(An exploration stage company)

Torq Resources Inc.

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

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Independent Auditor's Report

To the Shareholders and the Board of Directors of
Torq Resources Inc.

Opinion

We have audited the consolidated financial statements of Torq Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, consolidated statement of changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 audit 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.

Material Uncertainty related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company had no operating revenue and incurred a net loss of $11,878,804 during the year ended December 31, 2022. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Loan facility — Refer to Note 8 to the financial statements

Key Audit Matter Description

On July 11, 2022, the Company announced that it had finalized a $3,000,000 two-year loan facility (the "Loan Facility") whereby $2,000,000 was advanced to the Company immediately on execution with the remaining $1,000,000 available to draw down for a period of two years. Amounts drawn under the facility are subject to a 9% annual interest rate. In consideration for the grant of the Loan Facility, the Company issued to the lender, an entity which is affiliated with a current shareholder, 3,333,333 share purchase warrants exercisable at $0.60 per common share for a two-year period based on the initial $2,000,000 advance. Additional warrants for 100% coverage will be issued at the time of any future draw down(s) of the remaining $1,000,000 with warrants priced at the market price at the time of issuance. On December 14, 2022, the Company drew down an additional $500,000 and issued 769,231 share purchase warrants exercisable at $0.65 per common share for a period up to July 11, 2024. The Loan Facility comprises two components: the loan (a financial liability) and the share purchase warrants (an equity instrument) which were assessed to be separate financial instruments. The carrying amount of the equity instruments were established using the residual fair value approach, which represents the difference between the principal amount received from the Loan Facility less the fair value of the loan.

While management is required to make several judgments and assumptions relating to the Loan Facility, those with the highest degree of subjectivity relate to the appropriate accounting treatment and the determination of the discount rate. Auditing these judgements and assumptions resulted in an increased extent of audit effort, including the involvement of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the accounting treatment of the Loan Facility and determination of the discount rate, included the following, among others:

- Evaluated the appropriateness of management's accounting treatment of the Loan Facility by:
    - Reviewing the executed contracts to determine whether all key facts and circumstances were incorporated into management's assessment;
    - Analyzing relevant accounting standards, including various aspects of IFRS, conceptual framework and guidance;
- With the assistance of fair value specialists, evaluated the reasonableness of the discount rate by developing a range of independent estimates for the discount rate and comparing those to the discount rate selected by management.

Investment in Associate — Refer to Note 4 to the financial statements

Key Audit Matter Description

On April 1, 2022, the Company purchased a 25% share interest in a shared-service provider, Universal Mineral Services Ltd. (“UMS Canada”) for nominal consideration. The remaining 75% of UMS Canada is owned equally by Tier One Silver Inc., Coppernico Metals Inc. and Fury Gold Mines Limited. The Company further recognized, as part of its net investment in UMS Canada, a cash deposit of $150,000 which is held by UMS Canada for the purposes of general working capital, which will only be returned to the Company upon termination of the UMS Canada arrangement (the “transaction”). The transaction was accounted for as an investment in associate using the equity method.

A key audit matter has been identified with regards to the appropriate accounting treatment of the transaction.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures to the evaluate of the appropriateness of management's accounting treatment of the transaction, included the following, among others:

- Reviewed the executed contracts to determine whether all key facts and circumstances were incorporated into management’s assessment;
- Analyzed relevant accounting standards, including various aspects of IFRS, conceptual framework and guidance.

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 audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, 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 in this auditor’s report. 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 IFRS, 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 GAAS 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 GAAS, 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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 consolidated 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.

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 David Macdonald.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columbia
March 27, 2023

TORQ RESOURCES INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note		**December 31, 2022**		December 31, 2021
Assets					
Current assets					
Cash		**$**	**12,470,543**	$	1,899,324
Amounts receivable			**65,899**		150,258
Prepaid expenses and deposits	9		**466,094**		664,433
			13,002,536		2,714,015
Non-current assets					
Equity investment	4		**127,024**		-
Equipment	5		**463,816**		383,270
Mineral property interests	6		**2,012,368**		888,198
Total assets		**$**	**15,605,744**	$	3,985,483
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	9	**$**	**1,637,551**	$	676,536
			1,637,551		676,536
Non-current liabilities					
Loan facility	8		**1,966,710**		-
Total liabilities		**$**	**3,604,261**	$	676,536
Equity					
Share capital	10	**$**	**68,160,093**	$	49,124,432
Shares to be issued	10(c)		**70,862**		99,031
Share option and warrant reserves	11		**10,547,271**		9,284,921
Accumulated other comprehensive income (loss)			**89,777**		(52,263)
Deficit			**(66,866,520)**		(55,147,174)
Total equity		**$**	**12,001,483**	$	3,308,947
Total liabilities and equity		**$**	**15,605,744**	$	3,985,483

Going concern (Note 1(c)); Commitment (Note 4); Subsequent events (Note 16)

Approved on behalf of the Board of Directors:

“Shawn Wallace”
Chief Executive Officer and Chair

“Jeffrey Mason”
Director

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

TORQ RESOURCES INC.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars, except number of shares)

	Note		Year ended December 31, 2022		Year ended December 31, 2021
Operating expenses					
Exploration and evaluation	7	**$**	**7,242,112**	$	2,214,244
Fees, salaries and other employee benefits	9		**2,090,738**		1,644,273
Legal and professional			**257,429**		326,467
Marketing and investor relations			**1,251,320**		1,130,453
Office and administration			**735,307**		741,149
Project investigation			**256,533**		292,597
Regulatory, transfer agent			**66,110**		63,192
			11,899,549		6,412,375
Other expenses (income)					
Accretion expense	8		**93,981**		-
Foreign exchange (gain) loss			**(26,487)**		105,020
Interest and other income			**(195,681)**		(39,291)
Interest expense	8		**83,466**		-
Net loss from equity investment	4		**23,976**		-
			(20,745)		65,729
Loss before income tax			**11,878,804**		6,478,104
Deferred income tax recovery	14		**(159,458)**		-
Net loss for the year		**$**	**11,719,346**	$	6,478,104
Other comprehensive (gain) loss					
Unrealized currency (gain) loss on translation of foreign operations			**(142,040)**		50,916
Total comprehensive loss for the year		**$**	**11,577,306**	$	6,529,020
Basic and diluted loss per share		**$**	**0.13**	$	0.08
Basic and diluted weighted average number of shares			**87,848,503**		77,466,216

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

TORQ RESOURCES INC.

Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars, except number of shares)

	Number of common shares	Share capital	Shares to be issued	Share option and warrant reserves	Accumulated other comprehensive income (loss)	Deficit	Total equity
Balance, December 31, 2020	77,359,164	$ 49,003,385	$ -	$ 8,558,963	$ (1,347)	$ (48,669,070)	$ 8,891,931
Share options exercised	75,000	60,109	-	(17,809)	-	-	42,300
Share-based compensation	-	-	-	743,767	-	-	743,767
Shares issued as finders' fee	81,250	60,938	-	-	-	-	60,938
Shares to be issued for finders' fee	-	-	99,031	-	-	-	99,031
Other comprehensive loss for the year	-	-	-	-	(50,916)	-	(50,916)
Net loss for the year	-	-	-	-	-	(6,478,104)	(6,478,104)
Balance, December 31, 2021	77,515,414	$ 49,124,432	$ 99,031	$ 9,284,921	$ (52,263)	$ (55,147,174)	$ 3,308,947
Units issued pursuant to offering, net of share issue costs	7,033,400	4,693,205	-	351,670	-	-	5,044,875
Shares issued to Gold Fields Limited, net of share issue costs	15,000,000	14,314,287	-	-	-	-	14,314,287
Share issued as finder's fee	141,667	28,169	(28,169)	-	-	-	-
Share-based compensation	-	-	-	490,899	-	-	490,899
Share purchase warrants issued related to the loan facility, net of deferred income tax recovery	-	-	-	419,781	-	-	419,781
Other comprehensive income for the year	-	-	-	-	142,040	-	142,040
Net loss for the year	-	-	-	-	-	(11,719,346)	(11,719,346)
Balance, December 31, 2022	**99,690,481**	**$ 68,160,093**	**$ 70,862**	**$ 10,547,271**	**$ 89,777**	**$ (66,866,520)**	**$ 12,001,483**

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

TORQ RESOURCES INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

		Year ended December 31, 2022		Year ended December 31, 2021
Operating activities				
Net loss for the year	**$**	**(11,719,346)**	$	(6,478,104)
Non-cash transactions:				
Accretion expense		**93,981**		-
Depreciation and loss on disposals		**181,650**		32,723
Interest and other income		**(195,681)**		(39,291)
Interest expense		**83,466**		-
Net loss from equity investment		**23,976**		-
Share-based compensation		**490,899**		743,767
Unrealized foreign exchange (gain) loss		**(37,940)**		5,843
Deferred income tax recovery		**(159,458)**		-
Changes in non-cash working capital:				
Amounts receivable		**85,854**		(105,887)
Prepaid expenses and deposits		**50,379**		(428,997)
Accounts payable and accrued liabilities		**1,006,432**		477,677
Cash used in operating activities	**$**	**(10,095,788)**	$	(5,792,269)
Investing activities				
Interest and other income received		**195,681**		39,291
Acquisition of equity investment		**(1,000)**		-
Purchase of equipment		**(196,330)**		(415,529)
Payments for mineral properties		**(1,058,248)**		(445,408)
Transaction costs on acquisition of mineral properties		**(3,435)**		(211,664)
Cash used in investing activities	**$**	**(1,063,332)**	$	(1,033,310)
Financing activities				
Proceeds from loan facility, net of arrangement fees		**2,451,968**		-
Interest expense		**(83,466)**		-
Proceeds from issue of shares to Gold Fields Limited, net of costs		**14,314,287**		-
Proceeds from the issuance of shares and share purchase warrants, net of costs		**5,044,875**		42,300
Cash provided by financing activities	**$**	**21,727,664**	$	42,300
Effect of foreign exchange rate changes on cash		**2,675**		(65,470)
Change in cash		**10,571,219**		(6,848,749)
Cash, beginning of the year		**1,899,324**		8,748,073
Cash, end of the year	**$**	**12,470,543**	$	1,899,324

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

NOTE 1 – BUSINESS OVERVIEW

(a) Corporate information

Torq 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's shares trade under the symbol TORQ.V in Canada and on the OTCQX under the US symbol TRBMF. The head office and principal address of Torq is located at 1177 West Hastings Street, Suite 1630, Vancouver, British Columbia, Canada, V6E 2K3.

These consolidated financial statements (the "financial statements") were approved and authorized for issue by the Board of Directors of the Company on March 27, 2023.

(b) Nature of operations

The Company is principally engaged in the acquisition and exploration of mineral property interests with a focus in the Americas, particularly Chile.

(c) Going concern

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company incurred a net loss of $11,719,346 for the year ended December 31, 2022 (2021 - $6,478,104). The Company has incurred operating losses to date and does not generate operating revenue to support its activities. With no source of operating cash flows, there is no assurance that sufficient funding will be available to conduct further exploration of its mineral properties. The Company has had success raising capital in the past, on March 18, 2022, the Company announced the completion of a non-brokered private placement for gross proceeds of $5,275,050 (Note 10(b)). On July 11, 2022, the Company announced that it finalized a $3,000,000 credit facility (Note 8) and on September 15, 2022 the Company closed a $15,000,000 non-brokered private placement with Gold Fields Limited ("Gold Fields") (Note 10(b)). However, the ability to continue as a going concern remains dependent upon Torq's capacity to obtain the financing necessary to continue to fund its mineral properties, including two active exploration projects, the realization of future profitable production, proceeds from the disposition of its mineral interests, and/or other sources. These conditions create a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These financial statements do not give effect to adjustments to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

(d) Response to COVID-19

While the Company continues to monitor developments with regards to COVID-19 and permitted activities, there were no impacts to the Company's operating activities in 2022 arising from COVID-19.

NOTE 2 – BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). IFRS include International Accounting Standards ("IAS") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

(b) Basis of presentation

These financial statements have been prepared on a historical cost basis. In addition, except for cash flow information, these financial statements have been prepared using the accrual method of accounting.

(c) Functional currency and presentational currency

The financial statements of the Company and each of its subsidiaries are prepared in its functional currency determined on the basis of the primary economic environment in which such entities operate. These financial statements are presented in Canadian dollars ("$"), unless otherwise noted. The Company's functional and presentation currency is the Canadian dollar while the functional currency of its Chilean subsidiaries is the US dollar ("US$" or "USD"). References to "CLP" are to Chilean pesos, and references to "PEN" are to Peruvian sols, which are local currencies used by the Chilean and Peruvian subsidiaries, respectively.

