



(An exploration stage company)

Torq Resources Inc.

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in Canadian dollars - Unaudited)

TORQ RESOURCES INC.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars – Unaudited)

	Notes	March 31, 2021	December 31, 2020
Assets			
Current assets			
Cash		\$ 7,318,028	\$ 8,748,073
Accounts receivable and other		42,341	42,951
Prepaid expenses and deposits		282,453	303,824
		7,642,822	9,094,848
Equipment		112,779	-
Mineral property interest	3	380,898	-
		8,136,499	9,094,848
Total assets			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 363,753	\$ 202,917
		363,753	202,917
Total liabilities			
Equity			
Share capital	6	49,037,210	49,003,385
Share option and warrant reserves	7	8,566,164	8,558,963
Shares to be issued	6(c)	159,969	-
Accumulated other comprehensive loss		(4,335)	(1,347)
Deficit		(49,986,262)	(48,669,070)
		7,772,746	8,891,931
		8,136,499	9,094,848
Total liabilities and equity			

Subsequent events (Note 11)

Approved on behalf of the Board of Directors:

“Michael Kosowan”**President, Chief Executive Officer and Director**“Jeffrey Mason”**Director***The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

TORQ RESOURCES INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars, except number of shares – Unaudited)

	Notes	Three months ended March 31,	
		2021	2020
Operating expenses			
Exploration and evaluation costs	4	\$ 119,924	\$ -
Fees, salaries and other employee benefits		231,883	169,957
Legal and professional fees		81,285	25,905
Marketing and investor relations		465,466	52,428
Office and administration		212,127	58,191
Regulatory, transfer agent and shareholder information		17,671	16,548
Project investigation costs	5	120,986	228,208
		1,249,342	551,237
Other expenses (income)			
Interest income		(11,356)	(46,856)
Foreign exchange loss (gain)		79,206	(175,795)
		67,850	(222,651)
Net loss for the period		\$ 1,317,192	\$ 328,586
Other comprehensive loss (income)			
Unrealized currency loss (gain) on translation of foreign operations		2,988	(1,141)
Loss and comprehensive loss for the period		\$ 1,320,180	\$ 327,445
Basic and diluted loss per share		\$ 0.02	\$ 0.00
Basic and diluted weighted average number of shares		77,369,386	77,324,164

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

TORQ RESOURCES INC.

Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian dollars, except number of shares – Unaudited)

	Notes	Number of common shares	Share capital	Share option and warrant reserves	Shares to be issued	Accumulated other comprehensive (loss) income	Deficit	Total equity
Balance, December 31, 2019		77,324,164	\$ 48,977,100	\$ 8,435,631	\$ -	\$ (19)	\$ (46,581,234)	\$ 10,831,478
Share-based compensation	7	-	-	7,006	-	-	-	7,006
Other comprehensive income for the period		-	-	-	-	1,141	-	1,141
Net loss for the period		-	-	-	-	-	(328,586)	(328,586)
Balance, March 31, 2020		77,324,164	\$ 48,977,100	\$ 8,442,637	\$ -	\$ 1,122	\$ (46,909,820)	\$ 10,511,039
Balance December 31, 2020		77,359,164	\$ 49,003,385	\$ 8,558,963	\$ -	\$ (1,347)	\$ (48,669,070)	\$ 8,891,931
Stock options exercised	6(b)	40,000	33,825	(9,025)	-	-	-	24,800
Share-based compensation	7	-	-	16,226	-	-	-	16,226
Shares to be issued for finders' fee	6(c)	-	-	-	159,969	-	-	159,969
Other comprehensive loss for the period		-	-	-	-	(2,988)	-	(2,988)
Net loss for the period		-	-	-	-	-	(1,317,192)	(1,317,192)
Balance, March 31, 2021		77,399,164	\$ 49,037,210	\$ 8,566,164	\$ 159,969	\$ (4,335)	\$ (49,986,262)	\$ 7,772,746

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

TORQ RESOURCES INC.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars, except number of shares – Unaudited)

