

**Torrent Capital Ltd.**  
**Management Discussion and Analysis**  
**Period ended September 30, 2018**

*This Management's Discussion and Analysis ("MD&A") of Torrent Capital Ltd. ("Torrent" or the "Company") is dated November 26, 2018 and provides an analysis of the financial operating results for the quarters ended September 30, 2018 and September 30, 2017. This MD&A should be read in conjunction with the unaudited condensed interim financial statements and accompanying notes for the period ended September 30, 2018 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") for interim condensed financial statements. This MD&A should also be read in conjunction with the audited annual financial statements and accompanying notes of Torrent Capital Ltd. for the year ended December 31, 2017 and December 31, 2016, which have been prepared in accordance with IFRS for annual financial statements. All amounts are in Canadian dollars unless otherwise specified. The MD&A, financial statements and other information, including news releases and other disclosure items are available on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com) under the Company's profile. The common shares of the Company are traded on the TSX Venture Exchange under the symbol "TORR".*

*Except for the historical statements contained herein, this MD&A presents "forward-looking statements" within the meaning of Canadian securities legislation that involve inherent risks and uncertainties. Forward-looking statements include, but are not limited to, future developments; use of funds; and the business and operations of the issuer having completed the change of business. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "proposed", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".*

*Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Torrent to be materially different from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general business, economic and competitive, risks relating to investment decisions; investee company outlook and performance of the investments; the Company's ability to realize sufficient proceeds from the disposition of investments; market fluctuations; fluctuations in prices of commodities underlying our interests and equity investments; foreign exchange fluctuations; political and economic conditions in countries in which the interests of the Company's portfolio investments are located; delay or failure to receive the Board of Directors, shareholder or regulatory approvals; and the results of continued development, as well as those factors disclosed in Torrent's publicly filed documents. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Although the Management and Officers of Torrent believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions and have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Torrent does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.*

## **The Company's Change of Business**

Torrent Capital Ltd. ("Torrent", or the "Company") previously carried on business involving the acquisition, exploration and development of properties for the mining of precious and base metals. In early 2017, the Company received final approval from the TSX Venture Exchange ("TSXV") for its Change of Business ("COB") from a Mining Issuer to an Investment Issuer. On a going forward basis, the Company will focus upon strategic investments in public and private company securities.

At the February 2, 2017 Annual General and Special Meeting, the Company received overwhelming support for its COB and other matters. In excess of 99% of voting shareholders approved the COB, the name change to Torrent Capital Ltd. and the consolidation of its common shares on a basis of one new common share for every three common shares. The Company filed articles of amendment to effect the name change and the share consolidation and both were in effect when the shares of the Company recommenced trading on February 6, 2017 under the symbol “TORR”. All references to the number of common shares have been adjusted retrospectively to reflect the Company’s one-for-three share consolidation for the prior periods disclosed in this MD&A.

## **Investment Issuer Objective**

Torrent invests primarily in the securities of public and private companies, with the objective of increasing shareholder return. The Company seeks to identify investments by utilizing the experience and expertise of its Management team and Board of Directors (the “Board”). Torrent seeks out investments that may include the acquisition of shares, equity, debt, convertible securities or royalty arrangements of public or private companies.

### *Investment Strategy*

The nature and timing of the Company’s investments will depend, in part, on available capital at any particular time and the investment opportunities identified and available to the Company.

Subject to the availability of capital, the Company intends to create a diversified portfolio of investments. The composition of its investment portfolio will vary over time depending on its assessment of a number of factors including the performance of financial markets and credit risk.

The following are the guidelines for the Company’s investment strategy:

- The Company will invest in the securities of both public and private companies and may take part in private or public offerings for predetermined royalties, equity positions, debt, convertible or preferred securities.
- Investment arrangements may include a combination of securities including, but not limited to, equity, debt, warrants, preferred shares, bridge financing, collateral, royalty arrangements or other securities as deemed appropriate by the Company’s Management and in compliance with the Investment Policy. In certain cases, the Company expects to enter into oversight arrangements as a condition of the investment. Oversight may range from Board of Director appointments, advisory positions or management consulting positions with the target companies.
- The Company may purchase or sell securities on public exchanges.
- The Company reserves the right to acquire all or part of other businesses or assets of a target company that Management believes will enhance the value for shareholders.
- The Company will be industry agnostic in terms of investment sectors. The Company’s investments shall not be required to follow a percentage of industry diversification. The Company’s Management and Board will make use of expertise within the Company and invest in industries that Management believes the involvement of the Company’s funds and expertise can provide superior returns for shareholders.
- The Company may make investments in extra-ordinary activities, or activities not in the normal course of business, which may include but not be limited to mergers, acquisitions, corporate restructurings, spin-offs, take-overs, bankruptcies or liquidations, public listings, leveraged buyouts or start-ups. The Company may elect to invest in such events, provide financing or purchase securities in exchange for fees, interest or equity positions.
- The majority of investments are expected to be short to medium term investments, with an expected life of an investment of 6 – 24 months.

- Depending on market conditions, the Company intends to fully invest its available capital, apart from working capital requirements. Any funds not invested at a point in time will be expected to be invested in the near term.
- All investments will be made in compliance with applicable laws in relevant jurisdictions and in compliance with any associated exchange policy.

The Company's management and the Board may authorize investments outside the guidelines described above if they feel the investment is for the benefit of the Company and its shareholders.

### **Investment Portfolio**

Since the Company commenced investment activities late in the first quarter of 2017, the Company has initiated and maintains positions in Aguia Resources Limited (ASX: AGR; TSXV: AGRL), AnalytixInsight Inc. (TSXV: ALY), kneat.com, inc. (TSXV: KSI), Pivot Technology Solutions (TSX: PTG), eXeBlock Technology Corp. (CSE: XBLK), Wesdome Gold Mines Ltd. (TSX: WDO), DHX Media Ltd. (TSX: DHX), GAR Limited (CSE: NETC) and Martello Technologies Corporation, as well as investments in a number of private companies.

Where a Director or Officer identifies themselves to be in a conflict, they recuse themselves from any and all of the Company's discussions and decisions relating to a potential targeted investment. The Company also participates from time to time in investments associated with the venture capital firm Numus Financial Ltd. and Numus Capital Corp. (an Exempt Market Dealer) (together "the Numus Group"). If the Company invests in these associated ventures there may be financing fees payable to Numus Capital Corp. The Numus Group is jointly owned by the CEO and a Director.

### ***Aguia Resources Limited ("AGRL")***

AGRL is a dual-listed company in Australia and Canada that is focused on becoming a producer of fertilizer raw materials through the development of its Tres Estradas project. AGRL has spent the past number of years delineating the Tres Estradas project, located in southern Brazil, the breadbasket of Latin America. Although agriculture represents 20% of Brazil's GDP, as a whole Brazil must import approximately 65% of its phosphate requirements and southern Brazil requires 100% of phosphates to be imported.

In a recently released Feasibility Study ("FS") for Tres Estradas, AGRL reports the technical and economic viability of the project as a low-cost producer of phosrock and calcite in southern Brazil. The FS confirms a 43.56 million tonne proven and probable reserves at a grade of 4.31% P<sub>2</sub>O<sub>5</sub> to support a minimum mine life of 16 years. The BFS targets annual production at 300,000 tonnes of phosrock generated a net present value of US\$300 million and a pre-tax internal rate of return of 21%, using a discount rate of 5%.

AGRL reports that the location of Tres Estradas is strategically important for multiple reasons: the development of the project is of strategic interest to the Brazilian Government and has been officially designated as such, this will help AGRL receive permits; phosphate prices are in United States dollars, whereas costs are in Brazilian reals; Aguia has a projected sustained cost advantage at greater than \$100/t compared to imports; and regional fertilizer blenders have direct access to the property, creating a natural demand due to proximity.

The Company believes AGRL remains undervalued in relation to economic potential of the Tres Estradas project and its relatively advanced stage of development. There are a number of potential catalysts that could have a positive impact on the stock price: obtaining a preliminary construction license for Tres Estradas; the negotiation of key offtake and utility contracts; further exploration upside on AGRL's adjacent properties with similar geophysical signatures; environmental permitting; final project financing and development; and early stage exploration results from AGRL's recently staked 34,000 hectares in the Rio Grande copper belt, where mineralization has been identified in outcrops grading up to 4.09% copper.

