
TRENCH SOLUTIONS INC.

(FORMERLY “NOVATEQNI TECHNOLOGY CORPORATION”)

FINANCIAL STATEMENTS

October 31, 2019 and 2018
(In United States dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Trench Solutions Inc. (formerly "Novateqni Technology Corporation")

Opinion

We have audited the financial statements of Trench Solutions Inc. (the "Company") which comprise the statement of financial position as at October 31, 2019, and the statement of income (loss) and comprehensive income (loss), changes in equity and cash flows for the year then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The consolidated financial statements of Trench Solutions Inc., for the year ended October 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on February 28, 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify



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our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Alden Aumann.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
February 28, 2020

TRENCH SOLUTIONS INC.

STATEMENTS OF FINANCIAL POSITION

(FORMERLY "NOVATEQNI TECHNOLOGY CORPORATION")

(in United States Dollars)

As at October 31,

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 733,121	\$ 52,560
Trade receivables, net (note 9)	-	3,453
GST receivable	2,362	4,201
Prepaid expenses	6,000	31,390
Inventory (note 4)	-	23,291
Income taxes receivable	-	8,373
Total Assets	\$ 741,483	\$ 123,268
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 33,998	\$ 200,283
Customer deposits	-	97,685
Due to related parties (note 9)	1,102	33,386
Warranty provision	-	25,000
Total Liabilities	35,100	356,354
Shareholders' Equity (Deficiency)		
Share capital (note 6)	3,041,371	2,413,499
Warrants (note 6)	559,115	146,620
Accumulated other comprehensive loss (income)	(38,797)	20,323
Contributed surplus	653,431	653,431
Deficit	(3,508,737)	(3,466,959)
Total Shareholders' Equity (Deficiency)	706,383	(233,086)
Total Liabilities and Shareholders' Equity (Deficiency)	\$ 741,483	\$ 123,268

Going Concern (Note 1)

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors

Signed "Simon Cheng"

Director

Signed "Mark Ferguson"

Director

TRENCH SOLUTIONS INC.**STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**

(FORMERLY "NOVATEQNI TECHNOLOGY CORPORATION")

(in United States Dollars)

For the years ended October 31,

	2019	2018
Sales	\$ -	\$ 2,388,321
Cost of Sales	-	(1,943,354)
	-	444,967
Expenses		
Bad debt expense	\$ -	8,400
Interest expense	7,606	-
Listing and filing fees	46,103	32,275
Management and consulting fees (note 9)	49,463	99,484
Office and general	25,405	19,050
Professional fees	49,428	70,101
Share-based payments	37,658	-
Travel	6,741	4,885
Warranty provision	-	25,000
	(222,404)	(259,195)
Net income (loss) from operations	(222,404)	185,772
Foreign exchange gain (loss)	(1,859)	(3,251)
Write-off of inventory	(23,291)	-
Net income (loss) from continuing operations	\$ (247,554)	\$ 182,521
Loss from discontinued operations (note 13)	-	(610,975)
Gain on disposal of subsidiaries (note 13)	205,776	-
Net loss	\$ (41,778)	\$ (428,454)
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss		
Unrealized foreign exchange gain (loss) on translation	(434)	39,717
Comprehensive loss	\$ (42,212)	\$ (388,737)
Weighted average number of common shares outstanding – basic and diluted (note 7)	4,942,378	3,678,577
Basic and fully diluted (loss) earnings per share from continuing operations (note 7)	\$ (0.05)	\$ 0.05
Basic and fully diluted income (loss) earnings per share from discontinued operations (note 13)	\$ (0.01)	\$ (0.12)

The accompanying notes are an integral part of these financial statements.

