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**TORRENT CAPITAL LTD.**

**FINANCIAL STATEMENTS**

**FOR THE QUARTERS ENDED  
JUNE 30, 2022 AND 2021**  
*(expressed in Canadian dollars)*

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August 23, 2022

## **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 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

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

**Torrent Capital Ltd.**  
**Unaudited Condensed Interim Statements of Financial Position**  
**As at June 30, 2022 and December 31, 2021**  
*(Expressed in Canadian dollars unless otherwise indicated)*

	June 30, 2022 \$	December 31, 2021 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	446,378	459,132
Sales tax receivable	82,846	49,667
Prepaid expenses	23,050	-
Investments at fair value (note 3)	20,258,336	28,688,920
Income tax recoverable	554,314	281,352
<b>Total Assets</b>	<b>21,364,924</b>	<b>29,479,071</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 6)	436,055	496,874
Deferred income tax (note 7)	550,000	1,620,000
	<b>986,055</b>	<b>2,116,874</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 4)	10,420,894	9,952,356
Contributed surplus (note 5)	323,285	431,560
Retained earnings	9,634,690	16,978,281
	<b>20,378,869</b>	<b>27,362,197</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>21,364,924</b>	<b>29,479,071</b>

Nature of Operations (note 1)

Approved on Behalf of the Board on August 23, 2022:

*"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, 2022 and 2021***(Expressed in Canadian dollars unless otherwise indicated)*

	<b>Three months ended June 30, 2022 \$</b>	Three months ended June 30, 2021 \$	<b>Six months ended June 30, 2022 \$</b>	Six months ended June 30, 2021 \$
<b>REVENUE AND OTHER INCOME (LOSS)</b>				
Realized gain on investments	<b>23,171</b>	319,135	<b>60,949</b>	3,354,311
Unrealized loss on investments (note 3)	<b>(5,132,780)</b>	(3,921,468)	<b>(7,983,895)</b>	(378,577)
	<b>(5,109,609)</b>	(3,602,333)	<b>(7,922,946)</b>	2,975,734
<b>EXPENSES</b>				
Consulting fees (note 6)	<b>140,853</b>	148,940	<b>318,805</b>	297,199
Directors' fees (note 6)	<b>29,625</b>	19,303	<b>61,500</b>	39,548
Professional fees	<b>24,565</b>	12,593	<b>36,039</b>	45,616
Insurance	<b>8,250</b>	7,480	<b>16,216</b>	14,548
Stock exchange and maintenance fees	<b>11,004</b>	8,360	<b>15,180</b>	16,981
Office and administration	<b>17,052</b>	17,679	<b>36,422</b>	35,860
Rent and related costs (note 6)	<b>5,100</b>	5,100	<b>10,200</b>	10,200
Stock-based compensation (note 6)	<b>183,567</b>	11,721	<b>187,763</b>	255,656
Foreign exchange loss (gain)	<b>(2,236)</b>	1,670	<b>(1,480)</b>	5,064
	<b>(417,780)</b>	(232,846)	<b>(680,645)</b>	(720,672)
<b>LOSS BEFORE INCOME TAXES</b>	<b>(5,527,389)</b>	(3,835,179)	<b>(8,603,591)</b>	2,255,062
<b>INCOME TAXES</b>				
Current income tax recovery (expense) (note 7)	<b>190,000</b>	20,000	<b>190,000</b>	(300,000)
Deferred income taxes recovery (note 7)	<b>680,000</b>	550,000	<b>1,070,000</b>	-
	<b>870,000</b>	570,000	<b>1,260,000</b>	(300,000)
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>	<b>(4,657,389)</b>	(3,265,179)	<b>(7,343,591)</b>	1,955,062
<b>Basic and diluted income (loss) per share</b>	<b>(0.19)</b>	(0.14)	<b>(0.30)</b>	0.08
<b>Weighted average number of shares outstanding</b>	<b>24,436,750</b>	<b>24,152,546</b>	<b>24,334,775</b>	<b>24,031,778</b>

*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, 2022 and 2021***(Expressed in Canadian dollars unless otherwise indicated)*

