

TRENCHANT CAPITAL CORP.
Condensed Consolidated Interim Financial Statements
Three and Nine Months Ended December 31, 2017 and 2016

Expressed in Canadian Dollars
(Unaudited-Prepared by Management)

Trenchant Capital Corp.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	December 31, 2017	March 31, 2017
ASSETS			
Current assets			
Cash		\$ 687,855	\$ 188,651
GST receivable		18,634	13,076
Prepays		-	20,000
Financing costs	6	72,696	236,253
Interest receivable		196,742	-
		<u>975,927</u>	<u>457,980</u>
Long-term assets			
PIK interest receivable	4	114,728	-
Loans receivable	4	7,740,000	-
Advance	3	1,500,000	-
TOTAL ASSETS		\$ 10,330,655	\$ 457,980
LIABILITIES			
Current liabilities			
Accounts payable	5,6,7	\$ 292,744	\$ 154,010
Long-term Liabilities			
Debentures	6	7,239,161	-
TOTAL LIABILITIES		7,531,905	154,010
SHAREHOLDERS' EQUITY			
Share capital	8	4,111,518	4,111,518
Preferred shares	8	2,700,000	-
Share-based payment reserve	8	343,158	343,158
Deficit		(4,355,926)	(4,150,706)
TOTAL EQUITY		2,798,750	303,970
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 10,330,655	\$ 457,980

Trenchant Capital Corp.
Condensed Consolidated Interim Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Notes	Three month periods ended		Nine month periods ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Revenues					
Interest income	4	\$ 245,928	\$ -	\$ 573,639	\$ -
Expenses					
Consulting and management fees		32,869	-	117,869	-
General and administrative		47,940	26,443	103,040	68,523
Interest		195,930	-	458,461	-
Investor relations		10,000	-	30,950	-
Transfer agent and filing fees		14,472	12,568	48,706	23,886
Professional fees	7	920	(35,033)	19,833	8,756
		(302,131)	(3,978)	(778,859)	(101,165)
Net and comprehensive income (loss) for the period					
		\$ (56,203)	\$ (3,978)	\$ (205,220)	\$ (101,165)
Loss per share – basic and diluted					
		\$ 0.00	\$ (0.00)	\$ (0.02)	\$ (0.01)

Trenchant Capital Corp.
Condensed Consolidated Interim Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Share capital					Share-based payment reserve	Deficit	Total
	Number of Common shares	Number of Preferred shares	Common shares	Preferred shares	Obligation to issue shares			
Balance at March 31, 2016	535,885	-	\$ 3,451,518	\$ -	\$ 4,500	\$ 343,158	\$ (3,953,208)	\$ (154,032)
Issue of shares for debt (Note 8)	1,000,000	-	60,000	-	-	-	-	60,000
Issue of shares for cash (Note 8)	9,925,000	-	595,500	-	-	-	-	595,500
Issue of shares for obligation to issue shares (Note 8)	75,000	-	4,500	-	(4,500)	-	-	-
Comprehensive loss	-	-	-	-	-	-	(101,165)	(101,165)
Balance at December 31, 2016	11,535,885	-	\$ 4,111,518	\$ -	\$ -	\$ 343,158	\$ (4,054,373)	\$ 400,303
Balance at March 31, 2017	11,535,885	-	\$ 4,111,518	\$ -	\$ -	\$ 343,158	\$ (4,150,706)	\$ 303,970
Issue of preferred shares (Note 8)	-	6,750,000	-	2,700,000	-	-	-	2,700,000
Comprehensive loss	-	-	-	-	-	-	(205,220)	(205,220)
Balance at December 31, 2017	11,535,885	6,750,000	\$ 4,111,518	\$ 2,700,000	\$ -	\$ 343,158	\$ (4,355,926)	\$ 2,798,750

See accompanying notes to the condensed consolidated financial statements

Trenchant Capital Corp.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars)

