(An exploration stage company)

Torq Resources Inc.

Consolidated Financial Statements

For the years ended
December 31, 2021 and 2020

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, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, 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, 2021 and 2020, 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 $6,478,104 during the year ended December 31, 2021. 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.

Other Information

Management is responsible for the other information. The other information comprises of 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.

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
April 29, 2022

TORQ RESOURCES INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars, unless otherwise stated)

	Notes		**December 31, 2021**		December 31, 2020
Assets					
Current assets					
Cash		**$**	**1,899,324**	$	8,748,073
Accounts receivable and other			**150,258**		42,951
Prepaid expenses and deposits			**664,433**		303,824
			2,714,015		9,094,848
Equipment	4		**383,270**		-
Mineral property interests	5		**888,198**		-
Total assets		**$**	**3,985,483**	$	9,094,848
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**676,536**	$	202,917
Total liabilities			**676,536**		202,917
Equity					
Share capital	8		**49,124,432**		49,003,385
Share option reserve	9		**9,284,921**		8,558,963
Shares to be issued	8(c)		**99,031**		-
Accumulated other comprehensive loss			**(52,263)**		(1,347)
Deficit			**(55,147,174)**		(48,669,070)
Total equity			**3,308,947**		8,891,931
Total liabilities and equity		**$**	**3,985,483**	$	9,094,848

Going concern (Note 1(c)); Commitments (Note 10); Subsequent events (Notes 5(a), 10, 16).

Approved on behalf of the Board of Directors:

“Michael Kosowan” — President, Chief Executive Officer and Director

“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, unless otherwise stated)

	Notes		**Year ended December 31, 2021**		Year ended December 31, 2020
Operating expenses					
Exploration and evaluation	6	**$**	**2,214,244**	$	-
Fees, salaries and other employee benefits	9		**1,644,273**		852,102
Legal and professional			**326,467**		120,571
Marketing and investor relations			**1,130,453**		223,747
Office and administration			**741,149**		216,644
Regulatory, transfer agent and shareholder information			**63,192**		64,561
Project investigation	7		**292,597**		671,245
			6,412,375		2,148,870
Other expenses (income)					
Interest and other income			**(39,291)**		(84,704)
Foreign exchange loss			**105,020**		23,670
			65,729		(61,034)
Net loss for the year		**$**	**6,478,104**	$	2,087,836
Other comprehensive loss					
Unrealized currency loss on translation of foreign operations			**50,916**		1,328
Total comprehensive loss for the year		**$**	**6,529,020**	$	2,089,164
Basic and diluted loss per share		**$**	**0.08**	$	0.03
Basic and diluted weighted average number of shares			**77,466,216**		77,327,066

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, unless otherwise stated)

	Notes	Number of common shares	Share capital	Share option reserve	Shares to be issued	Accumulated other comprehensive loss	Deficit	Total equity
Balance, December 31, 2019		**77,324,164**	**$ 48,977,100**	**$ 8,435,631**	**$ -**	**$ (19)**	**$ (46,581,234)**	**$ 10,831,478**
Stock options exercised	8(b)	35,000	26,285	(8,785)	-	-	-	17,500
Share-based compensation	9	-	-	132,117	-	-	-	132,117
Other comprehensive loss for the year		-	-	-	-	(1,328)	-	(1,328)
Net loss for the year		-	-	-	-	-	(2,087,836)	(2,087,836)
Balance, December 31, 2020		**77,359,164**	**$ 49,003,385**	**$ 8,558,963**	**$ -**	**$ (1,347)**	**$ (48,669,070)**	**$ 8,891,931**
Stock options exercised	8(b)	**75,000**	**60,109**	**(17,809)**	**-**	**-**	**-**	**42,300**
Share-based compensation	9	**-**	**-**	**743,767**	**-**	**-**	**-**	**743,767**
Shares issued as finder's fee	8(b)	**81,250**	**60,938**	**-**	**-**	**-**	**-**	**60,938**
Shares to be issued	8(c)	**-**	**-**	**-**	**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**	**$ 9,284,921**	**$ 99,031**	**$ (52,263)**	**$ (55,147,174)**	**$ 3,308,947**

