TORRENT CAPITAL LTD.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(expressed in Canadian dollars)

Management’s Responsibility for Financial Reporting

The accompanying financial statements of Torrent Capital Ltd. (the "Company") are the responsibility of the Management and Board of Directors of the Company.

The financial statements have been prepared by Management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the financial statements. Where necessary, Management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of Management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards ("IFRS").

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 financials 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 financial statements and (ii) the financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that Management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with Management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Halifax, Canada

(signed) “*Wade Dawe”*
President and Chief Executive Officer
Halifax, Nova Scotia

(signed) *“Robert Randall”*
Chief Financial Officer
Halifax, Nova Scotia

Independent Auditor's Report

To the Shareholders of Torrent Capital Ltd.:

Opinion

We have audited the financial statements of Torrent Capital Ltd. (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Blair Michael Mabee.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

April 16, 2021 — Licensed Public Accountants

MNP

Torrent Capital Ltd.
Statements of Financial Position
As at December 31, 2020 and 2019
(Expressed in Canadian dollars unless otherwise indicated)

	December 31, 2020 $	December 31, 2019 $
ASSETS		
Current assets		
Cash and cash equivalents	**2,483,562**	229,291
Sales tax receivable	**42,117**	12,215
Investments at fair value (note 5)	**25,822,129**	14,449,798
Total Assets	**28,347,808**	14,691,304
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	**840,522**	245,018
Income taxes payable (note 9)	**360,000**	-
	1,200,522	245,018
Deferred income tax (note 9)	**1,650,000**	-
	2,850,522	245,018
EQUITY		
Share capital (note 6)	**9,728,356**	8,277,124
Contributed surplus (note 7)	**388,158**	2,471,739
Retained earnings	**15,380,772**	3,697,423
	25,497,286	14,446,286
Total Liabilities and Equity	**28,347,808**	14,691,304

Nature of Operations (note 1)

Approved on Behalf of the Board on April 16, 2021:

"Wade Dawe"
Director

"Jim Megann"
Director

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

Torrent Capital Ltd.

Statements of Income and Comprehensive Income
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars unless otherwise indicated)

	2020	2019
	$	$
REVENUE AND OTHER INCOME		
Realized gain on investments (note 5)	**7,244,237**	1,020,140
Unrealized gain on investments (note 5)	**7,312,662**	3,656,421
	14,556,899	4,676,561
EXPENSES		
Consulting (note 8)	**1,217,717**	517,500
Director's fees (note 8)	**98,652**	77,699
Professional fees	**50,083**	41,073
Insurance	**25,000**	25,000
Stock exchange and maintenance fees	**23,541**	22,205
Office and administration	**62,088**	59,672
Travel	**5,433**	17,807
Rent and related costs (note 8)	**20,400**	20,400
Stock-based compensation (note 7 and 8)	**91,462**	44,706
Foreign exchange loss	**7,984**	1,308
	(1,602,360)	(827,370)
INCOME BEFORE INCOME TAXES	**12,954,539**	3,849,191
INCOME TAXES		
Current income tax (note 9)	**360,000**	-
Deferred income tax (note 9)	**1,650,000**	-
	2,010,000	-
NET INCOME AND COMPREHENSIVE INCOME	**10,944,539**	3,849,191
Basic and diluted income per share	**0.46**	0.16
Weighted average number of shares outstanding	**24,003,174**	23,863,310

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

Torrent Capital Ltd.

Statements of Changes in Shareholders' Equity
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars unless otherwise indicated)

	Common Shares #	Share Capital $	Contributed Surplus $	Retained Earnings (Deficit) $	Total $
Balance – January 1, 2019	**23,848,333**	**8,203,404**	**2,460,753**	**(151,768)**	**10,512,389**
Net income and comprehensive income for the year	-	-	-	3,849,191	3,849,191
Shares issued on the exercise of stock options (Note 6)	133,334	73,720	(33,720)		40,000
Stock-based compensation (Note 7)	-	-	44,706	-	44,706
Balance – December 31, 2019	**23,981,667**	**8,277,124**	**2,471,739**	**3,697,423**	**14,446,286**
Net income and comprehensive income for the year	-	-	-	10,944,539	10,944,539
Shares issued on the exercise of stock options (Note 6)	50,000	26,145	(11,145)	-	15,000
Stock-based compensation (Note 7)	-	-	91,462	-	91,462
Reclassify expired warrants to share capital (Note 6)	-	1,425,087	(1,425,087)	-	-
Reclassify expired options to retained earnings	-	-	(738,810)	738,810	-
Balance – December 31, 2020	**24,031,667**	**9,728,356**	**388,158**	**15,380,772**	**25,497,286**

