in the positive impact of expanded North American coverage for maintenance warranty and repair; and (x) 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. 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, the factors listed under the heading "Risks and Uncertainties" herein, 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.