
TORRENT CAPITAL LTD.

FINANCIAL STATEMENTS

**FOR THE QUARTERS ENDED
JUNE 30, 2023 AND 2022**
(expressed in Canadian dollars)

August 17, 2023

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 financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the 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 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) "*Robert Randall*"
Chief Financial Officer
Halifax, Nova Scotia

Torrent Capital Ltd.
Unaudited Condensed Interim Statements of Financial Position
As at June 30, 2023 and December 31, 2022
(Expressed in Canadian dollars unless otherwise indicated)

	June 30, 2023 \$	December 31, 2022 \$
ASSETS		
Current assets		
Cash and cash equivalents	84,632	263,923
Accounts receivable	2,551	5,218
Sales tax receivable	30,479	29,781
Prepaid expenses	23,038	2,758
Investments at fair value (note 3)	17,496,441	21,593,056
Income tax recoverable (note 8)	482,559	322,559
	18,119,700	22,217,295
Joint Venture (note 4)	225,041	160,685
Total Assets	18,344,741	22,377,980
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	282,335	249,262
Non-current liabilities		
Deferred income tax (note 8)	270,000	760,000
Total Liabilities	552,335	1,009,262
EQUITY		
Share capital (note 5)	10,420,894	10,420,894
Contributed surplus (note 6)	459,506	379,692
Retained earnings	6,912,006	10,568,132
	17,792,406	21,368,718
Total Liabilities and Equity	18,344,741	22,377,980

Nature of Operations (note 1)

Approved on Behalf of the Board on August 17, 2023:

"Wade Dawe"
Director

"Jim Megann"
Director

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

Torrent Capital Ltd.

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

For the quarters ended June 30, 2023 and 2022

(Expressed in Canadian dollars unless otherwise indicated)

	Three months ended June 30, 2023 \$	Three months ended June 30, 2022 \$	Six months ended June 30, 2023 \$	Six months ended June 30, 2022 \$
REVENUE AND OTHER INCOME (LOSS)				
Realized gain (loss) on investments	(195,341)	23,171	(340,468)	60,949
Unrealized loss on investments (note 3)	(1,694,252)	(5,132,780)	(3,388,634)	(7,983,895)
Equity loss from joint venture (note 4)	(31,949)	-	(65,600)	-
Interest income (note 4)	6,639	-	11,315	-
	(1,914,903)	(5,109,609)	(3,783,387)	(7,922,946)
EXPENSES				
Consulting fees (note 7)	125,757	140,853	239,457	318,805
Directors' fees (note 7)	29,625	29,625	59,250	61,500
Professional fees	16,231	24,565	49,142	36,039
Insurance	8,250	8,250	16,500	16,216
Stock exchange and maintenance fees	7,691	11,004	11,784	15,180
Office and administration	27,671	17,052	55,464	36,422
Rent and related costs (note 7)	5,100	5,100	10,200	10,200
Travel	231	-	231	-
Stock-based compensation (note 6)	28,634	183,567	79,814	187,763
Foreign exchange loss (gain)	598	(2,236)	897	(1,480)
	(249,788)	(417,780)	(522,739)	(680,645)
LOSS BEFORE INCOME TAXES	(2,164,691)	(5,527,389)	(4,306,126)	(8,603,591)
INCOME TAXES				
Current income tax recovery (expense) (note 8)	60,000	190,000	160,000	190,000
Deferred income taxes recovery (note 8)	240,000	680,000	490,000	1,070,000
	300,000	870,000	650,000	1,260,000
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	(1,824,691)	(4,657,389)	(3,656,126)	(7,343,591)
Basic and diluted income (loss) per share	(0.07)	(0.19)	(0.15)	(0.30)
Weighted average number of shares outstanding	25,004,167	24,436,750	25,004,167	24,334,775

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

Torrent Capital Ltd.**Unaudited Condensed Interim Statements of Changes in Shareholders' Equity****For the quarters ended June 30, 2023 and 2022***(Expressed in Canadian dollars unless otherwise indicated)*