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

Torrent Capital Ltd.
Statements of Cash Flow
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars unless otherwise indicated)

	2020 $	2019 $
CASH PROVIDED BY:		
OPERATING ACTIVITIES		
Net income for the year	**10,944,539**	3,849,191
Items not affecting cash:		
Realized gain on investments	**(7,244,237)**	(956,105)
Unrealized gain on investments	**(7,312,662)**	(3,656,421)
Deferred income tax	**1,650,000**	-
Stock-based compensation	**91,462**	44,706
	(1,870,898)	(718,629)
Adjustments for:		
Proceeds on sale of investments	**14,292,317**	9,440,785
Acquisition of investments	**(11,107,751)**	(8,657,278)
Sales tax receivables	**(29,902)**	27,546
Accounts payable and accrued liabilities	**595,504**	(350,230)
Income taxes payable	**360,000**	-
	2,239,270	257,806
Financing Activities		
Proceeds on the issuance of shares	**15,000**	40,000
CHANGE IN CASH AND CASH EQUIVALENTS	**2,254,271**	(217,806)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**229,291**	447,097
CASH AND CASH EQUIVALENTS, END OF YEAR	**2,483,562**	229,291

Supplemental information:

Income taxes paid	-	-

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

1. NATURE OF OPERATIONS

Torrent Capital Ltd. (the "Company" or "Torrent") received final approval from the TSX Venture Exchange (the “Exchange”) for its change of business from a Mining Issuer to an Investment Issuer on February 2, 2017. The Company’s focus is on strategic investments in public and private company securities. Trading in the Company’s shares resumed on February 6, 2017 under the symbol “TORR”.

The Company’s corporate office is located at Suite 2001 – 1969 Upper Water Street, Purdy’s Wharf II, Halifax, Nova Scotia, Canada, B3J 3R7.

As at December 31, 2020, the Company had cash and cash equivalents of $2,483,562 (December 31, 2019 - $229,291) and working capital of $27,147,286 (December 31, 2019 - $14,446,286). Management believes that it has sufficient resources to fund its ongoing working capital requirements for the ensuing twelve months as they normally fall due.

Since December 31, 2019 and continuing into 2021, the outbreak of the novel strain of coronavirus, commonly identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and conditions of the Company in future periods.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and their interpretations adopted by the International Accounting Standards Board (“IASB”). These financial statements were authorized for issuance by the Board of Directors of the Company on April 16, 2021.

Basis of Presentation

These financial statements have been prepared on a historical cost basis, except for investments recorded at fair value through profit or loss. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Foreign currencies

The financial statements are presented in Canadian dollars, which is the Company’s functional currency. Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the statements of income and comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 9, Financial Instruments ("IFRS 9")

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.

Financial Assets	Classification
Cash and cash equivalents	Amortized cost
Investments	Fair value through profit and loss
Financial Liabilities	Classification
Accounts payable and accrued liabilities	Amortized cost

<u>Financial Assets</u>
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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 9, Financial Instruments ("IFRS 9") (continued)

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 statements of income and comprehensive income 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. These are included in Level 1.
b. For warrants and options which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a Black Scholes option pricing model is used; if no such market inputs are available, the warrants and options are valued using alternative methods representing fair value. These are included in Level 2.

Private company investments (i.e., securities of issuers that are not public companies):

All privately-held investments (other than options and warrants) are initially recorded at the transaction price, being the fair value at the date of acquisition. Thereafter, at each reporting period, the fair value of an investment may (depending upon the circumstances) be adjusted using one or more of the valuation indicators. These are included in Level 3. Options and warrants of private companies are valued using an option pricing model when there are sufficient and reliable observable market inputs; if no such market inputs are available, the warrants and options are valued using alternative methods representing fair value.

