
TORRENT CAPITAL LTD.

FINANCIAL STATEMENTS

**FOR THE QUARTERS ENDED
SEPTEMBER 30, 2022 AND 2021**

(expressed in Canadian dollars)

November 17, 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 September 30, 2022 and December 31, 2021

(Expressed in Canadian dollars unless otherwise indicated)

	September 30, 2022 \$	December 31, 2021 \$
ASSETS		
Current assets		
Cash and cash equivalents	298,829	459,132
Sales tax receivable	28,498	49,667
Prepaid expenses	12,956	-
Investments at fair value (note 3)	19,142,869	28,688,920
Income tax recoverable	260,415	281,352
	19,743,567	29,479,071
Investment in joint venture (note 4)	58,305	-
Total Assets	19,801,872	29,479,071
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	172,851	496,874
Deferred income tax (note 8)	380,000	1,620,000
	552,851	2,116,874
SHAREHOLDERS' EQUITY		
Share capital (note 5)	10,420,894	9,952,356
Contributed surplus (note 6)	346,823	431,560
Retained earnings	8,481,304	16,978,281
	19,249,021	27,362,197
Total Liabilities and Shareholders' Equity	19,801,872	29,479,071

Nature of Operations (note 1)

Approved on Behalf of the Board on November 17, 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 September 30, 2022 and 2021***(Expressed in Canadian dollars unless otherwise indicated)*

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
	\$	\$	\$	\$
REVENUE AND OTHER INCOME (LOSS)				
Realized gain on investments	66,267	581,878	127,216	3,936,189
Unrealized loss on investments (note 3)	(1,227,990)	1,250,388	(9,211,885)	871,811
	(1,161,723)	1,832,266	(9,084,669)	4,808,000
EXPENSES				
Consulting fees (note 7)	92,325	147,789	411,130	444,988
Directors' fees (note 7)	29,625	35,283	91,125	74,831
Professional fees	12,412	8,895	48,451	54,511
Insurance	8,250	7,562	24,466	22,110
Stock exchange and maintenance fees	9,138	6,272	24,318	23,253
Office and administration	28,607	13,979	65,029	49,839
Rent and related costs (note 7)	5,100	5,100	15,300	15,300
Stock-based compensation (note 7)	23,538	5,982	211,301	261,638
Foreign exchange loss (gain)	524	(1,762)	(956)	3,302
	(209,519)	(229,100)	(890,164)	(949,772)
INCOME (LOSS) BEFORE INCOME TAXES	(1,371,242)	1,603,166	(9,974,833)	3,858,228
INCOME TAXES (note 8)				
Current income tax recovery (expense)	47,856	(20,000)	237,856	(320,000)
Deferred income taxes recovery (expense)	170,000	(150,000)	1,240,000	(150,000)
	217,856	(170,000)	1,477,856	(470,000)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	(1,153,386)	1,433,166	(8,496,977)	3,388,228
Basic and diluted income (loss) per share	(0.05)	0.06	(0.35)	0.14
Weighted average number of shares outstanding	25,004,167	24,231,667	24,560,358	24,123,579

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 September 30, 2022 and 2021***(Expressed in Canadian dollars unless otherwise indicated)*

	Common Shares #	Share Capital \$	Contributed Surplus \$	Retained Earnings \$	Total \$
Balance – January 1, 2021	24,031,667	9,728,356	388,158	15,380,772	25,497,286
Net income and comprehensive income for the period	-	-	-	3,388,228	3,388,228
Shares issued on vesting of restricted share units (note 5)	200,000	224,000	-	-	224,000
Stock-based compensation (note 6)	-	-	37,638	-	37,638
Balance – September 30, 2021	24,231,667	9,952,356	425,796	18,769,000	29,147,152
Net income and comprehensive income for the period	-	-	-	(1,790,719)	(1,719,719)
Stock-based compensation (note 6)	-	-	5,764	-	5,764
Balance – December 31, 2021	24,231,667	9,952,356	431,560	16,978,281	27,362,197
Net loss and comprehensive loss for the period	-	-	-	(8,496,977)	(8,496,977)
Shares issued on vesting of restricted share units (note 5)	197,500	167,875	-	-	167,875
Shares issued on the exercise of stock options (note 5)	575,000	300,663	(128,163)	-	172,500
Stock-based compensation (note 6)	-	-	43,426	-	43,426
Balance – September 30, 2022	25,004,167	10,420,894	346,823	8,481,304	19,249,021

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 September 30, 2022 and 2021
(Expressed in Canadian dollars unless otherwise indicated)

