Torq Resources Inc.
An exploration stage company

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE COMPANY'S CONSOLIDATED
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three and six months ended June 30, 2023

Dated: August 17, 2023

1. HIGHLIGHTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023 AND THE PERIOD TO AUGUST 17, 2023

1.1 Operational highlights

- On August 2, 2023, Torq Resources Inc. ("Torq" or the "Company") announced drill results from the first two drill holes at the Cerro del Medio target in the Company's inaugural drill program at the Santa Cecilia gold – copper porphyry project ("Santa Cecilia") located in the Maricunga belt in northern Chile. The results from drill hole 23SC-DDH-002 include 557 metres ("m") of 0.38 g/t gold ("Au"), 0.23% copper ("Cu") and 56 parts per million ("ppm") molybdenum ("Mo") at a depth of 442 m – 999 m within wall rock, and in drill hole 23SC-DDH-001 the Company intersected 476.3 m of 0.23 g/t Au, 0.22% Cu and 93 ppm Mo at a depth of 584 m – 1,060.3 m within wall rock.

- On July 19, 2023, the Company announced the results of its rock sampling program, based on a total of 196 samples, that were collected from the Pircas Norte and Gemelos Norte target areas from the eastern region of Santa Cecilia. The highlights from selective rock sampling targeting porphyry-style veining included gold grades of 0.3 g/t to 0.83 g/t in banded quartz-magnetite-pyrite veinlets with copper grades ranging from 438 ppm to 0.44% at Pircas Norte. At the Gemelos Norte target, highlights from the selective rock sampling targeting porphyry style veining included gold grades of 0.13 g/t to 1.49 g/t. In addition, at Gemelos Norte, two epithermal veins sampled on the southwestern edge of the target area had gold grades of 12.05 g/t and 3.36 g/t and copper grades of 2.3% and 285 ppm, respectively. Collectively, the rock sampling results from both Pircas Norte and Gemelos Norte demonstrated mineralized gold – copper and gold porphyry systems that have not yet been drill tested.

- On May 3, 2023, the Company announced the results of its 85% completed soil survey from Santa Cecilia. The results of the soil survey are based on a total of 1,503 of 1,735 soil samples that were collected on a 70 m by 70 m grid across the Santa Cecilia hydrothermal system. The results indicated a total of seven porphyry targets.

- On April 5, 2023, the Company announced the results of a soil geochemical survey focused on identifying new gold and gold-copper targets at Torq's Margarita iron-oxide-copper-gold project. The results of the survey identified targets that demonstrate the growth potential of the discovery on the project, as well as five new target areas that have not yet been drill tested. The Company is planning for a third phase of drilling at the project to test the various targets. The program is expected to commence in the third quarter of this year.

- On March 13, 2023, the Company announced that it commenced its first drill program at the Santa Cecilia gold-copper project, following the initiation of a surface exploration program that commenced in December 2022.

1.2 Corporate highlights

- On March 10, 2023, the Company announced that it had completed a private placement for gross proceeds of C$6,260,339, consisting of 10,433,899 units of the Company (the "Units") at a price of C$0.60 per Unit. Each Unit consisted of one Torq common share and one half of a share purchase warrant, two half-warrants being required to exercise and acquire a common share at C$0.80 until March 10, 2026.

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

2. DATE OF INFORMATION AND CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Management Discussion and Analysis ("MD&A") of Torq has been prepared by management to assist the reader in assessing material changes in the financial condition and results of operations of the Company as at June 30, 2023. Commentary is made on the results of the period under review. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company ("financial statements") and related notes thereto as at and for the three and six months ended June 30, 2023 and 2022. All financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standard Board ("IASB") and all dollar amounts presented are Canadian dollars unless otherwise stated.

United States readers should be aware that the Company uses mineral terminology based on the Canadian Institute of Mining and Metallurgy ("CIM"). CIM standards are not the same as those accepted by the US Securities Exchange Commission for US domestic mining company disclosure. Further details of these differences can be found in the Company's Annual Information Form filings.

The effective date of this MD&A is August 17, 2023.