	Notes	Three months ended March 31,	
		2021	2020
Operating activities			
Net loss for the period		\$ (1,317,192)	\$ (328,586)
Non-cash transactions:			
Share-based compensation	7	16,226	7,006
Unrealized foreign exchange loss (gain)		8,728	(176,312)
Interest income		(11,356)	(46,856)
Changes in non-cash working capital:			
Accounts receivable and other		610	(13,223)
Prepaid expenses and deposits		(45,125)	(123,272)
Accounts payable and accrued liabilities		97,961	5,333
Cash used in operating activities		(1,250,148)	(675,910)
Investing activities			
Option payment on mineral properties		(63,065)	-
Transaction costs on acquisition of mineral properties		(28,493)	-
Equipment		(112,779)	-
Interest received		11,356	46,856
Cash (used in) provided by investing activities		(192,981)	46,856
Financing activities			
Proceeds from the exercise of share options	6(b)	24,800	-
Cash provided by financing activities		24,800	-
Effect of foreign exchange rates on changes on cash		(11,716)	177,522
Decrease in cash		(1,430,045)	(451,532)
Cash, beginning of period		8,748,073	10,838,021
Cash, end of period		\$ 7,318,028	\$ 10,386,489

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

TORQ RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2021 and 2020
(Expressed in Canadian dollars, unless otherwise noted – Unaudited)

NOTE 1 – NATURE OF OPERATIONS

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 1199 West Hastings Street, Suite 600, Vancouver, British Columbia, Canada, V6E 3T5.

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

Ongoing response to COVID-19

The Company continues to actively investigate projects through desktop reviews and continues site visits where appropriate generating several high-potential opportunities to create value for shareholders. The Company is monitoring the COVID-19 situation closely as restrictions are eased travel is being utilized where appropriate to support the evaluation activities in the pursuit of new assets.

NOTE 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 IFRS Interpretations Committee (“IFRIC”). The accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in Note 3 of the Company’s most recent audited consolidated financial statements for the years ended December 31, 2020 and 2019, except for a new accounting policy for equipment.

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

- Vehicles	5 years
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These condensed interim financial statements (the “financial statements”) should be read in conjunction with the Company’s audited consolidated financial statements for the years ended December 31, 2020 and 2019.

These financial statements were approved and authorized for issue by the Board of Directors of the Company on May 27, 2021.

(b) Basis of presentation and consolidation

These financial statements have been prepared on a historical cost basis.

The Company’s functional currency is the Canadian dollar, which is also the Company’s presentation currency. These financial statements are presented in Canadian dollars, unless otherwise noted. Amounts denominated in United States dollars (“USD”) are denoted as US\$.

TORQ RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise noted – Unaudited)

The 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) Inc.	B.C., Canada	CAD	100%
Torq Resources Holdings Inc.	B.C., Canada	CAD	100%
Torq USA Inc.	Nevada, USA	USD	100%
Candelaria Minerals S.A.C. (“Candelaria”)	Peru	USD	100%
Torq Resources Chile SpA	Chile	USD	100%
Minera Margarita SpA	Chile	USD	100%

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 involvement with the investee and the ability to use its power over the investee to affect the Company’s returns.

Subsequent to the period end, the Company established a new subsidiary, Minera Andrea SpA in Chile, which is owned 100%. Refer to Note 11 for details of the Andrea option acquisition.

Intercompany balances and transactions have been eliminated on consolidation.

(c) Significant accounting judgements and estimates

The preparation of consolidated 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 consolidated 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 judgements and estimates are presented in Note 2 of the audited annual consolidated financial statements for the years ended December 31, 2020 and 2019 and have been consistently applied in the preparation of these financial statements. New estimates and judgments for the amortization of property and equipment will be based on the straight-line method over the estimated useful lives of 5 years.

TORQ RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise noted – Unaudited)

NOTE 3 – MINERAL PROPERTY INTERESTS

On March 8, 2021, the Company announced it had acquired the option to earn a 100% in interest in the Margarita iron-oxide-copper-gold (“IOCG”) 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 claims.

Under the option agreement the Company can acquire 100% interest in the Margarita claims by making cash payments totalling US\$6,200,000 over 66 months. The Company is required to incur work expenditures totalling US\$3,050,000 within 30 months of signing the definitive agreement:

	Cash payments (US\$)	Work expenditures requirement (US\$)
Period from signing of the definitive agreement:		
Within 60 days (paid subsequent to period end)	\$ 50,000	\$ -
Within 6 months	50,000	400,000
Within 18 months	100,000	1,150,000
Within 30 months	300,000	1,500,000
Within 42 months	1,200,000	-
Within 54 months	2,000,000	-
Within 66 months	2,500,000	-
	\$ 6,200,000	\$ 3,050,000

The claims are subject to a net smelter return (“NSR”) royalty of 1.0% with 50% (being 0.5%) buyable for US\$2,000,000.