(d) Basis of consolidation

These financial statements include the financial information of the Company and entities controlled by the Company. All intercompany transactions and balances are eliminated on consolidation. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the financial statements from the date control commences until the date control ceases. The accounting policies of subsidiaries are changed where necessary to align them with the policies adopted by the Company. A summary of the Company's subsidiaries included in these financial statements as at December 31, 2022 is as follows:

Subsidiary (in USD functional currency)	Place of incorporation
Torq Resources Chile SpA	Chile
Minera Margarita SpA	Chile
Minera Andrea SpA	Chile
Minera Santa SpA	Chile
Candelaria Minerals S.A.C	Peru

Candelaria Minerals S.A.C. was dissolved subsequent to the year end (Note 16). During the year ended December 31, 2022, the Company dissolved Stratton Resources (Canada) Inc. and Torq Resources Holding Inc. which were also dormant entities. On April 1, 2022, the Company acquired a 25% interest in Universal Mineral Services Ltd ("UMS Canada") a shared-service provider, as discussed in Note 4.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing at the transaction dates. At each reporting date, monetary items denominated in foreign currencies are translated into the entity's functional currency at the prevailing rates and non-monetary items measured at historical cost are translated into the entity's functional currency at rates in effect at the date the transaction took place.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are included in the consolidated statements of loss and comprehensive loss for the period in which they arise.

For subsidiaries whose functional currency differs from the presentation currency of the Company, foreign currency balances and transactions are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position are translated at the closing rates at the date of that statement of financial position;
- Interest and other income and expenses for each statement representing profit or loss and other comprehensive income are translated at an exchange rate that approximates the exchange rates at the date of the transaction, determined to be the average rate for the period; and
- All resulting exchange rate differences are recognized in other comprehensive income.

(b) Cash

Cash consists of cash held with highly rated financial institutions.

(c) Equity investment

The Company conducts a portion of its business through equity interest in an associate. An associate is an entity over which the Company has significant influence and is neither a subsidiary nor a joint venture. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policy decisions.

The Company accounts for its investment in associate using the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate, after any adjustments necessary to give effect to uniform accounting policies, and for impairment losses after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings and losses of its associate are recognized in net loss during the period.

(d) Mineral property interests

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing historical characteristic of many properties, in addition the Company does not carry mineral property title insurance. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

The Company accounts for mineral property interests in accordance with IFRS 6 – Exploration for and evaluation of mineral properties ("IFRS 6").

Costs directly related to acquiring the legal right to explore a mineral property including acquisition of licenses, mineral rights, and similar acquisition costs are recognized and capitalized as mineral property interests. Acquisition costs incurred in obtaining the legal right to explore a mineral property are deferred until the legal right is granted and thereon reclassified to mineral property interests. Transaction costs incurred in acquiring an asset are deferred until the transaction is completed and then included in the purchase price of the asset acquired.

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation activities, including but not limited to researching and analyzing existing exploration data, conducting geological studies, exploration drilling and sampling, payments made to contractors and consultants in connection with the exploration and evaluation of the property, are expensed in the period in which they are incurred as exploration and evaluation costs on the consolidated statement of loss and comprehensive loss.

Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed as administrative costs in the period in which they occur.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to exploration and evaluation costs.

When a project is deemed to no longer have commercially viable prospects to the Company, all capitalized acquisition costs in respect of that project are deemed to be impaired. As a result, those costs, in excess of the estimated recoverable amount, are written off to the consolidated statement of loss and comprehensive loss.

The Company assesses mineral property interests for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Once the technical feasibility and commercial viability of extracting the mineral resources has been determined, the property is considered to be a mine under development at which point the assets and further related costs no longer fall under the guidance of IFRS 6.

(e) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there are any indicators of impairment. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized immediately in the consolidated statement of comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal of impairment is recognized in the consolidated statement of comprehensive loss.

(f) Equipment

Equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

• Vehicles	2 - 6 years
• Office equipment	1 - 6 years
• Furniture	1 - 6 years

(g) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(h) Loss per share

Basic loss per share is calculated by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the relevant period. Diluted loss per share is calculated by dividing net loss applicable to common shareholders by the weighted average number of diluted common shares outstanding during the year. Diluted common shares reflect the potential dilutive effect of exercising the share options and warrants based on the treasury share method.

(i) Share-based compensation

From time to time, the Company grants share options to employees and non-employees.

Where equity-settled share options are awarded to employees the fair value of the options, estimated using the Black-Scholes option pricing model, at the date of grant is charged to the net loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the net loss over the remaining vesting period.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital along with any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

(j) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in net loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

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 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. 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 at the financial position statement date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, a reduction in the asset is recognized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(k) Financial instruments

The Company recognizes financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contract creating the asset or liability.

On initial recognition, all financial assets and liabilities are recorded by the Company at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as fair value through profit or loss (“FVTPL”) for which transaction costs are expensed in the period in which they are incurred.

Amortized cost

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

The Company’s financial assets classified as amortized cost include cash and amounts receivable.

Fair value through other comprehensive income ("FVTOCI")

Financial assets that meet the following conditions are measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not have any financial assets classified as FVTOCI at December 31, 2022.

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income ("OCI"). The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to deficit.

Financial assets measured subsequently at FVTPL

By default, all other financial assets are measured subsequently at FVTPL.

The Company, at initial recognition, may also irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using effective interest method.

The Company's financial liabilities at amortized cost primarily include accounts payable and accrued liabilities.

Financial instruments designated as hedging instruments

The Company does not currently apply nor have a past practice of applying hedge accounting to financial instruments.

Impairment

The Company recognizes a loss allowance for expected credit losses on its financial assets. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments.

(l) Comprehensive loss

Other comprehensive loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Comprehensive loss comprises net loss and other comprehensive loss. Financial assets that are classified as FVTOCI (none as at December 31, 2022 and 2021) will have gains and losses included in other comprehensive loss. Foreign currency translation differences arising on translation of foreign subsidiaries are also included in OCI.

(m) Critical accounting judgments and estimates

The preparation of the 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 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.

