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**TORRENT CAPITAL LTD.**

**UNAUDITED CONDENSED INTERIM  
FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED  
SEPTEMBER 30, 2018**

(expressed in Canadian dollars)

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November 26, 2018

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

The accompanying unaudited condensed interim financial statements of **Torrent Capital Ltd.** are the responsibility of management and have been approved by the Board of Directors (the "Board"). The unaudited condensed interim financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The unaudited condensed interim financial statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for the preparation of the financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's unaudited condensed interim financial statements and recommended their approval by the Board of Directors.

These unaudited condensed interim financial statements have not been reviewed by the external auditors of the Company.

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

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

**Torrent Capital Ltd.**  
**Unaudited Condensed Interim Statements of Financial Position**  
**As at September 30, 2018 and December 31, 2017**  
*(Expressed in Canadian dollars unless otherwise indicated)*

	September 30, 2018 \$	December 31, 2017 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,825,328	772,290
Sales tax receivable	7,116	4,744
Prepaid expenses	7,965	2,674
<b>Investments in publicly-traded securities</b> (note 3)	<b>10,238,345</b>	7,020,725
	<b>12,078,754</b>	7,800,433
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 6)	88,430	111,510
Deferred tax liability	85,000	-
	<b>173,430</b>	111,510
<b>EQUITY</b>		
Share capital (note 4)	8,119,404	8,119,404
Contributed surplus (note 5)	2,454,365	2,423,021
Deficit	1,331,555	(2,853,502)
	<b>11,905,324</b>	7,688,923
	<b>12,078,754</b>	7,800,433

**Nature of operations** (note 1)

**Approved on Behalf of the Board:**

*"Wade Dawe"*  
**Director**

*"Jim Megann"*  
**Director**

*The accompanying notes are an integral part of these unaudited condensed interim financial statements.*

## Torrent Capital Ltd.

### Unaudited Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)

For the periods ended September 30, 2018 and 2017

(Expressed in Canadian dollars unless otherwise indicated)

	Three months ended Sept. 30, 2018 \$	Three months ended Sept. 30, 2017 \$	Nine months ended Sept. 30, 2018 \$	Nine months ended Sept. 30, 2017 \$
<b>REVENUE AND OTHER INCOME (LOSS)</b>				
Interest income	3	1,153	117	16,870
Realized gain (loss) on investments	3,965,060	(8,659)	4,440,341	(8,659)
Unrealized gain (loss) on investments (note 3)	2,281,595	248,935	166,497	(157,642)
	<b>6,246,658</b>	241,429	<b>4,606,955</b>	(149,431)
<b>EXPENSES</b>				
Consulting and wages (note 6)	48,875	48,282	151,475	136,963
Directors fees (note 6)	26,317	17,801	79,037	45,051
Professional fees	6,545	9,750	12,389	25,002
Insurance	6,303	6,302	18,699	19,915
Stock exchange and maintenance fees	4,666	4,223	23,634	31,597
Office and administration	3,723	7,151	7,501	17,935
Travel	2,500	2,150	2,500	7,305
Rent and related costs (note 6)	4,435	3,105	10,645	9,315
Stock-based compensation	-	56,420	31,344	75,227
Foreign exchange loss (gain)	26	4,398	(326)	9,016
	<b>(103,390)</b>	(159,582)	<b>(336,898)</b>	(377,326)
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>6,143,268</b>	81,847	<b>4,270,057</b>	(526,757)
Deferred income taxes	85,000	-	85,000	-
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>	<b>6,058,268</b>	81,847	<b>4,185,057</b>	(526,757)
<b>Basic and diluted income (loss) per share</b>	<b>0.26</b>	0.003	<b>0.18</b>	(0.022)
<b>Weighted average number of shares outstanding</b>	<b>23,648,333</b>	23,648,333	<b>23,648,333</b>	23,648,333

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

## Torrent Capital Ltd.

### Unaudited Condensed Interim Statements of Changes in Shareholders' Equity

For the periods ended September 30, 2018 and 2017

(Expressed in Canadian dollars unless otherwise indicated)