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

TORQ RESOURCES INC.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars, unless otherwise stated)

	Notes	**Year ended December 31, 2021**		Year ended December 31, 2020
Operating activities				
Net loss for the year		**(6,478,104)**	$	(2,087,836)
Non-cash transactions:				
Share-based compensation	9	**743,767**		132,117
Depreciation expense	4	**32,723**		-
Unrealized foreign exchange loss		**5,843**		14,642
Interest and other income		**(39,291)**		(84,704)
Changes in non-cash working capital:				
Accounts receivable and other		**(105,887)**		(17,983)
Prepaid expenses and deposits		**(428,997)**		(115,804)
Accounts payable and accrued liabilities		**477,677**		(16,540)
Cash used in operating activities		**(5,792,269)**		(2,176,108)
Investing activities				
Options payments on mineral properties	5	**(445,408)**		-
Transaction costs on acquisition of mineral properties		**(211,664)**		-
Purchase of equipment	4	**(415,529)**		-
Interest and other income received		**39,291**		84,704
Cash (used in) provided by investing activities		**(1,033,310)**		84,704
Financing activities				
Proceeds from the exercise of share options	8(b)	**42,300**		17,500
Cash provided by financing activities		**42,300**		17,500
Effect of foreign exchange rate changes on cash		**(65,470)**		(16,044)
Decrease in cash		**(6,848,749)**		(2,089,948)
Cash, beginning of the year		**8,748,073**		10,838,021
Cash, end of the year		**1,899,324**	$	8,748,073

The accompanying notes are 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.

(b) Nature of operations

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

(c) Going concern

As at December 31, 2021, the Company had net working capital of $2,037,479, had no operating revenue and incurred a net loss of $6,478,104 for the year ended December 31, 2021. The Company has incurred operating losses to date and does not generate operating revenue to support its activities. With no source of operating revenue, there is no assurance that sufficient funding will be available to conduct further exploration of its mineral properties. Although the Company has had success raising capital in the past, and on March 18, 2022, announced it had completed a non-brokered private placement for gross proceeds of $5,275,050 (see Note 16), the ability to continue as a going concern remains dependent upon Torq's ability to obtain the financing necessary to continue to fund its mineral properties, 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 consolidated 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.

These consolidated 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

The situation in Canada and Chile with respect to the management of COVID-19 remains fluid and permitted activities are subject to change; the Company is continually reviewing the situation along with provincial and government guidelines and allowing work to be undertaken as long as it is confident that its employees and communities are safe to do so.

While the disruptions resulting from the pandemic caused only a minor delay in the Company's planned goals for 2021, management was still able to continue with much of its planned activity. As the situation surrounding COVID-19 continues to develop, albeit to a lesser extent, the Company will continue to monitor the situation closely and respond appropriately.

NOTE 2 – BASIS OF PRESENTATION

(a) Statement of compliance

These consolidated 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").

These financial statements were approved and authorized for issue by the Board of Directors of the Company on April 29, 2022.

(b) Basis of preparation and consolidation

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

The Company's functional currency is the Canadian dollar ("CAD", "C$"), which is also the Company's presentation currency. These consolidated financial statements are presented in Canadian dollars, unless otherwise noted. Amounts denominated in United States dollars ("USD") are denoted as US$.

The consolidated financial statements include the financial statements of the Company, and the following 100% beneficially owned subsidiaries. Stratton Resources (Canada) Inc., Torq Resources Holding Inc. and Candelaria Minerals S.A.C. are dormant entities in the process of being dissolved.

