
TORRENT CAPITAL LTD.

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022**
(expressed in Canadian dollars)

April 17, 2024

Management's Responsibility for Financial Reporting

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

The 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 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 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 financial statements; and (ii) the 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 financial statements.

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

Halifax, Canada

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

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

Independent Auditor's Report

To the Shareholders of Torrent Capital Ltd.:

Opinion

We have audited the financial statements of Torrent Capital Ltd. (the "Company"), which comprise the statements of financial position as at December 31, 2023 and December 31, 2022, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and December 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Unlisted Investments

The valuation of unlisted investments requires significant judgement and estimated by management and is therefore considered a key audit matter due to the subjective nature of certain assumptions inherent in each valuation.

The investment portfolio at year-end was comprised of unlisted investments valued at \$4,084,010 which accounted for 27% of the total portfolio.

Any input inaccuracies or unreasonable basis used in the valuation judgements could result in a material misstatement of the financial statements.

Please refer to Note 5 of the financial statements for details.

Audit Response

We responded to this matter by performing procedures in relation to the valuation of unlisted investments. Our audit work in relation to this included, but was not restricted to, the following:

- Sent third party confirmation to management of unlisted investments to corroborate valuation assumptions made by the Company's management, including third party financing raised during the year.
- For existing investments, analyzed changes in significant assumptions compared with assumptions audited in previous periods and compared these to independent evidence, where available, including industry data.
- Performed recalculations of the unrealized and realized gains/losses for selected investments and compared it to source documents.
- Assessed the appropriateness of the disclosures relating to the assumptions used in the valuation of unlisted investments in the notes to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will

always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Blair Michael Mabee.

Mississauga, Ontario

April 17, 2024

MNP LLP
Chartered Professional Accountants

Licensed Public Accountants

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

	December 31, 2023 \$	December 31, 2022 \$
ASSETS		
Current assets		
Cash and cash equivalents	499,727	263,923
Accounts receivable	95,395	5,218
Sales tax receivable	41,353	29,781
Prepaid expenses	2,873	2,758
Investments at fair value (note 5)	14,936,703	21,593,056
Income tax recoverable (note 10)	115,000	322,559
	15,691,051	22,217,295
Joint Venture (note 6)		
Loan receivable	360,521	153,000
Investment in joint venture	-	7,685
	360,521	160,685
Total Assets	16,051,572	22,377,980
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	380,442	249,262
Non-current liabilities		
Deferred income tax (note 10)	-	760,000
Total Liabilities	380,442	1,009,262
EQUITY		
Share capital (note 7)	10,556,600	10,420,894
Contributed surplus (note 8)	420,448	379,692
Retained earnings	4,694,082	10,568,132
	15,671,130	21,368,718
Total Liabilities and Equity	16,051,572	22,377,980

Nature of Operations (note 1)

Approved on Behalf of the Board on April 17, 2024:

"Wade Dawe"
Director

"Jim Megann"
Director

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

Torrent Capital Ltd.

Statements of Loss and Comprehensive Loss

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars unless otherwise indicated)

	Year ended December 31, 2023 \$	Year ended December 31, 2022 \$
REVENUE AND OTHER INCOME		
Realized gain on investments	(1,653,073)	322,362
Unrealized loss on investments (note 5)	(3,999,158)	(6,649,292)
Equity loss from joint venture (note 6)	(101,390)	(64,660)
Interest income (note 6)	29,479	3,695
	(5,742,142)	(6,387,895)
EXPENSES		
Consulting (note 9)	507,860	531,055
Stock-based compensation (notes 7, 8 & 9)	102,962	244,170
Directors' fees (note 9)	118,500	120,750
Office and administration	91,387	117,319
Professional fees	115,465	69,701
Insurance	33,000	32,716
Stock exchange and maintenance fees	27,117	27,991
Rent and related costs (note 9)	20,400	20,400
Travel	7,127	18,787
Foreign exchange loss	1,090	(635)
	(1,024,908)	(1,182,254)
LOSS BEFORE INCOME TAXES	(6,749,050)	(7,570,149)
INCOME TAXES		
Provision for tax recovery (note 10)	875,000	1,160,000
NET LOSS AND COMPREHENSIVE LOSS	(5,874,050)	(6,410,149)
Loss per share		
Basic & diluted	(0.23)	(0.26)
Weighted average number of shares outstanding	25,023,072	24,672,222