	Nine months ended September 30, 2022 \$	Nine months ended September 30, 2021 \$
CASH PROVIDED BY:		
OPERATING ACTIVITIES		
Net income for the period	(8,496,977)	3,388,228
Items not affecting cash:		
Realized gain on investments	(127,216)	(3,936,189)
Unrealized (gain) loss on investments	9,211,885	(871,812)
Current income tax	(237,856)	-
Deferred income tax	(1,240,000)	150,000
Stock-based compensation	211,301	261,638
	(678,863)	(1,008,135)
Adjustments for:		
Proceeds on sale of investments	3,892,184	10,789,438
Acquisition of investments	(3,430,801)	(10,492,424)
Investment in joint ventures	(58,305)	-
Sales tax receivables	21,168	(39,081)
Prepaid expenses	(12,956)	(9,685)
Accounts payable and accrued liabilities	(324,023)	(1,017,252)
Income taxes payable, net of refund	258,793	-
	(332,803)	(1,777,139)
Financing Activities		
Proceeds on the exercise of options	172,500	-
CHANGE IN CASH AND CASH EQUIVALENTS	(160,303)	(1,777,139)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	459,132	2,483,562
CASH AND CASH EQUIVALENTS, END OF PERIOD	298,829	706,423

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 September 30, 2022 and 2021

(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 September 30, 2022, the Company had cash and cash equivalents of \$298,829 (December 31, 2021 - \$459,132) and working capital of \$19,570,716 (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.

In March 2020, the World Health Organization declared the outbreak of the coronavirus, also known as “COVID-19”. The pandemic spread across the globe and has impacting worldwide economic activity. Conditions surrounding the coronavirus continue to evolve. Other than increasing volatility in security prices in 2020, COVID-19 and the various government responses have had a limited impact on the Company since the beginning of the pandemic.

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 November 17, 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 September 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.

During the period ended September 30, 2022, the Company also adopted the following accounting policies;

Investments in joint arrangements

A joint venture is a type of joint arrangement whereby two or more parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Company's interests in joint ventures and or associates are accounted for using the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognized at cost, with the carrying value subsequently increased or decreased to reflect the Company's proportionate share of the profit or loss of the investee after the date of acquisition. When necessary, adjustments are made to investee financial statements to align accounting policies of investees with those applied by the Company in its consolidated financial statements.

The carrying values of equity accounted investments are reviewed at each reporting date to determine whether any indicators of impairment exist. If an indicator of impairment is identified, the recoverable amount of the investment is estimated. If the carrying value of the investment exceeds the estimated recoverable amount, an impairment charge is recognized.

Unrealized gains resulting from transactions with joint ventures are eliminated, to the extent of the Company's interest in the joint venture. For sales of products or services from the Company to its joint ventures, unrealized gains are eliminated against the carrying value of the investment.

Torrent Capital Ltd.

Notes to Unaudited Condensed Interim Financial Statements

For the quarters ended September 30, 2022 and 2021

(expressed in Canadian dollars unless otherwise noted)

3. INVESTMENTS

	Shares #	Cost of Investment \$	Market Value Sept 30, 2022 \$	Unrealized Gain (Loss) Quarter ended Sept 30, 2022 \$	Unrealized Gain (Loss) Year to date Sept 30, 2022 \$	Market Value Dec 31, 2021 \$
WildBrain Ltd	2,201,000	3,488,367	5,062,300	(352,160) ^(a)	(2,581,489) ^(a)	7,705,600
kneat.com, inc.	1,702,943	1,813,892	4,206,269	(221,383) ^(a)	(2,537,385) ^(a)	6,743,654
The Game Day	11,250	953,550	2,302,200	-	-	2,302,200
Electrovaya Inc.	2,127,000	2,393,240	2,084,460	379,672	105,450	1,961,742
AnalytixInsight Inc.	2,485,000	1,596,273	820,050	(4,037)	(1,100,820)	1,736,400
Cleantech Investment Portfolio		1,451,772	510,460	(161,194)	(828,728)	2,675,200
Resource Investments Portfolio		2,448,341	1,823,011	(607,531)	(1,672,559)	2,562,159
Other Securities		2,986,194	2,334,119	(261,357)	(596,354)	3,001,965
		17,131,629	19,142,869	(1,227,990)	(9,211,885)	28,688,920

(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 September 30, 2022 and 2021

(expressed in Canadian dollars unless otherwise noted)

3. INVESTMENTS (Continued)

Investments consisted of the following at September 30, 2022:

Investments	Cost \$	Level 1 Quoted Market Price \$	Level 2 Observable Market Inputs \$	Level 3 Non-Observable Market Inputs \$	Fair Market Value \$
Equities	17,131,629	14,777,855	-	4,344,013	19,121,869
Warrants	-	-	21,000	-	21,000
Total investments	17,131,629	14,777,855	21,000	4,344,013	19,142,869

Investments consisted of the following at December 31, 2021:

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

During the quarter ended September 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:

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

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 September 30, 2022:

Investment	Method	Inputs	Fair value change + / - 10%
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 September 30, 2022 and 2021

(expressed in Canadian dollars unless otherwise noted)

4. INVESTMENT IN JOINT VENTURE

On September 20, 2022, the Company and the Port of Argentinia Inc. (“Port of Argentinia” or 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. The following table presents the change in carrying values of the Company’s investments in joint ventures during the period:

	Amount
	\$
Balance – December 31, 2021	-
Additions	58,305
Balance – September 30, 2022	58,305

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	Amount
	Shares	\$
Balance – December 31, 2020	24,031,667	9,728,356
Restricted share units issued	200,000	224,000
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 – September 30, 2022	25,004,167	10,420,894

On April 12, 2021, the Company issued 200,000 restricted share units (“RSU’s”) 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 period ended September 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.

