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## PRELIMINARY PROSPECTUS

New Issue

February 24, 2020



**Minimum Offering: \$1,000,000**

**Maximum Offering: \$7,817,000**

### 8% Series B Secured Convertible Debentures

This prospectus (this "**Prospectus**") qualifies the distribution (the "**Offering**") of a minimum of \$1,000,000 principal amount (the "**Minimum Offering**") and a maximum of \$7,817,000 (the "**Maximum Offering**") of 8% Series B secured convertible debentures (each, a "**Debenture**") of Trenchant Capital Corp. (the "**Company**") at a price of \$1,000 per Debenture (the "**Offering Price**"). The Debentures will bear interest at an annual rate of 8.0%, calculated quarterly and payable in arrears in equal quarterly payments as described herein. The Debentures will mature on January 31, 2023 (the "**Maturity Date**"). See "*Details of the Offering*".

#### Debenture Conversion Privilege

The Debentures will be convertible into common shares of the Company (each, a "**Common Share**") at the option of the holders thereof (each, a "**Holder**" and, collectively, the "**Holders**") at any time after the Conversion Eligibility Date (as defined herein) and prior to the close of business on the earliest of: (i) the Business Day (as defined herein) immediately preceding the Maturity Date, (ii) if called for redemption, the Business Day immediately preceding the date specified by the Company in a redemption notice of the Company, or (iii) if called for a repurchase pursuant to a Change of Control (as defined herein), on the Business Day immediately preceding the payment date, at a conversion price per Common Share equal to the greater of: (i) 95% of the VWAP (as defined herein) for the 30 trading day period ending three Business Days prior to the applicable Conversion Notice Date (as defined herein); and (ii) \$1.25 per Common Share, provided that, except in connection with a redemption, unless the aggregate principal amount of Debentures held by a Holder is less than \$10,000, no more than 25% of the aggregate principal amount of any Debentures held by such Holder may be converted in any 180-day period (the "**Conversion Restriction**"). Assuming a minimum conversion price of \$1.25, this represents a conversion rate of 800 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment in certain events as described in the Trust Indenture (as defined herein) between the Company and Computershare Trust Company of Canada as debenture trustee (the "**Debenture Trustee**") that will govern the terms of the Debentures.

	Price to the Public	Agents' Fee <sup>(1)</sup>	Proceeds to the Company <sup>(2)</sup>
Per Debenture	\$1,000	\$65	\$935
Minimum Offering <sup>(3)</sup>	\$1,000,000	\$65,000	\$935,000
Maximum Offering <sup>(4)</sup>	\$7,817,000	\$508,105	\$7,308,895

<sup>(1)</sup> The Company has agreed to pay the Agents (as defined herein) a cash commission (the "**Agents' Fee**") equal to 6.5% of the gross proceeds of the Offering. See "*Plan of Distribution*".

- (2) Before deducting the expenses of the Offering, estimated to be approximately \$150,000.
- (3) There will be no Closing (as defined herein) unless subscriptions for the Minimum Offering are received. If subscriptions for the Minimum Offering have not been received within 90 days following the date of issuance of the receipt for this Prospectus, or for an amendment to this Prospectus, the Offering will not continue and subscription proceeds will be returned to subscribers, without interest, set-off or deduction. Subscription proceeds received by the Agents, or by any other securities dealer authorized by the Agents, will be held in trust until subscriptions for the Minimum Offering are received and other closing conditions of the Offering have been satisfied.
- (4) The Company has granted to the Agents an option (the “**Over-Allotment Option**”), exercisable in whole or in part, at the sole discretion of the Agents, to offer up to an additional 1,172 Debentures (the “**Over-Allotment Debentures**”), representing up to 15% of the number of Debentures sold under the Offering, at the Offering Price. The Over-Allotment Option is exercisable in whole or in part at any time up to 30 days after the final Closing, subject to the agreement of the Borrower (as defined herein) to increase the amount of the Omni Investment (as defined herein) by such amount as is equal to the gross proceeds derived from the exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the total price to the public, Agents’ Fee and proceeds to the Company will be \$8,989,000, \$584,285 and \$8,404,715, respectively. This Prospectus qualifies the distribution of the Over-Allotment Option and the issuance of the Over-Allotment Debentures upon exercise, if any, of the Over-Allotment Option. A purchaser who acquires securities forming part of the Agents’ over-allocation position acquires those securities under this Prospectus, regardless of whether the Agents’ over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “*Plan of Distribution*”.

The following table sets out information relating to the Over-Allotment Option:

Agents’ Position	Maximum Size or Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Option	\$8,989,000 principal amount of Debentures	Up to 30 days after the final Closing	\$1,000 per Debenture

Under an agency agreement (the “**Agency Agreement**”) dated ♦, 2020, among Industrial Alliance Securities Inc., as Lead Agent (as defined herein), Canaccord Genuity Corp., Raymond James Ltd., Echelon Wealth Partners Inc., PI Financial Corp., Hampton Securities Limited and Integral Wealth Securities Ltd. (collectively, the “**Agents**”), and the Company, the Company has appointed the Agents as its agents to offer for sale on a best efforts basis, subject to compliance with all necessary legal requirements and to the terms and conditions contained in the Agency Agreement, up to \$7,817,000 principal amount of Debentures at a price of \$1,000 per \$1,000 principal amount of Debentures. The Agents conditionally offer the Debentures on behalf of the Company, on a best efforts basis, subject to prior sale, if, as and when issued by the Company and accepted by the Agents in accordance with the conditions contained in the Agency Agreement referred to under “*Plan of Distribution*”, and subject to the approval of certain legal matters on behalf of the Company by Clark Wilson LLP and on behalf of the Agents by Stikeman Elliott LLP. See “*Plan of Distribution*”.

The Agents will hold all subscription funds received pending the Initial Closing and any subsequent Closing, and will return subscription funds to the subscribers without interest, set-off or deduction if the Minimum Offering is not completed on or before the day which is 90 days after the date a receipt is issued for this Prospectus or such later date as the Company and the Agents may agree and the securities regulatory authorities may approve (subject to the filing of any required amendment to this Prospectus and the regulator issuing a receipt for such amendment). In any event, the total period of the distribution will not end more than 180 days from the date of receipt for this Prospectus.

Subscriptions will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. It is intended that the Initial Closing will occur on or about March 15, 2020, or such other date as may be agreed upon by the Company and the Agents, and all subsequent Closings, if any, will be completed within 90 days following the date of issuance of the receipt for this Prospectus (or any amendment hereto). Subject to applicable laws, the Agents may effect transactions intended to stabilize or maintain the market price for the Debentures at levels at or above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued by the Agents at any time. See “*Plan of Distribution*”.

At each Closing, certificates for the aggregate principal amount of the Debentures will be issued in registered form only to CDS Clearing and Depository Services Inc. (“**CDS**”) and will be deposited with CDS on the applicable Closing. No certificates evidencing the Debentures will be issued to purchasers, except in certain limited circumstances, and registration will be made in the depository service of CDS. Purchasers of the Debentures will receive only a customer confirmation from an Agent or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Debentures is purchased. Notwithstanding the foregoing, pursuant to the terms of the Trust Indenture, Holders may be required to withdraw their Debentures from CDS and to obtain a certificate representing the Debentures registered in their own name (or the name of their applicable CDS participant) prior to effecting any conversion. See “*Details of the Offering*”.

The Common Shares are listed and posted for trading on the TSX Venture Exchange (the “TSXV”) under the symbol “TCC”. On February 21, 2020, being the last trading day prior to the announcement of the Offering, the closing price of the Common Shares on the TSXV was \$0.09. **There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this Prospectus. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures, and the extent of issuer regulation. See “Risk Factors”.**

Closing of the Offering is subject to various conditions, including receipt of approval of the TSXV. The Company intends to apply to the TSXV for approval of the Offering, including the listing of the Common Shares underlying the Debentures. The Company intends to apply to list the Debentures on the TSXV, subject to approval of the TSXV and there being a sufficient number of Holders to meet the TSXV’s distribution requirements. See “Plan of Distribution”.

The Debentures will not be redeemable prior to the first anniversary of the Conversion Eligibility Date (except in limited circumstances involving a Change of Control. See “Details of the Offering – Change of Control”). At any time after the first anniversary of the Conversion Eligibility Date, the Company may, at its option, redeem, in whole or in part from time to time in accordance with the terms of the Trust Indenture, the principal amount of the Debentures at a redemption price (the “Redemption Price”) equal to: (i) commencing on the date which is one year and one day after the Conversion Eligibility Date and ending on the date which is two years after the Conversion Eligibility Date, 105% of the outstanding principal amount of the Debentures plus any accrued and unpaid interest thereon; (ii) commencing on the date which is two years and one day after the Conversion Eligibility Date and ending on the date which is three years after the Conversion Eligibility Date, 103% of the outstanding principal amount of the Debentures plus any accrued and unpaid interest thereon; and (iii) commencing on the date which is three years and one day after the Conversion Eligibility Date and ending on the date which is one day prior to the Maturity Date, 101% of the outstanding principal amount of the Debentures plus any accrued and unpaid interest thereon. The Company will be required to provide the Holders not more than 60 and not less than 30 days’ notice of the date fixed for redemption (the “Redemption Date”), and the Holders will have the right to accept the repayment or convert the principal amount of the Debentures at any time prior to the Redemption Date in accordance with the terms of the Trust Indenture, provided that if a Holder elects to convert their Debentures, the redemption amount shall be equal to the actual principal amount of the Debentures of such Holder then outstanding and such Holder will not be eligible to receive any premium in connection therewith. The Redemption Price will be paid in cash.

The proceeds of the Debentures will be used to fund the Omni Investment by 1141864 B.C. Ltd. (the “Omni Lender”), a wholly-owned subsidiary of the Company, in ABO Healthcare Limited Partnership (the “Borrower”). The Borrower is a British Columbia limited partnership related to Hillcore Group and indirectly controls an 88.73% interest in Omni Health Investments Inc. (“Omni”), through the ownership of 90.08% of the outstanding units of Abacus Health Care Limited Partnership (“AHLP”), an Ontario limited partnership. The Borrower has agreed to pledge all of the units of AHLP held by it as security for the Omni Investment pursuant to the Omni Pledge Agreement (as defined herein). See “Business of the Company – Narrative Description of the Business – The Omni Investment”. Omni had consolidated revenues in excess of \$95,000,000 for each of 2016, 2017 and 2018. See “Business of the Company – Narrative Description of the Business – The Omni Investment”.

**In the event that the Company defaults in its obligations under the Trust Indenture, the sole recourse of the Debenture Trustee (on behalf of the Holders) against the Company shall be with respect to the first priority security interest granted to the Debenture Trustee in the securities of the Omni Lender, and the Debenture Trustee and the Holders shall have no right to payment from the Company or the Borrower, or against any of the Company’s other property or assets, except as otherwise permitted by law, or against any assets of the Borrower or its Affiliates (as defined herein).**

**An investment in the Debentures is highly speculative and involves a high degree of risk. See “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements” for a discussion of factors that should be considered by prospective investors and their advisors in assessing the appropriateness of an investment in the Debentures.**

**The Debentures are not “deposits” within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under the provisions of that act or any other legislation.**

**In the event that only the Minimum Offering is completed, the earnings coverage ratio in respect of the Debentures for the twelve-month periods ended March 31, 2019 and September 30, 2019 will be less than one to one. See “Earnings Coverage”.**

The head office of the Company is located at 1790 – 1066 West Hastings Street, Vancouver, BC V6E 3X1. The Company’s registered office is located at Suite 800 – 885 West Georgia Street, Vancouver, BC V6C 3H1.

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## GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Prospectus if not otherwise defined on the cover pages hereto. Terms and abbreviations used in the financial statements of the Company and in any schedule to this Prospectus may be defined separately and the terms and abbreviations defined below may not be used therein.

“**Advance**” means an advance in the principal amount of \$1,500,000 made by the Company to an Affiliate of Hillcore Group as an advance on a second investment transaction with Hillcore Group pursuant to an advance agreement dated June 29, 2017.

“**Affiliate**” and “**Associate**” have the meanings given to such terms in Policy 1.1 of the Manual.

“**Agency Agreement**” means the agency agreement dated ♦, 2020, among the Company and the Agents, as amended hereunder. See “*Plan of Distribution*”.

“**Agents**” means, collectively, the Lead Agent, together with Canaccord Genuity Corp., Raymond James Ltd., Echelon Wealth Partners Inc., PI Financial Corp., Hampton Securities Limited and Integral Wealth Securities Ltd.

“**Agents’ Expenses**” means the Agents’ reasonable expenses and fees, including the reasonable fees of legal counsel to the Agents (up to a maximum of \$55,000, or such other amount as may be approved in writing by the Company), plus taxes and disbursements, in connection with the Offering.

“**Agents’ Fee**” means the cash commission to be paid by the Company to the Agents in an amount equal to 6.5% of the gross proceeds of the Offering (including gross proceeds derived from any exercise of the Over-Allotment Option).

“**AHLP**” means Abacus Healthcare Limited Partnership, an Ontario limited partnership and owner of 98.5% of the outstanding common shares of Omni.

“**AHLP-GP**” means the general partner of AHLP, which, as at the Initial Closing will be 9334378 Canada Ltd., or any successor general partner of AHLP.

“**AHLP Units**” means limited partner units in AHLP.

“**Arm’s Length Transaction**” means a transaction which is not a Related Party Transaction (as defined in Policy 1.1 of the Manual).

“**BCBCA**” means the *Business Corporations Act* (British Columbia), and the regulations thereunder, as amended from time to time.

“**BCSC**” means the British Columbia Securities Commission.

“**Board**” means the board of directors of the Company.

“**Borrower**” means ABO Healthcare Limited Partnership, a British Columbia limited partnership, which will be the owner of 90.08% of the outstanding AHLP Units as at the Initial Closing.

“**Borrower’s General Partner**” means ABO Healthcare GP Ltd., a British Columbia company, and the general partner of the Borrower.

“**Business Day**” means a day other than Saturday or Sunday or a day on which banks are generally closed for business in the cities of Vancouver or Toronto.

“CEO” means chief executive officer.

“CFO” means chief financial officer.

“**Change of Control**” means: (i) the acquisition by any Person, or group of Persons acting jointly or in concert, of voting control or direction of an aggregate of 60% or more of the outstanding Common Shares, other than pursuant to conversion of the Debentures or Series A Debentures, or conversion of any Convertible Preferred Shares; or (ii) the sale of all or substantially all of the assets of the Company, but shall not include a sale, merger, reorganization, arrangement, combination or other similar transaction if the previous holders of Common Shares hold at least 50% of the voting control or direction in such merged, reorganized, arranged, combined or other continuing entity (and in the case of a sale of all or substantially all of the assets, in the entity which has acquired such assets) immediately following completion of such transaction.

“**Closing**” means each closing of the sale of Debentures pursuant to this Prospectus.

“**Common Share**” means a common share in the capital of the Company.

“**company**”, unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

“**Company**” or “**Trenchant**” means Trenchant Capital Corp., a company incorporated under the laws of the Province of British Columbia.

“**Control Person**” means any Person that holds, or is one of a combination of Persons that holds, a sufficient number of any of the securities of a corporation so as to affect materially the control of that corporation, or that holds more than 20% of the outstanding voting securities of a corporation except where there is evidence showing that the holder of those securities does not materially affect the control of the corporation.

“**Conversion Eligibility Date**” means the first date on which the Debentures may be converted, which is March 23, 2019 being the first anniversary of the initial closing of the First Omni Debenture Offering.

“**Conversion Notice Date**” means the date a notice of conversion is delivered by a Holder to the Company.

“**Conversion Price**” means the greater of: (i) 95% of the VWAP of the Common Shares for the 30 trading-day period ending three Business Days prior to an applicable Conversion Notice Date; and (ii) \$1.25 per Common Share, subject to adjustment on the occurrence of certain events.

“**Conversion Restriction**” means the requirement that unless a Holder holds Debentures having an aggregate amount that does not exceed \$10,000, no more than 25% of the aggregate principal amount of Debentures held by such Holder may be converted by such Holder in any 180-day period.

“**Convertible Preferred Share**” means a convertible preferred share in the capital of the Company.

“**Debenture**” means an 8% secured convertible debenture of the Company which is governed by the Trust Indenture and “**Debentures**” means two or more of them.

“**Debenture Offer**” means an offer by the Company to purchase all of the Debentures then outstanding in connection with a Change of Control.

“**Debenture Trustee**” means Computershare Trust Company of Canada, the debenture trustee for the Debentures.

“**Debt Service Obligations**” for a particular period means a borrower’s interest expense, non-discretionary principal repayments and lease payments for that period.

**“Debt Service Ratio”** for a particular period means the ratio of (i) a borrower’s EBIT to (ii) that borrower’s Debt Service Obligations for that period.

**“EBIT”** for a particular period means earnings before interest and taxes for that period. This is a non-IFRS measure that reflects net operating income.

**“EBITDA”** for a particular period means earnings before interest, taxes, depreciation and amortization for that period. This is a non-IFRS measure that reflects operational profitability.

**“EBITDAM”** for a particular period means earnings before interest, taxes, depreciation, amortization and management fees for that period. This is a non-IFRS measure that reflects operational profitability.

**“Escrow Agreement”** means the TSXV Form 5D value security escrow agreement dated May 18, 2017 among the Company, the Debenture Trustee and the holders of the Escrow Shares.

**“Escrow Shares”** means the Common Shares held in escrow under the Escrow Agreement.

**“Final Exchange Bulletin”** means the final bulletin issued by the TSXV on May 26, 2017 in connection with Company’s Change of Business to an Investment Issuer (each as defined in the Manual).

**“Finance Fee”** means a fee equal to 7.0% of the amount of the Omni Investment, which is to be paid by the Borrower to the Omni Lender and which the Omni Lender may deduct from the drawdown of the principal amount of the Omni Investment by the Borrower.

**“First Omni Debenture Offering”** means the offering of Debentures pursuant to the First Omni Debenture Prospectus to raise minimum gross proceeds of \$5,000,000 and maximum gross proceeds of \$20,000,000 (or \$23,000,000 in the event that the Over-Allotment Option is exercised in full), which offering closed in two tranches and raised aggregate gross proceeds of \$7,994,000, with \$5,659,000 being raised pursuant to the initial tranche which closed on March 23, 2018 and \$2,335,000 being raised pursuant to the second tranche which closed on May 17, 2018.

**“First Omni Debenture Prospectus”** means the Amended and Restated Prospectus of the Company dated February 21, 2018.

**“Fixed Charge Coverage Ratio”** for a particular period means the ratio of (i) a borrower’s EBITDA to (ii) that borrower’s Debt Service Obligations, plus capital expenditures and income taxes, for that period.

**“HCG5”** means HCG5 Investment Limited Partnership, a limited partnership related to Hillcore Group.

**“Hillcore”** means Abacus Private Equity Ltd.

**“Hillcore Group”** means Hillcore Group Ltd. and, where applicable, its Associates and Affiliates.

**“Hillcore Loan”** means the loan of the full proceeds of the Omni Investment from the Borrower to Hillcore for a term equal to the term of the Omni Investment at a rate of interest not less than the Fixed Rate (as defined in the Omni Loan Agreement) or, in the case of Default (as defined in the Omni Loan Agreement), the default rate.

**“Hillcore Loan Agreement”** means the loan agreement dated March 23, 2018 between the Borrower and Hillcore documenting the Hillcore Loan.

**“Holder”** means a holder of Debentures, and **“Holders”** means any two or more of them.

**“IFRS”** means International Financial Reporting Standards as issued by the International Accounting Standards Board.



“**Initial Closing**” means the first Closing, which is expected to occur on or about March 15, 2020 but, in any event, shall not be later than 90 days following the date of issuance of the receipt for this Prospectus (or any amendment hereto).

“**Interest Calculation Date**” means the last day of each fiscal quarter of the Company, being March 31, June 30, September 30 and December 31.

“**Interest Payment Date**” means 20 calendar days following an applicable Interest Calculation Date, being January 20, April 20, July 20 and October 20 (or, if such a day is not a Business Day, the next Business Day).

“**Investment Committee**” means the investment committee of the Company, as appointed by the Board.

“**Investment Policy**” means the investment policy of the Company, as adopted by the Board on October 27, 2016 and amended on March 31, 2017.

“**Lead Agent**” means Industrial Alliance Securities Inc.

“**LTC**” means long-term care.

“**Manual**” means the Corporate Finance Manual of the TSXV.

“**Maximum Offering**” means, in connection with the Offering, the issuance of a maximum of 7,817 Debentures for maximum gross proceeds of \$7,817,000 (subject to increase to 8,989 Debentures for gross proceeds of \$8,989,000 in the event that the Over-Allotment Option is duly exercised in full).

“**MD&A**” means Management’s Discussion and Analysis.

“**MI 61-101**” means Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*.

“**Minimum Offering**” means, in connection with the Offering, the issuance of a minimum of 1,000 Debentures for minimum gross proceeds of \$1,000,000.

“**NEER**” means the New Experimental Experience Rating program provided through the Ontario Workplace Safety and Insurance Board which provides for annual rebates or surcharges based on an entity’s workplace safety record.

“**Net Debt**” means operating loans, long-term debt (including current portions thereof) and accounts payable greater than 120 days, less cash.

“**Net Debt to EBITDA Ratio**” for a particular period means the ratio of (i) a borrower’s Net Debt at the end of that period to (ii) such borrower’s EBITDA for that period.

“**Offering**” means the offering of a minimum of 1,000 Debentures and a maximum of 7,817 Debentures (or 8,989 Debentures in the event that the Over-Allotment Option is exercised in full) at a price of \$1,000 per Debenture pursuant to this Prospectus.

“**Offering Price**” means \$1,000 per Debenture, or such other amount as may be mutually agreed by the Company and the Agents.

“**Omni**” means Omni Health Investments Inc., a company incorporated under the laws of the Province of Alberta.

“**Omni Investment**” means the loans in the aggregate minimum principal amount of \$5,000,000 and the aggregate maximum principal amount of \$23,000,000 (if the Over-Allotment Option is duly exercised in full) to be made by the Omni Lender to the Borrower in tranches pursuant to the Omni Loan Agreement, the first tranche of which was

advanced on March 23, 2018 in the principal amount of \$5,659,000, the second tranche of which was advanced on May 17, 2018 in the principal amount of \$2,335,000, the third tranche of which was advanced on May 30, 2019 in the principal amount of \$2,428,000, and the fourth tranche of which was advanced on June 28, 2019 in the principal amount of \$1,761,000.

**“Omni Lender”** means 1141864 B.C. Ltd., a wholly-owned subsidiary of the Company, incorporated under the BCBCA.

**“Omni Loan Agreement”** means the loan agreement dated December 21, 2017, as amended on March 21, 2018, between the Omni Lender and the Borrower with respect to the Omni Investment.

**“Omni Pledge Agreement”** means the pledge of securities agreement dated March 23, 2018, as amended, between the Company and the Debenture Trustee, pursuant to which the Debenture Trustee is granted a first ranking security interest in the securities of the Omni Lender on behalf of itself and the Holders.

**“Over-Allotment Debentures”** means the Debentures issued on exercise of the Over-Allotment Option.

**“Over-Allotment Option”** means an option to be granted by the Company to the Agents in connection with the Offering, exercisable in whole or in part at any time on or before the date which is 30 days from the final Closing, to arrange for the purchase of such number of Debentures as is equal to 15% of the Debentures sold under the Offering (prior to exercise of the Over-Allotment Option), under and on the same terms as the Offering, subject to the agreement of the Borrower to increase the amount of the Omni Investment by such amount as is equal to the gross proceeds derived from the exercise of the Over-Allotment Option.

**“Person”** is to be construed broadly and includes any individual, company, partnership, joint venture, association, trust, trustee, executor, administrator, unincorporated association, governmental entity or other entity, whether or not having legal status.

**“Proposed Amendments”** means all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this Prospectus.

**“Prospectus”** means this preliminary prospectus dated February 24, 2020.

**“Redemption Date”** means the date fixed by the Company for redemption of the Debentures.

**“Redemption Price”** means the redemption price applicable with respect to a redemption of the Debentures.

**“Second Omni Debenture Offering”** means the offering of Debentures pursuant to the Second Omni Debenture Prospectus to raise minimum gross proceeds of \$1,000,000 and maximum gross proceeds of \$12,000,000 (or \$13,800,000 in the event that the Over-Allotment Option is exercised in full), which offering closed in two tranches and raised aggregate gross proceeds of \$4,189,000, with \$2,428,000 being raised pursuant to the initial tranche which closed on May 30, 2019 and \$1,761,000 being raised pursuant to the second tranche which closed on June 28, 2019.

**“Second Omni Debenture Prospectus”** means the Prospectus of the Company dated May 8, 2019.

**“Security Group”** means, collectively, the Borrower and the Borrower’s General Partner, as well as all subsidiaries thereof, including, without limitation, AHLP and Omni, together with their respective general partners, and **“member of the Security Group”** means any one of them.

**“SEDAR”** means the System for Electronic Document Analysis and Retrieval, which is available at [www.sedar.com](http://www.sedar.com).

“**Senior Credit Agreement**” means the credit agreement among Omni, through an operating subsidiary, a syndicate of lenders, and Sun Life Assurance Company of Canada as agent, pursuant to which Omni may borrow up to \$71,200,000.

“**Series A Debenture**” means a 9% secured convertible debenture of the Company and “**Series A Debentures**” means two or more of them.

“**Series A Indenture**” means the convertible debenture indenture dated May 18, 2017 between the Company and the Debenture Trustee with respect to the Series A Debentures.

“**Shareholders**” means the holders of Common Shares from time to time.

“**Significantly Concentrated Debt Investment**” means each loan by the Company which constitutes greater than 25% of the total of all loans made by the Company, on a consolidated basis.

“**Stock Option Plan**” means the incentive stock option plan of the Company dated March 3, 2010.

“**Strategic Alliance Agreement**” means the letter agreement dated April 25, 2016 between Trenchant and Hillcore Group.

“**Tax Act**” means the *Income Tax Act* (Canada), and the regulations thereunder.

“**Trenchant Loan Agreement**” means the loan agreement dated December 21, 2017 between Trenchant and the Borrower with respect to the assignment of the Advance to the Borrower.

“**Trust Indenture**” means the trust indenture dated March 23, 2018 Trenchant and the Debenture Trustee with respect to the Debentures.

“**TSX**” means the Toronto Stock Exchange.

“**TSXV**” means the TSX Venture Exchange Inc.

“**VWAP**” means the volume weighted average trading price of the Common Shares on the TSXV (or such other stock exchange as the Common Shares are principally traded at the applicable time) for an applicable period (which must be calculated utilizing days in which the Common Shares actually trade).

“**Waiward Investment**” means the loan in the aggregate principal amount of \$7,740,000 made by the Waiward Lender to WILP pursuant to the terms of the Waiward Loan Agreement.

“**Waiward Lender**” means 0960128 B.C. Ltd., a wholly-owned subsidiary of the Company, incorporated under the BCBCA.

“**Waiward Loan Agreement**” means the loan agreement dated effective March 2, 2017, as amended, between the Waiward Lender and WILP with respect to the Waiward Investment.

“**Waiward Steel**” means Waiward Steel Limited Partnership.

“**WILP**” means Waiward Investments Limited Partnership.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND FORWARD-LOOKING FINANCIAL INFORMATION

Certain statements in this Prospectus may constitute “forward-looking” statements that involve known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievement or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Such statements can be identified by the use of words such as “may”, “will”, “expect”, “should”, “believe”, “intend”, “plan”, “anticipate”, “potential” and other similar terminology. These forward-looking statements reflect current expectations of management regarding future events and speak only as of the date of this Prospectus. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under “*Risk Factors*”. Forward-looking statements in this Prospectus include, but are not limited to, statements with respect to:

- the timing of any Closing;
- expectations as to future operations of the Company;
- the Company’s anticipated financial performance following completion of the Offering;
- the Company’s expectations regarding the ability of the Borrower to service the Omni Investment and the sufficiency of the security with respect to same;
- future development and growth prospects;
- the Company’s investment approach, objectives and strategy;
- the Company’s expectations regarding the performance of certain sectors;
- the ability of the Company to identify other potential investment opportunities on satisfactory terms or at all;
- the ability of the Company to obtain future financing on acceptable terms or at all; and
- other statements under the heading “*Management’s Discussion and Analysis*”.

These forward-looking statements are based upon certain material factors, assumptions and analyses that were applied in drawing a conclusion or making a forecast or projection, including management’s experience and perceptions of historical trends, current market conditions and expected future developments, the expected completion of the Omni Investment, the timing and amount of capital and other expenditures, and other factors believed to be reasonable in the circumstances.

By their nature, forward-looking statements are subject to inherent risks and uncertainties which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct, and that objectives, strategic goals and priorities will not be achieved. A variety of material factors, many of which are beyond the control of the Company, could cause actual results to differ materially from current expectations of estimated or anticipated events or results. The risks, uncertainties and other factors that could influence actual results include, but are not limited to: the Company’s limited operating history as an investment company; the fact that the sole recourse of the Debenture Trustee (on behalf of the Holders) against the Company shall be with respect to the first priority security interest granted to the Debenture Trustee in the securities of the Omni Lender, and the Debenture Trustee and the Holders shall have no right to payment from

the Company, the Borrower, or against any of the Company's other property or assets, except as otherwise permitted by law, or against any of the assets of the Borrower or its Affiliates; portfolio exposure risks and sensitivity to macro-economic conditions; the availability of sources of income to generate cash flow and revenue; risks relating to investments in private issuers and illiquid securities; the volatility of the Common Share price; risks relating to the trading price of the Common Shares relative to net asset value; risks relating to available investment opportunities and competition for investments; risks relating to the Company's concentration of investments; the Company's dependence on management, directors and the members of the Investment Committee; risks relating to additional funding requirements; due diligence risks; exchange rate risks; risks relating to non-controlling interests; potential conflicts of interest; potential transaction and legal risks; and risks related to the Omni Investment, as more particularly described under the heading "*Risk Factors*".

Readers are cautioned that the foregoing list of factors is not exhaustive and that other factors may emerge from time to time. It is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of the Company or the Borrower, or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement. Readers are also cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Although the forward-looking statements contained in this Prospectus are based upon what management of the Company currently believe to be reasonable assumptions, actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur. The forward-looking statements contained herein are made as of the date of this Prospectus and, other than as specifically required by law, neither the Company nor the Agents assume any obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

This Prospectus may also contain future oriented financial information ("**FOFI**") within the meaning of applicable securities laws. The FOFI has been prepared by the management of Omni to provide an outlook of the activities and results of Omni, and may not be appropriate for other purposes. The FOFI has been prepared based on a number of assumptions. The actual results of operations of Omni and the resulting financial results may vary from the amounts set forth herein, and such variation may be material. The Company's management believes that the FOFI has been prepared on a reasonable basis. Any FOFI in this Prospectus is made as of the date specified on the title page and is based upon the information available to the Company as of that date.

#### **NON-IFRS MEASURES**

This Prospectus contains references to certain financial measures that are not determined in accordance with IFRS. Such non-IFRS financial measures include "EBITDA" and "EBIT". These non-IFRS financial measures do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures presented by other companies. These non-IFRS financial measures should not be considered as an alternative to, or more meaningful than, net income (loss), cash flow from operating activities, and other measures of financial performance as determined in accordance with IFRS, but the Company believes these non-IFRS financial measures are useful in providing relative performance and measuring change. Definitions of non-IFRS financial measures used by the Company are found under the heading "*Glossary of Terms*" in this Prospectus.

#### **MARKETING MATERIALS**

Any template version of any marketing materials used by the Agents in connection with the Offering does not form a part of this Prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this Prospectus. Any template version of any marketing materials that has been, or will be, filed under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) before the termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated by reference in this Prospectus.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Dale Matheson Carr-Hilton Labonte LLP, independent auditors of the Company, and Stikeman Elliott LLP, counsel for the Agents, based on the provisions of the Tax Act in force on the date hereof and the Proposed Amendments, the Debentures and the Common Shares issuable on the conversion of the Debentures will be qualified investments at the time of acquisition thereof for trusts governed by registered retirement savings plans (“RRSPs”), registered retirement income funds (“RRIFs”), registered disability savings plans (“RDSPs”), registered education savings plans (“RESPs”), deferred profit sharing plans (except, in the case of the Debentures, a deferred profit sharing plan to which the Company, or an employer that does not deal at arm’s length with the Company, has made a contribution) and tax-free savings accounts (“TFSA”) (each, a “Deferred Plan”), provided that, at the time of the acquisition by the Deferred Plan, the Debentures or the Common Shares are listed on a “designated stock exchange” (as defined in the Tax Act and which currently includes Tiers 1 and 2 of the TSXV), or the Company is a “public corporation” (as defined in the Tax Act). The Company will be a “public corporation” at a particular time if at that time a class of shares of its capital stock is listed on a designated stock exchange in Canada or the Company has elected to be a public corporation under certain conditions as provided in the Tax Act. The Company is currently a “public corporation” because the Common Shares are listed on the TSXV.

Notwithstanding the foregoing, if the Debentures or the Common Shares, as the case may be, are, either at the time they are acquired or subsequently become, a “prohibited investment” for purposes of a TFSA, an RRSP, an RRIF, an RESP or an RDSP, the holder of such TFSA or RDSP, the annuitant of such RRSP or RRIF, or the subscriber of such RESP, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Debentures and the Common Shares will not be a prohibited investment for a TFSA, RRSP, RRIF, RESP or RDSP, provided that the holder, annuitant or subscriber thereof, as the case may be, deals at arm’s length with the Company, for purposes of the Tax Act, and does not have a “significant interest” (as defined in the Tax Act) in the Company. In addition, the Common Shares will not be a “prohibited investment” if the Common Shares are “excluded property” (as defined in the Tax Act) for such TFSA, RRSP, RRIF, RESP or RDSP.

Prospective purchasers who intend to hold Debentures or Common Shares in a Deferred Plan should consult their own tax advisors.

## SUMMARY OF PROSPECTUS

*This summary is qualified by, and should be read in conjunction with, the detailed information contained elsewhere in this Prospectus and in the Trust Indenture.*

### The Company

**Company:** Trenchant Capital Corp.

**Business of the Company:** The Company was incorporated under the BCBCA on December 17, 2009 and the Common Shares were listed on the TSXV on August 27, 2010, with the Company classified as a Capital Pool Company (as defined in the Manual). On May 4, 2011, the Company completed its Qualifying Transaction (as defined in the Manual), resulting in the Company being classified as a resource issuer. Until 2015, the Company was engaged in the acquisition, exploration and development of natural resource properties, following which the Company was focused on identifying a new business opportunity. In May 2017, the Company completed a change of business, resulting in the Company being re-classified as an investment issuer on the TSXV. Subsequently, the Company raised aggregate gross proceeds of \$7,994,000 pursuant to the First Omni Debenture Offering (\$5,659,000 on March 23, 2018 in its first closing and \$2,335,000 on May 17, 2018 in its second closing) and \$4,189,000 pursuant to the Second Omni Debenture Offering (\$2,428,000 on May 30, 2019 in its first closing and \$1,761,000 on June 28, 2019 in its second closing). The net proceeds of the First Omni Debenture Offering and the Second Omni Debenture Offering were used towards the Omni Investment. See *"Business of the Company - General Development of the Business"* and *"Business of the Company - Narrative Description of the Business - The Omni Investment"*.

### The Offering

**Offering:** The Offering consists of a minimum of 1,000 Debentures and a maximum of 7,817 Debentures at a price of \$1,000 per Debenture, for minimum gross proceeds of \$1,000,000 and maximum gross proceeds of \$7,817,000, subject to the Over-Allotment Option. See *"Plan of Distribution"*.

**Price:** \$1,000 per Debenture.

**Agents:** The Agents have been appointed to conduct the Offering on a best efforts basis. The Agents will be paid the Agents' Fee for the sale of the Debentures sold pursuant to Offering. See *"Plan of Distribution"*.

**Over-Allotment Option:** The Company has granted the Agents the Over-Allotment Option to purchase up to an additional 1,172 Over-Allotment Debentures at a price of \$1,000 per Over-Allotment Debenture on the same terms and conditions as the Offering, exercisable in whole or in part, at the sole discretion of the Agents, at any time up until 30 days after the final Closing, for the purposes of covering the Agents' over-allocation position, if any, and for market stabilization purposes.

**Conditions:** Completion of the Offering will be subject to various conditions, including that if the Minimum Offering amount is not met, the Offering will be discontinued and the Agents will return all amounts received pursuant to the Offering to investors, without interest or deduction. See *"Plan of Distribution"*.

**Use of Proceeds:** The gross proceeds of the Offering, being \$1,000,000 in the event of the Minimum Offering and \$7,817,000 in the event of the Maximum Offering (or \$8,989,000 in the

event the Over-Allotment Option is exercised in full), will be used to make the Omni Investment. The Agents' Fee will be paid from the Finance Fee, and the Agents' Expenses in connection with the Offering, as well as the remaining expenses of the Offering, will be paid from the Company's general working capital. The Agents' Fee will be \$65,000 in the event of the Minimum Offering and \$508,105 in the event of the Maximum Offering (or \$584,285 in the event the Over-Allotment Option is exercised in full). The expenses of the Offering are estimated to be approximately \$150,000. Assuming the Minimum Offering is completed, the estimated net proceeds of the Offering, after deducting the balance of the expenses of the Offering of \$150,000 and the Agents' Fee and the Agents' Expenses of \$65,000, are expected to be \$785,000. Assuming the Maximum Offering (together with the Over-Allotment Option) is completed, the estimated net proceeds of the offering, after deducting the balance of the expenses of the Offering of \$150,000 and the Agents' Fee and the Agents' Expenses of \$508,105 (or \$584,285 in the event the Over-Allotment Option is exercised in full), are expected to be \$7,158,895 (or \$8,254,715 in the event the Over-Allotment Option is exercised in full). See "Use of Proceeds".

**Listing:** The Common Shares currently trade on the TSXV. The Company intends to list the Debentures on the TSXV, subject to there being a sufficient number of Holders to meet the TSXV's distribution requirements. See "Plan of Distribution".

**Risk Factors:** The risks, uncertainties and other factors that could influence actual results include, but are not limited to, risks related to: repayment; substantial debt obligations; no prior public market for the Debentures; prevailing yields on similar securities; default by and bankruptcy of borrowers; put right of minority holders of AHLP Units on event of default; change of control; conversion following certain transactions; redemption prior to maturity; absence of covenant protection; credit risk; creditworthiness of borrowers; coverage ratios; investment eligibility; withholding tax; changes in tax laws; rights of Holders; risk of payment defaults under investment agreements; dependence on the performance of investee companies; lack of control over investee company management; volatility of Common Share price; dilution; financing risks; conflicts of interest; early stage of development; limited number of investments; ability to negotiate additional investments; ability to manage future growth; effect of general economic and political conditions; competition; adequacy of provision for credit losses; fraud by investee companies; payment of dividends; liquidity and capital resources; currency fluctuations; exercise of early payout or buyout option; impact of regulation and regulatory changes; reliance on key personnel; litigation; risks facing investee companies; and risks related to the business of Omni and the Omni Investment, including general business risks, government funding and regulatory changes, LTC funding in Ontario, financing risk, debt financing, redevelopment of Class B and C homes, liability and insurance, tax rules and regulations, privacy of client information and cyber security, occupancy and business volumes, real property ownership, capital intensive industry, environmental liabilities, dependence on key personnel, personnel costs, competition, and geographic concentration. See "Risk Factors".

### The Debentures

**Maturity:** The Maturity Date will be January 31, 2023.

**Interest:** The Debentures shall bear interest from the date of issue at the rate of 8.0% per annum, based on a 365 day year, payable before maturity and after as well as before default, with interest on amounts in default at the same rate, compounded semi-annually. Interest shall be calculated quarterly on each Interest Calculation Date following the applicable Closing (being March 31, June 30, September 30 and December 31), and will



be paid in arrears in equal quarterly payments following the applicable Closing (with the exception of any first interest payment, which will include interest from and including the applicable Closing to the next Interest Calculation Date, and the last interest payment, which will include interest from January 1, 2023 to but excluding the Maturity Date and will be payable on the Maturity Date, if not redeemed or converted prior to the Maturity Date), in cash, on the applicable Interest Payment Date (being January 20, April 20, July 20 or October 20, with the exception of the last interest payment), to Holders of record as at the close of business on the applicable Interest Calculation Date (or as at the close of business on the Business Day prior to the Maturity Date in the case of the last interest payment).

**Conversion:**

The Debentures will be convertible into Common Shares at the option of the Holder at any time after the Conversion Eligibility Date and prior to the close of business on the earliest of: (i) the Business Day immediately preceding the Maturity Date, (ii) the Business Day immediately preceding the Redemption Date if the Debentures are called for redemption by the Company, or (iii) if called for a repurchase pursuant to a Change of Control, on the Business Day immediately preceding the payment date, in each case at the Conversion Price, which will be equal to the greater of: (i) 95% of the VWAP of the Common Shares for the 30 trading day period ending three Business Days prior to the applicable conversion date; and (ii) \$1.25 per Common Share, provided that, except in the case of a redemption, unless the aggregate principal amount of Debentures held by a Holder is less than \$10,000, no more than 25% of the aggregate principal amount of any Debentures held by such Holder may be converted in any 180-day period. Assuming a minimum conversion price of \$1.25, this represents a conversion rate of 800 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment upon the occurrence of certain events, including, but not limited to: share consolidations, share splits, spin-off events, rights issues or reorganizations, as provided in the Trust Indenture. Pursuant to the terms of the Trust Indenture, Holders may be required to withdraw their Debentures from CDS and obtain a certificate representing the Debentures registered in their own name (or the name of their applicable CDS participant) prior to effecting any conversion.

**Redemption:**

The Debentures will not be redeemable prior to the first anniversary of the Conversion Eligibility Date (except in limited circumstances involving a Change of Control). At any time after one year from the Conversion Eligibility Date, the Company may, at its option, redeem, in whole or in part, from time to time, the principal amount of the Debentures at the Redemption Price, which will be: (i) commencing on the date which is one year and one day after the Conversion Eligibility Date and ending on the date which is two years after the Conversion Eligibility Date, 105% of the outstanding principal amount of the Debentures plus any accrued and unpaid interest thereon; (ii) commencing on the date which is two years and one day after the Conversion Eligibility Date and ending on the date which is three years after the Conversion Eligibility Date, 103% of the outstanding principal amount of the Debentures plus any accrued and unpaid interest thereon; and (iii) commencing on the date which is three years and one day after the Conversion Eligibility Date and ending on the date which is one day prior to the Maturity Date, 101% of the outstanding principal amount of the Debentures plus any accrued and unpaid interest thereon. The Holders will have the right to either accept the repayment or convert the principal amount of the Debentures at any time prior to the Redemption Date in accordance with the terms of the Trust Indenture, provided that if a Holder elects to convert their Debentures, the redemption amount shall be equal to the actual principal amount of the Debentures of such Holder then outstanding and such Holder will not be eligible to receive any premium in connection therewith. The Redemption Price will be paid in cash.

**Change of Control:**

Within 30 days following the occurrence of a Change of Control, the Company shall be required to make a Debenture Offer at a purchase price equal to 101% of the principal amount of the Debentures plus accrued and unpaid interest thereon up to, but excluding, the Change of Control purchase date.

Additionally, if a Change of Control occurs in which 10% or more of the consideration for the Common Shares in the transaction or transactions constituting the Change of Control consists of: (i) cash, other than cash payments for fractional Common Shares and cash payments made in respect of dissenter's appraisal rights; (ii) equity securities that are not traded or intended to be traded immediately following such transaction(s) on a recognized stock exchange; or (iii) other property that is not traded or intended to be traded immediately following such transaction(s) on a recognized stock exchange, then, subject to regulatory approvals, during the period beginning 10 trading days before the anticipated date on which the Change of Control becomes effective and ending 30 days after the Debenture Offer is delivered, Holders will be entitled to convert their Debentures and, subject to certain limitations, receive, in addition to the number of Common Shares they would otherwise be entitled to receive, an additional number of Common Shares per \$1,000 principal amount of Debentures as determined in accordance with the terms of the Trust Indenture.

**Security:**

The Debentures will be secured solely by the Omni Pledge Agreement. Under the Omni Pledge Agreement, the Debenture Trustee, as agent for the Holders, has been granted a first priority security interest in the securities of the Omni Lender. Following and during the continuance of an Event of Default (as defined in the Trust Indenture), the Debenture Trustee will have the rights described in the Omni Pledge Agreement. In the event that the Company defaults in its obligations under the Trust Indenture, the sole recourse of the Debenture Trustee (on behalf of the Holders) against the Company shall be with respect to the first priority security interest granted to the Debenture Trustee in the securities of the Omni Lender, and the Debenture Trustee and the Holders shall have no right to payment from the Company or the Borrower, or against any of the Company's other property or assets, except as otherwise permitted by law, or against any assets of the Borrower or its Affiliates.

**Summary of Financial Information:**

The following table sets out selected information for and as of the periods indicated. The financial information is derived from the Company's unaudited condensed consolidated interim financial statements for the six months ended September 30, 2019 and audited consolidated annual financial statements for the years ended March 31, 2019, 2018 and 2017, which are included in this Prospectus.

	Six Months Ended September 30		Year Ended March 31, 2019	Year Ended March 31, 2018	Year Ended March 31, 2017
	2019 (unaudited) (\$)	2018 (unaudited) (\$)	(audited) (\$)	(audited) (\$)	(audited) (\$)
Total revenues	1,092,880	929,481	1,887,833	862,567	-
Total expenses	1,173,657	894,675	1,935,054	1,211,564	197,498
Other items	-	-	-	-	-
Net and comprehensive (loss) income for the period	(80,777)	34,806	(47,221)	(348,997)	(197,498)
Earnings (loss) per share - basic and diluted	(0.00)	0.00	(0.00)	(0.03)	(0.02)
Total assets	22,684,152	18,257,288	18,348,571	15,801,564	457,980

Total liabilities	20,502,2106	16,028,833	16,135,704	13,653,915	154,010
Shareholder's equity (deficit)	2,181,942	2,228,455	2,212,867	2,147,649	303,970

## CORPORATE STRUCTURE

### Name and Incorporation

The Company was incorporated under the BCBCA on December 17, 2009. The head office and principal business office of the Company is located at 1790 - 1066 West Hastings Street, Vancouver, BC V6E 3X1, and its registered office is located at Suite 800 - 885 West Georgia Street, Vancouver, BC V6C 3H1.

The Company has three wholly-owned subsidiaries, the Omni Lender (which was created for the sole purpose of making the Omni Investment), the Waiward Lender (the sole business of which is the Waiward Investment) and TCC Management Inc. (the sole business of which is to provide the Company's investee portfolio companies and other companies with management services). All three subsidiaries are companies incorporated under the BCBCA.

## BUSINESS OF THE COMPANY

### General Development of the Business

The Company was incorporated on December 17, 2009 under the name "Rara Terra Capital Corp.". The Common Shares were listed for trading on the TSXV in August 2010. The Company was initially a Capital Pool Company (as defined in the Manual) and completed its Qualifying Transaction (as defined in the Manual) in 2011, by way of the acquisition of certain mineral claims, thus becoming a Resource Issuer (as defined in the Manual). In connection therewith, the Company changed its name to "Rara Terra Minerals Corp.", effective May 4, 2011. In 2012, the Company acquired interests in certain oil and gas properties located in Trego County, Kansas, and, in connection therewith, changed its name to "Echelon Petroleum Corp.", effective May 3, 2013. In 2014, the Company disposed of its oil and gas interests and the Company's remaining mineral claims expired in 2015.

In August 2015, the BCSC issued a cease trade order against the Company for failure to file its annual audited financial statements and MD&A for the year ended March 31, 2015, and trading in the Common Shares was halted by the TSXV. In November 2015, the Company's listing was transferred to the NEX board of the TSXV. In January 2016, the BCSC issued a partial revocation order in respect of the cease trade order, pursuant to which the Company was permitted to undertake a \$600,000 private placement, in order to enable the Company to complete its delinquent filings, as well as a debt settlement. See "Prior Sales" for details of the private placement and debt settlement. The BCSC revoked the cease trade order on April 25, 2016, when the outstanding filings were completed, and the TSXV reinstated trading in the Common Shares on the NEX on May 3, 2016.

### *Hillcore Strategic Alliance*

On April 25, 2016, the Company entered into the Strategic Alliance Agreement with Hillcore Group. Hillcore Group is a leading independent Canadian investment and advisory firm that invests predominantly in the life sciences, real estate, seniors living, financial, industrial and energy sectors. With offices in Toronto, Vancouver, Calgary and Montreal, Hillcore Group employs approximately 3,000 people throughout Canada across its various groups and portfolio companies.

Since 2005, Hillcore Group has completed acquisitions, directly or indirectly through investment funds, with an aggregate asset value in excess of \$8.5 billion. Entities under management by Hillcore Group had an asset value in excess of \$4.5 billion as of December 31, 2019.

Hillcore Group is a non-traditional private equity firm that invests its own money and is industry agnostic/opportunity-driven, with no forced distribution.

Pursuant to the terms of the Strategic Alliance Agreement, Hillcore Group has agreed to grant Trenchant an exclusive first right to: (i) review Hillcore Group's initial due diligence on potential business targets, and (ii) negotiate with Hillcore Group the participation by Trenchant in Hillcore Group's acquisition of business targets, primarily by way of Special Situation Debt (as defined in the Strategic Alliance Agreement), which may include secondary, subordinated, mezzanine or non-traditional debt, asset-backed securities and back-leveraged/holdco debt. Trenchant has also been granted certain back-in and tag along negotiation rights, as well as negotiation rights for capital market transactions with respect to projects for which Trenchant has provided financing. HCG5, a limited partnership related to Hillcore Group, holds approximately 17.14% of the issued and outstanding Common Shares.

### *Change of Business*

On May 10, 2016, the Company changed its name from "Echelon Petroleum Corp." to "Trenchant Capital Corp." to facilitate a proposed change of business from Resource Issuer to Investment Issuer (each as defined in the Manual).

### *Initial Investment*

On March 2, 2017, the Waiward Lender entered into the Waiward Loan Agreement with WILP, a limited partnership related to Hillcore Group, pursuant to which the Waiward Lender agreed to loan up to \$20,000,000 to WILP, secured by WILP's indirect equity interest in Waiward Steel LP, one of Canada's largest steel fabricators and erectors.

The Waiward Loan Agreement provides that the outstanding principal of the Waiward Investment bears interest at a rate of 12.5% per year, with 10% payable quarterly in cash and 2.5% being added quarterly to the outstanding principal of the loan and payable on the maturity date of March 31, 2022. WILP also agreed to pay a finance fee equal to 7% of the amount of the funds advanced, and issue the Company a five-year unit purchase option entitling it to purchase up to 10% of WILP's indirect holdings in Waiward Steel, as more particularly described below. WILP may prepay the outstanding principal of the Waiward Investment, and the interest thereon, at any time after two years from the Waiward Investment closing date, by paying the Waiward Lender 105% of the outstanding principal amount of the Waiward Investment in year 3, 103% of the outstanding principal amount of the Waiward Investment in year 4 and 101% of the outstanding principal amount of the Waiward Investment in year 5, plus any applicable interest thereon. The Waiward Investment is secured by a pledge of WILP's indirect interest in Waiward Steel. The Waiward Loan Agreement also provides that the Company will provide management services to WILP, have observer rights at board meetings of WILP, and have the right to appoint a nominee to the board of directors of WILP.

On May 18, 2017, the Company issued 5,522 Series A Debentures under a prospectus dated April 20, 2017 for gross proceeds to the Company of \$5,522,000, and advanced the sum of \$5,522,000 to WILP under the Waiward Loan Agreement. Also on May 18, 2017, the Company closed a non-brokered private placement pursuant to which it issued 6,750,000 Convertible Preferred Shares at a price of \$0.40 per Convertible Preferred Share, for gross proceeds of \$2,700,000. The proceeds of the private placement of the Convertible Preferred Shares were used to pay: (i) the fees and expenses related to both private placements which closed on May 18, 2017, the Waiward Investment and the change of business transaction, and (ii) for general working capital. See "*Consolidated Capitalization*" for a description of the Convertible Preferred Shares.

On May 26, 2017 the TSXV accepted for filing the Company's Change of Business to an Investment Issuer (each as defined in the Manual).

### *Subsequent Investments in WILP*

On June 26, 2017, the Company issued a second tranche of 1,488 Series A Debentures under the prospectus dated April 20, 2017, for gross proceeds to the Company of \$1,488,000.

On July 19, 2017, the Company issued a third and final tranche of 730 Series A Debentures under the prospectus dated April 20, 2017, for gross proceeds to the Company of \$730,000.

All of the proceeds from the sales of the Series A Debentures, totaling \$7,740,000, were advanced to WILP as the Waiward Investment.

In connection with the Waiward Investment, the Company was granted a unit purchase option entitling the Company to purchase up to 3.9% of WILP's indirect holdings in Waiward Steel, with an escalating exercise price based upon the projected earnings of Waiward Steel. The unit purchase option expires on March 31, 2022.

#### ***Hillcore Advance***

On June 29, 2017, the Company made the Advance in the principal amount of \$1,500,000 from its treasury to an Affiliate of Hillcore Group as an advance on a second investment transaction with Hillcore Group. The terms of the Advance provided that, in the event that the Company and Hillcore Group do not agree to terms for a second investment (in addition to the Waiward Investment) or a second investment does not close by September 29, 2017, the Advance would be invested into WILP in a sidecar loan. On September 29, 2017, the Company and the Affiliate of Hillcore Group agreed to extend the September 29, 2017 date to December 31, 2017.

Effective December 21, 2017, the Company and the Affiliate of Hillcore Group agreed that the Advance would be assigned to the Borrower, subject to the terms of the Trenchant Loan Agreement, which provides that the Advance may be repaid by the Borrower at any time, will mature on January 27, 2023, and will bear interest at the rate of 8% per annum, payable annually on June 30 of each calendar year. The Advance will also be secured by a pledge of the AHLP Units held by the Borrower, but such security will be subordinated to the security interest of the Omni Lender. The Trenchant Loan Agreement is a condition to the closing of the Omni Investment.

#### ***Omni Investment***

On December 17, 2017, the Omni Lender, a wholly-owned subsidiary of the Company, entered into the Omni Loan Agreement with the Borrower. Pursuant to the terms of the Omni Loan Agreement, as amended on March 21, 2018, the Omni Lender agreed to make the Omni Investment, in the minimum principal amount of \$5,000,000 and the maximum principal amount of \$20,000,000 (or \$23,000,000 in the event that the Borrower consents and the Over-Allotment Option is duly exercised in full), subject to the terms and conditions set out therein. Pursuant to the terms of the Omni Loan Agreement, the Omni Investment is to be drawn down by the Borrower in one or more drawdowns, with the initial drawdown to be drawn down on or prior to March 31, 2018, and to be in an amount not less than \$5,000,000, and the final drawdown to be drawn down on or prior to June 30, 2018 (or such other date as may be mutually agreed by the parties). The Borrower used the proceeds of the Omni Investment to fund the Hillcore Loan. The Borrower is a limited partnership related to Hillcore Group and indirectly controls an 88.73% interest in Omni. The Borrower agreed to pledge its AHLP Units, representing 90.08% of the outstanding units in the capital of AHLP, as security for the Omni Investment, and to provide other security as set out below. See "*Business of the Company – Narrative Description of the Business – The Omni Investment*" for additional details.

On March 23, 2018, the Company completed the initial closing of the First Omni Debenture Offering and raised gross proceeds of \$5,659,000. On May 17, 2018, the Company completed the second and final closing of the First Omni Debenture Offering and raised gross proceeds of \$2,335,000. The net proceeds of the First Omni Debenture Offering were used to fund the Omni Investment. On March 23, 2018, the Borrower made the initial drawdown of \$5,659,000 under the Omni Loan Agreement, and used this amount to fund the Hillcore Loan. On May 17, 2018, the Borrower made the second drawdown of \$2,335,000 under the Omni Loan Agreement, and used this amount to fund the Hillcore Loan.