### ***AnalytixInsight Inc. (“ALY”)***

ALY is a fintech company with a software as a services (“SaaS”) platform that is reported to algorithmically analyze big data and distill it into actionable insights using machine learning and workflow analytics. ALY is currently focused on the expansion of the following divisions:

- *Capital Cube*: a software service platform that produces financial analytics and machine generated content for financial websites and publishers. The end users of Capital Cube’s subscription based financial analytics platform include brokers, financial institutions and corporations. The division’s machine generated content is utilized by various web portals, financial applications, news agencies and stock exchanges. These include existing relationships with the London Stock Exchange, Dow Jones, Euronext, Yahoo Finance and the Wall Street Journal.
- *MarketWall*: a fully integrated financial application that enables clients to manage bank accounts, trade stocks and make payments from a centralized location on a personal computer or portable electronic device. The platform enables large banks to consolidate its online banking and trading capabilities under one login, making it superior to what is currently available on the market. In addition, it offers their clients a suite of other products such as mobile payments and global remittances. MarketWall is currently being developed through a joint venture (“JV”) structure with Intesa Sanpaolo S.P.A. (“Banca Intesa”). Banca Intesa is a diversified Italian bank with a market capitalization of €45 billion and approximately 8,000 branches. Under the JV relationship, Banca Intesa pays for all development costs associated with product and ALY shareholders maintain a 49% business interest in the Bank Intesa’s online operations. After the rollout of the application to Banca Intesa, MarketWall will be sold to other financial institutions looking to create or consolidate their mobile banking, trading and global remittance platforms.
- *Euclides Technologies (“Euclides”)*: a fleet service management and workflow analytics division with touch points to over 100,000 field service personnel. When purchased by ALY, Euclides had trailing revenues of \$5 million and clientele that has included Best Buy, Xerox, Siemens, Hydro Quebec and Portugal Telecom.

With these potential catalysts, no debt, working capital of \$1.8 million and management’s target earnings before interest, tax, depreciation and amortization (“EBITDA”) margin of 30%, the Company believes that ALY may achieve profitability sooner than most early-staged fintech companies. ALY has not gained traction in the investment community and remains largely misunderstood by the market. If ALY continues to deliver quarterly revenue growth and improve its EBITDA margins, then investor interest in ALY should increase.

### ***kneat.com, inc. (“KSI”)***

KSI offers its Kneat Gx software application platform (“Kneat Gx”) which focuses on the validation lifecycle management and testing within the life sciences industry (i.e. biotechnology, pharmaceutical and medical device manufacturing). The Kneat Gx platform provides a compliant, digital solution that enables companies in the life sciences industry to become efficient and compliant with an automated process that has traditionally been manual, in-efficient and paper-based. KSI possesses a quality management system and is certified to ISO 9001:2015. In addition, it adheres to all applicable life sciences regulations such as all current cGMPs, GAMP5, International Conference on Harmonization ICH Q8, Q9 and Q10, EU Annex 11, FDA CFR Title 21 Part 11 governing Electronic Records and Electronic Signatures. Adhering to these regulations and guidelines is a mandatory requirement in order to supply to this highly regulated market.

A number of case studies have been released that highlight the effectiveness and disruptive nature of the Kneat Gx platform. For example, in the second half of 2017, a case study was published entitled “Validation Process Innovation in Molecular Diagnostics”. The case study highlighted substantial productivity and compliance improvements that the molecular diagnostics customer gained by transitioning its overall validation process from paper based to the Kneat Gx platform, a compliant, fully electronic system. In

addition, the study demonstrated KSI's ability to scale into other sectors within the life sciences industry, in this case laboratory and diagnostics.

KSI has reported advances in its technology software platform and a growing list of customers. KSI has 51 million shares outstanding, an experienced management team with significant share ownership, limited debt and a strong cash position.

***Pivot Technology Solutions (“PTG”)***

PTG was founded in 2010 and is an enterprise information technology (“IT”) valued added reseller (“VAR”). PTG was formed through the acquisition of four US VARs with a focus on enterprise storage and server hardware. PTG acquired Canadian based TeraMach Technologies Inc. in October 2016 to expand its footprint in North America. PTG aims to support its clients in all aspects of their IT lifecycle management. PTG currently designs, sells and supports IT enterprise solutions which include hardware, maintenance and support. It also offers data center management, infrastructure management, systems architecture, technical services, and procurement and integration services.

The Company believes that PTG is an undervalued company in relation to the quality of its business and profitability profile. PTG serves over 2,000 customers with more than 70% of its revenue generated from Fortune 100 IT service related companies, most of which are in a period of accelerated growth. PTG has a meager market capitalization of \$47 million, despite annual revenue of \$1.9 billion and EBITDA of \$27 million. In addition, PTG generates upwards of \$21 million in operating cash flow per annum; this gives PTG's management a high degree of flexibility to pay a healthy dividend (13% dividend yield), make further acquisitions and/or repay debt.

The Company believes that PTG is due to enjoy improved profitability as PTG's management looks to expand its higher margin services related business. A stable growth earnings profile, coupled with strong cash flow generation and a well-supported dividend yield, should contribute to a rerating of the stock in the market.

***eXeBlock Technology Corp. (“XBLK”)***

XBLK is a company that designs custom blockchain based software applications that aim to provide secure and efficient solutions to businesses and markets globally.

Blockchain is a secure record of digital transactions based on cryptography. Blockchain can serve as an open, decentralized ledger that can record transactions between parties efficiently and in a verifiable and permanent method. Essentially, blockchain is a secure, trustworthy and transparent peer-to-peer network that has the potential to facilitate and record digital transactions without the need for a centralized authority, such as a bank. Blockchain technology may have a wide range of applications for years to come if organisations and consumers can complete transactions peer-to-peer, without the use of third-party intermediaries, and the transactions are processed instantly, securely and at minimal cost.

There has been significant interest in the blockchain market, driven by interest in Bitcoin. While the Company appreciates the potential of Bitcoin and the decentralized digital currency market in general, the Company believes that the underlying blockchain technology behind these digital currencies is where the greatest long-term potential and opportunity lies.

Blockchain technology can serve as a solution to issues faced within many industries due to the use of centralized systems. Decentralized applications of blockchain technology (“DApps”), can be utilized by different industries and business around the globe. Some of the applications for DApps can take the form of smart contracts, payments, clearing and settlement, smart assets, digital identity and voting, insurance contracts.

The Company believes that XBLK is well positioned within the emerging blockchain market due to its specialization in the development of disruptive DApps that can be tailor made for companies to make their

business more efficient. XBLK is currently working on developing two disruptive DApps, with additional DApps in the pipeline:

- *50/50 Labs*: a multi-language, multi-jurisdictional DApp that utilizes blockchain technology. The DApp aims to provide fundraising organizations with an efficient, low cost, multi-jurisdictional, on-demand lottery platform.
- *Freedom Ledger*: a DApp that will facilitate transactions for customers that do not have a cryptocurrency account. The goal of Freedom Ledger is to enable consumers with a traditional currency account to utilize various DApps that currently require the users to have a cryptocurrency account. This DApp should significantly expand the consumer base for blockchain based DApps and will be marketed to DApp developers worldwide.

Torrent believes that XBLK will continue to garner a significant degree of interest as it is one of the first publicly traded Canadian companies focused on the development of disruptive DApps using blockchain technology. Furthermore, considering XBLK's business model the Company anticipates that the stock will do well in relation to other companies in the blockchain sector once share prices stabilize and upward momentum returns.

#### ***Wesdome Gold Mines Ltd. ("WDO")***

WDO is a Canadian-focused gold mining company with WDO's Eagle River Complex in Wawa, Ontario currently producing gold from two mines with a central mill, the Eagle River Underground Mine and the Mishi Open pit. WDO has a pipeline of projects in various stages of development and is also actively exploring its brownfields asset, the Kiena Complex in Val d'Or, Quebec.