	Common Shares #	Share Capital \$	Contributed Surplus \$	Retained Earnings \$	Total \$
Balance – January 1, 2022	24,231,667	9,952,356	431,560	16,978,281	27,362,197
Net loss and comprehensive loss for the period	-	-	-	(7,343,591)	(7,343,591)
Shares issued on vesting of restricted share units (note 6)	197,500	167,875	-	-	167,875
Shares issued on the exercise of stock options (note 6)	575,000	300,663	(128,163)	-	172,500
Stock-based compensation (note 6)	-	-	19,888	-	19,888
Balance – June 30, 2022	25,004,167	10,420,894	323,285	9,634,690	20,378,869
Net loss and comprehensive loss for the period	-	-	-	933,442	933,442
Stock-based compensation (note 6)	-	-	56,407	-	56,407
Balance – December 31, 2022	25,004,167	10,420,894	379,692	10,568,132	21,368,718
Net loss and comprehensive loss for the period	-	-	-	(3,656,126)	(3,656,126)
Stock-based compensation (note 6)	-	-	79,814	-	79,814
Balance – June 30 2023	25,004,167	10,420,894	459,506	6,912,006	17,792,406

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

Torrent Capital Ltd.

Unaudited Condensed Interim Statements of Cash Flow For the quarters ended June 30, 2023 and 2022

(Expressed in Canadian dollars unless otherwise indicated)

	Six months ended June 30, 2023 \$	Six months ended June 30, 2022 \$
CASH PROVIDED BY:		
OPERATING ACTIVITIES		
Net income for the period	(3,656,126)	(7,343,591)
Items not affecting cash:		
Realized gain on investments	340,468	(60,949)
Unrealized (gain) loss on investments	3,388,635	7,983,894
Current income tax	(160,000)	-
Deferred income tax	(490,000)	(1,070,000)
Interest on loan to joint venture	(11,000)	-
Equity loss from joint venture	65,600	-
Stock-based compensation	79,814	187,763
	(442,609)	(302,883)
Adjustments for:		
Proceeds on sale of investments	2,511,995	3,385,081
Acquisition of investments	(2,144,482)	(2,877,442)
Investment in joint venture	(18,956)	-
Sales tax receivables	1,969	(33,179)
Prepaid expenses	(20,280)	(23,050)
Accounts payable and accrued liabilities	33,072	(60,819)
Income taxes payable	-	(272,962)
	(79,291)	(185,254)
Financing Activities		
Loan to joint venture	(100,000)	-
Proceeds on the exercise of options	-	172,500
	(100,000)	172,500
CHANGE IN CASH AND CASH EQUIVALENTS	(179,291)	(12,754)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	263,923	459,132
CASH AND CASH EQUIVALENTS, END OF PERIOD	84,632	446,378

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

Torrent Capital Ltd.

Notes to Unaudited Condensed Interim Financial Statements

For the quarters ended June 30, 2023 and 2022

(expressed in Canadian dollars unless otherwise noted)

1. NATURE OF OPERATIONS

Torrent Capital Ltd. (“Torrent”, or the “Company”) is an investment issuer with its shares traded on the TSX Venture Exchange under the symbol “TORR”. The Company’s focus is on strategic investments in public and private company securities. 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 June 30, 2023, the Company had cash and cash equivalents of \$84,632 (December 31, 2022 - \$263,293) and working capital of \$17,837,365 (December 31, 2022 - \$21,968,033). 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, 2022.

The policies applied in these unaudited condensed interim financial statements are based on IFRS as of August 17, 2023, 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, 2023 could result in the restatement of these unaudited condensed interim financial statements.

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, 2022. Refer to note 2, *Significant Accounting Policies*, of the Company’s annual financial statements for the year-ended December 31, 2022 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, 2022 for the Company’s capital management objectives and its financial risk factors.

Torrent Capital Ltd.

