
TORRENT CAPITAL LTD.

**UNAUDITED CONDENSED INTERIM
FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED
SEPTEMBER 30, 2019**

(expressed in Canadian dollars)

Management's Responsibility for Financial Reporting

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

The unaudited 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 unaudited condensed interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the unaudited condensed interim statement of financial position date. In the opinion of management, the unaudited 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 unaudited condensed interim financial statements and (ii) the unaudited 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 unaudited condensed interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited 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 unaudited 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 unaudited 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 financial statements have not been reviewed by the external auditors of the Company.

Halifax, Canada
November 25, 2019

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

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

Torrent Capital Ltd.
Unaudited Condensed Interim Statements of Financial Position
As at September 30, 2019 and December 31, 2018
(Expressed in Canadian dollars unless otherwise indicated)

| | September 30, 2019 \$ | December 31, 2018 \$ |
|---|-----------------------------|----------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 222,568 | 447,097 |
| Sales tax receivable | 9,926 | 39,761 |
| Prepaid expenses | 8,041 | - |
| Investments at fair value (note 5) | 12,160,796 | 10,620,779 |
| Total Assets | 12,401,331 | 11,107,637 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (note 8) | 79,999 | 595,248 |
| EQUITY | | |
| Share capital (note 6) | 8,203,404 | 8,203,404 |
| Contributed surplus (note 7) | 2,501,201 | 2,460,753 |
| Deficit | 1,616,727 | (151,768) |
| | 12,321,332 | 10,512,389 |
| Total Liabilities and Equity | 12,401,331 | 11,107,637 |

Approved on Behalf of the Board on November 25, 2019:

"Wade Dawe"
Director

"Jim Megann"
Director

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

Torrent Capital Ltd.

Unaudited Condensed Interim Statements of Loss and Comprehensive Loss

For the periods ended September 30, 2019 and 2018

(Expressed in Canadian dollars unless otherwise indicated)

| | Three months ended Sept. 30, 2019 \$ | Three months ended Sept. 30, 2018 \$ | Nine months ended Sept. 30, 2019 \$ | Nine months ended Sept. 30, 2018 \$ |
|--|--|--|---|---|
| REVENUE AND OTHER INCOME (LOSS) | | | | |
| Realized gain (loss) on investments | 1,174,926 | 3,965,063 | 583,677 | 4,440,458 |
| Unrealized gain (loss) on investments (note 5) | 1,013,433 | 2,281,595 | 1,644,260 | 166,497 |
| | 2,188,359 | 6,246,658 | 2,227,937 | 4,606,955 |
| EXPENSES | | | | |
| Consulting (note 8) | 86,588 | 61,875 | 264,938 | 190,475 |
| Directors fees (note 8) | 19,425 | 13,317 | 58,274 | 40,037 |
| Professional fees | 7,000 | 6,545 | 27,400 | 12,389 |
| Insurance | 6,302 | 6,303 | 18,425 | 18,699 |
| Stock exchange and maintenance fees | 3,126 | 4,666 | 17,005 | 23,634 |
| Office and administration | 583 | 3,723 | 3,709 | 7,501 |
| Travel | 6,187 | 2,500 | 13,848 | 2,500 |
| Rent and related costs (note 8) | 5,100 | 4,435 | 15,300 | 10,645 |
| Stock-based compensation | 6,387 | - | 40,448 | 31,344 |
| Foreign exchange loss (gain) | 1,069 | 26 | 95 | (326) |
| | (141,767) | (103,390) | (459,442) | (336,898) |
| INCOME BEFORE INCOME TAXES | 2,046,592 | 6,143,268 | 1,768,495 | 4,270,057 |
| Deferred income taxes | - | 85,000 | - | 85,000 |
| NET INCOME AND COMPREHENSIVE INCOME | 2,046,592 | 6,058,268 | 1,768,495 | 4,185,057 |
| Basic and diluted income per share | 0.09 | 0.26 | 0.07 | 0.18 |
| Weighted average number of shares outstanding | 23,848,333 | 23,648,333 | 23,848,333 | 23,648,333 |