On May 30, 2019, the Company completed the initial closing of the Second Omni Debenture Offering and raised gross proceeds of \$2,428,000. On June 28, 2019, the Company completed the second and final closing of the Second Omni Debenture Offering and raised gross proceeds of \$1,761,000. The net proceeds of the Second Omni Debenture Offering were used to fund the Omni Investment. On May 30, 2019, the Borrower made the initial drawdown of

\$2,428,000 under the Omni Loan Agreement, and used this amount to fund the Hillcore Loan. On June 28, 2019, the Borrower made the second drawdown of \$1,761,000 under the Omni Loan Agreement, and used this amount to fund the Hillcore Loan.

On February 24, 2020, the Company announced the Offering and its intention to raise minimum gross proceeds of \$1,000,000 and maximum gross proceeds of \$7,817,000. The net proceeds of the Offering are intended to be used to fund the Omni Investment. See "*Plan of Distribution*" and "*Use of Proceeds*".

### **Narrative Description of the Business**

The Company is in the business of providing special situation debt financing to established companies with a track record of earnings and demonstrated potential for future growth. The Company also plans to generate shareholder equity by taking and, where prudent, exercising, equity purchase rights in portfolio companies, and by participating in potential going-public transactions or other liquidity events in portfolio companies.

The Company seeks to preserve capital and limit downside risk through securely structuring its investments. The Company plans to work closely with management of portfolio companies, either by securing board observation rights and/or board appointment rights, or management service arrangements. Barring special circumstances, the Company will be limited to investing not more than 30% of its equity capital in any one particular investment.

The Company will seek to make investments in companies where historical financial and product performance can be used as the primary gauge of risk. Investment due diligence is expected to be focused on tangible, measurable results rather than forward looking estimates more common in venture capital investments.

Like other investment companies, the Company expects to have a highly scalable business model where a small investment team can drive large numbers of transactions. As such, the Company expects to continue to operate with a small Board and limited management team.

### **Market**

The Company seeks investments in private companies with a history of stable cash flow. Companies within the Company's target market are typically looking for growth capital or succession liquidity. Although well established with a long track record of operation, many potential investee companies fail to qualify for the investment criteria of existing capital providers due to a variety of factors, including that:

- traditional private equity institutional investors, an important source of growth capital, tend to invest in larger enterprises with stronger established cash flows;
- traditional venture capital investors tend to seek very high growth companies with potential for high multiple (greater than 10X) returns, and companies with this characteristic represent a small percentage of the total market; and
- traditional lenders such as banks are highly risk-averse and provide only limited capital to companies in the Company's target market, with terms designed to protect their investment through profitability covenants, which is often counter-productive to investee company growth.

As a result, the Company perceives that there is a niche in the capital sector for investment companies that seek to make investments of the type the Company intends to pursue.

### **Investment Policy**

As required by the TSXV's listing requirements for an Investment Issuer, the Company has adopted the Investment Policy to govern its investment activities. The Investment Policy sets out, among other things, the Company's

investment objectives and strategy based on the fundamental principles set out below, as well as disclosure obligations for any Significantly Concentrated Debt Investment.

The Investment Policy provides that the Company will: (a) seek to provide special situation debt financing to established companies (outside of the resource extraction and resource exploration sectors) with a solid track record of earnings and demonstrated potential for future growth, (b) generate shareholder equity by taking and, where prudent, exercising, equity purchase rights in portfolio companies, (c) participate in potential going-public transactions or other liquidity events in portfolio companies, and (d) seek to preserve capital and limit downside risk through securely structuring its investments. The Company plans to work closely with management of portfolio companies, either by securing board observation rights and/or board appointment rights, or management service arrangements. Barring special circumstances, the Company will be limited to investing not more than 30% of its equity capital in any one particular investment.

The Investment Policy provides the Company with broad discretion with respect to the form of investments made. The Company may employ a wide range of investment instruments, including: equity, bridge loans, secured loans, unsecured loans, convertible debentures, warrants, options, and other hybrid instruments. The Company may acquire limited partnership interests, joint venture or real property interests. Where appropriate the Company may act as a third-party advisor with respect to opportunities with target or other companies in exchange for a fee. The Investment Policy shall not permit the Company to invest in physical commodities, derivatives, "short" sales, substantial "passive" equity positions or other similar transactions. Notwithstanding the foregoing, the Company may authorize investments outside of these structures for the benefit of the Company and its shareholders.

The Company is committed to providing investors with sufficient disclosure about its investments to enable investors to evaluate the performance, operations and risks thereof. In particular, if the Company has any Significantly Concentrated Debt Investment, the Investment Policy requires the Company to:

- confirm the sufficiency of each borrower's cash flow to service its debts, and the adequacy of the security package provided by such borrower, and to disclose in the Company's MD&A whether the Company considers such borrower's cash flow and pledged collateral are sufficient and adequate;
- disclose in the Company's MD&A the following key ratios on a comparative basis, which the Company considers to be the essential information required by a prudent debt investor:
  - Debt Service Ratio,
  - Fixed Charge Coverage Ratio, and
  - Net Debt to EBITDA Ratio;
- disclose in the Company's MD&A the approximate percentage increases and decreases, on a comparative basis, in a borrower's revenue and earnings; and
- disclose any material changes or facts in the business or affairs of a borrower that would have a material adverse impact on a borrower's cash flow or pledged collateral.

#### *Investment Committee*

The Company's Investment Committee is comprised of Eric Boehnke, Chief Executive Officer, Thomas English, director, and Jennie Choboter, Chief Financial Officer and director.

The Investment Committee monitors the Company's investment portfolio on an ongoing basis and reviews the status of its investments at least monthly. The Investment Committee is subject to the direction of the Board, and must consist of at least three members, including two members of the Board. The members of the Investment Committee are appointed by the Board, and may be removed or replaced by the Board. Each member of the

Investment Committee is required to be financially literate. The members of the Investment Committee are comprised of directors and/or officers of the Company; however, the Company may also utilize, or appoint to the Investment Committee, qualified independent financial or technical consultants approved by the Board to assist the Investment Committee in making its investment decisions. Nominees to the Investment Committee shall be recommended by the Board.

The members of the Investment Committee are appointed annually by the Board at the first Board meeting subsequent to the annual meeting of shareholders or on such other date as the Board shall determine.

### *The Omni Investment*

Pursuant to the terms of the Omni Loan Agreement, the Omni Lender has agreed to make the Omni Investment, in the minimum principal amount of \$5,000,000 and the maximum principal amount of \$20,000,000 (or \$23,000,000 in the event that the Borrower consents and the Over-Allotment Option is duly exercised in full), subject to the terms and conditions set out therein.

The Omni Investment is to be drawn down by the Borrower in one or more drawdowns, with the initial drawdown to be drawn down on or prior to March 31, 2018, and to be in an amount not less than \$5,000,000, and the final drawdown to be drawn down on or prior to June 30, 2018 (or such other date as may be mutually agreed by the parties). The Borrower intends to use the proceeds of the Omni Investment to fund the Hillcore Loan. On March 23, 2018, the Borrower made the initial drawdown of \$5,659,000 under the Omni Loan Agreement, and used this amount to fund the Hillcore Loan. On May 17, 2018, the Borrower made the second drawdown of \$2,335,000 under the Omni Loan Agreement, and used this amount to fund the Hillcore Loan. On May 30, 2019, the Borrower made the third drawdown of \$2,428,000 under the Omni Loan Agreement, and used this amount to fund the Hillcore Loan. On June 28, 2019, the Borrower made the fourth drawdown of \$1,761,000 under the Omni Loan Agreement, and used this amount to fund the Hillcore Loan.

The Borrower is a limited partnership related to Hillcore Group and indirectly controls an 88.73% interest in Omni. The Borrower has agreed to pledge its AHL P Units, representing 90.08% of the outstanding units in the capital of AHL P, as security for the Omni Investment, and to provide other security as set out below.

The outstanding principal of the Omni Investment will bear interest at the rate of 10% per annum, and the Omni Investment will mature on January 27, 2023. Interest will be calculated as of the last day of each quarter during the term of the Omni Investment, beginning on March 31, 2018 (in any case, a "**Loan Interest Calculation Date**"). The Borrower has also agreed to pay the Finance Fee to the Omni Lender.

The Borrower may prepay the outstanding principal of the Omni Investment and any accrued and unpaid interest thereon in whole or in part at any time without penalty or bonus, provided that the Borrower shall reimburse the Omni Lender for any break funding costs or make-whole amount or prepayment penalty incurred by the Omni Lender in connection with any early repayment or redemption of the equivalent principal amount of Debentures which is required as a result of such early repayment or redemption, provided that the terms of the Debentures have been approved by the Borrower prior to the issuance thereof (in any case, the "**Break Costs**"). All proceeds received by the Borrower arising from: (i) any public or private offering of equity securities of the Borrower, the Borrower's General Partner or the Security Group to any Person that is not an Affiliate of the Borrower, including an outright sale of any member of the Security Group; or (ii) the realization against any security upon an event of default under the Omni Loan Agreement, shall be applied against the balance of the principal of the Omni Investment remaining unpaid, together with applicable Break Costs. Such mandatory prepayment may be waived by the Omni Lender in its sole discretion.

The Omni Loan Agreement provides that, in connection with the initial closing of the First Omni Debenture Offering, Trenchant, the Borrower and the sole shareholder of the Borrower's General Partner (the "**GP Shareholder**") will enter into a management agreement, the form of which is attached to the Omni Loan Agreement, pursuant to which, among other things: (i) Trenchant will agree to provide management services to the Borrower, including strategic guidance, program development, logistical analysis and financial consulting services



(collectively, the “**Services**”); (ii) the Borrower and the GP Shareholder will agree to grant Trenchant certain corporate governance rights, including observer rights at board meetings of the Borrower’s General Partner and of AHLP-GP, and the right to appoint a nominee to the board of directors of the Borrower’s General Partner; and (iii) the Borrower will agree to reimburse Trenchant for all reasonable expenses incurred in connection with providing the Services. The management agreement was entered into on March 23, 2018.

On the initial closing of the First Omni Debenture Offering, Trenchant was also granted a five-year unit purchase option by the Borrower, entitling Trenchant to purchase up to 15% of the Borrower’s holdings in AHLP. The actual percentage interest available to be acquired will be based upon the combined amount of funds advanced under the Omni Loan Agreement and funds advanced pursuant to the Advance. See “*Hillcore Advance*” for more details.

The Omni Investment is evidenced by a promissory note issued by the Borrower to the Omni Lender. The Omni Investment is secured by, or pursuant to the terms of, as applicable:

- (i) a securities pledge agreement from the Borrower pursuant to which the Borrower has pledged its AHLP Units (which will be 90.08% of the outstanding AHLP Units) in favour of the Omni Lender, and, in connection therewith, deliver the Omni Lender a certificate representing such AHLP Units, together with applicable stock powers of attorney with respect thereto, and authorizing resolutions and consents;
- (ii) a full recourse guarantee with assignment and postponement of claims from the Borrower’s General Partner and a securities pledge agreement from the Borrower’s General Partner pursuant to which the Borrower’s General Partner has pledged all of the issued and outstanding units of the Borrower registered in its name in favour of the Omni Lender, and, in connection therewith, delivered the Omni Lender a certificate representing such units, together with applicable stock powers of attorney with respect thereto, and authorizing resolutions and consents; and
- (iii) a direction from the Borrower to Hillcore (and acknowledged and agreed by Hillcore) to pay the interest on the Hillcore Loan directly to the Omni Lender.

Pursuant to the terms of the AHLP limited partnership agreement, in the event that the Omni Lender realizes on the security set forth above, the transfer of the AHLP Units owned by the Borrower to the Omni Lender will need to be approved by the minority holders of the AHLP Units (which such holders will, in connection with the closing of the first advance under the Omni Loan Agreement, undertake to do on occurrence of an Event of Default (as defined in the Omni Loan Agreement)). Further, such holders will have the option to tender their respective AHLP Units to AHLP for purchase or redemption at fair market value. See “*Risk Factors – Put Right of Minority AHLP Unitholders on Event of Default*”.

### Omni Health Investments Inc.

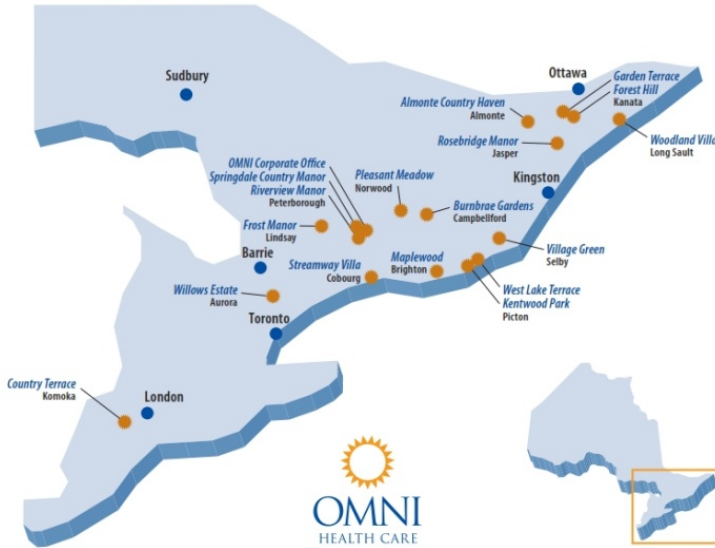
#### *Business*

Hillcore Group acquired Omni in 2007. Omni owns, operates and manages, under license from the Ontario government, 18 long-term care (LTC) homes, located throughout eastern and southwestern Ontario. Its corporate office is located in Peterborough, Ontario. With 1,500 beds and over 1,700 employees, Omni is the 6<sup>th</sup> largest LTC home operators in Canada, measured by bed count. Omni has been recognized as one of Canada’s Top 100 Employers on three occasions.

Key metrics include:

- **Favorable Demographics** - Current waiting list of approximately 36,000 seniors for LTC beds in the Province of Ontario. Currently there are only 78,800 beds in the entire province.
- **Low Vacancy/High Demand** - Omni experiences an occupancy rate in excess of 98%.

- **Significant Barriers to Entry** - The industry is heavily regulated by the Province of Ontario and no new licenses have been issued since the late 1990s.



- **Stable & Predictable Cash Flows** - Approximately 70% of Omni's funding is received directly from government, with funding levels increasing every year.

- **Distinguishable Brand** - Omni was the only unionized Top 100 Employer in Canada 3 years in a row.

Number of Homes: 18

Number of Beds: 1,499

Composition: 21.30% A bed licenses

8.10% B bed licenses

69.20% C bed licenses

1.30% Retirement

Omni is mandated to convert its existing C bed licenses to A bed licenses, with funding from the government of Ontario, which will accrete

as value to Omni.

Omni, through an operating subsidiary, has entered into a credit agreement (the “**Senior Credit Agreement**”) with a syndicate of lenders, and Sun Life Assurance Company of Canada as agent, pursuant to which it may borrow up to \$71,200,000. The terms of the Senior Credit Agreement prohibit distributions during the life of the Senior Credit Agreement. In addition, Omni, through an operating subsidiary, is party to a credit facility subordinate to the Senior Credit Agreement pursuant to which it has been advanced \$14.4 million, towards which only interest payments are required until December 31, 2032, and which may be repaid at any time without penalty. Under the terms of the Hillcore Loan Agreement, Hillcore will borrow from the Borrower an amount equal to the principal of the Omni Investment, and pay interest to the Borrower in an amount equal to the interest due from the Borrower to the Omni Lender on the Omni Investment, in order to ensure that the Borrower is able to fund its interest payments.

### *Management*

#### *Patrick McCarthy, President and Chief Executive Officer*

Pat McCarthy joined Omni in 2008 as President and CEO, and has overall responsibility for the strategic direction of Omni and the operations of Omni's long-term care homes. Mr. McCarthy is a CPA, CA, with over 20 years of experience in senior financial and operations management roles with private and publicly traded entities in the long-term care and retirement housing markets, having operations in central and western Canada and in several US states. Mr. McCarthy has held positions as Vice President of the Ontario Long Term Care Association and the Ontario Retirement Communities Association. Prior to joining Omni, Mr. McCarthy was CEO of a family-owned company operating a portfolio of long-term care, retirement and multi-residential apartments located in southwestern Ontario. Mr. McCarthy holds a Bachelor of Commerce (Honours) degree from the University of Windsor.

#### *Shawn Riel, Chief Operating Officer*

Shawn Riel joined Omni in 1979, and was appointed Chief Operating Officer in 2012. Ms. Riel currently has overall responsibility for the day to day operations of Omni's 18 long-term care homes, including quality improvement and risk management activities, monitoring of compliance with Ministry of Health standards, and budget management for effective quality care outcomes. Ms. Riel has progressed through Omni in various roles. She has

spent the past eighteen years in Operations at the Omni home office. During the last several years, she led Omni in Ontario's Resident Assessment Instrument - Minimum Data Set (MDS-RAI) assessments, clinical documentation computerization, and supportive measures for dementia residents, and was most recently the corporate lead for the corporate accreditation. Ms. Riel has also been a member of the Ontario Long Term Care Association's Quality and Risk Committee.

#### *Due Diligence Process*

Trenchant's management team has conducted due diligence on the business and affairs of the Borrower, AHLP and Omni, including:

- review of Omni's reviewed unaudited interim financial statements and the audited financial statements of Omni's key subsidiary, Omni Healthcare LP;
- review of Omni's operating model and financial projections;
- review of the limited partnership agreement of AHLP and other constating documents;
- review of industry and competition comparables, sectoral revenue streams, growth plans and sectoral risks;
- site visits;
- interviews with members of the Borrower's and Omni's senior management; and
- weekly calls with the Borrower.

In determining that the Borrower's cash flow will be sufficient to fund the Borrower's interest payments and to repay the Omni Investment in full, and that the pledge of the Borrower's 90.08% interest in AHLP will be adequate collateral for the Borrower's obligations under the Omni Loan Agreement, the Company considered:

- Omni's historical revenues, which were in excess of \$95,000,000 per annum for each of 2016, 2017 and 2018;
- Omni's assets, liabilities, earnings and cash flows;
- that the Omni Loan Agreement includes certain negative covenants, including a contractual restriction on further borrowings and the incurrence or assumption of additional debt, directly or indirectly, by the Borrower; and
- the demonstrated predictability and reliability of Omni's revenue and earnings, as set out in the ratio analysis below.

Since the closings of the First Omni Debenture Offering and the Second Omni Debenture Offering as well as the Omni Lender making the first, second, third and fourth advances under the Omni Loan Agreement, the Borrower has used these funds towards the Hillcore Loan.

## Key Ratios and other Summary Disclosures

Omni had gross revenues of approximately \$95,000,000 for each of the fiscal years ended December 31, 2018, 2017 and 2016, and approximately \$73,000,000 for the nine-month period ended September 30, 2019.

As provided in the Investment Policy, the following are the key ratios that the Company must consider with respect to the Omni Investment, as it will constitute a Significantly Concentrated Debt Investment as contemplated by the Investment Policy:

	12 months trailing ended September 30, 2019 (Pro Forma) <sup>(1)</sup>	12 months trailing ended September 30, 2019	12 months ended December 31, 2018 (Pro Forma) <sup>(1)</sup>	12 months ended December 31, 2018
Debt Service Ratio	1.27	1.36	1.21	1.27
Fixed Charge Coverage Ratio <sup>(2)</sup>	1.18	1.23	1.13	1.16
Net Debt to EBITDA Ratio <sup>(3)</sup>	7.06	6.36	7.24	6.56

<sup>(1)</sup> Assumes the Maximum Offering and subsequent Debenture offerings are completed such that the Omni Investment has a principal amount of \$20,000,000.

The Company has confirmed the sufficiency of the Borrower's cash flow to service the Omni Investment through the Hillcore Loan, and the adequacy of the security package provided by the Borrower, and believes that the Borrower's cash flow and pledged collateral are sufficient and adequate to service the Omni Investment.

As required by the Investment Policy, the following are the approximate percentage increases in Omni's revenues and net income for the 12 months ended September 30, 2019 and for its most recently completed fiscal year ended December 31, 2018:

Trailing 12 month increase (decrease) in	12 months ended September 30, 2019	12 months ended December 31, 2018
Revenue	(3.00%)	0.83%
Net Income	12.19%	56.71%

The Company is not aware of any material changes or facts in the business or affairs of the Borrower that would have a material adverse impact on the Borrower's cash flow or pledged collateral.

Closing of the Omni Investment is subject to the closing of the Minimum Offering and the approval of the TSXV.

### Potential Future Deal Flow

- Target company: an Alberta-based industrial company with sales of \$50MM+, a strong book of business, and a mezzanine financing opportunity of \$5 to \$10 million.
- Target companies: seniors living operations with Quebec, Ontario and BC based operations, enterprise values of \$100 to \$300 million, and mezzanine financing opportunity of \$10 to \$50 million per deal.
- Real estate opportunities: industrial/commercial real estate, primarily Ontario and Alberta-based, with \$50 to \$100 million asset values and mezzanine financing opportunities of \$10 to \$20 million per deal.

The Company has not undertaken due diligence on these potential future deals, nor has it engaged in any negotiations of terms. The potential future deals listed are for illustrative purposes only. There is no guarantee that

future deals will pass due diligence review or that the Company will be able to negotiate terms acceptable to it in connection therewith.

Notwithstanding the foregoing, the sole recourse of the Debenture Trustee (on behalf of the Holders) against the Company shall be with respect to the first priority security interest granted to the Debenture Trustee in the securities of the Omni Lender, and the Debenture Trustee and the Holders shall have no right to payment from the Company or the Borrower, or against any of the Company's other property or assets, except as otherwise permitted by law, or against any of the assets of the Borrower or its Affiliates.

## USE OF PROCEEDS

### Proceeds and Funds Available

The gross proceeds of the Offering, being \$1,000,000 in the event of the Minimum Offering and \$7,817,000 in the event of the Maximum Offering (or \$8,989,000 in the event the Over-Allotment Option is exercised in full), will be used by the Omni Lender, a wholly-owned subsidiary of the Company, to fund the Omni Investment. See "*Business of the Company – The Omni Investment*" for a description of the funds advanced pursuant to the Omni Investment will be used.

The Agents' Fee and the Agents' Expenses in connection with the Offering, as well as the remaining expenses of the Offering, will be paid from the Company's general working capital. The Agents' Fee will be \$65,000 in the event of the Minimum Offering and \$508,105 in the event of the Maximum Offering (or \$584,285 in the event the Over-Allotment Option is exercised in full). The expenses of the Offering are estimated to be approximately \$150,000. The Company has sufficient cash to carry out its business plan as currently contemplated. The Borrower intends to use the proceeds of the Omni Investment to fund the Hillcore Loan. See "*Administration Costs*" and "*Business of the Company – The Omni Investment*" for more details.

Assuming the Minimum Offering is completed, the estimated net proceeds of the Offering, after deducting the balance of the expenses of the Offering of \$150,000 and the Agents' Fee and the Agents' Expenses of \$65,000, are expected to be \$785,000. Assuming the Maximum Offering (together with the Over-Allotment Option) is completed, the estimated net proceeds of the offering, after deducting the balance of the expenses of the Offering of \$150,000 and the Agents' Fee and the Agents' Expenses of \$508,105 (or \$584,285 in the event the Over-Allotment Option is exercised in full), are expected to be \$7,158,895 (or \$8,254,715 in the event the Over-Allotment Option is exercised in full). As at September 30, 2019, the Company had working capital deficit of \$225,822. As at December 31, 2019, the Company had a negative cash flow from operating activities of \$236,485. Accordingly, the Company anticipates having minimum available funds of approximately \$763,515 and maximum available funds of approximately \$7,580,515 (or \$8,752,515 in the event the Over-Allotment Option is exercised in full) following the Closing.

## ADMINISTRATION COSTS

The estimated administration costs of the Company to achieve its stated business objectives for the 12-month period following completion of the Offering, excluding interest expenses, are an aggregate of \$299,000, with an average monthly cost of approximately \$24,917. An estimated breakdown of these costs is as follows:

	Monthly (\$)	Yearly (\$)
Management and consulting fees	2,500	30,000
Travel Expenses	10,000	120,000
Rent and utilities	4,500	54,000
Legal and audit fees	5,417	65,000
TSXV and transfer agent fees	2,500	30,000
<b>TOTAL:</b>	<b>24,917</b>	<b>299,000</b>

## DETAILS OF THE OFFERING

Pursuant to the Agency Agreement, the Company has agreed to retain the Agents to offer for sale, on a best efforts basis, to the public in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, subject to prior sale, if, as and when issued by the Company, a minimum of 1,000 Debentures and a maximum of 7,817 Debentures for aggregate gross proceeds of a minimum of \$1,000,000 and a maximum of \$7,817,000, at a price of \$1,000 per Debenture, subject to compliance with all necessary legal requirements and to the conditions contained in the Agency Agreement (and up to 8,989 Debentures for gross proceeds of up to \$8,989,000 if the Over-Allotment Option is exercised in full by the Agents). The following is a summary of the material attributes and characteristics of the Debentures and is subject to, and qualified in its entirety by reference to, the terms of the Trust Indenture.

### General

The Debentures will be issued under the Trust Indenture. The aggregated principal amount of the Debentures authorized for issue will be limited to the aggregate principal amount of \$23,000,000. However, the Company may, from time to time, without the consent of Holders, issue additional Debentures of the same series or of a different series under the Trust Indenture. References in this section to “Debentures” is a reference to all debentures outstanding from time to time under the Trust Indenture, as it may be further supplemented from time to time.

Debentures in the aggregate principal amount of \$12,183,000 were issued pursuant to the First Omni Debenture Offering and the Second Omni Debenture Offering, which Debentures are governed by the terms of the Trust Indenture. Additional Debentures in the aggregate principal amount of up to \$7,817,000 may be issued under the Trust Indenture pursuant to this Offering (or \$8,989,000 of Debentures if the Over-Allotment Option is exercised in full).

The Debentures will be dated as at the applicable Closing and will be issuable only in denominations of \$1,000 and multiples thereof. The Maturity Date for the Debentures will be January 31, 2023, notwithstanding the date of issuance.

The Closing of the Offering is subject to various conditions, including approval of the TSXV. The Company intends to apply to the TSXV for approval of the Offering, including the listing of the Common Shares underlying the Debentures. The Company intends to apply to list the Debentures on the TSXV, subject to approval of the TSXV and to there being a sufficient number of Holders to meet the TSXV’s distribution requirements.

The Debentures will bear interest from the date of issue at the rate of 8.0% per annum, based on a 365 day year, payable before maturity and after as well as before default, with interest on amounts in default at the same rate, compounded semi-annually. Interest shall be calculated quarterly on each Interest Calculation Date, being March 31, June 30, September 30 and December 31), and will be paid in arrears in equal quarterly payments (with the exception of the first interest payment, which will include interest from and including the applicable Closing to the next Interest Calculation Date, and the last interest payment, which will include interest from January 1, 2023 to but excluding the Maturity Date and will be payable on the Maturity Date, if not redeemed or converted prior to the Maturity Date), in cash, on the applicable Interest Payment Date (being January 20, April 20, July 20 or October 20, with the exception of the last interest payment), to Holders of record as at the close of business on the applicable Interest Calculation Date (or as at the close of business on the Business Day prior to the Maturity Date in the case of the last interest payment).

The principal amount of the Debentures will be payable in lawful money of Canada or, at the option of the Holders thereof, and subject to the terms of the Trust Indenture and applicable regulatory approval, may be converted into Common Shares. Interest on the Debentures will be payable only in cash.

As further described below under the heading “Conversion Privilege”, commencing on the Conversion Eligibility Date, the outstanding principal amount of each Debenture may be converted, at the option of the Holder, into fully-paid and non-assessable Common Shares at the Conversion Price, which will be equal to the greater of: (i)

95% of the VWAP of the Common Shares for the 30 trading day period ending three Business Days prior to the applicable conversion date; and (ii) \$1.25 per Common Share, subject to the Conversion Restriction, which provides that, except in connection with a redemption by the Company, unless a Holder holds Debentures having an aggregate amount that does not exceed \$10,000, no more than 25% of the aggregate principal amount of Debentures held by such Holder may be converted in any 180 day period.

The Debentures will be secured by the Omni Pledge Agreement. Under the Omni Pledge Agreement, the Debenture Trustee has been granted a first priority security interest in the securities of the Omni Lender as agent for the Holders. Following and during the continuance of an Event of Default (as defined in the Trust Indenture), the Debenture Trustee will have the rights described in the Omni Pledge Agreement. **In the event that the Company defaults in its obligations under the Trust Indenture, the sole recourse of the Debenture Trustee (on behalf of the Holders) against the Company shall be with respect to the first priority security interest granted to the Debenture Trustee in the securities of the Omni Lender, and the Debenture Trustee and the Holders shall have no right to payment from the Company, the Borrower, or against any of the Company's other property or assets, except as otherwise permitted by law, or against any assets of the Borrower or its Affiliates.**

### Conversion Privilege

Each Debenture will be convertible into Common Shares at the option of the Holder at any time after the Conversion Eligibility Date and prior to the close of business on the earliest of: (i) the Business Day immediately preceding the Maturity Date, (ii) the Business Day immediately preceding the Redemption Date if the Debentures are called for redemption by the Company, or (iii) if called for a repurchase pursuant to a Change of Control, on the Business Day immediately preceding the payment date (in any case, the "**Time of Expiry**"), subject, except in the case of a redemption by the Company, to the Conversion Restriction, which provides that, unless a Holder holds Debentures having an aggregate amount that does not exceed \$10,000, no more than 25% of the aggregate principal amount of Debentures held by such Holder may be converted in any 180 day period. Any such conversion will be at the Conversion Price, which will be equal to the greater of: (i) 95% of the VWAP for the 30 day period ending three Business Days prior to the applicable conversion date; and (ii) \$1.25 per Common Share. Assuming a minimum conversion price of \$1.25, this represents a conversion rate of 800 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment upon the occurrence of certain events, including, but not limited to: share consolidations, share splits, spin-off events, rights issues or reorganizations, as provided in the Trust Indenture.

Pursuant to the terms of the Trust Indenture, Holders will be required to withdraw their Debentures from CDS and to obtain a certificate representing the Debentures registered in their own name (or the name of their applicable CDS participant) prior to effecting any conversion.

If, prior to the Time of Expiry, the Company fixes a record date for the payment of a cash dividend or distribution to the holders of all or substantially all of the outstanding Common Shares in respect of any period of time, the Conversion Price shall be adjusted immediately after such record date so that it shall be equal to the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the denominator shall be the VWAP per Common Share for the 20 consecutive trading days ending on the fifth trading day preceding the record date (the "**Current Market Price**"), and of which the numerator shall be the Current Market Price per Common Share on such record date minus the amount in cash per Common Share distributed to holders of Shares, provided that the Conversion Price so adjusted is not less than \$1.25. Such adjustment shall be made successively whenever such a record date is fixed. To the extent that any such cash dividend or distribution is not paid, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed.

Holders converting their Debentures will receive accrued and unpaid interest thereon from and including the day after the most recent Interest Calculation Date to the date that is one Business Day prior to the date of conversion, provided that interest will be payable solely in cash. Holders converting their Debentures shall become holders of record of Common Shares on the Business Day immediately after the conversion date. If a Debenture is surrendered for conversion on an Interest Calculation Date, the person entitled to receive Common Shares in

respect of the Debenture so surrendered for conversion shall not become the holder of record of such Common Shares until the Business Day following the applicable Interest Payment Date.

Subject to the provisions thereof, the Trust Indenture will provide for the adjustment of the Conversion Price in certain events, including, without limitation: (i) the subdivision or consolidation of the outstanding Common Shares; (ii) the distribution of Common Shares to holders of all or substantially all of the outstanding Common Shares by way of dividend or otherwise, other than an issue of securities to holders of Common Shares who have elected to receive dividends in securities of the Company in lieu of receiving cash dividends paid in the ordinary course; (iii) the issuance of options, rights or warrants to all or substantially all holders of Common Shares entitling them to acquire Common Shares or other securities convertible into Common Shares at less than 95% of the then Current Market Price (as defined in the Trust Indenture) of the Common Shares; and (iv) the distribution to all holders of Common Shares of any securities or assets (other than cash dividends and equivalent dividends in securities paid in lieu of cash dividends in the ordinary course). There will be no adjustment of the Conversion Price in respect of any event described in (ii), (iii) or (iv) above if the Holders are allowed to participate as though they had converted their Debentures into Common Shares prior to the applicable record date or effective date, as the case may be. The Company will not be required to make adjustments to the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%.

In the case of: (i) any reclassification or capital reorganization (other than a change resulting from consolidation or subdivision) of the Common Shares or in the case of any consolidation, amalgamation or merger of the Company with or into any other entity, (ii) any sale or conveyance of the properties and assets of the Company as, or substantially as, an entirety to any other entity, or (iii) a liquidation, dissolution or winding-up of the Company, the terms of the conversion privilege shall be adjusted so that each Holder shall, after such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, acquisition, sale or conveyance or liquidation, dissolution or winding up, be entitled to receive the number of Common Shares or other securities on the exercise of the conversion right that such Holder would be entitled to receive if, on the effective date thereof, it had been the holder of the number of Common Shares into which the Debenture was convertible prior to the effective date.

#### **No Fractional Shares**

No fractional Common Shares will be issued on any conversion. The Company shall satisfy fractional interests by a cash payment equal to the Current Market Price of any fractional interest (less any tax required to be deducted, if any), provided, however, that the Company shall not be required to make any payment of less than \$25.00.

#### **Redemption**

The Debentures will not be redeemable prior to the first anniversary of the Conversion Eligibility Date (except in limited circumstances involving a Change of Control). At any time after one year from the Conversion Eligibility Date, the Company may, at its option, on not more than 60 days and not less than 30 days prior notice, redeem, in whole or in part, from time to time, the principal amount of the Debentures at the Redemption Price, which will be: (i) commencing on the date which is one year and one day after the Conversion Eligibility Date and ending on the date which is two years after the Conversion Eligibility Date, 105% of the outstanding principal amount of the Debentures plus any accrued and unpaid interest thereon; (ii) commencing on the date which is two years and one day after the Conversion Eligibility Date and ending on the date which is three years after the Conversion Eligibility Date, 103% of the outstanding principal amount of the Debentures plus any accrued and unpaid interest thereon; and (iii) commencing on the date which is three years and one day after the Conversion Eligibility Date and ending on the date which is one day prior to the Maturity Date, 101% of the outstanding principal amount of the Debentures plus any accrued and unpaid interest thereon. The Holders will have the right to accept the repayment or convert the principal amount of the Debentures at any time prior to the Redemption Date in accordance with the terms of the Trust Indenture, provided that if a Holder elects to convert their Debentures, the redemption amount shall be equal to the actual principal amount of the Debentures of such Holder then outstanding and such Holder will not be eligible to receive any premium in connection therewith. The Redemption Price will be paid in cash.



## Payment Upon Maturity

At maturity, the Company will repay the indebtedness represented by the Debentures then outstanding by paying to the Debenture Trustee in lawful money of Canada an amount equal to the aggregate principal amount of the outstanding Debentures which are to be redeemed or which have matured, together with all accrued and unpaid interest thereon, less any tax required by law to be deducted.

## Change of Control

Within 30 days following the occurrence of a Change of Control, the Company will be required to make the Debenture Offer in writing to purchase all of the Debentures then outstanding, at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest thereon (the “**Offer Price**”).

The Trust Indenture contains notification and repurchase provisions requiring the Company to give written notice to the Debenture Trustee of the occurrence of a Change of Control within 30 days of such event, together with the Debenture Offer. The Debenture Trustee will thereafter promptly mail to each Holder a notice of the Change of Control, together with a copy of the Debenture Offer to repurchase all the outstanding Debentures.

If Debentures representing 90% or more of the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered to the Company pursuant to the Debenture Offer, the Company will have the right to redeem all remaining Debentures on the purchase date at the Offer Price. Notice of such redemption must be given to the Debenture Trustee by the Company within 10 days following expiry of the Debenture Offer and, as soon as possible thereafter, by the Debenture Trustee to the Holders not tendered pursuant to the Debenture Offer.

The Company will comply with the requirements of Canadian securities laws and regulations to the extent such laws and regulations are applicable in connection with the repurchase of Debentures in the event of a Change of Control.

## Cash Change of Control

If a Change of Control occurs in which 10% or more of the consideration for the outstanding Common Shares in the transaction or transactions constituting a Change of Control consists of: (i) cash; (ii) equity securities that are not traded or intended to be traded immediately following such transactions on a recognized stock exchange; or (iii) other property that is not traded or intended to be traded immediately following such transactions on a recognized stock exchange (a “**Cash Change of Control**”), then, subject to regulatory approvals, during the period beginning on the date of delivery of the applicable Change of Control notice and ending five Business Days prior to the Change of Control purchase date, Holders will be entitled to convert their Debentures at a new Conversion Price (the “**Change of Control Conversion Price**”), calculated as follows (which will be confirmed to the Debenture Trustee and the Holders by the Company in the applicable Change of Control notice):

$COCCP = ECP / (1 + CP \times (c/t))$  where:

COCCP is the Cash Change of Control Conversion Price;

ECP is the Conversion Price in effect on the date (the “**Effective Date**”) that is ten trading days prior to the date of the Change of Control notice;

CP = 20.0%;

c = the number of days from and including the Effective Date to but excluding December 31, 2019; and

t = being the number of days from and including the date of issuance of the Debenture to but excluding December 31, 2019.

In the event that the Change of Control Conversion Price calculated in accordance with the formula above is less than any regulatory permitted discount to market price, the Change of Control Conversion Price shall be deemed to be that implied by the maximum permitted discount to market price.

### **Events of Default**

The Trust Indenture will provide that an event of default (an “**Event of Default**”) in respect of the Debentures will occur if any one or more of the following has occurred and is continuing with respect to the Debentures: (i) failure for 30 days to pay interest on the Debentures when due; (ii) failure to pay principal or premium, if any, on the Debentures, whether at maturity, upon redemption, by declaration or otherwise; (iii) default in the delivery, when due, of all cash and any Common Shares or other consideration payable upon conversion with respect to the Debentures, which default continues for 30 days; (iv) default in the observance or performance of any material covenant or condition of the Trust Indenture or the Omni Pledge Agreement by the Company and continuance of such default for a period of 60 days after notice in writing has been given by the Debenture Trustee or by Holders of not less than  $66\frac{2}{3}$  in aggregate principal amount of the Debentures to the Company specifying such default and requiring the Company to rectify the same; (v) certain events of bankruptcy, insolvency or reorganization of the Company under bankruptcy or insolvency laws; or (vi) if a resolution is passed for the winding up or liquidation of the Company except as permitted under the Trust Indenture.

If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon request of Holders of not less than 25% in principal amount of the Debentures, declare the principal of, and interest on, all outstanding Debentures to be immediately due and payable. In certain cases, the Holders of a majority of the principal amount of Debentures then outstanding may, on behalf of all of the Holders, instruct the Debenture Trustee to waive any Event of Default and/or cancel any such declaration upon such terms as such Holders shall prescribe, provided that no act or omission either of the Debenture Trustee or of the Holders will extend to, or be taken in any manner whatsoever to affect, any subsequent Event of Default or the rights resulting therefrom.

### **Modification**

The rights of the Holders as well as the holders of any other series of debentures that may be issued under the Trust Indenture may be modified in accordance with the terms of the Trust Indenture. For that purpose, among others, the Trust Indenture contains certain provisions which will make binding on all Holders any resolutions passed at meetings of the Holders by votes cast thereat by Holders of not less than  $66\frac{2}{3}\%$  of the principal amount of the Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the Holders of not less than  $66\frac{2}{3}\%$  of the principal amount of the Debentures. In certain cases, the modification will instead, or in addition, require assent by the Holders of the required percentage of Debentures of each particularly affected series. Certain modifications to the Debentures may also be made by the Debenture Trustee without the consent of any Holders.

### **Book-Entry System for Debentures**

Unless otherwise determined by the Company in its sole discretion, the Debentures will be issued in “book-entry only” form and must be purchased or transferred through a participant in the depository service of CDS (a “**Participant**”). On Closing, the Debenture Trustee or the Lead Agents will cause the Debentures to be delivered to CDS and registered in the name of its nominee, “CDS & Co.”. Unless the book-entry only system is terminated as described below, a purchaser acquiring a beneficial interest in the Debentures (a “**Beneficial Owner**”) will not be entitled to receive a certificate for Debentures, or, unless requested, for the Common Shares issuable on the conversion of the Debentures. Beneficial Owners will not be shown on the records maintained by CDS, except through a Participant.

Beneficial interests in Debentures will be represented solely through the book-entry only system and such interests will be evidenced by customer confirmations of purchase from the registered dealer from which the applicable Debentures are purchased in accordance with the practices and procedures of that registered dealer. In addition, registration of interests in, and transfers of, the Debentures will be made only through the depository service of CDS.

As indirect Holders, Beneficial Owners should be aware that they (subject to the situations described below): (i) may not have Debentures registered in their name; (ii) may not have physical certificates representing their interest in the Debentures; (iii) may not be able to sell the Debentures to institutions required by law to hold physical certificates for securities they own; and (iv) may be unable to pledge Debentures as security.

The Debentures will be issued to Beneficial Owners in fully registered and certificate form (the “**Debenture Certificates**”) only if: (i) required by applicable law; (ii) the book-entry only system ceases to exist; (iii) the Company or CDS advises the Debenture Trustee that CDS is no longer willing or able to properly discharge its responsibilities as depository with respect to the Debentures and the Company is unable to locate a qualified successor; (iv) the Company, at its option, decides to terminate the book-entry only system through CDS; (v) they were sold in the United States; (vi) after the occurrence of an Event of Default, Participants representing, in the aggregate, more than 25% of the aggregate principal amount of the Debentures then outstanding advise CDS in writing that the continuation of a book-entry only system through CDS is no longer in their best interest; or (vi) CDS or the Debenture Trustee advises the Company that withdrawal from CDS is required in order to process a conversion of a Debenture.

Upon the occurrence of any of the events described in the immediately preceding paragraph, the Debenture Trustee must notify CDS, for and on behalf of Participants and Beneficial Owners, of the availability of Debenture Certificates. Upon surrender by CDS of the global certificate(s) representing the Debentures, and receipt of instructions from CDS for the new registrations, the Debenture Trustee will deliver the Debentures in the form of Debenture Certificates and, thereafter, the Company will recognize the holders of such Debenture Certificates as Holders under the Trust Indenture.

Interest on the Debentures will be paid directly to CDS while the book-entry only system is in effect. If Debenture Certificates are issued, interest will be paid by cheque drawn on the Company and sent by prepaid mail to the registered Holder or by such other means as may become customary for the payment of interest. Payment of principal and accrued interest due at maturity or on a redemption date will be paid directly to CDS while the book-entry only system is in effect. If Debenture Certificates are issued, payment of principal and interest due at maturity or on a redemption date will be paid upon surrender thereof at any office of the Debenture Trustee or as otherwise specified in the Trust Indenture.

Neither the Company nor the Agents will assume any liability for: (i) any aspect of the records relating to the beneficial ownership of the Debentures held by CDS or any payments relating thereto; (ii) maintaining, supervising or reviewing any records relating to the Debentures; or (iii) any advice or representation made by or with respect to CDS and contained in this Prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of a Participant. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and Beneficial Owners must look solely to Participants for any payments relating to the Debentures, paid by or on behalf of the Company to CDS.

#### **PLAN OF DISTRIBUTION**

Pursuant to the Agency Agreement, the Company has agreed to retain the Agents to offer for sale, on a best efforts basis, to the public in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, subject to prior sale, if, as and when issued by the Company, a minimum of 1,000 Debentures and a maximum of 7,817 Debentures for aggregate gross proceeds of a minimum of \$1,000,000 and a maximum of \$7,817,000, at a price of \$1,000 per Debenture, subject to compliance with all necessary legal requirements and to the conditions contained in the Agency Agreement (and up to 8,989 Debentures for gross proceeds of up to \$8,989,000 if the Over-Allotment Option is exercised).

The Offering Price and the terms of the Debentures offered hereunder were determined by negotiation between the Company and the Lead Agents on their own behalf and on behalf of the other Agents.

The Agency Agreement provides that the Company will pay to the Agents the Agents' Fee equal to 6.5% of the gross proceeds realized under the Offering, including proceeds derived from the sale of Over-Allotment Debentures, if any, being \$65 per Debenture sold, in consideration for the Agents' services in connection with the Offering. In addition, the Company will reimburse the Agents for their reasonable expenses in connection with the Offering, subject to the terms of the Agency Agreement. As the net proceeds of the Offering will be used for the Omni Investment; the Agents' Fee and the Agents' Expenses will be paid from the gross proceeds of the Offering.

The Company has granted the Agents the Over-Allotment Option, exercisable in whole or in part in the sole discretion of the Agents, for a period of 30 days from the final Closing, enabling the Agent to offer up to 1,172 Over-Allotment Debentures at the Offering Price if the Maximum Offering is completed, solely to cover over-allotments, if any, and for market stabilization purposes (for greater clarity, a maximum of 15% of the aggregate number of Debentures sold under the Offering may be issued as Over-Allotment Debentures pursuant to the Over-Allotment Option). If the Over-Allotment Option is exercised in full, the total number of Debentures sold pursuant to the Offering will be 8,989, the total price to the public will be \$8,989,000, and the total Agents' Fee will be \$584,285. This Prospectus also qualifies the grant and issuance to the Agents of the Over-Allotment Option and the distribution of the Over-Allotment Debentures. A purchaser who acquires Over-Allotment Debentures acquires those Over-Allotment Debentures under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

There will be no Closing unless a minimum of 1,000 Debentures are issued and sold. If subscriptions for the Minimum Offering have not been received within 90 days following the date of issuance of a receipt for this Prospectus or for an amendment hereto, the Offering will not continue and subscription proceeds will be returned to subscribers, without interest or deduction. In any event, the total period of the distribution will not end more than 180 days from the date of issuance of a receipt for this Prospectus. Subscription proceeds will be received by the Agents, or by any other securities dealer authorized by the Agents, and will be held by the Agents in trust until subscriptions for the Minimum Offering are received and other closing conditions of the Offering have been satisfied.

The Agents have agreed to use their best efforts to secure subscriptions for the Debentures offered under this Prospectus and pursuant to the Agency Agreement on behalf of the Company, but are not obligated to buy any Debentures that are not sold. The obligations of the Agents under the Agency Agreement may be terminated at the discretion of the Agents and the Agents may withdraw subscriptions for the Debentures on behalf of subscribers on the basis of their assessment of the state of the financial markets or upon the occurrence of certain stated events, including, without limitation, any material adverse change in the business or financial condition of the Company.

Pursuant to rules and policy statements of certain Canadian securities regulators, the Agents may not, at any time during the period ending on the date the selling process for the Debentures ends and all stabilization arrangements relating to the Common Shares are terminated, bid for or purchase Common Shares for their own account or for accounts over which they exercise control or direction. The foregoing restrictions are subject to certain exceptions. Such exceptions include: (a) a bid for or purchase of Common Shares if the bid or purchase is made through the facilities of the TSXV in accordance with the Universal Market Integrity Rules administered by the Investment Industry Regulatory Organization of Canada; (b) a bid or purchase on behalf of a client, other than certain prescribed clients, provided that the clients' order was not solicited by an agent, or if the client's order was solicited, the solicitation occurred before the period of distribution as prescribed by the rules; and (c) a bid or purchase to cover a short position entered into prior to the period of distribution as prescribed by the rules. The Agents may engage in market stabilization or market balancing activities on the TSXV where the bid for or purchase of the Common Shares is for the purpose of maintaining a fair and orderly market in the Common Shares, subject to price limitations applicable to such bids or purchases. Stabilizing transactions and syndicate-covering transactions may have the effect of raising or maintaining the market price of the Common Shares or preventing or retarding a decline in their market price. As a result, the price of the Common Shares may be higher than the price that might otherwise exist in the open market. These transactions, if commenced, may be discontinued at any time.

The Company has agreed to indemnify the Agents, each of their respective affiliates and each of their respective directors, officers, employees, partners, agents and advisors, against certain liabilities and expenses or will contribute to payments that the Agents may be required to make in respect thereof.

In addition, the Company has agreed to pay all costs and expenses of the Agents incurred in connection with the Offering, whether or not the Offering or any part thereof is completed, including the reasonable out-of-pocket expenses of the Agents and allowances for the reasonable fees and disbursements of the Agents' counsel and consultants.

The Agents will receive subscriptions for the Debentures subject to rejection or allotment in whole or in part and reserve the right to close the subscription books at any time without notice. The Agents will hold all subscription funds received pending Closing and will return such subscription funds to the subscribers without interest, set-off or deduction if the Minimum Offering, pursuant to the terms of the Agency Agreement, is not completed on or before the day that is 90 days after the date a receipt is issued for this Prospectus, or such later date as the Company and the Agents may agree and the securities regulatory authorities may approve (subject to the filing of any required amendment to this Prospectus and the regulator issuing a receipt for the amendment). The Debentures will be issued in "book-entry only" form and must be purchased or transferred through a participant in the depository services of CDS. See "*Details of the Offering - Book-Entry System for Debentures*".

The Common Shares currently trade on the TSXV under the symbol "TCC". The Company intends to apply to the TSXV for approval of the Offering, including the listing of the Common Shares underlying the Debentures. The Company intends to list the Debentures on the TSXV, subject to approval of the TSXV and there being a sufficient number of Holders to meet the TSXV's distribution requirements.

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this Prospectus.

## **DIVIDENDS OR DISTRIBUTIONS**

The rights and restrictions of the Convertible Preferred Shares include the right to receive annual preferential, non-cumulative dividends at a fixed rate of 8% per annum. The Convertible Preferred Shares were issued on May 18, 2017. On June 6, 2018, the Company approved the payment of the annual dividend on the 6,750,000 Convertible Preferred Shares outstanding as at that date in the aggregate amount of \$216,000. On June 12, 2018, the Company issued 102,222 common shares as settlement of \$46,000 of the dividend payable, \$4,000 was paid in cash, and \$166,000 was accrued as payable to certain holders of the Convertible Preferred Shares. On July 4, 2019, the Company approved the payment of the annual dividend on the 6,750,000 Convertible Preferred Shares outstanding as at that date in the aggregate amount of \$216,000. The Company paid \$46,000 in cash to settle a portion of the dividend payable and \$170,000 was accrued as payable to certain holders of the Convertible Preferred Shares. As at the date of this Prospectus, there are 6,718,750 Convertible Preferred Shares outstanding. The Company has not declared dividends on any other class of its securities.

Other than as required in connection with the declaration of dividends on the Convertible Preferred Shares in accordance with the rights and restrictions thereof, the Company intends to reinvest all future earnings to finance the development and growth of its business. As a result, the Company does not intend to pay dividends on its securities in the foreseeable future, except as explicitly required by the rights and restrictions of such securities. Any future determination to pay dividends will be at the discretion of the Board and will depend on the Company's financial condition, operating results, capital requirements, contractual restrictions on the payment of dividends, prevailing market conditions, and any other factors that the Board deems relevant.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Company's MD&A and audited annual consolidated financial statements for the years ended March 31, 2019, 2018 and 2017, and MD&A and interim consolidated financial statements for the six month period ended September 30, 2019, are included with this Prospectus. The following table sets out total expenses for such periods:

Date	Total Expenses
March 31, 2017	\$197,498
March 31, 2018	\$1,211,564
March 31, 2019	\$1,935,054
September 30, 2019	\$1,173,657

The Company's MD&A for the fiscal years ended March 31, 2019, 2018 and 2017, and for the six month period ended September 30, 2019, should be read in conjunction with the Company's annual audited financial statements for the years ended March 31, 2019, 2018 and 2017, and unaudited interim consolidated financial statements for the six month period ended September 30, 2019. The Company's financial statements and MD&A are also available on SEDAR at [www.sedar.com](http://www.sedar.com).

The financial statements of the Company are prepared in accordance with IFRS.

#### Results of Operations

The following disclosure is made in compliance with paragraph (i) of Item 1.4 of Form 51-102F1 of National Instrument 51-102 – *Continuous Disclosure Obligations* which requires the Company to compare in tabular form previous public disclosure made about how the Company was to use proceeds (other than working capital) from any financing and to provide an explanation of variances and the impact of the variances, if any, on the Company's ability to achieve its business objectives and milestones.

On May 18, 2017, the Company issued a first tranche of 5,522 Series A Debentures under a prospectus dated April 20, 2017, for gross proceeds to the Company of \$5,522,000 and closed a non-brokered private placement pursuant to which it issued 6,750,000 Convertible Preferred Shares for gross proceeds of \$2,700,000.

On June 26, 2017, the Company issued a second tranche of 1,488 Series A Debentures under the prospectus dated April 20, 2017, for gross proceeds to the Company of \$1,488,000. On July 19, 2017, the Company issued a third and final tranche of 730 Series A Debentures under the prospectus dated April 20, 2017, for gross proceeds to the Company of \$730,000.

On March 23, 2018, the Company completed the initial closing of the First Omni Debenture Offering and raised gross proceeds of \$5,659,000. On May 17, 2018, the Company completed the second and final closing of the First Omni Debenture Offering and raised gross proceeds of \$2,335,000.

On May 30, 2019, the Company completed the initial closing of the Second Omni Debenture Offering and raised gross proceeds to the Company of \$2,428,000. On June 28, 2019, the Company completed the second closing of the Second Omni Debenture Offering and raised gross proceeds of \$1,761,000.

The following table compares (1) how the Company was then estimating to spend the proceeds and (2) the actual use of these funds by the Company during the year ended March 31, 2019 and during the six months ended September 30, 2019:

Financing	Use of proceeds as originally planned	Previously disclosed use of proceeds	Status of use of proceeds
May 18, 2017	\$8,222,000 <sup>(1)</sup>	Series A Debenture offering - to fund the Waiward Investment.  Convertible Preferred Share offering - to pay: (i) the fees and expenses related to both private placements which	As of September 30, 2019, \$5,222,000 of gross proceeds from the May 18, 2017 private placement was used to fund the Waiward Investment, \$1,500,000 was used to fund the Omni Investment, and \$1,200,000 was used for general working capital purposes.

Financing	Use of proceeds as originally planned	Previously disclosed use of proceeds	Status of use of proceeds
		closed on May 18, 2017, the Waiward Investment and the change of business transaction, and (ii) for general working capital.	
June 26, 2017	\$1,488,000	Second tranche of Series A Debenture offering - to fund the Waiward Investment.	As of September 30, 2019, \$1,488,000 of the gross proceeds of the second tranche of the Series A Debenture offering was used to fund the Waiward Investment.
July 19, 2017	\$730,000	Third tranche of Series A Debenture offering - to fund the Waiward Investment.	As of September 30, 2019, \$730,000 of the gross proceeds of the third tranche of the Series A Debenture offering was used to fund the Waiward Investment.
March 23, 2018	\$5,659,000	First closing of the First Omni Debenture Offering - to fund the Omni Investment	As of September 30, 2019, \$5,659,000 of the gross proceeds from the initial drawdown of the First Omni Debenture Offering was used to fund the Omni Investment.
May 17, 2018	\$2,335,000	Second closing of the First Omni Debenture Offering - to fund the Omni Investment	As of September 30, 2019, \$2,335,000 of the gross proceeds from second drawdown of the First Omni Debenture Offering was used to fund the Omni Investment.
May 30, 2019	\$2,428,000	First closing of the Second Omni Debenture Offering - to fund the Omni Investment	As of September 30, 2019, \$2,428,000 of the gross proceeds from the initial drawdown of the Second Omni Debenture Offering was used to fund the Omni Investment.
June 28, 2019	\$1,761,000	Second closing of the Second Omni Debenture Offering - to fund the Omni Investment	As of September 30, 2019, \$1,761,000 of the gross proceeds from second drawdown of the Second Omni Debenture Offering was used to fund the Omni Investment.

