

## **TRENCH SOLUTIONS INC.**

### **Management's Discussion and Analysis**

This Management's Discussion & Analysis ("MD&A") was prepared as of September 10, 2020 to assist readers in understanding the financial performance of Trench Solutions Inc. (the "Company") for the period ended July 31, 2020. This MD&A should be read in conjunction with the Company's condensed interim financial statements for the period ended July 31, 2020 and the audited financial statements for the year ended October 31, 2019.

The Company's condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") using the Company's reporting currency, the Canadian dollar.

This MD&A contains forward-looking statements. Please see the section "Note Regarding Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions used to develop forward-looking information.

### **The Company**

Trench Solutions Inc. was incorporated under the Business Corporations Act (Alberta) on July 31, 2012. Effective March 27, 2015, the Company's name was changed from Hombre Capital Inc ("Hombre") to Novateqni Corporation. Effective June 24, 2019, the Company's name was changed from Novateqni Corporation to Novateqni Technology Corporation. Effective December 11, 2019, the Company's name was changed to Trench Solutions Inc. and completed the continuation under the Business Corporations Act (British Columbia).

The Company is a publicly traded company with registered office of 2200 - 885 West Georgia Street, Vancouver, BC, V6C 3E8 and head office of 510 - 580 Hornby Street, Vancouver, BC, V6C 3B6. The Company's common shares are listed on the TSX Venture Exchange ("TSXV" or the "Exchange") under the symbol TSI and are also listed on the OTCQB under the symbol NVTQF.

### **Significant Events**

In January 2020, the Company's board of directors has commenced a review of the existing intellectual property assets of the Company to determine how these assets can be monetized. Concurrently, the board expects to conduct a review of potential strategic acquisition opportunities for the Company to augment existing intellectual property or provide new product offerings.

In August 2020, the Company has entered into a definitive property option agreement with Apollo Innovative Solutions Inc., pursuant to which the Company will be granted the right to acquire a 100% interest in and to the Gorilla Lake Uranium Project. The Gorilla Project consists of a series of mineral claims located in the Athabasca basin of Northern Saskatchewan which are presently held the Vendor. The Company and the Vendor are at arms length.

Pursuant to the terms of the Option Agreement, the Company will be granted the right to acquire a 100% interest on the Gorilla Project, in consideration for a series of cash payments to the Vendor and the incurrence of exploration expenditures over a period of three years as follows:

- a cash payment of \$50,000 upon receipt of approval of the TSX Venture Exchange (the "Exchange");
- incurring exploration expenditures of \$100,000 on the Gorilla Project before the first anniversary;
- a further cash payment of \$250,000, and incurring exploration expenditures of \$100,000 on the Gorilla Project before the second anniversary; and
- a final cash payment of \$400,000, and incurring exploration expenditures of \$100,000 on the Gorilla Project before the third anniversary.

Following acquisition of the Gorilla Project, the Company will assume responsibility for certain existing net smelter returns royalties totaling three-and-one-half percent (collectively, the "Royalties") on commercial production from the Gorilla Project. The Royalties are presently held by arms-length third parties.

## **Change of Business**

The Option Agreement constitutes a change of business (the "Change of Business") for the Company under the policies of the Exchange. In connection with completion of the Change of Business, the Company anticipates completing a forward split (the "Forward Split") of its common share capital on a three-for-one basis. The Company currently has 12,022,245 common shares outstanding and, upon completion of the Change of Business and the Forward Split, will have 36,066,735 shares outstanding. Following completion of the Change of Business, it is anticipated that the Company would be listed on the Exchange as a Tier 2 Mining issuer under the name "Trench Metals Corp." and the ticker symbol "TMC". No finders' fees or commissions are payable, - 2 - and the Company does not anticipate completing a financing, in connection with the Change of Business.

As the Company is without active operations, is not subject to a cease trade order or trading suspension, the Change of Business is not a related party transaction and no other circumstances exist which may comprise the independence of the Company or other interested parties, in accordance with Exchange Policy 5.2, the Change of Business does not require shareholders approval. Closing of the Change of Business is subject to a number of conditions including receipt of the approval of the Exchange, and the satisfaction of other customary closing conditions. The Change of Business cannot close until approval of the Exchange is obtained. There can be no assurance that the Change of Business will be completed as proposed or at all. Trading in the common shares of the Company will remain halted pending further filings with the Exchange.

## **Sponsorship**

Sponsorship of the Change of Business is required by Exchange Policy 2.2, unless an exemption from the sponsorship requirement is available. The Company will be seeking a waiver of any requirement for a sponsor in connection with the Change of Business.