	Nine month periods ended	
	December 31, 2017	December 31, 2016
Operating activities		
Net income (loss)	\$ (205,220)	\$ (101,165)
Non-cash items:		
Interest	50,054	-
Changes in non-cash working capital items:		
GST receivable	(5,558)	(6,629)
Interest receivable	(196,742)	-
Prepays	20,000	-
Accounts payable and accrued liabilities	138,737	(12,672)
Net cash flows used in operating activities	(198,729)	(120,466)
Investing activities		
PIK interest receivable	(114,728)	-
Loans	(7,740,000)	-
Advance	(1,500,000)	-
Cash flows used in investing activities	(9,354,728)	-
Financing activities		
Issue of preferred shares for cash	2,700,000	595,500
Issue of debentures for cash	7,352,661	-
Prepaid financing costs	-	(187,888)
Cash flows from financing activities	10,052,661	407,612
Increase in cash	499,204	287,146
Cash, beginning	188,651	2,053
Cash, ending	\$ 687,855	\$ 289,199

1. Nature and continuance of operations

Trenchant Capital Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on December 17, 2009. The Company is an investment holding company. The Company’s common shares and Series A debentures are listed on the TSX Venture Exchange (the “TSXV”).

The Company’s head office is located 1021 West Hastings Street, 9th Floor, Vancouver, BC, V6E 0C3. The Company has two subsidiaries, 0960128 B.C. Ltd., and 1141864 B.C. Ltd.

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Until the three months ended September 30, 2017 the Company had incurred losses since its inception and had an accumulated deficit of \$4,355,926 at December 31, 2017, which has been funded primarily by the issuance of securities and loans from related parties. This indicates the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

2. Significant accounting policies and basis of preparation

These unaudited condensed consolidated interim financial statements were authorized for issue on February 28, 2018 by the directors of the Company.

Statement of compliance with International Financial Reporting Standards

The condensed consolidated interim financial statements of the Company comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting. Reporting, which do not include all the disclosures in the annual financial statements in accordance with IFRS. They should be read in conjunction with the Company’s consolidated financial statements for the year ended March 31, 2017. The accounting policies were consistently applied to all periods presented.

Basis of preparation

The condensed consolidated interim financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise noted.

3. Advance

On June 29, 2017, the Company advanced a refundable deposit of \$1,500,000 to 10164950 Canada Ltd., a company controlled by the Hillcore Group Ltd. (“Hillcore”), as an advance on a second investment transaction with Hillcore, the terms of which are currently being negotiated. If the advance is not repaid, or the parties have not completed a second investment by December 31, 2017, the advance shall automatically convert into an additional loan by the Company to Waiward Steel Limited Partnership. In December 2017 the Company agreed to loan the Advance to ABO Investments Limited Partnership in a sidecar loan on the same terms as, and be subordinated to, the ABO Loan (save for bearing 8% interest) (Note 4).

Trenchant Capital Corp.
Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in Canadian Dollars)
For the Three and Nine Months Ended December 31, 2017 and 2016

4. Loans

	December 31, 2017	March 31, 2017
May 18, 2017	\$ 5,522,000	\$ -
June 26, 2017	1,488,000	-
July 19, 2017	730,000	-
	\$ 7,740,000	\$ -

The above loans were made by the Company's subsidiary 0960128 B.C. Ltd., and bear interest at the rate of 12.5% per annum, with 10% payable quarterly in cash and 2.5% added quarterly to the principal balance and payable at maturity on March 31, 2022. Interest earned in the nine months ended December 31, 2017 was \$573,639, of which \$114,728 was interest accrued for payment in kind ("PIK"). The loan is secured by the borrower's indirect equity interest in Waiward Steel Limited Partnership (Note 6)

In December 2017 the Company's subsidiary 1141864 B.C. Ltd. agreed to lend up to \$20,000,000 to ABO Investments Limited Partnership. The loan will bear interest at the rate of 10.0% per annum, payable quarterly in cash until maturity on January 27, 2023. The loan will be secured by the borrower's indirect equity interest in Omni Health Investments Inc.