The determinations of fair value of the Company's privately-held investments at other than initial cost are subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable. Company-specific information is considered when determining whether the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to company specific information, the Company will take into account trends in general market conditions and the share performance of comparable publicly-traded companies when valuing privately-held investments.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 9, Financial Instruments ("IFRS 9") (continued)

The absence of the occurrence of any of these events, any significant change in trends in general market conditions, or any significant change in share performance of comparable publicly-traded companies indicates generally that the fair value of the investment has not materially changed. The private company shares may be valued based on the pricing of a recent significant financing.

Adjustments to the fair value of a privately-held investment will be based upon Management's judgment and any value estimated may not be realized or realizable. The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed. The amounts at which the Company's privately-held investments could be disposed of currently may differ from the carrying value assigned.

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 December 31, 2020, and December 31, 2019, the fair values of financial assets approximate their amortized costs due to their short-term nature.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 9, Financial Instruments ("IFRS 9") (continued)

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).

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 December 31, 2020, and December 31, 2019, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, and which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts and higher yield investment and savings accounts that are available on demand by the Company.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Company had no material provisions at December 31, 2020 or December 31, 2019.

Share-Based Payment Transactions

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.
The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Income Taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.
Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.
Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted during the period.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Per Share

The Company presents basic and diluted income per share data for its common shares outstanding, calculated by dividing the income attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted income per share is determined by adjusting the income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. As at December 31, 2020 and 2019, basic and diluted income per share were the same.

Foreign Currencies

The functional currency of the Company, as determined by Management, is the Canadian dollar and this is also the currency in which it presents these financial statements. The Company recognizes transactions in currencies other than the Canadian dollar (foreign currencies) at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the end of reporting period exchange rates are recognized in the statements of income and comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Revenue Recognition

Purchases and sales of investments are recognized on the settlement date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the statements of income and comprehensive income.

Upon disposal of an investment, previously recognized unrealized gains or losses are reversed to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments are expensed to the statements of income and comprehensive income as incurred.

Dividend income is recorded on the ex-dividend date and when the right to receive the dividend has been established. Interest income, other income and income from securities lending are recorded on an accrual basis.

Significant Accounting Judgments and Estimates

The preparation of these financial statements requires Management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates

Significant assumptions about the future that Management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Income Taxes and Recovery of Deferred Tax Assets and Liabilities
The measurement of income taxes payable and deferred tax assets and liabilities requires Management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

Stock-Based Compensation
Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as stock-based compensation in the statements of income and comprehensive income based on estimates of volatility, forfeitures and expected lives of the underlying stock options.

Fair Value of Investment in Securities Not Quoted in an Active Market
Where the fair values of financial assets and financial liabilities recorded on the statements of financial position, including equities and warrants, cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible; where observable market data is not available, Management's judgment is required to establish fair values.

Fair Value of Financial Derivatives
Investments in options and warrants that are not traded on a recognized securities exchange do not have a readily available market value. When there are sufficient and reliable observable market inputs, an option pricing model is used; if no such market inputs are available, the warrants and options are valued using alternative methods representing fair value.

Warrants
The Company uses the Black-Scholes option pricing model to calculate the value of warrants issued as part of the Company's private placements. The Black-Scholes model requires six key inputs to determine a value for a warrant: risk free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life 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. For example, a longer expected life of the warrant or a higher volatility number used would result in an increase in the warrant value.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standard adopted on January 1, 2019

The following standard has been adopted.

(i) In January 2016, the IASB issued IFRS 16, Leases (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 Company has no significant lease commitments and the standard did not have a material impact on the financial statements.

3. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives, including funding of future growth opportunities and pursuing accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares or debt, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

The Company considers its capital to be its shareholders' equity which at December 31, 2020 totaled $25,497,286 (December 31, 2019 - $14,446,286). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities, and provides this information to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2020 and 2019. The Company is not subject to any capital requirements or restrictions.

4. FINANCIAL RISK FACTORS

Financial Risk

The Company's activities expose it to a variety of financial risks: credit risk; liquidity risk; and market risk (including interest rate and foreign exchange rate).