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

	Cash payments (US\$)
Period from signing of the definitive agreement:	
Upon signing (paid \$63,065 (US\$50,000))	\$ 50,000
Within 12 months	250,000
Within 24 months	250,000
Within 36 months	350,000
	\$ 900,000

In relation to the option arrangement of the Margarita project, a finders’ fee of 466,667 shares (the “Finders Fees Shares”) was agreed upon requiring the issuance of 466,667 shares of the Company over two years of which 81,250 shares were issued on April 7, 2021 subsequent to period end (see Note 11), 141,667 shares are to be issued on March 31, 2022, and 243,750 shares are to be issued on March 31, 2023. These shares have been recognized at their fair value within equity in the three months ended March 31, 2021.

TORQ RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2021 and 2020
(Expressed in Canadian dollars, unless otherwise noted – Unaudited)

NOTE 4 – EXPLORATION AND EVALUATION COSTS

A summary of exploration and evaluation expenses during the three months ended March 31, 2021, and 2020 are as follows:

	Three months ended March 31,	
	2021	2020
Concession holding costs	10,123	-
Equipment, vehicles, rent and field supplies	1,226	-
Geological consulting, salaries and wages	91,677	-
Project support costs	12,239	-
Travel, meals and accommodation	4,659	-
	\$ 119,924	\$ -

NOTE 5 – PROJECT INVESTIGATION COSTS

	Three months ended March 31,	
	2021	2020
Assays	\$ -	\$ 25,587
Equipment, vehicles, rent and field supplies	-	19,659
Geological consulting, salaries and wages	110,309	129,945
Project support costs	2,049	6,376
Share-based compensation	8,200	-
Travel, meals and accommodation	428	46,641
	\$ 120,986	\$ 228,208

NOTE 6 – SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value.

(b) Common share issuances

During the three months ended March 31, 2021, the Company issued 40,000 common shares pursuant to share options exercised at a weighted average price of \$0.62 for gross proceeds of \$24,800. The associated fair value of \$9,025 was reclassified from share option and warrant reserves transferred to share capital.

(c) Shares to be issued

In relation to the execution of the Margarita Option Agreement, the Company is committed to issuing 466,667 Finders Fee Shares to finders in three tranches over the next two years (see Note 3). These shares have been recorded in equity and will be reclassified to share capital as the shares are issued by the Company.

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Notes to the Condensed Consolidated Interim Financial Statements

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(Expressed in Canadian dollars, unless otherwise noted – Unaudited)

NOTE 7 – SHARE OPTION AND WARRANT RESERVES

The Company maintains a rolling share-based option plan providing for the issuance of share 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 12.5% every three months thereafter for a total vesting period of 18 months.

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

	Number of share options	Weighted average exercise price
Outstanding, December 31, 2019	6,370,000	\$ 0.82
Granted	550,000	0.60
Exercised	(35,000)	0.50
Expired	(30,000)	0.85
Forfeited	(8,125)	0.62
Outstanding, December 31, 2020	6,846,875	0.81
Exercised	(40,000)	0.62
Expired	(516,875)	0.85
Outstanding, March 31, 2021	6,290,000	\$ 0.81

As at March 31, 2021, the number of share options outstanding and exercisable was:

Expiry date	Outstanding			Exercisable		
	Number of share options	Exercise price	Remaining contractual life (years)	Number of share options	Exercise price	Remaining contractual life (years)
Aug 30, 2022	5,330,000	\$ 0.85	1.42	5,330,000	\$ 0.85	1.42
Sep 21, 2023	160,000	0.50	2.48	160,000	0.50	2.48
Apr 1, 2024	250,000	0.50	3.01	250,000	0.50	3.01
May 25, 2025	400,000	0.58	4.15	250,000	0.58	4.15
Jun 25, 2025	150,000	0.66	4.24	93,750	0.66	4.24
	6,290,000	\$ 0.81	1.75	6,083,750	\$ 0.81	1.67

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 three months ended March 31, 2021, and 2020, the Company recognized share-based compensation expense in net loss for the period as follows:

	Three months ended March 31,	
	2021	2020
Included in:		
Fees, salaries, and other employee benefits	\$ 8,026	\$ 7,006
Project investigation costs	8,200	-
	\$ 16,226	\$ 7,006

TORQ RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements

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(Expressed in Canadian dollars, unless otherwise noted – Unaudited)

NOTE 8 – RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations. All amounts payable and receivable are unsecured, non-interest bearing and have no specific terms of settlement, unless otherwise noted.