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

Torrent Capital Ltd.**Statements of Changes in Shareholders' Equity****For the years ended December 31, 2023 and 2022***(Expressed in Canadian dollars unless otherwise indicated)*

	Common Shares #	Share Capital \$	Contributed Surplus \$	Retained Earnings \$	Total \$
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 year	-	-	-	(6,410,149)	(6,410,149)
Shares issued on vesting of restricted share units (note 7)	197,500	167,875	-	-	167,875
Shares issued on the exercise of stock options (note 7)	575,000	300,663	(128,163)	-	172,500
Stock-based compensation (note 8)	-	-	76,295	-	76,295
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 year	-	-	-	(5,874,050)	(5,874,050)
Shares issued on vesting of restricted share units (note 7)	25,000	17,500	(17,500)	-	-
Shares issued on the exercise of stock options (note 7)	175,000	118,206	(44,706)	-	73,500
Stock-based compensation (note 8)	-	-	102,962	-	102,962
Balance – December 31, 2023	25,204,167	10,556,600	420,448	4,694,082	15,671,130

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

Torrent Capital Ltd.

Statements of Cash Flow

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars unless otherwise indicated)

	Year ended December 31, 2023 \$	Year ended December 31, 2022 \$
CASH PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss for the year	(5,874,050)	(6,410,149)
Items not affecting cash:		
Realized (gain) loss on investments	1,653,073	(322,362)
Unrealized loss on investments	3,999,158	6,649,292
Provision for income tax recovery	(875,000)	(1,160,000)
Interest on loan to joint venture	(28,850)	(3,000)
Equity pick-up	101,390	64,660
Stock-based compensation	102,962	244,170
	(921,317)	(937,389)
Adjustments for:		
Proceeds on sale of investments	3,254,404	5,140,749
Acquisition of investments	(2,250,282)	(4,371,816)
Investment in joint ventures	(62,376)	(72,345)
Accounts receivable	(90,177)	42,090
Sales tax receivables	(11,572)	(27,422)
Prepaid expenses	(115)	(2,758)
Accounts payable and accrued liabilities	131,180	(247,611)
Income taxes recoverable, net of refund	322,559	258,793
	372,304	(217,709)
Financing Activities		
Proceeds on the exercise of cash options	73,500	172,500
	73,500	172,500
Investing activities		
Loan to joint venture	(210,000)	(150,000)
	(210,000)	(150,000)
CHANGE IN CASH AND CASH EQUIVALENTS	235,804	(195,209)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	263,923	459,132
CASH AND CASH EQUIVALENTS, END OF YEAR	499,727	263,923

Supplemental information:

Income taxes paid	-	87,307
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The accompanying notes are an integral part of these financial statements.

Torrent Capital Ltd.

Notes to Financial Statements

For the years ended December 31, 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 December 31, 2023, the Company had cash and cash equivalents of \$499,727 (2022 - \$263,293) and working capital of \$15,310,609 (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. ACCOUNTING POLICIES

Statement of Compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and their interpretations adopted by the International Accounting Standards Board (“IASB”). These financial statements were authorized for issuance by the Board of Directors of the Company on April 17, 2024.

In February 2021, the IASB issued amendments to IAS 1 “Presentation of Financial Statements” to require companies to disclose their “material” accounting policy information rather than their “significant” accounting policies. Effective January 1, 2023, the Company adopted these amendments which did not result in any changes in the disclosure of the Company’s accounting policies.

Basis of Presentation

These financial statements have been prepared on a historical cost basis, except for investments recorded at fair value through profit or loss. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Foreign Currencies

The financial statements are presented in Canadian dollars, which is the Company’s functional currency. Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the statements of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

IFRS 9, Financial Instruments (“IFRS 9”)

Financial assets within the scope of IFRS 9 are classified in the following measurement categories: amortized cost, fair value through profit or loss (“FVTPL”), or fair value through other comprehensive income (“FVOCI”). Financial liabilities are classified in the following measurement categories: fair value through profit or loss, or amortized cost.

Torrent Capital Ltd.

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(expressed in Canadian dollars unless otherwise noted)

2. ACCOUNTING POLICIES (Continued)

IFRS 9, Financial Instruments (“IFRS 9”) (continued)

The following table summarizes the classification of the Company’s financial instruments under IFRS 9.

