

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three month and six month periods ended September 30, 2017
Date of Report: November 24, 2017

This Management Discussion & Analysis ("MD&A") for Terreno Resources Corporation (the "Company" or "Terreno") should be read in conjunction with Terreno's unaudited interim condensed consolidated financial statements for the three months and six months ended September 30, 2017 and the Company's audited financial statements and the notes thereto, for the year ended March 31, 2017 and related MD&A, which are available on SEDAR at www.sedar.com. All monetary amounts herein are expressed in Canadian Dollars ("CAD") unless otherwise stated. See "Significant Accounting Policies" elsewhere in this MD&A.

The Company's unaudited condensed interim consolidated financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting.

This Management Discussion and Analysis ("MD&A") is dated November 24, 2017 and discloses specified information as of that date.

Caution Regarding Forward-Looking Information:

Certain information contained in this MD&A constitutes forward-looking information, which is information relating to future events or the Company's future performance and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as seek, anticipate, budget, plan, continue, estimate, expect, forecast, may, will, project, predict, potential, targeting, intend, could, might, should, believe and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, but is not limited to the Company's expectations regarding its exploration and development activities, including expectations regarding the timing, costs and results of seismic acquisition, drilling and other activities, and future production volumes and sales, receipt of regulatory and governmental approvals, the Company's future working capital requirements, including its ability to satisfy such requirements, the exposure of its financial instruments to various risks and its ability to manage those risks, the Company's ability to use tax resource pools and loss carry-forwards, fees to be incurred by foreign subsidiaries and changes in accounting policies.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to precious and base metal exploration activities generally, including the availability and cost of seismic, drilling, and other equipment; our ability to complete our capital programs; geological, technical, drilling and processing problems, including the availability of equipment and access to properties; our ability to secure adequate transportation for our products; potential losses which would stem from any disruptions

in production, including work stoppages or other labor difficulties, or disruptions in the transportation network on which we are reliant; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; our ability and the ability of our partners to attract and retain the necessary labor required to explore and develop our projects; potential conflicting interests with our joint venture partners; our failure or the failure of the holder(s) of licenses or leases to meet specific requirements of such licenses or leases; the failure by counterparties to make payments or perform their operational or other obligations in compliance with the terms of contractual arrangements between us and such counterparties; adverse claims made in respect of our properties or assets; operating hazards and other difficulties inherent in the exploration for and production and sale of crude oil and natural gas; political and economic conditions in the countries in which our property interests are located; obtaining the necessary financing for operations, our ability to generate taxable income from operations, fluctuations in the value of our portfolio investments due to market conditions and/or company-specific factors, fluctuations in prices of commodities underlying our interests and portfolio investments, and other risks included elsewhere in this MD&A under the heading Risks and in the Company's public disclosure documents filed with certain Canadian securities regulatory authorities and available under the Company's profile at www.sedar.com.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Significant going concern uncertainty:

These interim consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. The Company has a history of operating losses and as at September 30, 2017 has an accumulated deficit, of \$13,246,097 (March 31, 2017-\$13,166,244) and working capital deficiency of \$71,730 (March 31, 2017-\$24,498).

These risks include, but are not limited to, dependence on key individuals, and the ability to secure adequate financing to meet the minimum capital required to successfully continue as a going concern.

In the event that a financing arrangement is not successfully negotiated, the Company would not have sufficient cash and cash flow to meet its working capital requirements. As a result, there is significant doubt about the Company's ability to continue as a going concern. The ability of the company to continue as a going concern is dependent on securing additional financing through the issue of additional equity or debt instruments. While the Company remains optimistic in the viability of its strategy and, in its ability to raise additional funds for the Company to continue as a going concern, there can be no assurances to that effect.

These interim consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Terreno Resources Corp.
Three and six month periods ended September 30, 2017

Highlights:

Effective May 31, 2017, Mr. George A. Brown has been appointed as a Director subject to regulatory approval. Mr. Brown, has also been appointed as CEO and President of Terreno. Mr. Richard William has also been appointed as a Director of the Company and Ms. Carmen Yuen has been appointed as Treasurer of the Company.