TRENCH SOLUTIONS INC.
STATEMENTS OF CHANGES IN EQUITY (DEFICIT)
(FORMERLY "NOVATEQNI TECHNOLOGY CORPORATION")
(in United States Dollars)

	Number of shares	Number of warrants	Share capital	Warrants	Accumulated Other Comprehensive Income(loss)	Deficit	Contributed Surplus	Total
Balance – October 31, 2017	3,223,681	-	\$1,865,518	\$ -	\$ (19,394)	\$(3,038,505)	\$653,431	\$ (538,950)
Unrealized foreign exchange loss on translation to presentation currency	-	-	-	-	39,717	-	-	39,717
Issuance of shares for debt	253,535	-	295,826	-	-	-	-	295,826
Issuance of shares	317,529	-	252,155	-	-	-	-	252,155
Issuance of warrants	-	317,529	-	146,620	-	-	-	146,620
Net loss for the year	-	-	-	-	-	(428,454)	-	(428,454)
Balance – October 31, 2018	3,794,745	317,529	2,413,499	146,620	20,323	(3,466,959)	653,431	(233,086)
Unrealized foreign exchange gain on translation to presentation currency	-	-	-	-	(434)	-	-	(434)
Reclassification of accumulated translation on sale of subsidiaries	-	-	-	-	(58,686)	-	-	(58,686)
Issuance of shares	8,002,500	8,002,500	559,457	412,495	-	-	-	971,952
Exercise of stock options	225,000	-	68,415	-	-	-	(37,658)	30,757
Share-based payments	-	-	-	-	-	-	37,658	37,658
Net loss for the year	-	-	-	-	-	(41,778)	-	(41,778)
Balance – October 31, 2019	12,022,245	8,320,029	\$3,041,371	\$ 559,115	\$ (38,797)	\$(3,508,737)	\$653,431	\$ (706,383)

The accompanying notes are an integral part of these financial statements.

TRENCH SOLUTIONS INC.
STATEMENTS OF CASH FLOW
(FORMERLY "NOVATEQNI TECHNOLOGY CORPORATION")
(in United States Dollars)
For the years ended October 31,

	2019	2018
Cash used in operating activities		
Net income (loss) from continuing operations	\$ (41,778)	\$ 182,521
Net (loss) from discontinued operations	-	(610,975)
Add (deduct) non-cash items		
Bad debt expense	-	8,400
Depreciation	-	4,622
Gain on disposal of subsidiaries	(205,776)	-
Write-off of inventory	23,291	-
Share-based payments	37,658	-
Interest expense	7,606	-
Warranty provision	-	25,000
Unrealized foreign exchange	-	(89,718)
Changes in non-cash working capital:		
Trade and GST receivables	3,697	6,265
Inventory (note 4)	-	(13,958)
Prepaid expenses	17,125	(35,297)
Customer deposits	-	36,893
Accounts payable and accrued liabilities	(44,923)	(116,473)
Due to related parties	1,091	-
Income taxes receivable	-	(13,266)
	(202,009)	(615,986)
Cash used in investing activities		
Cash relinquished on disposal of subsidiaries	(75,963)	-
	(75,963)	-
Cash provided by financing activities		
Due from a Director (note 9)	-	33,386
Proceeds from loans payable	379,900	-
Repayment of loans payable	(423,031)	-
Proceeds from issuance of shares	971,952	-
Proceeds from exercise of stock options	30,757	-
Issuance of shares pursuant to private placement	-	398,775
	959,578	(432,161)
Change in cash and cash equivalents	681,605	(183,825)
Effect of foreign exchange on cash	(1,044)	162,573
Cash and cash equivalents, beginning of year	52,560	73,812
Cash and cash equivalents, end of year	\$ 733,121	\$ 52,560

The accompanying notes are an integral part of these financial statements.

TRENCH SOLUTIONS INC. (FORMERLY “NOVATEQNI TECHNOLOGY CORPORATION”)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended October 31,
(Expressed in United States Dollars)

1. NATURE OF BUSINESS

Nature of Business

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.

The Company previously controlled several consolidated subsidiaries including Novateqni USA LLC, Novateqni Hong Kong Limited, and Novateqni South Africa (Pty) Limited. As discussed in Note 13, the Company lost control of the subsidiaries on November 1, 2019. On that basis the October 31, 2019 financial statements are not longer consolidated.

During the year ended October 31, 2019, the Company consolidated its common shares 10:1 basis. These financial statements reflect this consolidation retroactively.