	Three months ended March 31,	
	2021	2020
Universal Mineral Services Ltd. (“UMS”)		
Included in the statements of loss and comprehensive loss:		
Fees, salaries and other employee benefits	\$ 42,345	\$ 46,527
Investor relations and marketing	9,038	11,593
Office, rent and administration	43,421	44,103
Project investigation costs	24,456	126,157
Regulatory, transfer agent and shareholder information	42	-
	\$ 119,302	\$ 228,380

UMS is a private company with two directors and two officers in common with the Company. UMS provides geological, financial and transactional advisory services as well as administrative services to the Company on an ongoing, cost recovery basis. Having these services available through UMS 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 agreement has an indefinite term and can be terminated by either party upon providing due notice.

As at March 31, 2021, the Company’s accounts payable and accrued liabilities include an amount owing to UMS of \$71,380 (December 31, 2020 - \$121,576). In addition, the Company has \$150,000 on deposit with UMS, recognized within prepaid expenses and deposits as at March 31, 2021 (December 31, 2020 - \$150,000).

Key management compensation

In addition to the transactions disclosed above the Company provided the following compensation to key management members, being its five executives and four non-executive directors:

	Three months ended March 31,	
	2021	2020
Salaries and other employee benefits	\$ 200,463	\$ 102,213
Directors’ fees paid to non-executive directors	17,813	7,802
Share-based compensation	13,492	4,435
	\$ 231,768	\$ 114,450

NOTE 9 – 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 price in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted priced 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 March 31, 2021, the Company’s financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities. The fair values of these assets and liabilities approximate their carrying values due to their short-term maturity.

TORQ RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise noted – Unaudited)

The Company's financial instruments are exposed to credit risk, liquidity risk and market risks, which include foreign currency risk and interest rate risk. As at March 31, 2021, the primary risks were as follows:

(a) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. As at March 31, 2021, the Company has a working capital of \$7,279,069 (December 31, 2020 - \$8,891,931). The Company held cash of \$7,318,028 at March 31, 2021 (December 31, 2020 - \$8,748,073), which is entirely unrestricted.

(b) Market 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 significant market risk to which the Company is exposed is:

Foreign currency risk

The Company is exposed to currency risk by having balances and transactions in currencies that are different from its functional currency. As at March 31, 2021 and December 31, 2020, the Company's foreign currency exposure related to its financial assets and liabilities held in USD and CLP is as follows:

	March 31, 2021	December 31, 2020
Cash	464,190	1,529,926
Accounts payable and accrued liabilities	56,098	-
	\$ 520,288	\$ 1,529,926

A 10% increase or decrease in the USD and CLP exchange rates would not result in a material impact to the Company's comprehensive loss for the three months ended March 31, 2021.

NOTE 10 – SEGMENTED INFORMATION

The Company operates as one operating segment, being the acquisition and exploration of mineral resource properties. As at March 31, 2021, the Company's main project was located in Chile (December 31, 2020, no active projects).

NOTE 11 – SUBSEQUENT EVENTS

On April 7, 2021, the Company announced the grant of 420,000 incentive share options to officers of the Company. The options are exercisable at \$0.77 and expire five years from the date of grant.

On April 7, 2021, the Company issued 81,250 common shares relating to the Finders Fee Shares (see Note 3).

TORQ RESOURCES INC.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021 and 2020

(Expressed in Canadian dollars, unless otherwise noted – Unaudited)

On May 25, 2021, the Company announced it had successfully acquired the option to earn a 100% interest in the Andrea copper porphyry project (“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. Under these option agreements the Company can acquire 100% interest in the project, subject to net smelter return (NSR) royalties, through cash payments as follows:

	Cash payments (US\$)
Period from signing of the definitive agreement:	
Within 60 days	\$ 105,000
Within 12 months	135,000
Within 24 months	185,000
Within 36 months	300,000
Within 48 months	1,000,000
Within 60 months	4,275,000
	\$ 6,000,000

The option agreements each include a NSR of 1.5% which is buyable for payments totaling US\$3,000,000.