
TORRENT CAPITAL LTD.

FINANCIAL STATEMENTS

**FOR THE QUARTERS ENDED
MARCH 31, 2021 AND 2020**

(expressed in Canadian dollars)

Management's Responsibility for Financial Reporting

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

The condensed interim 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 condensed interim 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 condensed interim 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 condensed interim financial statements and (ii) the condensed interim 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 condensed interim financial statements.

The Board of Directors is responsible for reviewing and approving the condensed interim 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 condensed interim 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 condensed interim 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.

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

Halifax, Canada

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

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

Torrent Capital Ltd.
Statements of Financial Position
As at March 31, 2021 and December 31, 2020
(Expressed in Canadian dollars unless otherwise indicated)

	March 31, 2021 \$	December 31, 2020 \$
ASSETS		
Current assets		
Cash and cash equivalents	893,906	2,483,562
Sales tax receivable	27,330	42,117
Prepaid expenses	28,296	-
Investments at fair value (note 3)	33,781,615	25,822,129
Total Assets	34,731,147	28,347,808
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	1,113,685	840,522
Income taxes payable (note 7)	680,000	360,000
	1,793,685	1,200,522
Deferred income tax (note 7)	2,200,000	1,650,000
	3,993,685	2,850,522
EQUITY		
Share capital (note 4)	9,728,356	9,728,356
Contributed surplus (note 4)	408,093	388,158
Retained earnings	20,601,013	15,380,772
	30,737,462	25,497,286
Total Liabilities and Equity	34,731,147	28,347,808

Nature of Operations (note 1)

Approved on Behalf of the Board on May 19, 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 quarters ended March 31, 2021 and 2020
(Expressed in Canadian dollars unless otherwise indicated)

	Three months ended March 31, 2021 \$	Three months ended March 31, 2020 \$
REVENUE AND OTHER INCOME (LOSS)		
Realized gain on investments	3,035,176	757,792
Unrealized gain (loss) on investments (note 3)	3,542,891	(3,150,985)
	6,578,067	(2,393,193)
EXPENSES		
Consulting and wages (note 6)	148,259	114,075
Director fees (note 6)	20,245	19,425
Professional fees	33,023	8,750
Insurance	7,068	5,943
Stock exchange and maintenance fees	8,621	2,330
Office and administration	18,181	657
Travel	-	288
Rent (note 6)	5,100	5,100
Stock-based compensation (note 5)	243,935	-
Gain on foreign exchange	3,394	(3,324)
	(487,826)	(153,244)
INCOME (LOSS) BEFORE INCOME TAXES	6,090,241	(2,546,437)
INCOME TAXES		
Current income tax (note 7)	320,000	-
Deferred income tax (note 7)	550,000	-
	870,000	-
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	5,220,241	(2,546,437)
Basic and diluted income (loss) per share	0.22	(0.11)
Weighted average number of shares outstanding	24,031,667	23,981,667

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

Torrent Capital Ltd.**Statements of Changes in Shareholders' Equity****For the quarters ended March 31, 2021 and 2020***(Expressed in Canadian dollars unless otherwise indicated)*

	Common Shares #	Share Capital \$	Contributed Surplus \$	Retained Earnings (Deficit) \$	Total \$
Balance – January 1, 2020	23,981,667	8,277,124	2,471,739	3,697,423	14,446,286
Net income and comprehensive income for the period	-	-	-	(2,546,437)	(2,546,437)
Balance – March 31, 2020	23,981,667	8,277,124	2,471,739	1,150,986	11,899,849
Net income and comprehensive income for the period	-	-	-	13,490,976	13,490,976
Shares issued on the exercise of stock options (Note 4)	50,000	26,145	(11,145)	-	15,000
Stock-based compensation (Note 5)	-	-	91,462	-	91,462
Reclassify expired warrants to share capital (Note 4)	-	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
Net income and comprehensive income for the period	-	-	-	5,220,241	5,220,241
Stock-based compensation (Note 5)	-	-	19,935	-	19,935
Balance – March 31, 2021	24,031,667	9,728,356	408,093	20,601,013	30,737,462

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

Torrent Capital Ltd.**Statements of Cash Flow****For the quarters ended March 31, 2021 and 2020***(Expressed in Canadian dollars unless otherwise indicated)*