## **Proposed Management and Directors**

Following completion of the Change of Business, the board of directors of the Company will be reconstituted to consist of Simon Cheng, Scott Davis, Mark Ferguson and Edward Lyons. Management of the Company will consist of Simon Cheng as Chief Executive Officer and Scott Davis as Chief Financial Officer and Corporate Secretary.

## **Results of Operations**

### ***For the nine months ended July 31, 2020***

Operating expenses were \$86,297 for the nine months ended July 31, 2020 compared to \$250,555 for the nine months ended July 31, 2019. Details are as follows:

- Interest expense was \$Nil for the nine months ended July 31, 2020 compared to \$6,721 for the nine months ended July 31, 2019.
- Management and consulting fees were \$14,505 for the nine months ended July 31, 2020 compared to \$61,514 for the nine months ended July 31, 2019.
- Travel for the nine months ended July 31, 2020 was \$nil compared to \$8,956 for the nine months ended July 31, 2019.
- Office and general was \$2,422 for the nine months ended July 31, 2020 compared to \$32,908 for the nine months ended July 31, 2019.
- Share-based payments was \$Nil for the nine months ended July 31, 2020 compared to \$49,589 for the nine months ended July 31, 2019.

The decrease in the expenses noted above are the result the of Company implementing cost-saving initiatives in the current period as compared to the same period in the prior year.

On November 1, 2018, the Company no longer controlled the subsidiaries comprising Novateqni USA LLC, Novateqni Hong Kong Limited, and Novateqni South Africa (Pty) Limited control was passed to the purchaser. These subsidiaries were part of the Company's one operating segment. In accordance with IFRS 10, the Company derecognized the

carrying values of the assets and liabilities effective November 1, 2018. The loss on the disposition and de-recognition of the subsidiaries resulted in a loss of \$905,446 during the nine months ended July 31, 2019.

**For the three months ended July 31, 2020**

Operating expenses were \$17,809 for the three months ended July 31, 2020 compared to \$133,622 for the three months ended July 31, 2019. Details are as follows:

- Interest expense was \$Nil for the three months ended July 31, 2020 compared to \$6,721 for the three months ended July 31, 2019.
- Management and consulting fees were \$5,010 for the three months ended July 31, 2020 compared to \$15,450 for the three months ended July 31, 2019.
- Office and general was \$334 for the three months ended July 31, 2020 compared to \$10,508 for the three months ended July 31, 2019.
- Professional fees were \$7,851 for the three months ended July 31, 2020 compared to \$22,504 for the three months ended July 31, 2019.
- Share-based payments was \$Nil for the nine months ended July 31, 2020 compared to \$49,589 for the nine months ended July 31, 2019.

The decrease in the expenses noted above are the result the of Company implementing cost-saving initiatives in the current period as compared to the same period in the prior year.

**Summary of Quarterly Results**

	July 2020	April 2020	January 2020	October 2019	July 2019	April 2019	January 2019	October 2018
Total revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$2,488,441
Net (loss)/income	\$ (18,742)	\$ (45,678)	\$ (21,683)	\$ (11,856)	\$ (136,469)	\$ (18,659)	\$ (1,003,106)	\$ 306,783
Net (loss)/income per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.03)	\$ ( 0.00)	\$ (0.03)	\$ 0.08

The loss of \$1,003,106 in the three months period ended January 2019 was mainly due to the disposal of the subsidiaries.

**Financial Condition and Liquidity**

On July 31, 2020 the Company had cash on hand totalling \$882,794 and \$964,759 on October 31, 2019. Liabilities for the period ended July 31, 2020 were \$10,018 and \$46,611 on October 31, 2019.

For the period ended July 31, 2020, working capital from continuing operations was \$886,416 compared to \$929,152 for year ended October 31, 2019.

Management considers that the current economic environment is difficult and therefore has moved to an out sourcing model, which has lowered costs and allow the company to handle potential contracts if won by tenders to be more profitable, To the extent necessary, the Company has relied on its ability to raise funds via equity issuances in order to finance its operations. The Company has been successful in raising funds in previous years. However, there can be no assurance the Company will continue to be able to raise funds under suitable terms. In addition, management has instituted measures to preserve cash through significantly decreasing its corporate costs.