As bullion prices stabilized around \$1,200 per ounce, the Company does not anticipate a long-term decline in the sector. Well-run gold companies should have a favorable environment to add value by executing their operational plans. Gold mining companies in general have been retrenching by selling non-core assets and drastically cutting costs after the commodity super cycle unwind subsequent to 2010. Additionally, the sector has been getting limited interest from speculative investors in Canada due to the focus on gaining exposure to other sectors such as cannabis and blockchain related companies.

Gold stocks tend to do well after a prolonged period of disinterest in relation to other sectors of the market. WDO meets the criteria for what the Company believes investors will look for when they return to the sector as WDO has a strong track record of stable gold production growth; projects in secure jurisdictions; high grade production; competitive cash costs per ounce; and is well-capitalized and is conservatively run. Given the positive attributes, WDO is undervalued in relation to other producers and trades at a discount to analysts' aggregate price estimates. The Company expects WDO to trend higher as interest returns to the gold sector, management delivers on its operational objectives and the stock begins to trade more in line with its peer group.

#### ***DHX Media Ltd. ("DHX")***

DHX is a leading children's content and brands company, recognized globally for high-profile programs including Peanuts, Teletubbies and Strawberry Shortcake. DHX is one of the world's largest producers of children's shows and owns the world's largest independent library of children's content, with 13,000 half-hours of programs. DHX licenses its content to broadcasters and streaming companies worldwide and generates royalties from its global consumer products program. Through its subsidiary, WildBrain, DHX also operates one of the largest networks of children's channels on YouTube.

In the fourth quarter of 2017, DHX Media announced a strategic review to explore alternatives with a focus on enhancing shareholder value. These alternatives could include, among other things, the sale of parts of the Company and/or some of its assets, a merger, a business combination or other strategic transactions. Since the announcement of the strategic review, DHX has replaced its Chief Executive Officer, Chief Financial Officer and senior management team and has provided more transparent guidance on its short-

term objectives to boost organic growth, improve its cash flow and reduce debt. DHX has largely completed this review and have a new distribution strategy and a focus on driving down costs. The company is moving more to a distribution model focusing on streaming and online versus the more traditional television distribution model.

Based on its 2019 forecasts, DHX is expected to generate between \$60 - \$90 million in free cash flow, which is sufficient to cover its debt service obligations. The Company believes that this offers investors a degree of comfort as management is in the process of initiating the recently outlined strategic alternatives. DHX currently trades at roughly 8.1 times 2018 cash flow per share; this is a sizeable discount to the peer group average of 17.3 times cash flow per share. The Company anticipates this discount will decrease as DHX's management continues to streamline the business and aims to enhance shareholder value.

DHX fits with Torrent's investment objective to find companies that have underperformed in the market despite strong long-term industry drivers, a quality suite of underlying assets and a new management team that is initiating the necessary measures to unlock the true value of the business.

The Company believes DHX has underperformed lately due to short-term missteps made by management. The stock was overvalued in 2017 due to lofty management guidance, poor working capital management and acquisitions made at aggressive valuations that resulted in the corresponding accumulation of debt. When the share price corrected, the debt-to-equity multiple deteriorated. The Company believes the market has now undervalued the stock and DHX is trading at a steep discount compared to the inherent value of its assets and ability to generate future cash flow. These measures are consistent with what the Company perceives as a company taking the necessary steps to unlock the true value of its assets.

***Netcoins Inc. (Formerly GAR Limited) ("NETC")***

Torrent invested in GAR Limited in late 2017 participating in an oversubscribed private placement. GAR Limited had recently announced its definitive agreement to acquire Netcoins Inc. ("Netcoins"). In early March 2018, GAR Limited announced it had completed its acquisition of Netcoins and on March 14, 2018, NETC commenced trading on the Canadian Securities Exchange.

Netcoins is a cryptocurrency exchange platform with the aim of making the purchase and sale of cryptocurrency easily available to the mass consumer and investors through brokerage services. The company's virtual platform removes the friction related to traditional cryptocurrency trading associated with typical exchanges and the costs associated with using physical bitcoin ATM's. The company's platform enables customers to buy and sell various cryptocurrencies from trusted sources such as retailers, currency exchanges, financial intermediaries and banks.

Despite a tough cryptocurrency and blockchain technology market, the company continues to execute its business plan. NETC recently announced that its platform will list Stellar Lumens, which is the number 6 cryptocurrency based on its market capitalization. With the addition of Stellar, NETC now has 5 of the top 7 cryptocurrencies on its platform, making the company a one-stop shop for crypto trading and enhancing NETC's platform.

***Martello Technologies Corporation ("MTLO")***

Martello is a company in the unified communications sector, a segment of the economy driven by strong secular trends, that is experiencing a compound annual growth rate of 25%. It was founded in 2009 and is headquartered in Ottawa, with staff in Canada, France and the United States. In January of 2018, Martello merged with Elfiq Networks to offer a solution that pairs performance management software with software-defined wide area network technology to provide exceptional, unified communication performance. Martello's solution delivers confidence in the performance of real-time services on cloud and enterprise networks and it is a proven provider of performance management software for Mitel customers.

Martello was originally structured and funded by Terry Matthews, a well-known technology investor who founded a number of companies including Mitel and Newbridge Networks. Mr. Matthews remains the largest shareholder of Martello and is its co-chairman, with Bruce Linton, the Founder and Chief Executive Officer of Canopy Growth Corp, a publicly traded Cannabis company with a market capitalization of approximately \$6.5 billion. Martello's newly appointed Chief Executive Officer is John Proctor, previously the VP of global cyber security with CGI Group, a multinational IT consulting firm with \$10 billion in annual revenues.

Martello is an established technology company with a presence on over 7,000 networks, 16,000 devices and reaches more than 150 countries around the globe. Martello's underlying clients are comprised of numerous well-known global enterprises, including Volkswagen, the United Nations, Hilton Worldwide and Major League Baseball. Martello currently has approximately 65 employees, trailing pro-forma annual revenues of \$6.2 million and is cash flow positive, excluding non-recurring acquisition related costs.

Torrent believes that Martello is on the verge of a rapid growth phase, driven primarily by its rollup or acquisition focused strategy. Martello's performance management software is on thousands of networks and presents a tremendous opportunity as Martello can view where the deficiencies are on their enterprise client networks in real time. With this information, Martello can then decide if it wants to build-out a solution internally or make a strategic acquisition to acquire a technology solution to address the concern. As Martello expands into different channels, potentially into areas such as artificial intelligence or cyber security, it already has an established network of clients. This reduces the risk inherent in an early stage software company that often spends a significant amount of capital on product development before establishing a customer base.

Martello commenced trading on the TSX Venture exchange in September 2018 under the symbol MTLO. The stock was initially listed at a price of \$0.15 per share and the price increased as high as \$1.67 per share on very heavy volume. The stock has subsequently reduced and has been establishing a baseline price. The Company anticipates MTLO shares doing very well going forward given the growth prospects of the unified communications ("UC") sector, the unparalleled quality of the Executive team, ongoing news flow associated with M&A and supreme revenue and earnings visibility for a small cap technology company in Canada.

## Selected Financial Information

The following table sets out selected financial information and highlights for the last eight quarters:

For the quarter ended	Sept 30, 2018 \$	June 30, 2018 \$	Mar 31, 2018 \$	Dec 31, 2017 \$	Sept 30, 2017 \$	June 30, 2017 \$	Mar 31, 2017 \$	Dec 31, 2016 \$
Realized gain (loss) on investments	3,965,060	184,210	291,071	192,735	(8,659)	-	-	-
Unrealized gain (loss) on marketable securities	2,281,595	(245,004)	(1,870,094)	1,797,323	248,935	(461,810)	55,233	-
Interest income	3	45	69	673	1,153	5,993	9,724	19,237
Operating expenses	(103,390)	(121,521)	(111,987)	(176,879)	(159,581)	(132,413)	(85,332)	(63,870)
Write down of note receivable	-	-	-	(292,312)	-	-	-	-
Gain (Write-down) on OneUp Sports settlement	-	-	-	-	-	-	-	(757,305)
Net income (loss) before taxes	6,143,268	(182,270)	(1,690,941)	1,521,540	81,847	(588,230)	(20,375)	(801,938)
Income tax expense	(85,000)	-	-	-	-	-	-	-
Net income (loss)	6,058,267	(182,270)	(1,690,941)	1,521,540	81,847	(588,230)	(20,375)	(801,938)
Net (loss) income per share	\$0.26	\$0.01	\$0.07	\$0.064	\$0.004	(\$0.025)	(\$0.001)	(\$0.034)
Cash	1,825,328	111,446	199,334	772,290	1,420,459	2,523,805	5,495,935	6,353,915
Investments in publicly-traded marketable securities	10,238,345	5,802,182	5,874,578	7,020,725	4,470,186	3,218,784	826,222	-
Total assets	12,078,754	5,939,887	6,099,089	7,800,433	6,200,751	6,067,844	6,677,989	6,677,101
Total liabilities	88,430	92,830	82,300	111,510	77,251	82,611	123,333	102,069
Shareholders' Equity	11,905,324	5,847,057	6,016,789	7,688,923	6,123,500	5,985,233	6,554,656	6,575,031