<sup>(1)</sup> Comprised of \$5,522,000 in gross aggregate proceeds raised from the Series A Debenture offering and \$2,700,000 in gross aggregate proceeds raise from the Convertible Preferred Share offering.

The Company has access to \$1,300,000 of the Omni Investment to address working capital issues as they arise.

#### *Non-IFRS Financial Measures*

In the Company's MD&A for the six month period ended September 30, 2019, the Company included the non-IFRS financial measures relating to EBITDA and EBITDAM. These non-IFRS financial measures do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures presented by other companies. These non-IFRS financial measures should not be considered as an alternative to, or more meaningful than, net income (loss), cash flow from operating activities, and other measures of financial performance as determined in accordance with IFRS, but the Company believes these non-IFRS financial measures are useful in

providing relative performance and measuring change. Definitions of non-IFRS financial measures used by the Company are found under the heading “Glossary of Terms” in this Prospectus.

In addition to discussing earnings in accordance with IFRS, the Company’s MD&A for the nine month period ended December 31, 2018 provides earnings before interest, taxes, depreciation and amortization (“**EBITDA**”) and earnings before interest, taxes, depreciation, amortization and management fees (“**EBITDAM**”), both of which are non-IFRS financial measures. The following table reconciles the most comparable GAAP measure, net earnings or loss, to EBITDA and EBITDAM. Management believes that these measures are important indicators of the Borrower’s ability to generate liquidity through operating cash flow to fund working capital needs and fund capital expenditures and uses these metrics for this purpose. The exclusion of interest income and expense eliminates the impact on earnings derived from non-operational activities. The exclusion of depreciation and amortization eliminates the non-cash impact. The exclusion of management fees eliminates the impact on expenses derived from management fees. The intent of EBITDA and EBITDAM is to provide additional useful information to investors and analysts. These measures do not have any standardized meaning under IFRS. Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and, as such, EBITDA and EBITDAM do not reflect any cash requirements for these replacements. EBITDA and EBITDAM should not be considered either as discretionary cash available to invest in the growth of the Borrower’s business or as a measure of cash that will be available to meet the Borrower’s obligations. Other companies may calculate EBITDA and EBITDAM differently. From time to time, the Borrower may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are nonrecurring. EBITDA and EBITDAM should not be used in substitute for measures of performance prepared in accordance with IFRS or as an alternative to net earnings, net cash provided by operating, investing or financing activities or any other financial statement data presented as indicators of financial performance or liquidity, each as presented in accordance with IFRS. Although EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, it has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of the Borrower’s results as reported under IFRS.

The following table reconciles net income (loss) to EBITDA and EBITDAM:



	12 months ended 09/30/2019 (\$)	12 months ended 09/30/2019 (Pro Forma) <sup>(1)</sup> (\$)	12 months ended 09/30/2018 (\$)	12 months ended 09/30/2018 (Pro Forma) <sup>(1)</sup> (\$)
<b>Net income (loss)</b>	<b>(67,368)</b>	<b>(530,040)</b>	<b>(165,174)</b>	<b>(463,710)</b>
Depreciation and amortization	(118,487)	(118,487)	(67,590)	(67,590)
Interest income	2,130,169	2,911,869	1,464,337	2,911,869
Interest expense	(1,549,010)	(2,174,370)	(1,088,211)	(2,174,370)
Income tax (recovery) expense	-	-	-	-
<b>EBITDA</b>	<b>1,600,129</b>	<b>1,762,817</b>	<b>990,627</b>	<b>1,778,250</b>
Management fees	-	-	-	-
<b>EBITDAM</b>	<b>1,600,129<sup>(1)</sup></b>	<b>1,762,817</b>	<b>990,627</b>	<b>1,778,250</b>

<sup>(1)</sup> Assumes the Omni Investment has a principal amount of \$7,817,000.

In addition to referencing EBITDA and EBITDAM, the Company's MD&A for the six month period ended September 30, 2019 also references the New Experimental Experience Rating ("NEER") program provided through the Ontario Workplace Safety and Insurance Board. NEER is a line item rebate which the Company has taken into account in calculating revenue. NEER does not have any standardized meaning under IFRS. NEER provides for annual rebates or surcharges based on an entity's workplace safety record which, in turn, encourage employers to make a strong commitment to the elimination of workplace injuries and illnesses. Management believes that the use of NEER provides additional useful information to investors and analysts when assessing revenues. NEER is not a measure of performance prepared in accordance with IFRS or as an alternative to net earnings, or net revenues or any other financial statement data presented as indicators of financial performance or liquidity, each as presented in accordance with IFRS.

#### EARNINGS COVERAGE

The following earnings coverage ratios and adjusted earnings coverage ratios are calculated on a consolidated basis for the year ended March 31, 2019 and the twelve-month period ended September 30, 2019 and are derived from audited financial information, in the case of the fiscal year ended March 31, 2019, and unaudited financial information, in the case of the six months ended September 30, 2019.

The earnings of the Company before interest expense and income tax expense for the fiscal year ended March 31, 2019 was \$1,316,018, and the interest expense for the fiscal year ended March 31, 2019 was \$1,363,239, resulting in

an earning coverage ratio of 0.97 times. The Company would have required a net income before interest and income taxes of \$47,221 for the twelve-month period ended March 31, 2019 in order to achieve an earnings coverage ratio of one-to-one for such period. The earnings of the Company before interest expense and income tax expense for the twelve-month period ended September 30, 2019 was \$1,246,997 and the interest expense for the twelve-month period ended September 30, 2019 was \$1,409,801, resulting in an earning coverage ratio of 0.88 times. The Company would have required a net income before interest and income taxes of \$162,804 for the twelve-month period ended September 30, 2019 in order to achieve an earnings coverage ratio of one-to-one for such period.

#### *Supplementary Pro Forma Earnings Coverage*

After giving effect to the Offering, and before any exercise of the Over-Allotment Option, the pro forma earnings of the Company before interest expense and income tax expense for the year ended March 31, 2019 and the twelve-month period ended September 30, 2019 were a minimum of \$2,342,579 and a maximum of \$3,024,279, and a minimum of \$1,585,565 and a maximum of \$2,267,265, respectively. After giving effect to the Offering and before any exercise of the Over-Allotment Option, the net pro forma interest expense for the year ended March 31, 2019 and the twelve-month period ended September 30, 2019 was a minimum of \$1,751,240 and a maximum of \$2,296,600, and a minimum of \$1,751,240 and a maximum of \$2,296,600, respectively, resulting in a coverage ratio of a minimum of 1.34 and a maximum of 1.32 times, and a minimum of 0.91 times and a maximum of 0.99 times, respectively.

These coverage ratios reflect historical earnings adjusted for the net impact of interest on the Debentures, as noted, as well as for the issuance of an aggregate of Convertible Preferred Shares for gross proceeds of \$2,700,000 and Series A Debentures in the aggregate principal amount of \$7,440,000 that were issued subsequent to March 31, 2017 but prior to the Offering.

Under IFRS, a portion of the Debentures will be classified on the balance sheet as a liability and a portion allocated to equity to reflect the conversion feature. The related interest expense and financing charges will be amortized using the effective interest method. For purposes of the pro forma calculations above, interest expense has been calculated as though the Debentures (excluding Over-Allotment Debentures) had been accounted for in their entirety as debt. Also, for purposes of the calculation, interest expense does not include related financing charges (e.g. the amortization of debt issuance costs).

The pro forma earnings coverage set forth above: (i) has been prepared in accordance with Canadian disclosure requirements using financial information that was prepared in accordance with IFRS; (ii) gives effect to the issuance of the Debentures under this Prospectus as of the beginning of the applicable period; (iii) assumes there are no additional earnings derived from the use of the net proceeds of the Offering; and (iv) does not purport to be indicative of earnings coverage ratios for any future periods.

## **DESCRIPTION OF THE SECURITIES DISTRIBUTED**

### **Common Shares**

The Company is authorized to issue an unlimited number of Common Shares without par value. As of the date of this Prospectus, there are 11,669,357 Common Shares outstanding.

Shareholders are entitled to dividends, if, as and when declared by the Board, entitled to one vote per Common Share at meetings of the Shareholders and, upon dissolution, entitled to share equally in such assets of the Company as are distributable to the Shareholders, subject to the rights of the holders of Convertible Preferred Shares, if any.

All of the Common Shares rank equally as to voting rights, participation in assets and in all other respects. None of the Common Shares are subject to any call or assessment nor pre-emptive or conversion rights. There are no provisions attached to the Common Shares for redemption, purchase for cancellation, surrender or sinking or purchase funds.

## Debentures

The terms of the Debentures are discussed above under the heading “Details of the Offering”.

### CONSOLIDATED CAPITALIZATION

The capitalization of the Company as at September 30, 2019, as at the date of this Prospectus, and after giving effect to the Offering, respectively, is as follows:

Designation of Security	Authorized	Outstanding As September 30, 2019 (Unaudited)	Outstanding As At The Date Hereof (Unaudited)	Outstanding After Giving Effect To The Minimum Offering <sup>(1)</sup>	Outstanding After Giving Effect To The Maximum Offering <sup>(1)</sup>	Outstanding After Giving Effect To The Maximum Offering plus Over-Allotment Option <sup>(1)</sup>
Common Shares	unlimited	11,669,357	11,669,357	11,669,357	11,669,357	11,669,357
Convertible Preferred Shares <sup>(2)</sup>	unlimited	6,718,750	6,718,750	6,718,750	6,718,750	6,718,750
Incentive Stock Options <sup>(3)</sup>		1,160,000	1,160,000	1,160,000	1,160,000	1,160,000
Series A Debentures		7,740	7,740	7,740	7,740	7,740
Debentures <sup>(4)</sup>		12,183	12,183	13,183	20,000	21,172

<sup>(1)</sup> Does not include the Common Shares issuable upon conversion of the Convertible Preferred Shares, Series A Debentures, or Debentures. See “Details of the Offering”.

<sup>(2)</sup> The Convertible Preferred Shares are entitled to receive annual non-cumulative dividends at a fixed rate of 8% per annum and holders of Convertible Preferred Shares may, commencing on May 18, 2018, convert their Convertible Preferred Shares into Common Shares on a one-for-one basis, subject to a semi-annual maximum conversion limit of such number of Common Shares as is equal to 25% of a particular holder’s Convertible Preferred Shares. The Convertible Preferred Shares will automatically convert into Common Shares on a one-for-one basis on May 18, 2020. Holders of Convertible Preferred Shares are not entitled to receive notice of, attend or vote at any general meeting of the Shareholders.

<sup>(3)</sup> Pursuant to the Company’s Stock Option Plan, the number of Common Shares reserved for issuance will be a maximum of 10% of the issued and outstanding Common Shares as at the date of grant. See “Options to Purchase Securities”.

<sup>(4)</sup> An aggregate of 12,183 Debentures were issued pursuant to the First Omni Debenture Offering and the Second Omni Debenture Offering, which Debentures are governed by the terms of the Trust Indenture. The Debentures to be issued pursuant to this Offering will also be governed by the Trust Indenture. See “Details of the Offering”.

The Company has no long-term liabilities, other than the Series A Debentures and Debentures.

### OPTIONS TO PURCHASE SECURITIES

The Company has adopted the Stock Option Plan, pursuant to which the Board may from time to time, in its discretion, and in accordance with TSXV requirements, grant to directors, officers, employees and consultants non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares. Options may be exercisable for a period of up to 10 years from the date of grant. The number of Common Shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding Common Shares, and the number of Common Shares reserved for issuance to all consultants will not exceed 2% of the issued and outstanding Common Shares. Options may be exercised for 90 days following cessation of the optionee’s position with the Company, unless an optionee was engaged in investor relations activities on behalf of the Company, in which case the options may only be exercised for 30 days following the optionee’s ceasing such position. If the cessation was by reason of death, the options may be exercised within a maximum period of one year after such death, subject to the expiry

date of such options. Option prices are to be determined based on the market price of the Common Shares on the date of grant in accordance with the policies of the TSXV.

As at the date of this Prospectus, there are 1,160,000 Options outstanding as follows:

Category of Option Holder	Number of Options to Acquire Resulting Issuer Shares Held as a Group
All current and past executive officers of the Company (2 persons)	305,000 <sup>(1)</sup>
All current and past directors of the Company who are not also executive officers (1 person)	180,000 <sup>(1)</sup>
All other employees as a group (None)	-
All consultants as a group (4 persons)	675,000 <sup>(1)</sup>
All other persons (None)	-
Total:	1,160,000

<sup>(1)</sup> Each Option is exercisable into one Common Share at an exercise price of \$0.25 until March 29, 2022. The Options vest annually over three years, with 1/3 of the Options vesting each year commencing on the date of grant, being March 29, 2019. The closing price of the Common Shares on March 29, 2019 was \$0.27.

## PRIOR SALES

### Prior Sales

During the twelve months prior to the date of this Prospectus, the Company issued the following securities:

Date of Issue	Description of Security	Number of Securities	Price Per Security (\$)	Total Issue Price (\$)
May 30, 2019	Debentures	2,428	\$1,000	\$2,428,000
June 28, 2019	Debentures	1,761	\$1,000	\$1,761,000

### Stock Exchange Price

The Common Shares are listed on the TSXV. The following table sets out, for the periods indicated, the high and low sales price and the volume of trading of the Common Shares during the periods indicated:

Period	High	Low	Volume
February 1 - 24, 2020	No Trades		
January, 2020	No Trades		
December, 2019	\$0.12	\$0.09	5,140
November, 2019	\$0.11	\$0.11	0
October, 2019	\$0.35	\$0.11	1,500
September, 2019	\$0.50	\$0.35	1,012
August, 2019	\$0.50	\$0.45	1,012
July, 2019	\$0.45	\$0.45	34
June, 2019	No Trades		

Period	High	Low	Volume
May, 2019	No Trades		
April, 2019	\$0.45	\$0.27	22,500
March, 2019	\$0.27	\$0.20	1,287
February, 2019	\$0.20	\$0.20	4,000
January, 2019	\$0.25	\$0.20	1,727

### CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Dale Matheson Carr-Hilton Labonte LLP, independent auditors of the Company, and Stikeman Elliott LLP, counsel for the Agents, the following is, as of the date of the Prospectus, a general summary of the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to a Holder: (i) who acquires Debentures and, if applicable, Common Shares on the conversion, redemption or repayment at maturity of the Debentures (collectively, the “Securities”), as beneficial owner, pursuant to the Offering; (ii) who, for purposes of the Tax Act and at all relevant times, holds the Securities as capital property; (iii) who deals at arm’s length with the Company and each of the Agents and is not affiliated with the Company or any of the Agents; and (iv) who, for purposes of the Tax Act and at all relevant times, is (or is deemed to be) a resident of Canada (a “Resident Holder”). Generally, Securities will be considered to be capital property to a Resident Holder provided that the holder does not hold the Securities in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Resident Holders who might not otherwise be considered to hold their Debentures or Common Shares as capital property may, in certain circumstances, be entitled to have their Securities, and every other “Canadian security” (as defined in the Tax Act) owned by such Resident Holders in the year of the election and every subsequent year, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such Resident Holders should consult their own tax advisors for advice with respect to whether an election under subsection 39(4) of the Tax Act is available or advisable having regard to their particular circumstances.

This summary is not applicable to a Resident Holder: (i) that is a “financial institution” (as defined in the Tax Act for the purposes of the mark-to-market rules); (ii) an interest in which would be a “tax shelter investment” (as defined in the Tax Act); (iii) that is a “specified financial institution” (as defined in the Tax Act); (iv) that makes or has made a functional currency reporting election pursuant to section 261 of the Tax Act; or (v) that has entered or will enter into a “derivative forward agreement” (as defined in the Tax Act) with respect to the Securities.

This summary is based upon the provisions of the Tax Act in force as of the date hereof, all Proposed Amendments and counsel’s understanding of the administrative policies and assessing practices of the Canada Revenue Agency (the “CRA”) made publicly available in writing prior to the date hereof. This summary assumes the Proposed Amendments will be enacted in the form proposed; however, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, if at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account any changes in the law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder or prospective holder of a Security, and no representations with respect to the income tax consequences to any holder or prospective holder are made. Consequently, holders and prospective holders of Securities should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring Securities pursuant to this Offering, having regard to their particular circumstances.**

**This summary does not address the Canadian federal tax considerations applicable to a non-resident of Canada for purposes of the Tax Act or a partnership that is not a “Canadian partnership” (as defined in the Tax Act) (collectively, “Non-Residents”). Accordingly, Non-Residents should consult their own tax advisors regarding the tax consequences of acquiring, holding and disposing of Securities.**

## *Taxation of Resident Holders of Debentures*

### *Taxation of Interest on Debentures*

A Resident Holder that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Debentures that accrues (or is deemed to accrue) to the Resident Holder to the end of the particular taxation year or that has become receivable by or is received by the Resident Holder before the end of that taxation year, except to the extent that such interest was included in computing the Resident Holder's income for a preceding taxation year.

Any other Resident Holder, including an individual, will be required to include in computing its income for a taxation year all interest on the Debentures that is received or receivable by the Resident Holder in that taxation year (depending upon the method regularly followed by the Resident Holder in computing income, except to the extent that the interest was included in the Resident Holder's income for a preceding taxation year. In addition, if at any time a Debenture should become an "investment contract" (as defined in the Tax Act) in relation to a Resident Holder (other than a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary), such Resident Holder will be required to include in computing income for a taxation year any interest that accrues (or is deemed to accrue) to the Resident Holder on the Debenture up to the end of any "anniversary day" (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in the Resident Holder's income for that year or a preceding year.

### *Exercise of the Conversion Privilege*

A Resident Holder that converts a Debenture into Common Shares (or Common Shares and cash delivered in lieu of a fraction of a Common Share) pursuant to the conversion privilege will be deemed not to have disposed of the Debenture for the purposes of the Tax Act and, accordingly, will not realize a capital gain (or capital loss) on such conversion. Under the current administrative practice of the CRA, a Resident Holder that, upon conversion of a Debenture, receives cash not in excess of \$200 in lieu of a fraction of a Common Share may either treat this amount as proceeds of disposition of a portion of the Debenture, thereby realizing a capital gain (or capital loss), or reduce the adjusted cost base of the Common Shares that the Resident Holder receives on the conversion by the amount of the cash received.

The aggregate cost to a Resident Holder of the Common Shares acquired on the conversion of a Debenture generally will be equal to the Resident Holder's adjusted cost base of the Debenture immediately before the conversion, less any reduction in the adjusted cost base of the Common Shares as a result of receiving cash in lieu of a fraction of a Common Share (as discussed above). The adjusted cost base to a Resident Holder of a Common Share acquired at any time will be determined by averaging the cost of the Common Share with the adjusted cost base of all other Common Shares (if any) held by the Resident Holder as capital property immediately before that time.

Upon a conversion of a Debenture, interest accrued thereon to but excluding the date of conversion will be included in computing the income of the Resident Holder as described above under the heading "Taxation of Interest on Debentures", except to the extent that it was included in computing the Resident Holder's income for that or a preceding taxation year.

### *Disposition of Debentures*

A disposition (or deemed disposition) of a Debenture by a Resident Holder (which does not include a conversion of a Debenture pursuant to the conversion privilege), including on a redemption, payment on maturity or purchase for cancellation or otherwise, generally will result in the Resident Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition (net of any amount required to be included in the Resident Holder's income as interest) exceed (or are exceeded by) the aggregate of the adjusted cost base to the Resident Holder of the Debenture and any reasonable costs of disposition. Such capital gain (or capital loss) will be

subject to the tax treatment described below under the heading "Taxation of Shareholders – Taxation of Capital Gains and Capital Losses".

Any amount paid by the Company as a penalty or bonus because of an early repayment of all or part of the principal amount of a Debenture will be deemed to be received by the Resident Holder as interest on the Debenture and will be required to be included in the Resident Holder's income as described above under the heading "Taxation of Interest on Debentures", to the extent such amount can reasonably be considered to relate to, and does not exceed the value at the time of payment of, interest that would otherwise have been payable on the Debenture for a taxation year of the Company ending after the payment of such amount.

Upon an assignment or other transfer of a Debenture, interest accrued thereon to the date of assignment or other transfer will be included in computing the income of the Resident Holder as described above under the heading "– Taxation of Interest on Debentures", except to the extent that it was included in computing the Resident Holder's income for that or a preceding taxation year, and will be excluded in computing the Resident Holder's proceeds of disposition of the Debenture.

### *Taxation of Shareholders*

#### *Dividends on Common Shares*

A dividend received (or deemed to be received) on a Common Share held by a Resident Holder will be included in computing the Resident Holder's income for purposes of the Tax Act.

In the case of a Resident Holder who is an individual (other than certain trusts), such dividend will be subject to the gross-up and dividend tax credit rules in the Tax Act normally applicable to dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit in respect of dividends designated by the Company as "eligible dividends".

In the case of a Resident Holder that is a corporation, a dividend received (or deemed to be received) on a Common Share held by the Resident Holder will be included in the corporation's income, but generally will be deductible in computing its taxable income, with the result that no Part I income tax will be payable by it in respect of such dividend. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain. A Resident Holder that is a "private corporation" or "subject corporation" (as such terms are defined in the Tax Act) may be liable under Part IV of the Tax Act to pay a refundable tax on a dividend received (or deemed to be received) on a Common Share to the extent the dividend is deductible in computing the Resident Holder's taxable income. Resident Holders that are corporations should consult their own tax advisors having regard to their particular circumstances.

#### *Disposition of Common Shares*

A disposition (or deemed disposition) of a Common Share by a Resident Holder (other than to the Company, unless purchased by the Company in the open market in the manner in which Common Shares are normally purchased by any member of the public in the open market) generally will result in the Resident Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition of the Common Share exceed (or are exceeded by) the aggregate of the adjusted cost base to the Resident Holder thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under the heading "Taxation of Capital Gains and Capital Losses".

The adjusted cost base to a Resident Holder of a Common Share acquired on the conversion of a Debenture will be determined as described above under the heading "Taxation of Holders of Debentures – Exercise of the Conversion Privilege".

### *Taxation of Capital Gains and Capital Losses*

Generally, one-half of any capital gain (a “**taxable capital gain**”) realized by a Resident Holder in a taxation year must be included in the Resident Holder’s income for the year, and one-half of any capital loss (an “**allowable capital loss**”) realized by a Resident Holder in a taxation year must generally be deducted from taxable capital gains realized by the Holder in that year. Allowable capital losses for a particular taxation year that are in excess of taxable capital gains realized in that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a Common Share may be reduced by the amount of any dividends received (or deemed to be received) by it on the Common Share (or on a share for which the Common Share has been substituted) to the extent and under the circumstances described in the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns a Common Share directly or indirectly through a partnership or a trust.

### *Other Applicable Income Taxes*

A Resident Holder that is, throughout the relevant taxation year, a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay a refundable tax on its “aggregate investment income”, which is defined in the Tax Act to include taxable capital gains and interest income.

In general terms, a Resident Holder who is an individual (including certain trusts) that receives or is deemed to have received taxable dividends on the Common Shares or that realizes a capital gain on the disposition or deemed disposition of Securities may be liable for alternative minimum tax under the Tax Act. Resident Holders that are individuals should consult their own tax advisors in this regard.

## **ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER**

### **Escrowed Securities**

The following table sets out, as at the date of this Prospectus, the number and percentage of Escrow Shares deposited into escrow with the Debenture Trustee, as escrow agent, pursuant to the terms of the Escrow Agreement:

Name and Municipality of Residence of Shareholder	Designation of class	Number of Escrow Shares	Percentage Assuming Completion of Minimum Offering <sup>(1)</sup>	Percentage Assuming Completion of Maximum Offering <sup>(1)</sup>
Eric Boehnke <i>West Vancouver, BC</i>	Common Shares	2,279,047	19.53%	19.53%
Thomas English <i>Toronto, ON</i>	Common Shares	765,000	6.56%	6.56%
HCG5 Investment Limited Partnership <i>Vancouver, BC<sup>(2)</sup></i>	Common Shares	765,000	6.56%	6.56%
<b>Total:</b>		3,809,047		

<sup>(1)</sup> Based on 11,669,357 Common Shares outstanding.

<sup>(2)</sup> HCG5 is controlled by Jean-Marc Bougie, CEO of the Hillcore Group, and Greg Tedesco, CFO of the Hillcore Group.

The holders of Escrow Shares have entered into the Escrow Agreement with the Company. The Debenture Trustee is the escrow agent for the purposes of the Escrow Agreement.



The Escrow Shares are subject to the release schedule set out in Schedule B (2) to the Escrow Agreement. Pursuant to Schedule B (2) of the Escrow Agreement, 10% of the Escrow Shares were released on May 26, 2017, 15% of the Escrow Shares were released on November 26, 2017, 15% of the Escrow Shares were released on May 26, 2018, 15% of the Escrow Share were released on November 26, 2018, 15% of the Escrow Shares were released on May 26, 2019, 15% of the Escrow Share were released on November 26, 2019 and an additional 15% of the Escrow Shares are to be released every 6 months thereafter until all Escrow Shares have been released (36 months following the date of issuance of the Final Exchange Bulletin).

Should the Company be accepted by the TSXV as a Tier 1 Issuer, the Escrow Shares will be released on an accelerated schedule, as set out in Schedule B(1) of the Escrow Agreement. Pursuant to Schedule B (1) of the Escrow Agreement, 25% of the Escrow Shares would be released upon the date of issuance of the Final Exchange Bulletin and an additional 25% of the Escrow Securities would be released every 6 months thereafter, until all Escrow Shares have been released (18 months following the date of issuance of the Final Exchange Bulletin).

The Escrow Agreement provides that the Escrow Shares are to be held in escrow pursuant to its terms and the beneficial ownership thereof may not be sold, assigned, hypothecated, transferred within escrow or otherwise dealt with in any manner without the prior written consent of the TSXV. In the event of the bankruptcy of an escrow shareholder, provided the TSXV does not object, the Escrow Shares held by such escrow shareholder may be transferred to the trustees in the bankruptcy or such person legally entitled to the Escrow Shares which shares will remain in escrow subject to the escrow agreement. In the event of the death of an escrow shareholder, provided the TSXV does not object, the Escrow Shares held by the escrow shareholder will be released from escrow.

The complete text of the Escrow Agreement is available for inspection at the office of the Company's legal counsel, Suite 800, 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1 and on SEDAR at [www.sedar.com](http://www.sedar.com).

#### PRINCIPAL SECURITYHOLDERS AND SELLING SECURITYHOLDERS

To the knowledge of the Company, no Person owns of record or beneficially, directly or indirectly, or exercises control or direction over, more than 10% of the outstanding Common Shares, other than:

Name and Municipality of Residence	Number of Common Shares Owned	Percentage of Shares Owned <sup>(1)</sup>	Percentage of Shares Owned, Fully Diluted <sup>(2)</sup>
Eric Boehnke West Vancouver, BC	5,006,171	42.90%	27.93%
Thomas English Toronto, ON	2,047,500	17.55%	11.42%
HCG5 Investment Limited Partnership Vancouver, BC <sup>(3)</sup>	2,000,000	17.14%	11.16%

<sup>(1)</sup> Based on 11,669,357 Common Shares outstanding as at the date hereof and to be outstanding following completion of the Offering. In addition, Mr. Boehnke owns \$19,000 of Debentures that were issued pursuant to the First Omni Debenture Offering, which are convertible into 15,200 Common Shares at a deemed price of \$1.25 per Common Share.

<sup>(2)</sup> Assuming closing of the Maximum Offering, no exercise of the Over-Allotment Option, and that all of the Debentures are converted into an aggregate of 6,253,600 Common Shares at a deemed price of \$1.25 per Common Share, such that there are 17,922,957 Common Shares outstanding.

<sup>(3)</sup> HCG5 is controlled by Jean-Marc Bougie, CEO of the Hillcore Group, and Greg Tedesco, CFO of the Hillcore Group.

Certain of the Common Shares set out in the table above are held in escrow pursuant to the terms of the Escrow Agreement. See "Escrowed Securities and Securities Subject to Contractual Restriction on Transfer".

#### DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the names of all individuals who are directors, officers and promoters of the Company, their municipalities of residence, their current positions with the Company, their principal occupations during the past five years and the number and percentage of Common Shares expected to be beneficially owned,

directly or indirectly by them, or over which they are expected to exercise control or direction, following completion of the Offering:

Name Province/State Country of Residence and Position with the Company <sup>(1)</sup>	Principal Occupation Business or Employment for Last Five Years <sup>(1)</sup>	Number of Common Shares Currently Owned <sup>(1)</sup>	Following Completion of the Offering		
			Number of Common Shares Expected to be Owned	% assuming completion of the Minimum Offering <sup>(2)</sup>	% assuming completion of the Maximum Offering <sup>(2)</sup>
Eric Boehnke <sup>(3)</sup> West Vancouver, BC <i>Chief Executive Officer and Director</i>	CEO and director of the Company since May 26, 2014; President of Big Sky Management Ltd., a private company providing corporate finance and administrative management services, since 1996.	5,006,171	5,006,171	42.90%	42.90%
Thomas English <sup>(3)</sup> Toronto, ON <i>Director</i>	Director of the Company since May 25, 2016; President and CEO of AC Group since February 2015; and co-head of institutional equity sales at Salman Partners from 2001 to February 2015.	2,047,500	2,047,500	17.55%	17.55%
Jennie Choboter <sup>(3)</sup> Mission, BC <i>Director, CFO and Secretary</i>	CFO of the Company since May 2014 and Director since December 20, 2018; and CFO of the British Columbia Innovation Council since December 2012.	Nil	Nil	N/A	N/A
<b>Total</b>		<b>7,053,671</b>	<b>7,053,671</b>	<b>60.45%</b>	<b>60.45%</b>

<sup>(1)</sup> Information has been furnished by the respective directors and officers individually.

<sup>(2)</sup> Based on 11,669,357 Common Shares expected to be outstanding assuming completion of the Offering.

<sup>(3)</sup> Denotes a member of the Audit Committee of the Company.

Each of the Company's directors is elected by the Shareholders at the annual general meeting of Shareholders, to serve until the next annual general meeting of Shareholders or until a successor is elected or appointed.

The directors and officers of the Company, as a group, beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 7,053,671 Common Shares, representing approximately 60.45% of the issued and outstanding Common Shares.

## Management

The Company has not entered into any non-disclosure or non-competition agreement with any officers or directors of the Company. The Company does not have, and does not plan to have, any employees, as it retains, and intends to retain, the services of its officers as independent contractors.

The following is a brief description of members of the Company's management:

*Eric Boehnke – CEO and Director*

Mr. Boehnke, age 54, has been the principal of Big Sky Management Ltd., a private company providing corporate finance services to private and public companies, since 1996. Over a 20-year career, Mr. Boehnke has been active in both private and public venture financings in the mining, technology, and oil and gas sectors where he has served as a director and officer for a number of public companies. Mr. Boehnke holds a Bachelor of Science degree from the University of Toronto.

Mr. Boehnke devotes approximately 80% of his time to perform the work required in connection with acting as CEO of the Company. Mr. Boehnke is an independent contractor of the Company and has not entered into a non-competition or non-disclosure agreement with the Company.

*Jennie Choboter – Director, CFO and Secretary*

Ms. Choboter, age 74, holds CPA-CA designations in the provinces of British Columbia and Alberta. She has been the CFO of the British Columbia Innovation Council since December 2012. Previously, she served as CFO of Sunward Resources Inc. from March 2010 to February 2012 and has served as a director and/or officer of numerous other public companies. Ms. Choboter holds a Bachelor of Commerce degree from the University of Calgary.

Ms. Choboter devotes approximately 10% of her time to perform the work required in connection with acting as CFO and Secretary of the Company. Ms. Choboter is an independent contractor of the Company and has not entered into a non-competition or non-disclosure agreement with the Company.

*Thomas English - Director*

Mr. English, age 44, has over 20 years of experience in the financial industry and has held numerous senior roles at investment banks including CIBC and Salman Partners. Mr. English has provided financial solutions for both small and large cap companies across all business sectors. During his career, he has been involved in various capital transactions, including financings (debt, equity, IPO) and mergers and acquisition advisory assignments in Canada, South America and the United States. Mr. English holds a Bachelor of Arts from the University of Western Ontario.

Mr. English devotes approximately 10% of his time to perform the work required in connection with acting as a director of the Company. Mr. English has not entered into a non-competition or non-disclosure agreement with the Company.

## **SECURITIES REGULATORY OR OTHER SANCTIONS AND BANKRUPTCY**

### **Corporate Cease Trade Orders or Bankruptcies**

Except as disclosed below, to the best of the Company's knowledge, none of the Company's directors, officers, or shareholders holding a sufficient number of securities of the Company to materially affect the control of the Company is, or during the ten years preceding the date of this Prospectus has been, a director or officer of any issuer that, while the person was acting in that capacity:

- (a) was the subject of a cease trade order or similar order, or an order that denied such issuer access to any statutory exemptions for a period of more than 30 consecutive days; or
- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver manager, or trustee appointed to hold its assets.

In August 2015, when Eric Boehnke, John Legg and Jennie Choboter were directors and/or officers of the Company, the BCSC issued a cease trade order against the Company for failure to file its annual audited financial statements and MD&A for the year ended March 31, 2015, and trading in the Common Shares was halted by the TSXV. In January 2016, the BCSC issued a partial revocation order in respect of the cease trade order, pursuant to which the Company was permitted to undertake a \$600,000 private placement, in order to enable the Company to complete its delinquent filings. The BCSC revoked the cease trade order on April 25, 2016, when the outstanding filings were completed, and the TSXV reinstated trading in the Common Shares on the NEX on May 3, 2016.

### **Penalties or Sanctions**

To the knowledge of the Company, no director, officer or promoter of the Company has:

- (a) been subject to any penalties or sanctions imposed by a court or securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable security holder.

### **Personal Bankruptcies**

No director, officer or promoter of the Company, or a personal holding company of any of them, has, within the ten years prior to the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

### **Conflict of Interest**

Directors and officers of the Company may also serve as directors and/or officers of other companies and may be presented from time to time with situations or opportunities which give rise to apparent conflicts of interest which cannot be resolved by arm's length negotiations but only through exercise by the officers and directors of such judgment as is consistent with their fiduciary duties to the Company which arise under applicable corporate law, especially insofar as taking advantage, directly or indirectly, of information or opportunities acquired in their capacities as directors or officers of the Company. It is expected that all conflicts of interest will be resolved in accordance with the BCBCA.

It is expected that any transactions with officers and directors will be on terms consistent with industry standards and sound business practice in accordance with the fiduciary duties of those directors and officers to the Company, and, depending upon the magnitude of the transactions and the absence of any disinterested Board members, may be submitted to the Shareholders for their approval.

## **COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS**

For the purposes of this section:

**"Compensation Securities"** includes stock options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, deferred share units and restricted share units granted or issued by a company or one of its subsidiaries (if any) for services provided or to be provided, directly or indirectly to a company or any of its subsidiaries (if any).

**"NEO"** means, in relation to a company, each of the following individuals:

- (a) any individual who acted as CEO of the company, or acted in a similar capacity, for any part of the most recently completed financial year,
- (b) any individual who acted as CFO of the company, or acted in a similar capacity, for any part of the most recently completed financial year,
- (c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(6) of Form 51-102F6 *Statement of Executive Compensation – Venture Issuers*, for that financial year, and
- (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the company, nor acting in a similar capacity, at the end of that financial year; and

“**plan**” includes any plan, contract, authorization or arrangement, whether or not set out in any formal document, where cash, compensation securities or any other property may be received, whether for one or more persons; and

“**underlying securities**” means any securities issuable on conversion, exchange or exercise of compensation securities.

***Director and Named Executive Officer Compensation, Excluding Compensation Securities***

The following table sets out details of all payments, grants, awards, gifts and benefits paid or awarded to each director and NEO in the two most recently completed financial years:

<b>Name and Position</b>	<b>Year Ended March 31</b>	<b>Salary, Consulting Fee, Retainer or Commission (\$)</b>	<b>Bonus (\$)</b>	<b>Committee or Meeting Fees (\$)</b>	<b>Value of Perquisites<sup>(1)</sup> (\$)</b>	<b>Value of All Other Compensation (\$)</b>	<b>Total Compensation (\$)</b>
Eric Boehnke <sup>(2)</sup> <i>President, CEO and Director</i>	2019 2018	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil
Jennie Choboter <sup>(3)</sup> <i>CFO, Secretary and Director</i>	2019 2018	6,300 6,300	Nil Nil	Nil Nil	Nil Nil	Nil Nil	6,300 6,300
Thomas English <sup>(4)</sup> <i>Director</i>	2019 2018	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil
John Legg <sup>(5)</sup> <i>Former Director</i>	2018	Nil	Nil	Nil	Nil	Nil	Nil

(1) “Perquisites” include perquisites provided to a NEO or director that are not generally available to all employees and that, in aggregate, are: (a) \$15,000, if the NEO or director’s total salary for the financial year is \$150,000 or less, (b) 10% of the NEO or director’s salary for the financial year if the NEO or director’s total salary for the financial year is greater than \$150,000 but less than \$500,000, or (c) \$50,000 if the NEO or director’s total salary for the financial year is \$500,000 or greater.

(2) Eric Boehnke has been the CEO and a director of the Company since May 26, 2014.

(3) Jennie Choboter has been the CFO and Secretary of the Company since May 26, 2014 and a director of the Company since December 10, 2018.

(4) Thomas English has been a director of the Company since May 25, 2016.

(5) John Legg was a director of the Company from May 26, 2014 to December 19, 2018.

***Stock Options and Other Compensation Securities***

The following table sets out all compensation securities granted or issued to each director and NEO by the Company or any subsidiary thereof in the year ended March 31, 2019 for services provided, or to be provided, directly or indirectly to the Company or any subsidiary thereof:

Compensation Securities							
Name and Position	Type of Compensation Security	Number of Compensation Securities, Number of Underlying Securities and Percentage of Class	Date of Issue or Grant	Issue, Conversion or Exercise Price (\$)	Closing Price of Security or Underlying Security on Date of Grant	Closing Price of Security or Underlying Security at Year End	Expiry Date
Eric Boehnke CEO and Director	Options	180,000/180,000/ 15.52%	March 29, 2019	\$0.25	\$0.27	\$0.27	March 29, 2022
Jennie Choboter CFO, Secretary and Director	Options	125,000/125,000/ 10.78%	March 29, 2019	\$0.25	\$0.27	\$0.27	March 29, 2022
Thomas English Director	Options	180,000/180,000/ 15.52%	March 29, 2019	\$0.25	\$0.27	\$0.27	March 29, 2022
John Legg Former Director	N/A	N/A	N/A	N/A	N/A	N/A	N/A

As at March 31, 2019:

- (a) Eric Boehnke, the CEO and a director of the Company, owned an aggregate of 180,000 compensation securities, comprised solely of Options, each of which is exercisable into one Common Share exercisable at a price of \$0.25 per Common Share until March 29, 2022;
- (b) Jennie Choboter, the CFO, Secretary and a director of the Company, owned an aggregate of 125,000 compensation securities, comprised solely of Options, each of which is exercisable into one Common Share exercisable at a price of \$0.25 per Common Share until March 29, 2022;
- (c) Thomas English, a director of the Company, owned an aggregate of 180,000 compensation securities, comprised solely of Options, each of which is exercisable into one Common Share exercisable at a price of \$0.25 per Common Share until March 29, 2022; and
- (d) John Legg did not own any compensation securities.

All of the Options set out above vest annually over three years, with 1/3 of the Options vesting each year commencing on the date of grant, being March 29, 2019. See "Options to Purchase Securities".

#### **Stock Option Plans and Other Incentive Plans**

A description of the Stock Option Plan is included under the heading "Options to Purchase Securities".

#### **Employment, Consulting and Management Agreements**

The Company is not party to any formal employment, consulting or management agreements with respect to any NEOs or directors.

### ***Oversight and Description of Director and NEO Compensation***

Executive compensation is based upon the need to provide a compensation package that will allow the Company to attract and retain qualified and experienced executives, balanced with a pay-for performance philosophy. Compensation for this financial year and prior financial years has historically been based upon a negotiated salary, with stock options and bonuses potentially being issued and paid as an incentive for performance.

As the Company does not have a compensation committee, the Board has the responsibility to administer compensation policies related to the executive management, being the CEO, the CFO and the Secretary, including the grant of Compensation Securities.

In the future, the Company may grant stock options under the Stock Option Plan. A determination to make such a grant may take into account the level of responsibility of the executive as well as his or her impact and/or contribution to the longer-term operating performance of the Company, as well as the number of stock options, if any, previously granted to each executive officer, and the exercise price of any outstanding stock options, to ensure that such grants are in accordance with the policies of the TSXV, and to align the interests of the executive officers with the interests of the Shareholders.

The Board has not adopted any specific policies or practices to determine the compensation for the Company's directors and officers, other than as disclosed above. Given the Company's current stage of development, the Company has not established a compensation committee.

### ***Pension Plan Benefits***

The Company does not have any pension plans that provide for payments or benefits to the NEOs at, following, or in connection with retirement, including any defined benefits plan or any defined contribution plan. The Company does not have a deferred compensation plan with respect to any NEO.

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

### **Aggregate Indebtedness**

Other than disclosed herein, other than routine indebtedness, as that term is defined in paragraph 10.3(c) of Form 51-102F5 *Information Circular* ("**Form 51-102F5**"), no directors, executive officers and employees and no former directors, executive officers and employees of the Company is or was indebted to the Company in connection with a purchase of securities and all other indebtedness as at March 31, 2019.

### **Indebtedness of Directors and Executive Officers under Securities Purchase and Other Programs**

No director, executive officer or other senior officer of the Company has been indebted to the Company in the most recently completed financial year, and no director, executive officer or senior officer of the Company, nor any Associate of any such director or officer, is indebted to the Company as at the date of this Prospectus, or will be indebted to the Company upon completion of the Offering.

## **AUDIT COMMITTEE AND CORPORATE GOVERNANCE**

### **Audit Committee**

The Audit Committee's role is to act in an objective, independent capacity as a liaison between the auditors, management and the Board and to ensure the auditors have the ability to consider and discuss governance and audit issues with parties not directly responsible for operations. Applicable securities laws require the Company to disclose certain information relating to the Company's audit committee and its relationship with the Company's independent auditors.

## Audit Committee Charter

The full text of the audit committee charter (the “**Audit Committee Charter**”) is set out at Schedule A attached hereto.

## Composition of Audit Committee

The members of the Company’s Audit Committee are:

Eric Boehnke	Not Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>
Jennie Choboter	Not Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>
Thomas English	Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>

<sup>(1)</sup> A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company, which could, in the view of the Board, reasonably interfere with the exercise of a member’s independent judgment. Mr. Boehnke is not independent, as he is the CEO of the Company. Ms. Choboter is not independent, as she is the CFO of the Company. The Audit Committee is not comprised of a majority of independent directors.

<sup>(2)</sup> An individual is financially literate if he has the ability to read and understand financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

The Company is exempt from the Audit Committee composition requirements of National Instrument NI 52-110 (“**NI 52-110**”) which require all Audit Committee members to be independent. The policies of the TSXV require that the Audit Committee is comprised of a majority of members who are not officers, employees or Control Persons of the Company. A majority of the current members of the Audit Committee are officers of the Company, and therefore the Audit Committee composition does not meet the requirements of the TSXV. The Company is considering options to recruit additional independent directors to its Board and Audit Committee.

## Relevant Education and Experience

The education background or experience of the following audit committee members has enabled each to perform his responsibilities as an audit committee member and has provided the member with an understanding of the accounting principles used by the Company to prepare its consolidated financial statements, the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves as well as experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company’s consolidated financial statements, or experience actively supervising one or more individuals engaged in such activities and an understanding of internal controls and procedures for financial reporting:

Eric Boehnke is a former Executive Vice-Chairman, director and CEO of Terrace Energy Corp., a TSXV listed oil and gas exploration and production company with projects in the United States. In addition, Mr. Boehnke has served as director and on the audit committees of a number of TSX and TSXV listed companies. Mr. Boehnke is also the President and a director of Big Sky Management Ltd., a private company principally involved with providing corporate finance services to private and public companies.

Thomas English has over 20 years of experience in the financial industry and has held numerous senior roles at investment banks including CIBC and Saloman Partners. Mr. English has provided financial solutions for both small and large cap companies across all business sectors. During his career, he has been involved in various capital transactions, including financings (debt, equity, IPO) and mergers and acquisition advisory assignments in Canada, South America and the United States. Mr. English holds a Bachelor of Arts from the University of Western Ontario.

Jennie Choboter holds CPA-CA designations in the provinces of British Columbia and Alberta. She has been the CFO of the British Columbia Innovation Council since December 2012. Previously, she served as CFO of Sunward



Resources Inc. from March 2010 to February 2012 and has served as a director and/or officer of numerous other public companies. Ms. Choboter holds a Bachelor of Commerce degree from the University of Calgary.

### **Audit Committee Oversight**

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

### **Reliance on Certain Exemptions**

Since the commencement of the Company's most recently completed financial year, the Company has not relied on the exemptions contained in Section 2.4 or Part 8 of NI 52-110. Section 2.4 provides an exemption from the requirement that the Audit Committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total fees payable to the auditor in the fiscal year in which the non-audit services were provided. Part 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110 in whole or in part.

### **Pre-Approval Policies and Procedures**

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as set out in the Audit Committee Charter of the Company.

### **External Auditor Service Fees**

In the following table, "audit fees" are fees billed by the Company's external auditor for services provided in auditing the Company's annual financial statements for the subject year. "Audit-related fees" are fees not included in audit fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit review of the Company's financial statements. "Tax fees" are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning. "All other fees" are fees billed by the auditor for products and services not included in the foregoing categories.

The aggregate fees billed by the Company's external auditor in the last two fiscal years ended March 31, 2019 and March 31, 2018, by category, are as follows:

<b>Financial Year Ending</b>	<b>Audit Fees</b>	<b>Audit Related Fees</b>	<b>Tax Fees</b>	<b>All Other Fees</b>
March 31, 2019	\$22,000	\$Nil	\$2,000	\$26,000
March 31, 2018	\$20,400	\$Nil	\$3,350	\$11,000

### **Exemption**

The Company is relying on the exemption provided by Section 6.1 of NI 52-110 which provides that the Company, as a venture issuer, is not required to comply with Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

### **Corporate Governance**

National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**"), as adopted by the Canadian Securities Administrators, prescribes certain disclosure by the Company of its corporate governance practices. This disclosure is presented below.

*Board of Directors*

The Board facilitates its exercise of independent supervision over the Company's management through frequent meetings or unanimous consent resolutions of the Board. The Board is currently comprised of three directors, consisting of Eric Boehnke, Jennie Choboter and Thomas English. The Board has no formal procedures designed to facilitate the exercise of independent supervision over management, relying instead on the integrity of the individual members of its management team to act in the best interests of the Company. The majority of the Board members are not independent. Eric Boehnke is not independent as he is the CEO of the Company. Jennie Choboter is not independent as she is the CFO of the Company.

The Company has not developed written position descriptions for the chair and the chair of each board committee. The Board and CEO have not developed a written position description for the CEO. The directors are actively and regularly involved in reviewing and supervising the operations of the Company and have regular and full access to management. The independent directors are able to meet at any time without any members of management including the non-independent directors being present. The Board expects management to operate the business of the Company with a high level of integrity. Management is expected to execute the Company's business plan and to meet performance goals and objectives.

#### *Other Directorships*

The following directors are currently directors of other reporting issuers as set out below:

Name of Director	Names of Other Reporting Issuers
Thomas English	Cryptologic Corp. (formerly Vogogo Inc.) (CSE: CRY)

#### **Orientation and Continuing Education**

New directors to the Board are provided with access to recent publicly filed documents of the Company, all reports and the Company's internal financial information, access to management, experts and consultants, and a summary of significant corporate and securities responsibilities.

Board members are encouraged to communicate with management, auditors and technical consultants, to keep themselves current with industry trends and developments and changes in legislation with management's assistance and to attend related industry seminars and visit the Company's operations. Board members have full access to the Company's records.

#### **Ethical Business Conduct**

The Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

#### **Nomination of Directors**

The Board is responsible for identifying individuals qualified to become new Board members and recommending to the Board new director nominees for the next annual meeting of Shareholders. New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Company, the ability to devote the required time, demonstration of support for the Company's mission and strategic objectives, and a willingness to serve.

#### **Compensation**

Members of the Board are not currently compensated for their services as directors. In the event that such compensation is to be paid, it is expected that the Board as a whole will be responsible for determining compensation and that individual directors will abstain from voting in respect of compensation proposed to be paid to themselves.

### **Other Board Committees**

In addition to the Audit Committee, the Board also has an Investment Committee. The Investment Committee is comprised of Eric Boehnke, Chief Executive Officer, Thomas English, director, and Jennie Choboter, Chief Financial Officer and director. The Investment Committee monitors the Company's investment portfolio on an ongoing basis and reviews the status of its investments at least monthly. See "*Business of the Company – Narrative Description of the Business – Investment Committee*".

### **Assessments**

Any committee of the Board and individual directors will be assessed on an ongoing basis by the Board. The Board has not, as of yet, adopted formal procedures for assessing the effectiveness of the Board, its committees or individual directors.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as disclosed herein, no director or executive officer of the Company, no security holder disclosed in this Prospectus as a principal securityholder, and no Associate or Affiliate of any of them, has or has had any material interest, direct or indirect, in any transaction since incorporation of the Company or in any proposed transaction that has materially affected or will materially affect the Company.

HCG5 holds 2,000,000 Common Shares, representing 17.14% of the issued and outstanding Common Shares as at the date hereof. Accordingly, the Omni Investment will constitute a "related party transaction" as such term is defined in MI 61-101, which requires that the Company obtain a formal valuation for, and minority shareholder approval of, the Omni Investment, unless applicable exemptions thereto are available under MI 61-101. The Company is relying on the exemptions from the formal valuation and minority shareholder approval requirements set out in Sections 5.5(e) and 5.7(c) of MI 61-101. The Omni Investment and related transactions are supported, and the Company anticipates will be approved, by Eric Boehnke, a director of the Company, who owns 5,006,171 Common Shares, representing 42.90% of the issued and outstanding Common Shares, as at the date hereof, and is not an interested party in connection with the Omni Investment.

## **PROMOTERS**

Eric Boehnke, a director and officer of the Company, may be considered to be the promoter of the Company as he took the initiative with respect to organizing the Company and arranging the Offering. Mr. Boehnke beneficially owns, controls or directs, directly or indirectly, 5,006,171 Common Shares, representing 42.90% of the total issued and outstanding Common Shares prior to giving effect to the Offering. Mr. Boehnke has not received, and is not expected to receive, anything of value, including money, property, contracts, options or rights of any kind, directly or indirectly, from the Company in his capacity as the promoter of the Company and the Company has not received, nor is expected to receive, any assets, services or other consideration in return.

Other than as described under the heading "Securities Regulatory or Other Sanctions and Bankruptcy – Corporate Cease Trade Orders or Bankruptcies", Mr. Boehnke is not, as at the date of this Prospectus, nor has been, within ten years before the date hereof:

- (i) a director, CEO or CFO of any Person that was subject to an order that was issued:
  - (a) while he was acting in the capacity as director, CEO or CFO, or

- (b) after he ceased to be a director, CEO or CFO and which resulted from an event that occurred while he was acting in the capacity as director, CEO or CFO;
- (ii) a director or executive officer of any Person that, while he was acting in that capacity, or within a year of him ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (iii) bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets;
- (iv) subject to any penalties or sanctions imposed by a court relating to provincial and territorial securities legislation or by a provincial and territorial securities regulatory authority or has entered into a settlement with a provincial and territorial securities regulatory authority; or
- (v) subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

#### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The Company's auditor is Dale Matheson Carr-Hilton Labonte LLP of 1500 - 1140 West Pender Street, Vancouver, British Columbia V6E 4G1.

Computershare Investor Services Inc., at its office located at 510 Burrard Street, 2<sup>nd</sup> Floor, Vancouver, British Columbia V6C 3B9, is the transfer agent and registrar for the Common Shares.

#### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

In the normal course of business, the Company may be subject to lawsuits, claims, regulatory proceedings, and litigation for amounts not covered by liability insurance. These proceedings could result in significant costs. As of the date of this Prospectus, to the Company's knowledge, no material claims or litigation have been brought against the Company.

#### **RELATIONSHIP BETWEEN THE COMPANY AND THE AGENTS**

The Company is neither a "connected issuer" nor "related issuer" to the Agents as such terms are defined in National Instrument 33-105 *Underwriting Conflicts*.

#### **MATERIAL CONTRACTS**

Trenchant has not entered into any contracts material to investors in the Debentures since incorporation other than contracts in the ordinary course of business, except:

1. Transfer Agent, Registrar and Dividend Disbursing Agent Agreement dated January 26, 2010 between the Company and Computershare Investor Services Inc.;
2. the Stock Option Plan dated March 3, 2010;
3. the Waiward Loan Agreement dated effective March 2, 2017, as amended, between the Waiward Lender and WILP with respect to the Waiward Investment;
4. the Escrow Agreement dated May 18, 2017 among the Company, the Debenture Trustee and the holders of the Escrow Shares;

5. the Omni Loan Agreement dated December 21, 2017, as amended on March 21, 2018, between the Omni Lender and the Borrower with respect to the Omni Investment;
6. the agency agreement dated January 31, 2018 among the Company, Canaccord Genuity Corp. and Industrial Alliance Securities Inc. as co-lead agents, together with Raymond James Ltd., GMP Securities L.P., PI Financial Corp., Echelon Wealth Partners Inc., Integral Wealth Securities Ltd., Hampton Securities Limited and Mackie Research Capital Corporation relating to the First Omni Debenture Offering;
7. the agency agreement dated May 8, 2019 among the Company, Industrial Alliance Securities Inc. as lead agent, together with Canaccord Genuity Corp., GMP Securities L.P., Raymond James Ltd., Echelon Wealth Partners Inc., PI Financial Corp., Hampton Securities Limited and Integral Wealth Securities Ltd., relating to the Second Omni Debenture Offering;
8. the Trenchant Loan Agreement dated December 21, 2017 between Trenchant and the Borrower with respect to the assignment of the Advance to the Borrower;
9. the Trust Indenture March 23, 2018 Trenchant and the Debenture Trustee with respect to the Debentures;
10. the Omni Pledge Agreement dated March 23, 2018, as amended, between the Company and the Debenture Trustee;
11. the Guarantee, Indemnity and Postponement of Claims Agreement dated March 23, 2018 between the Company and ABO Healthcare GP Ltd.;
12. the Guarantee, Indemnity and Postponement of Claims Agreement dated March 23, 2018 between ABO Healthcare GP Ltd. and the Omni Lender;
13. the Hillcore Loan Agreement dated March 23, 2018 between the Borrower and Hillcore documenting the Hillcore Loan;
14. the Unit Purchase Option Agreement dated March 23, 2018 for the Omni Investment;
15. the Management Agreement dated March 23, 2018 with ABO Healthcare GP Ltd. as a general partner of ABO Healthcare Limited Partnership and ABO Trust;
16. the Agency Agreement dated ♦, 2020, among the Company and the Agents, as amended hereunder; and
17. the office lease agreement dated April 23, 2018 between the Company and Oxford properties Group.

Copies of these agreements may be inspected without charge during regular business hours at the offices of the Company until 30 days after the final Closing. Copies of these agreements may also be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **RISK FACTORS**

There are inherent risks related to the business of the Company, some of which are beyond its control. Shareholders must rely on the ability, expertise, judgment, discretion, integrity and good faith of the management of the Company.

