

**TRENCH SOLUTIONS INC.**  
(FORMERLY "NOVATEQNI TECHNOLOGY CORPORATION")

**Management's Discussion and Analysis**

This Management's Discussion & Analysis ("MD&A") was prepared as of February 28, 2020 to assist readers in understanding the financial performance of Trench Solutions Inc. (the "Company") (formerly "Novateqni Technology Corporation") for the year ended October 31, 2019. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the year ended October 31, 2019.

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") using the Company's reporting currency, the United States 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 (the "Company") (formerly "Novateqni Technology Corporation") carried on business in the development and sales of technology-based solutions and related hardware (see also Note 13). The Company 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.

In June 2019, the Company consolidated its common shares 10:1 basis. MD&A reflects this consolidation retroactively.

**Significant Events**

In May 2019, all matters presented at the annual general and special meeting of the shareholders of the Company were approved. At the meeting, shareholders approved a consolidation of the company's outstanding share capital on a ratio of up to 10 pre-consolidation common shares for everyone post-consolidation common share, as well as a continuation of the company under the Business Corporations Act (British Columbia). At the meeting, shareholders also approved a reconstitution of the company's board of directors.

In June 2019, Jean Pomerleau, resigned as director and CEO of the Company in order to pursue other ventures and Mr. Simon Cheng was appointed director, interim CEO and corporate secretary. Following the appointment of Mr. Cheng, the board of directors now consists of Mr. Cheng, Scott Davis and Mark Ferguson.

In September 2019, the Company completed a non-brokered private placement through the issuance of 8,002,500 units (each, a "Unit") at a price of CDN\$0.16 per Unit, for gross proceeds of \$971,952 (CDN\$1,280,400). Each "Unit" consists of one common share and one common share purchase warrant, each of which is exercisable to acquire an additional common share at a price of CDN\$0.21 for a period of thirty-six months. No finders' fees or commissions were paid in connection with completion of the placement. All securities issued in connection with the placement are subject to a four-month-and-one-day statutory hold period in accordance with applicable securities laws.

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.

## Selected Financial Information

	October 31, 2019	October 31, 2018
Total revenue	\$ -	\$ 2,388,321
Net loss for the year	\$ (41,778)	\$ (428,454)
Basic and diluted earnings (loss) per share	\$ (0.05)	\$ 0.05
Total assets	\$ 741,483	\$ 123,268
Shareholders' equity (deficiency)	\$ 706,383	\$ (233,086)
Weighted average Class A common shares outstanding	4,942,378	3,678,577

## Results of Operations

### *For the year ended October 31, 2019*

During the year ended October 31, 2019 the Company had sales of \$nil as compared to \$2,388,321 for the year ended October 31, 2018. The sales in the previous period were due to the Company completing the delivery of part of a large tender during the year. The cost of sales for the year and ended October 31, 2019 was \$nil versus \$1,943,354 for the year ended October 31, 2018. Gross margin for the year ended October 31, 2019 was \$nil versus \$444,967 for the year ended October 31, 2018.

Operating expenses from continuing operations was \$222,404 for the year ended October 31, 2019 compared to \$259,195 for the year ended October 31, 2018. Details are as follows:

Professional fees were \$49,428 for the year ended October 31, 2019 versus \$70,101 for the year ended October 31, 2018. Management and consulting fees were \$49,463 for the year ended October 31, 2019 compared to \$99,484 for the year ended October 31, 2018. Listing and filing fees were \$46,103 for the year ended October 31, 2019 compared to \$32,275 year ended October 31, 2018. Travel for the year ended October 31, 2019 was \$6,741 compared to \$4,885 compared to October 31, 2018. Office and general was \$25,405 for the year ended October 31, 2019 versus \$19,050 for the year ended October 31, 2018. Interest expense for the year ended October 31, 2019 was \$7,606 compare to \$nil for the year ended October 31, 2018 due to loans received during the year. The loans and accrued interest were repaid during the year. The bad debt expense was \$nil for the year ended October 31, 2019 compare to \$8,400 for the year ended October 31, 2018 and warranty provision \$nil (2018 - \$25,000); the company did not accrue these expenses during the current year due to the adoption of outsourcing model.

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 gain on the disposition and de-recognition of the subsidiaries resulted in a gain on disposal of subsidiaries of \$205,776 during the year ended October 31, 2019. The disposal also resulted in a loss from discontinued operations for the year ended October 31, 2018 of \$610,975.

During the year ended October 31, 2019 (2018 - \$nil) the Company recorded share-based payments of \$37,658 from the issuance of 250,000 stock options using the Black-Scholes model.

The remaining expenses were relatively comparable to the same period of the prior period.

### **For the three months ended October 31, 2019**

During the three months ended October 31, 2019 the Company had sales of \$nil as compared to \$1,904,662 for the three months ended October 31, 2018. The sales in the previous period were due to the Company completing the delivery of part of a large tender during the period. The cost of sales for the three months period ended October 31, 2019 was \$nil versus \$1,648,705 for the three months ended October 31, 2018. Gross margin for the year ended October 31, 2019 was \$nil versus \$255,957 for the three months ended October 31, 2018.