## Unrealized gain on Marketable Securities

Acquisitions of investments in marketable securities are initially recognized at fair value plus transaction costs. Subsequent to initial recognition, all investments are measured at fair value. The determination of fair value for publicly-traded securities is based on the trading price at the end of the reporting period as quoted on a recognized securities exchange. For private companies, which are not traded on a recognized securities exchange, no market value is readily available. The private company shares may be valued based on the pricing of a recent financing. Gains and losses arising from changes in the fair value of the investments are presented in the unaudited condensed interim statements of comprehensive loss as a net change in unrealized gains or losses on investments.

The Company's investment activity and fair value of the changes in the unrealized gains and losses as at September 30, 2018 are summarized as follows:

	Shares #	Cost of Investment \$	Market Value Sept 30, 2018 \$	Unrealized Gain / (Loss) Quarter ended Sept 30, 2018 \$	Unrealized Gain / (Loss) Year to date Sept 30, 2018 \$
DHX Media	2,300,000	3,431,721	4,278,000	1,013,163	810,504
Martello Technologies Corp.	3,200,000	809,958	2,048,000	1,150,832	1,238,042
kneat.com, inc.	1,000,000	600,000	1,170,000	230,000	320,000
Netcoins Holding Inc.	3,346,215	527,494	568,856	114,221	41,362
Westdome Gold Mines	125,200	273,174	443,208	(120)	161,061
Agua Resources Limited					
Common shares	2,705,843	1,292,324	378,818	(135,292)	(550,460)
Warrants	1,250,000	-	-	-	-
AnalytixInsight Inc.					
Common shares	1,107,500	259,017	376,550	(46,115)	(646,728) <sup>(a)</sup>
Warrants	1,250,000	-	-	(37,500)	(250,000)
Pivot Technology Solutions	227,500	570,229	338,975	(95,550)	(153,637)
eXeBlock Technology Corp.					
Common shares	925,000	155,750	106,375	(4,625)	(763,125)
Warrants	262,500	-	17,063	(1,313)	(216,563)
Iron Bridge Resources Inc.	-	-	-	93,894	176,041
Other marketable securities		512,500	512,500	-	-
		8,432,167	10,238,345	2,281,595	166,497

a) This includes the reclassification of \$440,728 to a realized gain on the disposal of ALY shares during the period ended September 30, 2018.

During the quarter ended September 30, 2018, the Company's investment portfolio had an unrealized gain of \$2,281,595 with a year to date change in the unrealized loss of \$166,497 which includes a transfer of \$440,728 to a realized gain on the sale of shares in ALY. Torrent's current fair value of its investment portfolio is \$10,238,345 against a cost of these investments of \$8,432,167. The value of certain investments had significant impacts on Torrent's investment portfolio. The most significant being discussed below:

*DHX Media Ltd. ("DHX") – Unrealized gain on the investment of \$1,013,163 in the current quarter and a year to date unrealized gain of \$810,504*

DHX has been a hard luck story for investors, despite operating in an extremely attractive segment of the market and having what we believe is a premier suite of assets. DHX lost confidence from market analysts due to missed targets, flatlined revenue growth, elevated debt levels and suspended its dividend. As a result,

in the third quarter analysts dropped their price targets aggressively and the stock sold off on heavy volume. These operational missteps and the corresponding plummet in market sentiment towards DHX has created an opportunity for those investors willing to see the intrinsic value of DHX. Torrent added significantly to its position in DHX at this time, which proved a timely call as DHX is up over 150% from its quarter low prices.

DHX's management has started to take the necessary steps to stimulate organic growth, improve its balance sheet and is working towards potential strategic partnerships to monetize DHX's brands and library content. Even with management's initiatives, analysts continue to lack confidence in DHX and the share price targets are below the current market price. There is also a significant short position, representing 10% of the float, and a forecasted free cash flow yield of 20%.

Since the end of the quarter, DHX has started to regain analytics confidence as DHX exceeded quarterly revenue and earnings estimates, debt service ratios continue to fall and there has been an increase in insider purchases. If management delivers on its stated initiatives to enhance future earnings visibility and/or does a strategic deal to unlock the value of its assets, DHX share price is poised to move considerably higher.

*Martello Technologies Corporation ("MTLO") – Torrent realized a gain on investment of \$3,843,125 in the current quarter and year to date. Torrent had an unrealized gain on the investment of \$1,150,832 during the period and a year to date unrealized gain of \$1,238,042.*

MTLO commenced trading on the TSX Venture Exchange on September 12, 2018 opening at a price of \$0.55 per share and trading as high at \$1.67 per share during the first week of trading. This share price performance was incredibly strong as the financing concurrent with listing had a share price of the equivalent of \$0.15 share.

Torrent believes the MTLO share price is establishing a baseline after the initial interest after to listing. Since the initial listing interest subsided, MTLO shares have seen significant sales interest due to the weakness in general technology market and from those speculators who purchased the shares a higher price during the first weeks of trading.

Torrent believes MTLO has strong long-term potential as it operates in the rapidly growing cloud-based communications sector, where it will focus on real-time communications and enhancing the performance of cloud-based networks. In addition, MTLO has a strong executive team and currently trades at a low market capitalization of approximately \$100 million.

The Company expects Martello to move higher on positive earnings results, expanding interest from institutional investors, additional business adds, potential M&A activity and improved sentiment in the market as it begins to discount the quality of the company and its very healthy long-term prospects.

*Pivot Technology Solutions Inc. ("PTG") – Unrealized loss on the investment of \$95,550 in the current quarter and a year to date unrealized loss of \$153,635*

PTG has been experiencing pressure on its share price after announcing its second quarter results where PTG missed guidance on revenue, earnings and gross margins. This reduced market confidence in the stock as it signaled to the market that PTG management's strategic efforts to boost its service-based revenues and gross margins were running out of steam after sequential quarters of improved performance. The weak quarter, coupled with a steep sell off in some high-profile technology stocks the United States, contributed to reduction in PTG's share price.

Moving forward, Torrent believes PTG's discounted valuation to be closer to its competitors as PTG recently released third quarter results which indicate that the company is now trending to meet the market's expectations after the weak second quarter. Revenues and gross margins improved and PTG's Smart Edge technology was adopted by a major customer who has committed to resell the software across its network

and push its adoption enterprise wide. PTG's also provides shareholders with a dividend, which currently yields close to 16%. The dividend provides the investors with a return as they wait for PTG's management to deliver on its strategic goals and for the potential monetization of PTG's Smart Edge technology.

*kneat.com, Inc. ("KSI") – Unrealized loss on the investment of \$95,550 in the current quarter and a year to date unrealized loss of \$153,635*

The market is beginning to realize KSI's potential as the stock price and trading volumes have increased due to positive news flow. The strengthening share price coincides with KSI announcing the addition of five multinational clients and the expansion of two existing customers in 2018. KSI also has released case studies with two key customers. Both organizations reported significant improvements in efficiency and cost, which lends high degree of confidence to KSI's software and highlights how the company is getting closer to monetizing its technology.

Given the complexity and business-critical nature of KSI's validation lifecycle platform, the sales cycle tends to be long. The fact that additional multinational clients are engaged KSI, some of which are well-known global enterprises, adds credibility to Kneat's software platform. This will assist Kneat with its ongoing sales efforts. It also signals to the market that KSI's business is at an inflection point after years of development.

