TORQ RESOURCES

(Formerly Stratton Resources Inc.)

(An exploration stage company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three months ended March 31, 2017 and 2016

(Expressed in Canadian dollars unless otherwise stated)

TORQ RESOURCES INC.
(Formerly Stratton Resources Inc.)

(the "Company")

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three months ended March 31, 2017 and 2016

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

May 30, 2017

TORQ RESOURCES INC. (Formerly Stratton Resources Inc.)

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

		As at March 31, 2017		As at December 31, 2016
Assets				
Current assets:				
Cash	$	18,067,430	$	5,864,033
Amounts receivable		46,841		31,938
Prepaid expenses and deposits (note 3)		345,680		291,365
		18,459,951		6,187,336
Non-current assets:				
Mineral property interests (note 4)		679,324		605,232
Total assets	**$**	**19,139,275**	**$**	**6,792,568**
Liabilities and Equity				
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	$	529,770	$	633,673
		529,770		633,673
Non-current liability:				
Gecon financial liability (note 8)		216,207		218,472
		745,977		852,145
Equity				
Share capital		48,851,100		36,103,136
Share option and warrant reserve		5,039,680		5,039,680
Accumulated other comprehensive loss		(3,175)		(1,024)
Deficit		(35,494,307)		(35,201,369)
		18,393,298		5,940,423
Total liabilities and equity	**$**	**19,139,275**	**$**	**6,792,568**

Approved on behalf of the Board of Directors:

"Shawn Wallace"
Director

"Steve Cook"
Director

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

TORQ RESOURCES INC. (Formerly Stratton Resources Inc.)
Condensed Consolidated Iterim Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars, except share amounts)

		Three months ended		March 31,
		2017		2016
Administration expenses:				
Consulting fees, directors' fees, wages and benefits	$	105,386	$	8,541
Legal and professional fees		46,676		5,854
Regulatory, transfer agent and shareholder information		12,751		2,177
Office and administration		39,616		9,067
Travel, marketing and investor relations		11,138		203
Bank charges		2,097		278
		217,664		26,120
Other expenses (income):				
Interest and other income		(15,812)		(496)
Project evaluation costs		111,943		-
Change in fair value of Gecon financial liability (note 8)		(2,265)		-
Foreign exchange gain		(18,592)		(217)
		75,274		(713)
Loss for the period		**292,938**		**25,407**
Items that may be reclassified subsequently to profit or loss:				-
Unrealized currency loss on translation of foreign operations		2,151		-
Other comprehensive loss for the period		**2,151**		-
Total comprehensive loss for the period	**$**	**295,089**	**$**	**25,407**
Basic and diluted loss per share	$	0.00	$	0.00
Weighted average number of common shares outstanding (basic and diluted)		63,816,386		36,724,164

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

TORQ RESOURCES INC. (Formerly Stratton Resources Inc.)
Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian dollars, except share amounts)

	Number of shares	Share capital	Share option and warrant reserve	Accumulated other comprehensive loss	Deficit	Total
Balance at December 31, 2015	36,724,164	$ 29,086,748	$ 5,039,680	$ –	$ (34,540,870)	$ (414,442)
Net loss and comprehensive loss for the period	–	–	–	–	(25,407)	(25,407)
Balance at March 31, 2016	36,724,164	$ 29,086,748	$ 5,039,680	$ –	$ (34,566,277)	$ (439,849)
Balance at December 31, 2016	56,824,164	$ 36,103,136	$ 5,039,680	$ (1,024)	$ (35,201,369)	$ 5,940,423
Total comprehensive loss for the period	–	–	–	(2,151)	(292,938)	(295,089)
Proceeds from private placement, net of share issue costs (note 5 (b))	20,300,000	12,747,964	–	–	–	12,747,964
Balance at March 31, 2017	77,124,164	$ 48,851,100	$ 5,039,680	$ (3,175)	$ (35,494,307)	$ 18,393,298

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

TORQ RESOURCES INC. (Formerly Stratton Resources Inc.)