On May 31, 2017, Terreno granted 750,000 stock options exercisable at \$0.05 vested immediately with an expiry of May 31, 2022 to the two new directors and to the consulting treasurer.

On October 26, 2017, Terreno announced the proposed financing for up to \$150,000 consisting of up to 3,000,000 units at \$0.05. Each unit will consist of a common share plus one share purchase warrant. Each warrant will be exercisable at \$0.05 for a common share until the expiry date to be twelve months from the financing closing date. Insiders are subscribing for 20% of the private placement.

On October 30, 2017, Terreno announced engaging Mr. William Hamilton, P.Geo. as the consulting geologist and Qualified Person as defined by National Instrument 43-101. Mr. Hamilton will be reviewing the geological merit of any property submissions and potential property acquisitions. The Company intends to acquire a property of merit in the near future with which it intends to apply to graduate to the TSX Venture Exchange. Mr. Hamilton has over forty years of geological experience since completing his B.Sc. in geology at Mount Allison University. He is a member of the Association of Professional Geoscientists of Ontario, the Prospectors and Developers Association of Canada, and the Canadian Institute of Mining and Metallurgy. Mr. Hamilton is also able to communicate effectively in English, French, and Spanish which will have added value in the completion of any on site due diligence.

On November 1, 2017, Terreno announced the formation of a technical advisory committee to provide technical direction and guidance to the Board of Directors and to Terreno management. The Committee has been established with two founding members; Mr. Thomas Skimming and Mr. Wayne Valliant. Mr. Skimming has over fifty-five years of experience in the mineral resource industry and has served as an officer and/or director of numerous exploration and mining companies. Mr. Skimming obtained a B.Sc. degree from the University of Michigan and was enrolled in post graduate studies in mineral exploration at McGill University in Montreal. Mr. Skimming has been a member of the Association of Professional Engineers of Ontario since 1971 and the Association of Professional Engineers and Geoscientists of the Province of British Columbia since 2009. He serves as the President and Chief Engineer of Thomas Skimming & Associates Limited and has been an independent mining consultant since 1972. In his capacity as exploration and mining consultant, Mr. Skimming has traveled extensively throughout Canada, the United States, Mexico, Central and South America, Eastern Europe, Russia, the Philippines, Australia, and New Zealand. Mr. Skimming has been instrumental in the discovery and/or development of several deposits which include: the Cullaton Lake, Shear Lake and Heninga Lake gold and base metal deposits in the former Northwest Territories; the world class Teck-Corona gold orebody at Hemlo; and the large Golden Reward, heap-leach, gold deposit in South Dakota. Mr. Valliant has over forty years of geological experience since completing his B.Sc. Geology at Carlton University in Ottawa. Mr. Valliant is currently a partner and the Lead Principal Geologist at RPA in Toronto. He is a member of the Association of Professional Geoscientists of Ontario and a member of the Professional Engineers and Geoscientists Newfoundland and Labrador. He has key skills in Mineral Resource and Reserve Estimation, Reserve and Grade Control Reviews, Feasibility/Pre-feasibility Studies, Scoping Studies, and Project Management. He has carried out assignments in North, Central, and South America, Europe, Asia, Africa, and Australia. Prior to working as a consultant, Mr. Valliant worked as a geologist for over twenty years at gold and iron ore mining operations in Canada and Mexico.

Terreno Resources Corp.
Quarter ended September 30, 2017

On November 14, 2017, Terreno announced closing of the first tranche with proceeds of \$62,000 for 1,240,000 units consisting of 1,240,000 common shares with a legend date of March 15, 2018, being four months plus a day from the November 14, 2017 closing date. The Company also issued 1,240,000 warrants exercisable at \$0.05 until November 14, 2018, being twelve months from the closing date.

The proceeds will be used for general working capital requirements to maintain a listed public company and to conduct due diligence on potential property of merit projects with the intention to apply to graduate to the TSX Venture Exchange.