Notes to Unaudited Condensed Interim Financial Statements

For the quarters ended June 30, 2023 and 2022

(expressed in Canadian dollars unless otherwise noted)

3. INVESTMENTS

	Shares #	Cost of Investment \$	Market Value June 30, 2023 \$	Unrealized Gain (Loss) Quarter ended June 30, 2023 \$	Unrealized Gain (Loss) Year to date June 30, 2023 \$	Market Value Dec. 31, 2022 \$
WildBrain Ltd	2,076,900	3,291,681	3,302,271	(1,692,967)	(3,274,522) ^(a)	6,676,800
kneat.com, inc.	1,702,943	1,813,892	5,040,711	613,059	493,853	4,546,858
The Game Day	11,250	953,550	2,302,200	-	-	2,302,200
Electrovaya Inc.	356,000	2,002,805	1,708,800	(123,287)	(37,304)	2,050,800
AnalytixInsight Inc.	2,485,000	1,596,273	472,150	(173,950)	(397,600)	869,750
Other Securities		3,952,016	2,818,108	(68,867)	511,087	3,447,910
Resource Investment Portfolio		2,700,866	1,852,201	(248,240)	(684,148)	1,698,738
		16,311,083	17,496,441	(1,694,252)	(3,388,634)	21,593,056

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

IFRS 9, Financial Instruments (“IFRS 9”)

Financial Instruments Recorded at Fair Market Value

Financial instruments recorded at fair market value on the statements of financial position are classified using a fair market value hierarchy that reflects the significance of the inputs used in making the measurements. The fair market value hierarchy has the following levels:

- Level 1 - valuation based on unadjusted quoted prices in active markets for identical assets;
- 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 Unaudited Condensed Interim Financial Statements

For the quarters ended June 30, 2023 and 2022

(expressed in Canadian dollars unless otherwise noted)

3. INVESTMENTS (Continued)

Investments consisted of the following at June 30, 2023:

Investments	Cost \$	Level 1 Quoted Market Price \$	Level 2 Observable Market Inputs \$	Level 3 Non-Observable Market Inputs \$	Fair Market Value \$
Equities	16,311,083	13,407,431	-	4,084,010	17,407,431
Warrants	-	-	5,000	-	5,000
Total investments	16,311,083	13,407,431	5,000	4,084,010	17,496,441

Investments consisted of the following at December 31, 2022:

Investments	Cost \$	Level 1 Quoted Market Price \$	Level 2 Observable Market Inputs \$	Level 3 Non-Observable Market Inputs \$	Fair Market Value \$
Equities	16,865,117	17,253,797	-	4,264,259	21,518,056
Warrants	-	-	75,000	-	75,000
Total investments	16,865,117	17,253,797	75,000	4,264,259	21,593,056

During the quarter ended June 30, 2023 and the year ended December 31, 2022, the reconciliation of investments measured at fair market value using unobservable inputs (Level 3) is presented as follows:

	\$
Balance – December 31, 2021	4,303,513
Purchases	500,500
Proceeds on sale	(808,805)
Realized gains	238,806
Change in unrealized gains (loss)	30,245
Balance – December 31, 2022	4,264,259
Change in unrealized gains (loss)	(180,249)
Balance - June 30, 2023	4,084,010

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 June 30, 2023:

Investment	Method	Inputs	Fair value change + / - 10%
Equity instruments	Private placement financing technique	Price per share of last capital raise	\$408,401

Torrent Capital Ltd.

Notes to Unaudited Condensed Interim Financial Statements

For the quarters ended June 30, 2023 and 2022

(expressed in Canadian dollars unless otherwise noted)

4. INVESTMENT IN JOINT VENTURE

In September 2022, the Company and the Port of Argentinia Inc. (the “Port”) established a 50/50 joint venture company, Argentinia Capital Inc. (“ACI”). ACI will be focused on the construction of Port infrastructure, the provision of services and equity ownership in businesses that support aquaculture, renewable energy, and oil and gas sectors, as well as other Port developments. The Company’s ownership interest in ACI is accounted for using the equity method.

On October 31, 2022, the Company and ACI entered into a loan agreement. The agreement allows for Torrent to provide up to \$250,000 in aggregate principal as an unsecured loan or loans. The loan(s) have an annual interest rate of 12% and are repayable in full, including all interest, on demand. As of June 30, 2023, the Company has provided the full loan amount to ACI and has recognized a loan receivable of \$264,000, including accrued interest, relating to the loan.