Torrent Capital Ltd.

Notes to Unaudited Condensed Interim Financial Statements

For the quarters ended September 30, 2022 and 2021

(expressed in Canadian dollars unless otherwise noted)

6. STOCK OPTIONS AND RESTRICTED SHARE UNITS

The Company has a stock option plan for directors, officers, employees and consultants of the Company. The Company also has a restricted share unit plan (the “RSU plan”), under which the Company can issue up to 800,000 shares. The total shares and share purchase rights allocated to the RSU plan and 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 vest at the rate of 50% on each of the six- and twelve-month anniversary of the grant date. 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 September 30, 2022 is \$62,769. The fair value of options granted is amortized over the vesting period of the respective options with \$39,231 expensed during the period ended September 30, 2022. The following table reflects the stock options continuity for the period ended September 30, 2022 and year ended December 31, 2021:

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

Torrent Capital Ltd.

Notes to Unaudited Condensed Interim Financial Statements

For the quarters ended September 30, 2022 and 2021

(expressed in Canadian dollars unless otherwise noted)

6. STOCK OPTIONS AND RESTRICTED SHARE UNITS (Continued)

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

Expiry Date	Exercise Price \$	Weighted Average Life Remaining	Options Outstanding	Options Vested	Black-Scholes Value \$
December 3, 2023	0.42	1.2 years	175,000	175,000	51,092
May 19, 2025	0.40	2.6 years	400,000	400,000	94,456
July 20, 2025	0.80	2.8 years	50,000	50,000	20,534
September 30, 2025	0.80	3.0 years	25,000	25,000	10,267
May 13, 2027	0.95	4.6 years	125,000	-	60,957
			775,000	735,000	

The weighted average exercise price of vested options as at September 30, 2022 is \$0.45.

Subsequent to September 30, 2022, the Company granted 250,000 incentive stock options in accordance with the Company's stock option plan to a director and consultants of the Company. The options have an exercise price of \$0.85 per share and will expire five years from the date of grant. 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.

7. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Nine months ended September 30, 2022 \$	Nine months ended September 30, 2021 \$
CEO remuneration – W. Dawe	117,000	125,000
Chief Investment Officer – S. Gardner	103,500	103,500
CFO remuneration – R. Randall	55,688	72,695
Consulting fees – C. Sheppard	60,500	-
Director remuneration	91,125	74,831
Service fees and rent	99,550	89,550
	527,363	465,576

During the period ended September 30, 2022, the Company incurred costs totaling of \$99,550 payable to a related party, Numus Financial Inc. ("Numus"), a company controlled by two Directors, comprising consulting service fees in the amount of \$47,250 (year ended December 31, 2021 – \$63,000), Financial Controller services of \$27,000 (year ended December 31, 2021 - \$36,000), digital media services of \$10,000 and rent and office services in the amount of \$15,300 (year ended December 31, 2021 – \$20,400).

Torrent Capital Ltd.

Notes to Unaudited Condensed Interim Financial Statements

For the quarters ended September 30, 2022 and 2021

(expressed in Canadian dollars unless otherwise noted)

7. 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.

As at September 30, 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). As at September 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 \$30,479 was recognized during the period ended September 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 September 30, 2022 and 2021

(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% (2021 – 29%) to the effective tax rate is as follows:

	Nine months ended September 30, 2022	Year ended December 31, 2021
Income before income taxes	(9,974,833)	1,627,509
Expected income tax expense	(2,892,700)	471,980
Permanent difference regarding accounting gain on investments	1,317,270	(455,000)
Stock based compensation and other non-deductible items	12,590	13,520
Change in tax benefits not recognized	92,840	-
Income tax (recovery) expense	(1,470,000)	30,000
Current income tax	(230,000)	60,000
Deferred income tax	(1,240,000)	(30,000)
Income tax (recovery) expense	(1,470,000)	30,000

Deferred Tax

The following table summarizes the components of deferred tax:

	September 30, 2022 \$	December 31, 2021 \$
Deferred Tax Assets		
Exploration and evaluation assets	56,750	65,580
Intangible assets	50,240	56,680
Deferred Tax Liability		
Unrealized gains on investments	(486,990)	(1,742,260)
Net deferred tax liability	(380,000)	(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.