The financial statements were approved by the Board of Directors on February 26, 2020.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Reporting Interpretation ("IFRIC"), effective as of October 31, 2019.

Functional and presentation currency

The presentation currency of the Company is United States dollars ("US dollars" or "US").

The functional currency of the Company is Canadian dollars ("CDN dollars").

Cash and cash equivalents

Cash is comprised of cash on hand and cash held with banks.

Revenue recognition

Revenue is measured at the fair value if the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and satisfactory acceptance. Customer deposits are cash payments to the Company by the customer, for which the goods have not yet been provided.

The Company also enters in transactions that represent multiple-element arrangements, which may include a combination of software, hardware, and services. These multiple-element arrangements are assessed to determine whether they can be sold separately in order to determine if they can be treated as more than one unit of accounting or element for the purpose of revenue recognition. When there are multiple elements or units of accounting in an arrangement consideration is allocated to the separate units of accounting or elements on a relative fair value basis, as determined by reliable objective evidence of fair value. Objective evidence of fair value is based on the price charged when the elements are sold separately, which is in accordance with the Company's standard prices. If elements cannot be sold separately, revenue recognition is deferred until all elements have been delivered. Interest income is recognized as it accrues using the effective interest method.

TRENCH SOLUTIONS INC. (FORMERLY “NOVATEQNI TECHNOLOGY CORPORATION”)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended October 31,
(Expressed in United States Dollars)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued from previous page)

Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and any impairment losses. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, generally 24-36 months. Expenditures for repairs and maintenance are charged to expense as incurred. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the Statements of Loss and Comprehensive Loss.

Inventory

Inventory consists of spare parts, work in progress and finished goods which is recorded at the lower of cost and net realizable value. This cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. The cost of inventory is determined on a weighted average basis. Net realizable value is based on estimated selling price in the ordinary course of business less any expected selling costs. Inventory is reviewed on a regular basis to ensure the carrying value does not exceed net realizable value. If the carrying value does exceed the net realizable value, a write-down is recognized immediately. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its property and equipment and development costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in the Statement of Loss and Comprehensive Loss. Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash generating unit in prior years.

A reversal of an impairment loss is recognized immediately in the Statement of Loss and Comprehensive Loss.

Income taxes

Tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

TRENCH SOLUTIONS INC. (FORMERLY “NOVATEQNI TECHNOLOGY CORPORATION”)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended October 31,
(Expressed in United States Dollars)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued from previous page)

Income taxes (continued from previous page)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, and the Company intends to settle tax liabilities and assets on a net basis or to realize the tax assets and liabilities simultaneously.

Deferred tax assets are recognized to the extent it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Share-based payment transactions

The Company follows the fair value method of accounting for stock options. The fair value is measured at grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the BlackScholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Upon exercise the stock options, the consideration received plus the amount previously recorded in contributed surplus is recorded as an increase to share capital.

Foreign currency translation

Foreign currency denominated assets and liabilities are translated at the exchange rate prevailing at the date of the Statement of Financial Position for monetary items. Non-monetary assets and liabilities are translated at the rates prevailing at the transaction date. Revenues and expenses are translated using exchange rates prevailing at the dates of the transaction. Any exchange gain or loss that arises on translation is included in the Statement of Loss and Comprehensive Loss for the year.

The Company translates the accounts of Novateqni and Novateqni South Africa into US dollars using the closing rate of exchange at the period end date for both monetary and non-monetary assets and liabilities and the average exchange rate for the period for revenues and expenses. The Company records the exchange differences on such translation into the presentation currency in unrealized foreign exchange gain on translation of foreign subsidiary in the Statement of Loss and Comprehensive Loss. This amount is reflected on the Statement of Financial Position as part of the accumulated other comprehensive loss.

Warrants

The Company accounts for warrants issued as part of a unit offering financing using the relative fair value method. Under this method, the value of warrants issued is measured at fair value at the issue date using the Black-Scholes Option-Pricing Model and recorded as share capital if and when the warrants are exercised.