2.1. Forward-looking statements and risk factors

Certain statements made in this MD&A contain forward-looking information within the meaning of applicable Canadian and United States securities laws ("forward-looking statements"). These forward-looking statements are presented for the purpose of assisting the Company's shareholders and prospective investors in understanding management's intentions and views regarding future outcomes and are inherently uncertain and should not be heavily relied upon. When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to the Company, identify such forward-looking statements. Specific forward-looking statements in this MD&A may include, but are not limited to: the Company's ability to execute on its exploration and financing plans, the likelihood of discovering resources; the potential for access to and exploration of the Company's Margarita, Andrea or Santa Cecilia projects; permitting timelines; government regulation of mining operations; environmental and climate-related risks; the possible impairment of mining interests; any objectives, expectations, intentions, plans, results, levels of activity, goals or achievements; the timing and amount of estimated exploration expenditures and capital raises for the Company; the liquidity of the common shares in the capital of the Company and other events or conditions that may occur in the future; the Company's intention to grow its business and its operations; the Company's competitive position; changes to government regulation, in particular Chilean; and the impact of the COVID-19 pandemic on the Company's operations and the economy generally.

The forward-looking statements contained in this MD&A represent the Company's views as of the date hereof. The assumptions related to these plans, estimates, projections, beliefs and opinions may change without notice and in unanticipated ways. Many assumptions may prove to be incorrect, including the Company's budgeting plans, expected costs, assumptions regarding market conditions and other factors upon which the Company has based its expenditure and funding expectations; the Company's ability to obtain or renew the licenses and permits necessary for exploration; that operations and financial markets will not in the long term be adversely impacted by the COVID-19 pandemic; the Company's ability to complete and successfully integrate acquisitions; the possible effects of climate change, extreme weather events, water scarcity, and seismic events, and the effectiveness of strategies to deal with these issues; the Company's expectations regarding the future demand for, and supply and price of, precious and base metals; the Company's ability to recruit and retain qualified personnel; the Company's ability to comply with current and future environmental, safety and other regulatory requirements and to obtain and maintain required regulatory approvals.

Inherent in the forward-looking statements are known and unknown risks, uncertainties and other factors beyond the Company's ability to control or predict, that may cause the actual results, performance or achievements of the Company, or developments in the Company's business or in its industry, to adversely differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Some of the risks and other factors (some of which are beyond the Company's control) which could cause results to differ materially from those expressed in the forward-looking statements and information contained in this MD&A include, but are not limited to, fluctuations in the current and projected prices for gold, other precious and base metals and other commodities (such as natural gas, fuel oil and electricity) which are needed for exploration activities; risks and hazards associated with the business of mineral exploration (including environmental hazards, potential unintended releases of contaminants, industrial accidents, unusual or unexpected geological or structural formations, pressures, cave-ins and flooding); the speculative nature of mineral exploration and development; the estimation of mineral resources, the Company's ability to obtain funding, including the Company's ability to complete future equity financings; the current lack of any estimated mineralized deposit; environmental risks and remediation measures, including evolving environmental regulations and legislation; changes in laws and regulations impacting exploration activities; the Company's mineral properties being subject to prior unregistered agreements, transfers or claims and other defects in title; legal and litigation risks; statutory and regulatory compliance; insurance and uninsurable risks; the Company's limited business history and history of losses and negative cash flow, which will continue into the foreseeable future; our inability to pay dividends, volatility in the Company's share price, the continuation of our management team and our ability to secure the specialized skill and knowledge necessary to operate in the mining industry; availability of drilling equipment and other exploration equipment; timely receipt of appropriate exploration permits; relations with and claims by local communities and non-governmental organizations, including relations with and claims by indigenous populations; the requirements of being a public company, including maintaining the listing requirements TSX Venture Exchange ("TSX-V"); risks associated with the significant resources required to maintain regulatory compliance as a public company; the effectiveness of the Company's internal control over financial reporting; cybersecurity risks; risks relating to the Company's public perception; general business, economic, competitive, political and social uncertainties; and public health crises such as the COVID-19 pandemic. This is not an exhaustive list of the risks and other factors that may adversely affect any of the Company's forward-looking statements. Readers should refer to the risks discussed herein and in the Company's Annual Information Form for the year ended December 31, 2022, filed on March 27, 2023, and subsequent disclosure filings with the Canadian Securities Administrators, available on SEDAR+ at www.sedarplus.ca and on the Company's website at www.torqresources.com. These documents are for information purposes only and not incorporated by reference in this MD&A.

Results of Operations for the three and six months ended June 30, 2023 Expressed in Canadian dollars

3. DESCRIPTION OF THE BUSINESS

Torq is a junior mineral exploration company focused on the acquisition and exploration of mineral resource properties. The Company is incorporated under the Business Corporations Act (British Columbia) and is a reporting issuer in British Columbia, Alberta and Ontario. The Company is listed on the TSX-V, where its shares trade under the symbol TORQ.V and on the OTCQX where its shares trade under the US symbol TRBMF.