Risk management is carried out by the Company's Management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

4. FINANCIAL RISK FACTORS (Continued)

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash consist of cash held at banks. As at December 31, 2020 and December 31, 2019, the Company held no short-term deposits. Cash is held with reputable banks in Canada which have a long-term credit rating of A, as determined by Standard and Poor's.

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they become due or can only do so at excessive cost. 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 a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at December 31, 2020, the Company had current assets of $28,347,808 (December 31, 2019 - $14,691,304) to settle current liabilities of ($1,200,522) (December 31, 2018 - $245,018). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

Most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(i) *Interest Rate Risk*
The Company has cash balances and no interest-bearing debt. The Company regularly monitors its cash management policy.

(ii) *Foreign Exchange Risk*
The Company's functional currency is the Canadian dollar and it transacts major purchases in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions is minimal, and therefore does not hedge its foreign exchange risk.

Sensitivity Analysis

Based on Management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period:

(i) Cash and cash equivalents are subject to floating interest rates. Sensitivity to a plus or minus a 5% change in interest rates would not have a material impact on the reported net income for the year ended December 31, 2020.

(ii) The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash and cash equivalents denominated in the United States dollar. An increase or decrease of 5% in foreign exchange rates applied to the financial instruments held at the end of the reporting period would affect net loss by $2,488 (December 31, 2019 – $4,032).

(expressed in Canadian dollars unless otherwise noted)

5. INVESTMENTS

	Shares #	Cost of Investment $	Market Value Dec. 31, 2020 $	Unrealized Gain (Loss) Year ended Dec. 31, 2020 $	Market Value Dec. 31, 2019 $
kneat.com, inc.	1,770,443	1,879,630	4,992,649	(363,624)[a]	5,021,050
WildBrain Ltd (DHX Media)	2,400,000	3,707,695	4,296,000	563,986	3,092,900
Ruckify Inc.	604,976	650,000	2,419,904	677,573	1,742,331
Electrovaya Inc.	1,560,800	1,145,684	2,325,592	1,179,908	-
Sona Nanotech Inc.	238,000	61,864	875,840	1,026,112	200,000
Resource Investments Portfolio		2,050,423	4,292,437	2,242,014	963,000
Clean Tech Investment Portfolio		1,586,988	2,988,000	1,401,012	-
Other marketable securities		3,217,300	3,631,707	485,116	3,430,517
Investments sold		-	-	100,565[b]	-
		14,299,584	**25,822,129**	**7,312,662**	**14,449,798**

(a) Arising from the reversal of unrealized gains in prior periods.

(b) Arising from the reclassification of unrealized amounts to realized during the period.

Investments consisted of the following at December 31, 2020:

Investments	Cost $	Level 1 Quoted Market Price $	Level 2 Observable Market Inputs $	Level 3 Non-Observable Market Inputs $	Total Fair Value $
Equities	14,299,584	20,275,915	-	4,630,653	**24,906,568**
Warrants	-	-	915,561	-	**915,561**
Total investments	**14,299,584**	**20,275,915**	**915,561**	**4,630,653**	**25,822,129**

Investments consisted of the following at December 31, 2019:

Investments	Cost $	Level 1 Quoted Market Price $	Level 2 Observable Market Inputs $	Level 3 Non-Observable Market Inputs $	Total Fair Value $
Equities	10,239,915	11,307,843	-	3,059,098	14,366,941
Warrants	-	-	82,857	-	82,857
Total investments	10,239,915	11,307,843	82,857	3,059,098	14,449,798

(expressed in Canadian dollars unless otherwise noted)

5. INVESTMENTS (Continued)

During the years ended December 31, 2020 and 2019, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

Balance – December 31, 2018	$	334,000
Purchases		1,870,000
Transfers to Level 1		(100,000)
Change in unrealized gains		955,098
Balance – December 31, 2019		**3,059,098**
Purchases		1,050,000
Transfers to Level 1		(200,000)
Change in unrealized gains		721,555
Balance – December 31, 2020	**$**	**4,630,653**

The table below presents the valuation techniques and the nature of significant inputs used to determine the fair values of the Level 3 investments as at December 31, 2020:

Investment	**Method**	**Inputs**	**Fair value change + / - 10%**
Equity instruments	Private placement financing technique	Price per share of last capital raise	$463,000

(expressed in Canadian dollars unless otherwise noted)

6. SHARE CAPITAL

(a) AUTHORIZED

Authorized share capital of the Company consists of an unlimited number of common shares without par value.