5. Accounts payable

	December 31, 2017	March 31, 2017
Accounts payable	\$ 118,594	\$ 154,010
Interest payable	174,150	-
	\$ 292,744	\$ 154,010

6. Debentures

	December 31, 2017	March 31, 2017
May 18, 2017	\$ 5,522,000	\$ -
June 26, 2017	1,488,000	-
July 19, 2017	730,000	-
Less Financing costs	(550,893)	-
Add Accretion	50,054	-
	\$ 7,239,161	\$ -

On May 18, 2017, the Company closed the initial tranche of a prospectus offering of convertible debentures (the "Debentures"), pursuant to which it raised gross proceeds of \$5,522,000 through the issuance of 5,522 Debentures.

On June 26, 2017, the Company closed a second tranche of a prospectus offering, for additional gross proceeds of \$1,488,000 through the issuance of 1,488 Debentures.

6. Debentures (cont'd)

On July 19, 2017, the Company closed a third and final tranche of a prospectus offering, for additional gross proceeds of \$730,000 through the issuance of 730 Debentures.

The aggregate gross proceeds of the prospectus offering were \$7,740,000.

The Debentures will mature on March 31, 2022 and the outstanding principal of the Debentures will bear interest at the rate of 9.0% per annum, payable quarterly in cash. Interest for the nine months ended December 31, 2017 was \$458,461, of which \$50,054 was accretion, \$262,531 has been paid in cash, and \$174,150 was recorded in accounts payable (Note 5).

The Company incurred financing costs of \$550,893, of which \$236,253 was incurred in fiscal 2017 in relation to the issuances of debentures.

Commencing on May 18, 2018 the outstanding principal amount of the Debentures may be converted, at the option of the holder, into common shares of the Company at a conversion price equal to the greater of: (i) 95% of the volume weighted average trading price of the common shares for the 30 trading day period ending three business days before the conversion date, and (ii) \$1.00 per common share, provided that, unless the conversion is being effected in connection with a redemption by the Company, no more than 25% of the aggregate principal amount of Debentures held by a holder may be converted in any 180 day period. The Company may prepay the outstanding principal of the Debentures, and the interest thereon, in cash, at any time after two years after initial prospectus offering closing by paying the Debenture holders 105% of the outstanding principal amount of the Debentures in year three, 103% of the outstanding principal amount of the Debentures in year four, and 101% of the outstanding principal amount of the Debentures in year five, plus any accrued interest thereon.

The Company pledged all of the outstanding shares of the Company's subsidiary to the holders of the Debentures as security for the Company's outstanding obligations under the Debentures.

The holders of Debentures have no recourse to the Company other than with respect to such shares.

The proceeds of the sale of the prospectus offering were used by the Company to fund the loans, the agents' commission and expenses were paid from the proceeds of the Company's convertible preferred share offering (Note 4).

On December 21, 2017, the Company filed a preliminary prospectus offering for up to \$20,000,000 in convertible debentures, bearing interest at 8% per annum. During the nine months ended December 31, 2017, the Company incurred financing costs of \$72,696, which are deferred until the closing of this convertible debenture offering. The proceeds of this convertible debenture offering will be used to fund the loan to ABO Investments Limited Partnership.

7. Related party transactions

Related party balances:

The following amounts are due to related parties and included in accounts payable:

	December 31, 2017	March 31, 2017
Directors and officers of the Company (Note 5)	\$ 15,561	\$ 9,105

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Key management personnel compensation

	Nine month periods ended	
	December 31, 2017	December 31, 2016
Professional	\$ 4,500	\$ 4,500

8. Share capital

Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

Issued share capital

At December 31, 2017 and 2016 there were 11,535,885 and 11,535,885 issued outstanding fully paid common shares, respectively, and 6,750,000 and nil issued and outstanding preferred shares, respectively.

During the nine months ended December 31, 2017, the Company issued 6,750,000 preferred shares at a price of \$0.40 per share for gross proceeds of \$2,700,000.

During the nine months ended December 31, 2016, the Company issued:

1. 75,000 common shares at \$0.06 for an obligation to issue shares of \$4,500;
2. 1,000,000 common shares at \$0.06 for a debt obligation of \$60,000; and
3. 9,925,000 common shares at \$0.06 for cash of \$595,500.