Critical judgments exercised in applying accounting policies, apart from those involving estimates, that have the most significant effect on the amounts recognized in the financial statements are as follows:

i. Functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions that determined the primary economic environment.

ii. Economic recoverability and probability of future economic benefits of mineral property interests

Management has determined that the acquisition of mineral properties and related costs incurred, which have been recognized on the consolidated statements of financial position, are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geological data, scoping studies, accessible facilities, and existing and future permits.

iii. Indications of impairment of assets

Impairment testing is done at the cash generating unit level and judgment is involved in assessing whether there is any indication that an asset or a cash generating unit may be impaired. The assessment of the impairment indicators involves the application of a number of significant judgments and estimates to certain variables, including metal price trends, exploration plans for properties and the results of exploration and evaluation to date.

iv. Financial instruments

Financial instruments are assessed upon initial recognition to determine whether they meet the definition of a financial asset, financial liability or equity instrument depending on the substance of the contractual arrangement. Judgment is required in making this determination as the substance of a transaction may differ from its legal form. Once a determination is made, IFRS requires that financial instruments be measured at fair value on initial recognition. For financial instruments that do not have quoted market prices or observable inputs, judgments are made in determining what are appropriate inputs and assumptions to use in calculating the fair value. Judgement is applied in determining the fair value of the loan facility (Note 8) and shares issued pursuant to mineral property option payments (Note 10).

Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

i. Provisions

Provisions recognized in the financial statements involve judgments on the occurrence of future events, which could result in a material outlay for the Company. In determining whether an outlay will be material, the Company considers the expected future cash flows based on facts, historical experience and probabilities associated with such future events. Uncertainties exist with respect to estimates made by management and as a result, the actual expenditure may differ from amounts currently reported.

ii. Reclamation obligations

Management assesses its reclamation obligations annually and when circumstances suggest that a material change to the obligations may have occurred. Significant estimates and assumptions are made in determining the provision for rehabilitation and site restoration, as there are numerous factors that will affect the ultimate liability that becomes payable. These factors include estimates of the extent, the timing and the cost of reclamation activities, regulatory change, cost increases, and changes in discount rates. Those uncertainties may result in actual expenditures differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future reclamation costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the reclamation asset and liability.

As the Company's projects are in early-stage exploration, with limited equipment and camp set up, management estimated the provision to be $nil as at December 31, 2022 and 2021.

iii. Share-based compensation

The Company determines the fair value of options granted using the Black-Scholes option pricing model. This option pricing model requires the development of market-based subjective inputs, including the risk-free interest rate, expected price volatility, and expected life of the option. Changes in these inputs and the underlying assumptions used to develop them can materially affect the fair value estimate.

iv. Income taxes

The provision for income taxes and composition of income tax assets and liabilities requires management's judgment. The application of income tax legislation also requires judgment in order to interpret legislation and to apply those findings to the Company's transactions.

v. Deferred tax assets and liabilities

Management judgment and estimates are required in assessing whether deferred tax assets and deferred tax liabilities are recognized in the consolidated statements of financial position. Judgments are made as to whether future taxable profits will be available in order to recognize deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, and other capital management transactions. These judgments and assumptions are subject to risk and uncertainty and changes in circumstances may alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the consolidated statements of financial position and the benefit of other tax losses and temporary differences not yet recognized.

(n) Changes in accounting standards

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards as they are not applicable to the financial statements.

(Expressed in Canadian Dollars, unless otherwise stated)

NOTE 4 – EQUITY INVESTMENT

Investment in Associate – Universal Mineral Services Ltd. ("UMS Canada")

On April 1, 2022, the Company purchased a 25% share interest in a shared-service provider, UMS Canada for nominal consideration. The remaining 75% of UMS Canada is owned equally by Tier One Silver Inc., Coppernico Metals Inc. and Fury Gold Mines Limited. The Company further recognized as part of its net investment in UMS Canada, a cash deposit of $150,000 which is held by UMS Canada for the purposes of general working capital, and which will only be returned to the Company upon termination of the UMS Canada arrangement. Prior to 2022, UMS Canada was owned by Ivan Bebek and Shawn Wallace, who were both directors of Torq, although Mr. Bebek retired from the Board of Torq in November 2021. On December 31, 2021, these two shareholders sold their shares in UMS Canada for nominal consideration and simultaneously resigned as directors of UMS Canada. Steven Cook, a director of Torq, acquired the UMS Canada shares and on the date of transfer also took over as the sole director of UMS Canada. On April 1, 2022, UMS Canada was restructured whereby Mr. Cook transferred his entire UMS Canada share ownership for nominal consideration to the four aforementioned public companies which share its services.

UMS Canada is located in Vancouver, BC and provides geological, financial and transactional advisory services as well as administrative services to the Company and three other companies on a cost recovery basis. Having these services available through UMS Canada on an as needed basis, allows the Company to maintain a more efficient and cost-effective corporate overhead structure by hiring fewer full-time employees and engaging outside professional advisory firms less frequently. The service agreement with UMS Canada has an indefinite term and can be terminated by each participating company upon providing due notice. UMS Canada is party to an office lease agreement with a term of ten years, for which certain rent expenses will be payable by the Company. As at December 31, 2022, the Company expects to incur approximately $1.3 million in respect of future lease rent for the remaining 8.50 years.

For the year ended December 31, 2022, the Company's share of net losses of UMS Canada was as follows:

		2022
Cost recoveries	$	(4,422,927)
Geological services		1,672,861
Administrative services		2,845,971
Net loss for the period since investment		95,905
Company's share of net losses of associate	**$**	**23,976**

The carrying amounts of the Company's investment in UMS Canada as at December 31, 2022 was as follows:

		2022
Acquisition of equity investment	$	151,000
Company's share of net loss of investment		(23,976)
Carrying amount as at December 31, 2022	**$**	**127,024**

The Company's equity interest in net assets of UMS Canada at December 31, 2022, was as follows:

		2022
Current assets	$	878,684
Non-current assets		2,750,438
Current liabilities		(1,653,779)
Non-current liabilities		(1,467,250)
Net assets 100%		508,093
Company's equity interest in net assets	**$**	**127,024**

(Expressed in Canadian Dollars, unless otherwise stated)

NOTE 5 – EQUIPMENT

		Total
Balance as at December 31, 2020	$	-
Additions		415,529
Depreciation		(32,723)
Foreign currency translation		464
Balance as at December 31, 2021		383,270
Additions		196,330
Depreciation		(174,073)
Disposals		(7,576)
Foreign currency translation		65,865
Balance as at December 31, 2022	**$**	**463,816**

During the year ended December 31, 2022, the Company recorded $163,283 (December 31, 2021 - $23,067) of depreciation in exploration and evaluation expense in the consolidated statements of loss and comprehensive loss.