	<b>Common Shares #</b>	<b>Share Capital \$</b>	<b>Contributed Surplus \$</b>	<b>Retained Earnings \$</b>	<b>Total \$</b>
<b>Balance – January 1, 2021</b>	<b>24,031,667</b>	<b>9,728,356</b>	<b>388,158</b>	<b>15,380,772</b>	<b>25,497,286</b>
Net income and comprehensive income for the period	-	-	-	1,955,062	1,955,062
Shares issued on vesting of restricted share units (note 4)	200,000	224,000	-	-	224,000
Stock-based compensation (note 5)	-	-	31,656	-	31,656
<b>Balance – June 30, 2021</b>	<b>24,231,667</b>	<b>9,952,356</b>	<b>419,814</b>	<b>17,335,834</b>	<b>27,708,004</b>
Net income and comprehensive income for the period	-	-	-	(357,553)	(357,553)
Stock-based compensation (note 5)	-	-	11,746	-	11,746
<b>Balance – December 31, 2021</b>	<b>24,231,667</b>	<b>9,952,356</b>	<b>431,560</b>	<b>16,978,281</b>	<b>27,362,197</b>
Net loss and comprehensive loss for the period	-	-	-	(7,343,591)	(7,343,591)
Shares issued on vesting of restricted share units (note 4)	197,500	167,875	-	-	167,875
Shares issued on the exercise of stock options (note 4)	575,000	300,663	(128,163)	-	172,500
Stock-based compensation (note 5)	-	-	19,888	-	19,888
<b>Balance – June 30, 2022</b>	<b>25,004,167</b>	<b>10,420,894</b>	<b>323,285</b>	<b>9,634,690</b>	<b>20,378,869</b>

*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, 2022 and 2021***(Expressed in Canadian dollars unless otherwise indicated)*

	<b>Six months ended June 30, 2022 \$</b>	<b>Six months ended June 30, 2021 \$</b>
<b>CASH PROVIDED BY:</b>		
<b>OPERATING ACTIVITIES</b>		
Net income for the period	(7,343,591)	1,955,062
Items not affecting cash:		
Realized gain on investments	(60,949)	378,576
Unrealized (gain) loss on investments	7,983,894	(3,354,312)
Deferred income tax	(1,070,000)	-
Stock-based compensation	187,763	255,656
	(302,883)	(765,018)
<b>Adjustments for:</b>		
Proceeds on sale of investments	3,385,081	8,111,596
Acquisition of investments	(2,877,442)	(8,835,427)
Sales tax receivables	(33,179)	(39,148)
Prepaid expenses	(23,050)	(19,041)
Accounts payable and accrued liabilities	(60,819)	(750,629)
Income taxes payable	(272,962)	(60,000)
	(185,254)	(2,357,667)
<b>Financing Activities</b>		
Proceeds on the exercise of options	172,500	-
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(12,754)	(2,357,667)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	459,132	2,483,562
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	446,378	125,895

*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, 2022 and 2021**

*(expressed in Canadian dollars unless otherwise noted)*

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#### **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, 2022, the Company had cash and cash equivalents of \$446,378 (December 31, 2021 - \$459,132) and working capital of \$20,928,869 (December 31, 2021 - \$28,982,197). 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 2022, 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, 2021.

The policies applied in these unaudited condensed interim financial statements are based on IFRS as of August 23, 2022, 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, 2022 could result in the restatement of these unaudited condensed interim financial statements.

## Torrent Capital Ltd.

### Notes to Unaudited Condensed Interim Financial Statements

#### For the quarters ended June 30, 2022 and 2021

(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, 2021. Refer to note 2, *Significant Accounting Policies*, of the Company's annual financial statements for the year-ended December 31, 2021 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, 2021 for the Company's capital management objectives and its financial risk factors.

## 3. INVESTMENTS

	Shares #	Cost of Investment \$	Market Value June 30, 2022 \$	Unrealized Gain (Loss) Quarter ended June 30, 2022 \$	Unrealized Gain (Loss) Year to date June 30, 2022 \$	Market Value Dec 31, 2021 \$
WildBrain Ltd	2,201,000	3,488,367	5,414,460	(1,914,870) <sup>(a)</sup>	(2,229,329) <sup>(a)</sup>	7,705,600
kneat.com, inc.	1,702,943	1,813,892	4,427,652	(1,362,354) <sup>(a)</sup>	(2,316,002) <sup>(a)</sup>	6,743,654
The Game Day	11,250	953,550	2,302,200	-	-	2,302,200
Electrovaya Inc.	2,109,400	2,375,972	1,687,520	(274,222)	(274,222)	1,961,742
AnalytixInsight Inc.	2,350,000	1,547,686	775,500	(470,000)	(1,096,783)	1,736,400
Cleantech Investment Portfolio		1,578,624	747,071	(306,880)	(718,969)	2,707,200
Resource Investments Portfolio		2,033,197	2,249,684	(388,043)	(575,043)	1,939,459
Other Securities		3,227,818	2,654,249	(416,411)	(773,547)	3,592,665
		<b>17,019,106</b>	<b>20,258,336</b>	<b>(5,132,780)</b>	<b>(7,983,895)</b>	<b>28,688,920</b>