Subsidiary	Place of incorporation	Functional currency
Stratton Resources (Canada) Inc.	Canada	CAD
Torq Resources Holdings Inc.	Canada	CAD
Candelaria Minerals S.A.C.	Peru	USD
Torq Resources Chile SpA	Chile	USD
Minera Margarita SpA	Chile	USD
Minera Andrea SpA	Chile	USD
Minera Santa SpA	Chile	USD

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. Intercompany balances and transactions have been eliminated on consolidation.

During February 2021, the Company established Minera Margarita SpA, a new wholly-owned Chilean subsidiary for the Margarita Project option acquisition (see Note 5 (a)).

During May 2021, the Company established Minera Andrea SpA, a new wholly-owned Chilean subsidiary for the Andrea Project option acquisition (see Note 5 (b)).

During September 2021, the Company established Minera Santa SpA, a new wholly-owned Chilean subsidiary for the Santa Cecilia Project option acquisition (see Note 5 (c)).

Subsequent to the year end, the Company acquired an interest in UMS (see Note 10).

(c) 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 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.

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

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.

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.

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.

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.

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, 2021 and 2020.

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Foreign currency translation

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. The presentation and functional currency of the Company and each of its Canadian subsidiaries is the Canadian dollar, while the functional currency of its Peruvian and Chilean entities is the United States dollar.

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) 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 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, 2021.

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 fair value through profit or loss ("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.

c) 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.

d) 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.

e) 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	5 - 7 years
• Office equipment	1 - 6 years
• Furniture	1 - 6 years

f) 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.

g) 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.

h) Share-based payments

From time to time, the Company grants share options to employees and non-employees. An individual is classified as an employee, versus a non-employee, when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

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.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the net loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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.

i) 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.

j) 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, 2021 or 2020) will have gains and losses included in other comprehensive loss. Foreign currency translation differences arising on translation of foreign subsidiaries are also included in other comprehensive loss.

k) Changes in accounting standards

The Company has adopted the following amended accounting standards and policies effective January 1, 2021:

IBOR Reform and the Effects on Financial Reporting – Phase II

In August 2020, the Board issued Interest Rate Benchmark Reform—Phase 2, which amends IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement, IFRS 7, Financial Instruments: Disclosures, IFRS 4, Insurance Contracts and IFRS 16, Leases. This amendment had no impact on the Company's consolidated financial statements.

New and amended standards not yet effective:

Certain new accounting standards and interpretations have been issued but were not effective for the year ended December 31, 2021, and they have not been early adopted. The Company is currently assessing the new and amended standards' impact on its consolidated financial statements; however, they are not expected to have a material impact on the Company's current or future reporting periods.

Annual Improvements to IFRSs 2018-2020 Cycle

Annual Improvements to IFRS Standards 2018–2020 makes amendments to the following standards and has an effective date of January 1, 2022:

IFRS 1 - First-time Adoption of International Financial Reporting Standards: The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRS.

IFRS 9 - Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the consolidated statements of financial position and not the amount or timing of recognition of any asset, liability, income, or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets, or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted. However, the concept of changes in accounting estimates in the Standard was retained with the following clarifications:

• A change in accounting estimate that results from new information or new developments is not the correction of an error; and
• The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

(Expressed in Canadian Dollars, unless otherwise stated)

The amendments are effective for annual periods beginning on or after January 1, 2023, to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

NOTE 4 – EQUIPMENT

		Total
Balance as at December 31, 2020	$	-
Additions		**415,529**
Depreciation		**(32,723)**
Currency translation adjustment		**464**
Balance as at December 31, 2021	**$**	**383,270**

During the year ended December 31, 2021, the Company recorded $23,067 (December 31, 2020 - $nil) of depreciation in exploration and evaluation expense in the consolidated statements of loss and comprehensive loss.