	Common Shares #	Share Capital \$	Contributed Surplus \$	Deficit \$	Total \$
<b>Balance - December 31, 2016</b>	<b>23,648,333</b>	<b>8,119,404</b>	<b>2,303,912</b>	<b>(3,848,285)</b>	<b>6,575,031</b>
Net loss for the period	-	-	-	(526,757)	(526,757)
Stock-based compensation	-	-	75,226	-	75,226
<b>Balance - September 30, 2017</b>	<b>23,648,333</b>	<b>8,119,404</b>	<b>2,379,138</b>	<b>(4,375,042)</b>	<b>6,123,500</b>
Net income for the year	-	-	-	1,521,540	1,521,540
Stock-based compensation	-	-	43,883	-	43,883
<b>Balance - December 31, 2017</b>	<b>23,648,333</b>	<b>8,119,404</b>	<b>2,423,021</b>	<b>(2,853,502)</b>	<b>7,688,923</b>
Net income for the period	-	-	-	4,185,057	4,185,057
Stock-based compensation	-	-	31,344	-	31,344
<b>Balance - September 30, 2018</b>	<b>23,648,333</b>	<b>8,119,404</b>	<b>2,454,365</b>	<b>1,331,555</b>	<b>11,905,324</b>

On February 1, 2017, the Company completed a one-for-three share consolidation. All references to the number of common shares have been adjusted retrospectively to reflect the Company's one-for-three share consolidation for all periods disclosed in these financial statements.

*The accompanying notes are an integral part of these unaudited condensed interim financial statements.*

**Torrent Capital Ltd.**  
**Unaudited Condensed Interim Statement of Cash Flows**  
**For the periods ended September 30, 2018 and 2017**  
*(Expressed in Canadian dollars unless otherwise indicated)*

	Nine months ended September 30, 2018 \$	Nine months ended September 30, 2017 \$
<b>CASH (USED IN) PROVIDED BY:</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	4,185,057	(526,757)
Items not affecting cash:		
Realized (gain) loss on investments	(4,410,801)	16,279
Unrealized (gain) loss on investments	(166,497)	157,642
Deferred income tax	85,000	-
Stock-based compensation	31,344	75,227
	(275,897)	(277,609)
<b>Adjustments for:</b>		
Proceeds on sale of investments	7,740,196	464,114
Acquisition of publicly-traded securities	(6,380,518)	(5,108,221)
Sales tax receivables	(2,372)	23,496
Prepaid expenses	(5,291)	(10,416)
Accounts payable and accrued liabilities	(23,080)	(24,820)
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>1,053,038</b>	<b>(4,933,456)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>772,290</b>	<b>6,353,915</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>1,825,328</b>	<b>1,420,459</b>

*The accompanying notes are an integral part of these unaudited condensed interim financial statements.*

# **Torrent Capital Ltd.**

## **Notes to Unaudited Condensed Interim Financial Statements**

### **For the period ended September 30, 2018**

*(expressed in Canadian dollars unless otherwise noted)*

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#### **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. On a go forward basis, the Company will focus upon 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 September 30, 2018, the Company had cash and cash equivalents of \$1,825,328 (December 31, 2017 - \$772,290) and working capital of \$11,990,324 (December 31, 2017 - \$7,688,923). Management believes that it has sufficient resources to fund its ongoing working capital requirements for the ensuing twelve months as they normally fall due.

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

The Company prepares its unaudited condensed interim financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of Chartered Professional Accountants of Canada – Part 1 ("CPA Canada Handbook"), which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), as issued by the IASB. Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB, have been omitted or condensed. The unaudited condensed interim financial statements should be read in conjunction with the Company's annual audited financial statements for the year-ended December 31, 2017.

The policies applied in these unaudited condensed interim financial statements are based on IFRS as of November 26, 2018, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year-ended December 31, 2018 could result in the restatement of these unaudited condensed interim financial statements.

##### **Basis of Presentation**

These unaudited condensed interim financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

##### **Significant Accounting Policies**

These unaudited condensed interim financial statements have been prepared using the same policies and methods of computation as the annual financial statements of the Company for the year-ended December 31, 2017, except as noted below. Refer to note 2, *Significant Accounting Policies*, of the Company's annual financial statements for the year-ended December 31, 2017 for information regarding the accounting policies as well as new accounting standards not yet effective.

# Torrent Capital Ltd.

## Notes to Unaudited Condensed Interim Financial Statements

For the period ended September 30, 2018

(expressed in Canadian dollars unless otherwise noted)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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.



## **Torrent Capital Ltd.**

### **Notes to Unaudited Condensed Interim Financial Statements**

#### **For the period ended September 30, 2018**

*(expressed in Canadian dollars unless otherwise noted)*

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## **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Adoption of New Standards (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 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.