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

	Three months ended March 31, 2017	2016
Cash (used in) provided by:		
Operating activities:		
Net loss and comprehensive loss for the period	$ (292,938)	$ (25,407)
Items not involving cash:		
Change in fair value of Gecon financial liability (note 8)	(2,265)	–
Unrealized foreign exchange loss (gain)	2,919	(92)
Interest income	(15,812)	(496)
Changes in non-cash working capital:		
Amounts receivable	(14,927)	(1,255)
Prepaid expenses and deposits	(54,107)	(3,909)
Accounts payable and accrued liabilities	99,175	2,612
Cash used in operating activities	(277,955)	(28,547)
Investing activities:		
Mineral property expenditures	(277,236)	–
Interest received	15,812	496
Cash used in investing activities	(261,424)	496
Financing activities:		
Shares issued for cash, net of issuance costs (note 5(b))	12,747,964	–
Cash provided by financing activities	12,747,964	–
Effect of foreign exchange rate changes on cash	(5,187)	92
Increase (decrease) in cash	12,203,397	(27,959)
Cash, beginning of the period	5,864,033	215,521
Cash, end of the period	**$ 18,067,430**	**$ 187,562**

Supplemental cash flow information (note 9)

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

1. Corporate information

Torq Resources Inc. (formerly known as Stratton Resources Inc.) (the "Company" or "Torq") is incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange ("the Exchange") as a Tier 2 mining issuer. The Company changed its name to Torq Resources Inc. effective March 15, 2017 and its shares trade under the symbol TORQ.V.

The Company and its subsidiaries are principally engaged in the acquisition, exploration, and development of mineral property interests in North America and Europe. The Company has not yet determined whether its mineral property interests contain economically recoverable mineral reserves. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, obtaining the necessary mining permits, and on future profitable production or the proceeds from the disposition of the exploration and evaluation assets.

The head office and principal address of the Company is located at 1199 Hastings Street, Suite 600, Vancouver, British Columbia, V6E 3T5, Canada.

2. Basis of presentation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in the Company's most recent audited consolidated financial statements for the year ended December 31, 2016 and 2015. These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016.

These condensed consolidated interim financial statements were authorized for issue and approved by the Board of Directors of the Company on May 30, 2017.

(b) Basis of preparation and consolidation

These condensed consolidated interim financial statements have been prepared on a historical cost basis, with the exception of the Gecon financial liability, which is measured at fair value (note 6).

The Company's functional currency is the Canadian dollar, which is also the Company's presentation currency. These consolidated financial statements are presented in Canadian dollars, unless otherwise noted. Amounts in these financial statements denominated in Euros are denoted as EUR.

The condensed consolidated interim financial statements include the financial statements of the Company and its subsidiaries as follows:

Subsidiary	Place of incorporation	Functional Currency	Beneficial Interest
Stratton Resources (Canada) Ltd.	BC, Canada	CAD	100%
Archelaus Resources DOOEL Skopje	Macedonia	EUR	100%
Gecon OOD	Bulgaria	EUR	100%

2. Basis of presentation (continued)

(b) Basis of preparation and consolidation (continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Control exists when the Company has power over an investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company's returns.

Intercompany balances and transactions have been eliminated on consolidation.

Certain comparative figures have been reclassified to conform to the current period presentation.

(c) Critical accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the condensed consolidated interim financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates. The Company's critical accounting judgments and estimates were presented in note 2 of the audited annual consolidated financial statements for the year ended December 31, 2016 and have been consistently applied in the preparation of these condensed consolidated interim financial statements. No new judgements were applied.

(d) New accounting pronouncements

The following standards and interpretations have been issued but are not yet effective as of March 31, 2017. The Company did not early adopt any of these standards.

<u>Revenue Recognition</u>
In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is currently mandatory for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect the adoption of this standard to impact its financial statements, as currently the Company does not earn revenues.

<u>Financial instruments</u>
In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments ("IFRS 9") to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

<u>Leases</u>
In January 2016, the IASB published a new accounting standard, IFRS 16 – Leases ("IFRS 16") which supersedes IAS 17 – Leases. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, has also been applied. The Company does not have any material lease agreements and does not expect the adoption of this standard to materially impact its consolidated financial statements.

(Expressed in Canadian Dollars, unless otherwise stated)

3. Prepaid expenses and deposits

Prepaid expenses and deposits as at March 31, 2017 include $239,600 (December 31, 2015 - $239,600) of security deposits paid to the Department of Natural Resources of Newfoundland and Labrador in respect to the Newfoundland project (note 4). The security deposits are refundable to the Company upon the completion of assessment work on the claims in the aggregate amount of $955,400 by October 24, 2017 and an additional $3,000 by November 17, 2017.