The following is a summary of risks and uncertainties that management believes to be material to the Company's business and therefore the value of the Common Shares. It is possible that other risks and uncertainties that affect the business of the Company will arise or become material from time to time.

## **Risks Related to the Business of the Company**

### **Repayment Risk**

In the event that the Company defaults in its obligations under the Series A Indenture or the Trust Indenture, the sole recourse of the Debenture Trustee (on behalf of the holders of the Debentures) against the Company shall be with respect to the first priority security interest granted to the Debenture Trustee in the securities of the Omni Lender or the Waiward Lender, as applicable, and the Debenture Trustee and the Holders shall have no right to payment from the Company or the Borrower, or against any of the Company's other property or assets, except as otherwise permitted by law, or against any assets of the Borrower or its Affiliates.

### **Substantial Debt Obligations**

The significant amount of debt the Company has, as a result of the issuance of the Series A Debentures and the Debentures issued pursuant to the First Omni Debenture Offering and Second Omni Debenture Offering, and will continue to have upon issuance of the Debentures, may hinder its growth and put it at a competitive disadvantage. The Company's indebtedness could:

- require the Company to use a substantial portion of its operating cash flow to pay interest, which reduces funds available to invest in target companies and for other purposes;
- place the Company at a competitive disadvantage compared to its competitors that have less debt;
- make the Company more vulnerable to economic and industry downturns and reduce its flexibility in responding to changing business and economic conditions;
- limit the Company's ability to pursue business opportunities; and
- limit the ability of the Company to borrow money for operations or capital in the future.

### **No Prior Public Market for the Debentures**

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this Prospectus. No assurance can be given that an active or liquid trading market for the Debentures will develop or be sustained. If an active or liquid market for the Debentures fails to develop or be sustained, the price at which the Debentures trade may be adversely affected. The market price of the Debentures may be volatile and subject to wide fluctuations and will be based on a number of factors, including: (i) the prevailing interest rates being paid by companies similar to the Company; (ii) the overall condition of the financial and credit markets; (iii) interest rate volatility; (iv) the markets for similar securities; (v) actual or anticipated fluctuations in the financial condition, results of operations and prospects of the Company; (vi) the publication of earnings estimates or other research reports and speculation in the press or investment community; (vii) changes in the industry in which the Company operates and competition affecting the Company; and (viii) general market and economic conditions in North America and globally. The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the market price of the Debentures.

### **Prevailing Yields on Similar Securities**

Prevailing yields on similar securities will affect the market value of the Debentures. Assuming all other factors remain unchanged, the market value of the Debentures will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline.

## **Default by and Bankruptcy of the Borrowers**

The failure of any borrower indebted to the Company, including WILP and, on completion of the Omni Investment, the Borrower, to satisfy its borrowing obligations, including any covenants imposed, could lead to defaults and the termination of such borrower's loans and enforcement against its assets. In order to protect and recover its investments, the Company may be required to bear significant expenses (including legal, accounting, valuation and transaction expenses) to the extent necessary to seek recovery upon default or to negotiate new terms with such Borrower. In certain circumstances, a borrower's default under one loan could also trigger cross-defaults under other agreements and jeopardize the borrower's ability to meet its obligations to the Company. Should a borrower become insolvent, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale of all of a Borrower's collateral will be sufficient to satisfy the loan obligations secured by the collateral, or that sufficient assets will remain after priority creditors have been repaid.

## **Put Right of Minority AHL P Unitholders on Event of Default**

Pursuant to the terms of the AHL P limited partnership agreement, in the event that the Omni Lender realizes on the security set forth above, the transfer of the AHL P Units owned by the Borrower to the Omni Lender will need to be approved by the minority holders of the AHL P Units (which such holders will, in connection with the closing of the first advance under the Omni Loan Agreement, undertake to do on occurrence of an Event of Default (as defined in the Omni Loan Agreement)). Further, such holders will have the option to tender their respective AHL P Units to AHL P for purchase or redemption. On receipt of written notice requiring redemption or purchase, the AHL P-GP shall cause AHL P to, directly or indirectly, acquire the AHL P Units of such holders for fair market value (as determined by agreement of any such selling holders and the AHL P-GP or, failing that, by independent appraisal by a qualified business valuator appointed by any such selling holders), within 10 business days. The purchase price, to the extent not paid in cash, will be a debt obligation of AHL P and shall be an obligation to be paid in priority to any distribution to the Borrower or to the AHL P-GP, or to any successor, assign, creditor or transferee of the Borrower and/or the Borrower's General Partner, including the Omni Lender.

## **Change of Control**

Within 30 days following the occurrence of a Change of Control (see "*Details of the Offering - Change of Control*"), the Company must make an offer in writing to purchase the Debentures then outstanding, in whole or in part, at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest. The Company cannot assure holders of Debentures that, if required, the Company would have sufficient cash or other financial resources at that time or would be able to arrange financing to pay the purchase price of the Debentures in cash. The Company's ability to purchase the Debentures in such an event may be limited by law, by the Trust Indenture by the terms of other existing or future agreements relating to the Company's credit facilities and other indebtedness and agreements that the Company may enter into in the future which may replace, supplement or amend the Company's future debt. The Company's future credit agreements or other agreements may contain provisions that could prohibit the purchase by the Company of the Debentures without the consent of the lenders or other parties thereunder. If the Company's obligation to offer to purchase the Debentures arises at a time when the Company is prohibited from purchasing or redeeming the Debentures under another agreement, the Company could seek the consent of lenders or other parties under such agreement to purchase the Debentures or could attempt to refinance the borrowings that contain this prohibition. If the Company does not obtain consent or refinance these borrowings, the Company could not purchase the Debentures on a Change of Control without breaching such agreement. The Company's failure to purchase the Debentures would constitute an event of default under the Indenture, which might constitute a default under the terms of its other indebtedness at that time. The Company cannot assure holders of Debentures that it would have the financial resources or otherwise be able to arrange financing to pay the amounts that may become due if the Company is required to purchase the Debentures for cash under the circumstances described above.

### **Conversion Following Certain Transactions**

In the case of certain transactions, each Debenture may: (i) become convertible into the securities, cash or property receivable by a holder of Common Shares based on the number of Common Shares into which the Debenture was convertible immediately prior to the transaction; or (ii) become convertible into certain prescribed securities with limited liquidity. These changes could substantially lessen or eliminate the value of the conversion privilege associated with the Debentures in the future and result in the receipt of illiquid securities and thereby have a material adverse effect on the value of the Debentures. For example, if the Company were acquired in a cash transaction, each Debenture would become convertible ultimately only into cash and would no longer be convertible into securities whose value would vary depending on the Company's future prospects and other factors.

### **Redemption Prior to Maturity**

At any time after two years from the Initial Closing, the Company may, at its option, on not more than 60 days and not less than 30 days prior notice, redeem, in whole or in part, from time to time, the principal amount of the Debentures at the Redemption Price. See "*Details of the Offering - Redemption*".

### **Absence of Covenant Protection**

The Trust Indenture will not restrict the Company from incurring additional indebtedness or liabilities or from mortgaging, pledging or charging its properties to secure any indebtedness. The Trust Indenture will not contain any provision specifically intended to protect holders of the Debentures in the event of a future leveraged transaction involving the Company.

### **Credit Risk**

The likelihood that holders of the Debentures will receive payments owing to them under the terms of the Debentures will depend on the financial health of the Company and its creditworthiness. Accordingly, there is no assurance the Company will have sufficient capital to make interest payments when due or to repay the Debentures on the applicable maturity date or that it will be able to raise sufficient capital on acceptable terms by the applicable maturity date to repay the Debentures.

### **Creditworthiness of Borrowers**

The operations of the Company will depend on the creditworthiness of WILP and the Borrower, and other entities which the Company may make investments in the future, and their ability to fulfill their obligations. Although the Company intends to make advances only to entities it believes to be creditworthy, there can be no assurance that borrowers will not default and that the Company will not sustain a loss on its loans as a result. The Company will also rely on representations made by borrowers in their loan documentation. However, there can be no assurance that such representations will be accurate or that the Company will have any recourse against a borrower in the event a representation proves to be untrue.

### **Coverage Ratios**

See "*Earnings Coverage*", which is relevant to an assessment of the risk that the Company may be unable to pay interest or principal on the Debentures when due.

### **Investment Eligibility**

The Company will endeavor to ensure that the Debentures continue to be qualified investments for trusts governed by Deferred Plans (except a deferred profit sharing plan to which the Company, or an employer that does not deal at "arm's length" with the Company for purposes of the Tax Act, has made a contribution). No assurance can be given in this regard. If the Debentures or any Common Shares acquired under the terms of the Debentures are not



qualified investments for Deferred Plans, such Deferred Plans (and, in the case of certain Deferred Plans, the annuitants, subscribers or beneficiaries thereunder or holders thereof) may be subject to adverse tax consequences.

### **Withholding Tax**

Effective January 1, 2008, the Tax Act was amended to generally eliminate withholding tax on interest paid or credited to non-residents of Canada with whom the payor deals at arm's length. However, Canadian withholding tax continues to apply to payments of "participating debt interest". For purposes of the Tax Act, participating debt interest is generally interest that is paid on an obligation where all or any portion of such interest is contingent or dependent on the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any similar criterion.

Under the Tax Act, when a debenture or other debt obligation issued by a person resident in Canada is assigned or otherwise transferred by a non-resident person to a person resident in Canada (which would include a conversion of the obligation or payment on maturity), the amount, if any, by which the price for which the obligation was assigned or transferred exceeds the price for which the obligation was issued is deemed to be a payment of interest on that obligation made by the person resident in Canada to the non-resident (an "excess"). The deeming rule does not apply in respect of certain "excluded obligations", although it is not clear whether a particular convertible debenture would qualify as an "excluded obligation". If a convertible debenture is not an "excluded obligation", issues that arise are whether any excess would be considered to exist, whether any such excess which is deemed to be interest is "participating debt interest", and if the excess is participating debt interest, whether that results in all interest on the obligation being considered to be participating debt interest.

The CRA has stated that any excess that arises because of a transfer or assignment of a "standard convertible debenture" (as that term was defined in a letter from the Joint Committee on Taxation of the Canadian Bar Association and the Canadian Institute of Chartered Accountants sent to the CRA on May 10, 2010) by a non-resident person to a person resident in Canada (including the issuer of the debenture) does not generally constitute "participating debt interest", and therefore, there would be no withholding tax in such circumstances (provided that the payor and payee deal at arm's length for purposes of the Tax Act). The Debentures should generally meet the criteria set forth in the CRA's statement. Nevertheless, there is a risk that amounts paid or payable by the Company to a holder of Debentures on account of interest or any "excess" amount may be subject to Canadian withholding tax at a rate of 25% (subject to any reduction in accordance with a relevant tax treaty). The Trust Indenture will not contain a requirement that the Company increase the amount of interest or other payments to holders of Debentures in the event that it is required to withhold Canadian withholding tax on the payment of interest (including any excess that may be considered to be participating debt interest).

### **Shareholder Rights**

Holders of Debentures are not, and will not be, entitled to any rights with respect to the Common Shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on the Common Shares, other than in limited circumstances), but if a holder of Debentures subsequently converts its Debentures into Common Shares, such holder will be subject to all changes affecting the Common Shares. Rights with respect to the Common Shares will arise only if and when the Company delivers Common Shares upon conversion of a Debenture. For example, in the event that an amendment is proposed to the Company's constating documents requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to delivery of Common Shares to a holder, such holder will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes in the powers or rights of Common Shares that result from such amendment.

### **Risk of Payment Defaults Under Investment Agreements**

While the Company intends to structure its investments, including the Omni Investment, in such a way as to minimize the risk of default, there is no guarantee that investee companies will not default on their payment obligations because of business failure or obligations to other lenders, investors or stakeholders. Further, there is no

assurance that, in the event of a default, the Company will be able to recover all or any of its investment. Such failure could have an adverse impact on the Company's financial condition and results of operations, including impairing the Company's ability to pay amounts owing under the Debentures or to pay dividends on the Convertible Preferred Shares. In addition, in the event investments in investee companies are structured on a subordinated or unsecured basis, the Company's rights, including payment rights, will be subordinate to the rights of secured lenders of investee companies and other parties holding security interests against investee companies. As such, upon a default by an investee company, there may be no funds left to permit the Company to recover its investment.

### **Dependence on the Performance of Investee Companies**

The Company will be dependent on the operations, assets and financial health of the investee companies in which it makes investments. The Company's ability to meet its operating expenses in the long term will be largely dependent on the interest and other payments received from investee companies, which are expected to be the sole source of cash flow for the Company. While the Company intends to focus on special situation debt financing to Hillcore Group's pipeline of current and future private equity investments, payments to the Company from investee companies may be based on a percentage of such companies' top line revenues, in which case negative financial performance of an investee company will likely have a negative impact on the Company's cash flow. In addition, if the financing position of an investee company declines such that it is unable to make interest payments to the Company, the Company's financial condition and cash flow would be adversely affected.

The Company has conducted and will conduct due diligence on each of its investee companies prior to entering into agreements with them. In addition, the Company plans to monitor investee company performance through observer rights at board meetings of investee companies, negotiating rights to appoint one or more directors to the boards of investee companies, and receiving and reviewing regular financial reports from the investee companies. Nonetheless, there is a risk that there may be some liabilities or other matters that are not identified through the Company's due diligence or ongoing monitoring that may have an adverse effect on an investee company's business and, as a result, on the Company.

### **Lack of Control Over Investee Company Management**

The Company does not have, and does not expect to have, a high degree of influence over any of its investee companies or their operations. Payments received by the Company from investee companies may therefore depend upon several factors that may be outside of the Company's control.

### **Volatility of Common Share Price**

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility. A publicly traded company will not necessarily trade at values determined by reference to the underlying value of its business. The market price of the Common Shares could be subject to significant fluctuations in response to variations in quarterly and annual operating results, the results of any public announcements the Company makes, general economic conditions, and other factors. Increased levels of volatility and resulting market turmoil may adversely impact the price of the Common Shares. If the Company is (as it is expected to be) required to access capital markets to carry out its business objectives, the state of domestic and international capital markets and other financial systems could affect its access to, and cost of, capital. Such capital may not be available on terms acceptable to the Company or at all, and this could have a material adverse impact on its business, financial condition, results of operations or prospects.

### **Dilution**

Trenchant is authorized to issue an unlimited number of Common Shares and other securities for such consideration and on such terms and conditions as may be established by the Board without the approval of the Shareholders. It is currently anticipated that the Company may be required to conduct additional equity financings in order to finance additional investments and develop the business of the Company as currently planned and

envisioned by management of the Company. Any further issuance of Common Shares pursuant to such equity financings will dilute the interests of existing Shareholders and such Shareholders will have no pre-emptive rights in connection with such future issuances. In addition, conversion of the Debentures or the Convertible Preferred Shares will also dilute the interests of existing Shareholders.

### **Financing Risks**

The Company has only a limited history of revenue and there can be no assurance that the Company will realize significant earnings or revenue in the future. In addition, the Company's business model is dependent on making investments in additional investee companies, and the Company anticipates having to raise additional capital to fund these investments. While the Company may generate additional working capital through equity or debt offerings, or through the receipt of interest or other payments from investee companies, there is no assurance that such funds will be sufficient to facilitate the development of the Company's business as envisioned or, in the case of equity financings, that such funds will be available on terms acceptable to the Company or at all. If available, future equity financing may result in substantial dilution to the Shareholders.

### **Conflicts of Interest**

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers will be made in accordance with their duties and obligations under the BCBCA and other applicable laws to deal fairly and in good faith with a view to the best interests of the Company and the Shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the BCBCA, and other applicable laws.

### **Early Stage of Development**

The Company is in an early stage of development. As such, there is limited financial, operational and other information available with which to evaluate the prospects of the Company. There can be no assurance that the Company's operations will be profitable in the future or will generate sufficient cash flow to satisfy its working capital requirements.

### **Limited Number of Investments**

While the Company's intention is to negotiate and fund additional investments in companies in different industry sectors, it will take time to attain such diversification, if such diversification can be achieved at all. Until such time as diversification is achieved, the Company may have a significant portion of its assets dedicated to a single business sector or industry. In the event that any such business or industry is unsuccessful or experiences a downturn, this could have a material adverse effect on the Company's business, results of operations and financial condition.

### **Ability to Negotiate Additional Investments**

A key element of the Company's growth strategy is expected to involve negotiating and finding investments in other operating companies. Achieving the benefits of future investments will depend in part on successfully identifying and capturing such opportunities in a timely and efficient manner and in structuring such arrangements to ensure a stable and growing stream of revenues. The Company's ability to identify investee companies and negotiate and fund additional investments in such a manner is not guaranteed.

### **Ability to Manage Future Growth**

The Company's ability to achieve desired growth will depend on its ability to identify, evaluate and successfully negotiate and fund investments in other companies. Achieving this objective in a cost-effective manner will be a

product of the Company's strategic alliance with Hillcore Group, as well as its own sourcing capabilities, management of the investment process, ability to provide capital on terms that are attractive to private businesses, and access to financing on acceptable terms. As the Company grows, it will also be required to hire, train, supervise and manage new employees. Failure to manage any future growth or to successfully negotiate suitable investments effectively could have a material adverse effect on the Company's business, financial condition and results of operations.

### **Effect of General Economic and Political Conditions**

The Company's business and the business of its investee companies are subject to the impact of changes in national or international economic conditions, including, but not limited to, recessionary or inflationary trends, equity market conditions, consumer credit availability, interest rates, consumers' disposable income and spending levels, job security and unemployment, and overall consumer confidence. These economic conditions may be further affected by political events throughout the world that cause disruptions in the financial markets, either directly or indirectly. Adverse economic and political developments could have a material adverse effect on the Company and its investee companies' business, financial condition, results of operations and cash flows.

### **Competition From Other Investment Companies**

The Company competes with a large number of private equity funds and mezzanine funds, investment banks, equity and non-equity based investment funds, and other providers of financing, including the public capital markets. Some of the Company's competitors are substantially larger and have considerably greater financial resources than the Company. Competitors may have a lower cost of funds and many have access to funding sources and unique structures that are not available to the Company. In addition, some of the Company's competitors may have higher risk tolerance or different risk assessment parameters, which could allow them to consider a wider variety of investments than the Company. Pressure from the Company's competitors may have a material adverse effect on the Company's business, financial condition and results of operations.

### **Adequacy of Provision for Credit Losses**

A provision for credit losses that reflects management's judgment of the risk of losses inherent in the Company's portfolio is expected to be maintained. Management will periodically review its provisions for credit losses to ensure they are adequate and expects to consider factors such as economic conditions and trends, collateral values (including third party appraisals), credit quality indicators, past charge-off experience, levels of past due loans, past due loan migration trends, and non-performing assets when performing its analysis. Evidence of impairment for loans at both a specific asset and collective level will be considered. All individually significant loans will be assessed for specific impairment. Those found not to be specifically impaired will be collectively assessed for any impairment that has been incurred but not yet identified. Determining the appropriate level of the provision for credit losses is an inherently uncertain process and therefore the determination of this provision may prove to be inadequate to cover losses in connection with the portfolio of loans. Factors that could lead to the inadequacy of a provision for credit losses may include the inability to appropriately underwrite credit risk of new loans, to effectively manage collections or to anticipate adverse changes in the economy or the occurrence of discrete events that adversely affect specific borrowers, industries, markets or geographic areas. For these reasons, there can be no assurance that provisions for credit losses will be adequate to cover credit losses relating to any loans advanced, including the Waiward Investment and the Omni Investment, and such provisions may not keep pace with changes in the creditworthiness of borrowers or in collateral values. If the credit quality of borrowers declines, if the risk profile of a market, industry, or group of borrowers changes significantly, or if a market for the collateral against which the Company has secured its loans deteriorates significantly, management's previous estimates of the appropriate level of reserves for credit losses may be inadequate and accordingly could materially adversely affect operations and profitability.

### **Fraud by Borrower or other Investee Company**

While the Company will make every effort to verify the accuracy of information provided to it when making an investment decision, and will have systems and controls to assist it in protecting itself against fraud, a borrower or other investee or may fraudulently misrepresent information relating to its financial health, operations or compliance with the terms under which the Company is prepared to advance funds. In cases of fraud, it will be difficult and more unlikely that the Company will be able to collect amounts owing under a loan or realize on collateral, which could have a material adverse effect on the Company, and, in turn, adversely affect the financial condition and/or profitability of the Company.

### **Payment of Dividends**

The Company has never declared dividends on any of its securities. The Company intends to reinvest all future earnings to finance the development and growth of its business. As a result, the Company does not intend to pay dividends on its securities in the foreseeable future, except as explicitly required by the rights and restrictions of such securities. Any future determination to pay dividends will be at the discretion of the Board and will depend on the Company's financial condition, operating results, capital requirements, contractual restrictions on the payment of dividends; prevailing market conditions and any other factors that the Board deems relevant.

### **Liquidity and Capital Resources**

There is no guarantee that cash flow from investments will be readily available or will provide the Company with sufficient funds to meet its ongoing financial obligations. The Company may therefore require additional equity or debt financing to meet its operational requirements. The Company also plans to rely on additional equity financing to make investments in investee companies to grow the Company's business to the level envisioned by its management. There can be no assurance that such financing will be available when required or available on commercially favourable terms or on terms that are otherwise satisfactory to the Company. The ability of the Company to arrange such financing in the future will depend in part upon prevailing capital market conditions as well as its business performance.

### **Currency Fluctuations**

The Company may make investments in companies with significant United States or foreign operations. The Canadian dollar relative to the United States dollar or other foreign currencies is subject to fluctuations. Failure to adequately manage foreign exchange risk could therefore adversely affect the Company's business, financial condition and results of operations.

### **Exercise of Early Payout or Buyout Option**

The Company's investments in investee companies may contain early repayment or buyout options which allow investee companies to repurchase the Company's investments in them for a set price. Although the Company's management intends to structure repurchase terms to adequately compensate the Company for such repayments or buyouts, the value of a repayment or buyout option relative to the ongoing value of a lost payment stream may result in the Company's return on an investment being lower than expected or that would be the case absent the buyout or repurchase, which could adversely affect the Company's business.

### **Impact of Regulation and Regulatory Changes**

The Company and its investee companies are subject to a variety of laws, regulations and guidelines in the jurisdictions in which they operate, and may become subject to additional laws, regulations and guidelines in the future, particularly as a result of acquisitions or additional changes in the jurisdictions in which they operate. The financial and managerial resources necessary to ensure such compliance could escalate significantly, and without warning, which could have a material adverse effect on the Company and investee companies' business, resources,

financial condition, results of operations and cash flows. Such laws and regulations are also subject to change from time to time, and it is impossible for the Company to predict the cost or impact of changes on its future operations.

### **Reliance on Key Personnel**

The success of the Company will depend on the abilities, experience, efforts and industry knowledge of its senior management and other key personnel. The long-term loss of the services of any key personnel for any reason could have a material adverse effect on the business, financial condition, results of operations or future prospects of the Company. In addition, the growth plans of the Company described in this Prospectus may require additional personnel, increase demands on management, and produce risks in both productivity and retention levels. The Company may not be able to attract and retain additional qualified management and personnel as needed in the future. There can be no assurance that the Company will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on its business, financial condition, results of operations and future prospects.

### **Litigation**

To the Company's knowledge, as of the date of this Prospectus, no material claims or litigation have been brought against the Company. However, the Company may become party to litigation from time to time in the ordinary course of business, which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Common Shares, and could result in significant financial and management resources of the Company being expended in connection therewith. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

In addition to being subject to litigation in the ordinary course of business, in the future, the Company may be subject to class actions, derivative actions and other securities litigation and investigations. This litigation may be time consuming, expensive and may distract the Company from the conduct of its daily business. It is possible that the Company will be required to pay substantial judgments, settlements or other penalties and incur expenses that could have a material adverse effect on its operating results, liquidity or financial position. Expenses incurred in connection with these lawsuits, which would be expected to include substantial fees of lawyers and other professional advisors, and the Company's obligations to indemnify officers and directors who may be parties to such actions, could materially adversely affect the Company's reputation, operating results, liquidity or financial position.

### **Risks Facing Investee Companies**

As previously noted, the Company's financial condition and results of operations will be affected by the performance of the companies in which it invests. Each investee company will also be subject to risks which will affect their respective financial condition. Given that, other than with respect to the Waiward Investment and the Omni Investment, the Company does not currently know the exact nature of the businesses in which it may make investments, it is impossible to predict exactly what risks investee companies will face. Nonetheless, typical risks which investee companies might be expected to face include the following:

- Investee companies may need to raise capital through equity or debt financing. Failure to obtain such equity or debt, or the terms of such equity or debt that may be available, may impair the ability of investee companies to finance their future operations and capital needs. Flexibility to respond to changing business and economic conditions may therefore be limited.
- The success of investee companies may depend on the talents and efforts of one or two Persons or a small group of Persons. The death, disability or resignation of one or more of these Persons could have a material adverse impact on an investee company.

- Investee companies may require additional working capital to carry out their business activities and to expand their businesses. If such working capital is not available, the financial performance and development of the businesses of the investee companies may be adversely affected.
- Damage to the reputation of investee companies' brands could negatively impact consumer opinion of those companies or their related products and services, which could have an adverse effect on their businesses.
- Investee companies may face intense competition, including competition from companies with greater financial and other resources, and more extensive development, manufacturing, marketing and other capabilities. There can be no assurance that investee companies will be able to successfully compete against their competitors or that such competition will not have a material adverse effect on their businesses.
- Investee companies may experience reduced revenues through the loss of a customer representing a high percentage of their revenues.
- Investee companies may experience reduced revenues due to an inability to meet regulatory requirements, or may experience losses of revenues due to unforeseeable changes in regulations imposed by various levels of government.
- Investee companies may rely on government or other subsidy programs for revenue or profit generation. Changes to, or elimination of, such programs may have an adverse effect on such companies.
- Investee companies may experience negative financial results based on foreign exchange losses.

### **Risks Related to the Business of Omni**

#### **General Business Risks**

Omni is subject to general business risks inherent in the senior care industry, including: increased government regulation and oversight; changing consumer preferences; fluctuations in occupancy levels and business volumes; the inability to achieve adequate government funding increases; increases in labour costs and other operating costs; possible future changes in labour relations; competition from, or the oversupply of, other similar properties; changes in neighbourhood or location conditions and general economic conditions; health related risks; disease outbreaks and control risks; changes in accounting principles and policies; the imposition of increased taxes or new taxes; capital expenditure requirements; changes in interest rates; and changes in the availability and cost of long-term financing, which may render refinancing of long-term debt difficult or unattractive. Any one of, or a combination of, these factors may adversely affect the business, results of operations and financial condition of Omni.

In addition, there are inherent legal, reputational and other risks involved in providing housing and health care services to seniors. The vulnerability and limited mobility of some seniors enhances such risks. Such risks include fires or other catastrophic events at a property which may result in injury or death, negligent or inappropriate acts by employees or others who come into contact with Omni's residents, and unforeseen events at Omni's centres that result in damage to Omni's brand or reputation or to the industry as a whole.

#### **Government Funding and Regulatory Changes**

Omni's earnings are highly reliant on government funding and reimbursement programs, and the effective management of staffing and other costs of operations, which are strictly monitored by government regulatory authorities. Given that Omni operates in a labour-intensive industry, where labour costs account for a significant portion of Omni's operating costs, government funding constraints could have a significant adverse effect on the results from operations and cash flows of Omni. Management is unable to predict whether governments will adopt

changes in their funding and reimbursement programs, and if adopted and implemented, what effect such changes will have on Omni.

All long-term care providers are subject to surveys, inspections, audits and investigations by government authorities to ensure compliance with applicable laws and licensure requirements of the various government funding programs. Long-term care centres must comply with applicable regulations that, depending on the jurisdiction in which they operate, may relate to such things as staffing levels, resident care standards, occupational health and safety, resident confidentiality, billing and reimbursement, along with environmental and other standards. Retirement communities are also subject to extensive government regulation and oversight, licensure requirements and the potential for regulatory change. The government review process is intended to determine compliance with survey and certification requirements, and other applicable laws. Remedies for survey deficiencies can be levied based upon the scope and severity of the cited deficiencies. Remedies range from the assessment of fines to the withdrawal of payments under the government funding programs. Should a deficiency not be addressed through a plan of correction, a centre can be decertified from the funding program. Omni makes every effort to avoid and mitigate notices of deficiencies through quality assurance strategies. As well, all efforts are undertaken to correct all legitimate problem areas that have been identified through regulatory inspections.

The revocation of a license by authorities or the cancellation of a service contract due to inadequate performance by the operator has been historically infrequent and is usually preceded by a series of warnings, notices and other sanctions. Omni has never had such a license or service contract revoked in Canada.

Non-compliance with applicable laws and licensure requirements governing LTC and retirement communities could result in adverse consequences, including severe penalties, which may include criminal sanctions and fines, civil monetary penalties and fines, administrative and other sanctions, including exclusion from participation in government funded programs, or one or more third-party payor networks. Omni may be required to refund amounts that have been paid to it by government funding programs. These penalties could have a material adverse effect on the business, results of operations or financial condition of Omni.

### **LTC Funding in Ontario**

The provincial regulation of LTC homes includes the control of resident co-payment fees. The Ontario Ministry of Health and Long-term Care (“MOHLTC”) funds care and support programs provided in LTC homes and subsidizes accommodation costs for qualifying residents. As a result of increasing healthcare costs, the risk exists that funding agencies may, in the future, reduce the level of, or eliminate, such fees, payments or subsidies. There can be no assurance that the current level of such fees, payments and subsidies will continue or that such fees, payments and subsidies will increase commensurate with expenses. A reduction of these fees, payments or subsidies could have an impact on the business, operating results or financial condition of Omni.

### **Financing Risk**

Omni expects its working capital needs and capital expenditure needs to increase in the future as it continues to expand and enhance its portfolio. Omni’s ability to raise additional capital will depend on the financial success of its current business and the successful implementation of its key strategic initiatives, financial, economic and market conditions, and other factors, some of which are beyond its control. No assurance can be given that it will be successful in raising the required capital at reasonable cost and at the required times, or at all. If Omni is unsuccessful in raising additional capital, it may not be able to continue its business operations and advance its growth initiatives.

A portion of Omni’s cash flow is devoted to servicing its debt and there can be no assurance that Omni will continue to generate sufficient cash flow from operations to meet the required interest and principal payments on its debt. If Omni were unable to meet such interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. If this were to occur, it could have an impact upon the business, operating results or financial condition of Omni. Omni is subject to the risk that its existing indebtedness may not be able to be refinanced at maturity or that the terms of any refinancing may not be as



favourable as the terms of its existing indebtedness. If Omni requires additional debt financing, its lenders may require it to agree on restrictive covenants that could limit its flexibility in conducting future business activities or that contain customary provisions that, upon an event of default or other breach of debt covenant, result in the acceleration of repayment of amounts owed. Some of Omni's current debt instruments include such covenants.

### **Debt Financing**

The Senior Credit Agreement is a demand facility that is secured by 18 long-term care centres in Ontario and is guaranteed by certain subsidiaries of Omni. The Senior Credit Agreement contains normal and customary terms, including annual re-appraisals of certain nursing homes, that could limit the maximum level of the line of credit and other restrictions on certain subsidiaries of Omni making certain payments, investments, loans and guarantees. A demand for repayment of amounts drawn on the line of credit could inhibit the flow of cash dividends by Omni on a temporary or more permanent basis until alternative financing is obtained. In addition, Omni, through an operating subsidiary, is party to a credit facility subordinate to the Senior Credit Agreement pursuant to which it has been advanced \$14.4 million towards which only interest payments are required until December 31, 2032, and which may be repaid at any time without penalty.

### **Redevelopment of Class B and C Homes**

In October 2014, an announcement was made by the MOHLTC in regards to an LTC home renewal strategy to support operators in upgrading older LTC homes. Omni expects to develop older homes through this program. The redevelopment of Omni's Class B and Class C beds into Class A beds may include significant capital outlays. To the extent such redevelopment plans proceed on significantly different timing or terms, including with respect to the levels of expected MOHLTC funding, there could be an adverse effect on the Omni's business operations. Pursuant to the Senior Credit Agreement, Omni is required to make certain annual capital expenditures to the redevelopment of Class B and C beds in accordance with the terms of the Senior Credit Agreement.

### **Liability and Insurance**

The businesses that are carried on by Omni, directly or indirectly, entail an inherent risk of liability. Management expects that, from time to time, Omni may be subject to lawsuits as a result of the nature of its business. Omni maintains business and property insurance policies in amounts and with such coverage and deductibles as deemed appropriate, based on the nature and risks of the business, historical experience and industry standards.

There can be no assurance, however, that claims in excess of the insurance coverage, or in excess of Omni's reserves, or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. Furthermore, there are certain types of risks, generally of a catastrophic nature, such as war, non-certified acts of terrorism, or environmental contamination, which are either uninsurable or are not insurable on an economically viable basis. A successful claim against Omni not covered by, or in excess of, such insurance, or in excess of Omni's reserves for self-insured retention levels, could have a material adverse effect on the business, results of operations and financial condition of Omni. Claims against Omni, regardless of their merit or eventual outcome, may also have a material adverse effect on the ability of Omni to attract residents, expand the business of Omni or maintain favourable standings with regulatory authorities.

### **Tax Rules and Regulations**

Omni is subject to audits from federal, state and provincial tax jurisdictions and is therefore subject to risk in the interpretation of tax legislation and regulations. Tax regulations are complex and require careful review by Omni's tax management and its external tax consultants. Differences in interpretation of those tax rules and regulations could result in tax assessments and penalties for the untimely payment of the determined tax liability, which could have a material adverse effect on the business, results of operations and financial condition of Omni.

## **Privacy of Client Information and Cyber Security**

As a custodian of a large amount of personal information, including health information, relating to its clients and employees, Omni is exposed to the potential loss, misuse or theft of any such information. In addition, cyber-attacks against large organization are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. Omni mitigates this risk by deploying appropriate information technology systems, including controls around logical access, physical access and data management, and training its employees relating to safeguarding of sensitive information.

There are a number of federal and provincial laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information. In particular, the privacy rules under PIPEDA, protect medical records and other personal health information by limiting their use and disclosure of health information to the minimum level reasonably necessary to accomplish the intended purpose. If Omni was found to be in violation of the privacy or security rules under PIPEDA or other laws protecting the confidentiality of patient health information, it could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation and have a material adverse effect on the business, results of operations and financial condition of Omni.

Although to date Omni has not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that Omni will not incur such losses in the future. Omni's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, Omni may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

## **Occupancy and Business Volumes**

Senior care providers compete primarily on a local and regional basis with many other health care, long-term care and retirement living providers, including profit-oriented and not-for-profit organizations, hospital-based LTC units, rehabilitation hospitals, home health care agencies, and rehabilitative therapy providers. Omni's ability to compete successfully varies from location to location and depends on a number of factors, including the number of competitors in the local market, the types of services available, local reputation for quality care, the commitment and expertise of its staff, its local service offerings, the cost of care in each locality, and the physical appearance, location, age and condition of its centres. Increased competition could limit Omni's ability to attract and retain residents and clients, maintain or increase occupancy levels and business volumes, or to expand its business. If Omni is unable to attract residents and clients, then it could materially adversely affect the business, results of operations and financial condition of Omni.

## **Real Property Ownership**

All real property investments are subject to a degree of risk. They are affected by various factors, including changes in general economic conditions (such as the availability of long-term mortgage funds) and in local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to patients and residents, competition from other available space and various other factors. In addition, fluctuations in interest rates could have a material adverse effect on the business, results of operations and financial condition of Omni.

Senior care and living centres are limited in terms of alternative uses; therefore, their values are directly driven by the cash flow from operations. The value of Omni's properties depends, in part, on government funding and reimbursement programs. Omni's income and funds available for distribution would be adversely affected if governments reduced their funding or reimbursement programs. In addition, overbuilding in any of the market areas in which Omni operates could cause these properties to experience decreased occupancy or depressed margins, which could have a material adverse effect on the business, results of operations and financial condition of Omni. Moreover, certain significant expenditures involved in real property investments, such as real estate taxes,

maintenance costs and mortgage payments, represent liabilities that must be met regardless of whether the property is producing any income.

Real property investments are relatively illiquid, thereby limiting the ability of Omni to vary its portfolio in a timely manner in response to changed economic or investment conditions. By specializing in long-term care and retirement living centres, Omni is exposed to adverse effects on these segments of the real estate market. There is a risk that Omni would not be able to sell its real property investments or that it may realize sale proceeds below their current carrying value.

### **Capital Intensive Industry**

Omni must commit a substantial portion of its funds to maintain and enhance its senior care and living centres and equipment to meet regulatory standards, operate efficiently and remain competitive in its markets. To the extent redevelopment plans are not implemented or proceed on significantly different timing or terms, including the levels of expected government subsidy funding, they, as well as other future capital requirements, could adversely impact the amount of cash available to Omni and have a material adverse effect on the business, results of operations and financial condition of Omni.

### **Environmental Liabilities**

As an owner of interests in real property, Omni is subject to government laws and regulations relating to environmental matters. Omni may become liable for the costs of removal or remediation of certain hazardous, toxic, or regulated substances present at, released on or disposed of from its properties, regardless of whether or not Omni knew of, or was responsible for, their presence, release or disposal. The failure to remove, remediate, or otherwise address such substances, if any, may adversely affect the ability to sell such properties or to borrow using such properties as collateral and could potentially result in claims by public or private parties, including by way of civil action.

In addition, environmental laws may change and Omni may become subject to more stringent environmental laws in the future. Compliance with more stringent environmental laws, which may be more rigorously enforced, could have a material adverse effect on the business, results of operations and financial condition of Omni.

### **Dependence on Key Personnel**

The success of Omni depends, to a significant extent, on the efforts and abilities of its executive officers and other members of management, as well as its ability to attract and retain qualified personnel to manage existing operations and future growth. Although Omni has entered into employment agreements with certain of its key employees, it cannot be certain that any of these individuals will not voluntarily terminate his or her employment with Omni. The loss of an executive officer or other key employee could negatively affect Omni's ability to develop and pursue its business strategy, which could have a material adverse effect on the business, results of operations and financial condition of Omni.

### **Personnel Costs**

The long-term care industry is labour intensive. Omni competes with other health care providers in attracting and retaining qualified and skilled personnel to manage and operate the day-to-day operations of each of its centres and home health care services. The health care industry continues to face shortages of qualified personnel, such as nurses, certified nurse's assistants, nurse's aides, and therapists. The shortage of qualified personnel and general inflationary pressures may require Omni to enhance its pay and benefits package to compete effectively for such personnel. Omni may not be able to recover such added costs through increased government funding and reimbursement programs, or through increased rates charged to residents and clients. The inability to retain and/or attract qualified personnel and meet minimum staffing levels may result in: a reduction in occupancy levels and volume of services provided; the use of staffing agencies at added costs; an increased risk in the inability to provide continuity of care between staff, residents and clients; and an increased risk of an LTC or retirement

community being subject to fines and penalties. An increase in personnel costs or a failure to attract, train and retain qualified and skilled personnel could adversely affect the business, results of operations and financial condition of Omni.

### **Competition**

Numerous other seniors housing facilities compete with Omni in seeking residents. The existence of competing owners and competition for residents could have an adverse effect on Omni's ability to find residents for its seniors housing properties and on the rents charged, and could adversely affect Omni's revenues along with its ability to meet its debt obligations.

### **Geographic concentration**

A majority of the business and operations of Omni are conducted in Ontario. The fair value of the Omni's assets and the income generated therefrom could be negatively affected by changes in local and regional economic conditions.

## **LEGAL MATTERS**

Certain legal matters relating to the Offering have been passed upon by Clark Wilson LLP, on behalf of the Company, and by Stikeman Elliott LLP, on behalf of the Agents. As of the date of this Prospectus, the partners and associates of Clark Wilson LLP and Stikeman Elliott LLP, as a group, own beneficially, directly or indirectly, less than 1% of the issued and outstanding Common Shares.

## **EXPERTS**

### **Names of Experts**

The audited annual financial statements and notes thereto of the Company included in this Prospectus have been audited by Dale Matheson Carr-Hilton Labonte LLP.

Dale Matheson Carr-Hilton Labonte LLP are the auditors of the Company and have confirmed that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

To the knowledge of management of the Company, as of the date hereof, no expert, nor any Associate or Affiliate of such Person, has any beneficial interest, direct or indirect, in the securities or property of the Company.

### **Interests of Experts**

Other than as disclosed herein, none of the Persons set out under the headings "*Legal Matters*" and "*Experts*" have held, received or is to receive any registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of its associates or affiliates when such Person prepared the report, valuation, statement or opinion aforementioned or thereafter.

## **PURCHASERS' CONTRACTUAL RIGHTS**

Original purchasers of Debentures will have a non-assignable contractual right of rescission, exercisable against the Company following the issuance of Common Shares to such purchaser upon the conversion of the Debentures, to receive the amount paid for such Debentures upon surrender of the Common Shares if this Prospectus or any amendment thereto contains a misrepresentation (as such term is defined in the *Securities Act* (British Columbia)), provided such remedy for rescission is exercised within 180 days of the date of purchase of the Debentures under this Prospectus, following which this contractual right of rescission will be null and void. This contractual right of rescission will be consistent with the statutory right of rescission described under Section 131 of the *Securities Act*

(British Columbia), and is in addition to any other right or remedy available to original purchasers under Section 131 the *Securities Act* (British Columbia) or otherwise at law. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages, or consult with a legal adviser.

### **STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two Business Days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revision of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult a legal adviser.

In an offering of convertible securities such as the Debentures, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in a prospectus is limited, in certain provincial securities legislation, to the price at which the convertible security is offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon conversion of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages, or consult with a legal advisor.

**Unaudited Financial Statements and MD&A for  
Six Months Ended September 30, 2019**

**TRENCHANT CAPITAL CORP.**  
**Consolidated Financial Statements**  
**Six months Ended September 30, 2019**

**Expressed in Canadian Dollar**

	Notes	September 30, 2019	March 31, 2019
<b>ASSETS</b>		(Unaudited)	(Audited)
<b>Current assets</b>			
Cash		\$ 98,075	\$ 105,481
Accounts receivable		10,000	4,350
Prepays		22,898	57,898
Interest receivable	4	726,460	549,861
		857,433	717,590
<b>Long-term assets</b>			
Property and Equipment, net	3	139,255	34,395
PIK interest receivable	4	464,464	362,586
Loans receivable	4	21,223,000	17,234,000
<b>TOTAL ASSETS</b>		<b>\$ 22,684,152</b>	<b>\$ 18,348,571</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	5,7	\$ 579,001	\$ 478,902
Dividends payable	8	443,500	382,000
Lease liability, current portion	3	60,754	-
		1,083,255	860,902
<b>Long-term Liabilities</b>			
Lease liability	3	56,893	-
Preferred share liability		94,460	188,833
Debentures	7	19,267,602	15,085,969
<b>TOTAL LIABILITIES</b>		<b>20,502,210</b>	<b>16,135,704</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	4,170,018	4,157,518
Preferred shares	8	2,180,176	2,192,676
Share-based payment reserve	8	459,449	409,597
Deficit		(4,627,701)	(4,546,924)
<b>TOTAL EQUITY</b>		<b>2,181,942</b>	<b>2,212,867</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 22,684,152</b>	<b>\$ 18,348,571</b>

Going concern (Note 1)

On behalf of the board:

"Eric Boehnke"  
Eric Boehnke, Director

"Tom English"  
Tom English, Director



	Notes	Three month periods ended		Six month periods ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<b>Revenues</b>					
Interest income	4	\$ 593,182	\$ 483,345	\$ 1,092,880	\$ 929,481
<b>Expenses</b>					
Accretion		43,577	33,668	85,553	67,590
Business development		-	1,781	43,120	44,484
Consulting		2,100	2,678	2,100	19,628
Depreciation		8,712	-	29,503	-
General and administrative		13,608	1,386	18,597	27,804
Interest		424,519	346,629	783,154	669,002
Professional fees	6	52,832	10,453	112,428	37,426
Share-based payment		25,062	-	49,852	-
Transfer agent and filing fees		23,535	8,954	49,350	28,741
		(593,945)	(405,549)	(1,173,657)	(894,675)
<b>Net and comprehensive income</b>					
<b>(loss) for the period</b>		\$ (763)	\$ 77,796	\$ (80,777)	\$ 34,806
<b>Income (loss) per share – basic and diluted</b>					
		\$ (0.00)	\$ 0.00	\$ (0.00)	\$ 0.00

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

Amended and Restated

	Share capital						
	Number of Common shares	Number of Preferred shares	Common shares	Preferred shares	Share-based payment reserve	Deficit	Total
<b>Balance at March 31, 2018</b>	<b>11,535,885</b>	<b>6,750,000</b>	<b>\$ 4,111,518</b>	<b>\$ 2,192,676</b>	<b>\$ 343,158</b>	<b>\$ (4,499,703)</b>	<b>\$ 2,147,649</b>
Issue of common shares (Note 8)	102,222		46,000	-	-	-	46,000
Comprehensive loss	-	-	-	-	-	34,806	34,806
<b>Balance at September 30, 2018</b>	<b>11,638,107</b>	<b>6,750,000</b>	<b>\$ 4,157,518</b>	<b>\$ 2,192,676</b>	<b>\$ 343,158</b>	<b>\$ (4,464,897)</b>	<b>\$ 2,28,455</b>
<b>Balance at March 31, 2019</b>	<b>11,638,107</b>	<b>6,750,000</b>	<b>\$ 4,157,518</b>	<b>\$ 2,192,676</b>	<b>\$ 409,597</b>	<b>\$ (4,546,924)</b>	<b>\$ 2,212,867</b>
Preferred share conversion(Note 8)	31,250	(31,250)	12,500	(12,500)	-	-	-
Share-based payments	-	-	-	-	49,852	-	49,852
Comprehensive loss	-	-	-	-	-	(80,777)	(80,777)
<b>Balance at September 30, 2019</b>	<b>11,669,357</b>	<b>6,718,750</b>	<b>\$ 4,170,018</b>	<b>\$ 2,180,176</b>	<b>\$ 459,449</b>	<b>\$ (4,627,701)</b>	<b>\$ 2,181,942</b>

See accompanying notes to the consolidated financial statements

Trenchant Capital Corp.  
Consolidated Statements of Cash Flows  
(Unaudited, expressed in Canadian Dollars)

Amended and Restated

	Six months ended	
	September 30, 2019	September 30, 2018
<b>Operating activities</b>		
Net loss	\$ (80,777)	\$ 34,806
Adjustments for non-cash items:		
Accretion expense	85,553	-
Accrued interest	19,510	92,202
Depreciation	29,503	-
Share-based-payments	49,852	-
Changes in non-cash working capital items:		
Receivables	(5,650)	-
Prepaid expenses	35,000	(8,918)
Interest receivable	(176,599)	(256,206)
Accounts payables and accrued liabilities	54,099	19,511
<b>Net cash flows provided by (used) in operating activities</b>	<b>10,491</b>	<b>(118,605)</b>
<b>Investing activities</b>		
Furniture and fixtures	-	(17,831)
Advance of loans	(4,189,000)	-
Loans	-	(2,335,000)
Repayment of loan	200,000	-
PIK receivable	(101,878)	(99,371)
<b>Net cash flows used in investing activities</b>	<b>(4,090,878)</b>	<b>(2,452,202)</b>
<b>Financing activities</b>		
Repayment of lease obligation	(23,099)	-
Issuance of debentures	4,189,000	2,309,205
Debenture financing costs	(92,920)	-
<b>Net cash flows from financing activities</b>	<b>4,072,981</b>	<b>2,309,205</b>
Decrease in cash	(7,406)	(261,602)
Cash, beginning	105,481	489,483
<b>Cash, ending</b>	<b>\$ 98,075</b>	<b>\$ 227,881</b>
<b>Non-cash activities</b>		
Shares issued for dividends payable	\$ -	\$ 46,000

See accompanying notes to the consolidated financial statements

**1. Nature and continuance of operations**

Trenchant Capital Corp. (the "Company") was incorporated under the British Columbia Business Corporations Act on December 17, 2009. The Company's shares are listed on the TSX Venture Exchange ("TSXV").

The Company's head office is located at Suite 1790, 1066 West Hastings Street, Vancouver, BC, V6E 2X1. The Company has three subsidiaries, 0960128 B.C. Ltd. and 1141864 B.C. Ltd. and TCC Management Inc.

These amended and restated 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. The Company has incurred losses since its inception and had an accumulated deficit of \$4,627,701 at September 30, 2019, which has been funded primarily by issuance of securities debentures 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.

The Company was formed as a Capital Pool Company on the TSXV. In May 2011, the Company completed its qualifying transaction as a resource issuer and was engaged in the exploration and development of natural resource properties.

In May 2016, the Company announced that it was pursuing a change of business to become an Investment Issuer on the TSXV (the "Change of Business"). In connection with the Change of Business the Company changed its name to Trenchant Capital Corp. on May 16, 2017 and commenced trading under the symbol "TCC.H". Approval for the Change of Business was obtained from the TSXV on May 26, 2017.

**2. Significant accounting policies and basis of preparation**

The amended and restated unaudited consolidated interim financial statements were authorized for issue on December 30, 2019 by the directors of the Company.

***Statement of compliance with International Financial Reporting Standards***

The unaudited interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The accounting policies applied in these financial statements are consistent with those used in the Company's audited financial statements for the year ended March 31, 2019. There have been no changes from the accounting policies applied in the March 31, 2019 financial statements other than the adoption of IFRS 16 on April 1, 2019 (Note 2). The preparation of interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the related amounts of assets and liabilities, revenues and expenses. In management's opinion, all adjustments considered necessary for fair presentation have been included in these unaudited interim consolidated financial statements. Interim results are not necessarily indicative of the results expected for the financial year. Annual results may differ from interim results. The significant judgments made by management applied in the preparation of these unaudited interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended March 31, 2019. For a description of the critical accounting estimates and assumptions, please refer to the Company's audited consolidated financial statements for the year ended March 31, 2019.

**2. Significant accounting policies and basis of preparation (cont'd)**

***Equipment***

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of comprehensive loss. Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. As at March 31, 2019, equipment consists of furniture.

The Company provides for depreciation of its furniture at the following method:

Furniture and fixtures                      straight line method over 5 years

The depreciation expense for each period is recognized in profit or loss.

***Basis of preparation***

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

***Consolidation***

The consolidated financial statements include the accounts of the Company and its controlled entity. Details of the controlled entity is as follows:

	Country of incorporation	Percentage owned*	
		March 31, 2019	March 31, 2018
0960128 B.C. Ltd.	Canada	100%	100%
1141864 B.C. Ltd.	Canada	100%	100%
TCC Management Inc	Canada	100%	-

\*Percentage of voting power is in proportion to ownership.

During the period ended September 30, 2019, the Company's subsidiary, TCC Management Inc, was inactive.

**2. Significant accounting policies and basis of preparation (cont'd)**

***Foreign currency translation***

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Canadian dollars which is the Company and its subsidiaries' functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive loss in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

**Changes in Accounting Policy – Leases**

The accounting policies applied by the Company in these interim consolidated financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended March 31, 2019 with the exception of the following:

**(a) Changes in Accounting Policies – Leases**

Effective April 1, 2019, the Company adopted IFRS 16, Leases, which specifies how to recognize, measure, present and disclose leases. The standard introduces a single lessee accounting model and requires a lessee to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company's accounting policy under IFRS 16 is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This policy is applied to contracts entered into, or changed, on or after April 1, 2019. The Company recognizes a right-of-use asset and a lease liability at the initial application date. The right-of-use asset is measured based on the present value of the remaining lease payments at the initial application date, plus any initial direct costs incurred, and estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated from the initial application date using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

## 2. Significant accounting policies and basis of preparation (cont'd)

The lease liability is initially measured at the present value of the lease payments that are not paid at the initial application date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option due to a significant event or change in circumstances.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Under IAS 17, Leases ("IAS 17"), the Company's accounting policy was as follows:

The determination of whether an arrangement was (or contained) a lease was based on the substance of the arrangement at the inception of the lease. The arrangement was, or contained, a lease if fulfilment of the arrangement was dependent on the use of a specific asset and the arrangement conveyed a right to use the asset, even if that asset was not explicitly specified in an arrangement.

A lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the Company was classified as a finance lease.

Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognized in net finance expenses (income) in net loss. A leased asset was depreciated over the term of the lease.

An operating lease was a lease other than a finance lease. Operating lease payments were recognized in net loss on a straight-line basis over the lease term. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

### (b) Impact of transition to IFRS 16– Leases

Effective April 1, 2019 the Company adopted IFRS 16 using the modified prospective approach. Accordingly, comparative figures as at and for the year ended March 31, 2019 and the six month period ended September 30, 2018 have not been restated and continue to be reported under IAS 17.

On initial application for leases previously classified as operating leases under IAS 17, the Company has elected to record the right-of-use asset based on the corresponding lease liability. For recording the new right-of-use asset under IFRS 16, the Company discounted future lease payments using its incremental borrowing rate as at April 1, 2019 of 8% per annum.

The recognized right-of-use asset relates to the Company's lease agreements which is included under property and equipment on the interim consolidated statement of financial position as follow:

**2. Significant accounting policies and basis of preparation (cont'd)**

	<b>April 1, 2019</b>	
Right-of-use asset, net book value (Note 3)	\$	134,363
Lease Liability (Note 3)	\$	134,363

**3. Property and Equipment**

	<b>Equipment</b>	<b>Right of use (Note 2)</b>	<b>Total</b>
<b>Cost</b>	\$	\$	\$
March 31, 2019	37,846	-	37,846
Additions (Note 2)	-	134,363	134,363
September 30, 2019	37,846	134,363	172,209
<b>Amortization</b>			
March 31, 2019	(3,451)	-	(3,451)
Charge for the period	(3,785)	(25,718)	(29,503)
September 30, 2019	(7,236)	(25,718)	(32,954)
<b>Net book value</b>			
March 31, 2019	34,395	-	34,395
September 30, 2019	30,610	108,645	139,255

The Company entered into a lease agreement. On September 30, 2019, the balance of the lease liability is as follows:

	<b>Lease liability</b>
	\$
Balance, April 1, 2019	-
Additions (Note 2)	134,363
Interest	6,383
Payments	(23,099)
Balance, September 30, 2019	117,647
	\$
Short term	60,754
Long term	56,893
Balance, September 30, 2019	117,647



**4. Loans**

	<b>September 30, 2019</b>	<b>March 31, 2019</b>
<b>Waiward loans</b>		
May 18, 2017	\$ 5,522,000	\$ 5,522,000
June 26, 2017	1,488,000	1,488,000
July 19, 2017	730,000	730,000
	<b>7,740,000</b>	<b>7,740,000</b>
<b>ABO loans</b>	5,659,000	5,659,000
March 2018	1,300,000	1,500,000
July 2018	2,335,000	2,335,000
May 2019	2,428,000	-
June 2019	1,761,000	-
	<b>13,483,000</b>	<b>9,494,000</b>
	<b>\$ 21,223,000</b>	<b>\$ 17,234,000</b>

The Company has entered into a loan agreement (the "Loan Agreement") dated March 2, 2017 (which replaces the loan agreement dated October 28, 2016) with Waiward Investments Limited Partnership (the "Borrower"), a limited partnership related to the Hillcore Group Ltd. ("Hillcore"), pursuant to which a wholly owned subsidiary of the Company (the "Lender") has agreed to loan a minimum of \$5,000,000 and a maximum of \$20,000,000 (or \$23,000,000 in the event that the Over-Allotment Option is exercised in full) (the "Waiward Loan") to the Borrower, secured by the Borrower's indirect equity interest in Waiward Steel Limited Partnership ("Waiward Steel"), a Canadian steel fabricator and erector.