The information presented consists of the financial statements of the Company, and the following 100% beneficially owned subsidiaries:

Subsidiary	Place of Incorporation	Functional Currency	Beneficial Interest
Torq Resources Chile SpA	Chile	US$	100%
Minera Margarita SpA	Chile	US$	100%
Minera Andrea SpA	Chile	US$	100%
Minera Santa SpA	Chile	US$	100%

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

3.1. Ongoing response to COVID-19

While the Company continues to monitor developments with regards to COVID-19 and permitted activities, there were no impacts to the Company's operating activities in the first half of 2023 arising from COVID-19.

3.2. Qualified persons and technical disclosures

Michael Henrichsen P.Geo, Torq's Chief Geological Officer, is the qualified person as defined by National Instrument 43-101 with respect to the technical disclosures in this MD&A.

Results of Operations for the three and six months ended June 30, 2023 Expressed in Canadian dollars

4. 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, 2021	**$**	453,886	$	165,826	$	268,486	$	888,198
Additions		3,435		-		-		3,435
Option payments		477,841		170,937		409,470		1,058,248
Foreign currency translation		35,977		21,000		5,510		62,487
As at December 31, 2022	$	971,139	$	357,763	$	683,466	$	2,012,368
Option payments		-		81,204		-		81,204
Foreign currency translation		(15,801)		(9,060)		(12,160)		(37,021)
As at June 30, 2023	**$**	**955,338**	**$**	**429,907**	**$**	**671,306**	**$**	**2,056,551**

4.1. Margarita project

Under the Margarita option agreement, the Company can acquire a 100% interest in the Margarita claims by making cash payments totaling US$6,200,000 over 66 months. The Company is also required to incur work expenditures totaling US$3,050,000 within 30 months of the signing date of the definitive agreement (February 22, 2021), which had been incurred as at June 30, 2023.

Certain legal claims arose in 2022 regarding the mineral exploration rights over a non-material section (approximately 10 metres wide) at the edge of the Margarita southern property, comprised of four opposition filings. While the outcome of these legal claims is uncertain, management, after review with legal counsel, believes the claims have no merit. As of this date, two of the four claims have been rejected at the first instance, regarding the two remaining, the issuance of the final award is pending.

<u>Exploration Activities</u>

A summary of exploration and evaluation costs for the Margarita project is as follows:

Margarita project	**Three months ended June 30,**				**Six months ended June 30,**			
		2023		2022		**2023**		2022
Drilling	**$**	**-**	$	335,564	**$**	**-**	$	773,765
Geological consulting, salaries and wages		**261,938**		298,321		**566,396**		555,561
Geophysics, sampling and assays		**15,045**		85,272		**60,600**		154,565
Project support		**164,964**		85,989		**319,047**		377,355
Travel, meals and accommodation		**70,458**		71,516		**157,902**		111,552
Environmental, permitting and concessions		**88,131**		10,063		**124,070**		12,455
Equipment, vehicles, rent and field supplies		**4,936**		11,601		**7,049**		11,601
Share-based compensation		**75,217**		10,710		**247,113**		26,680
Total	**$**	**680,689**	$	909,036	**$**	**1,482,177**	$	2,023,534

During the three and six months ended June 30, 2023, the Company executed on its plan to define additional targets on the project through the completion of a multi-element soil geochemistry survey. In addition, the Company analyzed the results of its phase II drill program, which was completed in the fourth quarter of 2022, to better understand the geometry of the mineralization and to define areas of potential growth at the discovery. This has resulted in the identification of new target areas, which the Company plans to test in the current drill program, which commenced in August 2023.