NOTE 5 – 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	$	-	$	-	$	-	$	-
Acquisition cost		**103,747**		**32,707**		**141,706**		**278,160**
Finder's fees shares		**159,969**		**-**		**-**		**159,969**
Option payments		**189,790**		**132,038**		**123,580**		**445,408**
Foreign currency translation		**380**		**1,081**		**3,200**		**4,661**
As at December 31, 2021	**$**	**453,886**	**$**	**165,826**	**$**	**268,486**	**$**	**888,198**

(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 ("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 claims.

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 fair value of $159,969 within equity. Fair value of the first tranche of 81,250 shares was assessed as $60,938 being the $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.

<u>Margarita Claims</u>

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 required to incur work expenditures totaling US$3,050,000 within 30 months of signing the definitive agreement, approximately US$1.5 million of eligible work expenditures had been incurred as at December 31, 2021.

(Expressed in Canadian Dollars, unless otherwise stated)

		Cash payments (US$)		Work expenditures requirement (US$)
April 20, 2021 (paid C$62,445)	$	50,000	$	-
August 22, 2021 (paid C$64,280, work requirements met)		50,000		400,000
August 22, 2022		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%, half of which can be repurchased by the Company, at the Company's discretion, for US$2,000,000.

La Cototuda Claims

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

		Cash payments (US$)
February 23, 2021 (paid C$63,065)	$	50,000
February 23, 2022 (paid subsequent to year end C$31,795)		25,000
August 23, 2022		225,000
February 23, 2023		250,000
February 23, 2024		350,000
	$	**900,000**

The schedule of the La Cototuda option payments were amended subsequent to the year end and the table above shows the commitments as agreed at the issue date of these consolidated financial statements.

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

		Cash payments (US$)
July 23, 2021 (paid C$132,038)	$	105,000
May 24, 2022		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 an NSR of 1.5%, which can be repurchased by the Company, at the Company's discretion, for US$3,000,000.

(Expressed in Canadian Dollars, unless otherwise stated)

(c) Santa Cecilia project

On October 21, 2021, the Company announced that it has 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 C$123,580)	$	100,000
October 21, 2022		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**

Under the option agreement, the Company is also committed to 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.

Date from obtaining permits, within		Work Expenditures (US$)
12 months	$	3,000,000
24 months		4,500,000
36 months		8,000,000
	$	**15,500,000**

The option agreement includes an NSR of 3%, half of which 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.

NOTE 6 – EXPLORATION AND EVALUATION

(a) Margarita project

A summary of exploration and evaluation costs for the Margarita project during the years ended December 31, 2021 and 2020 is as follows:

	Year ended December 31,			
		2021		2020
Geological consulting, salaries and wages	**$**	**761,086**	$	-
Geophysics, sampling and assays		**235,055**		-
Share-based compensation		**143,148**		-
Travel, meals and accommodation		**89,776**		-
Environmental and permitting		**44,643**		-
Project support costs		**347,410**		-
Equipment, vehicles, rent and field supplies		**24,501**		-
Drilling		**108,594**		
	$	**1,754,213**	$	-

(Expressed in Canadian Dollars, unless otherwise stated)

(b) Andrea project

A summary of exploration and evaluation costs for the Andrea project during the years ended December 31, 2021 and 2020 is as follows:

		Year ended December 31,		
		2021		2020
Geological consulting, salaries and wages	**$**	**89,523**	$	-
Share-based compensation		**13,342**		-
Environmental and permitting		**10,588**		-
Travel, meals and accommodation		**1,606**		-
Equipment, vehicles, rent and field supplies		**1,541**		-
Project support costs		**6,468**		
	$	**123,068**	$	-

(a) Santa Cecilia project

A summary of exploration and evaluation costs for the Santa Cecilia project during the years ended December 31, 2021 and 2020 is as follows:

		Year ended December 31,		
		2021		2020
Geological consulting, salaries and wages	**$**	**254,979**	$	-
Share-based compensation		**12,928**		-
Travel, meals and accommodation		**2,718**		-
Environmental and permitting		**43,293**		-
Project support costs		**23,045**		-
	$	**336,963**	$	-

NOTE 7 – PROJECT INVESTIGATION

		Year ended December 31,		
		2021		2020
Geological consulting, salaries and wages	**$**	**214,168**	$	458,469
Share-based compensation		**47,507**		63,567
Travel, meals and accommodation		**280**		60,092
Environmental and permitting		**9,952**		-
Project support		**17,911**		19,912
Equipment, vehicles, rent and field supplies		**2,779**		40,808
Assays		**-**		28,397
	$	**292,597**	$	671,245

(Expressed in Canadian Dollars, unless otherwise stated)

NOTE 8 – SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value.