The Waiward loans were made by the Company's subsidiary 0960128 B.C. Ltd., and bears 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 six months ended September 30, 2019 was \$509,390 (2018 - \$496,882), of which \$205,532 was receivable at September 30, 2019 and \$101,878 (2018 - \$99,370) was interest accrued for payment in kind ("PIK"). The loan is secured by the Borrower's indirect equity interest in Waiward Steel.

In December 2017 the Company's subsidiary 1141864 B.C. Ltd. agreed to lend \$5,569,000 to ABO Investments Limited Partnership ("ABO"). The loan bears interest at the rate of 10.0% per annum, payable quarterly in cash until maturity on January 27, 2023 (the "ABO Loan"). On May 17, 2018, the Company closed the second tranche of the Omni Debentures for which gross proceeds of \$2,335,000 were raised through the issuance of 2,335 Omni Debentures. On May 13, 2019, the Company closed the third tranche of the Omni Debentures for which gross proceeds of \$2,428,000 were raised through the issuance of 2,428 Omni Debentures. On June 28, 2019, the Company closed the fourth tranche of the Omni Debentures for which gross proceeds of \$1,761,000 were raised through the issuance of 1,761 Omni Debentures (Note 7).

Interest earned in the six months ended September 30, 2019 was \$523,793, of which \$307,078, which was receivable at September 30, 2019. The loan is secured by the borrower's indirect equity interest in Omni Health Investments Inc.

**4 Loans (cont'd)**

On June 29, 2017, the Company advanced a refundable deposit of \$1,500,000 to 10164950 Canada Ltd., a company controlled by Hillcore, as an advance on a second investment transaction with Hillcore. 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. In December 2017 the Company agreed to loan the advance to ABO in a sidecar loan on the same terms as, and be subordinated to, the ABO Loan. The loan bears interest at the rate of 8.0% per annum, payable annually in cash until maturity on January 27, 2023. ABO repaid \$200,000 of the loan in June 2019. Interest earned in the six months ended September 30, 2019 was \$52,697 (2018 - \$61,871), which was receivable at September 30, 2019.

**5. Accounts payable and accrued liabilities**

	September 30, 2019	March 31, 2019
Accounts payable	\$ 579,001	\$ 458,402
Accrued liabilities	-	20,500
	\$ 579,001	\$ 478,902

**6. Related party transactions**

***Related party balances:***

The following amounts are due to related parties and included in accounts payable (Note 5):

	September 30, 2019	March 31, 2019
CFO	5,250	1,575

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

***Key management personnel compensation***

	Six months ended	
	September 30, 2019	September 30, 2018
CFO – Professional fees	\$ 15,951	\$ 3,150

**7. Debentures**

	September 30, 2019	March 31, 2019
Balance, beginning	\$ 15,085,969	\$ 12,704,624
Proceeds from issuance of debentures	4,189,000	2,335,000
Deferral of financing costs	(92,920)	(109,343)
Interest expense	770,027	1,312,450
Interest paid or payable	(770,027)	(1,312,450)
Accretion of financing costs	85,553	155,688
	\$ 19,267,602	\$ 15,085,969

**7. Debentures (cont'd)**

The Debenture Offering

On March 7, 2017, the Company filed and obtained a receipt for a preliminary prospectus with security regulatory authorities for a proposed public offering of a minimum of 5,000 and a maximum of 20,000 secured convertible debentures (the "Debentures") priced at \$1,000 per Debenture (the "Debenture Offering Price"), for gross proceeds of a minimum of \$5,000,000 and a maximum of \$20,000,000 (the "Debenture Offering"). The Debenture Offering closed in three tranches for aggregate gross proceeds of \$7,740,000. The first tranche, pursuant to which gross proceeds of \$5,522,000 were raised through the issuance of 5,522 Debentures, closed on May 18, 2017. The second tranche, pursuant to which gross proceeds of \$1,488,000 were raised through the issuance of 1,488 Debentures, closed on June 26, 2017. The third tranche, pursuant to which gross proceeds of \$730,000 were raised through the issuance of 730 Debentures, closed on July 19, 2017. In connection with the Debenture Offering, the Company paid the agents aggregate cash commissions equal to 6.5% of the gross proceeds raised under the Debenture Offering and were reimbursed for their reasonable expenses.

During the six months ended September 30, 2019, the Company has recognized as accretion expense of \$85,553 (2018 - \$67,590) related to this Debenture Offering. During the six months ended September 30, 2019, interest expense of \$417,810 was accrued (2018 - \$348,300) and is included in accounts payable (Note 5).

The Debentures will mature on March 31, 2022 and the outstanding principal of the Debentures will bear interest (the "Debenture Interest") at the rate of 9.0% per annum, payable quarterly in cash. The terms of the Debentures are set out in a trust indenture entered into between the Company and Computershare Trust Company of Canada ("Computershare").

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 accrued but unpaid interest thereon, in cash, at any time after May 18, 2019, being two years after the closing of the first tranche of the Debenture Offering, 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 but unpaid interest thereon.

The Company pledged all of the outstanding shares of 0960128 B.C. Ltd. to Computershare, on behalf of 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.

Effective on October 26, 2017, the Debentures commenced trading on the TSXV under the symbol "TCC.DB".

**7. Debentures (cont'd)**

The Omni Debentures

In December 2017 the Company filed and obtained a receipt for a preliminary prospectus with security regulatory authorities for a proposed public offering of a minimum of 10,000 and a maximum of 20,000 8% secured convertible debentures (the "Omni Debentures") priced at \$1,000 per Debenture, for gross proceeds of a minimum of \$10,000,000 and a maximum of \$20,000,000 (or \$23,000,000 in the event that the Over-Allotment Option is exercised in full) (the "Omni Debenture Offering"). The net proceeds of the Omni Debenture Offering will be used to fund the Omni Loan, as described below. On March 23, 2018, the Company closed the first tranche of the Omni Debentures for which gross proceeds of \$5,659,000 were raised through the issuance of 5,659 Omni Debentures.

On May 17, 2018, the Company closed the second tranche of the Omni Debentures for which gross proceeds of \$2,335,000 were raised through the issuance of 2,335 Omni Debentures. On May 13, 2019, the Company closed the third tranche of the Omni Debentures for which gross proceeds of \$2,428,000 were raised through the issuance of 2,428 Omni Debentures. On June 28, 2019, the Company closed the fourth tranche of the Omni Debentures for which gross proceeds of \$1,761,000 were raised through the issuance of 1,761 Omni Debentures.

During the six months ended September 30, 2019, the Company incurred financing costs of \$92,920 (2018 - \$25,795) related to these Omni Debentures. During the six months ended September 30, 2019, interest expense of \$421,727 (2018 - \$296,090) was accrued, which is included in accounts payable (Note 5).

The Omni Debenture Offering is being made on a best efforts basis, through a syndicate of agents led by Canaccord Capital Corp. and Industrial Alliance Securities Inc. (collectively, the "Agents"). The Omni Debentures issued in the Omni Debenture Offering will have a maturity date of January 27, 2023 and bear interest at the rate of 8.0% per annum, payable quarterly in cash. Commencing two years from closing, the outstanding principal amount of the Omni 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) \$1.25 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 Omni Debentures, and accrued but unpaid interest thereon, in cash, at any time after two years from the closing of the first tranche of the Omni Debenture Offering, by paying the Omni Debenture holders 105% of the outstanding principal amount of the Omni Debentures in year three, 103% of the outstanding principal amount of the Omni Debentures in year four, and 101% of the outstanding principal amount of the Omni Debentures in year five, plus any accrued but unpaid interest thereon.

The Company has agreed to pledge all of the outstanding shares of 1141864 B.C. Ltd. as security for the Company's outstanding obligations under the Omni Debentures. The holders of Omni Debentures will have no recourse to the Company other than with respect to such shares.

**8. Share capital**

***Authorized share capital***

Unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

***Issued share capital***

At September 30, 2019 there were 11,669,357 (2018 - 11,638,107) issued and fully paid common shares.

During the six months end September 30, 2019, the Company issued 31,250 Common shares at \$0.40/share of the conversion of 31,250 preferred shares.

During the six months ended September 30, 2018, the Company issued 102,222 Common shares at \$0.45 as settlement of \$46,000 of the dividend payable.

***Preferred shares***

On May 18, 2017, the Company closed a private placement of non-voting convertible preferred shares, pursuant to which it raised gross proceeds of \$2,700,000 through the issuance of 6,750,000 preferred shares at a price of \$0.40 per share (the "Preferred Share Offering", and together with the Debenture Offering, the "Offerings"). No commissions or finder's fees were paid in connection with the Preferred Share Offering.

The preferred shares are entitled to receive annual non-cumulative dividends at a fixed rate of 8% per annum. Holders of preferred shares may, commencing on May 18, 2018, convert their preferred shares into common shares on a one for one basis, subject to a semi-annual maximum conversion limit of such number of common shares as is equal to 25% of a particular holder's preferred shares. The preferred shares will automatically convert into common shares on a one for one basis on May 18, 2020.

Holders of Preferred Shares are not entitled to receive notice of, attend, or vote at, any general meeting of the shareholders of the Company. The preferred shares are not, and are not expected to be, listed for trading on the TSXV or on any other stock exchange or quotation system.

The fair value of the liability component of the preferred shares was calculated using a market interest rate, which the Company determined to be 8.5%. The residual amount, representing the equity component of the preferred shares, is included in shareholders equity. As at September 30, 2019, there are dividends payable on the preferred shares of \$443,500 (March 31, 2019 - \$382,000).

***Basic and diluted loss per share***

The calculation of basic loss per share for the six months ended September 30, 2019 was based on the loss attributable to common shareholders of \$80,777 (2018 - \$34,806) and the weighted average number of common shares outstanding of 11,645,298 (2018 - 11,638,107).

**8. Share capital (cont'd)**

***Stock options***

On March 3, 2010, the directors of the Company consented to adopt a Company Share Option Plan (the "Plan"). The shareholders of the Company approved the Plan on September 8, 2011. The Plan provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the common shares outstanding at the time of the granting of options. Such options may be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

On March 29, 2019, the Company granted 1,160,000 options to purchase common shares to directors and officers of the Company, at \$0.25 per common share. Each option is exercisable into one common share at an exercise price of \$0.25 until March 29, 2022. The options vest annually over three years, with 1/3 of the options vesting each year commencing on the date of grant, being March 29, 2019. The closing price of the Common Shares on March 29, 2019 was \$0.29. The fair value of the options granted was determined to be \$199,318 using the following assumptions: Risk-free rate of 1.43%; Expected life of 3 years, expected volatility of 100% and dividend yield of nil. For six months ended September 30, 2019, the Company recognized share-based payment of \$49,852 (2018 -\$nil) on vested options.

The following summarizes information about stock options outstanding at September 30, 2019:

<b>Expiry date</b>	<b>Exercise price</b>	<b>Options outstanding</b>	<b>Options exercisable</b>	<b>Weighted average remaining contractual years</b>
March 29, 2022	\$ 0.25	1,160,000	386,667	2.50
Total		1,160,000	386,667	2.50

***Share-based payment reserve***

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

## 9. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### ***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in a bank account. The cash is deposited in a bank account held with a major bank in Canada. As the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. Credit risk is assessed as low. Credit risk with respect to loan and interest receivables is assessed as moderate due to the risk of potential non payments.

### ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

### ***Foreign exchange risk***

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company had no exposure to foreign exchange risk.

### ***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash on hand is subject to minimal interest rate risk and the debentures have fixed interest rates. Interest rate risk is assessed as low.

### ***Capital Management***

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital and working capital. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

**9. Financial risk and capital management (cont'd)**

***Classification of financial instruments***

Financial assets included in the statement of financial position are as follows:

	<b>September 30,2019</b>	<b>March 31, 2019</b>
FVTPL:		
Cash	\$ 98,075	\$ 105,481
Amortized costs:		
Interest receivable	726,460	549,861
PIK interest receivable	464,464	362,586
Loans receivable	21,223,000	17,234,000
	<b>\$ 22,511,999</b>	<b>\$ 18,251,928</b>

Financial liabilities included in the statement of financial position are as follows:

	<b>September 30, 2019</b>	<b>March 31, 2019</b>
Amortized costs:		
Accounts payable	\$ 579,001	\$ 458,402
Dividends payable	443,500	382,000
Preferred share liability	94,460	188,833
Lease liability	117,647	-
Debentures	19,267,602	15,085,969
	<b>\$ 20,502,210</b>	<b>\$ 16,115,204</b>

***Fair value***

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Financial instruments classified as level 1 – quoted prices in active markets include cash.



**10. Restatement for the three and six-month periods ended September 30, 2019**

A review of the interim consolidated unaudited financial statement was performed for the period ended September 30, 2019 and it was determined that an amendment of this previously filed financial statement was appropriate. The financial items being amended are as follows:

- a) Net loss was increased by \$24,205 by the restatement of the following: The loss per share of \$0.00 was unchanged.

	Six month periods ended		September 30, 2019
	Previous	Restated	
Professional fees	\$ 88,223	112,428	\$ 24,205
Net (loss)	\$ (56,572)	(80,777)	\$ 24,205
Income (loss) per share	\$ (0.00)	(0.00)	\$ (0.00)

- b) Total assets were decreased by \$25,099 and total liabilities and equity were increased by \$25,099

	Six month periods ended		September 30, 2019
	Previous	Restated	
Equipment, net	114,156	139,255	25,099
Total assets	\$ 22,659,053	22,684,152	\$ 25,099
Accounts payable and accrued liabilities	583,000	579,001	(3,999)
Dividends payable	404,000	443,500	39,500
Lease liability	92,548	117,647	25,099
Preferred share liability	129,960	94,460	(35,500)
Debentures	19,243,398	19,267,602	24,204
Share Capital	4,157,518	4,170,018	12,500
Preferred shares	2,192,676	2,180,176	(12,500)
Deficit	(4,603,496)	(4,627,701)	( 24,205)
Total liabilities and equity	\$ 22,659,053	22,684,152	\$ 25,099

These condensed interim financial statements and related notes for the six-month period ended September 30, 2019 have been amended to reflect these changes.

**TRENCHANT CAPITAL CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

for the Six Months ended September 30, 2019 and 2018

**Date of Report:** December 30, 2019

**INTRODUCTION**

This management's discussion and analysis (this "MD&A") is prepared as of December 30, 2019 and provides a review of the performance of Trenchant Capital Corp. (formerly Echelon Petroleum Corp.) (the "Company"). It should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the six months ended September 30, 2019 and audited consolidated annual financial statements for the fiscal year ended March 31, 2019, and related notes thereto, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All of the financial data herein has been prepared in accordance with IFRS, unless otherwise indicated, and all figures are stated in Canadian dollars.

Additional information on the Company is available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

**FORWARD-LOOKING STATEMENTS**

Certain statements contained in this MD&A constitute "forward-looking statements". When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, and known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking information will not be realized.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that any forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated. The reader is cautioned not to place undue reliance on any forward-looking statements contained in this MD&A. Such forward-looking statements are presented for the purpose of assisting investors in understanding the Company's expected financial and operating performance and the Company's plans and objectives in making an investment decision and may not be appropriate for other purposes. All forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The Company disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements, or to reflect the occurrence of anticipated or unanticipated events, except as required by applicable laws.

## **RISKS AND UNCERTAINTIES**

Risk factors applicable to the Company and its business include:

- that the Company has only recently commenced business as an investment issuer, and may be unsuccessful in developing this business or generating material revenues from it;
- that the Borrower (as defined herein) may be unable to service the Initial Investment (as defined herein), and that the Company may default in its obligations with respect to the Debentures (as defined herein) as a result thereof;
- that the security underlying the Initial Investment may be insufficient to adequately satisfy any losses the Company may suffer as the result of any default by the Borrower under the Initial Investment;
- portfolio exposure risks and sensitivity to macro-economic conditions;
- risks related to the Company's investments in private issuers and illiquid securities, and the potential concentration of the Company's investments;
- due diligence risks and risks relating to non-controlling interests;
- that the Company may be unable to identify sources of income to generate material cash flow and revenue, and even if identified, such sources of income may be unavailable to the Company;
- that the Company is heavily reliant on its directors and management, and they only devote part of their time and efforts to the affairs of the Company;
- the possible tightening of the credit markets, global economic uncertainty, and counterparty risk;
- risks related to the Company's investment approach, objectives and strategy;
- that the Company's expectations regarding the performance of certain sectors may be incorrect;
- the ability of the Company to identify other potential investment opportunities on satisfactory terms or at all;
- that the price of the Company's common shares on the TSX Venture Exchange (the "TSXV") is volatile;
- risks relating to available investment opportunities and competition for investments;
- the ability of the Company to obtain future financing on acceptable terms or at all; and
- other risks that may arise from time to time that are beyond the knowledge and/or control of the Company.

Additional risk factors with respect to the Company's business and operations can be found in the Company's Final long-term Prospectus dated May 8, 2019 (the "Prospectus"), as filed on SEDAR on May 8, 2019, which is available under the Company's profile at [www.sedar.com](http://www.sedar.com).

## **OVERALL PERFORMANCE**

### Nature of Business and Overall Performance

The Company was incorporated under the *Business Corporations Act* (British Columbia) on December 17, 2009. The Company's common shares are listed on the TSXV under the trading symbol "TCC" and the Debentures are listed on the TSXV under the trading symbol "TCC.DB".

The Company's head office is located at 1790-1066 West Hastings St. V6E 3X1. The Company has three wholly-owned subsidiaries, 0960128 B.C. Ltd. ("0960128"), 1141864 B.C. Ltd. ("1141864") and TCC Management Inc.

The Company was initially listed on the TSXV as a Capital Pool Company (as defined in the policies of the TSXV). In May 2011, the Company completed its Qualifying Transaction (as defined in the policies of the TSXV), pursuant to which it became designated as a Resource Issuer, engaged in the exploration and development of natural resource properties. The Company subsequently became inactive, with the listing of its common shares moved to the NEX board of the TSXV.

In May 2016, the Company pursued a change of business to become a Investment Issuer on the TSXV (the "Change of Business"). In connection with the Change of Business the Company changed its name to Trenchant Capital Corp. on May 16, 2017 and commenced trading under the symbol "TCC.H".

### The Waiward Debenture Offering

On March 7, 2017, the Company filed and obtained a receipt for a preliminary prospectus with security regulatory authorities for a proposed public offering of a minimum of 5,000 and a maximum of 20,000 9% secured convertible debentures (the "Debentures") priced at \$1,000 per Debenture, for gross proceeds of a minimum of \$5,000,000 and a maximum of \$20,000,000 (the "Debenture Offering").

The Debenture Offering was made on a best efforts, through a syndicate of agents led by Industrial Alliance Securities Inc. (collectively, the "Agents"), pursuant to the terms of an agency agreement dated May 18, 2017. The Debenture Offering closed in three tranches for aggregate gross proceeds of \$7,744,000. The first tranche, pursuant to which gross proceeds of \$5,522,000 were raised through the issuance of 5,522 Debentures, closed on May 18, 2017. The second tranche, pursuant to which gross proceeds of \$1,488,000 were raised through the issuance of 1,488 Debentures, closed on June 26, 2017. The third tranche, pursuant to which gross proceeds of \$730,000 were raised through the issuance of 730 Debentures, closed on July 19, 2017. In connection with the Debenture Offering, the Company paid the Agents aggregate cash commissions equal to 6.5% of the gross proceeds raised under the Debenture Offering and were reimbursed for their reasonable expenses.

The Debentures mature on March 31, 2022 and bear interest at the rate of 9.0% per annum, payable quarterly in cash. The terms of the Debentures are set out in a debenture indenture dated May 18, 2017, a copy of which is available on SEDAR, between the Company and Computershare Trust Company of Canada ("Computershare"). 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 accrued but unpaid interest thereon, in cash, at any time after May 18, 2019, being two years after the closing of the first tranche of the Debenture Offering, 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 but unpaid interest thereon.

The Company pledged all of the outstanding shares of 0960128 to Computershare, on behalf of 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.

Effective on October 26, 2017, the Debentures commenced trading on the TSXV under the symbol "TCC.DB".

#### The Initial Investment

On April 25, 2016, the Company entered into a strategic alliance agreement with the Hillcore Group ("Hillcore"). Hillcore is a leading independent Canadian investment and advisory firm that invests predominantly in the life sciences, real estate, seniors living, financial, industrial and energy sectors.

Pursuant to the terms of the strategic alliance agreement, Hillcore has agreed to grant the Company an exclusive first right to: (i) review Hillcore's initial due diligence on potential business targets, and (ii) negotiate with Hillcore the participation by the Company in Hillcore's acquisition of business targets, primarily by way of special situation debt, which may include secondary, subordinated, mezzanine or non-traditional debt, asset backed securities and back-leveraged/holdco debt. The Company has also been granted certain back-in and tag along negotiation rights, as well as negotiation rights for capital market transactions with respect to projects for which the Company has provided financing. HCG5 Investment Limited Partnership, a limited partnership related to Hillcore, holds approximately 17.3% of the Company's issued and outstanding common shares.

On March 2, 2017, 0960128 entered into a loan agreement dated March 2, 2017, as amended (the "Loan Agreement"), with Waiward Investments Limited Partnership (the "Borrower"), a limited partnership related to Hillcore, pursuant to which 0960128 agreed to loan a minimum of \$5,000,000 and a maximum of \$20,000,000 (the "Initial Investment") to the Borrower. The Initial Investment is secured by the Borrower's indirect equity interest in Waiward Steel Limited Partnership ("Waiward Steel"), one of Canada's largest steel fabricators and erectors.

The net proceeds of the Debenture Offering were used to fund the Initial Investment, which was completed on May 18, 2017 in connection with the Change of Business.

Going forward, the Company intends to focus on the provision of special situation debt financing to Hillcore's pipeline of current and future private equity investments, as contemplated by the strategic alliance agreement between the Company and Hillcore.

On June 29, 2017, the Company advanced a refundable deposit of \$1,500,000 to 10164950 Canada Ltd., a company controlled by Hillcore, as an advance on a second investment transaction with Hillcore. In December 2017 the Company agreed to loan the advance to ABO in a sidecar loan on the same terms as, and be subordinated to, the ABO Loan. The loan bears interest at the rate of 8.0% per annum, payable annually in cash until maturity on January 27, 2023.

### The Convertible Preferred Share Offering

On May 18, 2017, the Company also closed a private placement of non-voting convertible preferred shares, pursuant to which it raised gross proceeds of \$2,700,000 through the issuance of 6,750,000 preferred shares at a price of \$0.40 per share (the "Preferred Share Offering", and together with the Debenture Offering, the "Offerings"). The proceeds of the Preferred Share Offering were used for payment of the fees and expenses for the Offerings, the Initial Investment and the Change of Business, and for general working capital purposes. No commissions or finder's fees were paid in connection with the Preferred Share Offering.

The preferred shares are entitled to receive annual non-cumulative dividends at a fixed rate of 8% per annum. Holders of preferred shares may, commencing on May 18, 2018, convert their preferred shares into common shares on a one for one basis, subject to a semi-annual maximum conversion limit of such number of common shares as is equal to 25% of a particular holder's preferred shares. The preferred shares will automatically convert into common shares on a one for one basis on May 18, 2020.

Holders of Preferred Shares are not entitled to receive notice of, attend, or vote at, any general meeting of the shareholders of the Company. The preferred shares are not, and are not expected to be, listed for trading on the TSXV or on any other stock exchange or quotation system.

On June 12, 2018 the Company issued 102,222 common shares to settle interest in the amount of \$46,000 on its preferred shares.

### The Change of Business

The Offerings and the Initial Investment were part of the Change of Business, pursuant to which the Company became a Tier 2 Investment Issuer on the TSXV. Following the issuance of the TSXV's final bulletin with respect to the Change of Business, the trading symbol for the common shares on the TSXV changed to "TCC.V".

In connection with the closing of the Change of Business, the Company undertook to the TSXV to complete a second investment prior to May 26, 2018.

### The Omni Debenture Offering

In December 2017 the Company filed and obtained a receipt for a preliminary prospectus with security regulatory authorities for a proposed public offering of a minimum of 10,000 and a maximum of 20,000 8% secured convertible debentures (the "Omni Debentures") priced at \$1,000 per Debenture, for gross proceeds of a minimum of \$10,000,000 and a maximum of \$20,000,000 (or \$23,000,000 in the event that the Over-Allotment Option is exercised in full) (the "Omni Debenture Offering").

The net proceeds of Omni the Debenture Offering will be used to fund the Omni Loan, as described below.

The Omni Debenture Offering is being made on a best efforts basis, through a syndicate of agents led by Canaccord Capital Corp. and Industrial Alliance Securities Inc. (collectively, the "Agents"). The Omni

Debentures issued in the Omni Debenture Offering will have a maturity date of January 27, 2023 and bear interest at the rate of 8.0% per annum, payable quarterly in cash. Commencing two years from closing, the outstanding principal amount of the Omni 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) \$1.25 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 accrued but unpaid interest thereon, in cash, at any time after two years from the closing of the first tranche of the Omni Debenture Offering, 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 but unpaid interest thereon.

The Debenture Offering closed in two tranches for aggregate gross proceeds of \$7,994,000. The first tranche, pursuant to which gross proceeds of \$5,659,000 were raised through the issuance of 5,659 Debentures, closed on March 23, 2018. The second tranche, pursuant to which gross proceeds of \$2,335,000 were raised through the issuance of 2,335 Debentures, closed on May 17, 2018.

On May 30, 2019, the Company closed the third tranche of its Omni Debentures for gross proceeds of \$2,428,000 through the issuance of 2,428 Debentures. On June 28, 2019 the Company closed the fourth tranche of its Omni Debentures for gross proceeds of \$1,761,000 through the issuance of 1,761 Debentures.

The Company has agreed to pledge all of the outstanding shares of 1141864 as security for the Company's outstanding obligations under the Omni Debentures. The holders of Omni Debentures will have no recourse to the Company other than with respect to such shares.

Effective October 4, 2018, the Debentures commenced trading on the TSXV under the symbol TCC.DB.A.

### The Omni Loan

In December 2017, 1141864 entered into a loan agreement (the "Omni Loan Agreement"), with ABO Investments Limited Partnership ("ABO"), a limited partnership related to Hillcore, pursuant to which 1141864 agreed to loan a minimum of \$10,000,000 and a maximum of \$20,000,000 (the "Omni Loan") to ABO. The Omni Loan is secured by ABO's indirect equity interest in Omni Health Investments Inc. ("Omni"), one of Canada's largest long term care operators.

Pursuant to the Omni Loan Agreement, 1141864 has agreed to loan, in one or more advances, a minimum of \$10,000,000 and a maximum of \$20,000,000 (or \$23,000,000 in the event that the Over-Allotment Option is exercised in full) to ABO, subject to the closing of the Offering. The outstanding principal of the Omni Loan will bear interest at the rate of 10% per annum and the Omni Loan will mature on January 27, 2023. ABO has agreed to pay the Company a fee equal to 7% of the funds advanced to ABO under the Omni Loan Agreement. No finder's fees are payable in connection with the Omni Loan.

ABO will also grant the Company a five-year unit purchase option entitling it to purchase up to 15% of ABO's indirect holdings in Omni for an exercise price of up to \$7,725,000. The actual percentage interest that the Company may acquire pursuant to the purchase option will be adjusted on a pro rata basis in accordance with the amount of funds advanced under the Omni Loan Agreement.

ABO may prepay the outstanding principal of the Omni Loan by paying 1141864 the outstanding principal amount of the Omni Loan, plus any accrued and unpaid interest thereon, as well as an amount equal to the Break Fee payable by the Company on the redemption or repurchase of Omni Debentures with a principal amount of not more than the principal amount being prepaid by ABO. Closing of the Omni Loan is subject to the closing of the minimum Offering. The Omni Loan will be secured by a pledge of ABO's indirect 88.73% equity interest in Omni.

The Omni Loan Agreement also provides that 1141864 will provide management services to ABO, have observer rights at board meetings of ABO, and have the right to appoint a nominee to the board of directors of ABO.

The Company has also agreed to make an additional loan of \$1,500,000 to ABO (the "Sidecar Loan"). The Sidecar Loan will have the same term as, and be subordinated to, the Omni Loan (save for bearing 8% interest) and will be funded from the Advance.

In February 2018 the Company, the Agents and ABO agreed to lower the minimum under the Omni Debenture Offering and the Omni Loan from \$10,000,000 to \$5,000,000.

#### Investment Policy Disclosures

The Company has adopted an Investment Policy to govern its investment activities. The Investment Policy sets out, among other things, the Company's investment objectives and strategy, which is to provide special situation debt financing to established companies with a solid track record of earnings and demonstrated potential for future growth, the ability to generate shareholder equity by taking and, where prudent, exercising equity purchase rights in portfolio companies, participating in potential going-public transactions or other liquidity events in portfolio companies, and seeking to preserve capital and limit downside risk through securely structuring its investments. A copy of the Investment Policy is attached as Schedule "C" to the Filing Statement.

The following key ratios and other summary disclosures with respect to the Initial Investment are made in accordance with the Company's Investment Policy.

	<b>12 months ended 9/30/2019</b>	<b>12 months ended 3/31/2019 (Pro Forma)<sup>(1)</sup></b>	<b>12 months ended 3/31/2019</b>	<b>12 months ended 12/31/2018</b>
Debt Service Ratio	.51	(.44)	(0.35)	(1.40)
Fixed Charge Coverage Ratio	.76	0.07	0.08	(1.03)
Net Debt to EBITDA Ratio	5.64	73.89	53.32	(3.39)

<sup>(1)</sup> Assumes the Maximum Investment in the amount of \$7,740,000.

<sup>(2)</sup> Earnings before interest, taxes, depreciation and amortization ("EBITDA") These non-IFRS financial measures do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures presented by other companies. These non-IFRS financial measures should not be considered as an alternative to, or more meaningful than, net income (loss), cash flow from operating activities, and other measures of financial performance as determined in accordance with IFRS, but the Company



believes these non-IFRS financial measures are useful in providing relative performance and measuring change.

Waiward Industrial made progress in the third quarter of 2019, recording its third consecutive profitable quarter. Project profit margins are back at historic levels and backlog for the business has been improving, while the business also benefits from the significant overhead cuts made in 2018. An improving order book, cash flow, and the profit outlook is forecasted for the balance of 2019. Despite the losses incurred predominantly in the first half of 2018, due to the Management Fee pledge, together with the cash reserved in the Borrower for interest payments and the underlying value of Waiward Industrial interest pledged, management of the Company can also confirm the adequacy of the security package provided by the Borrower in connection therewith, and believes that the Borrower's cash flow and pledged collateral are sufficient and adequate to service the Loan. Management of the Company has reviewed the Waiward Industrial order book for the current year and anticipates the above ratios to continue to improve over the next quarter.

<b>Trailing 12 month increase (decrease) in</b>	<b>12 months ended 9/30/2019</b>	<b>12 months ended 3/31/2019</b>
Revenue	17%	21%
Net Income	102%	79%

The following key ratios and other summary disclosures with respect to the OMNI Investment are made in accordance with the Company's Investment Policy.

	<b>12 months ended 9/30/2019  (Pro Forma)<sup>(1)</sup></b>	<b>12 months ended 9/30/2019</b>	<b>12 months ended 12/31/2018  (Pro Forma)<sup>(1)</sup></b>	<b>12 months ended 12/31/2018</b>
Debt Service Ratio	1.27	1.36	1.21	1.27
Fixed Charge Coverage Ratio	1.18	1.23	1.13	1.16
Net Debt to EBITDA Ratio	7.06	6.36	7.24	6.56

(1) Assumes Loan in the maximum of \$20,000,000

(2) Earnings before interest, taxes, depreciation, amortization and management fees ("EBITDAM")

These non-IFRS financial measures do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures presented by other companies. These non-IFRS financial measures should not be considered as an alternative to, or more meaningful than, net income (loss), cash flow from operating activities, and other measures of financial performance as determined in accordance with IFRS, but the Company believes these non-IFRS financial measures are useful in providing relative performance and measuring change.

Occupancy for homes in the portfolio is 98.5% year to date 2019. All Homes are above the 97% occupancy threshold. Net operating income before management fees (EBITDAM) for Q3 2019 amounted to \$2,984,954 which is greater than budget by \$145,675 but less than Q3 2018 by \$10,710. YTD Revenues are \$241,695 greater than budget due to the timing of the base revenue increase, effective April 2019, resulting in \$68,383 favourable variance. Preferred revenue was \$177,651 favourable due primarily to Garden Terrace and Forest Hill. Administration is \$177,952 favourable due in part to savings in office supplies, travel and education \$86,172. Payroll processing is favourable \$29,674 as the Synerion hand

scanners were paid in full in 2019. Administration is also impacted by Computers & IT costs which are \$45,936 favourable due to the backlog in purchases resulting from a shortage of parts. Nutritional Care is unfavourable \$51,048 YTD. Nutritional Care is unfavourable in the quarter \$49,470 as a result of overtime and orientation costs due to staff recruitment and retention challenges. Maintenance is \$12,912 favourable in the quarter as only necessary repairs were approved. YTD expenditures are \$70,715 unfavourable compared with budget and were impacted by building and equipment maintenance and repairs (\$73,934) and (\$79,433) respectively.

<b>Trailing 12 month increase (decrease) in</b>	<b>12 months ended 9/30/2019</b>	<b>12 months ended 12/31/2018</b>
Revenue	(3.00%)	0.83%
Net Income	12.19%	56.71%

Other than as stated above, the Company is not aware of any material changes or facts in the business or affairs of the Borrower that would have a material adverse impact on the Borrower's cash flow or pledged collateral.

### Results of Operations

These results of operations should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the six months ended September 30, 2019, which are being filed concurrently with this MD&A. The financial data for the six ended September 30, 2019 and September 30, 2018 have been prepared in accordance with IFRS. All figures are stated in Canadian dollars

#### Six months ended September 30, 2019 and 2018

	<b>For the six months ended September 30, 2019</b>	<b>For the six months ended September 30, 2018</b>
<b>Revenues</b>		
Interest income	\$ 1,092,880	\$ 929,481
<b>Expenses</b>		
Accretion	85,553	67,590
Business development	43,120	44,484
Consulting	2,100	19,628
Depreciation	29,503	-
General and administrative	18,597	27,804
Interest	783,154	669,002
Professional fees	112,428	37,426
Share-based payment	49,852	-
Transfer agent and filing fees	49,350	28,741
	1,173,657	894,675
<b>Net and comprehensive income (loss)</b>	\$ (80,777)	\$ 34,806

The Company has generated limited revenue until the six month period ended September 30, 2019 and has reported net losses since inception. The net loss was \$80,777 for the six months ended September 30, 2019 (September 30, 2018 – income \$34,806). Total expenses of \$1,173,657 were offset by interest income of \$1,092,880.

Revenues of \$1,092,880 were derived from interest earned on the loans during the six months ended September 30, 2019 (September 30, 2018 - \$929,481). The increase in the current quarter is due to additional loans completed in the period.

Accretion expense was \$85,553 relating to the financing costs of the debentures for the six months ended September 30, 2019 (September 30, 2018 - \$67,590)

Business development expenses were \$43,120 for the six months ended September 30, 2019 (September 30, 2018 - \$44,484) Management expects to continue to expend considerable time negotiating additional investments and securing financing.

Consulting fees of \$2,100 were incurred for the six months ended September 30, 2019 (September 30, 2018 - \$19,628), related to consulting fees paid in connection with development of the Company's strategic plans.

General and administrative expenses were \$18,597 for the six months ended September 30, 2019 (September 30, 2018 - \$27,804). The decreased expenses related to due diligence undertaken by management in connection with identifying on fewer investments in the current period.

Interest expense was \$783,154 for the six months ended September 30, 2019 (September 30, 2018 - \$669,002). The increase in interest expense was related to interest payable on the additional Debentures.

Professional fees of \$112,428 were incurred in the six months ended September 30, 2019 (September 30, 2018 - \$37,426). These professional fees related to audit and legal expenses in connection with the new financings.

Share-based payments were \$49,852 (September 30, 2018 - \$Nil). Share-based payments were the amounts vested as a result of stock options were issued in the last year.

Transfer agent and filing fees were \$49,350 for the six months ended September 30, 2018 (September 30, 2018 - \$28,741). These fees were due to filings related to the Change of Business and the Debenture Offerings.

Three Months Ended September 30, 2019 and 2018

	<u>For the three months ended September 30, 2019</u>	<u>For the three months ended September 30, 2018</u>
<b>Revenues</b>		
Interest income	\$ 593,182	\$ 483,345
<b>Expenses</b>		
Accretion	43,577	33,668
Business development	-	1,781
Consulting	2,100	2,678
Depreciation	8,712	-
General and administrative	13,608	1,386
Interest	424,519	346,629
Professional fees	52,832	10,453
Share-based payment	25,062	-
Transfer agent and filing fees	23,535	8,954
	<u>593,945</u>	<u>405,549</u>
<b>Net and comprehensive income (loss)</b>	<u>\$ (763)</u>	<u>\$ 77,796</u>

The Company had net loss of \$763 for the three months ended September 30, 2019 (September 30, 2018 – income \$77,796). The Company's income decreased due to increased professional fees, share-based payments and other expenses.

Revenues were \$593,182 for the three months ended September 30, 2019 (September 30, 2018 - \$483,345). Revenues were derived from interest earned on the loans during the three months ended September 30, 2018. No additional loans were completed in the current period.

Accretion expense was \$43,577 relating to the financing costs of the debentures for the three months ended September 30, 2019 (September 30, 2018 - \$33,668)

Consulting fees were \$2,100 for the three months ended September 30, 2019 (September 30, 2018 - \$2,678), related to consulting fees paid in connection with the development of the Company's strategic plans.

General and administrative expenses were \$13,608 compared to \$1,386 for the three months ended September 30, 2018. Management expects to continue to expend considerable time negotiating additional investments and securing financing.

Interest expense was \$424,519 for the three months ended September 30, 2019 (September 30, 2018 - \$346,629). The increase in interest expense was related to interest payable on the Debentures.

Professional fees were \$52,832 (September 30, 2018 - \$10,453). These professional fees related to audit and legal expenses in connection with new financings.

Share-based payments were \$25,062 (September 30, 2018 - \$Nil). Share-based payments were the amounts vested as a result of stock options were issued in the last year.

Transfer agent and filing fees were \$23,535 (September 30, 2018 - \$8,954). Fees were higher in the current quarter due to filings related to ne financings.

#### Dividend Report & Policy

On July 4, 2019, the Company approved a cash payment of the annual dividend on the 6,750,000 preferred shares in the aggregate amount of \$50,000.

On June 6, 2018, the Company approved the payment of the annual dividend on the 6,750,000 preferred shares in the aggregate amount of \$216,000. On June 12, 2018, the Company issued 102,222 common shares as settlement of \$46,000 of the dividend payable, \$4,000 was paid in cash, and \$166,000 was accrued as payable to certain preferred shareholders.

#### Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters. The financial data has, except as referred to in the footnotes to this summary, been prepared in accordance with IFRS and all figures are stated in Canadian dollars.

<b>For the quarter ended:</b>	<b>September 30, 2019</b>	<b>June 30, 2019</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Total Revenues	593,182	499,698	555,152	403,200
Net and comprehensive income (loss) for the period	(763) <sup>(1)</sup>	(80,014) <sup>(2)</sup>	(26,726) <sup>(3)</sup>	(55,301) <sup>(4)</sup>
Loss per share, basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)

<b>For the quarter ended:</b>	<b>September 30, 2018</b>	<b>June 30, 2018</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Total Revenues	483,345	446,136	288,928 <sup>(5)</sup>	245,928
Net and comprehensive income (loss) for the period	77,796 <sup>(5)</sup>	(42,990) <sup>(6)</sup>	(143,777) <sup>(7)</sup>	(56,203)
Loss per share, basic and diluted	0.00	(0.00)	(0.01)	(0.00)

- (1) The Company's loss for the period includes non-cash items of accretion of financing costs of \$43,577
- (2) The Company's loss for the period includes non-cash items of accretion of financing costs of \$41,976
- (3) The Company's loss for the period includes non-cash items of accretion of financing costs of \$52,717

- (4) The Company's loss for the period includes non-cash items of accretion of financing costs of \$35,381
- (5) The Company's loss for the period includes non-cash items of accretion of financing costs of \$33,688
- (6) The Company's loss for the period includes non-cash items of accretion of financing costs of \$33,902
- (7) The Company's loss for the period includes non-cash items of accretion of financing costs of \$25,300

#### Financial Condition, Liquidity and Capital Resources

The Company had total assets of \$22,684,152 as at September 30, 2019 (March 31, 2019 – \$18,348,571). The primary assets of the Company as of such date consisted cash of \$98,075 (March 31, 2019 – \$105,481), interest receivable of \$726,460 (March 31, 2019 - \$549,861), PIK interest receivable of \$464,464 (March 31, 2019 - \$362,586) and loan receivables of \$21,223,000 (March 31, 2019 - \$17,234,000). Accounts payable as at September 30, 2019 were \$579,001 (March 31, 2019- \$478,902). The Company had negative working capital of \$225,822 as at September 30, 2019 (March 31, 2019 – \$143,312).

At September 30, 2019, the Company had achieved profitable operations, and had accumulated a deficit of \$4,627,701 (March 31, 2018 – \$4,546,924).

As further described above, during the six ended September 30, 2019, the Company closed the Omni Debentures, pursuant to which it issued an aggregate of 4,189 Debentures for aggregate gross proceeds of \$4,189,000. The Company raised aggregate gross proceeds of \$19,923,000 from its Debenture Offerings.

The Company's condensed consolidated interim financial statements for the six months ended September 30, 2019 were prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast substantial doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months from loans from related parties and or the private placement of common shares.

As at September 30, 2019, the Company did not have any contractual obligations.

#### Classification of financial instruments

Financial assets included in the Company's statement of financial position are as follows:

	<b>September 30,2019</b>	<b>March 31, 2019</b>
FVTPL :		
Cash	\$ 98,075	\$ 105,481
Amortized costs :		
Interest receivable	726,460	549,861
PIK interest receivable	464,464	362,586
Loans receivable	21,223,000	17,234,000
	<b>\$ 22,511,999</b>	<b>\$ 18,251,928</b>

Financial liabilities included in the Company's statement of financial position are as follows:

	<b>September 30, 2019</b>	<b>March 31, 2019</b>
Amortized costs:		
Accounts payable	\$ 579,001	\$ 458,402
Dividends payable	443,500	382,000
Preferred share liability	94,460	188,833
Lease liability	117,647	-
Debentures	19,267,602	15,085,969
	<b>\$ 20,502,210</b>	<b>\$ 16,115,204</b>

#### Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Financial instruments classified as level 1 – quoted prices in active markets - include cash.

#### **OFF BALANCE SHEET ARRANGEMENTS**

There are no off-balance sheet arrangements to which the Company is committed.

#### **TRANSACTIONS WITH RELATED PARTIES**

The following amounts were due to related parties as at the dates indicated, and were included in accounts payable and accrued liabilities as at such dates:

	<b>September 30, 2019</b>	<b>March 31, 2018</b>
Chief Financial Officer	\$ 5,250	\$ 1,575

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

***Key management personnel compensation***

	Six months ended	
	September 30, 2019	September 30, 2018
CFO – Professional fees	\$ 15,951	\$ 3,150

**CRITICAL ACCOUNTING ESTIMATES**

As disclosed in the Company's annual audited financial statements for the years ended March 31, 2019 and 2018 (as are available on the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com))), the Company has no critical accounting estimates.

**CRITICAL ACCOUNTING POLICIES**

There are no accounting policies that the Company has adopted, other than what was disclosed in the Company's annual audited financial statements for the year ended March 31, 2019.

**RISK FACTORS**

The business of the Company is subject to risks and hazards, some of which are beyond the Company's control. Shareholders must rely on the ability, expertise, judgment, discretion, integrity and good faith of the management of the Company. The following is a summary of some risks and uncertainties that management believes to be material to the Company's business. Additional risk factors are included in the Filing Statement, which is available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

***Risk of Payment Defaults Under Investment Agreements***

While the Company intends to structure its investments, including the Initial Investment, in such a way as to minimize the risk of default, there is no guarantee that investee companies will not default on their payment obligations because of business failure or obligations to other lenders, investors or stakeholders. Further, there is no assurance that, in the event of a default by an investee company, the Company will be able to recover all or any of its investment. Such failure could have an adverse impact on the Company's financial condition and results of operations, including impairing the Company's ability to pay amounts owing under the Debentures or to pay dividends on the preferred shares. In addition, in the event investments in investee companies are structured on a subordinated or unsecured basis, the Company's rights, including payment rights, will be subordinate to the rights of secured lenders of investee companies and other parties holding security interests against investee companies. As such, upon a default by an investee company, there may be no funds left to permit the Company to recover its investment.

***Dependence on the Performance of Investee Companies***

The Company is, and will be, dependent on the operations, assets and financial health of the investee companies in which it makes investments. The Company's ability to meet its operating expenses in the long term will be largely dependent on the interest and other payments received from investee companies, which are expected to be the sole source of cash flow for the Company. While the Company intends to focus on special situation debt financing to Hillcore's pipeline of current and future private equity investments, payments to the Company from investee companies may be based on a percentage of such companies' top line revenues, in which case negative financial performance of an investee company will likely have a



negative impact on the Company's cash flow. In addition, if the financing position of an investee company declines such that it is unable to make interest payments to the Company, the Company's financial condition and cash flow will be adversely affected.

The Company has conducted, and will conduct, due diligence on each of its investee companies prior to entering into agreements with them. In addition, the Company plans to monitor investee company performance through observer rights at board meetings of investee companies, negotiating rights to appoint one or more directors to the boards of investee companies, and receiving and reviewing regular financial reports from the investee companies. Nonetheless, there is a risk that there may be some liabilities or other matters that are not identified through the Company's due diligence or ongoing monitoring that may have an adverse effect on an investee company's business and, as a result, on the Company.

#### ***Lack of Control Over Investee Company Management***

The Company does not expect to have a high degree of influence over any of its investee companies or their operations, including the Borrower. Payments received by the Company from investee companies may therefore depend upon several factors that may be outside of the Company's control.

#### ***Volatility of Share Price***

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility. A publicly traded company will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Company's common shares will trade from time to time cannot be predicted. The market price of the common shares is subject to significant fluctuations in response to variations in quarterly and annual operating results, the results of any public announcements the Company makes, general economic conditions, and other factors. Increased levels of volatility and resulting market turmoil may adversely impact the price of the common shares. If the Company is (as it is expected to be) required to access capital markets to carry out its business objectives, the state of domestic and international capital markets and other financial systems could affect its access to, and cost of, capital. Such capital may not be available on terms acceptable to the Company or at all, and this could have a material adverse impact on its business, financial condition, results of operations or prospects.

#### ***Financing Risks***

The Company has no history of earnings or material revenue. In addition, the Company's business model is dependent on making investments in additional investee companies, and the Company anticipates having to raise additional capital to fund these investments. While the Company may generate additional working capital through equity or debt offerings, or through the receipt of interest or other payments from investee companies, there is no assurance that such funds will be sufficient to facilitate the development of the Company's business as envisioned or, in the case of equity financings, that such funds will be available on terms acceptable to the Company or at all. If available, future equity financing may result in substantial dilution to the Company's shareholders.

#### ***Limited Number of Investments***

While the Company's intention is to negotiate and fund additional investments in companies in different industry sectors, it could take many years to create a diversified portfolio of investee companies and there is no guarantee the Company will ever achieve sufficient diversification. The Company may have a significant portion of its assets dedicated to a single business sector or industry for an extended period of

time. In the event that any such business or industry is unsuccessful or experiences a downturn, this could have a material adverse effect on the Company's business, results of operations and financial condition.

### ***Ability to Negotiate Additional Investments***

A key element of the Company's growth strategy is expected to involve negotiating and finding investments in other operating companies. Achieving the benefits of future investments will depend in part on successfully identifying and capturing such opportunities in a timely and efficient manner and in structuring such arrangements to ensure a stable and growing stream of revenues. The Company's ability to identify investee companies and negotiate and fund additional investments in such a manner is not guaranteed.

### ***Risks Facing Investee Companies***

As previously noted, the Company's financial condition and results of operations will be affected by the performance of the companies in which it invests. Each investee company will also be subject to risks which will affect their respective financial condition. Given that, other than with respect to the Initial Investment, the Company does not currently know the exact nature of the businesses in which it may make investments, it is impossible to predict exactly what risks investee companies will face. Nonetheless, typical risks which investee companies might be expected to face include the following:

- Investee companies may need to raise capital through equity or debt financing. Failure to obtain such equity or debt, or the terms of such equity or debt that may be available, may impair the ability of investee companies to finance their future operations and capital needs. Flexibility to respond to changing business and economic conditions may therefore be limited.
- The success of investee companies may depend on the talents and efforts of one or two persons or a small group of persons. The death, disability or resignation of one or more of these persons could have a material adverse impact on an investee company.
- Investee companies may require additional working capital to carry out their business activities and to expand their businesses. If such working capital is not available, the financial performance and development of the businesses of the investee companies may be adversely affected.
- Damage to the reputation of investee companies' brands could negatively impact consumer opinion of those companies or their related products and services, which could have an adverse effect on their businesses.
- Investee companies may face intense competition, including competition from companies with greater financial and other resources, and more extensive development, manufacturing, marketing and other capabilities. There can be no assurance that investee companies will be able to successfully compete against their competitors or that such competition will not have a material adverse effect on their businesses.
- Investee companies may experience reduced revenues through the loss of a customer representing a high percentage of their revenues.
- Investee companies may experience reduced revenues due to an inability to meet regulatory requirements or may experience losses of revenues due to unforeseeable changes in regulations imposed by various levels of government.

- Investee companies may rely on government or other subsidy programs for revenue or profit generation. Changes to, or elimination of, such programs may have an adverse effect on such companies.
- Investee companies may experience negative financial results based on foreign exchange losses.

### ***Reliance on Key Personnel***

The success of the Company is dependent on the abilities, experience, efforts and industry knowledge of its senior management and other key personnel. The long-term loss of the services of any key personnel for any reason could have a material adverse effect on the business, financial condition, results of operations or future prospects of the Company. In addition, the growth plans of the Company may require additional personnel, increase demands on management, and produce risks in both productivity and retention levels. The Company may not be able to attract and retain additional qualified management and personnel as needed in the future. There can be no assurance that the Company will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on its business, financial condition, results of operations and future prospects.

### **DISCLOSURE OF OUTSTANDING SHARE DATA**

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.

During the six months ended September 30, 2019, the company issued 31,250 Common shares at \$0.40.

During the six months ended September 30, 2018, the company issued 102,222 Common shares at \$0.45.

As of the date of this MD&A, the following securities of the Company were outstanding:

Common Shares – 11,669,357

Preferred shares – 6,718,750

Stock options – 1,160,000

Warrants – Nil

Debentures – 19,923, having an aggregate principal amount of \$19,923,000

Escrow shares – At the date of this report there are 2,987,488 shares in escrow

### **OTHER INFORMATION AND BOARD APPROVAL**

Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). This MD&A has been reviewed and approved by the Board of Directors of the Company.

**Audited Financial Statements  
For Years Ended March 31, 2019, 2018 and 2017  
and MD&A for Years Ended March 31, 2019, 2018 and 2017**

**TRENCHANT CAPITAL CORP.**  
**Consolidated Financial Statements**  
**Year Ended March 31, 2019**

**Expressed in Canadian Dollars**



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Trenchant Capital Corp.

### Opinion

We have audited the consolidated financial statements of Trenchant Capital Corp. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in shareholder's equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### 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 *Auditor's 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.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company had an accumulated deficit of \$4,546,924. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on 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. The other information comprises the information included in Management's Discussion and Analysis.

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, 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.

### 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, 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.

### Auditor's 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 auditor's 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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.

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 auditor's report is Cherry Ho.

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**  
Vancouver, BC

July 26, 2019

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

	Notes	March 31, 2019	March 31, 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 105,481	\$ 489,483
Accounts receivable		4,350	-
Prepays		57,898	9,425
Interest receivable	3	549,861	240,509
		717,590	739,417
<b>Long-term assets</b>			
Equipment, net		34,395	-
PIK interest receivable	3	362,586	163,147
Loans receivable	3	17,234,000	14,899,000
<b>TOTAL ASSETS</b>		<b>\$ 18,348,571</b>	<b>\$ 15,801,564</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	4	\$ 478,902	\$ 379,247
Dividends payable	7	382,000	216,000
		860,902	595,247
<b>Long-term Liabilities</b>			
Preferred share liability	7	188,833	354,044
Debentures	6	15,085,969	12,704,624
<b>TOTAL LIABILITIES</b>		<b>16,135,704</b>	<b>13,653,915</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	4,157,518	4,111,518
Preferred shares	7	2,192,676	2,192,676
Share-based payment reserve	7	409,597	343,158
Deficit		(4,546,924)	(4,499,703)
<b>TOTAL EQUITY</b>		<b>2,212,867</b>	<b>2,147,649</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 18,348,571</b>	<b>\$ 15,801,564</b>

Going concern (Note 1)  
Subsequent events (Note 11)

On behalf of the board:

"Eric Boehnke"  
Eric Boehnke, Director

"Tom English"  
Tom English, Director



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

	Note	Years ended	
		March 31, 2019	March 31, 2018
<b>Revenues</b>			
Interest income	3	\$ 1,887,833	\$ 862,567
<b>Expenses</b>			
Accretion	6	155,688	85,863
Business development		78,117	96,562
Consulting		20,940	131,122
Depreciation		3,451	-
General and administrative		58,971	57,728
Interest	6,7	1,363,239	656,440
Professional fees	5	120,467	105,605
Share-based payment	7	66,439	-
Transfer agent and filing fees		67,742	78,244
		1,935,054	1,211,564
<b>Net loss and comprehensive loss</b>		<b>\$ (47,221)</b>	<b>\$ (348,997)</b>
<b>Loss per share – basic and diluted</b>	7	<b>\$ (0.00)</b>	<b>\$ (0.03)</b>

Trenchant Capital Corp.  
Consolidated 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			
<b>Balance at March 31, 2017</b>	<b>11,535,885</b>	-	<b>\$ 4,111,518</b>	<b>\$ -</b>	<b>\$ 343,158</b>	<b>\$ (4,150,706)</b>	<b>\$ 303,970</b>
Issue of preferred shares (Note 7)	-	6,750,000	-	2,192,676	-	-	2,192,676
Comprehensive loss	-	-	-	-	-	(348,997)	(348,997)
<b>Balance at March 31, 2018</b>	<b>11,535,885</b>	<b>6,750,000</b>	<b>\$ 4,111,518</b>	<b>\$ 2,192,676</b>	<b>\$ 343,158</b>	<b>\$ (4,499,703)</b>	<b>\$ 2,147,649</b>
<b>Balance at March 31, 2018</b>	<b>11,535,885</b>	<b>6,750,000</b>	<b>\$ 4,111,518</b>	<b>\$ 2,192,676</b>	<b>\$ 343,158</b>	<b>\$ (4,499,703)</b>	<b>\$ 2,147,649</b>
Issue of common shares (Note 7)	102,222	-	46,000	-	-	-	46,000
Issue of stock options	-	-	-	-	66,439	-	66,439
Comprehensive loss	-	-	-	-	-	(47,221)	(47,221)
<b>Balance at March 31, 2019</b>	<b>11,638,107</b>	<b>6,750,000</b>	<b>\$ 4,157,518</b>	<b>\$ 2,192,676</b>	<b>\$ 409,597</b>	<b>\$ (4,546,924)</b>	<b>\$ 2,212,867</b>

See accompanying notes to the consolidated financial statements

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

	Year ended	
	March 31, 2019	March 31, 2018
<b>Operating activities</b>		
Net loss	\$ (47,221)	\$ (348,997)
Adjustments for non-cash items:		
Accretion expense	155,688	85,863
Accrued interest expense	50,789	62,720
Depreciation	3,451	-
Share-based compensation	66,439	-
Changes in non-cash working capital items:		
GST receivable	(4,350)	13,076
Prepaid expenses	(48,473)	10,575
Interest receivable	(508,791)	(403,656)
Accounts payables and accrued liabilities	95,655	225,237
<b>Net cash flows used in operating activities</b>	<b>(236,813)</b>	<b>(355,182)</b>
<b>Investing activities</b>		
Advance of loans	(2,335,000)	(14,899,000)
Furniture and fixtures	(37,846)	-
<b>Net cash flows used in investing activities</b>	<b>(2,372,846)</b>	<b>(14,899,000)</b>
<b>Financing activities</b>		
Issuance of preferred shares	-	2,700,000
Issuance of debentures	2,335,000	13,399,000
Debenture financing costs	(109,343)	(543,986)
<b>Net cash flows from financing activities</b>	<b>2,225,657</b>	<b>15,555,014</b>
Increase (decrease) in cash	(384,002)	300,832
Cash, beginning	489,483	188,651
<b>Cash, ending</b>	<b>\$ 105,481</b>	<b>\$ 489,483</b>
<b>Non-cash activities</b>		
Shares issued for dividends	\$ 46,000	\$ -
Accrual of dividend payable	\$ 216,000	\$ 216,000

**1. Nature and continuance of operations**

Trenchant Capital Corp. (the “Company”) was incorporated under the British Columbia Business Corporations Act on December 17, 2009. The Company’s shares are listed on the TSX Venture Exchange (“TSXV”).