	Three months ended March 31, 2021 \$	Three months ended March 31, 2020 \$
CASH PROVIDED BY:		
OPERATING ACTIVITIES		
Net income for the period	5,220,241	(2,546,437)
Items not affecting cash:		
Realized gain on investments	(3,035,176)	(757,804)
Unrealized (gain) loss on investments	(3,542,891)	3,150,985
Deferred income tax	550,000	-
Stock-based compensation	19,935	-
	(787,891)	(153,256)
Adjustments for:		
Proceeds on sale of investments	6,076,666	3,285,892
Acquisition of investments	(7,458,085)	(2,775,359)
Sales tax receivables	14,787	(1,809)
Prepaid expenses	(28,296)	(19,057)
Accounts payable and accrued liabilities	273,163	55,440
Income taxes payable	320,000	-
	(801,765)	279,600
Financing Activities		
Proceeds on the issuance of shares	-	-
CHANGE IN CASH AND CASH EQUIVALENTS	(1,589,656)	126,344
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,483,562	229,291
CASH AND CASH EQUIVALENTS, END OF PERIOD	893,906	355,635

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

Torrent Capital Ltd.

Notes to Financial Statements

For the quarters ended March 31, 2021 and 2020

(expressed in Canadian dollars unless otherwise noted)

1. NATURE OF OPERATIONS

Torrent Capital Ltd. (“Torrent” or the “Company”) is a publicly traded investment issuer listed under the symbol TORR on the TSX Venture Exchange (“TSXV”). The Company’s focus is on strategic investments in public and private company securities, with the objective of increasing shareholder return. 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 March 31, 2021, the Company had cash and cash equivalents of \$893,906 (December 31, 2020 - \$2,483,562) and working capital of \$30,737,462 (December 31, 2020 - \$27,147,286). 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

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, 2020.

The policies applied in these unaudited condensed interim financial statements are based on IFRS as of May 19, 2021, the date the Board of Directors approved the condensed interim financial statements. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year-ended December 31, 2021 could result in the restatement of these unaudited condensed interim financial statements.

Torrent Capital Ltd.

Notes to Financial Statements

For the quarters ended March 31, 2021 and 2020

(expressed in Canadian dollars unless otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020, except as noted below. Refer to note 2, *Significant Accounting Policies*, of the Company's annual financial statements for the year-ended December 31, 2020 for information regarding the accounting policies as well as new accounting standards not yet effective. Also, refer to note 3, *Capital Management* and note 4, *Financial Risk Factors*, of the Company's annual financial statements for the year-ended December 31, 2020 for the Company's capital management objectives and its financial risk factors.

3. INVESTMENTS

	Shares #	Cost of Investment \$	Market Value March 31, 2021 \$	Unrealized Gain (Loss) Quarter ended March 31, 2021 \$	Market Value Dec. 31, 2020 \$
WildBrain Ltd (DHX Media)	2,520,000	3,957,541	7,156,800	2,610,954	4,296,000
kneat.com, inc.	1,702,943	1,813,892	5,313,182	386,270	4,992,649
Electrovaya Inc.	2,479,445	2,807,008	4,413,412	426,496	2,325,592
Ruckify Inc.	604,976	650,000	2,419,904	-	2,419,904
AnalytixInsight Inc.	1,011,691	620,094	1,081,340	297,610	663,636
Clean Tech Investment Portfolio		2,074,500	4,366,607	1,550,358	2,988,000
Resource Investments Portfolio		1,643,854	3,371,462	(514,405) ^(a)	4,292,437
Other marketable securities		5,149,290	5,658,908	(555,129)	3,843,911
Investments sold		-	-	(659,262) ^(b)	-
		18,716,179	33,781,615	3,542,892	25,822,129

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

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

IFRS 9, Financial Instruments ("IFRS 9")

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).

Torrent Capital Ltd.

Notes to Financial Statements

For the quarters ended March 31, 2021 and 2020

(expressed in Canadian dollars unless otherwise noted)

3. INVESTMENTS (Continued)

Investments consisted of the following at March 31, 2021:

Investments	Cost	Level 1 Quoted Market Price	Level 2 Observable Market Inputs	Level 3 Non-Observable Market Inputs	Total Fair Value
	\$	\$	\$	\$	\$
Equities	18,716,179	26,603,491	-	5,541,553	32,145,044
Warrants	-	-	1,636,571	-	1,636,571
Total investments	18,716,719	26,603,491	1,636,571	5,541,553	33,781,615

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

During the year ended December 31, 2020 and the quarter ended March 31, 2021, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	\$
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
Purchases	1,136,765
Transfers to Level 1	(250,000)
Change in unrealized gains	24,135
Balance – March 31, 2021	5,541,553

Torrent Capital Ltd.