Echelon Wealth Partners, a respected Bay Street capital markets firm, has a \$3.00 price per share target on the stock and has started to factor in reoccurring revenues into their forecasts. For example, Echelon estimates KSI currently has an at-scale annual reoccurring revenue opportunity of approximately \$20 million within its current customer pipeline alone.

Torrent anticipates a strong ongoing performance in its investment in KSI as its platform continues to gain traction and Torrent expects KSI's share price to maintain its upward trajectory as the company continues to land high profile clients and its revenue and profitability window becomes more visible to the market.

*Netcoins Inc. ("NETC") – Unrealized gain on the investment of \$114,221 in the current quarter and a year to date unrealized gain of \$41,362*

Netcoins has held up reasonably well in 2018, despite the heavy headwinds in the cryptocurrency sector. Unlike its peers in the cryptocurrency space, NETC has \$5.0 million in cash, trailing revenue and management is guiding it towards near term profitability. NETC has exposure to three different revenue streams: retail cryptocurrency transactions, institutional over the counter cryptocurrency trading and its coin listing service. NETC intuitional business has been doing well as it is able to broker large coin transactions and earns revenue regardless of which direction cryptocurrencies are trending. NETC's retail business is also gaining traction as its network of member stores currently stands at 2,100 locations in Canada, Europe and Australia.

The majority of the initial investment has been completed, so if management is able to deliver on its expected revenue growth, much of that would go directly to the bottom line. Furthermore, management has aggressive expansion plans, including the potential for a Netcoins debit card, enabling retail customers to use cryptocurrency in their everyday transactions.

The selloff in the cryptocurrency space has been pervasive and unrelenting. When the cryptocurrency space stabilizes, Torrent anticipates NETC standing out from the other Canadian listed cryptocurrency and bitcoin related companies.

*Wesdome Gold Mines Ltd. ("WDO") – Unrealized gain on the investment of \$121 in the current quarter and a year to date unrealized gain of \$161,061*

WDO is up 67.7% year-to-date, making it one of the best performing gold stocks in Canada. WDO's performance is very impressive given that it has coincided with a soft gold market as indicated by year to

date decline of 8.7% in gold bullion and gold stocks, as measured by the VanEck Vectors Junior Gold Miners ETF, dropped 19.4% in the same period.

WDO's increase in share price can be attributed to strong operational results as it continues to exceed market expectations across key metrics. For example, WDO has increased full year gold production guidance by 12%, reduced cost production forecasts to US\$720 from US\$770 per ounce and continued to generate sizeable free cash flow, despite declining gold prices.

In addition to solid operational performance, WDO has been generating significant interest from its ongoing exploration success at Eagle River and its 100% owned Kiena Mine Complex ("Kiena") in Val d'Or, Quebec. The deep discovery at Keina is of special interest with the current drilling program returning very high grades over long intervals, remaining open along strike and down dip. WDO is in the midst of a 50,000 meter drilling program at Kiena and plans to produce a resource estimate on the Kiena deep zone later in 2018.

Despite WDO's operational outperformance and significant exploration success, WDO continues to trade at a discount to its peer group. The Company believes that interest in WDO should increase as the market realizes WDO's superior growth prospects and the potential for a positive restart decision at Kiena.

*Agua Resources Limited ("AGRL") – Unrealized loss on the investment of \$135,292 in the current quarter and a year to date unrealized loss of \$550,460*

Agua continues to suffer from a lack of interest in the small market capitalization agriculture space, particularly in the fertilizer sector. Grain prices have been depressed in 2018, which negatively impacts on global fertilizer demand. Furthermore, energy costs have increased, which serves to reduce farmers' income and their ability to purchase various crop nutrients. Against this backdrop, global phosphate rock prices have fallen by more than 25% since Torrent's original investment and have had an adverse impact on the short-term economic prospects of AGRL's Tres Estradas phosphate project in Brazil.

Despite the current depressed market, Agua's management continues to advance its flagship Tres Estradas phosphate project. The risk surrounding the Tres Estradas project has reduced as the recently completed feasibility study has an estimated net present value of US\$300 million and a pre-tax internal rate of return of 21% using an interest rate of 5%. With AGRL's current market capitalization of US\$19 million, the stock is trading at a substantial discount to its estimated net present value. Torrent anticipates that AGRL's Tres Estradas project will attract market attention as global phosphate prices establish a base line and the mining permit approval decision quickly approaches.

While AGRL's focus is the advancement of Tres Estradas, ARGL also acquired the 34,000-hectare Rio Grande do Sul copper property in Brazil during the first quarter of 2018. AGRL has completed an IP and copper-in-soil exploration program which identified a significant anomaly extending over six kilometers. AGRL is amid a 3,000-meter reverse circulation drilling program, with assay results from the first 4 holes anticipated by the end of the year. Any success from this program would serve to attract a new segment of investors looking for early stage copper projects in a mining friendly region.

*AnalytixInsight Inc. ("ALY") – Unrealized loss on the investment in shares of \$46,115 in the current quarter and a year to date unrealized loss of \$646,728 (includes a reclassification of -\$440,728 to a realized gain) and an unrealized loss on the warrants of \$37,500 in the current quarter and a year to date unrealized loss of \$250,000*

Torrent Capital first invested in AnalytixInsight during the first quarter of 2017 via a private placement of equity at the equivalent of \$0.20 per share. As at the end of September 2018, the stock was trading at \$0.34 per share, representing a share price appreciation of +70% since the time of original investment. The S&P TSX Canadian Small Cap Index fell approximately 6% during the same period.

However, ALY is down 38% year to date in 2018. ALY's underperformance can be largely attributed to ALY announcing a blockchain initiative in the second half of 2017 and investors have been moving away from the blockchain industry in 2018. The blockchain initiative was to be used by its existing banking clients to utilize blockchain to improve the settlement process of securities. This attracted a significant initial interest for investors looking to get involved in the blockchain industry which was experiencing unprecedented growth. While the company initially enjoyed the benefits related to the blockchain related news, it has suffered recently as a result of investors moving away from the blockchain sector in 2018.

ALY's blockchain initiative is currently only a small component of its overall AI / big data fintech platform. ALY is a well-run company with diverse revenue streams and is currently misunderstood by the market due to its association with the blockchain sector. ALY has an established and rapidly growing business based on an expanding client and counterparties list, which include: Intesa Sanpaolo, Thompson Reuters, Samsung, the WSJ and Yahoo Finance. ALY has a solid and growing revenue profile and recently achieved profitability. Torrent believes a company with these characteristics should be trading at a far higher valuation than ALY's current market cap of \$25 million.

Torrent expects ALY's share price to improve as the nature of the company's key business relationships are more appreciated, management highlights the inherent value of its underlying business segments and it continues to demonstrate strong quarterly revenue and profitability growth. Torrent expects increased news flow, particularly in relation to business updates and the potential spinout of ALY's MarketWall division. Torrent believes a sum of parts valuation for ALY should have the stock trading higher the next year based on the company's current operations and existing business relationships. There is additional value in the stock if ALY continues to grow revenue, add additional top-tier clients or undertake new strategic partnerships.

*eXeblock Technology Corp. ("XBLK") – Unrealized loss on the investment in shares of \$111,000 in the current quarter and a year to date unrealized loss of \$758,500 and an unrealized loss on the warrants of \$31,500 in the current quarter and a year to date unrealized loss of \$215,500*

XBLK's stock price was down significantly during the period reversing all of its previously recorded unrealized gains in the prior year.

Early in 2018, cryptocurrencies and small market capitalization equities in Canada with exposure to blockchain technology have seen a significant selloff. Year to date the value of Bitcoin is down 60%, and Canadian cryptocurrency and blockchain focused stocks are down on average by 87%. The precipitous drop in these sectors can be attributed to a multitude of factors, but the main driver has been a "return to reality" after an unprecedented run by these segments in the second half of 2017.

The cryptocurrency segment, using Bitcoin as a proxy, has yet to establish a baseline share price after being promoted as a faster and less expensive alternative to traditional fiat currencies as a medium of exchange for electronic transactions. Overtime, these claims may prove to have merit, but before investors want to see results in the cryptocurrency space before interest will return to the industry as it has been plagued by a saturation of coin offerings, expensive and slow transaction times and regulatory concerns.