Modification of share purchase warrants

The Company may modify the terms of share purchase warrants originally granted. When modifications exist, the Company will maintain the original fair value of the of the share purchase warrant.

Financial instruments

Non-derivative financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

At initial recognition, all financial instruments are classified in one of the following categories depending on the purpose for which the instruments were acquired:

TRENCH SOLUTIONS INC. (FORMERLY “NOVATEQNI TECHNOLOGY CORPORATION”)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended October 31,
(Expressed in United States Dollars)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued from previous page)

Financial instruments (continued from previous page)

Financial assets

Fair value through profit or loss - This category comprises assets acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried on the Statement of Financial Position at fair value with changes in fair value recognized in the Statement of Loss and Comprehensive Loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at the end of each reporting period. Financial assets are impaired when there is any objective evidence that the future cash flows associated with a financial asset or a group of financial assets have been negatively impacted. Different criteria to determine impairment are applied for each category of financial assets described above.

Financial liabilities

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the Statement of Financial Position at fair value with changes in fair value recognized in the Statement of Loss and Comprehensive Loss.

Other financial liabilities - This category includes accounts payables and accrued liabilities which are recognized at amortized cost.

The Company's financial instruments include cash and cash equivalents, trade receivables, accounts payable, due to and customer deposits. Cash is classified as fair value through profit or loss. Trade receivables are classified as loans and receivables. Accounts payable and accrued liabilities, due to director and customer deposits, are classified as other financial liabilities. The carrying value of these instruments approximates their fair values due to their short-term nature. Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 – Valuations in this level are those with inputs for the assets or liabilities that are not based on observable market date. The Company's cash is measured based on Level 1.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Earnings (Loss) per share

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the year. Diluted loss per share is computed using the treasury stock method. Stock options and warrants outstanding are not included in the computation of diluted loss per share if their inclusion would be anti-dilutive.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended October 31,
(Expressed in United States Dollars)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued from previous page)

Significant accounting judgments and 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, risk free interest rate, forfeiture rate, 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.

A provision for warranties is recognized when the underlying products are sold. The amount recognized is the best estimate of the costs to be incurred during the warranty period based on historical warranty data and management estimate.

Non-Current Assets Held for Sale and Discontinued Operations

Non-current assets and disposal groups are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset or disposal group and the sale expected to be completed within one year from the date of the classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell ("FVLCTS"). If the FVLCTS is lower than the carrying amount, an impairment loss is recognized in the statement of operations. Costs to sell are the incremental costs directly attributable to the disposal of an asset or disposal group, excluding finance costs and income tax expense. Non-current assets are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the Company's balance sheet.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended October 31,
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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued from previous page)

Non-Current Assets Held for Sale and Discontinued Operations (continued from previous page)

A disposal group qualifies as a discontinued operation if it is a component of the Company that either has been disposed of, or is classified as held for sale, and: (i) represents a separate major line of business or geographical area of operations; (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or (iii) is a subsidiary acquired exclusively with a view to resale. A component of the Company comprises an operation and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as in the statement of income (loss) and comprehensive income (loss).

3. CHANGES IN ACCOUNTING POLICIES

Accounting Standards adopted during the year

On January 1, 2018, the Company adopted IFRS 9 - *Financial Instruments* ("IFRS 9") which replaced IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. The standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard using the retrospective approach outlined in the standard. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities except for equity securities as described below. The standard also had negligible impact on the carrying amounts of the Company's financial instruments at the transition date.

The following summarizes the significant changes in IFRS 9 compared to IAS 39:

- (i) IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. The change did not impact the carrying amounts of any of the Company's financial assets on the transition date.
- (ii) The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of the Company's financial assets on the transition date given the Company transacts exclusively with large international financial institutions and other organizations with strong credit ratings and the negligible historical level of customer default.

Future Accounting Pronouncements

Accounting Standards issued but not yet effective:

IFRS 16 – Leases. According to IFRS 16, all leases will be on the statement of financial position of lessees, except those that meet the limited exception criteria. The standard is effective for annual periods beginning on or after January 1, 2019. The Company has not early adopted IFRS 16 and this standard will not have an affect on its financial statements.