The Company’s head office is located at suite 1790, 1066 West Hastings Street, Vancouver, BC, V6E 2X1. The Company has three subsidiaries, 0960128 B.C. Ltd. and 1141864 B.C. Ltd. and TCC Management Inc.

These 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. The Company has incurred losses since its inception and had an accumulated deficit of \$4,546,924 at March 31, 2019, which has been funded primarily by issuance of securities debentures 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.

The Company was formed as a Capital Pool Company on the TSXV. In May 2011, the Company completed its qualifying transaction as a resource issuer and was engaged in the exploration and development of natural resource properties.

In May 2016, the Company pursued a change of business to become a Investment Issuer on the TSXV (the “Change of Business”). In connection with the Change of Business the Company changed its name to Trenchant Capital Corp. on May 16, 2017 and commenced trading under the symbol “TCC.H”. Approval for the change of business was obtained from the TSXV on May 26, 2017.

**2. Significant accounting policies and basis of preparation**

The consolidated financial statements were authorized for issue on July 26, 2019 by the directors of the Company.

***Statement of compliance with International Financial Reporting Standards***

The consolidated 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”).

***Revenue recognition***

Interest income on loans is determined using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the income over the life of the asset. The effective interest rate is the rate that exactly discounts estimated future cash flows to the initial carrying amount.

The Company adopted IFRS 15 Revenue from Contracts with Customers on April 1, 2018. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. The adoption of IFRS 15 resulted in no impact to the opening retained earnings on April 1, 2018.

**2. Significant accounting policies and basis of preparation (cont'd)**

***Financial instruments***

The Company adopted all of the requirements of IFRS 9 Financial Instruments on April 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking “expected loss” impairment model.

The following is the Company’s new accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at April 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification	IAS 39	New classification	IFRS 9
Cash	FVTPL		FVTPL	
Interest receivable	Amortized cost		Amortized cost	
PIK interest receivable	Amortized cost		Amortized cost	
Loans receivable	Amortized cost		Amortized cost	
Accounts payable	Amortized cost		Amortized cost	
Dividends payable	Amortized cost		Amortized cost	
Preferred share liabilities	Amortized cost		Amortized cost	
Debentures	Amortized cost		Amortized cost	

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on April 1, 2018.

Measurement

*Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

**2. Significant accounting policies and basis of preparation (cont'd)**

***Financial instruments*** (cont'd)

*Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive income (loss) in the period in which they arise.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

*Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

*Financial liabilities*

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are recognized in profit or loss.

***Equipment***

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of comprehensive loss. Where an item of property and

**2. Significant accounting policies and basis of preparation (cont'd)**

***Equipment*** (cont'd)

equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. As at March 31, 2019, equipment consists of furniture.

The Company provides for depreciation of its furniture at the following method:

Furniture and fixtures                      straight line method over 5 years

The depreciation expense for each period is recognized in profit or loss.

***Basis of preparation***

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

***Consolidation***

The consolidated financial statements include the accounts of the Company and its controlled entity. Details of the controlled entity is as follows:

	Country of incorporation	Percentage owned*	
		March 31, 2019	March 31, 2018
0960128 B.C. Ltd.	Canada	100%	100%
1141864 B.C. Ltd.	Canada	100%	100%
TCC Management Inc	Canada	100%	-

\*Percentage of voting power is in proportion to ownership.

During the year ended March 31, 2019, the Company's subsidiary, TCC Management Inc, was inactive.

***Significant estimates and assumptions***

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets.

***Significant judgments***

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant

**2. Significant accounting policies and basis of preparation (cont'd)**

***Significant judgments*** (cont'd)

judgment applied in preparing the Company's financial statements are the assessment of the Company's ability to continue as a going concern and the recoverability of deferred tax assets.

***Share-based payments***

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

***Earnings (loss) per share***

Basic earnings (loss) per share is calculated by dividing the earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding in the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

***Income taxes***

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.



**2. Significant accounting policies and basis of preparation (cont'd)**

***Income taxes*** (cont'd)

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

***Foreign currency translation***

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Canadian dollars which is the Company and its subsidiaries' functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive loss in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

***New Standards and Interpretations***

***New standard IFRS 16 "Leases"***

This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted in certain circumstances. As at March 31, 2019, the Company will recognize a right-of-use asset and lease liability of approximately \$79,000 in the statement of financial position for its current office lease.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

Trenchant Capital Corp.  
Notes to the Consolidated Financial Statements  
(Expressed in Canadian Dollars)  
For the years ended March 31, 2019 and 2018

**3. Loans**

	<b>March 31, 2019</b>	<b>March 31, 2018</b>
<b>Waiward loans</b>		
May 18, 2017	\$ 5,522,000	\$ 5,522,000
June 26, 2017	1,488,000	1,488,000
July 19, 2017	730,000	730,000
<b>Total</b>	<b>7,740,000</b>	<b>7,740,000</b>
<b>ABO loans</b>		
March 2018	5,659,000	5,659,000
March 2018	1,500,000	1,500,000
July 2018	2,335,000	-
<b>Total</b>	<b>9,494,000</b>	<b>7,159,000</b>
	<b>\$ 17,234,000</b>	<b>\$ 14,899,000</b>

The Company has entered into a loan agreement (the “Loan Agreement”) dated March 2, 2017 (which replaces the loan agreement dated October 28, 2016) with Waiward Investments Limited Partnership (the “Borrower”), a limited partnership related to the Hillcore Group Ltd. (“Hillcore”), pursuant to which a wholly owned subsidiary of the Company (the “Lender”) has agreed to loan a minimum of \$5,000,000 and a maximum of \$20,000,000 (or \$23,000,000 in the event that the Over-Allotment Option is exercised in full) (the “Waiward Loan”) to the Borrower, secured by the Borrower’s indirect equity interest in Waiward Steel Limited Partnership (“Waiward Steel”), a Canadian steel fabricator and erector.

The Waiward loans were made by the Company’s subsidiary 0960128 B.C. Ltd., and bears 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 year ended March 31, 2019 was \$997,224 (2018 - \$815,736), of which \$198,596 (2018 - \$193,678) was receivable at March 31, 2019 and \$199,439 (2018 - \$163,147) was interest accrued for payment in kind (“PIK”). The loan is secured by the Borrower’s indirect equity interest in Waiward Steel.

In December 2017 the Company’ subsidiary 1141864 B.C. Ltd. agreed to lend \$5,659,000 to ABO Investments Limited Partnership (“ABO”). The loan bears interest at the rate of 10.0% per annum, payable quarterly in cash until maturity on January 27, 2023 (the “ABO Loan”). On May 17, 2018, the Company closed the second tranche of the Omni Debentures for which gross proceeds of \$2,335,000 were raised through the issuance of 2,335 Omni Debentures (Note 6).

Interest earned in the year ended March 31, 2019 was \$769,333 (2018 - \$13,954), of which \$197,112 was receivable at March 31, 2019. The loan is secured by the borrower’s indirect equity interest in Omni Health Investments Inc.

On June 29, 2017, the Company advanced a refundable deposit of \$1,500,000 to 10164950 Canada Ltd., a company controlled by Hillcore, as an advance on a second investment transaction with Hillcore. 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. In December 2017 the Company agreed to loan the advance to ABO in a sidecar loan on the same terms as,

Trenchant Capital Corp.  
Notes to the Consolidated Financial Statements  
(Expressed in Canadian Dollars)  
For the years ended March 31, 2019 and 2018

**3. Loans (cont'd)**

and be subordinated to, the ABO Loan. The loan bears interest at the rate of 8.0% per annum, payable annually in cash until maturity on January 27, 2023. Interest earned in the year ended March 31, 2019 was \$121,276 (2018 - \$32,877). The receivable as at March 31, 2019 is \$154,153.

**4. Accounts payable and accrued liabilities**

	March 31, 2019	March 31, 2018
Accounts payable (Notes 5 and 6)	\$ 458,402	\$ 365,094
Accrued liabilities	20,500	14,153
	\$ 478,902	\$ 379,247

**5. Related party transactions**

***Related party balances:***

The following amounts are due to related parties and included in accounts payable (Note 4):

	March 31, 2019	March 31, 2018
CFO	\$ 1,575	\$ 1,575

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

***Key management personnel compensation***

	Years ended	
	March 31, 2019	March 31, 2018
CFO – Professional fees	\$ 6,300	\$ 6,300

**6. Debentures**

	March 31, 2019	March 31, 2018
Balance, beginning	\$ 12,704,624	\$ -
Proceeds from issuance of debentures	2,335,000	13,399,000
Deferral of financing costs	(109,343)	(780,239)
Interest expense	1,312,450	593,720
Interest paid or payable	(1,312,450)	(593,720)
Accretion of financing costs	155,688	85,863
	\$ 15,085,969	\$ 12,704,624

**6. Debentures (cont'd)**

The Debenture Offering

On March 7, 2017, the Company filed and obtained a receipt for a preliminary prospectus with security regulatory authorities for a proposed public offering of a minimum of 5,000 and a maximum of 20,000 secured convertible debentures (the "Debentures") priced at \$1,000 per Debenture (the "Debenture Offering Price"), for gross proceeds of a minimum of \$5,000,000 and a maximum of \$20,000,000 (the "Debenture Offering"). The Debenture Offering closed in three tranches for aggregate gross proceeds of \$7,740,000. The first tranche, pursuant to which gross proceeds of \$5,522,000 were raised through the issuance of 5,522 Debentures, closed on May 18, 2017. The second tranche, pursuant to which gross proceeds of \$1,488,000 were raised through the issuance of 1,488 Debentures, closed on June 26, 2017. The third tranche, pursuant to which gross proceeds of \$730,000 were raised through the issuance of 730 Debentures, closed on July 19, 2017. In connection with the Debenture Offering, the Company paid the agents aggregate cash commissions equal to 6.5% of the gross proceeds raised under the Debenture Offering and were reimbursed for their reasonable expenses.

During the year ended March 31, 2019, the Company has recognized an accretion expense of \$106,926 (2018 - \$85,863) related to this Debenture Offering. During the year ended March 31, 2019, interest expense of \$696,600 was paid and accrued, of which \$174,150 was included in accounts payable (Note 4).

The Debentures will mature on March 31, 2022 and the outstanding principal of the Debentures will bear interest (the "Debenture Interest") at the rate of 9.0% per annum, payable quarterly in cash. The terms of the Debentures are set out in a trust indenture entered into between the Company and Computershare Trust Company of Canada ("Computershare").

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 accrued but unpaid interest thereon, in cash, at any time after May 18, 2019, being two years after the closing of the first tranche of the Debenture Offering, 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 but unpaid interest thereon.

The Company pledged all of the outstanding shares of 0960128 B.C. Ltd. to Computershare, on behalf of 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.

Effective on October 26, 2017, the Debentures commenced trading on the TSXV under the symbol "TCC.DB".

**6. Debentures (cont'd)**

The Omni Debentures

In December 2017 the Company filed and obtained a receipt for a preliminary prospectus with security regulatory authorities for a proposed public offering of a minimum of 10,000 and a maximum of 20,000 8% secured convertible debentures (the "Omni Debentures") priced at \$1,000 per Debenture, for gross proceeds of a minimum of \$10,000,000 and a maximum of \$20,000,000 (or \$23,000,000 in the event that the Over-Allotment Option is exercised in full) (the "Omni Debenture Offering"). The net proceeds of the Omni Debenture Offering will be used to fund the Omni Loan, as described below. On March 23, 2018, the Company closed the first tranche of the Omni Debentures for which gross proceeds of \$5,659,000 were raised through the issuance of 5,659 Omni Debentures.

On May 17, 2018, the Company closed the second tranche of the Omni Debentures for which gross proceeds of \$2,335,000 were raised through the issuance of 2,335 Omni Debentures.

During the year ended March 31, 2019, the Company incurred financing costs of \$109,343 (2018 - \$183,878) related to these Omni Debentures. During the year ended March 31, 2019, interest expense of \$615,850 (2018 - \$11,163) was paid and accrued, of which \$159,880 is included in accounts payable (Note 4).

The Omni Debenture Offering is being made on a best efforts basis, through a syndicate of agents led by Canaccord Capital Corp. and Industrial Alliance Securities Inc. (collectively, the "Agents"). The Omni Debentures issued in the Omni Debenture Offering will have a maturity date of January 27, 2023 and bear interest at the rate of 8.0% per annum, payable quarterly in cash. Commencing two years from closing, the outstanding principal amount of the Omni 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) \$1.25 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 Omni Debentures, and accrued but unpaid interest thereon, in cash, at any time after two years from the closing of the first tranche of the Omni Debenture Offering, by paying the Omni Debenture holders 105% of the outstanding principal amount of the Omni Debentures in year three, 103% of the outstanding principal amount of the Omni Debentures in year four, and 101% of the outstanding principal amount of the Omni Debentures in year five, plus any accrued but unpaid interest thereon.

The Company has agreed to pledge all of the outstanding shares of 1141864 B.C. Ltd. as security for the Company's outstanding obligations under the Omni Debentures. The holders of Omni Debentures will have no recourse to the Company other than with respect to such shares.

On May 13, 2019, the Company closed the third tranche of the Omni Debentures for which gross proceeds of \$2,428,000 were raised through the issuance of 2,428 Omni Debentures (Note 11).

On June 28, 2019, the Company closed the fourth tranche of the Omni Debentures for which gross proceeds of \$1,761,000 were raised through the issuance of 1,761 Omni Debentures (Note 11).

**7. Share capital**

***Authorized share capital***

Unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

***Issued share capital***

At March 31, 2019 there were 11,638,107 (2018 - 11,535,885) issued and fully paid common shares.

During the year ended March 31, 2019, the Company issued 102,222 common shares at a fair value of \$0.45 per share as settlement of \$46,000 of the dividend payable.

During the year ended March 31, 2018, the Company issued 6,750,000 preferred shares at a price of \$0.40 per share for gross proceeds of \$2,700,000.

***Escrow shares***

At March 31, 2019, there were 4,481,232 shares held in escrow (2018 – 7,468,720).

***Preferred shares***

On May 18, 2017, the Company closed a private placement of non-voting convertible preferred shares, pursuant to which it raised gross proceeds of \$2,700,000 through the issuance of 6,750,000 preferred shares at a price of \$0.40 per share (the “Preferred Share Offering”, and together with the Debenture Offering, the “Offerings”). No commissions or finder’s fees were paid in connection with the Preferred Share Offering.

The preferred shares are entitled to receive annual non-cumulative dividends at a fixed rate of 8% per annum. Holders of preferred shares may, commencing on May 18, 2018, convert their preferred shares into common shares on a one for one basis, subject to a semi-annual maximum conversion limit of such number of common shares as is equal to 25% of a particular holder’s preferred shares. The preferred shares will automatically convert into common shares on a one for one basis on May 18, 2020.

Holders of Preferred Shares are not entitled to receive notice of, attend, or vote at, any general meeting of the shareholders of the Company. The preferred shares are not, and are not expected to be, listed for trading on the TSXV or on any other stock exchange or quotation system.

The fair value of the liability component of the preferred shares was calculated using a market interest rate, which the Company determined to be 8.5%. The residual amount, representing the equity component of the preferred shares, is included in shareholders equity. As at March 31, 2019, there are dividends payable on the preferred shares of \$382,000 (2018: \$216,000). The continuity of the preferred share liability for the year ended March 31, 2019 is as follows:

	<b>March 31, 2019</b>	<b>March 31, 2018</b>
Balance, beginning	\$ 354,044	\$ -
Proceeds from issuance of preferred shares	-	2,700,000
Equity component of preferred shares	-	(2,192,676)
Interest expense	50,789	62,720
Dividends payable	(216,000)	(216,000)
Balance, ending	\$ 188,833	\$ 354,044

**7. Share capital (cont'd)**

***Basic and diluted loss per share***

The calculation of basic income per share for the year ended March 31, 2019 was based on the loss attributable to common shareholders of \$47,221 (2018: \$348,997) and the weighted average number of common shares outstanding of 11,587,415 (2018: 11,535,885).

***Stock options***

On March 3, 2010, the directors of the Company consented to adopt a Company Share Option Plan (the "Plan"). The shareholders of the Company approved the Plan on September 8, 2011. The Plan provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the common shares outstanding at the time of the granting of options. Such options may be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

On March 29, 2019, the Company granted 1,160,000 options to purchase common shares to directors and officers of the Company, at \$0.25 per common share. Each option is exercisable into one common share at an exercise price of \$0.25 until March 29, 2022. The options vest annually over three years, with 1/3 of the options vesting each year commencing on the date of grant, being March 29, 2019. The closing price of the Common Shares on March 29, 2019 was \$0.29. The fair value of the options granted was determined to be \$199,318 using the following assumptions: Risk-free rate of 1.43%; Expected life of 3 years, expected volatility of 100% and dividend yield of nil. During year ended March 31, 2019, the Company recognized share-based payment of \$66,439 (2018 -\$nil) on vested options.

The following summarizes information about stock options outstanding at January 31, 2019:

<b>Expiry date</b>	<b>Exercise price</b>	<b>Options outstanding</b>	<b>Options exercisable</b>	<b>Weighted average remaining contractual years</b>
March 29, 2022	\$ 0.25	1,160,000	386,667	3.00
<b>Total</b>		<b>1,160,000</b>	<b>386,667</b>	<b>3.00</b>

***Share-based payment reserve***

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

## **8. Financial risk and capital management**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### ***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in a bank account. The cash is deposited in a bank account held with a major bank in Canada. As the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. Credit risk is assessed as low. Credit risk with respect to loan and interest receivables is assessed as moderate due to the risk of potential non payments.

### ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity and debenture securities for cash. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity and debt funding. Liquidity risk is assessed as high.

### ***Foreign exchange risk***

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company had no exposure to foreign exchange risk.

### ***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash on hand is subject to minimal interest rate risk and the debentures have fixed interest rates. Interest rate risk is assessed as low.

### ***Capital Management***

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital and working capital. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.



**8. Financial risk and capital management (cont'd)**

***Classification of financial instruments***

Financial assets included in the statement of financial position are as follows:

	<b>March 31, 2019</b>	<b>March 31, 2018</b>
FVTPL:		
Cash	\$ 105,481	\$ 489,483
Amortization costs:		
Interest receivable	549,861	240,509
PIK interest receivable	362,586	163,147
Loans receivable	17,234,000	14,899,000
	<b>\$ 18,251,928</b>	<b>\$ 15,792,139</b>

Financial liabilities included in the statement of financial position are as follows:

	<b>March 31, 2019</b>	<b>March 31, 2018</b>
Non-derivative financial liabilities:		
Accounts payable	\$ 458,402	\$ 365,094
Dividends payable	382,000	216,000
Preferred share liability	188,833	354,044
Debentures	15,085,969	12,704,624
	<b>\$ 16,115,204</b>	<b>\$ 13,639,762</b>

***Fair value***

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Financial instruments classified as level 1 – quoted prices in active markets include cash.

**9. Commitments**

On April 23, 2018, the Company entered into an office lease agreement, which commenced on September 1, 2018 for a period of three years. The Company has subsequently sub-leased approximately 50% of the office. Annual rents for the following three year period are \$40,052, \$41,395, and \$17,481, respectively.

**10. Income tax expense and deferred tax assets and liabilities**

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Year ended March 31, 2019	Year ended March 31, 2018
Net loss	\$ (47,221)	\$ (348,997)
Statutory tax rate	27%	26%
Expected income tax recovery at the statutory tax rate	(12,750)	(90,739)
Effect of change in tax rates	(40,519)	-
Non-deductible items and other	(3,631)	53,188
Change in valuation allowance	56,899	37,551
Income tax recovery	\$ -	\$ -

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	March 31, 2019	March 31, 2018
Non-capital loss carry-forwards	\$ 2,383,850	\$ 2,409,988
Exploration and evaluation assets	1,850,785	1,712,056
Debenture financing costs	555,617	624,191
Debentures	(648,031)	(694,376)
PIK interest reserve	(29,693)	-
	\$ 4,112,528	\$ 4,051,859

The tax pools relating to these deductible temporary differences expire as follows:

	Canadian non-capital losses	Canadian resource pools
2031	\$ 126,558	\$ -
2032	574,306	-
2033	524,874	-
2034	545,514	-
2035	-	-
2036	64,858	-
2037	199,331	-
2038	348,409	-
No expiry	-	1,850,785
	\$ 2,383,850	\$ 1,850,785

**11. Subsequent events**

On May 30, 2019, the Company closed the third tranche of its Omni Debentures for gross proceeds of \$2,428,000 through the issuance of 2,428 Omni Debentures (Note 6)

On June 28, 2019 the Company closed the fourth tranche of its Omni Debentures for gross proceeds of \$1,761,000 through the issuance of 1,761 Omni Debentures (Note 6).

On July 4, 2019, the Company approved the payment of the annual dividend on the 6,750,000 preferred shares in the aggregate amount of \$216,000. Of the total, \$50,000 was paid in cash, and \$166,000 will be accrued as payable to certain preferred shareholders.

**TRENCHANT CAPITAL CORP.**  
**Consolidated Financial Statements**  
**Year Ended March 31, 2018**

**Expressed in Canadian Dollars**



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Trenchant Capital Corp.:

We have audited the accompanying consolidated financial statements of Trenchant Capital Corp., which comprise the consolidated statements of financial position as at March 31, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence that we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Trenchant Capital Corp. as at March 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements, which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Trenchant Capital Corp.'s ability to continue as a going concern.

DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.  
July 25, 2018

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

	Notes	March 31, 2018	March 31, 2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 489,483	\$ 188,651
GST receivable		-	13,076
Prepays		9,425	20,000
Financing costs	6	-	236,253
Interest receivable	3	240,509	-
		739,417	457,980
<b>Long-term assets</b>			
PIK interest receivable	3	163,147	-
Loans receivable	3	14,899,000	-
<b>TOTAL ASSETS</b>		<b>\$ 15,801,564</b>	<b>\$ 457,980</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	4	\$ 379,247	\$ 154,010
Dividends payable	7,10	216,000	-
		595,247	154,010
<b>Long-term Liabilities</b>			
Preferred share liability	7	354,044	-
Debentures	6	12,704,624	-
<b>TOTAL LIABILITIES</b>		<b>13,653,915</b>	<b>154,010</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	4,111,518	4,111,518
Preferred shares	7	2,192,676	-
Share-based payment reserve	7	343,158	343,158
Deficit		(4,499,703)	(4,150,706)
<b>TOTAL EQUITY</b>		<b>2,147,649</b>	<b>303,970</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 15,801,564</b>	<b>\$ 457,980</b>

Going concern (Note 1)  
Subsequent events (Note 10)

On behalf of the board:

"Eric Boehnke"  
Eric Boehnke, Director

"John Legg"  
John Legg, Director

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

	Note	Years ended	
		March 31, 2018	March 31, 2017
<b>Revenues</b>			
Interest income	3	\$ 862,567	\$ -
<b>Expenses</b>			
Accretion	6	85,863	-
Business development		96,562	85,167
Consulting		131,122	-
General and administrative		57,728	26,500
Interest	6	656,440	-
Professional fees	5	105,605	46,657
Transfer agent and filing fees		78,244	37,680
Travel and promotion		-	1,494
		1,211,564	197,498
<b>Net and comprehensive loss</b>		<b>\$ (348,997)</b>	<b>\$ (197,498)</b>
<b>Loss per share – basic and diluted</b>	7	<b>\$ (0.03)</b>	<b>\$ (0.02)</b>

See accompanying notes to the consolidated financial statements

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

	Share capital							
	Number of Common shares	Number of Preferred shares	Common shares	Preferred shares	Obligation to issue shares	Share-based payment reserve	Deficit	Total
<b>Balance at March 31, 2016</b>	<b>535,885</b>	-	<b>\$ 3,451,518</b>	\$ -	<b>\$ 4,500</b>	<b>\$ 343,158</b>	<b>\$ (3,953,208)</b>	<b>\$ (154,032)</b>
Issue of shares for debt (Note 7)	1,000,000	-	60,000	-	-	-	-	60,000
Issue of shares for cash (Note 7)	9,925,000	-	595,500	-	-	-	-	595,500
Issue of shares for obligation to issue shares (Note 7)	75,000	-	4,500	-	(4,500)	-	-	-
Comprehensive loss	-	-	-	-	-	-	(197,498)	(197,498)
<b>Balance at March 31, 2017</b>	<b>11,535,885</b>	-	<b>\$ 4,111,518</b>	\$ -	<b>\$ -</b>	<b>\$ 343,158</b>	<b>\$ (4,150,706)</b>	<b>\$ 303,970</b>
<b>Balance at March 31, 2017</b>	<b>11,535,885</b>	-	<b>\$ 4,111,518</b>	\$ -	<b>\$ -</b>	<b>\$ 343,158</b>	<b>\$ (4,150,706)</b>	<b>\$ 303,970</b>
Issue of preferred shares (Note 7)	-	6,750,000	-	2,192,676	-	-	-	2,192,676
Comprehensive loss	-	-	-	-	-	-	(348,997)	(348,997)
<b>Balance at March 31, 2018</b>	<b>11,535,885</b>	<b>6,750,000</b>	<b>\$ 4,111,518</b>	<b>\$ 2,192,676</b>	<b>\$ -</b>	<b>\$ 343,158</b>	<b>\$ (4,499,703)</b>	<b>\$ 2,147,649</b>

See accompanying notes to the consolidated financial statements



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

	Year ended	
	March 31, 2018	March 31, 2017
<b>Operating activities</b>		
Net loss	\$ (348,997)	\$ (197,498)
Adjustments for non-cash items:		
Accretion expense	85,863	-
Accrued interest	62,720	-
Changes in non-cash working capital items:		
GST receivable	13,076	(8,574)
Prepaid expenses	10,575	(20,000)
Financing costs	-	(236,253)
Interest receivable	(403,656)	-
Accounts payables and accrued liabilities	225,237	53,423
<b>Net cash flows used in operating activities</b>	<b>(355,182)</b>	<b>(408,902)</b>
<b>Investing activities</b>		
Advance of loans	(14,899,000)	-
<b>Net cash flows used in investing activities</b>	<b>(14,899,000)</b>	<b>-</b>
<b>Financing activities</b>		
Issuance of preferred shares	2,700,000	-
Shares issued for cash	-	595,500
Issuance of debentures	13,399,000	-
Debenture financing costs	(543,986)	-
<b>Net cash flows from financing activities</b>	<b>15,555,014</b>	<b>595,500</b>
Increase in cash	300,832	186,598
Cash, beginning	188,651	2,053
<b>Cash, ending</b>	<b>\$ 489,483</b>	<b>\$ 188,651</b>
<b>Non-cash activities</b>		
Shares issued for debt	\$ -	\$ 60,000
Accrual of dividend payable	\$ 216,000	\$ -

**1. Nature and continuance of operations**

Trenchant Capital Corp. (the “Company”) was incorporated under the British Columbia Business Corporations Act on December 17, 2009. The Company’s shares are listed on the TSX Venture Exchange (“TSXV”).

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

These 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. The Company has incurred losses since its inception and had an accumulated deficit of \$4,499,703 at March 31, 2018, which has been funded primarily by issuance of securities debentures 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.

The Company was formed as a Capital Pool Company on the TSXV. In May 2011, the Company completed its qualifying transaction as a resource issuer and was engaged in the exploration and development of natural resource properties.

In May 2016, the Company announced that it was pursuing a change of business to become a Investment Issuer on the TSXV (the “Change of Business”). In connection with the Change of Business the Company changed its name to Trenchant Capital Corp. on May 16, 2017 and commenced trading under the symbol “TCC.H”. Approval for the Change of Business was obtained from the TSXV on May 26, 2017.

On March 7, 2017, the Company filed and obtained a receipt for a preliminary prospectus with security regulatory authorities for a proposed public offering of a minimum of 5,000 and a maximum of 20,000 secured convertible debentures (the “Debentures”) priced at \$1,000 per Debenture (the “Debenture Offering Price”), for gross proceeds of a minimum of \$5,000,000 and a maximum of \$20,000,000 (the “Debenture Offering” (Note 6).

In December 2017 the Company filed and obtained a receipt for a preliminary prospectus with security regulatory authorities for a proposed public offering of a minimum of 10,000 and a maximum of 20,000 8% secured convertible debentures (the “Omni Debentures”) priced at \$1,000 per Debenture, for gross proceeds of a minimum of \$10,000,000 and a maximum of \$20,000,000 (or \$23,000,000 in the event that the Over-Allotment Option is exercised in full) (the “Omni Debenture Offering”) (Note 6).

**2. Significant accounting policies and basis of preparation**

The consolidated financial statements were authorized for issue on July 25, 2018 by the directors of the Company.

***Statement of compliance with International Financial Reporting Standards***

The consolidated 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”).

**2. Significant accounting policies and basis of preparation (cont'd)**

***Basis of preparation***

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

***Consolidation***

The consolidated financial statements include the accounts of the Company and its controlled entity. Details of the controlled entity is as follows:

	Country of incorporation	Percentage owned*	
		March 31, 2018	March 31, 2017
0960128 B.C. Ltd.	Canada	100%	100%
1141864 B.C. Ltd.	Canada	100%	-

\*Percentage of voting power is in proportion to ownership.

During the year ended March 31, 2017, the Company's subsidiary, 0960128 B.C. LTD, was inactive.

***Significant estimates and assumptions***

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets.

***Significant judgments***

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgment applied in preparing the Company's financial statements are the assessment of the Company's ability to continue as a going concern and the recoverability of deferred tax assets.

***Share-based payments***

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

**2. Significant accounting policies and basis of preparation (cont'd)**

***Earnings (loss) per share***

Basic earnings (loss) per share is calculated by dividing the earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding in the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

***Financial instruments***

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Company with significant financial assets is managed by key management personnel on a fair value basis in accordance with a risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

**2. Significant accounting policies and basis of preparation (cont'd)**

***Financial instruments (cont'd)***

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

***Income taxes***

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

***Foreign currency translation***

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

**2. Significant accounting policies and basis of preparation (cont'd)**

***Foreign currency translation (cont'd)***

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive loss in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

***Accounting standards issued but not yet effective***

Certain new standards, interpretations and amendments to existing standards are not yet effective as of March 31, 2018 and have not been applied in preparing these financial statements. The Company does not anticipate any of the below standards to have a material impact on the financial statements.

***IFRS 9 Financial Instruments – Classification and Measurement***

IFRS 9 is a new standard on financial instruments that will replace IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

Effective for annual periods beginning on or after January 1, 2018.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

**3. Loans**

	<b>March 31, 2018</b>	<b>March 31, 2017</b>
May 18, 2017	\$ 5,522,000	\$ -
June 26, 2017	1,488,000	-
July 19, 2017	730,000	-
Waiward loans	7,740,000	-
ABO loan	5,659,000	-
March 2018	1,500,000	-
ABO loans	7,159,000	-
	<b>\$ 14,899,000</b>	<b>\$ -</b>

**3. Loans (cont'd)**

The Company has entered into a loan agreement (the "Loan Agreement") dated March 2, 2017 (which replaces the loan agreement dated October 28, 2016) with Waiward Investments Limited Partnership (the "Borrower"), a limited partnership related to the Hillcore Group Ltd. ("Hillcore"), pursuant to which a wholly owned subsidiary of the Company (the "Lender") has agreed to loan a minimum of \$5,000,000 and a maximum of \$20,000,000 (or \$23,000,000 in the event that the Over-Allotment Option is exercised in full) (the "Waiward Loan") to the Borrower, secured by the Borrower's indirect equity interest in Waiward Steel Limited Partnership ("Waiward Steel"), a Canadian steel fabricator and erector.

The Waiward loans were made by the Company's subsidiary 0960128 B.C. Ltd., and bears 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 year ended March 31, 2018 was \$815,736 (2017 - \$Nil), of which \$193,678 (2017 - \$Nil) was receivable at March 31, 2018 and \$163,147 (2017 - \$Nil) was interest accrued for payment in kind ("PIK"). The loan is secured by the Borrower's indirect equity interest in Waiward Steel.

In December 2017 the Company's subsidiary 1141864 B.C. Ltd. agreed to lend \$5,569,000 to ABO Investments Limited Partnership ("ABO"). The loan bears interest at the rate of 10.0% per annum, payable quarterly in cash until maturity on January 27, 2023 (the "ABO Loan"). Interest earned in the year ended March 31, 2018 was \$13,954 (2017 - \$Nil), which was receivable at March 31, 2018. The loan is secured by the borrower's indirect equity interest in Omni Health Investments Inc.

On June 29, 2017, the Company advanced a refundable deposit of \$1,500,000 to 10164950 Canada Ltd., a company controlled by Hillcore, as an advance on a second investment transaction with Hillcore. 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. In December 2017 the Company agreed to loan the advance to ABO in a sidecar loan on the same terms as, and be subordinated to, the ABO Loan. The loan bears interest at the rate of 8.0% per annum, payable annually in cash until maturity on January 27, 2023. Interest earned in the year ended March 31, 2018 was \$32,877 (2017 - \$Nil), which was receivable at March 31, 2018.

**4. Accounts payable and accrued liabilities**

	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Accounts payable (Notes 5 and 6)	\$ 365,094	\$ 154,010
Accrued liabilities	14,153	-
	<b>\$ 379,247</b>	<b>\$ 154,010</b>

**5. Related party transactions**

***Related party balances:***

The following amounts are due to related parties and included in accounts payable (Note 4):

	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Directors of the Company	\$ -	\$ 7,530
CFO	1,575	1,575
	<b>\$ 1,575</b>	<b>\$ 9,105</b>

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

During the year ended March 31, 2017, the Company settled a debt obligation of \$60,000 with the CEO by issuing 1,000,000 common shares at \$0.06 per share.

***Key management personnel compensation***

	<b>Years ended</b>	
	<b>March 31, 2018</b>	<b>March 31, 2017</b>
CFO – Professional fees	\$ 6,300	\$ 6,000

**6. Debentures**

	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Balance, beginning	\$ -	\$ -
Proceeds from issuance of debentures	13,399,000	-
Deferral of financing costs	(780,239)	-
Interest expense	593,720	-
Interest paid or payable	(593,720)	-
Accretion of financing costs	85,863	-
	<b>\$ 12,704,624</b>	<b>\$ -</b>

The Debenture Offering

On March 7, 2017, the Company filed and obtained a receipt for a preliminary prospectus with security regulatory authorities for a proposed public offering of a minimum of 5,000 and a maximum of 20,000 secured convertible debentures (the “Debentures”) priced at \$1,000 per Debenture (the “Debenture Offering Price”), for gross proceeds of a minimum of \$5,000,000 and a maximum of \$20,000,000 (the “Debenture Offering”). The Debenture Offering closed in three tranches for aggregate gross proceeds of \$7,740,000. The first tranche, pursuant to which gross proceeds of \$5,522,000 were raised through the issuance of 5,522 Debentures, closed on May 18, 2017. The second tranche, pursuant to which gross proceeds of \$1,488,000 were raised through the issuance of 1,488 Debentures, closed on June 26, 2017. The third tranche, pursuant to which gross proceeds of \$730,000 were raised through the issuance of 730 Debentures, closed on July 19, 2017. In connection with the Debenture Offering, the Company paid the agents aggregate cash commissions equal to 6.5% of the gross proceeds raised under the Debenture Offering and were reimbursed for their reasonable expenses.



**6. Debentures (cont'd)**

During the year ended March 31, 2018, the Company incurred financing costs of \$360,108 (2017 - \$236,253) related to this Debenture Offering and \$85,863 has been recognized as accretion expense (2017 - \$Nil). During the year ended March 31, 2018, interest expense of \$582,557 was accrued, of which \$408,407 (2017 - \$Nil) was paid in cash and \$174,150 (2017 - \$Nil) is included in accounts payable (Note 4).

The Debentures will mature on March 31, 2022 and the outstanding principal of the Debentures will bear interest (the "Debenture Interest") at the rate of 9.0% per annum, payable quarterly in cash. The terms of the Debentures are set out in a trust indenture entered into between the Company and Computershare Trust Company of Canada ("Computershare").

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 accrued but unpaid interest thereon, in cash, at any time after May 18, 2019, being two years after the closing of the first tranche of the Debenture Offering, 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 but unpaid interest thereon.

The Company pledged all of the outstanding shares of 0960128 B.C. Ltd. to Computershare, on behalf of 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.

Effective on October 26, 2017, the Debentures commenced trading on the TSXV under the symbol "TCC.DB".

**The Omni Debentures**

In December 2017 the Company filed and obtained a receipt for a preliminary prospectus with security regulatory authorities for a proposed public offering of a minimum of 10,000 and a maximum of 20,000 8% secured convertible debentures (the "Omni Debentures") priced at \$1,000 per Debenture, for gross proceeds of a minimum of \$10,000,000 and a maximum of \$20,000,000 (or \$23,000,000 in the event that the Over-Allotment Option is exercised in full) (the "Omni Debenture Offering"). The net proceeds of the Omni Debenture Offering will be used to fund the Omni Loan, as described below. On March 23, 2018, the Company closed the first tranche of the Omni Debentures for which gross proceeds of \$5,659,000 were raised through the issuance of 5,659 Omni Debentures.

During the year ended March 31, 2018, the Company incurred financing costs of \$183,878 (2017 - \$Nil) related to these Omni Debentures. During the year ended March 31, 2018, interest expense of \$11,163 (2017 - \$Nil) was accrued, which is included in accounts payable (Note 4).

**6. Debentures (cont'd)**

The Omni Debenture Offering is being made on a best efforts basis, through a syndicate of agents led by Canaccord Capital Corp. and Industrial Alliance Securities Inc. (collectively, the "Agents"). The Omni Debentures issued in the Omni Debenture Offering will have a maturity date of January 27, 2023 and bear interest at the rate of 8.0% per annum, payable quarterly in cash. Commencing two years from closing, the outstanding principal amount of the Omni 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) \$1.25 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 Omni Debentures, and accrued but unpaid interest thereon, in cash, at any time after two years from the closing of the first tranche of the Omni Debenture Offering, by paying the Omni Debenture holders 105% of the outstanding principal amount of the Omni Debentures in year three, 103% of the outstanding principal amount of the Omni Debentures in year four, and 101% of the outstanding principal amount of the Omni Debentures in year five, plus any accrued but unpaid interest thereon.

The Company has agreed to pledge all of the outstanding shares of 1141864 B.C. Ltd. as security for the Company's outstanding obligations under the Omni Debentures. The holders of Omni Debentures will have no recourse to the Company other than with respect to such shares.

On May 17, 2018, the Company closed the second tranche of the Omni Debentures for which gross proceeds of \$2,335,000 were raised through the issuance of 2,335 Omni Debentures (Note 10).

**7. Share capital**

***Authorized share capital***

Unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

***Issued share capital***

At March 31, 2018 and 2017 there were 11,535,885 issued and fully paid common shares.

During the year ended March 31, 2018, 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 year ended March 31, 2017, 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.

**7. Share capital (cont'd)**

***Preferred shares***

On May 18, 2017, the Company closed a private placement of non-voting convertible preferred shares, pursuant to which it raised gross proceeds of \$2,700,000 through the issuance of 6,750,000 preferred shares at a price of \$0.40 per share (the "Preferred Share Offering", and together with the Debenture Offering, the "Offerings"). No commissions or finder's fees were paid in connection with the Preferred Share Offering.

The preferred shares are entitled to receive annual non-cumulative dividends at a fixed rate of 8% per annum. Holders of preferred shares may, commencing on May 18, 2018, convert their preferred shares into common shares on a one for one basis, subject to a semi-annual maximum conversion limit of such number of common shares as is equal to 25% of a particular holder's preferred shares. The preferred shares will automatically convert into common shares on a one for one basis on May 18, 2020.

Holders of Preferred Shares are not entitled to receive notice of, attend, or vote at, any general meeting of the shareholders of the Company. The preferred shares are not, and are not expected to be, listed for trading on the TSXV or on any other stock exchange or quotation system.

The fair value of the liability component of the preferred shares was calculated using a market interest rate, which the Company determined to be 8.5%. The residual amount, representing the equity component of the preferred shares, is included in shareholders equity. As at March 31, 2018, there are dividends payable on the preferred shares of \$216,000 (2017: \$Nil). The continuity of the preferred share liability for the year ended March 31, 2018 is as follows:

	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Balance, beginning	\$ -	\$ -
Proceeds from issuance of preferred shares	2,700,000	-
Equity component of preferred shares	(2,192,676)	-
Interest expense	62,720	-
Dividends payable	(216,000)	-
Balance, ending	\$ 354,044	\$ -

***Basic and diluted loss per share***

The calculation of basic loss per share for the year ended March 31, 2018 was based on the loss attributable to common shareholders of \$348,997 (2017: \$197,498) and the weighted average number of common shares outstanding of 11,535,885 (2017: 11,085,064).

**7. Share capital (cont'd)**

***Stock options***

On March 3, 2010, the directors of the Company consented to adopt a Company Share Option Plan (the "Plan"). The shareholders of the Company approved the Plan on September 8, 2011. The Plan provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the common shares outstanding at the time of the granting of options. Such options may be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

There were no options outstanding at March 31, 2018 and 2017.

***Share-based payment reserve***

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

**8. Financial risk and capital management**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in a bank account. The cash is deposited in a bank account held with a major bank in Canada. As the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. Credit risk is assessed as low.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

**8. Financial risk and capital management (cont'd)**

***Foreign exchange risk***

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company had no exposure to foreign exchange risk.

***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash on hand is subject to minimal interest rate risk and the debentures have fixed interest rates. Interest rate risk is assessed as low.

***Capital Management***

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital and working capital. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

***Classification of financial instruments***

Financial assets included in the statement of financial position are as follows:

	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Held for trading:		
Cash	\$ 489,483	\$ 188,651
Loans and receivables:		
Interest receivable	240,509	-
PIK interest receivable	163,147	-
Loans receivable	14,899,000	-
	<b>\$ 15,792,139</b>	<b>\$ 188,651</b>

Financial liabilities included in the statement of financial position are as follows:

	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Non-derivative financial liabilities:		
Accounts payable	\$ 365,094	\$ 154,010
Dividends payable	216,000	-
Preferred share liability	354,044	-
Debentures	12,704,624	-
	<b>\$ 13,639,762</b>	<b>\$ 154,010</b>

**8. Financial risk and capital management (cont'd)**

***Fair value***

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Financial instruments classified as level 1 – quoted prices in active markets include cash.

**9. Income tax expense and deferred tax assets and liabilities**

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	<b>Year ended March 31, 2018</b>	<b>Year ended March 31, 2017</b>
Net loss	\$ (348,997)	\$ (197,498)
Statutory tax rate	26%	26%
Expected income tax recovery at the statutory tax rate	(90,739)	(51,349)
Non-deductible items and other	53,188	-
Change in valuation allowance	37,551	51,349
Income tax recovery	\$ -	\$ -

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Non-capital loss carry-forwards	\$ 2,409,988	\$ 2,053,527
Exploration and evaluation assets	1,712,056	1,853,905
Debenture financing costs	624,191	-
Debentures	(694,376)	-
	\$ 4,051,859	\$ 3,907,432

**9. Income tax expense and deferred tax assets and liabilities (cont'd)**

The tax pools relating to these deductible temporary differences expire as follows:

	<b>Canadian non-capital losses</b>	<b>Canadian resource pools</b>
2031	\$ 144,643	\$ -
2032	574,306	-
2033	524,874	-
2034	545,514	-
2035	-	-
2036	64,858	-
2037	199,331	-
2038	356,462	-
No expiry	-	1,712,056
	<b>\$ 2,409,988</b>	<b>\$ 1,712,056</b>

**10. Subsequent events**

On April 23, 2018, the Company entered into an office lease agreement, which commences September 1, 2018 for a period of three years. Annual rents for the three year period are \$56,406, \$57,749, and \$59,092, respectively.

On May 17, 2018, the Company closed the second tranche of its Omni Debentures for gross proceeds of \$2,335,000 through the issuance of 2,335 Omni Debentures (Note 6).

On June 6, 2018, the Company approved the payment of the annual dividend on the 6,750,000 preferred shares in the aggregate amount of \$216,000. Of the total, \$46,000 will be settled by the issuance of 102,222 common shares, \$4,000 will be paid in cash, and \$166,000 will be accrued as payable to certain preferred shareholders. On June 12, 2018, the Company issued 102,222 common shares as settlement of \$46,000 of the dividend payable.

**TRENCHANT CAPITAL CORP.**  
**(formerly Echelon Petroleum Corp.)**  
**Consolidated Financial Statements**  
**Year Ended March 31, 2017**

**Expressed in Canadian Dollars**





DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Trenchant Capital Corp. (formerly Echelon Petroleum Corp.):

We have audited the accompanying consolidated financial statements of Trenchant Capital Corp., which comprise the consolidated statements of financial position as at March 31, 2017 and 2016, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence that we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Trenchant Capital Corp. as at March 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements, which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Trenchant Capital Corp.'s ability to continue as a going concern.

DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.  
July 29, 2017

An independent firm associated with  
Moore Stephens International Limited  
**MOORE STEPHENS**

Trenchant Capital Corp.  
(formerly Echelon Petroleum Corp.)  
Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)

	Notes	March 31, 2017	March 31, 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 188,651	\$ 2,053
GST receivable		13,076	4,502
Prepays		20,000	-
Financing costs	1	236,253	-
<b>TOTAL ASSETS</b>		<b>\$ 457,980</b>	<b>\$ 6,555</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payables and accrued liabilities	4,5	\$ 154,010	\$ 160,587
<b>TOTAL LIABILITIES</b>		<b>154,010</b>	<b>160,587</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	4,111,518	3,451,518
Obligation to issue shares	6	-	4,500
Share- based payment reserve	6	343,158	343,158
Deficit		(4,150,706)	(3,953,208)
<b>TOTAL EQUITY</b>		<b>303,970</b>	<b>(154,032)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 457,980</b>	<b>\$ 6,555</b>

Going concern (Note 1)  
Subsequent events (Note 9)

On behalf of the board:

"Eric Boehnke"  
Eric Boehnke, Director

"John Legg"  
John Legg, Director

Trenchant Capital Corp.  
(Formerly Echelon Petroleum Corp.)  
Consolidated Statements of Comprehensive Loss  
(Expressed in Canadian Dollars)

	Note	Years ended	
		March 31, 2017	March 31, 2016
<b>Expenses</b>			
Consulting and management fees		\$ -	\$ 7,954
Foreign exchange (gain) loss		-	(7,687)
General and administrative		26,500	1,145
Business development		85,167	12,300
Professional fees		46,657	12,590
Transfer agent and filing fees		37,680	10,534
Travel and promotion		1,494	21,396
		197,498	58,232
<b>Other item</b>			
Gain on settlement of accounts payable		-	33,832
		-	33,832
<b>Net and comprehensive loss</b>		<b>\$ (197,498)</b>	<b>\$ (24,400)</b>
<b>Loss per share – basic and diluted</b>	6	<b>\$ (0.02)</b>	<b>\$ (0.05)</b>

Trenchant Capital Corp.  
(Formerly Echelon Petroleum Corp.)  
Consolidated Statement of Changes in Shareholders' Equity  
(Expressed in Canadian Dollars)

	Notes	Share capital		Obligation to issue shares	Share-based payment reserve	Deficit	Total
		Number of shares	Amount				
<b>Balance at March 31, 2015</b>		<b>535,884</b>	<b>\$ 3,451,518</b>	<b>\$ -</b>	<b>\$ 343,158</b>	<b>\$ (3,928,808)</b>	<b>\$ (134,132)</b>
Shares issued for cash	6	-	-	4,500	-	-	4,500
Net and comprehensive loss		-	-	-	-	(24,400)	(24,400)
<b>Balance at March 31, 2016</b>		<b>535,884</b>	<b>3,451,518</b>	<b>4,500</b>	<b>343,158</b>	<b>(3,953,208)</b>	<b>(154,032)</b>
Issue of shares for debt	5,6	1,000,000	60,000	-	-	-	<b>60,000</b>
Issue of shares for cash	5,6	9,925,000	595,500	-	-	-	<b>595,500</b>
Issue of shares for obligation to issue shares		75,000	4,500	(4,500)	-	-	-
Net and comprehensive loss		-	-	-	-	(197,498)	<b>(197,498)</b>
<b>Balance at March 31, 2017</b>		<b>11,535,884</b>	<b>\$ 4,111,518</b>	<b>\$ -</b>	<b>\$ 343,158</b>	<b>\$ (4,150,706)</b>	<b>\$ 303,970</b>

See accompanying notes to the consolidated financial statements

Trenchant Capital Corp.  
(Formerly Echelon Petroleum Corp.)  
Consolidated Statements of Cash Flows  
(Expressed in Canadian Dollars)

	Year ended	
	March 31, 2017	March 31, 2016
<b>Operating activities</b>		
Net loss	\$ (197,498)	\$ (24,400)
Adjustments for non-cash items:		
Gain on settlement of accounts payable	-	(33,832)
Changes in non-cash working capital items:		
GST receivable	(8,574)	(3,695)
Prepaid expenses	(20,000)	-
Financing costs	(236,253)	-
Accounts payables and accrued liabilities	53,423	58,419
<b>Net cash flows used in operating activities</b>	<b>(408,902)</b>	<b>(3,508)</b>
<b>Financing activities</b>		
Subscription received	-	4,500
Shares issued for cash	595,500	-
<b>Net cash flows from financing activities</b>	<b>595,500</b>	<b>4,500</b>
Increase in cash	186,598	992
Cash, beginning	2,053	1,061
<b>Cash, ending</b>	<b>\$ 188,651</b>	<b>\$ 2,053</b>
<b>Non-cash activities</b>		
Shares issued for debt	\$ 60,000	\$ -

**1. Nature and continuance of operations**

Trenchant Capital Corp. (formerly Echelon Petroleum Corp.) (the “Company”) was incorporated under the British Columbia Business Corporations Act on December 17, 2009. The Company’s shares are listed on the TSX Venture Exchange (“TSXV”).

The Company’s head office is located 33 Bay Street, Suite 630, Toronto, ON, M5H 2R2. The Company has one subsidiary, 0960128 B.C. Ltd.

These 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. The Company has no source of revenues and incurred losses since its inception and had an accumulated deficit of \$4,150,706 at March 31, 2017, which has been funded primarily by issuance of shares 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.

The Company was formed as a Capital Pool Company on the TSXV. In May 2011, the Company completed its qualifying transaction as a resource issuer and was engaged in the exploration and development of natural resource properties.

On May 10, 2016, the Company changed its name to Trenchant Capital Corp. and commenced trading under the symbol “TCC.H”.

In May 2016, the Company announced that it was pursuing a change of business to become a Investment Issuer on the TSXV (the “Change of Business”). In connection with the Change of Business the Company changed its name to Trenchant Capital Corp. on May 16, 2017. Approval for the Change of Business was obtained from the TSXV on May 26, 2017.

On March 7, 2017, the Company filed and obtained a receipt for a preliminary prospectus with security regulatory authorities for a proposed public offering of a minimum of 5,000 and a maximum of 20,000 secured convertible debentures (the “Debentures”) priced at \$1,000 per Debenture (the “Debenture Offering Price”), for gross proceeds of a minimum of \$5,000,000 and a maximum of \$20,000,000 (the “Debenture Offering”). The Debenture Offering was made on a best efforts, through a syndicate of agents to be led by Industrial Alliance Securities Inc. (“IA”), pursuant to the terms of an engagement letter between the Company and IA dated February 28, 2017. The Company granted the Agents an option, expiring on the closing of the Debenture Offering, to sell up to an additional 15% of the Debentures sold under the Debenture Offering to cover over-allocations (the “Over-Allotment Option”). The Debenture Offering is subject to usual closing conditions, including regulatory approvals and the approval of the TSXV. The Company used the proceeds from the Debenture Offering to fund the Loan (see below).

**The Debenture Offering**

The Debentures will mature on March 31, 2022 and the outstanding principal of the Debentures will bear interest (the “Debenture Interest”) at the rate of 9.0% per annum, payable quarterly in cash. The terms of the Debentures are set out in a trust indenture entered into between the Company and Computershare Trust Company of Canada.

**1. Nature and continuance of operations (cont'd)**

Commencing on the date that is one year after the date of issuance of the Debentures (the "Closing Date"), the outstanding principal amount of the Debentures may be converted, at the option of the holder, into common shares of the Company (each, a "Common Share") 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 Debenture Interest thereon, in cash, at any time after two years from the Closing Date 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 Debenture Interest thereon. Closing of the Debenture Offering was subject to the concurrent closing of the Convertible Preferred Share Offering (see below, and together with the Debenture Offering the "Offerings"), the satisfaction or waiver of all conditions precedent to the making of the Loan (other than the completion of the Offerings), and the receipt of the conditional approval of the TSXV for the Change of Business. The Company pledged all of the outstanding shares of the Lender (see below) 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 Lender shares. Pursuant to the terms of the Engagement Letter, IA has agreed to act as lead agent and sole bookrunner, on behalf of the Agents, in connection with the Debenture Offering. The Company has also agreed to grant the Agents the Over-Allotment Option, exercisable in whole or in part at any time prior to the Closing Date, to arrange for the purchase of up to an additional 15% of the Debentures sold by the Agents under, and on the same terms as, the Debenture Offering, subject to the agreement of Borrower (see below) to increase the amount of the Loan by the amount of the Over-Allotment Option that is exercised. In consideration for their services, the Agents will receive a cash commission equal to 6.5% of the gross proceeds of the Debenture Offering, including any proceeds received in connection with the exercise of the Over-Allotment Option (the "Agents' Commission"), and be reimbursed for their reasonable expenses. As the proceeds of the sale of the Debenture Offering will be used by the Company to fund the Loan, the Agents' Commission and expenses will be paid from the proceeds of the Convertible Preferred Share Offering.

**The Loan**

The Company has entered into a loan agreement (the "Loan Agreement") dated March 2, 2017 (which replaces the loan agreement dated October 28, 2016) with Waiward Investments Limited Partnership (the "Borrower"), a limited partnership related to the Hillcore Group ("Hillcore"), pursuant to which a wholly owned subsidiary of the Company (the "Lender") has agreed to loan a minimum of \$5,000,000 and a maximum of \$20,000,000 (or \$23,000,000 in the event that the Over-Allotment Option is exercised in full) (the "Loan") to the Borrower, secured by the Borrower's indirect equity interest in Waiward Steel Limited Partnership ("Waiward Steel"), one of Canada's largest steel fabricators and erectors.