(b) Common share issuances

During the year ended December 31, 2021, the Company issued 81,250 common shares with a $60,938 fair value, pursuant to the Margarita project finder's fee agreement (see Note 5 (a)).

During the year ended December 31, 2021, the Company issued 75,000 common shares pursuant to share options exercised at a weighted average price of $0.56 for gross proceeds of $42,300. The associated fair value of $17,809 was reclassified from share option reserve and transferred to share capital.

During the prior year ended December 31, 2020, the Company issued 35,000 common shares as a result of share options exercised with a weighted average exercise price of $0.50 for gross proceeds of $17,500 with $8,785 attributable to these share options transferred from the share option reserve and transferred to share capital.

(c) Shares to be issued

As discussed in Note 5(a), 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; during the twelve months ended December 31, 2021, 81,250 of these shares were issued with $60,938 reclassified from shares to be issued to share capital, 141,667 shares were issued on March 31, 2022, and the remaining 243,750 shares are to be issued to the finders in 2023.

NOTE 9 – SHARE OPTION RESERVE

Share-based options

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. Typically, 25% of the share options vest on the date of the grant and then 12.5% vest every three months thereafter for a total vesting period of 18 months.

The continuity of the 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
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**

(Expressed in Canadian Dollars, unless otherwise stated)

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

	Outstanding				**Exercisable**			
Expiry date	Number of share options		Exercise price	Remaining contractual life (years)	Number of share options		Exercise price	Remaining contractual life (years)
Aug 30, 2022	4,500,000	$	0.85	0.66	4,500,000	$	0.85	0.66
Sep 21, 2023	125,000		0.50	1.72	125,000		0.50	1.72
Apr 1, 2024	250,000		0.50	2.25	250,000		0.50	2.25
May 25, 2025	400,000		0.58	3.40	400,000		0.58	3.40
Jun 25, 2025	150,000		0.66	3.48	150,000		0.66	3.48
Apr 7, 2026	1,355,000		0.77	4.27	677,500		0.77	4.27
Sep 3, 2026	375,000		0.82	4.68	140,625		0.82	4.68
Nov 24, 2026	590,000		0.86	4.90	147,500		0.86	4.90
	7,745,000	**$**	**0.80**	**2.08**	**6,390,625**	**$**	**0.80**	**1.55**

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 year ended December 31, 2021 and 2020, the Company recognized share-based compensation expense as follows:

	Year ended December 31,			
		2021		2020
Included in:				
Fees, salaries, and other employee benefits	**$**	**478,495**	$	68,549
Exploration and evaluation		**169,418**		-
Project investigation		**47,507**		63,568
Marketing		**48,347**		-
	$	**743,767**	$	132,117

The fair value of the share options granted during the years ended December 31, 2021 and 2020 was estimated using the Black-Scholes option valuation model with the following assumptions on a weighted average basis:

	Year ended December 31,	
	2021	2020
Risk-free interest rate	**1.07%**	0.36%
Expected dividend yield	**Nil**	Nil
Share price volatility	**69%**	70%
Expected life in years	**5.0**	5.0
Expected forfeiture rate	**4.52%**	Nil

(Expressed in Canadian Dollars, unless otherwise stated)

NOTE 10 – 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.