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

Torrent Capital Ltd.**Unaudited Condensed Interim Statements of Changes in Shareholders' Equity****For the periods ended September 30, 2019 and 2018, and December 31, 2018***(Expressed in Canadian dollars unless otherwise indicated)*

| | Common Shares # | Share Capital \$ | Contributed Surplus \$ | Deficit \$ | Total \$ |
|--|--------------------------------|---------------------------------|---------------------------------------|-----------------------|---------------------|
| Balance – January 1, 2018 | 23,648,333 | 8,119,404 | 2,423,021 | (2,853,502) | 7,688,923 |
| Net income and comprehensive income for the period | - | - | - | 4,185,057 | 4,185,057 |
| Stock-based compensation | - | - | 31,344 | - | 31,344 |
| Balance – September 30, 2018 | 23,648,333 | 8,119,404 | 2,454,365 | 1,331,555 | 11,905,324 |
| Net income and comprehensive income for the period | - | - | - | (1,483,323) | (1,483,323) |
| Shares issued on vesting of restricted share units | 200,000 | 84,000 | - | - | 84,000 |
| Stock-based compensation | - | - | 6,388 | - | 6,388 |
| Balance – December 31, 2018 | 23,848,333 | 8,203,404 | 2,460,753 | (151,768) | 10,512,389 |
| Net income and comprehensive income for the period | - | - | - | 1,768,495 | 1,768,495 |
| Stock-based compensation | - | - | 40,448 | - | 40,448 |
| Balance – September 30, 2019 | 23,848,333 | 8,203,404 | 2,501,201 | 1,616,727 | 12,321,332 |

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

Torrent Capital Ltd.**Unaudited Condensed Interim Statements of Cash Flow****For the period ended September 30, 2019 and 2018***(Expressed in Canadian dollars unless otherwise indicated)*

| | Nine months ended September 30, 2019 \$ | Nine months ended September 30, 2018 \$ |
|---|--|---|
| CASH (USED IN) PROVIDED BY: | | |
| OPERATING ACTIVITIES | | |
| Net income for the period | 1,768,495 | 4,185,057 |
| Items not affecting cash: | | |
| Realized (gain) loss on investments | (519,611) | (4,410,801) |
| Unrealized (gain) loss on investments | (1,644,260) | (166,497) |
| Deferred income tax | - | 85,000 |
| Stock-based compensation | 40,448 | 31,344 |
| | (354,928) | (275,897) |
| Adjustments for: | | |
| Proceeds on sale of investments | 6,689,039 | 7,740,196 |
| Acquisition of publicly-traded securities | (6,065,185) | (6,380,518) |
| Sales tax receivables | 29,835 | (2,372) |
| Prepaid expenses | (8,041) | (5,291) |
| Accounts payable and accrued liabilities | (515,249) | (23,080) |
| CHANGE IN CASH AND CASH EQUIVALENTS | (224,529) | 1,053,038 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 447,097 | 772,290 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | 222,568 | 1,825,328 |

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

Torrent Capital Ltd.

Notes to the Unaudited Condensed Interim Financial Statements

For the period ended September 30, 2019

(Expressed in Canadian dollars unless otherwise indicated)

1. NATURE OF OPERATIONS

Torrent Capital Ltd. (the "Company" or "Torrent") received final approval from the TSX Venture Exchange (the "Exchange") for its change of business from a Mining Issuer to an Investment Issuer on February 2, 2017. The Company's focus is on strategic investments in public and private company securities. Trading in the Company's shares resumed on February 6, 2017 under the symbol "TORR".

The Company's corporate office is located at Suite 2001 – 1969 Upper Water Street, Purdy's Wharf II, Halifax, Nova Scotia, Canada, B3J 3R7.

As at September 30, 2019, the Company had cash and cash equivalents of \$222,568 (December 31, 2018 - \$447,097) and working capital of \$12,321,332 (December 31, 2018 - \$10,512,389). 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, 2018.

The policies applied in these unaudited condensed interim financial statements are based on IFRS as of November 25, 2019, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year-ended December 31, 2019 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, 2018, except as noted below. Refer to note 2, *Significant Accounting Policies*, of the Company's annual financial statements for the year-ended December 31, 2018 for information regarding the accounting policies as well as new accounting standards not yet effective.

Torrent Capital Ltd.