(b) SHARES ISSUED

	Number of Shares	Amount $
Balance – December 31, 2018	23,848,333	8,203,404
Shares issued on the exercise of options	133,334	73,720
Balance – December 31, 2019	23,981,667	8,277,124
Reclassify expired warrants to share capital	-	1,425,087
Shares issued on the exercise of options	50,000	26,145
Balance – December 31, 2020	**24,031,667**	**9,728,356**

The Company issued 133,334 shares, on the exercise of expiring options, to two Directors on November 21, 2019 for a fair value of $73,720, including cash proceeds of $40,000. On July 27, 2020, the Company issued 50,000 shares on the exercise of options, by a consultant, for a fair value of $26,145, including cash proceeds of $15,000.

(c) RECLASSSIFY CONTRIBUTED SURPLUS

The Company has reclassified private placement amounts, which had been previously allocated to warrants and recorded as contributed surplus, to share capital. The Company also reclassified stock-based compensation for expired options, which was previously recorded as contributed surplus, to retained earnings. These warrants and options expired unexercised.

7. STOCK OPTIONS AND RESTRICTED SHARE UNITS

The Company has a stock option plan (the "Plan") for directors, officers, employees and consultants of the Company. The Company also has a restricted share unit plan, under which the Company can issue up to 800,000 shares. The restricted share plan together with the option plan shall not exceed 10% of the issued and outstanding common shares of the Company. The options can have up to a ten-year life and the vesting period is set by the Board of Directors. Options are granted at a price not lower than the market price of the common shares. The performance criteria and performance period of the restricted shares units are determined by the Board of Directors.

On December 3, 2018, the Company granted 200,000 stock options to Directors and Officers. The options are exercisable at a price of $0.42 per share and expire on December 3, 2023.

On December 3, 2018, the Company also issued 200,000 restricted share units with immediate vesting to Directors and Officers. The estimated fair value of these restricted share units was $84,000 which was recognized as stock-based compensation during the year ended December 31, 2018.

(expressed in Canadian dollars unless otherwise noted)

7. STOCK OPTIONS AND RESTRICTED SHARE UNITS (Continued)

On May 19, 2020, the Company granted 460,000 stock options to Directors, Officers and a consultant. The options are exercisable at a price of $0.40 per share and expire on May 19, 2025.

In the quarter ended September 30, 2020, the Company granted 75,000 stock options to an employee and consultant. The options are exercisable at a price of $0.80 per share and expire in the quarter ended September 30, 2025.

The options vest at a rate of 50% of the total granted on each of the six and twelve-month anniversaries of the grant date.

The estimated fair value of options recognized has been estimated at the grant date using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected volatility. Changes in the assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable estimate of the fair value of the Company's stock options.

There were no options or restricted share units issued during the year ended December 31, 2019. The assumptions used in the pricing model for the options issued during the year ended December 31, 2020:

	Dec 31, 2020
Risk free interest rate	0.4%
Expected volatility	61%
Expected dividend yield	-
Expected life	5 years
Weighted average fair value per option	$0.226

Based on the Black-Scholes option pricing model and the assumptions outlined above, the estimated fair value of the options granted during the year ended December 31, 2020 is $114,990. These amounts are amortized over the vesting period with $91,462 expensed during the year ended December 31, 2020. The following table reflects the stock options continuity for the years ended December 31, 2020 and 2019:

	Number of Stock Options Outstanding	**Weighted Average Exercise Price $**
Balance – December 31, 2018	958,334	0.33
Options exercised	(133,334)	0.30
Balance – December 31, 2019	825,000	0.31
Options issued	535,000	0.46
Option exercised	(50,000)	0.30
Balance – December 31, 2020	1,310,000	0.38

(expressed in Canadian dollars unless otherwise noted)