NOTE 6 – MINERAL PROPERTY INTERESTS

The Company's mineral property interests are composed of the following:

		Margarita Project		Andrea Project		Santa Cecilia Project		Total
As at December 31, 2020	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**
Finder's Fees Shares		159,969		-		-		159,969
Additions		293,537		164,745		265,286		723,568
Foreign currency translation		380		1,081		3,200		4,661
As at December 31, 2021	$	453,886	$	165,826	$	268,486	$	888,198
Additions		3,435		-		-		3,435
Option payments		477,841		170,937		409,470		1,058,248
Foreign currency translation		35,977		21,000		5,510		62,487
As at December 31, 2022	**$**	**971,139**	**$**	**357,763**	**$**	**683,466**	**$**	**2,012,368**

(a) Margarita project

On March 8, 2021, the Company announced it had acquired the option to earn a 100% interest in the Margarita iron-oxide-copper-gold project (the "Margarita Project") located in Chile, 65 kilometres ("km") north of the city of Copiapo. The Company acquired the rights that constitute the Margarita Project through two option agreements: the Margarita claims and the La Cototuda claim, a small-scale mining company.

Pursuant to the Margarita Project option arrangement, the Company incurred finder's fees requiring the issuance of 466,667 common shares of the Company (the "Finder's Fee Shares") in separate tranches as follows: 81,250 shares were issued on April 7, 2021; 141,667 shares were issued on March 31, 2022; and the final 243,750 shares are to be issued on March 31, 2023. These Finder's Fee Shares have been recognized at a total $159,969 fair value within equity. Fair value of the Finder's Fee Shares was determined with the first tranche of 81,250 shares having a $60,938 fair value ($0.75 per share market price on the date of the Margarita Project agreement as the shares were issued within 30 days of the agreement). The fair value of the remaining 385,417 shares was measured using the Black Scholes pricing model.

During the second quarter of 2022, the Company acquired the concession rights for two strategic parcels of land adjacent to the project.

(Expressed in Canadian Dollars, unless otherwise stated)

Margarita Claims

Under the option agreement, the Company can acquire a 100% interest in the Margarita claims by making cash payments totaling US$6,200,000 over 66 months. The Company is also required to incur work expenditures totaling US$3,050,000 within 30 months of the signing date of the definitive agreement (February 22, 2021), which had been incurred as at December 31, 2022.

		Cash payments (US$)		**Work expenditures requirement (US$)**
April 20, 2021 (paid $62,445)	$	50,000	$	-
August 22, 2021 (paid $64,280 and work requirements met)		50,000		400,000
August 22, 2022 (paid $155,013 and work requirements met)		100,000		1,150,000
August 22, 2023		300,000		1,500,000
August 22, 2024		1,200,000		-
August 22, 2025		2,000,000		-
August 22, 2026		2,500,000		-
	$	**6,200,000**	**$**	**3,050,000**

The Margarita claims are subject to a net smelter return (“NSR”) royalty of 1.0% with 50% (being 0.5%) which can be repurchased by the Company, at the Company’s discretion, for US$2,000,000.

La Cototuda Claim

Under the La Cototuda option agreement, the Company can acquire a 100% interest in the La Cototuda claim by making cash payments totaling US$900,000 over 36 months as follows:

		Cash payments (US$)
February 23, 2021 (paid $63,065)	$	50,000
February 23, 2022 (paid $31,745)		25,000
August 23, 2022 (paid $291,083)		225,000
October 23, 2023		250,000
February 23, 2024		350,000
	$	**900,000**

The schedule of the La Cototuda option payments were amended during the first quarter of 2022, and the table above shows the costs necessary to maintain the option agreement as agreed at the date of these financial statements.

Certain legal claims have arisen regarding the mineral exploration rights over a non-material section (approximately 10 metres wide) at the edge of the Margarita southern property, comprised of four opposition filings. While the outcome of these legal claims is uncertain, management has reviewed the situation and believes the claims have no merit.

(b) Andrea project

On May 25, 2021, the Company announced it had acquired the option to earn a 100% interest in the Andrea copper porphyry project (the “Andrea Project”) located in northern Chile, 100 km east of the city of La Serena. The Company acquired the rights that constitute the Andrea project through three option agreements.

(Expressed in Canadian Dollars, unless otherwise stated)

Under the option agreements the Company can acquire a 100% interest in Andrea, subject to a NSR, through cash payments as follows:

		Cash payments (US$)
July 23, 2021 (paid $132,038)	$	105,000
May 24, 2022 (paid $170,937)		135,000
May 24, 2023		185,000
May 24, 2024		300,000
May 24, 2025		1,000,000
May 24, 2026		4,275,000
	$	**6,000,000**

The Andrea Project option agreements include a NSR of 1.5%, which can be repurchased by the Company, at the Company's discretion, for US$3,000,000.

(c) Santa Cecilia project

On October 21, 2021, the Company announced that it had acquired an option to earn a 100% interest in the 3,250-hectare Santa Cecilia gold-copper project, ("Santa Cecilia"), located approximately 100 km east of the city of Copiapo in Northern Chile. The project is in the southern region of the world-class Maricunga belt and immediately north of the El Indio belt.

Under the option agreement the Company can acquire 100% interest in the project, through cash payments as follows:

		Cash payments (US$)
October 21, 2021 (paid $123,580)	$	100,000
October 21, 2022 (paid $409,470)		300,000
October 21, 2024		600,000
October 21, 2025		1,000,000
October 21, 2026		3,000,000
October 21, 2027		5,000,000
October 21, 2028		15,000,000
	$	**25,000,000**

In order to maintain the option agreement, the Company needs to complete the following work expenditures, which are scheduled from the date the Company obtains the necessary permits, which includes both drill permits and social license from indigenous communities located in the area of interest, to start its exploration campaigns. The option agreement also includes the requirement to achieve 25,000 m of drilling during the exploration campaign and is a pre-requisite to exercising the option to earn 100% interest in the project.

Within 12, 24 and 36 months from achieving permits, which occurred on October 21, 2022:		Work Expenditures Requirements (US$)
October 20, 2023	$	3,000,000
October 20, 2024		4,500,000
October 20, 2025		8,000,000
	$	**15,500,000**

The option agreement includes a NSR of 3.00%, half of which (1.5%) is buyable once the option is executed for a price that will be based on the fair value of the project, determined by mutual agreement between the parties.