On November 20, 2017, the Company granted 330,000 stock options exercisable at \$0.05 until November 20, 2020 to four consultants including 30,000 to the Acting CFO.

Nature of Operations:

Terreno is a NEX listed issuer on the TSX Venture Exchange and was incorporated under the Alberta Business Corporations Act on April 18, 1995, and continued into the Province of British Columbia on November 21, 2007. The Company's primary business is the acquisition, exploration and development of mineral properties. In prior fiscal years, with industry wide exploration cut-backs, the Company has written off the value of its various interests in projects in Argentina and Slovakia. Currently the Company holds no interest in any resource properties and continues to search and evaluate prospective opportunities.

This MD&A was approved by the Board of Directors on November 24, 2017.

Overall Performance:

The Company expects to continue its search for other viable opportunities in calendar year 2017 to manage its cash balances as circumstances dictate to remain in a financially flexible position.

As at September 30, 2017, the Corporation had working capital deficiency of \$71,730 compared to working capital deficit of \$24,498 as at March 31, 2017. The Corporation had cash of \$28,166 as at September 30, 2017, compared to \$30,809 as at March 31, 2017. The decrease in cash is primarily due to cash spent on general and administration expenditures and paying of certain past due payables, offset by short term loans availed and receipt of receivables during the quarter.

Summary of Quarterly Result

A summary of selected financial information of the Company's for the eight most recently completed quarters is provided below:

	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Operating loss	\$ (30,438)	\$ (49,437)	\$ (28,213)	\$ (102,517)
Net loss	(31,067)	(48,786)	(846,729)	(102,260)
Total comprehensive loss	(31,067)	(48,786)	(28,769)	(102,260)
Loss per share basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.08)	\$ (0.01)

Terreno Resources Corp.
Quarter ended September 30, 2017

	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Operating loss	\$ (39,408)	\$ (32,053)	\$ (35,274)	\$ (7,961)
Net (loss) income	(38,195)	(32,241)	(35,153)	161,591
Total comprehensive (loss) income	(38,195)	(32,241)	(35,522)	161,611
(Loss) earnings per share basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ 0.02

Results of Operations for the three months ended September 30, 2017 compared with the three months ended September 30, 2016.

For the three months ended September 30, 2017, the Company recorded a net loss of \$31,067 (\$0.00 per common share—basic and diluted) as compared to a net loss of \$38,195 (\$0.00 per common share—basic and diluted) for the three months period ended September 30, 2016. The net loss resulted primarily from general and administrative expenses of \$30,438 (2016-\$39,408), and interest expense of \$1,500 on the short term loans (2016-\$Nil), offset by foreign exchange gain of \$870 (2016- foreign exchange loss-\$367).

For the three months ended September 30, 2017, the Company recorded operating expenses of \$30,438 as compared to operating expenses of \$39,408 for the three months period ended September 30, 2017.

Following is the breakdown of operating expenses for the three months ended September 30, 2017 and 2016. Details of the significant changes follow the table.

	Three Months ended September 30,	
	2017	2016
Professional fees (a)	\$ 3,025	\$ 8,157
Consulting fees	19,500	19,500
Shareholder relations and communications	6,777	6,346
Office and general	965	1,231
Stock based compensation (b)	171	4,055
	\$ 30,438	\$ 39,289

(a) Professional fees were \$3,025 during the three months period ended September 30, 2017 as compared to \$8,157 for the three months period ended September 30, 2016. This decrease is primarily due to lesser requirement for consulting fees resulting from slowdown in overall activities compared to prior year period.

(b) A decrease in stock-based compensation expense for the three months ended September 30, 2017 also contributed to the decrease in expenses. Stock-based compensation expense will vary from period to period depending upon the number of options granted and vested during a period and the fair value of the options calculated as at the grant date. Stock-based compensation expense decreased primarily due to options not granted and vested during the period whereas options were vested for prior year period.

Terreno Resources Corp.
Three and six month periods ended September 30, 2017

For the three months ended September 30, 2017 the Company had no foreign exchange gain on translation of currency (2016 - \$1) as the foreign subsidiary operations were closed during the prior fiscal year.