(a) This results from the reversal of unrealized gains 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, 2022 and 2021

(expressed in Canadian dollars unless otherwise noted)

### 3. INVESTMENTS (Continued)

Investments consisted of the following at June 30, 2022:

<b>Investments</b>	<b>Cost</b> \$	<b>Level 1 Quoted Market Price</b> \$	<b>Level 2 Observable Market Inputs</b> \$	<b>Level 3 Non-Observable Market Inputs</b> \$	<b>Fair Market Value</b> \$
Equities	17,019,106	15,783,323	-	4,344,013	20,127,336
Warrants	-	-	131,000	-	131,000
<b>Total investments</b>	<b>17,019,106</b>	<b>15,783,323</b>	<b>131,000</b>	<b>4,344,013</b>	<b>20,258,336</b>

Investments consisted of the following at December 31, 2021:

<b>Investments</b>	<b>Cost</b> \$	<b>Level 1 Quoted Market Price</b> \$	<b>Level 2 Observable Market Inputs</b> \$	<b>Level 3 Non-Observable Market Inputs</b> \$	<b>Total Fair Value</b> \$
Equities	17,465,796	23,629,679	-	4,303,513	27,933,192
Warrants	-	-	755,728	-	755,728
<b>Total investments</b>	<b>17,456,796</b>	<b>23,629,679</b>	<b>755,728</b>	<b>4,303,513</b>	<b>28,688,920</b>

During the quarter ended June 30, 2022 and the year ended December 31, 2021, the reconciliation of investments measured at fair market value using unobservable inputs (Level 3) is presented as follows:

	\$
<b>Balance – December 31, 2020</b>	<b>4,630,653</b>
Purchases	1,168,550
Transfers to Level 1	(465,000)
Change in unrealized gains (loss)	(380,690)
Change in realized gains (loss)	(650,000)
<b>Balance – December 31, 2021</b>	<b>4,303,513</b>
Purchases	500,500
Proceeds on sale	(789,646)
Realized gains	219,646
Change in unrealized gains (loss)	110,000
<b>Balance – June 30, 2022</b>	<b>4,344,013</b>

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, 2022:

<b>Investment</b>	<b>Method</b>	<b>Inputs</b>	<b>Fair value change + / - 10%</b>
Equity instruments	Private placement financing technique	Price per share of last capital raise	\$434,401

## Torrent Capital Ltd.

### Notes to Unaudited Condensed Interim Financial Statements

#### For the quarters ended June 30, 2022 and 2021

(expressed in Canadian dollars unless otherwise noted)

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#### 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

	<b>Number of Shares</b>	<b>Amount \$</b>
<b>Balance – December 31, 2020</b>	24,031,667	9,728,356
Restricted share units issued	200,000	224,000
<b>Balance – December 31, 2021</b>	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
<b>Balance – June 30, 2022</b>	25,004,167	10,420,894

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 recorded as stock-based compensation for the year ended December 31, 2021.

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 has been recorded as stock-based compensation for the quarter ended June 30, 2022.

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.

#### 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 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.

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 vest at the rate of 50% on each of the six and twelve month anniversary of the grant date.

## Torrent Capital Ltd.

### Notes to Unaudited Condensed Interim Financial Statements

#### For the quarters ended June 30, 2022 and 2021

(expressed in Canadian dollars unless otherwise noted)

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

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 125,000 options issued during the period ended June 30, 2022. The following are the assumptions used in the pricing model for the options issued or expensed during the comparable periods:

	<u>2022</u>	<u>2021</u>
Risk free interest rate	2.73%	0.4%
Expected volatility	73%	61%
Expected dividend yield	-	-
Expected life	5 years	5 years
Weighted average fair value per option	\$0.502	\$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 period ended June 30, 2022 is \$62,769. The fair value of options granted is amortized over the vesting period of the respective options with \$15,692 expensed during the period ended June 30, 2022. The following table reflects the stock options continuity for the period ended June 31, 2022 and year ended December 31, 2021:

	<b>Number of Stock Options Outstanding</b>	<b>Weighted Average Exercise Price \$</b>
<b>Balance – December 31, 2020</b>	1,310,000	0.38
Option issued	50,000	1.10
<b>Balance – December 31, 2021</b>	1,360,000	0.41
Option issued	125,000	0.95
Option exercised	(575,000)	0.30
Expired / forfeited	(135,000)	0.66
<b>Balance – June 30, 2022</b>	775,000	0.53

## Torrent Capital Ltd.

### Notes to Unaudited Condensed Interim Financial Statements

#### For the quarters ended June 30, 2022 and 2021

(expressed in Canadian dollars unless otherwise noted)

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

The following table reflects the stock options outstanding as at June 30, 2022:

<b>Expiry Date</b>	<b>Exercise Price \$</b>	<b>Weighted Average Life Remaining</b>	<b>Options Outstanding</b>	<b>Options Vested</b>	<b>Black- Scholes Value \$</b>
December 3, 2023	0.42	1.4 years	175,000	200,000	51,092
May 19, 2025	0.40	2.9 years	400,000	460,000	94,456
July 20, 2025	0.80	3.1 years	50,000	50,000	20,534
September 30, 2025	0.80	3.3 years	25,000	25,000	10,267
May 13, 2027	0.95	4.9 years	125,000	-	60,957
			<b>775,000</b>	<b>735,000</b>	

The weighted average exercise price of vested options as at June 30, 2022 is \$0.53.

#### 6. RELATED PARTY TRANSACTIONS AND BALANCES

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

	<b>Six months ended June 30, 2022 \$</b>	<b>Six months ended June 30, 2021 \$</b>
CEO remuneration – W. Dawe	78,000	75,000
Chief Investment Officer – S. Gardner	69,000	69,000
CFO remuneration – R. Randall	42,112	57,488
Consulting fees – C. Sheppard	32,500	-
Director remuneration	61,500	39,548
Service fees and rent	59,700	59,700
	<b>342,812</b>	<b>300,736</b>

During the period ended June 30, 2022, the Company incurred costs totaling of \$59,700 payable to a related party, Numus Financial Inc. (“Numus”), a company controlled by two Directors, comprising consulting service fees in the amount of \$31,500 (year ended December 31, 2021 – \$63,000), Financial Controller services of \$18,000 (year ended December 31, 2021 - \$36,000) and rent and office services in the amount of \$10,200 (year ended December 31, 2021 – \$20,400).

## **Torrent Capital Ltd.**

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

#### **For the quarters ended June 30, 2022 and 2021**

*(expressed in Canadian dollars unless otherwise noted)*

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#### **6. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**

As outlined in the Services Agreement between Numus and the Company, effective January 1, 2021, the monthly consulting service fees are \$5,250 per month,. 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 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.

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). As at June 30, 2022, related parties were owed \$285,691 (December 31, 2021 - \$407,782). These amounts are included in accounts payable and accrued liabilities.

In the quarter ended June 30, 2022, the Company issued 100,000 stock options to Directors. The estimated fair value of these stock options was \$48,766 of which stock-based compensation of \$12,192 was recognized during the quarter ended June 30, 2022.

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 was recognized in the year ended December 31, 2020 and \$19,678 was recognized in the year ended December 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 regulations.

## Torrent Capital Ltd.

### Notes to Unaudited Condensed Interim Financial Statements

#### For the quarters ended June 30, 2022 and 2021

(expressed in Canadian dollars unless otherwise noted)

## 7. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 29% (2021 – 29%) to the effective tax rate is as follows:

	<b>Six months ended June 30, 2022</b>	<b>Year ended December 31, 2021</b>
Income before income taxes	(8,603,038)	1,627,509
Expected income tax expense	(2,495,040)	471,980
Permanent difference regarding accounting gain on investments	1,148,820	(455,000)
Stock based compensation and other non-deductible items	5,770	13,520
Change in tax benefits not recognized	80,450	-
Income tax (recovery) expense	(1,260,000)	30,000
Current income tax	(190,000)	60,000
Deferred income tax	(1,070,000)	(30,000)
Income tax (recovery) expense	(1,260,000)	30,000

### Deferred Tax

The following table summarizes the components of deferred tax:

	<b>June 30, 2022</b>	December 31, 2021
	<b>\$</b>	<b>\$</b>
<b>Deferred Tax Assets</b>		
Exploration and evaluation assets	58,280	65,580
Intangible assets	50,620	56,680
<b>Deferred Tax Liability</b>		
Unrealized gains on investments	(658,900)	(1,742,260)
Net deferred tax liability	(550,000)	(1,620,000)

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.