4. Mineral property interests

a) Newfoundland project

On October 28, 2016, the Company entered into an option agreement with Wildwood Exploration Inc. to acquire the rights to approximately 119,000 hectares in Newfoundland, Canada (the "Newfoundland Option"). Under the terms of the Newfoundland Option, the Company may acquire a 100% interest, subject to a NSR royalty, in 4,777 mineral claims through a combination of work expenditures and cash and share payments as listed in the table below:

Due dates	Cash Payments	Common Shares	Work Expenditures
Upon signing of the agreement	$ 75,000	100,000	$ -
On or before October 28, 2017	150,000	200,000	250,000
On or before October 28, 2018	200,000	250,000	500,000
On or before October 28, 2019	250,000	400,000	500,000
On or before October 28, 2020	175,000	500,000	1,000,000
On or before October 28, 2021	-	1,750,000	-
Total	$ 850,000	3,200,000	$ 2,250,000

The NSR is 2.0% with 50% (being 1.0%) buyable for $3,000,000 any time.

(Expressed in Canadian Dollars, unless otherwise stated)

4. Mineral property interests (continued)

b) Mineral property interests continuity

The following is a continuity of costs capitalized as mineral property interests:

		Newfoundland
Balance as at December 31, 2015	$	-
Acquisition costs		
Additions:		
Option payments		135,000
Other acquisition costs		81,180
Exploration and evaluation costs		
Additions:		-
Drilling and sampling		159,292
Logistics		9,642
Project support cost		115,574
Wages and consultants		104,544
Balance as at December 31, 2016	**$**	**605,232**
Additions during the period:		
Exploration and evaluation costs		
Drilling and sampling		40,469
Logistics		11,902
Project support cost		6,707
Wages and consultants		14,914
Balance as at March 31, 2017	**$**	**679,324**

5. Share capital

(a) Authorized

Unlimited common shares without par value

(b) Share issuances

Three months ended March 31, 2017:

On February 27, 2017, the Company closed a non-brokered private placement for gross proceeds of $13,195,000 (the "February 2017 Private Placement") pursuant to which the Company issued an aggregate of 20,300,000 common shares at a price of $0.65 per common share. Share issue costs related to the Private Placement amounted to $447,036, which included finder's fees of $377,042 and professional and regulatory fees of $66,994. A reconciliation of the impact of the February 2017 Private Placement on share capital is as follows:

(Expressed in Canadian Dollars, unless otherwise stated)

5. Share capital (continued)

(b) Share issuances (continued)

	Number of common shares issued	Impact on share capital
Common shares issued at $0.65 per share	20,300,000	$ 13,195,000
Cash share issue costs		(447,036)
	20,300,000	$ 12,747,964

Twelve months ended December 31, 2016:

Pursuant to the Newfoundland Option Agreement (note 4 (a)) the Company issued 100,000 common shares with a total fair value of $60,000. The fair value of the shares was determined based on the closing price of the Company's shares quoted at TSX Venture Exchange at the date of issuance of the shares, December 1, 2016.

On August 30, 2016, the Company closed a private placement for gross proceeds of $7,000,000 (the "Private Placement") pursuant to which the Company issued an aggregate of 20,000,000 common shares at a price of $0.35 per common share. Share issue costs related to the Private Placement, which included professional and regulatory fees, totaled $43,612. There were no commissions or brokerage fees paid in connection with the Private Placement. A reconciliation of the impact of the Private Placement on share capital is as follows:

	Number of common shares issued	Impact on share capital
Common shares issued at $0.35 per share	20,000,000	$ 7,000,000
Cash share issue costs		(43,612)
	20,000,000	$ 6,956,388

6. Share option and warrant reserve

Share-based options

The Company maintains a Rolling Share-based Option Plan providing for the issuance of stock options up to 10% of the Company's issued and outstanding common shares. The Company may grant from time to time stock options to its directors, officers, employees and other service providers. The stock options vest 25% on the date of the grant and 12½% every three months thereafter for a total vesting period of 18 months.

During the three months ended March 31, 2017 and 2016, the Company did not grant any stock options and has no outstanding or exercisable stock options.

Share purchase warrants

During the three months ended March 31, 2017 and 2016, the Company did not issue share purchase warrants and has no outstanding or exercisable share purchase warrants.