**1. Nature and continuance of operations (cont'd)**

The Convertible Preferred Share Offering

The Company is also undertook a concurrent non-brokered financing of up to 8,750,000 non-voting convertible preferred shares (the "Convertible Preferred Shares") at a price of \$0.40 per Convertible Preferred Share to raise gross proceeds of up to \$3,500,000 (the "Convertible Preferred Share Offering"). The Convertible Preferred Shares are subject to special rights and restrictions, which include the right of holders to receive annual non-cumulative dividends at a fixed rate of 8% per annum. Holders of Convertible Preferred Shares may, commencing on the date that is one year after the date of issuance of the Convertible Preferred Shares, convert their Convertible Preferred Shares into Common Shares on a one for one basis, subject to a semiannual maximum conversion limit of such number of Common Shares as is equal to 25% of a particular holder's Convertible Preferred Shares. The Convertible Preferred Shares will automatically convert into Common Shares on a one for one basis on the third anniversary of the date of issuance. Holders of Convertible Preferred Shares will not be entitled to receive notice of, attend or vote at any general meeting of the shareholders of the Company. The Convertible Preferred Shares will not be listed for trading on the TSXV or on any other stock exchange or quotation system. Closing of the Convertible Preferred Share Offering is subject to the concurrent closing of the Debenture Offering, the satisfaction or waiver of all conditions precedent to the making of the Loan (other than the completion of the Offerings), and the receipt of the conditional approval of the TSXV for the Change of Business. The Convertible Preferred Share Offering was subject to a minimum of 6,875,000 of Convertible Preferred Shares being subscribed for, for minimum gross proceeds of \$2,750,000. Up to March 31, 2017, the Company incurred \$236,253 in costs associated with Offerings, which is recorded on the statement of financial position as financing costs. Subsequent to March 31, 2017, the Company closed the Debenture and Convertible Preferred share offerings (Note 9).

**2. Significant accounting policies and basis of preparation**

The consolidated financial statements were authorized for issue on July 29, 2017 by the directors of the Company.

***Statement of compliance with International Financial Reporting Standards***

The consolidated 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").

***Basis of preparation***

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

***Consolidation***

The consolidated financial statements include the accounts of the Company and its controlled entity. Details of the controlled entity is as follows:



**2. Significant accounting policies and basis of preparation (cont'd)**

	Country of incorporation	Percentage owned*	
		March 31, 2017	March 31, 2016
0960128 B.C. LTD.	Canada	100%	100%

\*Percentage of voting power is in proportion to ownership.

During the years ended March 31, 2017 and 2016, the Company's subsidiary, 0960128 BC LTD, was inactive.

***Significant estimates and assumptions***

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets.

***Significant judgments***

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgment applied in preparing the Company's financial statements is the assessment of the Company's ability to continue as a going concern.

***Share-based payments***

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

***Earnings (loss) per share***

Basic earnings (loss) per share is calculated by dividing the earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding in the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

**2. Significant accounting policies and basis of preparation (cont'd)**

***Financial instruments***

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Company with significant financial assets is managed by key management personnel on a fair value basis in accordance with a risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

**2. Significant accounting policies and basis of preparation (cont'd)**

***Income taxes***

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

***Foreign currency translation***

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive loss in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

**3. Accounting standards issued but not yet effective**

Certain new standards, interpretations and amendments to existing standards are not yet effective as of March 31, 2017 and have not been applied in preparing these financial statements.

***IFRS 9 Financial Instruments – Classification and Measurement***

IFRS 9 is a new standard on financial instruments that will replace IAS 39 *Financial Instruments: Recognition and Measurement*.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

Effective for annual periods beginning on or after January 1, 2018.

**4. Accounts payables and accrued liabilities**

	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Accounts payable (Note 5)	\$ 154,010	\$ 153,993
Accrued liabilities	-	6,594
	<b>\$ 154,010</b>	<b>\$ 160,587</b>

**5. Related party transactions**

***Related party balances:***

The following amounts are due to related parties and included in accounts payable (Note 4):

	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Directors of the Company	\$ 7,530	\$ 96,495
CFO	1,575	14,175
	<b>\$ 9,105</b>	<b>\$ 110,670</b>

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

During the year ended March 31, 2017, the Company settled a debt obligation of \$60,000 with the CEO by issuing 1,000,000 common shares at \$0.06 per share.

***Key management personnel compensation***

	<b>Years ended</b>	
	<b>March 31, 2017</b>	<b>March 31, 2016</b>
CFO	\$ 6,000	\$ 6,000

**6. Share capital**

***Authorized share capital***

Unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

***Issued share capital***

At March 31, 2017 and 2016 there were 11,535,884 and 535,884 issued and fully paid common shares respectively.

During the year ended March 31, 2017, the Company issued:

1. 75,000 common shares at \$.06 for an obligation to issue shares of \$4,500;
2. 1,000,000 common shares at \$.06 for a debt obligation of \$60,000; and,
3. 9,925,000 common shares at \$.06 for cash of \$595,500.

***Basic and diluted loss per share***

The calculation of basic loss per share for the year ended March 31, 2017 was based on the loss attributable to common shareholders of \$197,498 (2016: \$24,400) and the weighted average number of common shares outstanding of 11,085,064 (2016: 535,884).

***Stock options***

On March 3, 2010, the directors of the Company consented to adopt a Company Share Option Plan (the "Plan"). The shareholders of the Company approved the Plan on September 8, 2011. The Plan provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the common shares outstanding at the time of the granting of options. Such options may be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed five 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

There were no options outstanding at March 31, 2017 and 2016.

***Share-based payment reserve***

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

**7. Financial risk and capital management**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

**7. Financial risk and capital management (cont'd)**

***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in a bank account. The cash is deposited in a bank account held with a major bank in Canada. As the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. Credit risk is assessed as low.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

***Foreign exchange risk***

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company had no exposure to foreign exchange risk.

***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash on hand is subject to minimal interest rate risk.

***Capital Management***

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital and working capital. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

***Classification of financial instruments***

Financial assets included in the statement of financial position are as follows:

	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Held for trading:		
Cash	\$ 188,651	\$ 2,053

**7. Financial risk and capital management (cont'd)**

Financial liabilities included in the statement of financial position are as follows:

	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Non-derivative financial liabilities:		
Accounts payable	\$ 154,010	\$ 153,993

***Fair value***

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Financial instruments classified as level 1 – quoted prices in active markets include cash.

**8. Income tax expense and deferred tax assets and liabilities**

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	<b>Year ended March 31, 2017</b>	<b>Year ended March 31, 2016</b>
Net income loss	\$ (197,498)	\$ (24,400)
Statutory tax rate	26%	26%
Expected income tax recovery at the statutory tax rate	(51,349)	(6,344)
Non-deductible items and other	-	-
Change in valuation allowance	51,349	6,344
Income tax recovery	\$ -	\$ -

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Non-capital loss carry-forwards	\$ 2,053,527	\$ 1,854,194
Exploration and evaluation assets	1,853,905	1,853,905
Share issuance costs	-	1,834
	\$ 3,970,432	\$ 3,709,933

**8. Income tax expense and deferred tax assets and liabilities (cont'd)**

The tax pools relating to these deductible temporary differences expire as follows:

	<b>Canadian non-capital losses</b>	<b>Canadian resource pools</b>
2031	\$ 144,643	\$ -
2032	574,306	-
2033	524,874	-
2034	545,514	-
2035	-	-
2036	64,858	-
2037	199,332	-
No expiry	-	1,853,905
	<b>\$ 2,053,527</b>	<b>\$ 1,853,905</b>

**9. Subsequent events**

- a) On May 26, 2017, the Company received approval for the Change of Business from the TSXV.
- b) On May 18, 2017, the Company announced that it has closed the initial tranche of its prospectus offering, as previously announced on March 8, 2017 (Note 1), pursuant to which it has raised gross proceeds of \$5,522,000 through the issuance of 5,522 Debentures.

The Loan bears interest at 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. The Borrower paid a fee equal to 7% of the funds advanced.

- c) The Company also closed its previously announced private placement of the Convertible Preferred Shares, pursuant to which it has raised gross proceeds of \$2,700,000 through the issuance of 6,750,000 Convertible Preferred Shares at a price of \$0.40 per Convertible Preferred Share. No commissions or finder's fees were paid on the sale of the Convertible Preferred Shares.
- d) On June 26, 2017, the Company closed a second tranche of its prospectus offering, for additional gross proceeds of \$1,488,000 through the issuance of 1,488 9% Debentures and on July 19, 2017, the Company closed a third and final tranche of its prospectus offering, for additional gross proceeds of \$760,000 through the issuance of 760 Debentures. The total gross proceeds of the Debenture Offering are \$7,010,000.
- e) On June 29, 2017, the Company advanced \$1,500,000 to 10164950 Canada Ltd., a company controlled by the Hillcore, as an advance on a second investment transaction with the Hillcore, the terms of which are currently being negotiated.



# **TRENCHANT CAPITAL CORP.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

for the Years ended March 31, 2019 and 2018

**Date of Report:** July 26, 2019

### **INTRODUCTION**

Management's discussion and analysis ("MD&A") is prepared as of July 26, 2019, and provides a review of the performance of Trenchant Capital Corp. ("Trenchant" or the "Company") and should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2019 and related notes included therein which are prepared in accordance with International Financial Reporting Standards. This report contains discussion and analysis, which includes forward-looking statements that may differ materially from actual results achieved. All of the financial data herein has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all figures are stated in Canadian dollars.

Additional information on the Company is available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

### **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this MD&A constitute "forward-looking statements". When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, and known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking information will not be realized.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that any forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated. The reader is cautioned not to place undue reliance on any forward-looking statements contained in this MD&A. Such forward-looking statements are presented for the purpose of assisting investors in understanding the Company's expected financial and operating performance and the Company's plans and objectives in making an investment decision and may not be appropriate for other purposes. All forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The Company disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements, or to reflect the occurrence of anticipated or unanticipated events, except as required by applicable laws.

### **RISKS AND UNCERTAINTIES**

Risk factors applicable to the Company and its business include:

- that the Company has only recently commenced business as an investment issuer, and may be unsuccessful in developing this business or generating material revenues from it;
- that the Borrower (as defined herein) may be unable to service the Initial Investment (as defined herein), and that the Company may default in its obligations with respect to the Debentures (as defined herein) as a result thereof;
- that the security underlying the Initial Investment may be insufficient to adequately satisfy any losses the Company may suffer as the result of any default by the Borrower under the Initial Investment;
- portfolio exposure risks and sensitivity to macro-economic conditions;
- risks related to the Company's investments in private issuers and illiquid securities, and the potential concentration of the Company's investments;
- due diligence risks and risks relating to non-controlling interests;
- that the Company may be unable to identify sources of income to generate material cash flow and revenue, and even if identified, such sources of income may be unavailable to the Company;
- that the Company is heavily reliant on its directors and management, and they only devote part of their time and efforts to the affairs of the Company;
- the possible tightening of the credit markets, global economic uncertainty, and counterparty risk;
- risks related to the Company's investment approach, objectives and strategy;
- that the Company's expectations regarding the performance of certain sectors may be incorrect;
- the ability of the Company to identify other potential investment opportunities on satisfactory terms or at all;
- that the price of the Company's common shares on the TSX Venture Exchange (the "TSXV") is volatile;
- risks relating to available investment opportunities and competition for investments;
- the ability of the Company to obtain future financing on acceptable terms or at all; and
- other risks that may arise from time to time that are beyond the knowledge and/or control of the Company.

Additional risk factors with respect to the Company's business and operations can be found in the Company's Final long-term Prospectus dated May 8, 2019 (the "Prospectus"), as filed on SEDAR on May 8, 2019, which is available under the Company's profile at [www.sedar.com](http://www.sedar.com).

## OVERALL PERFORMANCE

### Nature of Business and Overall Performance

The Company was incorporated under the *Business Corporations Act* (British Columbia) on December 17, 2009. The Company's common shares are listed on the TSXV under the trading symbol "TCC" and the Debentures are listed on the TSXV under the trading symbol "TCC.DB".

The Company's head office is located at 1790-1790, West Hastings Street, Vancouver, BC, V6E 2X1. The Company has three wholly-owned subsidiaries, 0960128 B.C. Ltd. ("0960128"), 1141864 B.C. Ltd. ("1141864") and TCC Management Inc.

The Company was initially listed on the TSXV as a Capital Pool Company (as defined in the policies of the TSXV). In May 2011, the Company completed its Qualifying Transaction (as defined in the policies of the TSXV), pursuant to which it became designated as a Resource Issuer, engaged in the exploration and development of natural resource properties. The Company subsequently became inactive, with the listing of its common shares moved to the NEX board of the TSXV.

In May 2016, the Company pursued a change of business to become an Investment Issuer on the TSXV (the "Change of Business"). In connection with the Change of Business the Company changed its name to Trenchant Capital Corp. on May 16, 2017 and commenced trading under the symbol "TCC.H". Approval for the change of business was obtained from the TSXV on May 26, 2017.

### The Waiward Debenture Offering

On March 7, 2017, the Company filed and obtained a receipt for a preliminary prospectus with security regulatory authorities for a proposed public offering of a minimum of 5,000 and a maximum of 20,000 9% secured convertible debentures (the "Debentures") priced at \$1,000 per Debenture, for gross proceeds of a minimum of \$5,000,000 and a maximum of \$20,000,000 (the "Debenture Offering").

The Debenture Offering was made on a best efforts, through a syndicate of agents led by Industrial Alliance Securities Inc. (collectively, the "Agents"), pursuant to the terms of an agency agreement dated May 18, 2017. The Debenture Offering closed in three tranches for aggregate gross proceeds of \$7,744,000. The first tranche, pursuant to which gross proceeds of \$5,522,000 were raised through the issuance of 5,522 Debentures, closed on May 18, 2017. The second tranche, pursuant to which gross proceeds of \$1,488,000 were raised through the issuance of 1,488 Debentures, closed on June 26, 2017. The third tranche, pursuant to which gross proceeds of \$730,000 were raised through the issuance of 730 Debentures, closed on July 19, 2017. In connection with the Debenture Offering, the Company paid the Agents aggregate cash commissions equal to 6.5% of the gross proceeds raised under the Debenture Offering and were reimbursed for their reasonable expenses.

The Debentures mature on March 31, 2022 and bear interest at the rate of 9.0% per annum, payable quarterly in cash. The terms of the Debentures are set out in a debenture indenture dated May 18, 2017, a copy of which is available on SEDAR, between the Company and Computershare Trust Company of Canada ("Computershare"). 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 accrued but unpaid interest thereon, in cash, at any time after May 18, 2019, being two years after the closing of the first tranche of the Debenture Offering, 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 but unpaid interest thereon.

The Company pledged all of the outstanding shares of 0960128 to Computershare, on behalf of 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.

Effective on October 26, 2017, the Debentures commenced trading on the TSXV under the symbol "TCC.DB".

### The Initial Investment

On April 25, 2016, the Company entered into a strategic alliance agreement with the Hillcore Group ("Hillcore"). Hillcore is a leading independent Canadian investment and advisory firm that invests predominantly in the life sciences, real estate, seniors living, financial, industrial and energy sectors.

Pursuant to the terms of the strategic alliance agreement, Hillcore has agreed to grant the Company an exclusive first right to: (i) review Hillcore's initial due diligence on potential business targets, and (ii) negotiate with Hillcore the participation by the Company in Hillcore's acquisition of business targets, primarily by way of special situation debt, which may include secondary, subordinated, mezzanine or non-traditional debt, asset backed securities and back-leveraged/holdco debt. The Company has also been granted certain back-in and tag along negotiation rights, as well as negotiation rights for capital market transactions with respect to projects for which the Company has provided financing. HCG5 Investment Limited Partnership, a limited partnership related to Hillcore, holds approximately 17.3% of the Company's issued and outstanding common shares.

On March 2, 2017, 0960128 entered into a loan agreement dated March 2, 2017, as amended (the "Loan Agreement"), with Waiward Investments Limited Partnership (the "Borrower"), a limited partnership related to Hillcore, pursuant to which 0960128 agreed to loan a minimum of \$5,000,000 and a maximum of \$20,000,000 (the "Initial Investment") to the Borrower. The Initial Investment is secured by the Borrower's indirect equity interest in Waiward Steel Limited Partnership ("Waiward Steel"), one of Canada's largest steel fabricators and erectors.

The net proceeds of the Debenture Offering were used to fund the Initial Investment, which was completed on May 18, 2017 in connection with the Change of Business.

Going forward, the Company intends to focus on the provision of special situation debt financing to Hillcore's pipeline of current and future private equity investments, as contemplated by the strategic alliance agreement between the Company and Hillcore.

On June 29, 2017, the Company announced that it had advanced (the "Advance") the sum of \$1,500,000 from its treasury funds to 10164950 Canada Ltd., a company controlled by Hillcore, as an advance on a

second investment transaction with Hillcore. In December 2017 the Company agreed to loan the advance to ABO in a sidecar loan on the same terms as, and be subordinated to, the ABO Loan. The loan bears interest at the rate of 8.0% per annum, payable annually in cash until maturity on January 27, 2023.

#### The Convertible Preferred Share Offering

On May 18, 2017, the Company also closed a private placement of non-voting convertible preferred shares, pursuant to which it raised gross proceeds of \$2,700,000 through the issuance of 6,750,000 preferred shares at a price of \$0.40 per share (the "Preferred Share Offering", and together with the Debenture Offering, the "Offerings"). The proceeds of the Preferred Share Offering were used for payment of the fees and expenses for the Offerings, the Initial Investment and the Change of Business, and for general working capital purposes. No commissions or finder's fees were paid in connection with the Preferred Share Offering.

The preferred shares are entitled to receive annual non-cumulative dividends at a fixed rate of 8% per annum. Holders of preferred shares may, commencing on May 18, 2018, convert their preferred shares into common shares on a one for one basis, subject to a semi-annual maximum conversion limit of such number of common shares as is equal to 25% of a particular holder's preferred shares. The preferred shares will automatically convert into common shares on a one for one basis on May 18, 2020.

Holders of Preferred Shares are not entitled to receive notice of, attend, or vote at, any general meeting of the shareholders of the Company. The preferred shares are not, and are not expected to be, listed for trading on the TSXV or on any other stock exchange or quotation system.

On June 12, 2018 The Company issued 102,222 common shares to settle interest in the amount of \$46,000 on its preferred shares.

#### The Change of Business

The Offerings and the Initial Investment were part of the Change of Business, pursuant to which the Company became a Tier 2 Investment Issuer on the TSXV. Following the issuance of the TSXV's final bulletin with respect to the Change of Business, the trading symbol for the common shares on the TSXV changed to "TCC.V".

#### The Omni Debenture Offering

In December 2017 the Company filed and obtained a receipt for a preliminary prospectus with security regulatory authorities for a proposed public offering of a minimum of 10,000 and a maximum of 20,000 8% secured convertible debentures (the "Omni Debentures") priced at \$1,000 per Debenture, for gross proceeds of a minimum of \$10,000,000 and a maximum of \$20,000,000 (or \$23,000,000 in the event that the Over-Allotment Option is exercised in full) (the "Omni Debenture Offering").

The net proceeds of Omni the Debenture Offering will be used to fund the Omni Loan, as described below.

The Omni Debenture Offering is being made on a best efforts basis, through a syndicate of agents led by Canaccord Capital Corp. and Industrial Alliance Securities Inc. (collectively, the "Agents"). The Omni Debentures issued in the Omni Debenture Offering will have a maturity date of January 27, 2023 and bear interest at the rate of 8.0% per annum, payable quarterly in cash. Commencing two years from closing, the outstanding principal amount of the Omni 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) \$1.25 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 accrued but unpaid interest thereon, in cash, at any time after two years from the closing of the first tranche of the Omni Debenture Offering, 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 but unpaid interest thereon.

The Debenture Offering closed in two tranches for aggregate gross proceeds of \$7,994,000. The first tranche, pursuant to which gross proceeds of \$5,659,000 were raised through the issuance of 5,659 Debentures, closed on March 23, 2018. The second tranche, pursuant to which gross proceeds of \$2,335,000 were raised through the issuance of 2,335 Debentures, closed on May 17, 2018.

On May 30, 2019, the Company closed the third tranche of its Omni Debentures for gross proceeds of \$2,428,000 through the issuance of 2,428 Debentures. On June 28, 2019 the Company closed the fourth tranche of its Omni Debentures for gross proceeds of \$1,761,000 through the issuance of 1,761 Debentures.

The Company has agreed to pledge all of the outstanding shares of 1141864 as security for the Company's outstanding obligations under the Omni Debentures. The holders of Omni Debentures will have no recourse to the Company other than with respect to such shares.

Effective October 4, 2018, the Debentures commenced trading on the TSXV under the symbol TCC.DB.A.

#### The Omni Loan

In December 2017, 1141864 entered into a loan agreement (the "Omni Loan Agreement"), with ABO Investments Limited Partnership ("ABO"), a limited partnership related to Hillcore, pursuant to which 1141864 agreed to loan a minimum of \$10,000,000 and a maximum of \$20,000,000 (the "Omni Loan") to ABO. The Omni Loan is secured by ABO's indirect equity interest in Omni Health Investments Inc. ("Omni"), one of Canada's largest long-term care operators.

Pursuant to the Omni Loan Agreement, 1141864 has agreed to loan, in one or more advances, a minimum of \$10,000,000 and a maximum of \$20,000,000 (or \$23,000,000 in the event that the Over-Allotment Option is exercised in full) to ABO, subject to the closing of the Offering. The outstanding principal of the Omni Loan will bear interest at the rate of 10% per annum and the Omni Loan will mature on January 27, 2023. ABO has agreed to pay the Company a fee equal to 7% of the funds advanced to ABO under the Omni Loan Agreement. No finder's fees are payable in connection with the Omni Loan.

ABO will also grant the Company a five-year unit purchase option entitling it to purchase up to 15% of ABO's indirect holdings in Omni for an exercise price of up to \$7,725,000. The actual percentage interest that the Company may acquire pursuant to the purchase option will be adjusted on a pro rata basis in accordance with the amount of funds actually advanced under the Omni Loan Agreement.

ABO may prepay the outstanding principal of the Omni Loan by paying 1141864 the outstanding principal amount of the Omni Loan, plus any accrued and unpaid interest thereon, as well as an amount equal to the Break Fee payable by the Company on the redemption or repurchase of Omni Debentures with a principal amount of not more than the principal amount being prepaid by ABO. Closing of the Omni Loan is subject

to the closing of the minimum Offering. The Omni Loan will be secured by a pledge of ABO's indirect 88.73% equity interest in Omni.

The Omni Loan Agreement also provides that 1141864 will provide management services to ABO, have observer rights at board meetings of ABO, and have the right to appoint a nominee to the board of directors of ABO.

The Company has also agreed to make an additional loan of \$1,500,000 to ABO (the "Sidecar Loan"). The Sidecar Loan will have the same term as, and be subordinated to, the Omni Loan (save for bearing 8% interest) and will be funded from the Advance.

In February 2018 the Company, the Agents and ABO agreed to lower the minimum under the Omni Debenture Offering and the Omni Loan from \$10,000,000 to \$5,000,000.

#### Investment Policy Disclosures

The Company has adopted an Investment Policy to govern its investment activities. The Investment Policy sets out, among other things, the Company's investment objectives and strategy, which is to provide special situation debt financing to established companies with a solid track record of earnings and demonstrated potential for future growth, the ability to generate shareholder equity by taking and, where prudent, exercising equity purchase rights in portfolio companies, participating in potential going-public transactions or other liquidity events in portfolio companies, and seeking to preserve capital and limit downside risk through securely structuring its investments. A copy of the Investment Policy is attached as Schedule "C" to the Filing Statement.

The following key ratios and other summary disclosures with respect to the Initial Investment are made in accordance with the Company's Investment Policy.

	12 months ended 3/31/2019	12 months ended 3/31/2019 (Pro Forma) <sup>(1)</sup>	12 months ended 3/31/2018	12 months ended 3/31/2018 (Pro Forma) <sup>(1)</sup>
Debt Service Ratio	(0.35)	(0.44)	(2.18)	(1.97)
Fixed Charge Coverage Ratio	0.08	0.07	(1.50)	(1.38)
Net Debt to EBITDA Ratio <sup>(2)</sup>	52.32	73.89	(1.33)	(1.93)

(1) Assumes the Maximum Investment in the amount of \$7,740,000.

(2) Earnings before interest, taxes, depreciation and amortization ("**EBITDA**") These non-IFRS financial measures do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures presented by other companies. These non-IFRS financial measures should not be considered as an alternative to, or more meaningful than, net income (loss), cash flow from operating activities, and other measures of financial performance as determined in accordance with IFRS, but the Company believes these non-IFRS financial measures are useful in providing relative performance and measuring change.

Waiward Steel made progress in the first quarter of 2019 in turning around operations, recording its second consecutive profitable quarter. Project profit margins are back at historic levels and backlog for the business has been improving, while the business also benefits from the significant overhead cuts made in 2018. An improving order book, cash flow, and the profit outlook is forecasted for the balance of 2019. Despite the losses incurred to the end of 2018, due to the Management Fee pledge, together with the cash reserved in the Borrower for interest payments and the underlying value of Waiward Steel interest pledged, management of the Company can also confirm the adequacy of the security package provided by the Borrower in connection therewith, and believes that the Borrower's cash flow and pledged collateral are sufficient and adequate to service the Loan. Management of the Company has reviewed the Waiward Steel order book for the current year and anticipates the above ratios to come back into formula over the next two quarters. Waiward Steel had changed its name in February 2019 to Waiward Industrial to reflect the broader scope of its construction activities.

<b>Trailing 12 month increase (decrease) in</b>	<b>12 months ended 3/31/2019</b>	<b>12 months ended 3/31/2018</b>
Revenue	21%	(48%)
Net Income	79%	(248%)

The following key ratios and other summary disclosures with respect to the OMNI Investment are made in accordance with the Company's Investment Policy.

	<b>12 months ended 3/31/2019</b>	<b>12 months ended 3/31/2019 (Pro Forma)<sup>(1)</sup></b>	<b>12 months ended 12/31/2018</b>	<b>12 months ended 12/31/2018 (Pro Forma)<sup>(1)</sup></b>
Debt Service Ratio	1.28	1.21	1.08	1.06
Fixed Charge Coverage Ratio	1.17	1.13	1.09	1.07
Net Debt to EBITDA Ratio <sup>(2)</sup>	6.70	7.37	8.30	8.68

(1) Assumes Loan in the maximum of \$20,000,000

Occupancy for homes in the portfolio is 98.1% year to date 2019. All Homes are above the 97% occupancy threshold. Net operating income before management fees (EBITDAM) for Q1 2019 amounted to \$2,911,228 which is greater than budget by \$48,115 and \$129,422 greater than Q1 2018. Revenues for Q1 were \$68,135 greater than budget primarily due to preferred revenue at Garden Terrace and Forest Hill. Administration is \$54,083 favourable due to in part to the timing of the Forum costs. The Forum took place May 2019 and the costs, currently allocated to OHCL, will be reallocated to the Homes in Q2 2019. Administration is also impacted by Computers & IT costs which are \$33,182 favourable due to the backlog in purchases resulting from a shortage of parts. These favourable variances are offset in part by labour relation fees associated with ONA negotiations. Nutritional Care and Housekeeping wages are favourable due to the CUPE retro accrual calculated for the seven Homes with CUPE collective agreements. Retroactive wages were paid to employees February 2019. Q1 is affected by maintenance expenditures which are \$198,653 unfavourable compared with budget. Maintenance costs are impacted by severe winter



weather resulting in higher snow plow, sanding and salting costs (\$48,029); ongoing building repairs (\$33,611) and equipment repairs (\$39,691); major projects (76,636) including replacement of the sewage ejector pump, washer replacements, pump and septic pump repairs and installation of an ozone system.

<b>Trailing 12 month increase (decrease) in</b>	<b>12 months ended 3/31/2019</b>	<b>12 months ended 12/31/2018</b>
Revenue	(1.31)%	0.83%
Net Income	2.77%	56.71%

Other than as stated above, the Company is not aware of any material changes or facts in the business or affairs of the Borrower that would have a material adverse impact on the Borrower's cash flow or pledged collateral.

### **Selected Financial Information**

	<b><u>For the Year ended March 31, 2019</u></b>	<b><u>For the Year ended March 31, 2018</u></b>	<b><u>For the Year ended March 31, 2017</u></b>
Total revenues	\$ 1,887,833	\$ 862,567	\$ -
Loss before other items	(47,221)	(348,997)	(197,498)
Comprehensive income (loss)	(47,221)	(348,997)	(197,498)
Basic and diluted net loss per common share	(0.00)	(0.03)	(0.02)
Current assets	771,590	739,417	457,980
Total assets	18,348,571	15,801,564	457,980
Current liabilities	860,902	595,247	154,010
Share capital & share based payment reserve	4,567,115	4,454,676	4,454,676
Deficit	(4,546,927)	(4,499,703)	(4,150,706)
Dividends	-	-	-

The increase in total assets to \$15,801,564 in 2018 from \$457,980 in 2017 was primarily due to the increase to advance of loans from investing activities.

The financial data for the years ended March 31, 2019, March 31, 2018 and March 31, 2017 have been prepared in accordance with International Financial Reporting Standards. All figures are stated in Canadian dollars.

### **Results of Operations**

These results of operations should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2019, which are being filed concurrently with this MD&A. The financial data for the years ended March 31, 2019 and March 31, 2018 have been prepared in accordance with IFRS. All figures are stated in Canadian dollars.

Year Ended March 31, 2019 and 2018

	<b>For the year ended March 31, 2019</b>	<b>For the year ended March 31, 2018</b>
<b>Revenues</b>		
Interest income	\$ 1,887,833	\$ 862,567
<b>Expenses</b>		
Accretion	155,688	85,863
Business development	78,117	96,562
Consulting	20,940	131,122
Depreciation	3,451	-
General and administrative	58,971	57,728
Interest	1,363,239	656,440
Professional fees	120,467	105,605
Share-based payment	66,439	-
Transfer agent and filing fees	67,742	78,244
	<u>1,935,054</u>	<u>1,211,564</u>
<b>Net and comprehensive (loss)</b>	<u>\$ (47,221)</u>	<u>\$ (348,997)</u>

The Company has generated limited revenue to date and reported net losses since inception. The net loss was \$47,221 for the year ended March 31, 2019 (March 31, 2018 – \$348,997). Total expenses of \$1,211,564 were offset by interest income of \$862,567. The completion of the Offerings resulted in the Company incurring higher than normal expenses.

Revenues of \$1,887,833 were derived from interest earned during the year ended March 31, 2019 (March 31, 2018 - \$862,567). Increase in interest income increased due to additional loans completed during the year.

Accretion expense was \$ 155,688 relating to the financing costs of the debentures for the year ended March 31, 2019 (March 31, 2018 - \$85,863)

Business development expenses were \$78,117 for the year ended March 31, 2019 (March 31, 2018 - \$96,562) Management expects to continue to expend considerable time negotiating additional investments and securing financing.

Consulting fees of \$20,940 were incurred for the year ended March 31, 2019 (March 31, 2018 - \$131,122), related to consulting fees paid in connection with development of the Company's strategic plans.

General and administrative expenses were \$58,971 for the year ended March 31, 2019 (March 31, 2018 - \$57,728). The increased expenses related to ongoing due diligence being undertaken by management in connection with identifying investments.

Interest expense was \$1,363,239 for the year ended March 31, 2019 (March 31, 2018 - \$656,440). The increase in interest expense was related to interest payable on additional Debentures.

Professional fees of \$120,467 were incurred in the year ended March 31, 2019 (March 31, 2018 - \$105,605). These professional fees related to audit and legal expenses in connection with the Prospectus.

Share-based payments were \$66,439 (March 31, 2018 - \$Nil). Stock options were issued in the current year.

Transfer agent and filing fees were \$67,742 for the year ended March 31, 2019 (March 31, 2018 - \$78,244). These fees were lower in the current period due to a reduction in filings.

Three Months Ended March 31, 2019 and 2018

	<b>For the three months ended March 31, 2019</b>	<b>For the three months ended March 31, 2018</b>
<b>Revenues</b>		
Interest income	\$ 555,152	\$ 288,928
<b>Expenses</b>		
Business development	11,317	96,562
Consulting	-	13,253
Depreciation	3,431	-
General and administrative	12,200	(15,699)
Interest	399,913	223,279
Professional fees	52,942	85,772
Share-based payment	66,439	
Transfer agent and filing fees	35,616	29,538
	<u>581,878</u>	<u>432,705</u>
<b>Net and comprehensive (loss)</b>	<u>\$ (26,726)</u>	<u>\$ (143,777)</u>

The Company had net loss of \$26,726 for the three months ended March 31, 2019 compared to net loss of \$143,777 in the three months ended March 31, 2018.

Revenues were \$555,152 for the three months ended March 31, 2019 (March 31, 2018 - \$288,928). Revenues were derived from interest earned on the Initial Investment during the three months ended March 31, 2018.

Business development expenses were \$11,317 for the year ended March 31, 2019 (March 31, 2018 - \$96,562). Management expects to continue to expend considerable time negotiating additional investments and securing financing.

Consulting fees were \$Nil for the three months ended March 31, 2019 (March 31, 2018 - \$13,253), related to consulting fees paid in connection with the development of the Company's strategic plans in the prior year.

General and administrative recoveries were \$12,200 compared to a recovery of expenses of \$15,699 for the three months ended March 31, 2018. The decreased expenses in the prior quarter were due to the reclassification of some of costs.

Interest expense was \$399,913 for the three months ended March 31, 2019 (March 31, 2018 - \$197,979), which was related to interest paid and payable on the Debentures. Accretion expense was \$52,717 for the three months ended March 31, 2019 (March 31, 2018 - \$25,300) relating to the financing costs.

Professional fees were \$52,942 (March 31, 2018 – \$85,772). These professional fees related to audit and legal expenses in connection with the Prospectus.

Share-based payments were \$66,439 (March 31, 2018 - \$Nil). Stock options were issued in the current quarter.

Transfer agent and filing fees were \$35,616 (March 31, 2018 - \$29,528). Fees were higher in the current quarter due to filings related to the Prospectus.

#### Dividend Report & Policy

The Company has not paid any dividends to date. The Company intends to retain its future earnings, if any, for use in its business and does not expect to pay dividends on its shares in the foreseeable future. On June 6, 2018, the Company approved the payment of the annual dividend on the 6,750,000 preferred shares in the aggregate amount of \$216,000. Of the total, \$46,000 will be settled by the issuance of 102,222 common shares, \$4,000 will be paid in cash, and \$166,000 will be accrued as payable to certain preferred shareholders. On June 12, 2018, the Company issued 102,222 common shares as settlement of \$46,000 of the dividend payable.

#### Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters. The financial data has, except as referred to in the footnotes to this summary, been prepared in accordance with IFRS and all figures are stated in Canadian dollars.

<b>For the quarter ended:</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>	<b>June 30, 2018</b>
Total Revenues	555,152	403,200	483,345	446,136
Net and comprehensive income (loss) for the period	(26,726) <sup>(1)</sup>	(55,301) <sup>(2)</sup>	77,796 <sup>(3)</sup>	(42,990) <sup>(4)</sup>
Loss per share, basic and diluted	(0.00)	(0.00)	0.00	(0.00)

<b>For the quarter ended:</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>September 30, 2017</b>	<b>June 30, 2017</b>
Total Revenues	288,928 <sup>(5)</sup>	245,928	257,475	70,236
Net and comprehensive income (loss) for the period	(143,777)	(56,203)	12,636	(161,653)
Loss per share, basic and diluted	(0.01)	(0.00)	0.00	(0.02)

- (1) The Company's loss for the period includes non-cash items of accretion of financing costs of \$52,717
- (2) The Company's loss for the period includes non-cash items of accretion of financing costs of \$35,381
- (3) The Company's loss for the period includes non-cash items of accretion of financing costs of \$33,688
- (4) The Company's loss for the period includes non-cash items of accretion of financing costs of \$33,902
- (5) The Company's loss for the period includes non-cash items of accretion of financing costs of \$25,300.

#### Financial Condition, Liquidity and Capital Resources

The Company had total assets of \$18,348,571 as at March 31, 2019 (March 31, 2018 – \$15,801,564). The primary assets of the Company as of such date consisted cash of \$105,481 (March 31, 2018 – \$489,483), interest receivable of \$549,861 (March 31, 2018 - \$240,509, PIK interest receivable of \$362,586 and loan receivables of \$17,234,000 (March 31, 2018 \$163,147 and \$14,899,000). Accounts payable as at March 31, 2019 were \$478,902 (March 31, 2018 - \$365,094). The Company had working capital of \$(143,312) as at March 31, 2019 (March 31, 2018 – \$144,170).

At March 31, 2019, the Company had not yet achieved profitable operations, and had accumulated a deficit of \$4,546,924 (March 31, 2018 – \$4,499,703).

During the year ended March 31, 2019, the Company closed the Debenture Offerings, pursuant to which it issued an aggregate of 2,335 Debentures (March 31, 2018 - 13,399) for aggregate gross proceeds of \$2,335,000 (March 31, 2018 - \$13,399,000), and the Preferred Share Offering, pursuant to which it issued Nil preferred shares (March 31, 2018 - 6,750,000) for aggregate gross proceeds of Nil (March 31, 2018 - \$2,700,000).

On May 30, 2019, the Company closed the third tranche of its Omni Debentures for gross proceeds of \$2,428,000 through the issuance of 2,428 Omni Debentures

On June 28, 2019 the Company closed the fourth tranche of its Omni Debentures for gross proceeds of \$1,761,000 through the issuance of 1,761 Omni Debentures.

Together, the Offerings raised aggregate gross proceeds of \$24,123,000.

The Company's audited consolidated financial statements for the year ended March 31, 2019 were prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast substantial doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months from loans from related parties and or the private placement of common shares.

As at March 31, 2019, the Company did not have any contractual obligations.

Classification of financial instruments

Financial assets included in the Company's statement of financial position are as follows:

	<b>March 31, 2019</b>	<b>March 31, 2018</b>
<b>FVTPL:</b>		
Cash	\$ 130,481	\$ 489,483
Amortized costs:		
Interest receivable	549,861	240,509
PIK interest receivable	362,586	163,147
Loans	17,234,000	14,899,000
	<b>\$ 18,276,928</b>	<b>\$ 15,792,139</b>

Financial liabilities included in the Company's statement of financial position are as follows:

	<b>March 31, 2019</b>	<b>March 31, 2018</b>
<b>Non-derivative financial liabilities:</b>		
Accounts payable	\$ 458,402	\$ 365,094
Dividends payable	382,000	216,000
Preferred share liability	188,833	354,044
Debentures	15,085,969	12,704,624
	<b>\$ 16,115,204</b>	<b>\$ 13,639,762</b>

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Financial instruments classified as level 1 – quoted prices in active markets - include cash.

**OFF BALANCE SHEET ARRANGEMENTS**

There are no off-balance sheet arrangements to which the Company is committed.

## TRANSACTIONS WITH RELATED PARTIES

The following amounts were due to related parties as at the dates indicated, and were included in accounts payable and accrued liabilities as at such dates:

	March 31, 2019	March 31, 2018
Chief Financial Officer	\$ 1,575	\$ 1,575

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

### *Key management personnel compensation*

	Year ended	
	March 31, 2019	March 31, 2018
Chief Financial Officer	\$ 6,300	\$ 6,300

## CRITICAL ACCOUNTING ESTIMATES

As disclosed in the Company's annual audited financial statements for the years ended March 31, 2019 and 2018 (as are available on the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com))), the Company has no critical accounting estimates.

## CRITICAL ACCOUNTING POLICIES

There are no accounting policies that the Company has adopted, other than what was disclosed in the Company's annual audited financial statements for the year ended March 31, 2019.

## RISK FACTORS

The business of the Company is subject to risks and hazards, some of which are beyond the Company's control. Shareholders must rely on the ability, expertise, judgment, discretion, integrity and good faith of the management of the Company. The following is a summary of some risks and uncertainties that management believes to be material to the Company's business. Additional risk factors are included in the Filing Statement, which is available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

### *Risk of Payment Defaults Under Investment Agreements*

While the Company intends to structure its investments, including the Initial Investment, in such a way as to minimize the risk of default, there is no guarantee that investee companies will not default on their payment obligations because of business failure or obligations to other lenders, investors or stakeholders. Further, there is no assurance that, in the event of a default by an investee company, the Company will be able to recover all or any of its investment. Such failure could have an adverse impact on the Company's financial condition and results of operations, including impairing the Company's ability to pay amounts owing under the Debentures or to pay dividends on the preferred shares. In addition, in the event investments in investee companies are structured on a subordinated or unsecured basis, the Company's rights, including payment rights, will be subordinate to the rights of secured lenders of investee companies and other parties holding security interests against investee companies. As such, upon a default by an investee company, there may be no funds left to permit the Company to recover its investment.

### ***Dependence on the Performance of Investee Companies***

The Company is, and will be, dependent on the operations, assets and financial health of the investee companies in which it makes investments. The Company's ability to meet its operating expenses in the long term will be largely dependent on the interest and other payments received from investee companies, which are expected to be the sole source of cash flow for the Company. While the Company intends to focus on special situation debt financing to Hillcore's pipeline of current and future private equity investments, payments to the Company from investee companies may be based on a percentage of such companies' top line revenues, in which case negative financial performance of an investee company will likely have a negative impact on the Company's cash flow. In addition, if the financing position of an investee company declines such that it is unable to make interest payments to the Company, the Company's financial condition and cash flow will be adversely affected.

The Company has conducted, and will conduct, due diligence on each of its investee companies prior to entering into agreements with them. In addition, the Company plans to monitor investee company performance through observer rights at board meetings of investee companies, negotiating rights to appoint one or more directors to the boards of investee companies, and receiving and reviewing regular financial reports from the investee companies. Nonetheless, there is a risk that there may be some liabilities or other matters that are not identified through the Company's due diligence or ongoing monitoring that may have an adverse effect on an investee company's business and, as a result, on the Company.

### ***Lack of Control Over Investee Company Management***

The Company does not expect to have a high degree of influence over any of its investee companies or their operations, including the Borrower. Payments received by the Company from investee companies may therefore depend upon several factors that may be outside of the Company's control.

### ***Volatility of Share Price***

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility. A publicly traded company will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Company's common shares will trade from time to time cannot be predicted. The market price of the common shares is subject to significant fluctuations in response to variations in quarterly and annual operating results, the results of any public announcements the Company makes, general economic conditions, and other factors. Increased levels of volatility and resulting market turmoil may adversely impact the price of the common shares. If the Company is (as it is expected to be) required to access capital markets to carry out its business objectives, the state of domestic and international capital markets and other financial systems could affect its access to, and cost of, capital. Such capital may not be available on terms acceptable to the Company or at all, and this could have a material adverse impact on its business, financial condition, results of operations or prospects.

### ***Financing Risks***

The Company has no history of earnings or material revenue. In addition, the Company's business model is dependent on making investments in additional investee companies, and the Company anticipates having to raise additional capital to fund these investments. While the Company may generate additional working capital through equity or debt offerings, or through the receipt of interest or other payments from investee companies, there is no assurance that such funds will be sufficient to facilitate the development of the Company's business as envisioned or, in the case of equity financings, that such funds will be available on



terms acceptable to the Company or at all. If available, future equity financing may result in substantial dilution to the Company's shareholders.

### ***Limited Number of Investments***

While the Company's intention is to negotiate and fund additional investments in companies in different industry sectors, it could take many years to create a diversified portfolio of investee companies and there is no guarantee the Company will ever achieve sufficient diversification. The Company may have a significant portion of its assets dedicated to a single business sector or industry for an extended period of time. In the event that any such business or industry is unsuccessful or experiences a downturn, this could have a material adverse effect on the Company's business, results of operations and financial condition.

### ***Ability to Negotiate Additional Investments***

A key element of the Company's growth strategy is expected to involve negotiating and finding investments in other operating companies. Achieving the benefits of future investments will depend in part on successfully identifying and capturing such opportunities in a timely and efficient manner and in structuring such arrangements to ensure a stable and growing stream of revenues. The Company's ability to identify investee companies and negotiate and fund additional investments in such a manner is not guaranteed.

### ***Risks Facing Investee Companies***

As previously noted, the Company's financial condition and results of operations will be affected by the performance of the companies in which it invests. Each investee company will also be subject to risks which will affect their respective financial condition. Given that, other than with respect to the Initial Investment, the Company does not currently know the exact nature of the businesses in which it may make investments, it is impossible to predict exactly what risks investee companies will face. Nonetheless, typical risks which investee companies might be expected to face include the following:

- Investee companies may need to raise capital through equity or debt financing. Failure to obtain such equity or debt, or the terms of such equity or debt that may be available, may impair the ability of investee companies to finance their future operations and capital needs. Flexibility to respond to changing business and economic conditions may therefore be limited.
- The success of investee companies may depend on the talents and efforts of one or two persons or a small group of persons. The death, disability or resignation of one or more of these persons could have a material adverse impact on an investee company.
- Investee companies may require additional working capital to carry out their business activities and to expand their businesses. If such working capital is not available, the financial performance and development of the businesses of the investee companies may be adversely affected.
- Damage to the reputation of investee companies' brands could negatively impact consumer opinion of those companies or their related products and services, which could have an adverse effect on their businesses.
- Investee companies may face intense competition, including competition from companies with greater financial and other resources, and more extensive development, manufacturing, marketing and other capabilities. There can be no assurance that investee companies will be able to

successfully compete against their competitors or that such competition will not have a material adverse effect on their businesses.

- Investee companies may experience reduced revenues through the loss of a customer representing a high percentage of their revenues.
- Investee companies may experience reduced revenues due to an inability to meet regulatory requirements or may experience losses of revenues due to unforeseeable changes in regulations imposed by various levels of government.
- Investee companies may rely on government or other subsidy programs for revenue or profit generation. Changes to, or elimination of, such programs may have an adverse effect on such companies.
- Investee companies may experience negative financial results based on foreign exchange losses.

### ***Reliance on Key Personnel***

The success of the Company is dependent on the abilities, experience, efforts and industry knowledge of its senior management and other key personnel. The long-term loss of the services of any key personnel for any reason could have a material adverse effect on the business, financial condition, results of operations or future prospects of the Company. In addition, the growth plans of the Company may require additional personnel, increase demands on management, and produce risks in both productivity and retention levels. The Company may not be able to attract and retain additional qualified management and personnel as needed in the future. There can be no assurance that the Company will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on its business, financial condition, results of operations and future prospects.

### **DISCLOSURE OF OUTSTANDING SHARE DATA**

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.

As of the date of this MD&A, the following securities of the Company were outstanding:

Common Shares – 11,638,107

Preferred shares – 6,750,000

Stock options – 1,160,000

Warrants – Nil

Debentures – 21,423, having an aggregate principal amount of \$21,423,000

Escrow shares – At the date of this report there are 2,987,488 shares in escrow

Securities issued during the period – During the year ended the company issued 102,222 common shares

**OTHER INFORMATION AND BOARD APPROVAL**

Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). This MD&A has been reviewed and approved by the Board of Directors of the Company.

# **TRENCHANT CAPITAL CORP.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

for the Years ended March 31, 2018 and 2017

**Date of Report:** July 25, 2018

### **INTRODUCTION**

Management's discussion and analysis ("MD&A") is prepared as of July 25, 2018, and provides a review of the performance of Trenchant Capital Corp. ("Trenchant" or the "Company") and should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2018 and related notes included therein which are prepared in accordance with International Financial Reporting Standards. This report contains discussion and analysis, which includes forward-looking statements that may differ materially from actual results achieved. All of the financial data herein has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all figures are stated in Canadian dollars.

Additional information on the Company is available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

### **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this MD&A constitute "forward-looking statements". When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, and known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking information will not be realized.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that any forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated. The reader is cautioned not to place undue reliance on any forward-looking statements contained in this MD&A. Such forward-looking statements are presented for the purpose of assisting investors in understanding the Company's expected financial and operating performance and the Company's plans and objectives in making an investment decision and may not be appropriate for other purposes. All forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The Company disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements, or to reflect the occurrence of anticipated or unanticipated events, except as required by applicable laws.

### **RISKS AND UNCERTAINTIES**

Risk factors applicable to the Company and its business include:

- that the Company has only recently commenced business as an investment issuer, and may be unsuccessful in developing this business or generating material revenues from it;
- that the Borrower (as defined herein) may be unable to service the Initial Investment (as defined herein), and that the Company may default in its obligations with respect to the Debentures (as defined herein) as a result thereof;
- that the security underlying the Initial Investment may be insufficient to adequately satisfy any losses the Company may suffer as the result of any default by the Borrower under the Initial Investment;
- portfolio exposure risks and sensitivity to macro-economic conditions;
- risks related to the Company's investments in private issuers and illiquid securities, and the potential concentration of the Company's investments;
- due diligence risks and risks relating to non-controlling interests;
- that the Company may be unable to identify sources of income to generate material cash flow and revenue, and even if identified, such sources of income may be unavailable to the Company;
- that the Company is heavily reliant on its directors and management, and they only devote part of their time and efforts to the affairs of the Company;
- the possible tightening of the credit markets, global economic uncertainty, and counterparty risk;
- risks related to the Company's investment approach, objectives and strategy;
- that the Company's expectations regarding the performance of certain sectors may be incorrect;
- the ability of the Company to identify other potential investment opportunities on satisfactory terms or at all;
- that the price of the Company's common shares on the TSX Venture Exchange (the "TSXV") is volatile;
- risks relating to available investment opportunities and competition for investments;
- the ability of the Company to obtain future financing on acceptable terms or at all; and
- other risks that may arise from time to time that are beyond the knowledge and/or control of the Company.

Additional risk factors with respect to the Company's business and operations can be found in the Company's filing statement dated April 20, 2017 (the "Filing Statement"), as filed on SEDAR on April 25, 2017, which is available under the Company's profile at [www.sedar.com](http://www.sedar.com).

## OVERALL PERFORMANCE

### Nature of Business and Overall Performance

The Company was incorporated under the *Business Corporations Act* (British Columbia) on December 17, 2009. The Company's common shares are listed on the TSXV under the trading symbol "TCC" and the Debentures are listed on the TSXV under the trading symbol "TCC.DB".

The Company's head office is located at 1021 West Hastings Street, 9<sup>th</sup> Floor, Vancouver, BC, V6E 0C3. The Company has two wholly-owned subsidiaries, 0960128 B.C. Ltd. ("0960128") and 1141864 B.C. Ltd. ("1141864").

The Company was initially listed on the TSXV as a Capital Pool Company (as defined in the policies of the TSXV). In May 2011, the Company completed its Qualifying Transaction (as defined in the policies of the TSXV), pursuant to which it became designated as a Resource Issuer, engaged in the exploration and development of natural resource properties. The Company subsequently became inactive, with the listing of its common shares moved to the NEX board of the TSXV.

In May 2016, the Company announced its intention to pursue a change of business to become an Investment Issuer on the TSXV (the "Change of Business"), and changed its name to Trenchant Capital Corp.

### The Waiward Debenture Offering

On March 7, 2017, the Company filed and obtained a receipt for a preliminary prospectus with security regulatory authorities for a proposed public offering of a minimum of 5,000 and a maximum of 20,000 9% secured convertible debentures (the "Debentures") priced at \$1,000 per Debenture, for gross proceeds of a minimum of \$5,000,000 and a maximum of \$20,000,000 (the "Debenture Offering").

The Debenture Offering was made on a best efforts, through a syndicate of agents led by Industrial Alliance Securities Inc. (collectively, the "Agents"), pursuant to the terms of an agency agreement dated May 18, 2017. The Debenture Offering closed in three tranches for aggregate gross proceeds of \$7,744,000. The first tranche, pursuant to which gross proceeds of \$5,522,000 were raised through the issuance of 5,522 Debentures, closed on May 18, 2017. The second tranche, pursuant to which gross proceeds of \$1,488,000 were raised through the issuance of 1,488 Debentures, closed on June 26, 2017. The third tranche, pursuant to which gross proceeds of \$730,000 were raised through the issuance of 730 Debentures, closed on July 19, 2017. In connection with the Debenture Offering, the Company paid the Agents aggregate cash commissions equal to 6.5% of the gross proceeds raised under the Debenture Offering and were reimbursed for their reasonable expenses.

The Debentures mature on March 31, 2022 and bear interest at the rate of 9.0% per annum, payable quarterly in cash. The terms of the Debentures are set out in a debenture indenture dated May 18, 2017, a copy of which is available on SEDAR, between the Company and Computershare Trust Company of Canada ("Computershare"). 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 accrued but unpaid interest thereon, in cash, at any time after May 18, 2019, being two years after the closing of the first tranche of the Debenture Offering, 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 but unpaid interest thereon.

The Company pledged all of the outstanding shares of 0960128 to Computershare, on behalf of 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.

Effective on October 26, 2017, the Debentures commenced trading on the TSXV under the symbol "TCC.DB".

### The Initial Investment

On April 25, 2016, the Company entered into a strategic alliance agreement with the Hillcore Group ("Hillcore"). Hillcore is a leading independent Canadian investment and advisory firm that invests predominantly in the life sciences, real estate, seniors living, financial, industrial and energy sectors.

Pursuant to the terms of the strategic alliance agreement, Hillcore has agreed to grant the Company an exclusive first right to: (i) review Hillcore's initial due diligence on potential business targets, and (ii) negotiate with Hillcore the participation by the Company in Hillcore's acquisition of business targets, primarily by way of special situation debt, which may include secondary, subordinated, mezzanine or non-traditional debt, asset backed securities and back-leveraged/holdco debt. The Company has also been granted certain back-in and tag along negotiation rights, as well as negotiation rights for capital market transactions with respect to projects for which the Company has provided financing. HCG5 Investment Limited Partnership, a limited partnership related to Hillcore, holds approximately 17.3% of the Company's issued and outstanding common shares.

On March 2, 2017, 0960128 entered into a loan agreement dated March 2, 2017, as amended (the "Loan Agreement"), with Waiward Investments Limited Partnership (the "Borrower"), a limited partnership related to Hillcore, pursuant to which 0960128 agreed to loan a minimum of \$5,000,000 and a maximum of \$20,000,000 (the "Initial Investment") to the Borrower. The Initial Investment is secured by the Borrower's indirect equity interest in Waiward Steel Limited Partnership ("Waiward Steel"), one of Canada's largest steel fabricators and erectors.

The net proceeds of the Debenture Offering were used to fund the Initial Investment, which was completed on May 18, 2017 in connection with the Change of Business.

Going forward, the Company intends to focus on the provision of special situation debt financing to Hillcore's pipeline of current and future private equity investments, as contemplated by the strategic alliance agreement between the Company and Hillcore.

On June 29, 2017, the Company announced that it had advanced (the "Advance") the sum of \$1,500,000 from its treasury funds to 10164950 Canada Ltd., a company controlled by Hillcore, as an advance on a second investment transaction with Hillcore.

### The Convertible Preferred Share Offering

On May 18, 2017, the Company also closed a private placement of non-voting convertible preferred shares, pursuant to which it raised gross proceeds of \$2,700,000 through the issuance of 6,750,000 preferred shares at a price of \$0.40 per share (the "Preferred Share Offering", and together with the Debenture Offering, the "Offerings"). The proceeds of the Preferred Share Offering were used for payment of the fees and expenses for the Offerings, the Initial Investment and the Change of Business, and for general working capital purposes. No commissions or finder's fees were paid in connection with the Preferred Share Offering.

The preferred shares are entitled to receive annual non-cumulative dividends at a fixed rate of 8% per annum. Holders of preferred shares may, commencing on May 18, 2018, convert their preferred shares into common shares on a one for one basis, subject to a semi-annual maximum conversion limit of such number of common shares as is equal to 25% of a particular holder's preferred shares. The preferred shares will automatically convert into common shares on a one for one basis on May 18, 2020.