Blockchain focused companies remain highly correlated with the cryptocurrencies which has driven the share price lower. In addition, these early stage companies have their own hurdles to overcome. First and foremost, although large companies like IBM, Microsoft and Facebook have launched blockchain related initiatives, there are still no companies using blockchain technology in real time. Until there are live examples of companies using blockchain technology to improve their product or service offering, as opposed to just hype and promises, it will be hard for the market to determine the true value of blockchain related assets.

It has been difficult for the XBLK share price to gain traction against this backdrop. Over time, as management continues to implement its business strategy and initiatives XBLK will demonstrate the inherent value of their technology and market interest should return.

*Iron Bridge Resources Inc. (“IBR”) – Unrealized gain on the investment of \$93,894 and realized loss of \$7,506 in the current quarter and a year to date unrealized gain of \$176,040 and realized loss of \$12,732.*

In May of 2018, Velvet Energy Ltd. (“Velvet”) commenced an unsolicited offer to acquire the common shares of IBR at a price of \$0.75 per share. Velvet is a privately held, full-cycle exploration and production company with a significant land package surrounding IBR’s Elmworth property in Alberta’s Montney Formation.

In September 2018, Velvet amended its offer to provide for an increase in the consideration payable to \$0.845 per share, or a 13% increase. The amended offer received the support of the IBR’s board of directors and key strategic shareholders, such as Bison Interests LLC. To assist with evaluating the offer on behalf of IBR shareholders, IBR received an opinion from Cormark Securities Inc. who deemed the offer as fair from a financial perspective. The Company disposed of its shares of Iron Bridge Resources to Velvet Energy Ltd. (Velvet) in conjunction with Velvet’s offer to acquire all the issued and outstanding common shares of IBR for \$0.845 per share. The Amalgamation was subsequently approved by approximately 99.88% of the votes cast by IBR shareholders, either in person or by proxy.

While the enhanced offer remained undervalued based on precedent per acre transactions in the Montney, the Company believes Torrent received the maximum value for its IBR holding given current market conditions. Canadian oil and gas companies have been chronic underperformers and the recent historic slide in crude oil suggests that this underperformance will continue. Cormark’s fairness opinion, along with approval from key strategic shareholders, provides further confidence to our view that transaction served to maximize value for IBR shareholders.

### **Results of Operations for the three months ended September 30, 2018**

The Company reported net income for the quarter ended September 30, 2018 of \$6,058,268 or \$0.26 per share as compared to a net income of \$81,847 or \$0.003 per share for the quarter ended September 30, 2017. In the current quarter, the Company realized net capital gains on its investment portfolio of \$3,965,060 or \$0.17 per share which related primarily to the realised gain on the sale of shares of Martello in the amount of \$3,843,125. The Company also had an unrealized gain of \$2,281,595 or \$0.10 per share which related primarily to the unrealized gain on its shares of Martello in the amount of \$1,150,832 and an unrealized gain on shares of DHX Media of \$1,013,163 with offsetting gains and losses in the balance of the investment portfolio. The comparable quarter’s results include realized losses of \$8,659 on marketable securities and unrealized loss on marketable securities of \$248,935.

During the quarter ended September 30, 2018, consulting fees of \$48,875 (September 30, 2017 - \$48,282) include CFO fees of \$11,325 (September 30, 2017 - \$13,332), fees paid to Numus Financial Inc. (“Numus Financial”) of \$7,550 (September 30, 2017 - \$4,950) and \$30,000 (September 30, 2017 - \$30,000) paid to the Chief Investment Officer. In the current quarter, the Company also incurred Directors’ fees of \$26,317 (September 30, 2017 – \$17,801). Minimal professional fees of \$6,545 (September 30, 2017 - \$9,750) were incurred in each of the third quarters of 2018 and 2017. The Company also incurred Directors and Officers insurance fees of \$6,301 (September 30, 2017 - \$6,302).

The Company incurred stock exchange and maintenance fees of \$4,666 in the third quarter of 2018 and similar fees of \$4,223 in the comparable quarter. In the current quarter, the Company incurred lower administration costs of \$3,724 (September 30, 2017 - \$7,151), travel costs of \$2,500 (September 30, 2017 - \$2,150) and rent and related costs of \$4,435 (September 30, 2017 - \$3,105).

In the current quarter, the Company earned minimal interest income as its cash resources are now largely invested in marketable securities. In the quarter ended September 30, 2017, the Company’s surplus cash resources earned interest income of only \$1,153 as it was utilizing its cash resources on implementing its investment strategy. In addition, the Company also incurred a foreign exchange loss of \$4,398 on items denominated in \$US measured against the Canadian dollar.

During the period ended June 30, 2017, the Company granted 675,000 stock options, with an exercise price of \$0.30 to Directors, Officers and a consultant of the Company. The fair value of the stock options was estimated at the grant date using the Black-Scholes option pricing model. The resulting fair value at the date of grant of the options has been assessed at \$0.223 per option. The assumptions used in the option pricing model include a volatility rate of 100%, an expected life of five years based on the contractual term of the options, a risk-free rate of 1% with no expected dividend yield. The options vest at a rate of 50% of the total on each of the six and twelve month anniversaries of the grant date.

Based on the Black-Scholes option pricing model and the assumptions outlined above, the estimated fair value of the stock options granted is \$150,452, which will be amortized over the corresponding vesting period. The fair value of the stock option was fully amortized the second quarter of 2018; in the quarter ended September 30, 2017, the Company recorded stock-based compensation of \$56,420.

### **Results of Operations for the nine months ended September 30, 2018**

The Company reported a net income for the nine months ended September 30, 2018 of \$4,185,057 or \$0.18 per share as compared to a net loss of \$526,757 or \$0.022 per share in the nine months ended September 30, 2017. The Company realized net capital gains on its investment portfolio of \$4,440,341 or \$0.19 per share which related primarily to the realized gain on the sale its shares of Martello Technology Corp. of \$3,843,125 and realized gains on the sale of its shares in AnalytixInsight Inc. of \$440,728, or \$0.02 per share. The loss for the nine months ended September 30, 2018 includes an unrealized gain on marketable securities of \$166,497 compared to an unrealized loss of \$157,642 in the comparable period.

During the nine months ended September 30, 2018, consulting fees of \$151,475 (September 30, 2017 - \$136,963) include CFO fees of \$38,025 (September 30, 2017 - \$42,112), fees paid to Numus Financial of \$25,197 (September 30, 2017 - \$14,850) and \$90,000 (September 30, 2017 - \$80,000) paid to the Chief Investment Officer. In the first three quarters of 2018, the Company incurred Directors' fees of \$79,037 (September 30, 2017 - \$45,051). Professional fees of \$12,938 were incurred in the first nine months of 2018 as compared to \$25,002 in the first nine months of 2017. In 2017, the Company incurred residual fees associated with its conversion to an Investment Issuer. The Company also incurred Directors and Officers insurance fees of \$18,699 (September 30, 2017 - \$19,915).

The Company incurred stock exchange and maintenance fees of \$23,634 in the first nine months of 2018 as compared to \$31,597 in the first nine months of 2017. In 2017, the Company incurred certain additional fees associated with the Company's COB. This amount also includes the cost of the Company's AGM in both periods.

In the nine months ended September 30, 2018, the Company incurred lower administration costs of \$7,501 (September 30, 2017 - \$17,935), travel costs of \$2,500 (September 30, 2017 - \$7,305) and rent and related costs of \$10,645 (September 30, 2017 - \$9,315). In 2017, the increased administration costs were associated with its COB and a general increase in its new business and investment activities.

Based on the Black-Scholes model and the assumptions outlined above, the estimated fair value of the stock option granted in June 2017 is \$150,452, or \$0.223 per option, which has been amortized over the one-year vesting period. As a result, stock-based compensation of \$119,109 was recorded during the year ended December 31, 2017 with stock-based compensation of \$75,227 in the nine month period ended September 30, 2017. The fair value of the stock option was fully amortized the second quarter of 2018 resulting in a year-to-date stock-based compensation of \$31,344.

In the nine months ended September 30, 2018, the Company earned minimal interest income as its cash resources are now fully invested in marketable securities. In the nine months ended September 30, 2017, the Company's surplus cash resources earned interest income of \$16,870. In the same period, the Company also

incurred a foreign exchange loss of \$9,016 on US\$ denominated items measured against the Canadian dollar.