(Expressed in Canadian Dollars, unless otherwise stated)

During the year ended December 31, 2022 the Company paid on time the option cash payment due by October 21, 2022, and agreed with the optionor that the date of obtaining necessary permits for exploration had been achieved on October 21, 2022, and any exploration expenditure incurred prior to that date could be included in the work expenditure requirements for the period ended October 20, 2023. The Company has incurred approximately $2,000,000 (US$1,620,000) of eligible work expenditures up to December 31, 2022.

NOTE 7 – EXPLORATION AND EVALUATION

For the years ended December 31, 2022 and 2021 the Company's exploration and evaluation costs were as follows:

Margarita Project		**Year ended December 31,**		
		2022		2021
Drilling	**$**	**1,383,575**	$	108,594
Geological consulting, salaries and wages		**1,346,334**		761,086
Geophysics, sampling and assays		**564,633**		235,055
Project support		**780,668**		347,410
Travel, meals and accommodation		**305,212**		89,776
Environmental, permitting and concessions		**39,414**		44,643
Equipment, vehicles, rent and field supplies		**69,455**		24,501
Share-based compensation		**89,562**		143,148
Total	**$**	**4,578,853**	$	1,754,213

Andrea Project		**Year ended December 31,**		
		2022		2021
Geological consulting, salaries and wages	**$**	**276,193**	$	89,523
Geophysics, sampling and assays		**8,570**		-
Project support		**83,392**		6,468
Travel, meals and accommodation		**21,679**		1,606
Environmental, permitting and concessions		**22,841**		10,588
Equipment, vehicles, rent and field supplies		**2,813**		1,541
Share-based compensation		**17,992**		13,342
Total	**$**	**433,480**	$	123,068

Santa Cecilia Project		**Year ended December 31,**		
		2022		2021
Drilling	**$**	**31,427**	$	-
Geological consulting, salaries and wages		**1,070,380**		254,979
Geophysics, sampling and assays		**137,712**		-
Project support		**391,196**		23,045
Travel, meals and accommodation		**159,106**		2,718
Environmental, permitting and concessions		**70,661**		43,293
Equipment, vehicles, rent and field supplies		**43,910**		-
Share-based compensation		**28,277**		12,928
Community relations		**297,110**		-
Total	**$**	**2,229,779**	$	336,963

(Expressed in Canadian Dollars, unless otherwise stated)

NOTE 8 – LOAN FACILITY

On July 11, 2022, the Company announced that it had finalized a $3,000,000 two-year loan facility (the "Loan Facility") whereby $2,000,000 was advanced to the Company immediately on execution with the remaining $1,000,000 available to draw down for a period of two years. Amounts drawn under the Loan Facility are subject to a 9% annual interest rate. In consideration for the grant of the Loan Facility, the Company issued to the lender, 191010 Investments Limited, an entity which is affiliated with a current shareholder, 3,333,333 share purchase warrants exercisable at $0.60 per common share for a two-year period based on the initial $2,000,000 advance. Additional warrants for 100% coverage will be issued at the time of any future draw down(s) of the remaining $1,000,000 with warrants priced at the market price at the time of issuance. On July 19, 2022, the Company drew down the initial $2,000,000. On December 13, 2022, the Company drew down an additional $500,000 and issued 769,231 share purchase warrants exercisable at $0.65 per common share for a period up to July 11, 2024.

The Loan Facility, comprising two components: the loan (a financial liability) and the share purchase warrants (an equity instrument), was assessed to be separate financial instruments. The costs of the Loan Facility were evaluated and allocated to the financial liability and equity instruments separately as follows:

		Loan Facility		Costs allocation		Loan Facility (Net of costs)
Financial liability (loan) - initial draw	$	1,527,531	$	(36,685)	$	1,490,846
Share purchase warrants - initial draw		472,469		(11,347)		461,122
Financial liability (loan) - additional draw		381,883		-		381,883
Share purchase warrants - additional draw		118,117		-		118,117
Total	**$**	**2,500,000**	**$**	**(48,032)**	**$**	**2,451,968**

The initial carrying amount of the financial liability (loan) was determined by discounting the estimated stream of future payments of interest and principal at an ascribed interest rate of 25.5%.

The carrying amounts of the equity instrument (the share purchase warrants) were established using the residual fair value approach, which takes the difference between the principal amounts received from the Loan Facility ($2,500,000) less the fair value of the loan. The value of the share purchase warrants of $419,781 (net of deferred income tax recovery of $159,458) is recorded within share option and warrant reserves on the statement of financial position.

As at December 31, 2022, the carrying value of the Loan Facility is as follows:

		Loan Facility
Balance as at December 31, 2021		**-**
Additions	**$**	**1,872,729**
Interest expense		**83,466**
Payments of interest expense		**(83,466)**
Accretion expense		**93,981**
Balance as at December 31, 2022	**$**	**1,966,710**

The carrying value of the loan will be accreted using the effective interest rate method over the term of the Loan Facility, such that the carrying amount of the financial liability will equal the principal balance at maturity. The effective interest rate is estimated at 28.5%. During the year ended December 31, 2022, the Company has incurred an accretion expense in respect of the loan totaling $93,981 (2021 - $nil).

During the year ended December 31, 2022, the Company has incurred an interest expense in respect of the loan totaling $83,466 (2021 - $nil) all of which has been paid in cash. As at December 31, 2022, the carrying value of the Loan Facility was $1,966,710 (December 31, 2021 - $nil).

(Expressed in Canadian Dollars, unless otherwise stated)

NOTE 9 – RELATED PARTY TRANSACTIONS

(a) Services rendered and balances

All transactions with UMS Canada have occurred in the normal course of operations. All balances are unsecured, non-interest bearing and have no specific terms of settlement, unless otherwise noted.

	Year ended December 31,	
	2022	2021
Exploration and evaluation	**$ 353,240**	$ 72,929
Project Investigation	**61,416**	57,318
Marketing and investor relations	**106,779**	49,943
General and administration	**921,704**	551,751
Total transactions for the year	**$ 1,443,139**	$ 731,941

As at December 31, 2022, $161,900 (December 31, 2021 - $115,446) was included in accounts payable and $240,000 (December 31, 2021 - $420,000) in prepaid expenses and deposits relating to transactions with UMS Canada. Upon the acquisition of the 25% interest share investment in UMS Canada in April 2022, $150,000 of the deposit balance was reclassified to the investment in associate balance.