Loan receivable continuity

	June 30, 2023	December 31, 2022
	\$	\$
Balance – beginning of period	153,000	-
Advances to ACI	100,000	150,000
Accrued interest	11,000	3,000
Balance – end of period	264,000	153,000
Interest in joint venture (<i>see below</i>)	(38,959)	-
Balance, net – end of period	225,041	153,000

For the period ended June 30, 2023, Torrent recognized an equity loss from joint venture of \$65,600 (year ended December 31, 2022 - \$64,600). Equity losses in excess of Torrent’s investment have been applied to other components of the Company’s net interest in the ACI joint venture.

The following table presents the change in carrying values of the Company’s investment in joint venture during the period:

	Amount
	\$
Balance – December 31, 2021	-
Additions	72,345
Equity pick-up	(64,660)
Balance – December 31, 2022	7,685
Additions	18,956
Equity pick-up	(65,600)
Balance – June 30, 2023	(38,959)

Torrent Capital Ltd.

Notes to Unaudited Condensed Interim Financial Statements

For the quarters ended June 30, 2023 and 2022

(expressed in Canadian dollars unless otherwise noted)

5. 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, 2021	24,231,667	9,952,356
Restricted share units issued	197,500	167,875
Shares issued on the exercise of options	575,000	300,663
Balance – December 31, 2022 and June 30, 2023	25,004,167	10,420,894

On May 13, 2022, the Company issued 197,500 restricted share units with immediate vesting and a one-year hold period. The estimated fair value of these restricted share units was \$167,875 which was recorded as stock-based compensation for the year ended December 31, 2022.

On October 27, 2022, the Company issued 25,000 restricted share units which vest over a one-year period. The estimated fair value of these restricted share units was \$17,500. The fair value of units granted is amortized over the vesting period of the respective units with \$8,750 recorded as stock-based compensation for the period end June 30, 2023 (year ended December 31, 2022 - \$ 2,916).

On June 15, 2022, the Company issued 575,000 shares on the exercise of expiring options, by Directors and Officers, for a fair value of \$300,663, including cash proceeds of \$172,500.

6. 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 RSU 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.

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.

On May 13, 2022, the Company granted 125,000 stock options to Directors and a consultant. The options are exercisable at a price of \$0.95 per share and expire on May 13, 2027. These options have vested, at the rate of 50% on each of the six- and twelve-month anniversary of the grant date.

On October 27, 2022, the Company granted 250,000 stock options to a Director and consultants of the Company. The options are exercisable at a price of \$0.85 per share and expire on October 27, 2027. These options vest at the rate of 50% on each of the six- and twelve-month anniversary of the grant date. The Company also granted 25,000 restricted share units to a Director under the Company's RSU plan. These units will vest in one year from the date of grant.

Torrent Capital Ltd.

Notes to Unaudited Condensed Interim Financial Statements

For the quarters ended June 30, 2023 and 2022

(expressed in Canadian dollars unless otherwise noted)

6. STOCK OPTIONS AND RESTRICTED SHARE UNITS (Continued)

There were no options issued during the period ended June 30, 2023.

The following are the weighted-average assumptions used in the pricing model for the options issued or expensed during the years ended December 31, 2022 and 2021:

	2022	2021
Risk free interest rate	3.2%	0.4%
Expected volatility	74%	61%
Expected dividend yield	-	-
Expected life	5 years	5 years
Weighted average fair value per option	\$0.444	\$0.565

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, 2022 is \$166,660. The fair value of options granted is amortized over the vesting period of the respective options with \$73,379 expensed during the year ended December 31, 2022 and \$71,065 has been expensed in the current period ended June 30, 2023. The following table reflects the stock options continuity for the year ended December 31, 2022 and the current period:

	Number of Stock Options Outstanding	Weighted Average Exercise Price \$
Balance – December 31, 2021	1,360,000	0.38
Option issued	375,000	0.88
Option exercised	(575,000)	0.30
Expired / forfeited	(185,000)	0.70
Balance – December 31, 2022 and June 30, 2023	975,000	0.60

During the year ended December 31, 2022, the Company cancelled certain outstanding stock options. As a result of these cancellations the value of unvested options previously expensed was reversed.