7. STOCK OPTIONS AND RESTRICTED SHARE UNITS (Continued)

The following table reflects the stock options outstanding as at December 31, 2020:

Expiry Date	Exercise Price $	Weighted Average Life Remaining	Options Outstanding	Options Vested	Black-Scholes Value $
June 15, 2022	0.30	1.5 years	575,000	575,000	150,452
December 3, 2023	0.42	2.9 years	200,000	200,000	51,092
May 19, 2025	0.40	4.4 years	460,000	230,000	94,456
July 20, 2025	0.80	4.6 years	50,000	-	20,534
September 30, 2025	0.80	4.8 years	25,000	-	10,267
			1,310,000	1,005,000	

8. RELATED PARTY TRANSACTIONS AND BALANCES

Remuneration of Directors and key management personnel of the Company was as follows:

	Year ended December 31, 2020 $	Year ended December 31, 2019 $
CEO remuneration – W. Dawe	**670,000**	180,000
Chief Investment Officer – S. Gardner	**289,000**	236,500
CFO remuneration – R. Randall	**104,363**	51,300
Director remuneration	**98,652**	77,699
Service fees and rent (notes i)	**70,200**	70,100
	1,232,215	615,599

i) During the year ended December 31, 2020, the Company incurred costs for consulting service fees from a related party, Numus Financial Inc. ("Numus"), a company controlled by two Directors, in the amount of $34,200 (year ended December 31, 2019 – $34,200), financial controller services of $36,000 (year ended December 31, 2019 - $15,500), and incurred rent and administrative costs from Numus in the amount of $20,400 (year ended December 31, 2019 – $27,745).

As outlined in the Services Agreement between Numus and the Company, effective January 1, 2021, the monthly consulting service fees have increased from $2,850 per month to $5,250 per month for additional services. The Financial Controller and rental amounts remain the same at $3,000 and $1,700 per month, respectively. If the Consulting Services Agreement is cancelled by the Company, a break fee of eighteen months of remuneration, being $94,500, will be payable to Numus, in addition to the service fees applicable for the 90-day notice period. If the Financial Controller services are cancelled by the Company, a break fee of six months of remuneration, being $18,000, will be payable to Numus, in addition to the service fees applicable for the 90 day notice period. If the Office Services are cancelled by the Company with six months' notice to Numus, a break fee of six months of remuneration, being $10,200, will be payable to Numus.

(expressed in Canadian dollars unless otherwise noted)

8. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

In the year ended December 31, 2020, the Company issued (460,000) stock options to Directors and Officers. The estimated fair value of these stock options was ($99,456) of which stock-based compensation of $74,778 has been recognized in the year ended December 31, 2020.

As at December 31, 2020, related parties were owed $740,912 (December 31, 2019 - $206,278). These amounts are included in accounts payable and accrued liabilities.
The above noted transactions are in the normal course of business, as agreed to by the parties and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

9. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 31% (2019 – 31%) to the effective tax rate is as follows:

	December 31, 2020 $	December 31, 2019 $
Income before income taxes	**12,954,539**	3,849,191
Expected income tax expense	**4,015,910**	1,193,250
Permanent difference regarding accounting gain on investments	**(2,256,370)**	(714,940)
Stock based compensation and other non-deductible items	**28,400**	14,700
Change in tax benefits not recognized	**222,060**	(493,010)
Income tax (recovery) expense	**2,010,000**	-
Current income tax	**360,000**	-
Deferred income tax	**1,650,000**	-
Income tax (recovery) expense	**2,010,000**	-

(expressed in Canadian dollars unless otherwise noted)

9. INCOME TAXES (Continued)

Deferred Tax

The following table summarizes the components of deferred tax:

	December 31, 2020 $	December 31, 2019 $
Deferred Tax Assets		
Non-capital losses carried forward	**-**	254,200
Capital losses carried forward	**-**	236,330
Exploration and evaluation assets	**72,860**	80,960
Intangible assets	**60,950**	65,540
Charitable donations carried forward	**-**	15,500
Deferred Tax Liability		
Unrealized gains on investments	**(1,783,810)**	(652,530)
Net deferred tax liability	**(1,650,000)**	-

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the right and intent to offset.