Results of Operations for the three and six months ended June 30, 2023 Expressed in Canadian dollars

4.2. Andrea project

On May 12, 2023, the Company agreed to amend the timing of the option payments to acquire 100% of the Andrea project, the updated table of payments is as follows:

		Cash payments (US$)
July 23, 2021 (paid C$132,038)	$	105,000
May 24, 2022 (paid C$170,937)		135,000
May 12, 2023 (paid $81,204)		60,000
May 24, 2024		195,000
May 24, 2025		310,000
May 24, 2026		1,035,000
May 24, 2027		4,160,000
	$	**6,000,000**

<u>Exploration Activities</u>

A summary of exploration and evaluation costs for the Andrea project is as follows:

Andrea project	**Three months ended June 30,**				**Six months ended June 30,**			
		2023		2022		**2023**		2022
Geological consulting, salaries and wages	**$**	**3,107**	$	118,722	**$**	**15,606**	$	187,646
Geophysics, sampling and assays		**-**		5,861		**-**		6,333
Project support		**14,620**		33,483		**31,460**		62,063
Travel, meals and accommodation		**15,674**		15,470		**17,130**		19,038
Environmental, permitting and concessions		**39**		-		**18,162**		15,128
Equipment, vehicles, rent and field supplies		**19**		-		**58**		-
Share-based compensation		**4,326**		2,895		**13,597**		7,045
Total	**$**	**37,785**	$	176,431	**$**	**96,013**	$	297,253

During the three and six months ended June 30, 2023, the Company continued to refine its targets based on geochemical sampling, previous geophysical surveys and comprehensive mapping at the Andrea project. The integration of these data sets has resulted in a set of defined targets for the Company to drill test.

4.3. Santa Cecilia project

In order to maintain the option agreement, the Company needs to complete work expenditures, including the requirement to achieve 25,000m of drilling during the exploration campaign, which is a pre-requisite to exercising the option to earn 100% interest in the project. The expenditure requirement by October 20, 2023, is US$3,000,000; as at June 30, 2023, the Company has incurred approximately US$5,800,000 of eligible work expenditures.

Results of Operations for the three and six months ended June 30, 2023 Expressed in Canadian dollars

<u>Exploration Activities</u>

A summary of exploration and evaluation costs, which are not all eligible work expenditures under the Santa Cecilia option agreement, is as follows:

Santa Cecilia project	**Three months ended June 30,**		**Six months ended June 30,**	
	2023	2022	**2023**	2022
Drilling	**$ 1,208,596**	$ -	**$ 1,606,283**	$ **-**
Geological consulting, salaries and wages	**801,118**	133,602	**1,470,063**	389,492
Geophysics, sampling and assays	**244,624**	17,026	**477,321**	17,026
Project support	**720,234**	34,776	**1,174,902**	67,125
Travel, meals and accommodation	**526,247**	12,372	**830,618**	15,974
Environmental, permitting and concessions	**181,576**	14,398	**260,541**	50,850
Equipment, vehicles, rent and field supplies	**15,364**	-	**54,902**	-
Share-based compensation	**88,344**	3,423	**324,199**	9,560
Community relations	**60,911**	62,110	**86,671**	62,110
Total	**$ 3,847,014**	$ 277,707	**$ 6,285,500**	$ 612,137

During the first quarter of 2023, the Company commenced its inaugural drill campaign at Santa Cecilia. The Company completed two drill holes prior to the Chilean winter season, which takes place in June – September, and will resume drilling in Q4 of 2023. The Company also recently completed an extensive surface exploration program consisting of soil and rock geochemical sampling, as well as geological and alteration mapping, to define targets for drill testing in Q4 of 2023 and Q1 of 2024. See operational highlights section above.

4.4. Climate related risks

The Company recognizes the impact of climate change on weather patterns in its recently acquired projects. The Company's projects (Margarita, Andrea and Santa Cecilia) are all located in northern Chile, but in different geographical and altitude conditions. For this reason, local conditions vary, and specific care and protocols must be applied accordingly. It is also evident that there have been climatic changes that affect the entire national territory, including persistent drought and a change of climate for the seasons that were clearly defined more than a decade ago. This has produced two fundamental effects: less water resources in rivers, lakes and lagoons, and changing consequences of rain events in desert lands, producing mud currents, which in recent years have had a significant impact on some rivers in the northern part of the country.

At Margarita, due to its position and relatively low altitude, no major climate-related challenges are being experienced or expected imminently. There is a general decrease in water availability and a risk of mud currents in the lower sectors, especially those related to smaller courses such as the Salado River (60 kilometre ("km") north of Inca de Oro) or the Copiapo River (100 km to the south of the project). However, it is possible to access the property and work effectively throughout the year at the Margarita project.

Due to the position and altitude of the Andrea project, it is less accessible than Margarita. The project is expected to be accessible for field work for at least eight months of the year (September to April).

In the case of the Santa Cecilia project, although it has a similar altitude to Andrea, it is slightly more accessible. The Company was able to carry out field activities at Santa Cecilia in the fourth quarter of 2022 and first and second quarter of 2023.