Notes to the Unaudited Condensed Interim Financial Statements

For the period ended September 30, 2019

(Expressed in Canadian dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

New accounting standards adopted during the period

Effective January 1, 2019, the Company adopted the following new accounting standard. This change in accounting policy will also be reflected in the Company's subsequent quarters and annual financial statements as at and for the year ended December 31, 2019.

IFRS 16, Leases ("IFRS 16")

The Company adopted IFRS 16 effective January 1, 2019. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The company has no significant lease commitments and adoption of the standard did not have a material impact on the financial statements.

3. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives, including funding of future growth opportunities and pursuing accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares or debt, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

The Company considers its capital to be its shareholders' equity, which at September 30, 2019 totaled \$12,231,332 (December 31, 2018 - \$10,512,389). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the period ended September 30, 2019 and the year ended December 31, 2018. The Company is not subject to any capital requirements or restrictions.

4. FINANCIAL RISK FACTORS

Financial Risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate and foreign exchange rate).

Risk management is carried out by the Company's Management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Torrent Capital Ltd.

Notes to the Unaudited Condensed Interim Financial Statements

For the period ended September 30, 2019

(Expressed in Canadian dollars unless otherwise indicated)

4. FINANCIAL RISK FACTORS (Continued)

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash consist of cash held at banks. As at September 30, 2019 and December 31, 2018, the Company held no short-term deposits. Cash is held with reputable banks in Canada which have a long-term credit rating of A, as determined by Standard and Poor's.

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they become due or can only do so at excessive cost. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at September 30, 2019, the Company had current assets of \$12,401,331 (December 31, 2018 - \$11,107,637) to settle current liabilities of \$79,999 (December 31, 2018 - \$595,248). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

Most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(i) *Interest Rate Risk*

The Company has cash balances and no interest-bearing debt. The Company regularly monitors its cash management policy.

(ii) *Foreign Exchange Risk*

The Company's functional currency is the Canadian dollar and it transacts major purchases in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions is minimal, and therefore does not hedge its foreign exchange risk.

Sensitivity Analysis

Based on Management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period:

- (i) Cash and cash equivalents are subject to floating interest rates. Sensitivity to a plus or minus a 5% change in interest rates would not have a material impact on the reported net income for the period ended September 30, 2019.
- (ii) The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash and cash equivalents denominated in the United States dollar and the Australian dollar. An increase or decrease of 5% in foreign exchange rates applied to the financial instruments held at the end of the reporting period would affect net loss by \$6,940 (December 31, 2018 - \$14,480).

Torrent Capital Ltd.

Notes to the Unaudited Condensed Interim Financial Statements

For the period ended September 30, 2019

(Expressed in Canadian dollars unless otherwise indicated)

5. INVESTMENTS

| | Shares # | Cost of Investment \$ | Market Value Sept. 30, 2019 \$ | Unrealized Gain (Loss) quarter ended Sept. 30, 2019 \$ | Unrealized Gain (Loss) Year to date Sept. 30, 2019 \$ | Market Value Dec. 31, 2018 \$ |
|-----------------------------|-------------|-----------------------------|--|--|---|---|
| DHX Media | 2,000,000 | 3,098,063 | 3,820,000 | 95,186 ^(a) | (757,016) ^(a) | 4,480,000 |
| kneat.com, inc. | 1,942,500 | 1,637,113 | 2,564,100 | 300,800 | 546,987 | 980,000 |
| Ruckify Inc. | 604,976 | 650,000 | 1,742,331 | 835,236 | 1,092,331 | - |
| Gold investments portfolio | - | 1,026,818 | 892,350 | (134,468) | (134,468) | - |
| Resolute Health Corporation | 300,000 | 570,000 | 570,000 | - | - | - |
| Pivot Technology Solutions | 196,100 | 293,071 | 260,813 | 12,062 ^(b) | 300,932 ^(b) | 525,000 |
| IMV Inc. | 189,800 | 957,503 | 611,156 | (111,982) | (346,347) | - |
| Martello Technologies Corp. | 400,000 | 102,539 | 116,000 | 197,506 | (31,589) | 891,000 |
| Sona Nanotech Inc. | 1,600,000 | 412,136 | 336,000 | (64,000) | (75,633) | 330,000 |
| Other marketable securities | | 1,215,831 | 1,248,046 | (116,907) | (49,535) | 424,210 |
| Agua Resources Limited | | - | - | - | 517,491 ^(b) | 170,569 |
| Peyto Exploration/Dev. Corp | | - | - | - | 247,379 ^(b) | 495,600 |
| Chesapeake Energy Corp. | | - | - | - | 179,821 ^(b) | 171,600 |
| Investments sold | | - | - | - | 153,907 ^(b) | 2,152,800 |
| | | 9,963,074 | 12,160,796 | 1,013,433 | 1,644,260 | 10,620,779 |

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

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

Torrent Capital Ltd.