<u>Financial Assets</u>	<u>Classification</u>
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Loan receivable	Amortized cost
Investments	Fair value through profit and loss
<u>Financial Liabilities</u>	<u>Classification</u>
Accounts payable and accrued liabilities	Amortized cost

Financial Assets

Within the scope of IFRS 9, financial assets are classified as financial assets at amortized costs, FVTPL or FVOCI, as appropriate. The Company classifies its financial assets as amortized cost or FVTPL.

Amortized Cost

Financial assets classified as amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Fair Value Through Profit or Loss

Financial assets classified as FVTPL are measured at fair value with changes in fair value recognized in net profit or loss.

Classification

The Company determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus or minus, in the case of financial assets not classified as FVTPL, directly attributable transaction costs. The Company’s financial assets include cash and cash equivalents, accounts receivable, loan receivable and investments.

Recognition and Measurement

Purchases and sales of investments are recognized on the transaction date. Investments are initially recognized at fair value plus transaction costs.

Subsequent to initial recognition, all investments are measured at FVTPL. Gains and losses arising from changes in the fair value of the investments are presented in the statements of loss and comprehensive loss as the net unrealized gains or losses on investments in the period they arise.

Torrent Capital Ltd.

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(expressed in Canadian dollars unless otherwise noted)

2. ACCOUNTING POLICIES (Continued)

IFRS 9, Financial Instruments (“IFRS 9”) (continued)

Determination of Fair Values

The determination of fair value requires judgment and is based on market information, where available and appropriate. At the end of each financial reporting period, the Company’s Management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements.

Publicly-traded investments (i.e., securities of issuers that are public companies):

- a. Securities including shares, options and warrants which are traded in an active market, such as on a recognized securities exchange and for which no sales restrictions apply, are presented at fair value based on quoted trading prices at the end of the reporting period or the closing trade price on the last day the security traded if there were no trades at the end of the reporting period. These are included in Level 1.
- b. For warrants and options which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a Black Scholes option pricing model is used; if no such market inputs are available, the warrants and options are valued using alternative methods representing fair value. These are included in Level 2.

Private company investments (i.e., securities of issuers that are not public companies):

All privately-held investments (other than options and warrants) are initially recorded at the transaction price, being the fair value at the date of acquisition. Thereafter, at each reporting period, the fair value of an investment may (depending upon the circumstances) be adjusted using one or more of the valuation indicators. These are included in Level 3. Options and warrants of private companies are valued using an option pricing model when there are sufficient and reliable observable market inputs; if no such market inputs are available, the warrants and options are valued using alternative methods representing fair value.

The determinations of fair value of the Company’s privately-held investments at other than initial cost are subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company’s judgment and any value estimated from these techniques may not be realized or realizable. Company-specific information is considered when determining whether the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to company specific information, the Company will take into account trends in general market conditions and the share performance of comparable publicly-traded companies when valuing privately-held investments.

Torrent Capital Ltd.

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(expressed in Canadian dollars unless otherwise noted)

2. ACCOUNTING POLICIES (Continued)

IFRS 9, Financial Instruments (“IFRS 9”) (continued)

The absence of the occurrence of any of these events, any significant change in trends in general market conditions, or any significant change in share performance of comparable publicly-traded companies indicates generally that the fair value of the investment has not materially changed. The private company shares may be valued based on the pricing of a recent significant financing.

Adjustments to the fair value of a privately-held investment will be based upon Management’s judgment and any value estimated may not be realized or realizable. The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed. The amounts at which the Company’s privately-held investments could be disposed of currently may differ from the carrying value assigned.

Disposition of Investments

Realized gains and losses on the disposal of investments and unrealized gains and losses on securities classified as fair value through profit and loss are reflected in profit or loss on the transaction date and are calculated on a weighted average cost basis.

Impairment of Financial Assets

Financial assets not measured at FVTPL are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of the financial assets is reduced directly by any impairment loss for all financial assets with the exception of accounts or loans receivable, where the carrying amount is reduced through the use of an allowance account. When an account or loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

The carrying amounts of the Company’s financial assets are reviewed at each reporting date to determine if there is any indication of impairment. As of December 31, 2023, and December 31, 2022, the fair values of financial assets approximate their amortized costs due to their short-term nature.

Torrent Capital Ltd.

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(expressed in Canadian dollars unless otherwise noted)

2. ACCOUNTING POLICIES (Continued)

IFRS 9, Financial Instruments (“IFRS 9”) (continued)

Financial Instruments Recorded at Fair Value

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

Level 1 - valuation based on unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices); and

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

Financial Liabilities

Financial liabilities are classified as amortized cost.