The following table reflects the stock options outstanding as at June 30, 2023:

Expiry Date	Exercise Price \$	Weighted Average Life Remaining	Options Outstanding	Options Vested	Black- Scholes Value \$
December 3, 2023	0.42	0.4 years	175,000	175,000	51,092
May 19, 2025	0.40	1.9 years	400,000	400,000	94,456
September 30, 2025	0.80	2.3 years	25,000	25,000	10,267
May 13, 2027	0.95	3.9 years	125,000	125,000	62,769
October 27, 2027	0.85	4.3 years	250,000	125,000	103,891
			975,000	850,000	

The weighted average exercise price of vested options as at June 30, 2023 is \$0.56.

Torrent Capital Ltd.

Notes to Unaudited Condensed Interim Financial Statements

For the quarters ended June 30, 2023 and 2022

(expressed in Canadian dollars unless otherwise noted)

7. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Six months ended June 30, 2023 \$	Six months ended June 30, 2022 \$
CEO remuneration – W. Dawe	78,000	78,000
Chief Investment Officer – S. Gardner	69,000	69,000
Consulting fees – C. Sheppard	-	32,500
CFO remuneration – R. Randall	42,525	42,112
Director remuneration	59,250	61,500
Service fees and rent	90,263	59,700
	339,038	342,812

During the period ended June 30, 2023, 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 \$31,500 (2022 – \$31,500), Financial Controller services of \$18,000 (2022 - \$18,000), digital media services of \$30,563 (2022 - \$nil) and rent and office services from Numus in the amount of \$10,200 (2022 – \$10,200).

If the Services Agreement is cancelled without cause 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 without cause 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 rental option is cancelled by the Company without six months’ notice to Numus, a break fee of six months of remuneration, being \$10,200, will be payable to Numus.

Effective August 2022, the Company also has an agreement with Numus for the provision of digital media services in the amount of \$5,000 per month until July 23, 2023, with the option to extend.

In the second quarter of 2022, the Board approved the issuance of 190,000 RSU’s (2021 – 185,000) to directors and officers with an estimated fair value of \$161,500 (2021 - \$207,200). In the fourth quarter of 2022, the Board approved the issuance of an additional 25,000 RSU’s to a Director, with a one year vesting period. The additional RSU’s have an estimated fair value of \$17,500.

As at June 30, 2023, related parties were owed \$146,732 (December 31, 2022 - \$143,471). These amounts are included in accounts payable and accrued liabilities.

In the year ended December 31, 2022, the Company issued 250,000 stock options to Directors. 100,000 of the options issues have an exercise price of \$0.95 and 150,000 have an exercise price of \$0.85. The estimated fair value of these stock options was \$112,550 of which stock-based compensation of \$60,346 was recognized during the year ended December 31, 2022. During the period ended June 30, 2023, stock-based compensation of \$44,731 was recognized relating to the 2022 options.

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 regulations.

Torrent Capital Ltd.

Notes to Unaudited Condensed Interim Financial Statements

For the quarters ended June 30, 2023 and 2022

(expressed in Canadian dollars unless otherwise noted)

8. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 29% to the effective tax rate is as follows:

	Six months ended June 30, 2023	Year ended December 31, 2022
Income before income taxes	(4,306,126)	(7,570,149)
Expected income tax expense	(1,248,780)	(2,195,340)
Permanent difference regarding accounting gain on investments	540,720	917,410
Stock based compensation and other non-deductible items	20,610	22,640
Equity loss from joint venture	37,780	-
Change in tax benefits not recognized	(330)	95,290
Income tax (recovery) expense	(650,000)	(1,160,000)
Current income (recovery) tax	(160,000)	(300,000)
Deferred income (recovery) tax	(490,000)	(860,000)
Income tax (recovery) expense	(650,000)	(1,160,000)

Deferred Tax

The following table summarizes the components of deferred tax:

	June 30, 2023	December 31, 2022
	\$	\$
Deferred Tax Assets		
Exploration and evaluation assets	52,450	55,210
Intangible assets	47,590	49,310
Deferred Tax Liability		
Unrealized gains on investments	(370,040)	(864,520)
Net deferred tax liability	(270,000)	(760,000)

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.