Notes to the Unaudited Condensed Interim Financial Statements

For the period ended September 30, 2019

(Expressed in Canadian dollars unless otherwise indicated)

6. SHARE CAPITAL

(a) AUTHORIZED

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

(b) ISSUED

| | Number of Shares | Amount \$ |
|--|---------------------|--------------|
| Balance – January 1, 2018 | 23,648,333 | 8,119,404 |
| Restricted shares units issued | 200,000 | 84,000 |
| Balance – December 31, 2018 and September 30, 2019 | 23,848,333 | 8,203,404 |

(c) RESTRICED SHARES UNITS ISSUED

The Company issued 200,000 restricted share units to Directors and Officers on December 3, 2018. The estimated fair value of these restricted share units was \$84,000 which has been recognized as stock-based compensation during the year ended December 31, 2018.

(d) ESCROWED

As a result of the Company's change of business, 4,189,204 common shares held by the directors were subject to a Tier 1 Value Escrow Agreement. There was an initial release of 963,583 (23%) of the escrowed securities on February 2, 2017 and the remaining shares were released at a rate of 1,075,207 (25.7%) every six months thereafter. As at December 31, 2018 all these shares were released from escrow.

7. 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 June 15, 2017, the Company granted 675,000 stock options to Directors, Officers and consultants. The options are exercisable at a price of \$0.30 per share and expire on June 15, 2022. The options vested at a rate of 50% of the total on each of the six and twelve-month anniversaries of the grant date.

On December 3, 2018, the Company granted 200,000 stock options to Directors and Officers. The options are exercisable at a price of \$0.42 per share and expire on December 3, 2023. The options will vest at a rate of 50% of the total on each of the six and twelve-month anniversaries of the grant date.

On December 3, 2018, the Company also issued 200,000 restricted share units with immediate vesting to Directors and Officers. The estimated fair value of these restricted share units was \$84,000 which was recognized as stock-based compensation during the year ended December 31, 2018.

Torrent Capital Ltd.

Notes to the Unaudited Condensed Interim Financial Statements

For the period ended September 30, 2019

(Expressed in Canadian dollars unless otherwise indicated)

7. 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 no options or restricted share units issued during the period ended June 30, 2019. The assumptions used in the pricing model for the options issued during the years ended December 31, 2018 and 2017 were as follows:

| | Dec. 31, 2018 | Dec. 31, 2017 |
|--|--------------------------|------------------|
| Risk free interest rate | 1% | 1% |
| Expected volatility | 75% | 100% |
| Expected dividend yield | - | - |
| Expected life | 5 years | 5 years |
| Weighted average fair value per option | \$0.255 | \$0.223 |

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, 2018 is \$51,092 (December 31, 2017 - \$150,452). These amounts are amortized over the vesting period and \$40,448 was expensed during the period ended September 30, 2019 (period ended June 30, 2018 - \$31,344). The following table reflects the stock options continuity for the period ended September 30, 2019 and the year ended December 31, 2018:

| | Number of Stock Options Outstanding | Weighted Average Exercise Price \$ |
|---|--|---|
| Balance - January 1, 2018 | 1,241,667 | 0.30 |
| Options issued | 200,000 | 0.42 |
| Options expired | (483,333) | 0.30 |
| Balance – December 31, 2018 and September 30, 2019 | 958,334 | 0.33 |

The following table reflects the stock options outstanding as at September 30, 2019:

| Expiry Date | Exercise Price \$ | Weighted Average Life Remaining | Options Outstanding | Options Vested | Black- Scholes Value \$ |
|--------------------|----------------------------------|--|--------------------------------|---------------------------|--|
| November 21, 2019 | 0.30 | 0.1 years | 133,334 | 133,334 | 33,720 |
| June 15, 2022 | 0.30 | 2.8 years | 625,000 | 625,000 | 150,452 |
| December 3, 2023 | 0.42 | 4.2 years | 200,000 | 150,000 | 51,092 |
| | | | 958,334 | 908,334 | |

Torrent Capital Ltd.