The Company is taking extensive measures to prioritize safe access to the three projects for all personnel working in each area. The field experience of the local teams and the knowledge of neighboring projects play a fundamental role in this care, and in the proactive management of the risks associated with working in remote exploration areas, particularly for the Andrea and Santa Cecilia projects, with the access limitations and closing for the winter seasons due to their particular weather conditions.

5. DISCUSSION OF OPERATIONS

5.1. Three months ended June 30, 2023 and 2022 (Q2 2023 vs Q2 2022)

The net loss for Q2 2023 was $6,129,807 or $0.06 loss per share, compared to $2,556,757 or $0.03 loss per share for Q2 2022. Overall costs increased to support the additional exploration activities, primarily at the Santa Cecilia project.

Significant variances are discussed as follows:

- During Q2 2023, exploration and evaluation expenses increased to $4,565,488 compared to $1,363,174 in Q2 2022, this was primarily due to the commencement of the 2023 drilling exploration program at the Santa Cecilia project and share-based compensation recognized within exploration and evaluation expenses of $167,888 in Q2 2023 compared to $17,027 in Q2 2022.

- During Q2 2023, fees, salaries and other employee benefits increased to $670,813 from $409,192 in Q2 2022 due to an increase in administrative services needed to support the higher level of exploration and corporate development activities during the quarter, as well as an increase of share-based payment expense that increased to $285,054 in Q2 2023 compared to $69,736 in Q2 2022.

- Partially offsetting the increase in the net loss during Q2 2023 was interest and other income of $132,044 compared to $8,980 in Q2 2022. The increase is due to interest income from the Company's cash deposits which were higher during Q2 2023 than during Q2 2022, and also earning higher interest rates due to the increase in the prime rate of interest over the past year.

Other variances noted were as follows:

- During Q2 2023, the Company incurred an accretion expense of $78,187 and a cash interest expense of $56,096 in relation to a loan facility ("Loan Facility"), no similar expenses were recorded in the comparable period as the Loan Facility was initiated in July 2022.

- During Q2 2023, the Company recorded a loss of $8,317 on its equity investment in Universal Mineral Services Ltd. ("UMS Canada") compared to a loss of $34,834 in Q2 2022.

5.2. Six months ended June 30, 2023 and 2022 (YTD 2023 vs YTD 2022)

Loss for the six months ended June 30, 2023, was $11,244,932 compared to a loss of $5,152,776 for the six months ended June 30, 2022.

- During YTD 2023, exploration and evaluation expenses increased to $7,863,690 compared to $2,932,924 in YTD 2022 as a result of increased exploration activities. This was primarily due to the commencement of the 2023 drilling exploration program at the Santa Cecilia project and share-based compensation recognized within exploration and evaluation expenses of $584,910 in YTD 2023 compared to $43,284 in YTD 2022.

- During YTD 2023, fees, salaries and other employee benefits increased to $1,735,399 from $922,298 in YTD 2022 due to an increase in administrative services needed to support the higher level of exploration and corporate development activities during the quarter, as well as an increase of share-based payment expense that increased to $912,678 in YTD 2023 compared to $185,639 in YTD 2022.

- Partially offsetting the increase in the net loss during YTD 2023 was interest and other income of $277,629 compared to $16,636 in YTD 2022. The increase is due to interest income from the Company's cash deposits which were higher during YTD 2023 than during YTD 2022, and also earning higher interest rates due to the increase in the prime rate of interest over the past year.

Results of Operations for the three and six months ended June 30, 2023 Expressed in Canadian dollars

Other variances noted were as follows:

- During YTD 2023, the Company incurred an accretion expense of $150,744 and a cash interest expense of $111,575 in relation to the Loan Facility, no similar expenses were recorded in the comparable period as the Loan Facility was initiated in July 2022.

- During YTD 2023, the Company recorded a loss of $17,710 on its equity investment in UMS Canada compared to a loss of $34,834 in YTD 2022.