Operating expenses from continuing operations was \$33,661 for the three months ended October 31, 2019 compared to \$101,834 for the three months ended October 31, 2018. Details are as follows:

Professional fees were \$12,399 for the three months ended October 31, 2019 versus \$46,618 for the three months ended October 31, 2018. Management and consulting fees were \$3,217 for the three months ended October 31, 2019 compared to \$1,738 for the three months ended October 31, 2018. Listing and filing fees were \$11,747 for the three months ended October 31, 2019 compared to \$11,138 for the three months ended October 31, 2018. Travel for the three months ended October 31, 2019 was \$8 compared to \$1,188 for the three months ended October 31, 2018. Office and general was \$3,737 for the three months ended October 31, 2019 versus \$7,752 for the three months ended October 31, 2018. Interest expense for the three months ended October 31, 2019 was \$2,553 compare to \$nil for the three months ended October 31, 2018 due to loans received during the current period. The bad debt expense was \$nil for the three months ended October 31, 2019 compare to \$8,400 for the three months ended October 31, 2018 and warranty provision \$nil (2018 - \$25,000); the company did not accrue these expenses during the current period due to the adoption of outsourcing model.

### **Summary of Quarterly Results**

	October 2019	July 2019	April 2019	January 2019	October 2018	July 2018	April 2018	January 2018
Total revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$1,904,662	\$ 483,659	\$ Nil	\$ Nil
Net (loss)/income	\$ (78,696)	\$ (101,947)	\$ 6,490	\$ 84,114	\$234,601	\$ 41,129	\$ (185,836)	\$ (272,472)
Net (loss)/income per share	\$ (0.01)	\$ (0.03)	\$ 0.00	\$ 0.02	\$ 0.06	\$ 0.01	\$ (0.00)	\$ (0.03)

Variations in the quarters was a result of the Company being a tender based business with unpredictable revenues and costs.

### **Financial Condition and Liquidity**

On October 31, 2019 the Company had cash on hand totalling \$733,121 and \$52,560 on October 31, 2018. Liabilities for the year ended October 31, 2019 were \$35,100 and \$356,354 on October 31, 2018.

Liabilities decreased from October 31, 2018 mainly because of the sale of the subsidiaries. For the year ended October 31, 2019, working capital from continuing operations was \$706,383 versus a deficit of \$233,086 for year ended October 31, 2018.

In September 2019, the Company completed a non-brokered private placement through the issuance of 8,002,500 units (each, a "Unit") at a price of CDN\$0.16 per Unit, for gross proceeds of CDN\$1,280,400. Each "Unit" consists of one common share and one common share purchase warrant, each of which is exercisable to acquire an additional common share at a price of CDN\$0.21 for a period of thirty-six months. No finders' fees or commissions were paid in connection with completion of the placement. All securities issued in connection with the placement are subject to a four-month-and-one-day statutory hold period in accordance with applicable securities laws.

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:

	<b>2019</b>	<b>2018</b>
Consulting fees	<b>\$ 33,993</b>	\$ 99,484
Accounting fees	<b>\$ 5,747</b>	-

As at October 31, 2019, the Company owed \$1,102 to a Director of the Company for consulting fees.

- i) During the year ended October 31, 2019 a former director of the Company provided loans through companies under his control totaling \$156,010 (CDN\$207,515) for working capital which were repaid in full during the year ended October 31, 2019. These loans were non-interest bearing and payable on demand.
- 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 \$33,386. 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.
- iii) On December 24, 2018, the Company announced that it was transferring all of its subsidiaries to its former President in order to return to an outsourcing model for fulfilling sales and carrying out development. These subsidiaries were part of the Company's one operating segment. The subsidiaries were transferred for no consideration effective on the loss of control which was November 1, 2018; as part of the transfer, the Company has transferred its two long term contracts to Novateqni South Africa in exchange for a 5% royalty on the sales generated from these contracts. The transfer of the contracts eliminates any warranty or service and support requirements of the Company.
- iv) During the year ended October 31, 2017, the former Chief Executive Officer/Director loaned the Company funds for operations. The loan was non-interest bearing and had no set repayment terms. During the quarter ended January 31, 2018, the amount due to the former Chief Executive Officer/Director \$295,826 (CDN\$380,302) was settled for 2,535,347 shares of the Company.

### **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 consolidated financial statements for the year ended October 31, 2019.

## **Critical Accounting Estimates**

The preparation of these consolidated 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 consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated 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 consolidated 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 year**

Please refer to the consolidated financial statements for the year ended October 31, 2019.

## **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 October 31, 2019 the Company's shareholders' equity from continuing operations was \$706,383 compared to a deficit of \$233,086 on October 31, 2018. As at October 31, 2019 the Company had current liabilities from continuing operations of \$35,100 compared to \$356,354 as at October 31, 2018. 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

	Number
Class A Common Shares	12,022,245
Stock Options	nil
Warrants	8,320,029

## 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 consolidated financial statements and the audited annual consolidated 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).