(b) Key management compensation

On April 1, 2022, the Company entered into a shared services agreement with UMS Canada. Under the agreement, the Company's Chief Financial Officer and Chief Geological Officer terminated their direct employment status with the Company, and became employed by UMS Canada and also entered into secondment employment arrangements between the Company and UMS Canada.

In addition to the two executives' compensation pursuant to the aforementioned transactions, the Company provided the following total compensation to key management members, being its four executives, and five non-executive directors:

	Year ended December 31,	
	2022	2021
Salaries and other employee benefits	**$ 1,232,844**	$ 877,866
Fees paid to non-executive directors	**75,172**	79,666
Share-based compensation	**103,645**	283,415
Total	**$ 1,411,661**	$ 1,240,947

As at December 31, 2022 the Company had an outstanding accounts payable and accrued liabilities balance with key management personnel of $355,135 (December 31, 2021 - $50,950) mostly relating to year end bonuses.

(Expressed in Canadian Dollars, unless otherwise stated)

NOTE 10 – SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value.

(b) Common share issuances

On September 15, 2022, the Company completed a $15,000,000 non-brokered private placement with a wholly owned affiliate of a NYSE listed international gold mining company, Gold Fields, at a purchase price of $1.00 per common share. The Company issued 15,000,000 common shares on September 15, 2022. Torq and Gold Fields have signed an investment agreement that, amongst other things:

- Entitles Gold Fields to a pre-emptive right to maintain its share ownership percentage, subject to certain conditions,
- Subjects Gold Fields to a customary share purchase standstill regarding increasing its position without approval from the Company, apart from customary release conditions such as a third-party bid or similar transaction,
- Creates an advisory technical committee of which Gold Fields will be and is now a member,
- Binds Gold Fields to a voluntary one-year share hold period and customary limits on share resales thereafter, and
- Contains certain limited share voting restrictions on Gold Fields 'shares.

Torq will primarily use the net proceeds for drilling at its Santa Cecilia project, as well as for drilling at the Company's Margarita project. The total cost of issuing the shares was $685,713 which has been recognized within share capital.

On March 31, 2022, the Company issued 141,667 common shares with a $28,169 fair value, pursuant to the Margarita Project finder's fee agreement (Note 6(a)).

On March 18, 2022, the Company closed a non-brokered private placement of 7,033,400 units at a price of $0.75 per unit for gross proceeds of $5,275,050. Each unit consists of a common share and a three-year share purchase warrant, exercisable at $1.10. Share issuance costs including customary referral fees which totaled $230,175.

March 2022 Private placement		
Gross proceeds	**$**	**5,275,050**
Share issuance costs		(230,175)
Net proceeds		5,044,875
Warrants		(351,670)
Impact on share capital	**$**	**4,693,205**

The Company applied the residual value approach to allocate the proceeds received from the unit offering to their respective components (shares and warrants). Using this approach, the Company attributed a residual value of $351,670 to the warrants issued.

(c) Shares to be issued

As discussed in Note 6(a), in 2021 the Company incurred finder's fees requiring issuance of 466,667 common shares of the Company in relation to the Margarita Project option agreement. These shares are to be issued in three tranches; on April 7, 2021, 81,250 shares were issued, on March 31, 2022, 141,667 shares were issued with $28,169 reclassified from shares to be issued to share capital. The remaining 243,750 shares are to be issued to the finders in one further tranche in March 2023.

(Expressed in Canadian Dollars, unless otherwise stated)

NOTE 11 – SHARE OPTION AND WARRANT RESERVES

(a) Share-based options

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

The continuity of the number of share options issued and outstanding is as follows:

	Number of share options	Weighted average exercise price
Outstanding, December 31, 2020	6,846,875	$ 0.81
Granted	2,420,000	0.80
Exercised	(75,000)	0.56
Expired	(1,384,375)	0.85
Forfeited	(62,500)	0.77
Outstanding, December 31, 2021	7,745,000	0.80
Granted	**700,000**	**0.65**
Forfeited	**(70,000)**	**0.78**
Cancelled/Expired	**(4,523,125)**	**0.85**
Outstanding, December 31, 2022	**3,851,875**	**$ 0.72**

As at December 31, 2022, the number of share options outstanding and exercisable was as follows:

	Outstanding				Exercisable			
Expiry date	Number of share options		Exercise price	Remaining contractual life (years)	Number of share options		Exercise price	Remaining contractual life (years)
Sep 21, 2023	125,000	$	0.50	0.72	125,000	$	0.50	0.72
Apr 1, 2024	250,000		0.50	1.25	250,000		0.50	1.25
May 25, 2025	400,000		0.58	2.40	400,000		0.58	2.40
Jun 25, 2025	150,000		0.66	2.48	150,000		0.66	2.48
Apr 7, 2026	1,355,000		0.77	3.27	1,355,000		0.77	3.27
Sep 3, 2026	375,000		0.82	3.68	328,125		0.82	3.68
Nov 24, 2026	535,000		0.86	3.90	401,250		0.86	3.90
Jul 19, 2027	661,875		0.65	4.55	258,750		0.65	4.55
	3,851,875	**$**	**0.72**	**3.28**	**3,268,125**	**$**	**0.72**	**3.10**

The Company uses the fair value method of accounting for all share-based payments to directors, officers, employees and others providing similar services. During the years ended December 31, 2022, and 2021 the Company recognized share-based compensation expense as follows:

	Years ended December 31, 2022	2021
Included in:		
Exploration and evaluation	**$ 135,831**	$ 169,418
Fees, salaries and other employee benefits	**328,133**	478,495
Marketing and investor relations	**23,803**	48,347
Project investigation	**3,132**	47,507
	$ 490,899	$ 743,767

(Expressed in Canadian Dollars, unless otherwise stated)

A summary of the Company's assumptions used in the Black-Scholes option pricing model for stock options granted during the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Risk-free rate	**3.13%**	0.78-1.56%
Expected life	**5 years**	5 years
Expected volatility	**71.46%**	68.3-68.97%
Dividend yield	**0.00%**	0.00%

(b) Share purchase warrants

As at December 31, 2022, the Company had 11,135,964 share purchase warrants outstanding (December 31, 2021- nil). See Note 10(b) and Note 8 for details of share purchase warrants issued during the year.