		Year ended December 31,		
		2021		2020
Universal Mineral Services Ltd. ("UMS")				
Included in the statement of loss and comprehensive loss:				
Exploration and evaluation	**$**	**72,929**	$	-
Fees, salaries and other employee benefits		**274,003**		222,382
Marketing and investor relations		**49,943**		49,987
Office and administration		**260,963**		166,567
Project investigation		**57,318**		406,525
Legal and professional		**16,690**		12,985
Regulatory, transfer agent and shareholder information		**95**		123
Total transactions for the year	**$**	**731,941**	**$**	858,569

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. During the year ended December 31, 2021, UMS entered into 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, 2021 the Company expects to incur approximately $1.3 million in respect of its share of future rent.

Throughout the years ended December 31, 2021, and 2020, UMS was owned by Ivan Bebek and Shawn Wallace who are directors of Torq. On December 31, 2021, these two shareholders sold their shares in UMS for nominal consideration and at the same time resigned as directors of UMS. Steve Cook, who acquired the UMS shares, is also a director of Torq and on the date of transfer also took over as sole director of UMS. On April 1, 2022, UMS was restructured whereby Mr. Cook transferred his ownership equally to the four public companies which share its services, including Torq. As a result, Torq now has a 25% shareholding in its shared service company, UMS, which it purchased for nominal consideration.

As at December 31, 2021, the Company's accounts payable and accrued liabilities include an amount owing to UMS of $115,446 (December 31, 2020 - $121,576). In addition, the Company has $458,112 on deposit with UMS, recognized within prepaid expenses and deposits as at December 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. Due to changes in management structure, and executives who are employed part time with the Company, the full time equivalent for the year ended December 31, 2021, was 3.7 executives and 3.3 non-executive directors (December 31, 2020: 2.2 executives and 3 non-executive directors).

		Year ended December 31,		
		2021		2020
Salaries and other employee benefits	**$**	**877,866**	$	521,128
Directors' fees paid to non-executive directors		**79,666**		31,208
Share-based compensation		**283,415**		106,380
	$	**1,240,947**	$	658,716

NOTE 11 – 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, 2021, the Company's financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities. 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 credit risk, liquidity risk and market risks, which include foreign currency risk and interest rate risk. As at December 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 December 31, 2021, the Company has working capital of $2,037,479 (December 31, 2020 - $8,891,931) and held cash of $1,899,324 (December 31, 2020 - $8,748,073), which is entirely unrestricted.

On March 18, 2022, the Company announced it had completed a non-brokered private placement for gross proceeds of $5,275,050 which consisted of 7,033,400 equity units at an offering price of $0.75 (see Note 16).

(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:

i- 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 December 31, 2021 and 2020, the Company's foreign currency exposure related to its financial assets and liabilities held in USD and in Chilean Pesos ("CLP") is respectively as follows, noting that the Canadian parent company is exposed to USD foreign currency risk with CAD functional currency and the Chilean subsidiaries with USD functional currency are exposed to CLP foreign currency risk:

In CAD		**December 31, 2021**		December 31, 2020
Period end exchange rate CAD per USD	**$**	**1.2678**	$	1.2732
Cash	**$**	**80,797**	$	1,529,926
Accounts payable and accrued liabilities		**(74,924)**		-
	$	**5,873**	$	1,529,926

(Expressed in Canadian Dollars, unless otherwise stated)

In USD		**December 31, 2021**		December 31, 2020
Period end exchange rate CLP per USD	**$**	**853.5942**	$	714.0689
Cash	**$**	**270,889**	$	-
Accounts receivable and other		**99,069**		-
Accounts payable and accrued liabilities		**(225,199)**		-
	$	**144,759**	$	-

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

NOTE 12 – SEGMENTED INFORMATION

The Company operates as one operating segment, being the acquisition and exploration of mineral resource properties.

Torq was not subjected to restrictions on its cash and cash equivalents as at December 31, 2021 and 2020.