Notes to Financial Statements

For the quarters ended March 31, 2021 and 2020

(expressed in Canadian dollars unless otherwise noted)

4. 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, 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 and March 31, 2021	24,031,667	9,728,356

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) RECLASSIFY 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.

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 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 April 12, 2021, the Company issued 200,000 restricted share units with immediate vesting. The estimated fair value of these restricted share units was \$224,000 which has been accrued as stock-based compensation for the quarter ended March 31, 2021.

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.

Torrent Capital Ltd.

Notes to Financial Statements

For the quarters ended March 31, 2021 and 2020

(expressed in Canadian dollars unless otherwise noted)

5. STOCK OPTIONS AND RESTRICTED SHARE UNITS (Continued)

In the first quarter of 2021, the Company approved the issuance of 200,000 restricted share units with immediate vesting. The estimated fair value of these restricted share units was \$224,000 which has been accrued as stock-based compensation in the quarter and the shares were issued in the second quarter.

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 quarter ended March 31, 2021. 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, 2019	825,000	0.31
Options issued	535,000	0.46
Option exercised	(50,000)	0.30
Balance – December 31, 2020 and March 31, 2021	1,310,000	0.38

The following table reflects the stock options outstanding as at March 31, 2021:

Expiry Date	Exercise Price \$	Weighted Average Life Remaining	Options Outstanding	Options Vested	Black- Scholes Value \$
June 15, 2022	0.30	1.2 years	575,000	575,000	150,452
December 3, 2023	0.42	2.7 years	200,000	200,000	51,092
May 19, 2025	0.40	4.2 years	460,000	230,000	94,456
July 20, 2025	0.80	4.4 years	50,000	25,000	20,534
September 30, 2025	0.80	4.5 years	25,000	12,500	10,267
			1,310,000	1,042,500	

Torrent Capital Ltd.

Notes to Financial Statements

For the quarters ended March 31, 2021 and 2020

(expressed in Canadian dollars unless otherwise noted)

6. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Three months ended March 31, 2021 \$	Three months ended March 31, 2020 \$
CEO remuneration – W. Dawe	37,500	30,000
Chief Investment Officer – S. Gardner	34,500	34,500
CFO remuneration – R. Randall	29,100	32,025
Director remuneration	20,245	19,425
Service fees and rent (notes i)	29,850	22,650
	151,195	138,538

- i) During the period ended March 31, 2021, 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 \$15,750 (year ended December 31, 2020 – \$34,200), Financial Controller services of \$9,000 (year ended December 31, 2020 - \$36,000), and incurred rent and office services from Numus in the amount of \$5,100 (year ended December 31, 2019 – \$20,400).

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 services and rental amounts remain the same at \$3,000 and \$1,700 per month, respectively. If the 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.

In the first quarter of 2021, the Board approved the issuance of 185,000 RSU’s to directors and officers with an estimated fair value of \$207,200. As at March 31, 2021, related parties were owed \$948,996 (December 31, 2020 - \$740,912). These amounts are included in accounts payable and accrued liabilities.

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 and \$19,935 has been recognized in the quarter ended March 31, 2021.

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 Financial Statements

For the quarters ended March 31, 2021 and 2020

(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% (2020 – 31%) to the effective tax rate is as follows:

	Quarter ended March 31, 2021 \$	Year ended December 31, 2020 \$
Income before income taxes	6,090,241	12,954,539
Expected income tax expense	1,887,970	4,015,910
Permanent difference regarding accounting gain on investments	(1,019,580)	(2,256,370)
Stock based compensation and other non-deductible items	6,210	28,400
Change in tax benefits not recognized	(4,600)	222,060
Income tax expense	870,000	2,010,000
Current income tax	320,000	360,000
Deferred income tax	550,000	1,650,000
Income tax (recovery) expense	870,000	2,010,000

Deferred Tax

The following table summarizes the components of deferred tax:

	March 31, 2021 \$	December 31, 2020 \$
Deferred Tax Assets		
Non-capital losses carried forward	-	-
Capital losses carried forward	-	-
Exploration and evaluation assets	71,040	72,860
Intangible assets	59,880	60,950
Charitable donations carried forward	-	-
Deferred Tax Liability		
Unrealized gains on investments	(2,330,920)	(1,783,810)
Net deferred tax liability	(2,200,000)	(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.