Amortized Cost

Financial liabilities measured at amortized cost, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or to the net carrying amount on initial recognition.

As of December 31, 2023, and December 31, 2022, the fair value of accounts payable and accrued liabilities approximates their amortized cost due to the short-term nature of the financial liabilities.

Derecognition of Financial Liabilities

The Company de-recognizes financial liabilities when the obligations are discharged, cancelled or expire.

Cash and Cash Equivalents

Cash and cash equivalents in the statements of financial position comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, and which are readily convertible into a known amount of cash. The Company’s cash and cash equivalents are invested with major financial institutions in business accounts and higher yield investment and savings accounts that are available on demand by the Company.

Torrent Capital Ltd.

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(expressed in Canadian dollars unless otherwise noted)

2. ACCOUNTING POLICIES (Continued)

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.

The Company's interests in joint ventures 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 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.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Company had no material provisions at December 31, 2023 or December 31, 2022.

Share-Based Payment Transactions

The fair value of share options and equity settled restricted share units ("RSUs") granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value of share options is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Torrent Capital Ltd.

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(expressed in Canadian dollars unless otherwise noted)

2. ACCOUNTING POLICIES (Continued)

Income Taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted during the period.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(Loss) Income Per Share

The Company presents basic and diluted income per share data for its common shares outstanding, calculated by dividing the (loss) income attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted (loss) income per share is determined by adjusting the (loss) income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares.

Revenue Recognition

Purchases and sales of investments are recognized on the transaction date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the statements of loss and comprehensive loss.

Upon disposal of an investment, previously recognized unrealized gains or losses are reversed to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments are expensed to the statements of loss and comprehensive loss as incurred.

Dividend income is recorded on the ex-dividend date and when the right to receive the dividend has been established. Interest income, other income and income from securities lending are recorded on an accrual basis.

Torrent Capital Ltd.

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(expressed in Canadian dollars unless otherwise noted)

2. ACCOUNTING POLICIES (Continued)

Critical Accounting Judgments

The preparation of these financial statements requires Management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates

Significant assumptions about the future, made by Management, could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Income Taxes and Recovery of Deferred Tax Assets and Liabilities

The measurement of income taxes payable and deferred tax assets and liabilities requires Management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

Stock-Based Compensation

Management is required to make certain estimates when determining the fair value of stock options awards and the number of awards that are expected to vest. These estimates affect the amount recognized as stock-based compensation in the statements of loss and comprehensive loss based on estimates of volatility, forfeitures and expected lives of the underlying stock options.

Fair Value of Investment in Securities Not Quoted in an Active Market

Where the fair values of financial assets and financial liabilities recorded on the statements of financial position, including equities and warrants, cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible; where observable market data is not available, Management's judgment is required to establish fair values.

Fair Value of Financial Derivatives

Investments in options and warrants that are not traded on a recognized securities exchange do not have a readily available market value. When there are sufficient and reliable observable market inputs, an option pricing model is used; if no such market inputs are available, the warrants and options are valued using alternative methods representing fair value.

Torrent Capital Ltd.

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(expressed in Canadian dollars unless otherwise noted)

2. ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates (Continued)

Warrants

The Company uses the Black-Scholes option pricing model to calculate the value of warrants obtained as part of the Company's participation in the private placements of investment issuers. The Black-Scholes model requires six key inputs to determine a value for a warrant: risk free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life and expected volatility. Certain of the inputs are estimates which involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. For example, a longer expected life of the warrant or a higher volatility number used would result in an increase in the warrant value.

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 December 31, 2023 totaled \$15,671,130 (December 31, 2022 - \$21,368,718). 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, and provides this information to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2023 and 2022. The Company is not subject to any capital requirements or restrictions.

4. FINANCIAL RISK FACTORS

Financial Risk

The Company's activities may expose it to a variety of financial risks: credit risk; liquidity risk; and 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 Financial Statements

For the years ended December 31, 2023 and 2022

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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 December 31, 2023 and December 31, 2022, the Company held no short-term deposits. Cash is held with reputable banks in Canada which have a long-term credit rating of A or higher, 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 December 31, 2023, the Company had current assets of \$15,691,051 (2022 - \$22,217,295) to settle current liabilities of \$380,442 (2022 - \$249,262). 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 loss for the year ended December 31, 2023.
- (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. 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 \$1,309 (2022 - \$1,329).