Management has concluded that the combination of these circumstances' casts substantial doubt on the ability of the Company to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

## Contractual Obligations and Off-Balance Sheet Arrangements

The Company is not subject to any contractual obligations or off-balance sheet arrangements, except that in the normal course of business, the Company enters into agreements that include indemnities in favour of third parties. These include engagement letters with advisors and consultants, and service agreements. The Company has also agreed to indemnify our directors and officers in accordance with the Company's constating documents and bylaws. Certain agreements do not contain any limits on the Company's liability and therefore it is not possible to estimate its potential liability under these indemnities. In certain cases, the Company has recourse against third parties with respect to these indemnities.

## RELATED PARTY TRANSACTIONS

The remuneration expense of directors and other members of key management personnel, or companies under their control, during the period was as follows:

	2020	2019
Professional fees	\$ 13,926	\$ -
Consulting fees	\$ 13,695	\$ 56,532

As at July 31, 2020, the Company owed \$3,550 (October 31, 2019 - \$1,450) to directors of the Company for consulting fees and an accounting firm of which a director and officer of the Company is partner for professional fees.

- i) During the year ended October 31, 2019 a former director of the Company provided loans through companies under his control totaling \$207,515 for working capital which were repaid in full during the year ended October 31, 2019.
- ii) During the year ended October 31, 2018, the former Chief Executive Officer/Director loaned the Company funds for operations. The amount due to the former Chief Executive Officer/Director on October 31, 2018 was \$46,655. The loan was non-interest bearing and had no set repayment terms. During the year ended October 31, 2019 this amount was paid in full.

## Business Risks

The Company is facing a number of risks. (See "Note Regarding Forward-Looking Statements").

The business of Trench Solutions Inc. will involve a high degree of risk and there can be no assurance that it will continue securing contracts. The Company currently predominantly relies on contract bids with the voter registration business and this business is based on tenders through marketing partners.

## Financial Risk Factors

Please refer to the condensed interim financial statements for the period ended July 31, 2020.

## Critical Accounting Estimates

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key sources of these uncertainties that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are discussed below:

The Company makes allowance for doubtful accounts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgment to evaluate the adequacy of the allowance for doubtful receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

The Company measures the cost of non-cash stock-based compensation transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for non-cash stock-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the share option. The Company measures the cost of non-cash stock-based compensation transactions with consultants by reference to the fair value of the services to be performed.

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

#### **New and amended IFRS standards that are effective for the current period**

Please refer to the condensed interim financial statements for the period ended July 31, 2020.

#### **Capital Management**

The Company's capital is composed of cash and shareholders' equity. The Company manages its capital structure and make adjustments to it based on the funds available in order to support the development of its technology-based solutions. The Company is not subject to any externally imposed capital requirements. As at July 31, 2020 the Company's shareholders' equity from continuing operations was \$886,415 compared to \$929,152 on October 31, 2019. As at July 31, 2020 the Company had current liabilities from continuing operations of \$10,018 compared to \$46,611 as at October 31, 2019. The Company will need to raise capital through equity placements and/or long-term debt financing in order to address the current liquidity issue.

#### **Outstanding Share Data**

As at the date of this report the Company had the following securities issued and outstanding:

	<u>Number</u>
Class A Common Shares	12,022,245
Stock Options	nil
Warrants	8,002,500

#### **Note Regarding Forward-Looking Statements**

This MD&A contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. The forward-looking statements and information are based on certain key expectations and assumptions made by the Company. Although the Company believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because the Company can give no assurance that they will prove to be correct.

Forward-looking information is based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors that could cause the results to differ materially from those expressed in the forward-looking information include, but are not limited to: general economic conditions in Canada and globally; industry conditions, including governmental regulation; failure to obtain industry partner and other third party consents and approvals, if and when required; the availability of capital on acceptable terms; the need to obtain required approvals from regulatory authorities; stock market volatility; competition for, among other things, skilled personnel and supplies; changes in tax laws; and the other factors. Readers are cautioned that this list of risk factors should not be construed as exhaustive.

Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date hereof, and to not use such forward-looking information for anything other than its intended purpose. The Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law.

### **Proposed Transactions**

There are no proposed transactions that have not been disclosed herein.

### **Internal Controls Over Financial Reporting**

#### **Changes in Internal Control over Financial Reporting (“ICFR”)**

In connection with National Instrument 52-109, Certification of Disclosure in Issuer’s Annual and Interim Filings (“NI 52-109”) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management’s Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI52-109.

#### **Management’s Responsibility of Financial Statements**

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements.

#### **Other MD&A Requirements**

Additional disclosure of the Company’s material change reports, news releases and other information can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).