4. INVENTORY

Inventory consist of the following components as at October 31, 2019 and October 31, 2018

	2019	2018
Work in Progress	\$ -	23,291

During the year ended October 31, 2019, the inventory cost of \$23,291 was relinquished as part of the disposal of the subsidiaries.

TRENCH SOLUTIONS INC. (FORMERLY “NOVATEQNI TECHNOLOGY CORPORATION”)**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended October 31,
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5. LOANS PAYABLE

During the year ended October 31, 2019, the Company entered into unsecured loans with a third party for \$379,900 (\$499,934 CAD) (2018 - \$nil) that accrues interest at 10% per annum. As at October 31, 2019, the Company had recorded interest payable of \$7,606 (2018 - \$nil). The loan and accrued interest were repaid during the year.

6. SHARE CAPITAL**(a) Capital**

Authorized: unlimited Class A common shares

As at October 31, 2019, the Company had 12,022,245 shares issued and outstanding.

During the year ended October 31, 2019:

- The Company issued 225,000 shares from the exercise of stock options for proceeds of \$30,757 and;
- The Company issued 8,002,500 units at a price of \$0.122 (\$0.16 CDN) per unit for total proceeds of \$971,952 (\$1,280,400 CDN). Each unit consisted of one common share and one transferrable common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of \$0.21 CDN per share for a period of thirty-six months from the date of issuance of the warrant. The fair value of the warrants is \$543,400 CDN (\$412,495).

During the year ended October 31, 2018:

- The Company issued 253,535 shares in settlement of loans in the amount of \$295,826 (\$380,302 CDN) to the former chief executive officer and;
- The Company issued 317,529 units at a price of \$1.17 CDN per unit for total proceeds of \$428,923 (\$539,800 CDN). Each unit consisted of one common share and one transferrable common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of \$1.75 (\$2.30 CDN) per share for a period of twenty-four months from the date of issuance of the warrant. The fair value of the warrants is \$198,471 CDN (\$146,620).

(b) Stock option plan

The Company adopted an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with TSXV requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase Class A Common Shares, provided that the number of Class A Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Class A Common Shares. Such options will be exercisable for a period of up to 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

During the year ended October 31, 2019, the Company granted 225,000 stock options at a weighted average exercise price of CDN\$0.18 per share and recorded share-based payments of \$37,658 (\$49,589 CAD).

A summary of the Company's stock option activity is as follows:

	Number of Stock Options	Weighted Average Exercise Price (CDN)
Outstanding, October 31, 2018	270,000	\$ 3.10
Granted	225,000	0.18
Exercised	(225,000)	0.18
Forfeited	(270,000)	3.10
Outstanding October 31, 2019	-	\$ -

TRENCH SOLUTIONS INC. (FORMERLY “NOVATEQNI TECHNOLOGY CORPORATION”)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended October 31,
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6. SHARE CAPITAL (continued from previous page)

(b) Stock option plan (continued from previous page)

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the years ended October 31, 2019 and 2018:

	2019	2018
Risk-free interest rate	1.52%	-
Share price	\$0.24	-
Expected life of options	3 years	-
Expected annualized volatility	207.13%	-
Expected dividend rate	-	-
Fair value per option (CDN)	\$0.22	-

(c) Warrants

In conjunction with a private placement that closed September 6, 2019, the Company issued 8,002,500 warrants. Each warrant can be exercised to acquire one common share at a price of \$0.21 CDN per share for a period of 36 months from the date of issuance of the warrants.

In conjunction with a private placement that closed February 8, 2018, the Company issued 317,529 warrants. Each warrant can be exercised to acquire one common share at a price of \$2.30 CDN per share for a period of 24 months from the date of issuance of the warrants.