Notes to the Unaudited Condensed Interim Financial Statements

For the period ended September 30, 2019

(Expressed in Canadian dollars unless otherwise indicated)

8. RELATED PARTY TRANSACTIONS AND BALANCES

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

| | Nine months ended September 30, 2019 \$ | Nine months ended September 30, 2018 \$ |
|---------------------------------------|---|---|
| Director remuneration | 58,274 | 40,307 |
| CEO remuneration – W. Dawe | 90,000 | 39,000 |
| Chief Investment Officer – S. Gardner | 102,000 | 90,000 |
| CFO remuneration – R. Randall | 37,738 | 38,025 |
| Service fees and rent (notes i) | 49,500 | 35,842 |
| | 337,512 | 243,174 |

- i) During the period ended September 30, 2019, the Company incurred service fees of \$34,200 (year ended December 31, 2018 - \$34,850), rent and related costs of \$15,300 (year ended December 31, 2018 - \$27,745) with Numus Financial Inc., a company owned by two Directors.

In June 2017, the Company issued 625,000 stock options to Directors and Officers. In December 2018, the Company issued 200,000 stock options to Directors and Officers. The estimated fair value of these stock options was \$51,092 (June 2017 – \$139,307) of which stock-based compensation of \$44,448 has been recognized in the period ended September 30, 2019 (period ended June 30, 2018 - \$31,344).

In December 2018, the Company issued 200,000 restricted share units that vested immediately to Directors and Officers. The estimated fair value of these restricted share units was \$84,000 which has been recognized as stock-based compensation during the year ended December 31, 2018.

As at September 30, 2019, related parties were owed \$49,997 (December 31, 2018 - \$532,285). These amounts are included in accounts payable and accrued liabilities.

The above noted transactions are in the normal course of business, as agreed to by the parties and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

Torrent Capital Ltd.

Notes to the Unaudited Condensed Interim Financial Statements

For the period ended September 30, 2019

(Expressed in Canadian dollars unless otherwise indicated)

9. INCOME TAXES

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

| | December 31, 2018 \$ | December 31, 2017 \$ |
|---|----------------------------|----------------------------|
| Income before income taxes | 2,701,734 | 994,783 |
| Expected income tax expense | 837,540 | 308,380 |
| Permanent difference regarding accounting gain on investments | (570,170) | (254,160) |
| Tax rate changes and other adjustments | - | (94,240) |
| Capital loss on settlement of debt | - | 36,930 |
| Stock based compensation and other non-deductible items | 37,940 | 37,870 |
| Change in tax benefits not recognized | (305,310) | (34,780) |
| Income tax (recovery) expense | - | - |

Deferred Tax

The following table summarizes the components of deferred tax:

| | December 31, 2018 \$ | December 31, 2017 \$ |
|------------------------------------|----------------------------|----------------------------|
| Deferred Tax Asset | | |
| Capital losses carried forward | - | 175,520 |
| Non-capital losses carried forward | 85,790 | - |
| Deferred Tax Liability | | |
| Unrealized gains on investments | (85,790) | (175,520) |
| Net deferred tax liability | - | - |

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the right and intent to offset.

Torrent Capital Ltd.

Notes to the Unaudited Condensed Interim Financial Statements

For the period ended September 30, 2019

(Expressed in Canadian dollars unless otherwise indicated)

9. INCOME TAXES (continued)

Unrecognized Deferred Tax Assets

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

| Deferred Income Tax Assets | December 31, 2018 \$ | December 31, 2017 \$ |
|------------------------------------|----------------------------|----------------------------|
| Exploration and evaluation assets | 290,180 | 322,420 |
| Intangible asset | 227,320 | 244,440 |
| Non-capital losses carried forward | 219,900 | 772,410 |
| Capital losses carried forward | - | 561,310 |

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

10. SUBSEQUENT EVENT

Option Exercise

Subsequent to September 30, 2019, the Company issued 133,334 common shares for proceeds of \$40,000 on the exercise of 133,334 stock options with an exercise price of \$0.30 per share.