The total comprehensive loss was \$31,067 for the three months ended September 30, 2017 as compared to total comprehensive loss of \$38,194 for the three months ended September 30, 2016.

Results of Operations for the six months ended September 30, 2017 compared with the six months ended September 30, 2016.

For the six months ended September 30, 2017, the Company recorded a net loss of \$79,853 (\$0.00 per common share—basic and diluted) as compared to a net loss of \$70,436 (\$0.00 per common share—basic and diluted) for the six month period ended September 30, 2016. The net loss resulted primarily from general and administrative expenses of \$79,875 (2016-\$71,980), and interest expense of \$1,500 on the short term loans (2016-\$Nil), offset by foreign exchange gain of \$1,522 (2016- foreign exchange loss-\$118), net realized loss on investment of \$Nil (2016-\$318), and other income of \$Nil (2016-\$1,580).

For the three months ended September 30, 2017, the Company recorded operating expenses of \$79,875 as compared to operating expenses of \$71,580 for the three month period ended September 30, 2016.

Following is the breakdown of operating expenses for the three months ended September 30, 2017 and 2016. Details of the significant changes follow the table.

	Six Months ended September 30,	
	2017	2016
Professional fees	\$ 8,139	\$ 9,407
Consulting fees (a)	29,000	39,000
Shareholder relations and communications	7,959	11,019
Office and general	2,156	5,108
Stock based compensation (b)	32,621	6,927
	\$ 44,437	\$ 32,172

(a) Consulting fees were \$29,000 during the six month period ended September 30, 2017 as compared to \$39,000 for the six month period ended September 30, 2016. This decrease is primarily from the former Chief Executive Officer not charging consulting fees for the quarter ended June 30, 2017.

(b) A decrease in stock-based compensation expense for the six months ended September 30, 2017 also contributed to the decrease in expenses. Stock-based compensation expense will vary from period to period depending upon the number of options granted and vested during a period and the fair value of the options calculated as at the grant date. Stock-based compensation expense decreased primarily due to options not granted and vested during the period whereas options were vested for prior year period.

Terreno Resources Corp.
Three and six month periods ended September 30, 2017

For the six months ended September 30, 2017 the Company had no foreign exchange gain on translation of currency (2016 - \$1) as the foreign subsidiary operations were closed during the prior fiscal year.

The total comprehensive loss was \$79,853 for the six months ended September 30, 2017 as compared to total comprehensive loss of \$70,435 for the six months ended September 30, 2016.

Cash Flows:

Six months ended September 30, 2017 as compared to six months ended September 30, 2016

During the six months ended September 30, 2017, the Company used \$27,643 of cash from its operations as compared to cash generated of \$12,032 during the six months period ended September 30, 2016. During the six months period ended September 30, 2017, prepaid expenses and receivables decreased by \$364 primarily due to the receipt of HST receivables. Accounts payable and accrued liabilities increased by \$17,725 primarily due to the accruals of some payables.

Net cash generated from investing activity was \$Nil for the six month period ended September 30, 2017 as compared to \$300 from the sale of 30,875 Lion Gate Metal Inc. shares for the six month period ended September 30, 2016.

Net cash generated from financing activity was \$25,000 from short term loans availed for the six month period ended September 30, 2017 as compared to \$Nil for the six month period ended September 30, 2016.

For the six month period ended September 30, 2017, the Company had a net decrease in cash of \$2,643 (2016 -increase in cash of \$12,332). For the six month period ended September 30, 2017, the Company had \$Nil in realized gain from foreign exchange differences (2016 - \$1) as foreign operations ceased during the prior fiscal year. The Company reports a cash and cash equivalents balance of \$28,166 as at September 30, 2017 (2016 - \$47,743).