A summary of the Company's warrants outstanding and exercisable as at December 31, 2022, is as follows:

Expiry date	**Warrants outstanding and exercisable**	**Weighted average exercise price**	**Weighted average remaining life**
		$	Years
July 18, 2024	4,102,564	0.61	1.53
March 17, 2025	7,033,400	1.10	2.17
	11,135,964	**0.92**	**1.93**

NOTE 12 – FINANCIAL INSTRUMENTS

Financial instruments are evaluated under a fair value hierarchy that reflects the significance of inputs 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 are not based upon observable market data.

As at December 31, 2022, the Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities, and Loan Facility. The fair values of these assets and liabilities approximate their carrying values due to their short-term maturity.

The Company's financial instruments are exposed to liquidity risk, credit risk and currency risk. As at December 31, 2022, the primary risks were as follows:

(a) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. As the Company's operations do not generate cash, financial liabilities are discharged using funding through the issuance of common stock or debt as required. As at December 31, 2022, the Company had sufficient cash on hand to discharge its financial liabilities as they become due but will require additional funding to continue operations for the upcoming year.

(Expressed in Canadian Dollars, unless otherwise stated)

(b) Credit risk

The Company’s cash and amounts receivable are exposed to credit risk, which is the risk that the counterparties to the Company’s financial instruments will cause a loss to the Company by failing to pay for their obligations. The amount of credit risk to which the Company is exposed is considered insignificant as the Company’s cash is held with highly rated financial institutions in interest-bearing accounts and the amounts receivable primarily consist of GST receivable from the Government of Canada.

(c) Currency risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to significant market risk from currency risk by having balances and transactions in currencies that are different from its functional currency.

The Canadian parent company is exposed to USD foreign currency risk with functional currency and the Chilean subsidiaries with USD functional currency are exposed to CLP foreign currency risk. As at December 31, 2022 and 2021, the Company’s foreign currency exposure related to its financial assets and liabilities held in USD and CLP is as follows:

	December 31, 2022	December 31, 2021
Period end exchange rate $ per USD	**$ 1.3544**	$ 1.2678
Cash	**$ 1,192**	$ 80,797
Accounts payable and accrued liabilities	**-**	(74,924)
	$ 1,192	$ 5,873

In USD	**December 31, 2022**	December 31, 2021
Period end exchange rate CLP per USD	**$ 848.5000**	$ 853.5942
Cash	**$ 215,907**	$ 270,889
Amounts receivable and other	**-**	99,069
Accounts payable and accrued liabilities	**(675,711)**	(225,199)
	$ (459,804)	$ 144,759

A 10% increase or decrease in the USD and CLP exchange rates would result in an impact of approximately $45,980 to the Company’s loss and comprehensive loss for the year ended December 31, 2022.

NOTE 13 – SEGMENTED INFORMATION

The Company operates as one operating segment, being the acquisition and exploration of mineral resource properties. The Company’s primary exploration and evaluation assets are located in Chile, and its corporate assets, comprising mainly cash, are located in Canada. The Company is in the exploration stage and has no reportable segment revenues or operating results. Most corporate expenses are incurred in Canada.

(Expressed in Canadian Dollars, unless otherwise stated)

NOTE 14 – INCOME TAXES

(a) Income tax recovery provision.

The reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is:

		December 31, 2022		December 31, 2021
Net loss for the year before income taxes	**$**	**(11,878,804)**	$	(6,478,104)
Canadian federal and provincial income tax rates		**27%**		27%
Expected income tax recovery	**$**	**(3,207,277)**	$	(1,749,088)
Increase (decrease) in income tax recovery resulting from:				
Share-based compensation		**130,218**		200,817
Share issuance costs		**(260,258)**		-
Differences in future and foreign jurisdiction tax rates		**(225)**		(540)
Non-deductible expenses and other		**600,426**		92,207
Change in unrecognized tax assets		**2,577,658**		1,456,604
Deferred income tax recovery	**$**	**(159,458)**	$	-

(b) Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:

		December 31, 2022		December 31, 2021
Exploration and evaluation assets	**$**	**10,115,336**	$	10,115,336
Non-capital losses carried forward		**27,821,434**		19,179,368
Capital losses carried forward		**2,273,151**		1,810,218
Share issuance costs and other		**771,136**		598,528
	$	**40,981,057**	$	31,703,450

(c) Tax losses

The Company has accumulated non-capital losses of $20,000,129 in Canada as at December 31, 2022 (December 31, 2021 - $16,753,891) for income tax purposes, which may be carried forward to reduce taxable income for future years. The Canadian non-capital losses will, if unused, expire in various years between 2026 and 2042.

The Company has accumulated capital losses of $2,273,151 in Canada (December 31, 2021 – $1,810,218) which may be carried forward indefinitely and do not expire. The Company also has losses in Peru of $122,923 (December 31, 2021 – $102,693) which expire in 2024. The Company also has losses in Chile of $8,845,549 (December 31, 2021 - $2,322,784) which carryforward and do not expire.

NOTE 15 – MANAGEMENT OF CAPITAL

The Company considers capital to include items within shareholders’ equity. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and evaluation of mineral properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue additional shares. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets.

The properties in which the Company currently has an interest are in the exploration stage and are not positive cash-flow generating; as such, the Company has historically relied on the equity markets to fund its activities. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to any capital restrictions and the Company's approach to capital management has not changed from the prior year.

NOTE 16 – SUBSEQUENT EVENTS

In January 2023, Candelaria Minerals S.A.C., a dormant subsidiary of the Company, was dissolved.

On January 19, 2023, the Company granted incentive share options, for the purchase of 5,405,000 common shares, of which 4,140,000 were granted to directors and officers of the Company. The options are exercisable at $0.73, expire five years from the date of grant and vest 25% on the date of the grant and 12.5% every three months thereafter for a total vesting period of 18 months.

On February 10, 2023, the Company obtained a receipt for its final short form base shelf prospectus (the "Shelf Prospectus") filed with the securities commissions in each of the provinces and territories of Canada. The filing of a Shelf Prospectus is intended to provide the Company with financing flexibility. Under the Shelf Prospectus, the Company may issue and sell up to $60,000,000 of common shares, warrants, subscription receipts, units, debt securities, or any combination thereof, from time to time over the 25-month period that the Shelf Prospectus remains effective.

On March 10, 2023, the Company closed a private placement for 10,433,899 units at a price of $0.60 per unit for gross proceeds of $6,260,339. Each unit consists of one common share and one half of a share purchase warrant, each full warrant is exercisable into one common share at an exercise price of $0.80 until March 10, 2026.