5.3. Summary of quarterly results

A summary of quarterly results is shown below:

Quarter ended	Interest and other income	Net loss	Total comprehensive loss	Loss per share
June 30, 2023	**$ 132,044**	**$ 6,129,807**	**$ 5,962,894**	**$ 0.06**
March 31, 2023	145,585	5,115,124	5,133,750	0.05
December 31, 2022	137,196	3,349,939	3,300,462	0.03
September 30, 2022	41,849	3,216,631	3,162,685	0.04
June 30, 2022	8,980	2,556,757	2,520,764	0.03
March 31, 2022	7,656	2,596,019	2,593,395	0.03
December 31, 2021	4,143	1,941,866	1,962,501	0.03
September 30, 2021	6,523	1,612,254	1,626,874	0.02

The summary of last eight quarters reflects a significant increase in losses as the Company entered Chile and set-up corporate entities, built a key portfolio of mineral projects, began surface exploration at the projects, and more recently began drill programs at Margarita project and then the Santa Cecilia project. To support these activities there have been increases in salaries and office and administration costs, as well as marketing and investor relations costs.

6. EXPLORATION PLANS FOR 2023

Following the results of the most recent drill campaign at Margarita, the Company has identified new targets and a follow-up drill program commenced on August 7, 2023. The purpose of the third phase of drilling is to expand upon the initial discovery made at the Falla 13 target area, where an 800m long continuously mineralized body has been defined, as well as to test new targets with similar geological characteristics as the discovery. A total of five targets were identified through a multi-element soil survey that was initiated earlier in the year to define gold anomalies, which are interpreted to be related to copper-gold mineralization at shallow depths, as there is extensive leaching of copper on surface.

At Santa Cecilia, the Company commenced its inaugural drill program in March 2023 and following the completion of the second drill hole, the program wrapped up for the Chilean winter season, which is from June - September. The first two drill holes are located at the Cerro del Medio target, which is located centrally on the project, and are targeting a north – northeast trending structural corridor that could control the emplacement of potential higher-grade causative intrusions. Historical porphyry intercepts at the Cerro del Medio target from a 2012 two-hole drill program include 925.7 m of 0.21g/t gold, 0.27% copper and 82 ppm molybdenum as well as 868.8 m of 0.09 g/t gold, 0.2% copper and 156 ppm molybdenum. Torq's first two drill holes targeted breccia bodies, associated resistivity highs and magnetic anomalies that are located to the east of the historical intercepts and along the strike length of the structural corridor, which has a similar orientation as the immediately adjacent Caspiche deposit (owned in a joint venture between Newmont and Barrick). Torq's drill program at Santa Cecilia is expected to resume in Q4 of this year, when the Company plans to continue to drill test the Cerro del Medio target, as well as test the undrilled porphyry targets on the property that are within 2 km of the adjacent Caspiche deposit. A total of seven porphyry targets have been identified as a result of an extensive surface exploration program, which commenced in December 2022, that includes a multi-element soil and rock geochemistry survey and detailed alteration and geological mapping.

Results of Operations for the three and six months ended June 30, 2023 Expressed in Canadian dollars

At the Andrea project, having completed the target definition, work at this project is on hold while the Company focuses resources at Margarita and Santa Cecilia.

7. LIQUIDITY AND CAPITAL RESOURCES

7.1. Liquidity

		June 30, 2023		December 31, 2022
Working capital	**$**	**7,849,430**	$	11,364,985
Cash		**8,664,929**		12,470,543
Non-current liabilities		**2,117,454**		1,966,710

		Six months ended June 30, 2023		2022
Cash used in operating activities	**$**	**(9,608,831)**	$	(4,446,503)
Cash provided by (used in) investing activities		**159,522**		(260,513)
Cash provided by financing activities		**5,627,911**		5,044,875

The Company's primary sources of liquidity are equity issuances and the Loan Facility. The funds are primarily used to finance working capital, explore mineral properties and to make certain annual payments to ensure that all the Company's mineral properties remain in good standing. As at June 30, 2023, the Company had working capital of $7,849,430 (December 31, 2022 - $11,364,985) which included cash of $8,664,929 (December 31, 2022 - $12,470,543). The Company's non-current liabilities consist of the carrying value of the Loan Facility of $2,117,454 as at June 30, 2023 (December 31, 2022 - $1,966,710).

During the six months ended June 30, 2023, the Company used cash of $9,608,831 in operating activities compared to $4,446,503 during the six months ended June 30, 2022. The higher cash outflow in 2023 was the result of higher exploration costs on the properties, particularly at the Santa Cecilia project where exploration and evaluation expense increased to $6,285,500 compared to $612,137 in 2022, following the preparation for and commencement of the inaugural drill campaign in March 2023.