Torrent Capital Ltd.

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(expressed in Canadian dollars unless otherwise noted)

5. INVESTMENTS

	Shares #	Cost of Investment \$	Market Value Dec. 31, 2023 \$	Unrealized Gain (Loss) Year ended Dec. 31, 2023 \$	Market Value Dec. 31, 2022 \$
WildBrain Ltd	2,076,900	3,291,681	2,263,821	(4,312,972) ^(a)	6,676,800
kneat.com, inc.	1,702,943	1,813,892	5,193,976	647,118	4,546,858
The Game Day	11,250	953,550	2,302,200	-	2,302,200
Electrovaya Inc.	346,000	1,947,934	1,401,300	(289,932)	2,050,800
Other Securities		3,972,982	2,751,528	1,150,062	4,317,660
Resource Investments Portfolio		2,381,830	1,023,878	(1,193,434)	1,698,738
		14,361,869	14,936,703	(3,999,158)	21,593,056

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

Investments consisted of the following at December 31, 2023:

Investments	Cost \$	Level 1 Quoted Market Price \$	Level 2 Observable Market Inputs \$	Level 3 Non-Observable Market Inputs \$	Fair Market Value \$
Equities	14,361,869	10,852,693	-	4,048,010	14,936,703
Warrants	-	-	-	-	-
Total investments	14,361,869	10,852,693	-	4,048,010	14,936,703

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

Torrent Capital Ltd.

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

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5. INVESTMENTS (Continued)

During the years ended December 31, 2023 and 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 loss	30,245
Balance – December 31, 2022	4,264,259
Proceeds on sale	(6,315)
Realized gains	6,315
Change in unrealized loss	(180,249)
Balance – December 31, 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 December 31, 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 Financial Statements

For the years ended December 31, 2023 and 2022

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6. INVESTMENT IN JOINT VENTURE

In September 2022, the Company and the Port of Argentia Inc. (the “Port”) established a 50/50 joint venture company, Argentia Capital Inc. (“ACI”). ACI is 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 \$360,000 in aggregate principal as unsecured loans. The loans have an annual interest rate of 12% and are repayable in full, including all interest, on demand. As of December 31, 2023, the Company has provided \$360,000 of the amount to ACI and has recognized a loan receivable of \$391,850, including accrued interest, relating to the loans.

Loan receivable continuity

	December 31, 2023 \$	December 31, 2022 \$
Balance – beginning of year	153,000	-
Advances to ACI	210,000	150,000
Accrued interest	28,850	3,000
Balance – end of year	391,850	153,000
Interest in joint venture (<i>see below</i>)	(31,329)	-
Balance, net – end of year	360,521	153,000

For the year ended December 31, 2023, Torrent recognized an equity loss from joint venture of \$101,390 (2022 - \$64,600). Equity losses in excess of Torrent’s incremental 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 year:

	Amount \$
Balance – December 31, 2021	-
Additions	72,345
Equity pick-up	(64,660)
Balance – December 31, 2022	7,685
Additions	151,456
Government assistance	(89,080)
Equity pick-up	(101,390)
Balance – December 31, 2023	(31,329)

For the year ended December 31, 2023, the Company recognized additions to the joint venture of \$151,456 (2022 - \$72,345). The Company received \$89,080 in non repayable government assistance (2022 - \$nil) relating to expenses incurred relating to the joint venture which have been offset against costs incurred.

Torrent Capital Ltd.

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

(expressed in Canadian dollars unless otherwise noted)

7. 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	25,004,167	10,420,894
Restricted share units issued	25,000	17,500
Shares issued on the exercise of options	175,000	118,206
Balance – December 31, 2023	25,204,167	10,556,600

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 (“RSU”) 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 \$14,582 recorded as stock-based compensation for the year end December 31, 2023 (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. On the date of exercise, the share price was \$0.80 per common share.

On December 2, 2023, the Company issued 175,000 shares on the exercise of expiring options, by Directors and Officers, for a fair value of \$118,206, including cash proceeds of \$73,500. On the date of exercise, the share price was \$0.75 per common share.

8. 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.

Torrent Capital Ltd.

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(expressed in Canadian dollars unless otherwise noted)

8. STOCK OPTIONS AND RESTRICTED SHARE UNITS (Continued)

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 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 vested 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.

There were no options issued during the year ended December 31, 2023.