Holders of Preferred Shares are not entitled to receive notice of, attend, or vote at, any general meeting of the shareholders of the Company. The preferred shares are not, and are not expected to be, listed for trading on the TSXV or on any other stock exchange or quotation system.

On June 12, 2018 The Company issued 102,222 common shares to settle interest in the amount of \$46,000 on its preferred shares.

### The Change of Business

The Offerings and the Initial Investment were part of the Change of Business, pursuant to which the Company became a Tier 2 Investment Issuer on the TSXV. Following the issuance of the TSXV's final bulletin with respect to the Change of Business, the trading symbol for the common shares on the TSXV changed to "TCC.V".

In connection with the closing of the Change of Business, the Company undertook to the TSXV to complete a second investment prior to May 26, 2018.

### The Omni Debenture Offering

In December 2017 the Company filed and obtained a receipt for a preliminary prospectus with security regulatory authorities for a proposed public offering of a minimum of 10,000 and a maximum of 20,000 8% secured convertible debentures (the "Omni Debentures") priced at \$1,000 per Debenture, for gross proceeds of a minimum of \$10,000,000 and a maximum of \$20,000,000 (or \$23,000,000 in the event that the Over-Allotment Option is exercised in full) (the "Omni Debenture Offering").

The net proceeds of Omni the Debenture Offering will be used to fund the Omni Loan, as described below.

The Omni Debenture Offering is being made on a best efforts basis, through a syndicate of agents led by Canaccord Capital Corp. and Industrial Alliance Securities Inc. (collectively, the "Agents"). The Omni Debentures issued in the Omni Debenture Offering will have a maturity date of January 27, 2023 and bear interest at the rate of 8.0% per annum, payable quarterly in cash. Commencing two years from closing, the outstanding principal amount of the Omni 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) \$1.25 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 accrued but unpaid interest thereon, in cash, at any time after two years from the closing of the first tranche of the Omni Debenture Offering, 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 but unpaid interest thereon.

The Debenture Offering closed in two tranches for aggregate gross proceeds of \$7,994,000. The first tranche, pursuant to which gross proceeds of \$5,659,000 were raised through the issuance of 5,659 Debentures, closed on March 23, 2018. The second tranche, pursuant to which gross proceeds of \$2,335,000 were raised through the issuance of 2,335 Debentures, closed on May 17, 2018.

The Company has agreed to pledge all of the outstanding shares of 1141864 as security for the Company's outstanding obligations under the Omni Debentures. The holders of Omni Debentures will have no recourse to the Company other than with respect to such shares.

#### The Omni Loan

In December 2017, 1141864 entered into a loan agreement (the "Omni Loan Agreement"), with ABO Investments Limited Partnership ("ABO"), a limited partnership related to Hillcore, pursuant to which 1141864 agreed to loan a minimum of \$10,000,000 and a maximum of \$20,000,000 (the "Omni Loan") to ABO. The Omni Loan is secured by ABO's indirect equity interest in Omni Health Investments Inc. ("Omni"), one of Canada's largest long term care operators.

Pursuant to the Omni Loan Agreement, 1141864 has agreed to loan, in one or more advances, a minimum of \$10,000,000 and a maximum of \$20,000,000 (or \$23,000,000 in the event that the Over-Allotment Option is exercised in full) to ABO, subject to the closing of the Offering. The outstanding principal of the Omni Loan will bear interest at the rate of 10% per annum and the Omni Loan will mature on January 27, 2023. ABO has agreed to pay the Company a fee equal to 7% of the funds advanced to ABO under the Omni Loan Agreement. No finder's fees are payable in connection with the Omni Loan.

ABO will also grant the Company a five-year unit purchase option entitling it to purchase up to 15% of ABO's indirect holdings in Omni for an exercise price of up to \$7,725,000. The actual percentage interest that the Company may acquire pursuant to the purchase option will be adjusted on a pro rata basis in accordance with the amount of funds actually advanced under the Omni Loan Agreement.

ABO may prepay the outstanding principal of the Omni Loan by paying 1141864 the outstanding principal amount of the Omni Loan, plus any accrued and unpaid interest thereon, as well as an amount equal to the Break Fee payable by the Company on the redemption or repurchase of Omni Debentures with a principal amount of not more than the principal amount being prepaid by ABO. Closing of the Omni Loan is subject to the closing of the minimum Offering. The Omni Loan will be secured by a pledge of ABO's indirect 88.73% equity interest in Omni.

The Omni Loan Agreement also provides that 1141864 will provide management services to ABO, have observer rights at board meetings of ABO, and have the right to appoint a nominee to the board of directors of ABO.

The Company has also agreed to make an additional loan of \$1,500,000 to ABO (the "Sidecar Loan"). The Sidecar Loan will have the same term as, and be subordinated to, the Omni Loan (save for bearing 8% interest) and will be funded from the Advance.

In February 2018 the Company, the Agents and ABO agreed to lower the minimum under the Omni Debenture Offering and the Omni Loan from \$10,000,000 to \$5,000,000.

#### Investment Policy Disclosures

The Company has adopted an Investment Policy to govern its investment activities. The Investment Policy sets out, among other things, the Company's investment objectives and strategy, which is to provide special situation debt financing to established companies with a solid track record of earnings and demonstrated potential for future growth, the ability to generate shareholder equity by taking and, where prudent, exercising equity purchase rights in portfolio companies, participating in potential going-public transactions or other liquidity events in portfolio companies, and seeking to preserve capital and limit downside risk through securely structuring its investments. A copy of the Investment Policy is attached as Schedule "C" to the Filing Statement.

The following key ratios and other summary disclosures with respect to the Initial Investment are made in accordance with the Company's Investment Policy.

	12 months ended 3/31/2018	12 months ended 3/31/2018 (Pro Forma) <sup>(1)</sup>	12 months ended 3/31/2017	12 months ended 3/31/2017 (Pro Forma) <sup>(1)</sup>
Debt Service Ratio	(2.19)	(1.97)	1.52	1.27
Fixed Charge Coverage Ratio	(1.50)	(1.38)	1.54	1.46
Net Debt to EBITDA Ratio	(1.33)	(1.93)	0.23	0.72

- <sup>(1)</sup> Assumes the Maximum Investment in the amount of \$7,740,000. As can be seen from the above ratios Waiward Steel has experienced significant losses in the three most recent quarters due to the downturn in the industries which it services and costs associated with winding down certain business operations. However, due to the Management Fee pledge, together with the cash reserved in the Borrower for interest payments and the underlying value of Waiward Steel interest pledged, management of the Company can confirm the sufficiency of the Borrower's cash flow to service the Loan. Management of the Company can also confirm the adequacy of the security package provided by the Borrower in connection therewith, and believes that the Borrower's cash flow and pledged collateral are sufficient and adequate to service the Loan. Management of the Company has reviewed the Waiward Steel order book for the current year and anticipates the above ratios to come back into formula over the next three quarters. Waiward Steel has notified 0960128 it is currently working with its senior lender to amend the terms of the senior credit facility to restructure its payment obligations.

Trailing 12 month increase (decrease) in	12 months ended 3/31/2018	12 months ended 3/31/2017
Revenue	(48%)	(49%)

Net Income	(248%)	(171%)
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The following key ratios and other summary disclosures with respect to the OMNI Investment are made in accordance with the Company's Investment Policy.

	12 months ended 3/31/2018	12 months ended 3/31/2018 (Pro Forma) <sup>(1)</sup>	12 months ended 12/31/2017	12 months ended 12/31/2017 (Pro Forma) <sup>(1)</sup>
Debt Service Ratio	1.08	1.06	1.02	1.02
Fixed Charge Coverage Ratio	1.09	1.07	1.05	1.04
Net Debt to EBITDA Ratio	8.30	8.68	8.35	8.74

(1) Assumes Loan in the maximum of \$20,000,000

Occupancy for homes in the portfolio is 95.37% year to date 2017. Four homes have occupancy less than 97% YTD: Kentwood (94.8%), West Lake (93.85%), Willows (95.8%) and Woodland Villa (95.8%). Net operating income before management fees (EBITDAM) for Q1 2018 amounted to \$2,781,806 which is less than budget by \$47,430 and \$184,962 greater than Q1 2017. Revenues for Q1 were \$17,654 greater than budget due to preferred revenue at Garden Terrace and Forest Hill. Q1 is affected by maintenance and major maintenance expenditures which are \$95,414 unfavourable compared with budget. Conversion to Ecolab, a supplier of chemical products, has resulted in unfavourable variances in the supply line under Nutrition Care, Housekeeping and Laundry, including one-time costs to stock product inventory

Trailing 12 month increase (decrease) in	12 months ended 3/31/2018	12 months ended 12/31/2017
Revenue	1.3%	2.0%
Net Income	2.4%	(7.5%)

Other than as stated above, the Company is not aware of any material changes or facts in the business or affairs of the Borrower that would have a material adverse impact on the Borrower's cash flow or pledged collateral.

### Selected Financial Information

	<b>For the Year ended <u>March 31, 2018</u></b>	<b>For the Year ended <u>March 31, 2017</u></b>	<b>For the Year ended <u>March 31, 2016</u></b>
Total revenues	\$ 862,567	\$ -	\$ -
Loss before other items	(348,997)	(197,498)	(58,232)
Comprehensive income (loss)	(348,997)	(197,498)	(24,400)
Basic and diluted net loss per common share	(0.03)	(0.02)	(0.05)
Current assets	739,417	457,980	6,555
Total assets	15,801,564	457,980	6,555
Current liabilities	595,247	154,010	160,587
Share capital & share based payment reserve	4,454,676	4,454,676	3,798,876
Deficit	(4,499,703)	(4,150,706)	(3,953,208)
Dividends		n/a	n/a

The increase in total assets to \$15,801,564 in 2018 from \$457,980 in 2017 was primarily due to the increase to advance of loans from investing activities.

The financial data for the years ended March 31, 2018, March 31, 2017 and March 31, 2016 have been prepared in accordance with International Financial Reporting Standards. All figures are stated in Canadian dollars.

### Results of Operations

These results of operations should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2018, which are being filed concurrently with this MD&A. The financial data for the years ended March 31, 2018 and March 31, 2017 have been prepared in accordance with IFRS. All figures are stated in Canadian dollars.

#### Year Ended March 31, 2018 and 2017

	<b>For the year ended <u>March 31, 2018</u></b>	<b>For the year ended <u>March 31, 2017</u></b>
<b>Revenues</b>		
Interest income	\$ 862,567	\$ -
<b>Expenses</b>		
Accretion	85,863	-
Business development	96,562	85,167
Consulting	131,122	
General and administrative	57,728	27,994
Interest	656,440	-
Professional fees	105,605	46,657
Transfer agent and filing fees	78,244	37,680
	<u>1,211,564</u>	<u>197,498</u>
<b>Net and comprehensive (loss)</b>	<u>\$ (348,997)</u>	<u>\$ (197,498)</u>

The Company has generated limited revenue to date and until the most recent three month period ended June 30, 2017, reported net losses since inception. The net loss was \$348,997 for the year ended March 31, 2018 (March 31, 2017 – \$197,498). Total expenses of \$1,211,564 were offset by interest income of \$862,567. The completion of the Offerings resulted in the Company incurring higher than normal expenses.

Revenues of \$862,567 were derived from interest earned on the Initial Investment during the year ended March 31, 2018 (March 31, 2017 - \$nil).

Accretion expense was \$85,863 relating to the financing costs of the debentures for the year ended March 31, 2018 (March 31, 2017 - \$Nil)

Business development expenses were \$96,562 for the year ended March 31, 2018 (March 31, 2017 - \$85,167) Management expects to continue to expend considerable time negotiating additional investments and securing financing.

Consulting fees of \$131,122 were incurred for the year ended March 31, 2018 (March 31, 2017 - \$nil), related to consulting fees paid in connection with development of the Company's strategic plans.

General and administrative expenses were \$57,728 for the year ended March 31, 2018 (March 31, 2017 - \$26,500). The increased expenses related to ongoing due diligence being undertaken by management in connection with identifying a second investment.

Interest expense was \$656,440 for the year ended March 31, 2018 (March 31, 2017 - \$Nil). The increase in interest expense was related to interest payable on the Debentures.

Professional fees of \$105,605 were incurred in the year ended March 31, 2018 (March 31, 2017 - \$46,657). These professional fees related to audit and legal expenses in connection with the Offerings and the Change of Business.

Transfer agent and filing fees were \$78,244 for the year ended March 31, 2018 (March 31, 2017 - \$37,680). These fees were higher in the current period due to filings related to the Change of Business and the Debenture Offering.

Three Months Ended March 31, 2018 and 2017

	<b>For the three months ended March 31, 2018</b>	<b>For the three months ended March 31, 2017</b>
<b>Revenues</b>		
Interest income	\$ 288,928	\$ -
<b>Expenses</b>		
Accretion	25,300	-
Business development	96,562	32,159
Consulting	13,253	-
General and administrative	(15,699)	10,988
Interest	197,979	-
Professional fees	85,772	37,901
Transfer agent and filing fees	29,538	13,794

	432,705	96,333
<b>Net and comprehensive (loss)</b>	\$ (143,777)	\$ (96,333)

The Company had net loss of \$143,777 for the three months ended March 31, 2018 compared to net loss of \$96,333 in the three months ended March 31, 2017.

Revenues were \$288,928 for the three months ended March 31, 2018 (March 31, 2017 - \$nil). Revenues were derived from interest earned on the Initial Investment during the three months ended March 31, 2018.

Accretion expense was \$23,500 relating to the financing costs of the debentures for the three months ended March 31, 2018 (March 31, 2017 - \$Nil)

Business development expenses were \$96,562 for the year ended March 31, 2018 (March 31, 2017 - \$32,159). Management expects to continue to expend considerable time negotiating additional investments and securing financing.

Consulting fees were \$13,253 for the three months ended March 31, 2018 (March 31, 2017 - \$nil), related to consulting fees paid in connection with the development of the Company's strategic plans.

General and administrative recoveries were \$15,699 compared to expenses of \$10,988 for the three months ended March 31, 2017. The decreased expenses in the quarter were due to the reclassification of some of costs.

Interest expense was \$197,979 for the three months ended March 31, 2018 (March 31, 2017 - \$nil), which was related to interest payable on the Debentures.

Professional fees were \$85,772 (March 31, 2017 - \$37,901). The decreased expenses in the quarter of the prior year were due to the reclassification of some of costs. These professional fees related to audit and legal expenses in connection with the Offerings and the Change of Business.

Transfer agent and filing fees were \$29,538 (March 31, 2017 - \$13,794). Fees were higher in the current quarter due to filings related to the Change of Business and the Debenture Offering.

#### Dividend Report & Policy

The Company has not paid any dividends to date. The Company intends to retain its future earnings, if any, for use in its business and does not expect to pay dividends on its shares in the foreseeable future. On June 6, 2018, the Company approved the payment of the annual dividend on the 6,750,000 preferred shares in the aggregate amount of \$216,000. Of the total, \$46,000 will be settled by the issuance of 102,222 common shares, \$4,000 will be paid in cash, and \$166,000 will be accrued as payable to certain preferred shareholders. On June 12, 2018, the Company issued 102,222 common shares as settlement of \$46,000 of the dividend payable.

#### Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters. The financial data has, except as referred to in the footnotes to this summary, been prepared in accordance with IFRS and all figures are stated in Canadian dollars.

<b>For the quarter ended:</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>September 30, 2017</b>	<b>June 30, 2017</b>
Total Revenues	288,928 <sup>(1)</sup>	245,928	257,475	70,236
Net and comprehensive income (loss) for the period	(143,777)	(56,203)	12,636	(161,653)
Loss per share, basic and diluted	(0.01)	(0.00)	0.00	(0.02)

<b>For the quarter ended:</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>September 30, 2016</b>	<b>June 30, 2016</b>
Total Revenues	-	-	-	-
Net and comprehensive income (loss) for the period	(96,333)	(3,978)	(21,083)	(76,103)
Income (loss) per share, basic and diluted	(0.01)	(0.00)	(0.00)	(0.01)

(1) The Company's loss for the period includes non-cash items of accretion of financing costs of \$25,300.

#### Financial Condition, Liquidity and Capital Resources

The Company had total assets of \$15,801,564 as at March 31, 2018 (March 31, 2017 – \$457,980). The primary assets of the Company as of such date consisted cash of \$489,483 (March 31, 2017 – \$188,651), interest receivable of \$240,509 (March 31, 2017 - \$Nil), PIK interest receivable of \$163,147 and loan receivables of \$14,899,000 (March 31, 2017 \$Nil). Accounts payable as at March 31, 2018 were \$365,094 (March 31, 2017 - \$154,010). The Company had working capital of \$144,170 as at March 31, 2018 (March 31, 2017 – \$303,970).

At March 31, 2018, the Company had not yet achieved profitable operations, and had accumulated a deficit of \$4,499,703 (March 31, 2017 – \$4,150,706).

As further described above, during the year ended March 31, 2018, the Company closed the Debenture Offerings, pursuant to which it issued an aggregate of 13,399 Debentures for aggregate gross proceeds of \$13,399,000, and the Preferred Share Offering, pursuant to which it issued 6,750,000 preferred shares for aggregate gross proceeds of \$2,700,000. Together, the Offerings raised aggregate gross proceeds of \$16,099,000.

The Company's audited consolidated financial statements for the year ended March 31, 2018 were prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast substantial doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months from loans from related parties and or the private placement of common shares.

As at March 31, 2018, the Company did not have any contractual obligations.

Classification of financial instruments

Financial assets included in the Company's statement of financial position are as follows:

	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Held for trading:		
Cash	\$ 489,483	\$ 188,651
Loans and receivables:		
Interest receivable	240,509	-
PIK interest receivable	163,147	-
Loans	14,899,000	-
	<b>\$ 15,792,139</b>	<b>\$ 188,651</b>

Financial liabilities included in the Company's statement of financial position are as follows:

	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Non-derivative financial liabilities:		
Accounts payable	\$ 365,094	\$ 154,010
Dividends payable	216,000	-
Preferred share liability	354,044	-
Debentures	12,704,624	-
	<b>\$ 13,639,762</b>	<b>\$ 154,010</b>

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Financial instruments classified as level 1 – quoted prices in active markets - include cash.

**OFF BALANCE SHEET ARRANGEMENTS**

There are no off-balance sheet arrangements to which the Company is committed.



## TRANSACTIONS WITH RELATED PARTIES

The following amounts were due to related parties as at the dates indicated, and were included in accounts payable and accrued liabilities as at such dates:

	March 31, 2018	March 31, 2017
Directors and officers of the Company	\$ -	\$ 7,530
Chief Financial Officer	1,575	1,575
	\$ 1,575	\$ 9,105

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

During the year ended March 31, 2017, the Company settled a debt obligation of \$60,000 with the CEO by issuing 1,000,000 common shares at \$0.06 per share.

### *Key management personnel compensation*

	Year ended	
	March 31, 2018	March 31, 2017
Chief Financial Officer	\$ 6,300	\$ 6,000

## CRITICAL ACCOUNTING ESTIMATES

As disclosed in the Company's annual audited financial statements for the years ended March 31, 2018 and 2017 (as are available on the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com))), the Company has no critical accounting estimates.

## CRITICAL ACCOUNTING POLICIES

There are no accounting policies that the Company has adopted, other than what was disclosed in the Company's annual audited financial statements for the year ended March 31, 2018.

## RISK FACTORS

The business of the Company is subject to risks and hazards, some of which are beyond the Company's control. Shareholders must rely on the ability, expertise, judgment, discretion, integrity and good faith of the management of the Company. The following is a summary of some risks and uncertainties that management believes to be material to the Company's business. Additional risk factors are included in the Filing Statement, which is available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

### *Risk of Payment Defaults Under Investment Agreements*

While the Company intends to structure its investments, including the Initial Investment, in such a way as to minimize the risk of default, there is no guarantee that investee companies will not default on their payment obligations because of business failure or obligations to other lenders, investors or stakeholders. Further, there is no assurance that, in the event of a default by an investee company, the Company will be able to recover all or any of its investment. Such failure could have an adverse impact on the Company's financial condition and results of operations, including impairing the Company's ability to pay amounts owing under the Debentures or to pay dividends on the preferred shares. In addition, in the event investments in investee companies are structured on a subordinated or unsecured basis, the Company's rights, including payment rights, will be subordinate to the rights of secured lenders of investee companies

and other parties holding security interests against investee companies. As such, upon a default by an investee company, there may be no funds left to permit the Company to recover its investment.

### ***Dependence on the Performance of Investee Companies***

The Company is, and will be, dependent on the operations, assets and financial health of the investee companies in which it makes investments. The Company's ability to meet its operating expenses in the long term will be largely dependent on the interest and other payments received from investee companies, which are expected to be the sole source of cash flow for the Company. While the Company intends to focus on special situation debt financing to Hillcore's pipeline of current and future private equity investments, payments to the Company from investee companies may be based on a percentage of such companies' top line revenues, in which case negative financial performance of an investee company will likely have a negative impact on the Company's cash flow. In addition, if the financing position of an investee company declines such that it is unable to make interest payments to the Company, the Company's financial condition and cash flow will be adversely affected.

The Company has conducted, and will conduct, due diligence on each of its investee companies prior to entering into agreements with them. In addition, the Company plans to monitor investee company performance through observer rights at board meetings of investee companies, negotiating rights to appoint one or more directors to the boards of investee companies, and receiving and reviewing regular financial reports from the investee companies. Nonetheless, there is a risk that there may be some liabilities or other matters that are not identified through the Company's due diligence or ongoing monitoring that may have an adverse effect on an investee company's business and, as a result, on the Company.

### ***Lack of Control Over Investee Company Management***

The Company does not expect to have a high degree of influence over any of its investee companies or their operations, including the Borrower. Payments received by the Company from investee companies may therefore depend upon several factors that may be outside of the Company's control.

### ***Volatility of Share Price***

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility. A publicly traded company will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Company's common shares will trade from time to time cannot be predicted. The market price of the common shares is subject to significant fluctuations in response to variations in quarterly and annual operating results, the results of any public announcements the Company makes, general economic conditions, and other factors. Increased levels of volatility and resulting market turmoil may adversely impact the price of the common shares. If the Company is (as it is expected to be) required to access capital markets to carry out its business objectives, the state of domestic and international capital markets and other financial systems could affect its access to, and cost of, capital. Such capital may not be available on terms acceptable to the Company or at all, and this could have a material adverse impact on its business, financial condition, results of operations or prospects.

### ***Financing Risks***

The Company has no history of earnings or material revenue. In addition, the Company's business model is dependent on making investments in additional investee companies, and the Company anticipates having to raise additional capital to fund these investments. While the Company may generate additional working

capital through equity or debt offerings, or through the receipt of interest or other payments from investee companies, there is no assurance that such funds will be sufficient to facilitate the development of the Company's business as envisioned or, in the case of equity financings, that such funds will be available on terms acceptable to the Company or at all. If available, future equity financing may result in substantial dilution to the Company's shareholders.

### ***Limited Number of Investments***

While the Company's intention is to negotiate and fund additional investments in companies in different industry sectors, it could take many years to create a diversified portfolio of investee companies and there is no guarantee the Company will ever achieve sufficient diversification. The Company may have a significant portion of its assets dedicated to a single business sector or industry for an extended period of time. In the event that any such business or industry is unsuccessful or experiences a downturn, this could have a material adverse effect on the Company's business, results of operations and financial condition.

### ***Ability to Negotiate Additional Investments***

A key element of the Company's growth strategy is expected to involve negotiating and finding investments in other operating companies. Achieving the benefits of future investments will depend in part on successfully identifying and capturing such opportunities in a timely and efficient manner and in structuring such arrangements to ensure a stable and growing stream of revenues. The Company's ability to identify investee companies and negotiate and fund additional investments in such a manner is not guaranteed.

### ***Risks Facing Investee Companies***

As previously noted, the Company's financial condition and results of operations will be affected by the performance of the companies in which it invests. Each investee company will also be subject to risks which will affect their respective financial condition. Given that, other than with respect to the Initial Investment, the Company does not currently know the exact nature of the businesses in which it may make investments, it is impossible to predict exactly what risks investee companies will face. Nonetheless, typical risks which investee companies might be expected to face include the following:

- Investee companies may need to raise capital through equity or debt financing. Failure to obtain such equity or debt, or the terms of such equity or debt that may be available, may impair the ability of investee companies to finance their future operations and capital needs. Flexibility to respond to changing business and economic conditions may therefore be limited.
- The success of investee companies may depend on the talents and efforts of one or two persons or a small group of persons. The death, disability or resignation of one or more of these persons could have a material adverse impact on an investee company.
- Investee companies may require additional working capital to carry out their business activities and to expand their businesses. If such working capital is not available, the financial performance and development of the businesses of the investee companies may be adversely affected.
- Damage to the reputation of investee companies' brands could negatively impact consumer opinion of those companies or their related products and services, which could have an adverse effect on their businesses.

- Investee companies may face intense competition, including competition from companies with greater financial and other resources, and more extensive development, manufacturing, marketing and other capabilities. There can be no assurance that investee companies will be able to successfully compete against their competitors or that such competition will not have a material adverse effect on their businesses.
- Investee companies may experience reduced revenues through the loss of a customer representing a high percentage of their revenues.
- Investee companies may experience reduced revenues due to an inability to meet regulatory requirements, or may experience losses of revenues due to unforeseeable changes in regulations imposed by various levels of government.
- Investee companies may rely on government or other subsidy programs for revenue or profit generation. Changes to, or elimination of, such programs may have an adverse effect on such companies.
- Investee companies may experience negative financial results based on foreign exchange losses.

### ***Reliance on Key Personnel***

The success of the Company is dependent on the abilities, experience, efforts and industry knowledge of its senior management and other key personnel. The long-term loss of the services of any key personnel for any reason could have a material adverse effect on the business, financial condition, results of operations or future prospects of the Company. In addition, the growth plans of the Company may require additional personnel, increase demands on management, and produce risks in both productivity and retention levels. The Company may not be able to attract and retain additional qualified management and personnel as needed in the future. There can be no assurance that the Company will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on its business, financial condition, results of operations and future prospects.

### **DISCLOSURE OF OUTSTANDING SHARE DATA**

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.

As of the date of this MD&A, the following securities of the Company were outstanding:

Common Shares – 11,638,107

Preferred shares – 6,750,000

Stock options - Nil

Warrants – Nil

Debentures – 13,399, having an aggregate principal amount of \$13,399,000

**OTHER INFORMATION AND BOARD APPROVAL**

Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). This MD&A has been reviewed and approved by the Board of Directors of the Company.

**TRENCHANT CAPITAL CORP.**  
**(formerly Echelon Petroleum Corp.)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the Years ended March 31, 2017 and 2016

Management's discussion and analysis ("MD&A") is prepared as of July 29, 2017, and provides a review of the performance of Trenchant Capital Corp. ("Trenchant" or the "Company") and should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2017 and related notes included therein which are prepared in accordance with International Financial Reporting Standards. This report contains discussion and analysis, which includes forward-looking statements that may differ materially from actual results achieved. All of the financial data herein has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all figures are stated in Canadian dollars. Additional information on the Company is available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

**FORWARD LOOKING STATEMENTS**

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking information will not be realized.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. The reader is cautioned not to place undue reliance on forward-looking information. The forward-looking information contained herein is presented for the purpose of assisting investors in understanding the Company's expected financial and operating performance and the Company's plans and objectives in making an investment decision and may not be appropriate for other purposes. All forward-looking information is expressly qualified in its entirety by this cautionary statement. The Company disclaims any obligation to update forward-looking information to reflect events or circumstances after the date of such statements, or to reflect the occurrence of anticipated or unanticipated events, except as required by law.

## **RISKS AND UNCERTAINTIES**

Risk factors include:

- The Company does not have a history of earnings, nor has it paid any dividends, and will not be in a position to generate earnings or pay dividends until at least after completion of the Change of Business described herein.
- It is possible the Company may never generate earnings or be in a position to pay dividends.
- The directors and officers of the Company will only devote part of their time and efforts to the affairs of the Company.
- The Company has only limited funds available to identify and evaluate potential transactions.
- Possible tightening of the credit markets, global economic uncertainty, and counterparty risk.
- expectations as to future operations of the Company;
- the Company's anticipated financial performance following completion of the Transaction;
- the Company's expectations regarding the ability of the Borrower to service the Initial Investment and the sufficiency of the security with respect to same;
- future development and growth prospects;
- the Company's investment approach, objectives and strategy;
- the Company's expectations regarding the performance of certain sectors;
- the ability of the Company to identify other potential investment opportunities on satisfactory terms or at all;
- the ability of the Company to obtain future financing on acceptable terms or at all; and
- other statements under the heading "*Management's Discussion and Analysis*".
- All assumptions regarding business prospects and opportunities.

**Date of Report:** July 29, 2017

### **Overall Performance**

#### **Nature of Business and Overall Performance**

Trenchant Capital Corp. (formerly Echelon Petroleum Corp.) was incorporated under the British Columbia Business Corporations Act on December 17, 2009. The Company's common shares are listed on the TSX Venture Exchange ("TSXV").

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The Company's head office is located 33 Bay Street, Suite 630, Toronto, ON, M5H 2R2. The Company has one subsidiary, 0960128 B.C. Ltd.

The Company was formed as a Capital Pool Company on the TSXV. In May 2011, the Company completed its qualifying transaction as a resource issuer and was engaged in the exploration and development of natural resource properties. The Company subsequently became inactive and, in August 2015, was subject to a cease trade order issued by the British Columbia Securities Commission for failure to file financial statement, which was revoked on April 25, 2016.

In May, 2016, the Company announced that it is pursuing a change of business to become an Investment Issuer on the TSXV (the "Change of Business") and changed its name to Trenchant Capital Corp.

On March 7, 2017, the Company filed and obtained a receipt for a preliminary prospectus with security regulatory authorities for a proposed public offering of a minimum of 5,000 and a maximum of 20,000 secured convertible debentures (the "Debentures") priced at \$1,000 per Debenture, for gross proceeds of a minimum of \$5,000,000 and a maximum of \$20,000,000 (the "Debenture Offering"). The Debenture Offering was made on a best efforts, through a syndicate of agents to be led by Industrial Alliance Securities Inc. ("IA"), pursuant to the terms of an engagement letter between the Company and IA dated February 28, 2017. The Company granted the Agents an option, expiring on the closing of the Debenture Offering, to sell up to an additional 15% of the Debentures sold under the Offering to cover over-allocations (the "Over-Allotment Option"). The Debenture Offering was subject to usual closing conditions, including regulatory approvals and the approval of the TSX Venture Exchange (the "TSXV"). Trenchant used the gross proceeds from the Debenture Offering to fund the Loan (as defined herein).

#### The Debenture Offering

The Debentures mature on March 31, 2022 and the outstanding principal of the Debentures bear interest (the "Debenture Interest") at the rate of 9.0% per annum, payable quarterly in cash. The terms of the Debentures are set out in a trust indenture entered into between the Company and Computershare Trust Company of Canada. Commencing on the date that is one year after the date of issuance of the Debentures (the "Closing Date"), the outstanding principal amount of the Debentures may be converted, at the option of the holder, into common shares of the Company (each, a "Common Share") 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 Debenture Interest thereon, in cash, at any time after two years from the Closing Date 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 Debenture Interest thereon. The Closing was subject to the concurrent closing of the previously announced Convertible Preferred Share Offering (as defined herein, and together with the Debenture Offering the "Offerings"), the satisfaction or waiver of all conditions precedent to the making of the Loan (other than the completion of the Offerings), and the receipt of the conditional approval of the TSXV for the Change of Business (as defined herein). The Company pledged all of the outstanding shares of the Lender (as defined herein) 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 Lender shares. Pursuant to the terms of the Engagement Letter, IA acted as lead agent and sole bookrunner, on behalf of a syndicate of Agents, in connection with the Debenture Offering. The Company has also agreed to grant the Agents the Over-Allotment Option, exercisable in whole or in part at any time prior to the Closing Date, to arrange for the



purchase of up to an additional 15% of the Debentures sold by the Agents under, and on the same terms as, the Debenture Offering, subject to the agreement of Borrower (as defined herein) to increase the amount of the Loan by the amount of the Over-Allotment Option that is exercised. In consideration for their services, the Agents will receive a cash commission equal to 6.5% of the gross proceeds of the Debenture Offering, including any proceeds received in connection with the exercise of the Over-Allotment Option (the "Agents' Commission"), and be reimbursed for their reasonable expenses. As the proceeds of the sale of the Debenture Offering were used by the Company to fund the Loan, the Agents' Commission and expenses were paid from the proceeds of the Convertible Preferred Share Offering.

#### The Loan

The Company entered into a loan agreement (the "Loan Agreement") dated March 2, 2017 with Waiward Investments Limited Partnership (the "Borrower"), a limited partnership related to the Hillcore Group ("Hillcore"), pursuant to which a wholly owned subsidiary of the Company (the "Lender") agreed to loan a minimum of \$5,000,000 and a maximum of \$20,000,000 (or \$23,000,000 in the event that the Over-Allotment Option is exercised in full) (the "Loan") to the Borrower, secured by the Borrower's indirect equity interest in Waiward Steel Limited Partnership ("Waiward Steel"), one of Canada's largest steel fabricators and erectors.

May 18, 2017, the company closed the initial tranche of its prospectus offering for gross proceeds of \$5,522,000 through the issuance of 5,522 Debentures. The syndicate for the Debenture Offering was led by Industrial Alliance Securities Inc., received a cash commission of 6.5% of the gross proceeds of the Debenture Offering.

The net proceeds of the Debenture Offering were used to fund the Waiward Initial Investment which was completed in connection with the Company's Change of Business (as defined in the policies of the TSX Venture Exchange (the "TSXV")).

Following the issuance of the TSXV's final bulletin with respect to the Change of Business, the Company's trading symbol is expected to change to "TCC.V". The Company has covenanted to apply to list the Debentures on the TSXV on or before August 16, 2017.

#### The Convertible Preferred Share Offering

The Company has also closed its previously announced private placement of non-voting convertible preferred shares (each, a "Preferred Share") pursuant to which it has raised gross proceeds of \$2,700,000 through the issuance of 6,750,000 Preferred Shares at a price of \$0.40 per Preferred Share (the "Preferred Share Offering", and together with the Debenture Offering, the "Offerings"). The Preferred Shares are entitled to receive annual non-cumulative dividends at a fixed rate of 8% per annum. Holders of Preferred Shares may, commencing on May 18, 2018, convert their Preferred Shares into Common Shares on a one for one basis, subject to a semi-annual maximum conversion limit of such number of Common Shares as is equal to 25% of a particular holder's Preferred Shares. The Preferred Shares will automatically convert into Common Shares on a one for one basis on May 18, 2020. The Preferred Shares are subject to a hold period that expires on September 19, 2017. Holders of Preferred Shares will not be entitled to receive notice of, attend or vote at any general meeting of the shareholders of the Company. The Preferred Shares will not be listed for trading on the TSXV or on any other stock exchange or quotation system. The proceeds of the Preferred Share Offering will be used for payment of the fees and expenses for the Offerings, the Initial Investment and the Change of Business, to fund the operation expenses of the Company and for general working capital purposes. No commissions or finder's fees were paid on the sale of the Preferred Shares.

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June 26, 2017, the Company announced that it has closed the second tranche of its prospectus offering, and has raised additional gross proceeds of \$1,488,000 through the issuance of 1,488 9% secured convertible debentures (the "Debentures") priced at \$1,000 per Debenture. The total gross proceeds of the Debenture Offering are \$7,010,000 and with the closed Series A Convertible Preferred Shares Offering total monies raised to date are \$9,710,000. The Company has covenanted to apply to list the Debentures on the TSXV on or before August 16, 2017.

#### Change of Business Completed

The Offerings and the Initial Investment are part of the previously announced Change of Business of the Company pursuant to which the Company has become a Tier 2 Investment Issuer on the TSXV.

On June 29, 2017, the "Company announced that it has advanced the sum of \$1,500,000 from its treasury funds to 10164950 Canada Ltd., a company controlled by the Hillcore Group ("Hillcore"), as an advance on a second investment transaction with the Hillcore Group, the terms of which are currently being negotiated.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast substantial doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months from loans from related parties and or the private placement of common shares.

#### Investment Policy Disclosures

The following key ratios and other summary disclosures are made in accordance with the Company's Investment Policy.

	12 months ended 3/31/2017 (Pro Forma) <sup>(1)</sup>	12 months ended 3/31/2017
Debt Service Ratio	1.27	1.52
Fixed Charge Coverage Ratio	1.46	1.54
Net Debt to EBITDA Ratio	0.72	0.23

(1) Pro forma Loan of \$7,740,000.

The Company has confirmed the sufficiency of the Borrower's cash flow to service the Loan, and the adequacy of the security package provided by the Borrower in connection therewith, and believes that the Borrower's cash flow and pledged collateral are sufficient and adequate to service the Loan.

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Trailing 12 month increase (decrease) in	12 months ended 12/31/2017
Revenue	(11%)
Net Income	(29%)

The Company is not aware of any material changes or facts in the business or affairs of the Borrower that would have a material adverse impact on the Borrower's cash flow or pledged collateral.

**Selected Financial Information**

	<b>For the Year ended <u>March 31, 2017</u></b>	<b>For the Year ended <u>March 31, 2016</u></b>	<b>For the Year ended <u>March 31, 2015</u></b>
Total revenues	\$ -	\$ -	\$ -
Loss before other items	(197,498)	(58,232)	(127,809)
Comprehensive income (loss)	(197,498)	(24,400)	124,628
Basic and diluted net loss per common share	(0.02)	(0.05)	(0.23)
Current assets	457,980	6,555	1,868
Total assets	457,980	6,555	1,868
Current liabilities	154,010	160,587	136,000
Share capital & share based payment reserve	4,454,676	3,798,876	3,794,676
Deficit	(4,150,706)	(3,953,208)	(3,928,808)
Dividends	n/a	n/a	n/a

The increase in total assets to \$457,980 in 2017 from \$6,555 in 2016 was primarily due to the increase to cash and financing costs from financing activities.

The financial data for the years ended March 31, 2017, March 31, 2016 and March 31, 2015 have been prepared in accordance with International Financial Reporting Standards. All figures are stated in Canadian dollars.

## Results of Operations

Expenses	For the year ended March 31, 2017	For the year ended March 31, 2016
Consulting and management fees	\$ -	\$ 7,954
Foreign exchange (gain) loss	-	(7,687)
General and administrative	26,500	1,145
Business development	85,167	12,300
Professional fees	46,657	12,590
Transfer agent and filing fees	37,680	10,534
Travel and promotion	1,494	21,396
<b>Loss before other items</b>	<b>197,498</b>	<b>58,232</b>
<b>Other items</b>	<b>-</b>	<b>(33,832)</b>
<b>Comprehensive income (loss)</b>	<b>\$ (197,498)</b>	<b>\$ (24,400)</b>

The Company has not yet generated revenue to date and has reported net losses since inception. Comprehensive loss during the year ended March 31, 2017 was \$197,498 (March 31, 2016 – \$24,400). The loss in 2017 was primarily the result of general and administrative, business development costs and professional fees. Management spend considerable time pursuing a change in business, negotiating agreements and securing financing. The Company had a gain of \$33,832 by settlement of an outstanding debt with a creditor in the prior year.

### Three months ended March 31, 2017

The net loss was (\$96,333) for the three months ended March 31, 2017, (March 31, 2016 – \$6,932). Loss in the three months ended March 31, 2017, were primarily the result of business development costs of 32,156 (March 31, 2016 – \$12,300), professional fees of \$37,901 (March 31, 2016 – \$10,151) and general and administrative costs of 10,988 (March 31, 2016 – recovery of \$3,265). Transfer agent and filing fees were \$13,794 (March 31, 2016 – \$8,871). There were settlement gains of \$33,832 in March 31, 2016.

Business development costs and professional fees were incurred in the current year to change the business of the Company and related financing.

### Dividend Report & Policy

The Company has not paid any dividends to date. The Company intends to retain its future earnings, if any, for use in its business and does not expect to pay dividends on its shares in the foreseeable future.

### Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters. The financial data has, except as referred to in the footnotes to this summary, been prepared in accordance with International Financial Reporting Standards and all figures are stated in Canadian dollars.

For the Quarterly Periods ended:	March 31 2017	December 31 2016	September 30 2016	June 30 2016
Total Revenues	-	-	-	-
Net and comprehensive income (loss) for the period	(96,333)	(3,978)	(21,083)	(76,103)
Loss per share, basic and diluted	(0.01)	(0.00)	(0.00)	(0.01)

For the Quarterly Periods ended:	March 31 2016	December 31 2015	September 30 2015	June 30 2015
Total Revenues	-	-	-	-
Net and comprehensive income (loss) for the period	6,932 <sup>1</sup>	(9,700)	(4,530)	(17,102)
Income (loss) per share, basic and diluted	0.00	(0.02)	(0.00)	(0.10)

1. The Company's loss for the period includes non-cash items of a gain from the settlement of a creditor debt of \$21,332, settlement of debt with a director of \$12,500 and foreign exchange gains of \$11,000.

### Financial Condition, Liquidity and Capital Resources

The Company has total assets of \$457,980 (March 31, 2016 – \$6,555). The primary assets of the Company are cash of \$188,651 (March 31, 2016 – \$2,053) and GST receivables of 13,076 (March 31, 2016 – \$4,502). The Company has working capital of \$303,970 (March 31, 2016 – negative \$154,032).

At March 31, 2017, the Company had not yet achieved profitable operations, had accumulated a deficit of \$4,150,706 (March 31, 2016 – \$3,953,208).

During the year ended March 31, 2017, the Company issued:

1. 75,000 common shares at \$.06 for an obligation to issue shares of \$4,500
2. 1,000,000 common shares at \$.06 for a debt obligation of \$60,000
3. 9,925,000 common shares at \$.06 for cash of \$595,500

The Company closed the initial tranche of its prospectus offering, pursuant to which it has raised gross proceeds of \$5,522,000 through the issuance of 5,522 9% secured convertible debentures priced at \$1,000 per Debenture. The syndicate for the Debenture Offering was led by Industrial Alliance Securities Inc., received a cash commission of 6.5% of the gross proceeds of the Debenture Offering.

The net proceeds of the Debenture Offering were used to fund the Waiward Initial Investment which was completed in connection with the Company's Change of Business.

The Company has also closed a private placement of non-voting convertible preferred shares pursuant to which it has raised gross proceeds of \$2,700,000 through the issuance of 6,750,000 Preferred Shares at a price of \$0.40 per Preferred Share

June 26, 2017, the Company announced that it has closed the second tranche of its prospectus offering ,and has raised additional gross proceeds of \$1,488,000 through the issuance of 1,488 9% secured convertible debentures (the "Debentures") priced at \$1,000 per Debenture. The total gross proceeds of the Debenture Offering are \$7,010,000, and with the closed Series A Convertible Preferred Shares Offering total monies raised to date are \$9,710,000. The Company has covenanted to apply to list the Debentures on the TSXV on or before August 16, 2017.

The Company's ability to continue as a going concern is dependent upon its ability to complete the change of business and related financings, generate future profitable operations and raise further capital, the success of which cannot be assured.

As at March 31, 2017, the Company did not have any contractual obligations.

#### **Off Balance Sheet Arrangements**

There are no off-balance sheet arrangements to which the Company is committed.

#### **Transactions with Related Parties**

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

As at March 31, 2017 the Company had amounts payable to Eric Boehnke, CEO in the amount of \$Nil (March 31, 2016 – \$86,666 for re-imbursement of expenses, \$60,000 of which was settled in a debt settlement) and Big Sky Management, a Company controlled by the CEO in the amount of \$Nil (March 31, 2016 – 5,060 for re-imbursement of expenses), John Legg, director, in the amount of \$115 (March 31 2016 –\$4,769) for re-imbursement of expenses, Thomas English, director, in the amount of \$7,415 for re-imbursement of expenses (March 31, 2016 – \$Nil), and Jennie Choboter, CFO, in the amount of \$1,575 (March 31, 2016 – \$14,175) for professional fees.

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

The Company following transactions with the directors and officers of the Company and companies that are controlled by directors of the Company.

	Years ended	
	March 31, 2017	March 31, 2016
Professional fees Jennie Choboter, CFO	\$ 6,000	\$ 6,000

### **Critical Accounting Estimates**

See as disclosed in the Company's annual audited financial statements for the years ended March 31, 2017 and 2016 (as are filed and reviewable on SEDAR ([www.sedar.com](http://www.sedar.com))) the Company has no other critical accounting estimates.

### **Changes in Accounting Policies**

There are no accounting policies that the Company has adopted, other than what was disclosed in the annual audited March 31, 2017 financial statements.

### **Critical Risk Factors**

#### ***Risk of failure to complete the Change of Business, Loan Agreement and related Offerings.***

The Company is limited in financial resources and has no assurance that additional funding will be available to it to complete and fund the Change of Business, Loan Agreement and related Offerings.

#### ***Risk of Exchange Listing***

The Company has no assurance that it can satisfy the minimum listing requirements of the TSXV for a Tier 2 Investment Issuer and resume trading.

### **Financial risk and capital management**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

#### ***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in a bank account. The cash is deposited in a bank account held with a major bank in Canada. As the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

#### ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has not advanced its assets to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast substantial doubt about the

Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months from existing working capital and or the private placement of common share.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

The Company's non-derivative financial liabilities at March 31, 2017, which include accounts payable, are due within one year.

	<b>Within one year</b>	<b>Between one and five years</b>	<b>More than five years</b>
Accounts payable	\$ 154,010	\$ -	\$ -

### ***Foreign exchange risk***

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. At March 31, 2017, there is no foreign currency exposure because there are no liabilities denominated in foreign currencies. This risk is considered minimal.

### ***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash on hand is subject to minimal interest rate risk.

### ***Market risk***

The Company is subject to normal market risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure.

### ***Dependence on key personnel***

The Company has a small management team and the loss of a key individual or the inability to attract suitably qualified personnel in the future could materially and adversely affect the Company's business.

### ***Capital Management***

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital and working capital. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.



***Classification of financial instruments***

Financial assets included in the statement of financial position are as follows:

	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Cash	\$ 188,651	\$ 2,053

Financial liabilities included in the statement of financial position are as follows:

	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Non-derivative financial liabilities:		
Accounts payable	\$ 154,010	\$ 153,993

***Fair value***

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Financial instruments classified as level 1 – quoted prices in active markets include cash.

**Disclosure of Outstanding Share Data**

Authorized: Unlimited common shares without par value

Issued – As of the date of this MD&A the following shares, incentive stock options and warrants were outstanding;

Common Shares – 11,535,884  
Incentive Stock Options – Nil  
Warrants – Nil

**Other Information and Board Approval**

Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). This MD&A has been reviewed and approved by the Board of Directors of the Company.

**SCHEDULE A**  
**AUDIT COMMITTEE CHARTER**

**1. MANDATE**

The audit committee will assist the Board in fulfilling its financial oversight responsibilities. The committee will review and consider, in consultation with the Company's external auditors, the financial reporting process, the system of internal control over financial reporting, and the audit process. In performing its duties, the audit committee will maintain effective working relationships with the Board, management, and the external auditors. To effectively perform his or her role, each committee member must obtain an understanding of the principal responsibilities of committee membership as well as the Company's business, operations and risks.

**2. COMPOSITION**

The Board will appoint, from among their membership, an audit committee after each annual meeting of the shareholders of the Company. The audit committee will consist of a minimum of three directors.

*2.1 Independence*

A majority of the members of the audit committee must be "independent" (as defined in Sec. 1.4 of National Instrument 52-110 (Audit Committees)) ("**NI 52-110**").

*2.2 Expertise of Committee Members*

A majority of the members of the audit committee must be "financially literate" (as defined in Sec. 1.6 of NI 52-110) or must become financially literate within a reasonable period of time after his or her appointment to the committee. At least one member of the committee must have accounting or related financial management expertise.

**3. MEETINGS**

The audit committee shall meet in accordance with a schedule established each year by the Board, and at other times that the audit committee may determine. The audit committee shall meet at least annually with the Company's Chief Financial Officer and external auditors in separate executive sessions.

**4. ROLES AND RESPONSIBILITIES**

The audit committee shall fulfill the following roles and discharge the following responsibilities:

*4.1 External Audit*

The audit committee shall be directly responsible for overseeing the work of the external auditors in preparing or issuing the auditor's report, or performing other audit, review or attestation services, including the resolution of disagreements between management and the external auditors regarding financial reporting. In carrying out this duty, the audit committee shall:

- (a) recommend to the Board the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attestation services for the Company;
- (b) review (by discussion and enquiry) the external auditors' proposed audit scope and approach;

- (c) review the performance of the external auditors and recommend to the Board the appointment or discharge of the external auditors;
- (d) review and recommend to the Board the compensation to be paid to the external auditors;
- (e) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors' assertion of their independence in accordance with professional standards; and
- (f) review and approve the Company's hiring policies regarding partners and employees, and former partners and employees, of the present and former external auditor of the Company.

#### 4.2 *Internal Control*

The audit committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Company. In carrying out this duty, the audit committee shall:

- (a) evaluate the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Company; and
- (b) ensure that the external auditors discuss with the audit committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls.

#### 4.3 *Financial Reporting*

The audit committee shall review the financial statements and financial information of the Company prior to their release to the public. In carrying out this duty, the audit committee shall:

##### *General*

- (a) review significant accounting and financial reporting issues, especially complex, unusual and related party transactions;
- (b) review and ensure that the accounting principles selected by management in preparing financial statements are appropriate;

##### *Annual Financial Statements*

- (a) review the draft annual financial statements and provide a recommendation to the Board with respect to the approval of the financial statements;
- (b) meet with management and the external auditors to review the financial statements and the results of the audit, including any difficulties encountered;
- (c) review management's discussion & analysis respecting the annual reporting period prior to its release to the public;

##### *Interim Financial Statements*

- (a) review and approve the interim financial statements prior to their release to the public;

- (b) review management's discussion & analysis respecting the interim reporting period prior to its release to the public; and

*Release of Financial Information*

- (a) where reasonably possible, review and approve all public disclosure, including news releases, containing financial information, prior to its release to the public. An audit committee must be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, and must periodically assess the adequacy of those procedures.

4.4 *Non-Audit Services*

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Company or any subsidiary of the Company shall be subject to the prior approval of the audit committee.

*Delegation of Authority*

- (a) The audit committee may delegate to one or more independent members of the audit committee the authority to approve non-audit services, provided any non-audit services approved in this manner must be presented to the audit committee at its next scheduled meeting.

*De-Minimis Non-Audit Services*

- (a) The audit committee may satisfy the requirement for the pre-approval of non-audit services if:
  - (i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Company and its subsidiaries to the external auditor during the fiscal year in which the services are provided; or
  - (ii) the services are brought to the attention of the audit committee and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated.

*Pre-Approval Policies and Procedures*

- (a) The audit committee may also satisfy the requirement for the pre-approval of non-audit services by adopting specific policies and procedures for the engagement of non-audit services, if:
  - (i) the pre-approval policies and procedures are detailed as to the particular service;
  - (ii) the audit committee is informed of each non-audit service; and
  - (iii) the procedures do not include delegation of the audit committee's responsibilities to management.

#### 4.5 *Other Responsibilities*

The audit committee shall:

- (a) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters;
- (b) establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- (c) ensure that significant findings and recommendations made by management and external auditor are received and discussed on a timely basis;
- (d) review the policies and procedures in effect for considering officers' expenses and perquisites;
- (e) perform other oversight functions as requested by the Board; and
- (f) review and update this Charter and receive approval of changes to this Charter from the Board.

#### 4.6 *Reporting Responsibilities*

The audit committee shall regularly update the Board about committee activities and make appropriate recommendations.

### **5. RESOURCES AND AUTHORITY OF THE AUDIT COMMITTEE**

The audit committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the audit committee; and
- (c) communicate directly with the internal and external auditors.

### **6. GUIDANCE - ROLES & RESPONSIBILITIES**

The audit committee should consider undertaking the actions described in the following guidance, which is intended to provide the audit committee members with additional guidance on fulfilment of their roles and responsibilities on the committee:

#### 6.1 *Internal Control*

- (a) evaluate whether management is setting the goal of high standards by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities;
- (b) focus on the extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of an IT systems breakdown; and

- (c) gain an understanding of whether internal control recommendations made by external auditors have been implemented by management;

## 6.2 *Financial Reporting*

### *General*

- (a) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements; and
- (b) ask management and the external auditors about significant risks and exposures and the plans to minimize such risks; and
- (c) understand industry best practices and the Company's adoption of them.

### *Annual Financial Statements*

- (a) review the annual financial statements and determine whether they are complete and consistent with the information known to committee members, and assess whether the financial statements reflect appropriate accounting principles in light of the jurisdictions in which the Company reports or trades its shares;
- (b) pay attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;
- (c) focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses; warranty, professional liability; litigation reserves; and other commitments and contingencies;
- (d) consider management's handling of proposed audit adjustments identified by the external auditors; and
- (e) ensure that the external auditors communicate all required matters to the committee.

### *Interim Financial Statements*

- (a) be briefed on how management develops and summarizes interim financial information, the extent to which the external auditors review interim financial information;
- (b) meet with management and the auditors, either telephonically or in person, to review the interim financial statements; and
- (c) to gain insight into the fairness of the interim statements and disclosures, obtain explanations from management on whether:
  - (i) actual financial results for the quarter or interim period varied significantly from budgeted or projected results;
  - (ii) changes in financial ratios and relationships of various balance sheet and operating statement figures in the interim financial statements are consistent with changes in the Company's operations and financing practices;
  - (iii) generally accepted accounting principles have been consistently applied;

- (iv) there are any actual or proposed changes in accounting or financial reporting practices;
- (v) there are any significant or unusual events or transactions;
- (vi) the Company's financial and operating controls are functioning effectively;
- (vii) the Company has complied with the terms of loan agreements, security indentures or other financial position or results dependent agreement; and
- (viii) the interim financial statements contain adequate and appropriate disclosures.

6.3 *Compliance with Laws and Regulations*

- (a) periodically obtain updates from management regarding compliance with this policy and industry "best practices";
- (b) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and
- (c) review the findings of any examinations by securities regulatory authorities and stock exchanges.

6.4 *Other Responsibilities*

- (a) review, with the Company's counsel, any legal matters that could have a significant impact on the Company's financial statements.

**CERTIFICATE OF THE COMPANY**

DATED: February 24, 2020

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

*"Eric Boehnke"*  
Eric Boehnke  
Chief Executive Officer and Director

*"Jennie Choboter"*  
Jennie Choboter  
Chief Financial Officer and Director

**ON BEHALF OF THE BOARD OF DIRECTORS**

*"Eric Boehnke"*  
Eric Boehnke  
Chief Executive Officer and Director

*"Thomas English"*  
Thomas English  
Director

**CERTIFICATE OF THE PROMOTER**

DATED: February 24, 2020

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

*"Eric Boehnke"*  
Eric Boehnke  
Promoter



**CERTIFICATE OF THE AGENTS**

DATED: February 24, 2020

To the best of our knowledge, information and belief, this Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

**INDUSTRIAL ALLIANCE SECURITIES INC.**

*"FRED WESTRA"*

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FRED WESTRA

**CANACCORD GENUITY CORP.**

*"MICHAEL SARDO"*

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MICHAEL SARDO

**RAYMOND JAMES LTD.**

*"J. GRAHAM FELL"*

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J. GRAHAM FELL

**ECHELON WEALTH PARTNERS INC.**

*"BETH SHAW"*

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BETH SHAW

**PI FINANCIAL CORP.**

*"TRINA WANG"*

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TRINA WANG

**HAMPTON SECURITIES LIMITED**

*"MICHAEL LIGETI"*

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MICHAEL LIGETI

**INTEGRAL WEALTH SECURITIES LTD.**

*"JENNIFER ARMSTRONG"*

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JENNIFER ARMSTRONG