A summary of the Company's warrant activity is as follows

	Number of Warrants	Weighted Average Exercise Price (CDN\$)	Total (\$USD)
Outstanding October 31, 2017	-	-	-
Issued pursuant to private placement of units	317,529	\$ 2.30	146,620
Outstanding, October 31, 2018	317,529	\$ 2.30	146,620
Issued pursuant to private placement of units	8,002,500	\$ 0.21	412,495
Outstanding, October 31, 2019	8,320,029	\$ 0.29	627,434

The weighted average remaining contractual life and weighted average exercise price warrants outstanding and of warrants exercisable as at October 31, 2019 are as follows:

Exercise Price (CDN)	Warrants Outstanding			Warrants Exercisable	
	Number Outstanding	Weighted Average Exercise Price (CDN)	Average Remaining Contractual Life (years)	Number Exercisable	Weighted Average Exercise Price (CDN)
\$0.29	8,320,029	\$0.29	3.72	317,529	\$2.30
Total	317,529	\$2.30	3.72	317,529	\$2.30

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For the year ended October 31,
(Expressed in United States Dollars)

6. SHARE CAPITAL (continued from previous page)**(c) Warrants** (continued from previous page)

The fair value of the warrants issued during the year ended October 31, 2019 and 2018 was determined using the Black-Scholes model based on the following assumptions:

	2019	2018
Risk free interest rate	1.42%	1.83%
Dividend yield	Nil	Nil
Forfeiture rate	0%	0%
Stock price (CDN)	\$0.18	\$2.50
Expected stock volatility	130.20%	118.36%
Weighted-average expected life (years)	3.0	2.0

7. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share for the year ended October 31, 2019 was based on the loss from continuing operations attributable to common shareholders of \$247,554 (2018 – earnings \$182,521) and the weighted average number of common shares outstanding of 4,942,378 (2018 – 3,678,577). Diluted earnings (loss) per share did not include the effect of 8,320,029 warrants (2018 – 317,529) and nil options (2018 – 270,000) as they are anti-dilutive.

8. FINANCIAL RISK FACTORS

The Company's risk exposure and the impact on its financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment/contractual obligations. The Company has deposited the cash with reputable Canadian financial institutions, from which management believes the risk of loss is minimized. The Company is not subject to concentration of credit risk as it had no trade receivables for the year ended October 31, 2019 (2018 – 3,453). The Company continuously evaluates that financial condition and credit worthiness of all customers and potential customers in order to mitigate such risk. In the event that losses do occur, all impairments are recognized in income or loss.

Liquidity Risk

Liquidity risk management involves maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit lines. The Company's approach to managing liquidity risk is to ensure that it has sufficient liquidity to meet liabilities when due. As at October 31, 2019, the Company has current assets of \$741,483 (2018 - \$123,268) to settle current financial liabilities of \$35,100 (2018 - \$356,354). Accounts payable and accrued liabilities generally have contractual maturities of 30 days and they are all current.

Interest Rate Risk

The Company's current policy is to invest excess cash in short term guaranteed investment certificates issued by its banking institutions. The Company monitors the investments it makes and is satisfied with the credit ratings of its banks. The risk the Company will realize a loss as a result of a decline in the fair value of short-term deposits is limited due to the short-term nature of these investments.

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at October 31, 2019, the Company had \$741,483 in current assets (2018 – \$123,268) and \$35,100 in current liabilities (2018 - \$356,354) denominated in Canadian dollars. A 10% change in exchange rates would cause an increase/decrease of approximately \$81,000 to comprehensive income (loss).

TRENCH SOLUTIONS INC. (FORMERLY “NOVATEQNI TECHNOLOGY CORPORATION”)**NOTES TO THE FINANCIAL STATEMENTS**

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9. 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:

	2019	2018
Consulting fees	\$ 33,993	\$ 99,484
Accounting fees	\$ 5,747	-

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.

10. GEOGRAPHICAL SEGMENTED INFORMATION

All assets and liabilities of the Company are in Canada which is the geographical segment the company operates in.

11. CAPITAL DISCLOSURES

The Company's capital is composed of shareholders' equity. The Company manages its capital structure and makes adjustments to it based on the funds available in order to support the development of its technology-based solutions. In order to carry out the expansion of the Company's product lines and pay for administrative costs, the Company may spend its existing working capital and may raise additional amounts as needed. The Company is not subject to any externally imposed capital requirements.