## **Liquidity and Capital Resources**

The Company has working capital as at September 30, 2018 of \$1,751,979 (excluding investments) (December 31, 2017 – \$772,290) and a cash balance of \$1,825,328 (December 31, 2017 – \$668,198). With investments, the working capital at September 30, 2018 is \$11,990,324 (December 31, 2017 – \$7,688,923). The Company funds its operations through equity financings, the sale of equity security investments, financing fees earned on invested liquid resources and interest income earned on cash balances and amounts receivable.

Effective in the first quarter of 2017, the Company commenced the implementation of its business plan as an Investment Issuer. During the year to the end of December 2017, the Company invested \$5.4 million in shares of ten different publicly-traded companies with investments ranging from \$40,000 to \$1.5 million. During the period ended September 30, 2018, the Company acquired investments of \$6.4 million including its investment in Martello Technologies Corporation for \$1.3 million and DHX Media for \$3.3 million. The Company received proceeds from the sale of investments of \$7.7 million including \$4.3 million on the sale of Martello.

As at September 30, 2018, the Company has loan receivable in the amount of \$292,312. While the loan receivable remains outstanding and continues to accrue interest, the Company recorded a valuation allowance against the full value of the loan in the fourth quarter of 2017 and ceased to accrue any interest at the beginning of 2017.

The Company has sufficient capital resources to meet its working capital obligations. The Company may need to secure additional capital and may raise additional funds should its Board deem it advisable in order to execute its strategic plan including the implementation of its investment strategy. While Management and the Board have been successful in obtaining funding in the past, there can be no assurance that it will be able to do so in the future. The timing and ability of the Company to raise additional funds will also depend on the liquidity of the financial markets.

## **Outstanding Share Data**

The Company is authorized to issue an unlimited number of common shares without par value. As at September 30, 2018, and November 26, 2018, the Company has 23,648,333 common shares issued and outstanding. As at September 30, 2018, and November 26, 2018, the Company had 808,333 stock options outstanding.

## **Transactions with Related Parties**

The Company entered into the following transactions with related parties:

- During the nine months ended September 30, 2018, the Company paid Director fees of \$79,307 (year ended December 31, 2017 - \$63,205) to Directors or companies controlled by Directors.
- During the nine months ended September 30, 2018, the Company paid fees to its CFO, Rob Randall in the amount of \$38,025 (year ended December 31, 2017 - \$49,988).
- During the nine months ended September 30, 2018, the Company paid fees to its Chief Investment Officer, Scott Gardner in the amount of \$90,000 (year ended December 31, 2017 - \$160,000).
- During the nine months ended September 30, 2018, the Company paid administration fees, rent and other fees of \$35,842 to Numus Financial, a company owned by two Directors (year ended December 31, 2017 - \$48,070).

- During the nine months ended September 30, 2018, Numus Capital Corp. (an Exempt Market Dealer, owned by the CEO and a Director) earned financing fees of \$30,500 from its clients (year ended December 31, 2017 - \$10,500) on investments made by Company.

The above noted transactions are in the normal course of business and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Critical Accounting Estimates**

The preparation of financial statements in conformity with IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Critical accounting estimates used in the preparation of the financial statements that have the most significant effect on the amounts recognized in the financial statements include the Company's estimate of the value of the Company's share-based compensation and the valuation of investments in privately held companies.

The Company uses a Black-Scholes model to determine the fair value of options and warrants. The main factor affecting the estimates of stock-based compensation is the stock price volatility used. The Company uses historical price data and comparable entities in the estimate of future volatilities. Additional factors affecting share-based compensation include estimates of when stock options might be exercised and the stock price volatility. The timing of the exercise of options is out of the Company's control and will depend upon a variety of factors, including the market value of the Company's shares and the financial objectives of the share-based instrument holders.

The method used by the Company to estimate the value of its equity investments in private companies is complex as there is no active trading market and any transfer is often subject to approval of the Company Directors. The valuation considers factors such as limited available market information, recent financings, future disclosed and/or planned listing activities, Management's assumptions of expected cash flows related to the investments.

All of the Company's significant accounting policies and estimates are included in note 2 to the December 31, 2017 audited financial statements of Torrent Capital Ltd. With the Company's TSXV approved change of business from a Mining Issuer to an Investment Issuer, the Company has also adopted the following new accounting policies associated with its new business.

### **Adoption of New Standards**

#### ***IFRS 9, Financial Instruments ("IFRS 9")***

IFRS 9 replaced IAS 39, *Financial instruments: recognition and measurement* ("IAS 39"). The standard is effective for annual periods beginning on or after January 1, 2018. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The Company has assessed this new standard and there has been no impact to the unaudited condensed interim financial

statements from this adoption.

Financial assets within the scope of IFRS 9 are classified in the following measurement categories: amortized cost, fair value through profit or loss (“FVTPL”), or fair value through other comprehensive income (“FVOCI”). Financial liabilities are classified in the following measurement categories: fair value through profit or loss, or amortized cost.

The following table summarizes the changes in the classification of the Company’s financial instruments upon adoption of IFRS 9. The adoption of the new classification did not result in any changes in the measurement or carrying amount of the financial instruments.

<u>Financial Assets</u>	<u>Classification under IAS 39</u>	<u>Classification under IFRS 9</u>
Cash and cash equivalents	Loans and receivables	Amortized cost
Investments in publicly-traded securities	Fair value through profit and loss	Fair value through profit and loss
<u>Financial Liabilities</u>	<u>Classification under IAS 39</u>	<u>Classification under IFRS 9</u>
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

#### Financial Assets

Within the scope of IFRS 9, financial assets are classified as financial assets at amortized costs, FVTPL or FVOCI, as appropriate. The Company classifies its financial assets as amortized cost or FVTPL.

#### *Amortized cost*

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

#### *Fair value through profit or loss*

Financial assets classified as FVTPL are measured at fair value with changes in fair value recognized in net profit or loss.

#### *Classification*

The Company determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus or minus, in the case of financial assets not classified as FVTPL, directly attributable transaction costs. The Company’s financial assets include cash and cash equivalents, and investments in publicly traded securities.

#### *Recognition and measurement*

Purchases and sales of investments are recognized on the transaction date. Investments are initially recognized at fair value plus transaction costs.

Subsequent to initial recognition, all investments are measured at FVTPL. Gains and losses arising from changes in the fair value of the investments are presented in the statement of income (loss) as the net unrealized gains or losses on investments in the period they arise.

#### *Determination of fair values*

The determination of fair value requires judgment and is based on market information, where available and appropriate. At the end of each financial reporting period, the Company’s management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements.

Publicly-traded investments (i.e. securities of issuers that are public companies):

- a. Securities including shares, options and warrants which are traded in an active market, such as on a recognized securities exchange and for which no sales restrictions apply, are presented at fair value

based on quoted trading prices at the end of the reporting period or the closing trade price on the last day the security traded if there were no trades at the end of the reporting period.

- b. For warrants and options which are not traded on a recognized securities exchange, no market value is readily available. The warrants and options are valued at intrinsic value, which is equal to the greater of the closing trading prices at the end of the reporting period of the underlying security less the exercise price of the warrant or option and zero.

Private company investments:

- a. For private company shares which are not traded on a recognized securities exchange and no market value is readily available. The private company shares may be valued based on the pricing of a recent significant financing.

#### *Disposition of investments*

Realized gains and losses on the disposal of investments and unrealized gains and losses on securities classified as fair value through profit and loss are reflected in profit or loss on the transaction date and are calculated on a weighted average cost basis.

#### *Impairment of financial assets*

Financial assets not measured at FVTPL are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of the financial assets is reduced directly by any impairment loss for all financial assets with the exception of accounts or loans receivable, where the carrying amount is reduced through the use of an allowance account. When an account or loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

The carrying amounts of the Company's financial assets are reviewed at each reporting date to determine if there is any indication of impairment. As of September 30, 2018, and December 31, 2017, the fair values of financial assets approximate their amortized costs due to their short-term nature.