## Torrent Capital Ltd.

### Notes to Unaudited Condensed Interim Financial Statements

For the period ended September 30, 2018

(expressed in Canadian dollars unless otherwise noted)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Adoption of New Standards (continued)

#### *IFRS 9, Financial Instruments (“IFRS 9”) (continued)*

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>5,381,044</b>	<b>6,537,100</b>	<b>483,625</b>	<b>7,020,725</b>

## **Torrent Capital Ltd.**

### **Notes to Unaudited Condensed Interim Financial Statements**

#### **For the period ended September 30, 2018**

*(expressed in Canadian dollars unless otherwise noted)*

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## **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Adoption of New Standards (continued)**

#### ***IFRS 9, Financial Instruments (“IFRS 9”) (continued)***

##### 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.

### **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 unaudited condensed interim 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 unaudited condensed interim statements of income (loss) and comprehensive income (loss) 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 unaudited condensed interim 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.

## Torrent Capital Ltd.

### Notes to Unaudited Condensed Interim Financial Statements

For the period ended September 30, 2018

(expressed in Canadian dollars unless otherwise noted)

### 3. INVESTMENTS

	Shares #	Amount Invested \$	Market Value Sept. 30, 2018 \$	Unrealized Gain / (Loss) quarter ended Sept. 30, 2018 \$	Unrealized Gain / (Loss) Year to date Sept. 30, 2018 \$	Market Value Dec. 31, 2017 \$
DHX Media	2,300,000	3,431,721	4,278,000	1,013,163	810,504	408,600
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	850,000
Netcoins Holdings Inc.	3,346,215	527,494	568,856	114,221	41,362	100,000
Westdome Gold Mines	125,200	273,174	443,208	(120)	161,061	263,750
Agua Resources Limited						
Common shares	2,705,843	1,292,324	378,818	(135,292)	(550,460)	985,195
Warrants	1,250,000	-	-	-	-	-
AnalytixInsight Inc.						
Common shares	1,107,500	259,017	376,550	(46,115)	(646,728) <sup>(a)</sup>	1,249,875
Warrants	1,250,000	-	-	(37,500)	(250,000)	250,000
Pivot Technology Solutions	227,500	570,229	338,975	(95,550)	(153,637)	419,100
eXeBlock Technology Corp.						
Common shares	925,000	155,750	106,375	(4,625)	(763,125)	869,500
Warrants	262,500	-	17,063	(1,313)	(216,563)	233,625
Iron Bridge Resources Inc.	-	-	-	93,894	176,041	1,351,080
Other marketable securities		512,500	512,500	-	-	40,000
		<b>8,432,167</b>	<b>10,238,345</b>	<b>2,281,595</b>	<b>166,497</b>	<b>7,020,725</b>

(a) This includes the transfer of \$440,728 to a realized gain on the disposal of shares in AnalytixInsight Inc. during the period ended September 30, 2018.

### 4. SHARE CAPITAL

#### (a) AUTHORIZED

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

#### (b) ISSUED

	Number of Shares	Amount \$
Balance – December 31, 2016 and 2017 and September 30, 2018	23,648,333	8,119,404

On February 1, 2017, the Company completed a one-for-three share consolidation. All references to the number of common shares have been adjusted retrospectively to reflect the Company's one-for-three share consolidation for all periods disclosed in these financial statements.

## **Torrent Capital Ltd.**

### **Notes to Unaudited Condensed Interim Financial Statements**

#### **For the period ended September 30, 2018**

*(expressed in Canadian dollars unless otherwise noted)*

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#### **4. SHARE CAPITAL (Continued)**

##### **(c) ESCROWED**

As a result of the Company's change of business, 4,189,204 common shares held by the directors were subject to a Tier 1 Value Escrow Agreement. There was an initial release of 963,583 (23%) of the escrowed securities on February 2, 2017 and the remaining shares will be released at a rate of 1,075,207 (25.7%) every six months thereafter. As at September 30, 2018 all these shares have been released from escrow.

#### **5. 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 no 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 June 15, 2017, the Company granted 675,000 stock options to directors, officers, employees and consultants. The options are exercisable at a price of \$0.30 per share and expire on June 15, 2022. The options will vest at a rate of 50% of the total 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 issued during the period ended September 30, 2018. The assumptions used in the pricing model for the options issued during the year ended December 31, 2017 were as follows:

Risk free interest rate	1%
Expected volatility	100%
Expected dividend yield	-
Expected life	5 years
Weighted average fair value per option	\$0.223

Based on the Black-Scholes option pricing model and the assumptions outlined above, the estimated fair value of the granted options is \$150,452. This amount is amortized over the vesting period and \$119,109 has been expensed during the year ended December 31, 2017 and \$31,344 has been expensed in the period ended September 30, 2018.