During the six months ended June 30, 2023, cash provided by investing activities was $159,522 compared to $260,513 cash used in the same period of 2022. The cash inflow in 2023 related to the interest received on cash held at Canadian financial institutions due to the Company's large cash balance, offset by an option payment made for the Andrea project, and a purchase of equipment to support the exploration activities in Chile. The cash outflow in 2022 related to an option payment on the Andrea property and a purchase of equipment to support the exploration activities in Chile with only minimal interest received on cash.

During the six months ended June 30, 2023, cash provided by financing activities increased to $5,627,911 from $5,044,875 for the six months ended June 30, 2022 as a result of slightly higher proceeds from private placements, net of share issue costs. The cash from financing activities received in the period in 2023 was partially offset by the cash interest paid on the Loan Facility.

The Company has incurred operating losses to date and does not generate revenue from operations to support its activities. With no source of revenue, there is no assurance that sufficient funding will be available to conduct further exploration of its mineral properties. 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 on the Company's ability to continue as a going concern.

Results of Operations for the three and six months ended June 30, 2023 Expressed in Canadian dollars

7.2. Capital resources

March 10, 2023, Private Placement

On March 10, 2023, the Company closed a non-brokered private placement for gross proceeds of $6,260,339 consisting of 10,433,899 units of the Company at a price of $0.60 per Unit. Each Unit consists of one Torq common share ("Share") and one half of a share purchase warrant, two half-warrants being required to exercise and acquire a full Share at $0.80 until March 10, 2026. The securities were issued under the listed issuer financing exemption, pursuant to National Instrument 45-106 - Prospectus Exemptions, and therefore no hold period applies to these securities in Canada, except where required by the TSX-V. In relation to this private placement, the Company issued 601,034 broker warrants with a fair value of $119,714. Share issuance costs including commissions and professional and regulatory fees, totaled $640,567.

September 15, 2022 Gold Fields Investment

On September 15, 2022, the Company completed a $15,000,000 non-brokered private placement with a wholly owned affiliate of a New York Stock Exchange ("NYSE") listed international gold mining company, Gold Fields Limited ("Gold Fields"), at a purchase price of C$1.00 per common share. Torq will primarily use the net proceeds for drilling at its Santa Cecilia project, as well as for drilling at the Company's Margarita project. Following the March 10, 2023, private placement, the Company amended the agreement with Gold Fields reducing the amount of funding designated specifically for exploration at the Santa Cecilia and Margarita projects in consideration of Gold Field's pre-emptive rights being deemed unaffected by non-participation in that financing.

March 18, 2022 Common Share Offering

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

The Company will continue to require additional working capital for the foreseeable future to fund its ongoing activities. As an exploration company that does not generate revenue, the most likely source of additional capital will be further equity financings, which are not assured and will depend on, among other things, financial market conditions, metal prices and the Company's exploration results.

Future option payments

A summary of the option payments in the coming years are as follows:

	Margarita project (US$)	Andrea project (US$)	Santa Cecilia project (US$)	Total (US$)
2023	550,000	-	-	550,000
2024	1,550,000	195,000	600,000	2,345,000
2025	2,000,000	310,000	1,000,000	3,310,000
2026	2,500,000	1,035,000	3,000,000	6,535,000
2027	-	4,160,000	5,000,000	9,160,000
2028	-	-	15,000,000	15,000,000

Results of Operations for the three and six months ended June 30, 2023 Expressed in Canadian dollars

8. OFF-BALANCE SHEET ARRANGEMENTS

Other than the commitment described in Notes 3 and 13 in the financial statements, the Company has not engaged in any off-balance-sheet arrangements such as obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company or engages in leasing, hedging or research and development services with the Company.

9. PROPOSED TRANSACTIONS

As at June 30, 2023 and as at the date of this MD&A, the Company had no proposed transactions.

10. RELATED PARTY TRANSACTIONS

10.1 Services rendered and balances

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

	Three months ended June 30,				Six months ended June 30,			
		2023		2022		**2023**		2022
Exploration and evaluation	**$**	**131,765**	$	131,731	**$**	**321,073**	$	156,461
Project Investigation		**4,002**		12,587		**8,955**		13,024
Marketing and investor relations		**44,932**		40,952		**97,970**		43,773
General and administration		**383,352**		270,859		**741,901**		418,116
Total	**$**	**564,051**	$	456,129	**$**	**1,169,899**	$	631,374

As at June 30, 2023, $134,995 (December 31, 2022 - $161,900) was included in accounts payable and accrued liabilities and $220,000 (December 31, 2022 - $240,000) in prepaid expenses and deposits relating to transactions with UMS Canada.