#### *Financial Instruments Recorded at Fair Value*

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Investments consist of the following at September 30, 2018:

<b>Investments</b>	<b>Cost</b> \$	<b>Level 1 Quoted Market Price</b> \$	<b>Level 2 Observable Market Inputs</b> \$	<b>Total Fair Value</b> \$
Equities	8,432,167	10,221,282	-	10,221,282
Warrants	-	-	17,063	17,063
<b>Total investments</b>	<b>8,432,167</b>	<b>10,221,282</b>	<b>17,063</b>	<b>10,238,345</b>

Investments consist of the following at December 31, 2017:

<b>Investments</b>	<b>Cost</b> \$	<b>Level 1 Quoted Market Price</b> \$	<b>Level 2 Observable Market Inputs</b> \$	<b>Total Fair Value</b> \$
Equities	5,381,044	6,537,100	-	6,537,100
Warrants	-	-	483,625	483,625
<b>Total investments</b>	<b>5,381,004</b>	<b>6,537,100</b>	<b>483,625</b>	<b>7,020,725</b>

### Financial Liabilities

Financial liabilities are classified as amortized cost.

#### *Amortized Cost*

Financial liabilities measured at amortized cost, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or to the net carrying amount on initial recognition.

As of September 30, 2018, and December 31, 2017, the fair value of accounts payable and accrued liabilities approximates their amortized cost due to the short-term nature of the financial liabilities.

### Derecognition of Financial Liabilities

The Company de-recognizes financial liabilities when the obligations are discharged, cancelled or expire.

### **Accounting standards issued but not yet applied**

The Company does not expect to early adopt the following revised standards and amendments. Accordingly, the Company expects to adopt the standards as set forth below.

#### ***IFRS 16, Leases (“IFRS 16”)***

In January 2016, the IASB issued IFRS 16. IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

## **Risk Factors**

The Company's business as an Investment Issuer is subject to a number of significant risk factors, and an investment in the Corporation will involve a high degree of risk. Investors should carefully consider each of such risks and all of the information in this MD&A before investing in the Corporation. The risks consist of:

*Limited Operating History as an Investment Issuer* - The Corporation has only a short-term record of operating as an Investment Issuer. As such, with the completed Change of Business, the Corporation will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that the Corporation will not achieve its financial objectives as estimated by Management. Furthermore, past successes of Management or the Board in other ventures do not guarantee future success.

*Risks of Competition* - The Corporation will face competition from other capital providers, all of which compete with it for investment opportunities. These competitors may limit the Corporation's opportunities to acquire interests in investments that are attractive to the Corporation. The Corporation may invest otherwise than in accordance with its Investment Policy and strategy in order to meet its investment objectives. If the Corporation is required to invest other than in accordance with its Investment Policy and strategy, its ability to achieve its desired rates of return on its investments may be adversely affected.

*Risks of Fluctuations in the Value of the Corporation and the Common Shares* - The net asset value of the Corporation and market value of the common shares will fluctuate with changes in the market value of the Corporation's investments. Such changes in value may occur as the result of various factors, including general economic and market conditions, the performance of corporations whose securities are part of the Corporation's investment portfolio and changes in interest rates which may affect the value of interest-bearing securities owned by the Corporation. There can be no assurance that shareholders will realize any gains from their investment in the Corporation and they may lose their entire investment.

*Due Diligence* - The due diligence process undertaken by the Corporation in connection with investments that it makes or wishes to make may not reveal all relevant facts in connection with an investment. Before making investments, the Corporation will conduct due diligence investigations that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence investigations, the Corporation may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence investigations and making an assessment regarding an investment, the Corporation will rely on resources available, including information provided by the target of the investment and, in some circumstances, third party investigations. The due diligence investigations that are carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

*Risks of Investment in Illiquid Securities* - There is a possibility that the Corporation will be unable to dispose of illiquid securities held in its portfolio. If the Corporation is unable to dispose of some or all of its investments at the appropriate time, a return on such investment may not be realized.

*Loss of Investment Risk* - An investment in the Corporation is speculative and may result in the loss of a substantial portion of an investor's investment. Only potential investors who are experienced in high risk investments and who can afford to lose a substantial portion of their investment should consider an investment in the Corporation.

*No Guaranteed Return Risk* - There is no guarantee that an investment in the Corporation will earn any positive return in the short term or long term.

*Dividends* - To date, the Corporation has not paid dividends on any of its common shares and the Corporation is not required to pay any dividends on its Common Shares in the foreseeable future. Any decision to pay dividends will be made on the basis of the Corporation's earnings, financial requirements and other conditions.

*Currency Risk* - Some of the Corporation's assets may be invested in foreign securities. Consequently, the Canadian dollar equivalent of the Corporation's net denominated assets and dividends would be adversely affected by reductions in the value of the applicable foreign currencies relative to the Canadian dollar and would be positively affected by increases in the value of the applicable foreign currencies relative to the Canadian dollar.

*Commodity Risk* - The Corporation may invest in sectors that are very sensitive to the fluctuations of commodity prices.

*Foreign Investment Risks* - Foreign investments made by the Corporation may be subject to political risks, risks associated with changes in foreign exchange rates, foreign exchange control risks and other similar risks.

*Equity Market Risk* - The price of the equity securities in which the Corporation may invest are influenced by the issuing corporation's outlook, market activity and regional, national and international economic conditions. When the economy is expanding, the outlook for many corporations is equally promising, and the value of their equity securities should rise in agreement. The opposite is also true. Typically, the greater the potential reward, the greater the potential risk. For small corporations and corporations in the emerging sectors the risk and reward ratio is usually greater. Equity-related securities, which give indirect exposure to the equity value of a corporation, such as warrants and convertible securities, can also be affected by this equity risk.

*Market Disruption Risks* - War and occupation, terrorism and related geopolitical risks may in the future lead to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. Those events could also have an acute effect on individual corporations or related groups of corporations. These risks could also adversely affect securities markets, inflation and other factors relating to the securities that would be held from time to time. Such events could, directly or indirectly, have a material effect on the prospects of the Corporation and the value of the securities in its investment portfolio.

*Private Corporation Risks* - Investments in private corporations cannot be resold without a prospectus, an available prospectus exemption or an appropriate ruling under relevant securities legislation. Even if they can be sold, there may not be a market for such securities. This may impair the Corporation's ability to react quickly to market conditions or negotiate the most favourable terms for exiting such investments. Investments in private corporations may offer relatively high potential returns, but will also be subject to a relatively high degree of risk. The process of valuing investments in private corporations will inevitably be based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments.

*Risk of Dilution from Possible Future Offerings* - The Corporation may issue additional securities from time-to-time to raise funding for its business and such issuances may be dilutive to Shareholders.

*Financing Risks* - Additional funding may be required to complete future investment and growth opportunities. There is no assurance that any such funds will be available to the Company, on acceptable terms or an acceptable level. Any limitations on the Company's ability to access the capital markets for additional funds could have a material adverse effect on the Company's ability to grow its investment portfolio.

*Dependence upon key Management* - The Corporation will depend on the business and technical expertise of its Management and key personnel. There is little possibility that this dependence will decrease in the near term. As the Corporation's operations expand, additional general management resources will be required. The Corporation may not be able to attract and retain additional qualified personnel and this would have a negative effect on the Corporation's operations. The Corporation currently maintains no "key man" life insurance policies on any members of its Management or Directors.

## **Management's Responsibility for Financial Information**

This MD&A and the accompanying unaudited interim condensed financial statements of Torrent Capital Ltd. are the responsibility of Management and have been approved by the Board of Directors. The unaudited interim condensed financial statements have been prepared by Management in accordance with IFRS. The unaudited interim condensed financial statements include certain amounts and assumptions that are based on Management's best estimates and have been derived with careful judgment. Management has established these amounts in a reasonable manner, in order to ensure that the unaudited interim condensed financial statements are presented fairly in all material respects.

## **Disclosure and Internal Financial Controls**

Management has established processes, which are in place to provide them sufficient knowledge to support Management representations that they have exercised reasonable diligence that:

- (i) the unaudited interim condensed financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim condensed financial statements; and
- (ii) the unaudited interim condensed financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim condensed financial statements.

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying Officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of unaudited interim condensed financial statements for external purposes in accordance with the issuer's GAAP.

The Company's certifying Officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying Officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **Additional Information**

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