7. Related party transactions

All transactions with related parties have occurred in the normal course of operations and are measured at their fair value as determined by management. All amounts are unsecured, non-interest bearing and have no specific terms of settlement, unless otherwise noted.

(Expressed in Canadian Dollars, unless otherwise stated)

7. Related party transactions (continued)

	Three months ended March 31,	
	2017	**2016**
Universal Mineral Services Ltd. [1]		
Included in the statement of loss and comprehensive loss:		
Bank charges	$571	$ 142
Consulting fees, directors' fees, wages and benefits	38910	8,541
Office, rent and administration	34,913	9,067
Project evaluation costs	31,675	-
Regulatory, transfer agent and shareholder information	730	-
Capitalized to mineral property interest:		
Newfoundland project	6,442	-
Total transactions for the years	$ 113,241	$17,750

1) Universal Mineral Services Ltd., ("UMS") is a private company with directors and officers in common that, pursuant to an agreement dated December 30, 2015, provides office space and administrative services to the Company on a cost recovery basis. The outstanding balance owing at March 31, 2017 was $40,807 (December 31, 2016 - $30,388) and prepaid expenses and deposits balance was $50,000 (December 31, 2016 - $31,000).

<u>Key management compensation</u>

In addition to the transactions disclosed above, the Company provided the following compensation to key management members:

	Three months ended March 31,	
	2017	**2016**
Short-term benefits	$ 53,580	$ -

8. Financial instruments

Financial instruments are evaluated under a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (market prices) or indirectly (derived from market prices);
Level 3 – Inputs for the asset or liability that are not based upon observable market data.

As at March 31, 2017, the Company's financial instruments consist of cash, amounts receivable, trade payables and other and Gecon financial liability. The fair values of cash, amounts receivable, trade payables and other approximate their carrying values due to their short-term to maturity.

8. Financial instruments (continued)

As at March 31, 2017 and December 31, 2016, the only financial instruments measured at fair value was the Gecon financial liability which is classified under level 3 of the fair value hierarchy. The Gecon financial liability was revalued at March 31, 2017 to $216,207 with the change in fair value since December 31, 2016 recognized in the comprehensive statement of loss.

The Company is exposed to the potential loss from various risks as outlined below.

(a) Credit risk

The Company is subject to credit risk on the cash and amounts receivable balances. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash balances in Canadian highly rated financial institutions. The Company considers the risk of loss associated with cash to be low. The amounts receivable are primarily due from government agencies and are not considered to represent a material credit risk exposure to the Company.

(b) Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flow to ensure there is sufficient capital to meet short-term obligations. The Company estimates that is contractual obligations pertaining to accounts payable and accrued liabilities will be satisfied within one year.

(c) Market risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Significant market risks to which the company is exposed are as follows:

<u>Foreign currency risk</u>

The Company is exposed to currency risk by having balances and transactions in currencies that are different from its functional currency (the Canadian dollar). As at March 31, 2017, the Company held net financial assets denominated in US dollars in the amount of $944,485 (December 31, 2016 - $165,642) and net financial assets denominated in Euro of $39,384 (December 31, 2016 – $33,632).

A 1% increase or decrease in the US dollar and Euro exchange rates would result in an increase/decrease of approximately $9,839 in the Company's net loss for the period.

<u>Interest rate risk</u>

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash attract interest at floating rates paid on deposits. The interest is typical of Canadian banking rates, which are at present low, however the conservative investment strategy mitigates the risk of deterioration to the investment. A change of one basis point in the interest rate would result in an increase/decrease of approximately $18,067 in the Company's net loss for the period.

(Expressed in Canadian Dollars, unless otherwise stated)

9. Supplemental cash flow information

	Three months ended March 31, 2017	2016
Change in accounts payable included in Mineral Property Interest	$ (203,144)	$ -

10. Segmented information

The Company operates as one operating segment being acquisition, exploration and development of mineral resource properties. As at March 31, 2017 and December 31, 2016 all of the Company's non-current assets are located in Canada.

11. Loss per share

Basic loss per share amounts are calculated by dividing the net loss for the period by the weighted average number of ordinary shares outstanding during the period.

	Three months ended March 31, 2017	2016
Loss attributable to ordinary shareholders	$ 292,938	$ 25,407
Weighted average number of common shares	63,816,386	36,724,164
Basic and diluted loss per share	$0.00	$0.00

As at March 31, 2017 and 2016, the Company had no dilutive securities.