The following are the weighted-average assumptions used in the pricing model for the options issued during the year ended December 31, 2022:

	<u>2022</u>
Risk free interest rate	3.2%
Expected volatility	74%
Expected dividend yield	-
Expected life	5 years
Weighted average fair value per option	\$0.444

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 \$88,380 has been expensed in the current year ended December 31, 2023. The following table reflects the stock options continuity for the year ended December 31, 2023 and 2022:

	Number of Stock Options Outstanding	Weighted Average Exercise Price \$
Balance – December 31, 2021	1,360,000	0.41
Option issued	375,000	0.88
Option exercised	(575,000)	0.30
Expired / forfeited	(185,000)	0.70
Balance – December 31, 2022	975,000	0.60
Option exercised	(175,000)	0.42
Balance – December 31, 2023	800,000	0.64

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 in the prior period.

Torrent Capital Ltd.

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

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8. STOCK OPTIONS AND RESTRICTED SHARE UNITS (Continued)

The following table reflects the stock options outstanding as at December 31, 2023:

Expiry Date	Exercise Price \$	Weighted Average Life Remaining	Options Outstanding	Options Vested	Black- Scholes Value \$
May 19, 2025	0.40	1.4 years	400,000	400,000	94,456
September 30, 2025	0.80	1.8 years	25,000	25,000	10,267
May 13, 2027	0.95	3.4 years	125,000	125,000	62,769
October 27, 2027	0.85	3.8 years	250,000	250,000	103,891
			800,000	800,000	

The weighted average exercise price of vested options as at December 31, 2023 is \$0.64.

9. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Year ended December 31, 2023 \$	Year ended December 31, 2022 \$
CEO remuneration – W. Dawe	156,000	156,000
Chief Investment Officer – S. Gardner	172,500	138,000
CFO remuneration – R. Randall	73,013	71,363
Consulting fees – C. Sheppard	-	78,795
Director remuneration	118,500	120,750
Service fees and rent	137,400	144,400
	657,413	709,308

During the year ended December 31, 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 \$56,000 (2022 – \$63,000), Financial Controller services of \$36,000 (2022 - \$36,000), digital media services of \$25,000 (2022 - \$25,000) and rent and office services from Numus in the amount of \$20,400 (2022 – \$20,400).

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 to May 2023, the Company also has an agreement with Numus for the provision of digital media services in the amount of \$5,000 per month.

Torrent Capital Ltd.

Notes to Financial Statements

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9. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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 December 31, 2023, related parties were owed \$69,999 (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 year ended December 30, 2023, stock-based compensation of \$55,120 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.

10. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 29% (2022 – 29%) to the effective tax rate is as follows:

	December 31, 2023	December 31, 2022
	\$	\$
Income before income taxes	(6,749,050)	(7,570,149)
Expected income tax expense	(1,957,220)	(2,195,340)
Permanent difference regarding accounting gain on investments	834,880	917,410
Stock based compensation and other non-deductible items	25,750	22,640
Equity loss from joint venture	29,400	-
Change in tax benefits not recognized	192,190	95,290
Income tax (recovery) expense	(875,000)	(1,160,000)
Current income (recovery) tax	(115,000)	(300,000)
Deferred income (recovery) tax	(760,000)	(860,000)
Income tax (recovery) expense	(875,000)	(1,160,000)

Torrent Capital Ltd.

Notes to Financial Statements

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(expressed in Canadian dollars unless otherwise noted)

10. INCOME TAXES (Continued)

Deferred Tax

The following table summarizes the components of deferred tax:

	December 31, 2023 \$	December 31, 2022 \$
Deferred Tax Assets		
Exploration and evaluation assets	49,690	55,210
Intangible assets	40,110	49,310
Losses carried forward	150,200	-
Deferred Tax Liability		
Unrealized gains on investments	(240,000)	(864,520)
Net deferred tax liability	-	(760,000)

As at December 31, 2023, the Company has unused non-capital losses of \$1,701,000 available to reduce future taxable income for Canadian income tax purposes. The non-capital losses will expire in 2043. 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.

The Company has unrecognized deferred tax assets, in respect of loss carry forwards and deductible temporary differences. The following table summarized the components of the unrecognized deferred tax asset:

	December 31, 2023 \$	December 31, 2022 \$
Unrecognized Deferred Tax Assets		
Intangible assets	20,000	-
Capital losses carried forward	1,656,000	-
Charitable donations carried forward	25,000	-
Unrecognized deferred tax asset	1,701,000	-