12. ECONOMIC DEPENDENCE

The Company had no revenues during the year ended October 31, 2019.

TRENCH SOLUTIONS INC. (FORMERLY “NOVATEQNI TECHNOLOGY CORPORATION”)**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended October 31,
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13. DISCONTINUED OPERATIONS

The Company determined that as of November 1, 2018, it no longer controlled the subsidiaries comprising Novateqni USA LLC, Novateqni Hong Kong Limited, and Novateqni South Africa (Pty) Limited control had passed to the previous owner of that business. 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 is as follows:

Consideration received or receivable	\$	-
Carrying amount of net liabilities sold		(176,706)
Additional costs on disposal		29,616
Gain on sale before reclassification of foreign currency translation reserve		
Gain on reclassification of foreign currency translation reserve		(58,686)
Gain on disposition	\$	<u>(205,776)</u>

Results of discontinued operations

	October 31, 2019	October 31, 2018
Expenses	\$ -	\$ (610,975)
Loss from operating activities	-	(610,975)
Gain on disposition of discontinued operations	205,776	-
Income (loss) for the period	<u>\$ 205,776</u>	<u>(610,975)</u>
Basic and diluted earnings (loss) per share	<u>\$ (0.01)</u>	<u>\$ (0.12)</u>

Cash flows used in discontinued operation

	October 31, 2019	October 31, 2018
Net cash used in operating activities	-	(184,793)
Net cash from investing activities	-	-
Net cash from financing activities	-	-
Net cash flows for the period	<u>-</u>	<u>(184,793)</u>

Effect of the disposal on the financial position of the Company on November 1, 2018

Cash	\$	(46,347)
Accounts receivable		(1,551)
Work in progress		(23,291)
Inventory		23,291
Prepays		(8,069)
Taxes receivable		(8,373)
Accounts payable		118,391
Warranty		24,970
Customer deposits		97,685
Net assets and liabilities	<u>\$</u>	<u>176,606</u>

TRENCH SOLUTIONS INC. (FORMERLY "NOVATEQNI TECHNOLOGY CORPORATION")**NOTES TO THE FINANCIAL STATEMENTS**

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14. TAXES

The following table shows the components of the current and deferred tax expense:

	2019	2018
Current tax expense	\$ -	\$ -

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 27% (2018 – 27.0%) to the effective tax rates for the year ended October 31, 2019 is described below.

	2019	2018
Loss before income taxes	\$ (41,778)	\$ (428,454)
Expected income tax recovery	\$ (11,280)	\$ (115,683)
Difference in tax rates between Canada and foreign subsidiaries	-	1,962
Change in enacted tax rates	1,171	105,303
Net effect of deductible and non-deductible amounts	434,801	-
Non-deductible expenses	-	557
Permanent differences	(44,279)	-
Change in estimates and foreign exchange	-	1,529
Change in tax benefits not recognized	(380,413)	6,332
Income tax expense	\$ -	\$ -

The following table summarizes the components of deferred tax:

	2019	2018
Deferred tax assets		
Non-capital losses carried forward – Canada	\$ 434,801	\$ 281,535
Non-capital losses carried forward – USA	-	246,729
Non-capital losses carried forward – South Africa	-	131,660
Non-capital losses carried forward – Hong Kong	-	41,202
Share issue costs and other	-	18,217
Depreciable intangible asset	-	8,288
Deferred tax asset not recognized	(434,801)	(727,631)
Net deferred tax asset	\$ -	\$ -

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset. Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets and liabilities have not been recognized in respect of the following deductible temporary differences as there is currently insufficient evidence that the deferred tax asset will be recovered.

The company has Canadian non-capital loss carry forwards of \$1,370,382 Canadian dollars (2018 - \$1,042,624) which begin to expire as follows:

	Canada (CDN)
2034	\$ 73,039
2035	429,076
2036	375,468
2037	493,799
No expiry	-
	\$ 1,370,382