Liquidity and Capital Resources:

Balance Sheet Highlights	September 30, 2017	March 31, 2017
Current assets	\$ 31,427	\$ 34,434
Total assets	31,427	34,434
Current liabilities	103,157	58,932
Share capital, warrants and share option reserve	13,174,367	13,141,746
Deficit	(13,246,097)	(13,166,244)
Working Capital (Deficit) Surplus	(71,730)	(24,498)

As at September 30, 2017, cash was \$28,166 as compared to \$30,809 as at March 31, 2017.

As at September 30, 2017, the Company had a working capital deficit of \$71,730 as compared to a working capital deficit of \$24,498 as at March 31, 2017. The increased working capital deficit resulted primarily from short term loans of \$25,000 and accruals of management fees and general and admin expenses as at September 30, 2017.

Terreno Resources Corp.
Quarter ended September 30, 2017

On November 14, 2017, Terreno announced closing of the first tranche with proceeds of \$62,000 for 1,240,000 units consisting of 1,240,000 common shares with a legend date of March 15, 2018, being four months plus a day from the November 14, 2017 closing date. The Company also issued 1,240,000 warrants exercisable at \$0.05 until November 14, 2018, being twelve months from the closing date.

The Company has no revenue generating operations from which it can internally generate funds. To date, the Company's ongoing operations have been predominantly financed by the sale of its equity securities and by way of private placements and the subsequent exercise of share purchase warrants and broker warrants issued in connection with such private placements. However, the exercise of warrants/options is dependent primarily on the market price and overall market liquidity of the Company's securities at or near the expiry date of such warrants/options (over which the Company has no control) and therefore there can be no certainty that any existing warrants/options will be exercised.

The Company expects that it will operate at a loss for the foreseeable future, and it requires additional financing to acquire additional mineral properties (if applicable) and to continue its operations (including general and administrative expenses). There is significant uncertainty that the Company will be able to continue to secure additional financing in the short term in the equity markets – see "Risk Factors". The quantity of funds to be raised and the terms of any proposed equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. Specific plans related to the use of proceeds will be devised once financing has been completed and management knows what funds will be available for these purposes.

Accounts payable and accrued liabilities increased to \$78,157 as at September 30, 2017 as compared to \$58,932 as at March 31, 2017, primarily due to accruals of management fees and past due payables.

There is significant risk about our ability to continue as a going concern as the continuation of our business is dependent upon obtaining further long-term financing, successful exploration of any mineral property interests, the identification of reserves sufficient enough to warrant development, successful development of our mineral property interests, and achieving a profitable level of operations in the future.

The Company has material commitments for cash resources set out below as at September 30, 2017.

Liabilities and obligations	Obligations by period				
	Total	Less than 1 year	1 – 3 Years	4 – 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 78,157	\$ 78,157	-	-	-
	\$78,157	\$ 78,157	\$ Nil	\$ Nil	\$ Nil

Related party transactions with key management personnel:

During the six month period ended September 30, 2017, the Company entered into the following transactions with key management personnel:

Type of service	Nature of relationship	2017	2016
Consulting fees	Officers	\$ 29,000	\$ 39,000
Stock based compensation	Directors and officers	32,621	2,692

At September 30, 2017, accounts payable and accrued liabilities included \$26,000 (September 30, 2016 - \$39,000) due to key management personnel for unpaid remuneration.

Off-Balance Sheet Arrangements:

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of Terreno.

Proposed Transactions:

The Company does not have any proposed transaction approved by the Board of Directors. All current transactions are as disclosed in the condensed consolidated interim financial statements for the six month period ended September 30, 2017.

Capital Management:

The Company includes the following in its capital:

	September 30, 2017	March 31, 2017
Share capital	\$ 7,919,097	\$ 7,919,097
Warrants	2,356,287	2,356,287
Share option reserve	2,898,983	2,866,362
Deficit	(13,246,097)	(13,166,244)
	\$ (71,730)	\$ (24,498)

The Company's objectives when managing capital are:

- (a) To maximize the income it receives from cash & cash equivalents without significantly increasing the principal at risk by making investments in high credit quality issuers; and
- (b) To maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

- realizing proceeds from the disposition of its investments;
- raising capital through equity financings;

The Company is not subject to any capital requirements imposed by a regulator. To date, the Company has not declared any cash dividends to its shareholders. The Company's management is responsible for the management of capital and reviews its capital management approach on an on-going basis through the preparation of annual expenditure budgets, which are updated regularly to take into account factors such as successful financings to fund activities, and related obligations and exploration activities and believes that this approach, given the relative size of the Company, is reasonable.