## Torrent Capital Ltd.

### Notes to Unaudited Condensed Interim Financial Statements

#### For the period ended September 30, 2018

(expressed in Canadian dollars unless otherwise noted)

#### 5. STOCK OPTIONS AND RESTRICTED SHARE UNITS (Continued)

The following table reflects the stock options for the year ended December 31, 2017 and the period ended September 30, 2018:

	Number of Stock Options Outstanding	Weighted Average Exercise Price \$
<b>Balance - December 31, 2016</b>	616,666	0.30
Options granted	675,000	0.30
Options expired	(50,000)	0.30
<b>Balance - December 31, 2017</b>	1,241,666	0.30
Options expired	(433,333)	0.30
<b>Balance – June 30, 2018</b>	808,333	0.30

The following table reflects the stock options outstanding as at September 30, 2018:

Expiry Date	Exercise Price \$	Weighted Average Life Remaining	Options Outstanding and Vested	Black- Scholes Value \$
November 21, 2019	0.30	1.1 years	133,333	33,720
June 15, 2022	0.30	3.7 years	675,000	150,452
	0.30	3.3 years	808,333	

## Torrent Capital Ltd.

### Notes to Unaudited Condensed Interim Financial Statements

For the period ended September 30, 2018

(expressed in Canadian dollars unless otherwise noted)

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#### 6. RELATED PARTY TRANSACTIONS AND BALANCES

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

	<b>Nine months ended September 30, 2018 \$</b>	Nine months ended September 30, 2017 \$
Director remuneration	<b>79,307</b>	45,125
Administration fees and rent (notes i)	<b>35,842</b>	36,515
CFO remuneration – R. Randall	<b>38,025</b>	42,112
Chief Investment Officer – S. Gardner	<b>90,000</b>	80,000
	<b>243,174</b>	203,752

- i) During the nine months ended September 30, 2018, the Company incurred administration fees of \$25,197 (year ended December 31, 2017 - \$35,650), rent and related costs of \$10,645 (year ended December 31, 2017 - \$12,420) with Numus Financial Inc., a company owned by two directors.

In June 2017, the Company issued 625,000 stock options to directors and officers. The estimated fair value of these stock options was \$139,307, of which stock-based compensation of \$29,022 has been recognized in the period ended September 30, 2018 (year ended December 31, 2017 - \$110,285).

As of September 30, 2018, related parties were owed \$64,309 (December 31, 2017 - \$72,562). 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.

## Torrent Capital Ltd.

### Notes to Unaudited Condensed Interim Financial Statements

For the period ended September 30, 2018

(expressed in Canadian dollars unless otherwise noted)

#### 7. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 31% (2017 – 31%; 2016 – 26.5%) to the effective tax rate is as follows:

	September 30, 2018 \$	December 31, 2017 \$	December 31, 2016 \$
Income (loss) before recovery of income taxes	4,270,057	994,783	(6,266)
Expected income tax (recovery) expense	1,323,718	308,380	(1,660)
Permanent difference regarding accounting gain on investments	(688,253)	(254,160)	5,140
Changes in temporary differences and other adjustments	24,690	(94,240)	(23,330)
Capital loss on settlement of debt	-	36,930	-
Utilization of capital losses	(314,472)	-	-
Utilization of non-capital losses	(269,412)	-	-
Stock based compensation and other non-deductible items	9,717	37,870	-
Change in tax benefits not recognized	-	(34,780)	19,850
Income tax expense	85,000	-	-

#### Deferred Tax

The following table summarizes the components of deferred tax:

	September 30, 2018 \$	December 31, 2017 \$	December 31, 2016 \$
<b>Deferred Tax Asset</b>			
Capital losses carried forward	194,464	175,520	-
<b>Deferred Tax Liability</b>			
Unrealized gains on investments	(279,464)	(175,520)	-
Net deferred tax liability	(85,000)	-	-

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.



## Torrent Capital Ltd.

### Notes to Unaudited Condensed Interim Financial Statements

For the period ended September 30, 2018

(expressed in Canadian dollars unless otherwise noted)

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#### 7. INCOME TAXES (continued)

##### Unrecognized Deferred Tax Assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized with respect to the following deductible temporary differences:

Deferred Income Tax Assets	September 30, 2018 \$	December 31, 2017 \$	December 31, 2016 \$
Exploration and evaluation assets	300,924	322,420	398,050
Intangible asset	236,287	244,440	262,830
Marketable securities	(1,806,178)	-	507,310
Non-capital losses carried forward	90,092	772,410	384,060
Net capital losses carried forward	-	561,310	1,455,420

The Canadian non-capital loss carry forwards expire in 2037. Net capital loss carry forwards may be carried forward indefinitely, but can only be used to reduce capital gains. The remaining deductible temporary differences may be carried forward indefinitely.