10.2 Key management compensation

The Company provided the following total compensation to key management members, being its four executives, and five non-executive directors:

	Three months ended June 30,				Six months ended June 30,			
		2023		2022		**2023**		2022
Salaries and other employee benefits	**$**	**306,174**	$	225,848	**$**	**604,980**	$	460,334
Fees paid to non-executive directors		**31,312**		22,098		**62,613**		37,589
Share-based compensation		**346,184**		27,268		**1,157,960**		69,442
Total	**$**	**683,670**	**$**	275,214	**$**	**1,825,553**	**$**	567,365

As at June 30, 2023 the Company had an outstanding accounts payable balance with key management personnel of $48,582 (December 31, 2022 - $355,135) relating to professional fees incurred with an officer of the Company and executive benefits.

The Company issues options to certain UMS employees, including key management personnel of the Company. The Company recognized a share-based compensation expense of $168,857 and $595,895, respectively during the three and six months ended June 30, 2023 (2022 - $33,754 and $95,597, respectively) in respect of share options issued to UMS employees.

Results of Operations for the three and six months ended June 30, 2023 Expressed in Canadian dollars

11. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in conformity with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

In preparing the Company's financial statements, the Company applied the significant accounting estimates and judgements disclosed in Note 3 of its audited annual consolidated financial statements for the year ended December 31, 2022.

12. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company has reviewed new and revised accounting pronouncements that are effective for periods after December 31, 2022, and noted that these do not impact the financial statements of the Company. See Note 2(e) in the financial statements for details of the new and revised accounting policies.

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

13. FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

As at June 30, 2023, the Company's financial instruments consist of cash, amounts receivable, deposits, accounts payable and accrued liabilities, and the loan facility; all of these financial instruments are measured at amortized cost. The fair values of cash, amounts receivable, deposits, accounts payable and accrued liabilities approximate their carrying values due to their short-term to maturity.

The Company's financial instruments are exposed to certain financial risks including liquidity risk, credit risk, and currency risk. Details of the primary risks that the Company is exposed to are laid out in Note 11 in the Company's financial statements.

14. OTHER REQUIRED DISCLOSURE

14.1. Capital structure

Authorized share capital consists of: Unlimited number of common shares without par value.

Issued share capital:

As at the dates noted in the table, the Company had the following outstanding securities:

	June 30, 2023	**August 17, 2023**
Common shares	110,368,130	110,368,130
Share purchase options	9,120,625	9,078,750
Share purchase warrants	16,953,947	16,953,947

14.2 Interim Officer Appointment

The Company's Chief Financial Officer ("CFO"), Elizabeth Senez, is taking four months of parental leave from May 15, 2023, and the Board of the Company has appointed Oliver Foeste, CPA, CA as CFO of the Company. Mr. Foeste is the founder and Managing Partner of Invictus Accounting Group LLP and has significant executive, director, finance, and public company compliance experience across a number of industry sectors including mining. Prior to Invictus, Mr. Foeste was in senior finance and accounting roles at Toronto Stock Exchange, TSX-V, and New York Stock Exchange listed issuers, and earned his CPA at Deloitte and a boutique tax advisory firm.

14.3 Disclosure controls and procedures

As defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, disclosure controls and procedures require that controls and other procedures be designed to provide reasonable assurance that material information required to be disclosed is duly gathered and reported to senior management in order to permit timely decisions and timely and accurate public disclosure.

Management is responsible for the establishment and maintenance of a system of internal control over financial reporting. This system has been designed to provide reasonable assurance that assets are safeguarded and that the financial reporting is accurate and reliable. The financial statements have been prepared by management in accordance with IFRS and in accordance with accounting policies set out therein.

Management of the Company, with the participation of the Chief Executive Officer and the CFO, have evaluated the design of the Company's disclosure controls and procedures and the design of internal controls over financial reporting as required by Canadian securities laws, and have concluded that such procedures are adequate to ensure accurate and complete disclosures in public filings.

There are inherent limitations in all control systems and no disclosure controls and procedures can provide complete assurance that no future errors or fraud will occur. An economically feasible control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Additional disclosures pertaining to the Company's management information circulars, material change reports, press releases and other information are available on the SEDAR+ website at www.sedarplus.ca under the Company's profile.

On behalf of the Board of Directors,

"Shawn Wallace"
Shawn Wallace
Chief Executive Officer and Chair
August 17, 2023