Financial instruments:

These assets represent a small portion of the Company's overall business. However, the use of financial instruments can expose the Company to several risks, including interest rate, foreign exchange, and market risks. A discussion of the Company's use of financial instruments and their associated risks is provided below:

- (a) **Liquidity risk:** Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. As at September 30, 2017 the Company has outstanding liabilities of \$103,157 and working capital deficiency of \$71,730. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. The Company had cash of \$28,166 as at September 30, 2017. The Company will need to obtain additional financing. There is no assurance that financing will be available from any source, that it will be available on terms acceptable to the Company, or that any future offering of securities will be successful. If additional funds are raised through the issuance of equity securities, there may be a significant dilution in the value of the Company's outstanding common stock. The Company could suffer adverse consequences if it is unable to obtain additional capital which would cast substantial doubt on its ability to continue its operations and growth.
- (b) **Currency risk:** Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency fluctuations as it's some of its liabilities are denominated in U.S. and Australian dollars. The Company has not entered into any foreign currency contracts to hedge this exposure. The risk is not considered significant for the current financial reporting period.
- (c) **Credit risk:** Credit risk is the risk of loss associated with a counter-party's inability to fulfil its payment obligations. The Company has its cash and cash equivalents deposited with highly rated financial institutions. Other credit risk is limited to trade receivables in the ordinary course of business. The balance of trade receivables owed to the company in ordinary course of business is not considered significant.

Fair value:

The Company has determined the fair value of its financial instruments as follows:

- (i) The carrying values of cash and cash equivalents, other receivables, accounts payable accrued liabilities, and short term loan liabilities approximate their fair values due to the short-term nature of these instruments.
- (ii) Investments at fair value are carried at fair value based on quoted market price.

Fair Value Analysis

The Company uses the following hierarchy for determining fair value measurements:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The Company's financial assets measured at fair value through profit or loss have used Level 1 valuation techniques during the six months period ended September 30, 2017 and year ended March 31, 2017. The carrying values of the Company's financial assets and liabilities approximate their fair values as at September 30, 2017.

Internal Controls Over Financial Reporting:

There was no change in the Company's internal controls over financial reporting ("ICFR") that Occurred during the six months period ended September 30, 2017 and which materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Outstanding Share Data:

The number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of Terreno as at November 24, 2017 are as follows:

Common shares	As at November 24, 2017
Outstanding	15,475,506
Issuable from option exercises	1,500,000
Issuable from warrant exercises	4,240,000
Total diluted common shares	21,215,506

Critical Accounting Estimates:

The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make certain judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from these estimates. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Deferred tax assets:

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's future planned activities as supported by budgets that have been approved by the Board of Directors. Management also considers the tax rules of the various jurisdictions in which the Company operates. Should there not be a forecast of taxable income that indicates the probable utilization of a deferred tax asset or any portion thereof, the Company provides for a valuation allowance against the deferred tax asset.

Contingencies:

Contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Share-based payments:

The Company uses the Black-Scholes option pricing model to calculate stock-based compensation expense. The Black-Scholes model requires seven key inputs to determine a value for an option: risk free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life, forfeiture rate and expected volatility. Certain of the inputs are estimates which involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

Risks:

Terreno is now evaluating new business opportunities. As such, the Company currently has no active business. There is no assurance that the Company will be able to identify such an opportunity. If the Company is unable to identify a potential new business opportunity, the Company's future prospects may be adversely affected.

Additional Information:

Additional information relating to Terreno, is available under the Company's profile on SEDAR at www.sedar.com. The Company trades on the NEX board of the TSX Venture Exchange under the symbol "TNO.H".