NOTE 13 – LOSS PER SHARE

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

		December 31, 2021		December 31, 2020
Loss attributable to ordinary shareholders	**$**	**6,478,104**	$	2,087,836
Weighted average number of common shares		**77,466,216**		77,327,066
Basic and diluted loss per share	**$**	**0.08**	$	0.03

All of the outstanding share-purchase options at December 31, 2021 and 2020 were antidilutive for the years then ended as the Company was in a loss position.

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, 2021		December 31, 2020
Net loss for the year before income taxes	**$**	**(6,478,104)**	$	(2,087,836)
Canadian federal and provincial income tax rates		**27%**		27%
Expected income tax recovery	**$**	**(1,749,088)**	$	(563,716)
Increase (decrease) in income tax recovery resulting from:				
Share-based compensation		**200,817**		18,508
Differences in future and foreign jurisdiction tax rates		**(540)**		(2,227)
Non-deductible expenses and other		**92,207**		11,979
Change in unrecognized tax assets		**1,456,604**		535,456
Income tax recovery provision	**$**	**-**	$	-

(Expressed in Canadian Dollars, unless otherwise stated)

(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, 2021		December 31, 2020
Exploration and evaluation assets	**$**	**10,115,336**	$	10,115,336
Non-capital losses carried forward		**19,179,368**		13,944,654
Capital losses carried forward		**1,810,218**		1,810,218
Share issuance costs and other		**598,528**		263,267
	$	**31,703,450**	$	26,133,475

c) Tax losses

The Company has accumulated non-capital losses of $16,753,891 in Canada as at December 31, 2021 (December 31, 2020 - $13,879,608) 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:

Year of expiry	**Amount**
2026	$ 627,760
2027	1,036,992
2028	682,444
2029	652,086
2030	981,145
2031	1,465,623
2032	869,967
2034	890,382
2035	152,042
2036	195,067
2037	1,177,376
2038	1,398,694
2039	1,682,283
2040	1,846,782
2041	2,940,612
	$ 16,753,891

The Company has accumulated capital losses of $1,810,218 (December 31, 2020 – $1,810,218) in Canada which may be carried forward indefinitely and do not expire.

The Company also has losses in Peru of $ 102,693 (December 31, 2020 – $8,677) which expire in 2024.

The Company also has losses in Chile of $2,322,784 (December 31, 2020 – $56,369) which carryforward and do not expire.

(Expressed in Canadian Dollars, unless otherwise stated)

NOTE 15 – MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition, exploration and development of resource properties, and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The capital of the Company is determined as follows:

		Year ended December 31,		
		2021		2020
Equity	**$**	**3,308,947**	$	$ 8,891,931
Less cash		**(1,899,324)**		(8,748,073)
	$	**1,409,623**	$	143,858

The Company manages the capital structure and adjusts in light of changes to economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares or debt, acquire or dispose of assets or adjust the amount of cash and investments.

In order to maximize ongoing development efforts, the Company does not pay out dividends, does not have any long-term debt and is not subject to any externally imposed capital requirements.

The Company currently has sufficient working capital and is able to meet its ongoing current obligations as they become due, and on March 18, 2022, the Company announced the completion of a non-brokered private placement for gross proceeds of $5,275,050 (see Note 16). However, the Company will likely require additional capital in the future to meet its company objectives, being the acquisition and exploration of mineral properties. Future liquidity will depend upon the Company's ability to arrange additional equity financing, as the Company relies on equity financings to fund its exploration and corporate activities.

NOTE 16 – SUBSEQUENT EVENT

On March 18, 2022, the Company announced it had completed a non-brokered private placement for gross proceeds of $5,275,050 which consisted of 7,033,400 equity units at an offering price of $0.75. Each unit consists of one common share and one share purchase warrant that can be exercised at $1.10 for a three-year period. The warrant is subject to accelerated expiry if the common shares trade above $1.75 for 20 consecutive trading days after the first 12 months. Customary referral fees of approximately 3% of the aggregate proceeds were paid to eligible persons who referred participating investors.