



(An exploration stage company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars unless otherwise stated)

UNAUDITED

TORQ RESOURCES INC.
(the "Company")

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three months ended March 31, 2020 and 2019

NOTICE OF NO AUDITOR REVIEW

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

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

May 28, 2020

TORQ RESOURCES INC.

Condensed Consolidated Interim Statements of Financial Position

Unaudited - (Expressed in Canadian dollars)

	As at March 31, 2020	As at December 31, 2019
Assets		
Current:		
Cash and cash equivalents	\$ 10,386,489	\$ 10,838,021
Amounts receivable	38,173	24,933
Prepaid expenses and deposits	311,473	187,782
Total assets	\$ 10,736,135	\$ 11,050,736
Liabilities and Equity		
Liabilities		
Current:		
Accounts payable and accrued liabilities	\$ 225,096	\$ 219,258
Total liabilities	225,096	219,258
Equity		
Share capital	48,977,100	48,977,100
Share option and warrant reserve	8,442,637	8,435,631
Accumulated other comprehensive income (loss)	1,122	(19)
Deficit	(46,909,820)	(46,581,234)
Total equity	10,511,039	10,831,478
Total liabilities and equity	\$ 10,736,135	\$ 11,050,736

Approved on behalf of the Board of Directors:

"Michael Kosowan"

Director

"Jeffrey Mason"

Director

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

TORQ RESOURCES INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars, except per share amounts)

	Three months ended March 31,	
	2020	2019
Operating expenses		
Exploration and evaluation (recovery) costs	\$ (4,914)	
Fees, salaries and other employee benefits	169,957	238,088
Investor relations and marketing	52,428	55,879
Legal and professional fees	25,905	9,892
Office and administration	58,191	56,624
Regulatory, transfer agent and shareholder information	16,548	14,005
	323,029	369,574
Other expenses (income)		
Project investigation costs (note 4)	228,208	129,666
Interest income	(46,856)	(64,824)
Change in fair value of Gecon financial liability	—	(1,395)
Foreign exchange (gain) loss	(175,795)	44,638
	5,557	108,085
Loss for the period	328,586	477,659
Other comprehensive (income) loss, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Unrealized currency (gain) loss on translation of foreign operations	(1,141)	318
Other comprehensive (income) loss for the period	(1,141)	318
Total comprehensive loss for the period	\$ 327,445	\$ 477,977
Basic and diluted loss per share (note 11)	\$ 0.00	\$ 0.01
Weighted average number of common shares outstanding (basic and diluted) (note 11)	77,324,164	77,324,164

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

TORQ RESOURCES INC.

Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian dollars, except share amounts)

	Number of shares	Share capital	Share option and warrant reserve	Accumulated other comprehensive (loss) income	Deficit	Total
Balance at December 31, 2018	77,324,164	48,977,100	8,302,518	(3,789)	(44,903,498)	12,372,331
Comprehensive loss for the period	—	—	—	(318)	(477,659)	(477,977)
Share-based compensation (note 6)	—	—	50,239	—	—	50,239
Balance at March 31, 2019	77,324,164	\$ 48,977,100	\$ 8,352,757	\$ (4,107)	\$ (45,381,157)	\$ 11,944,593
Balance at December 31, 2019	77,324,164	48,977,100	8,435,631	(19)	(46,581,234)	10,831,478
Comprehensive income (loss) for the period	—	—	—	1,141	(328,586)	(327,445)
Share-based compensation (note 6)	—	—	7,006	—	—	7,006
Balance at March 31, 2020	77,324,164	\$ 48,977,100	\$ 8,442,637	\$ 1,122	\$ (46,909,820)	\$ 10,511,039

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

TORQ RESOURCES INC.

Condensed Consolidated Interim Statements of Cash Flows

Unaudited - (Expressed in Canadian dollars)

	Three months ended March 31,	
	2020	2019
Cash (used in) provided by:		
Operating activities:		
Loss for the period	\$ (328,586)	\$ (477,659)
Items not involving cash:		
Share-based compensation (note 6)	7,006	50,239
Change in fair value of Gecon financial liability (note 3)	–	(1,395)
Unrealized foreign exchange (gain) loss	(176,312)	43,902
Interest income	(46,856)	(64,824)
Changes in non-cash working capital:		
Amounts receivable	(13,223)	(33,711)
Prepaid expenses and deposits	(123,272)	11,273
Accounts payable and accrued liabilities	5,333	(43,114)
Cash used in operating activities	(675,910)	(515,289)
Investing activities:		
Interest received	46,856	64,824
Cash provided by investing activities	46,856	64,824
Effect of foreign exchange rate changes on cash	177,522	(44,207)
Decrease in cash	(451,532)	(494,672)
Cash and cash equivalents, beginning of the period	10,838,021	12,437,975
Cash and cash equivalents, end of the period	\$ 10,386,489	\$ 11,943,303

Supplemental cash flow information (note 9)

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

TORQ RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited - (Expressed in Canadian Dollars, unless otherwise stated)

Three months ended March 31, 2020 and 2019

1. 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 1199 West Hastings Street, Suite 600, Vancouver, British Columbia, Canada, V6E 3T5.

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

2. Basis of presentation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). The accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in the Company's most recent audited consolidated financial statements for the years ended December 31, 2019 and 2018, except as follows:

- Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

The amendments are intended to clarify the definition of material in IAS 1 and not intended to alter the underlying concept of materiality in IFRS standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence".

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term "material" to ensure consistency.

The Company adopted the amendments to IAS 1 and IAS 8 effective January 1, 2020, which did not have a material impact on the Company's interim financial statements.

- Amendments to IFRS 3 - Business Combinations

In October 2018 the IASB issued narrow-scope amendments to IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not. The amendments, which are effective for annual reporting periods beginning on or after January 1, 2020, clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, narrow the definition of outputs, add guidance to assess whether an acquired process is substantive and introduce an optional concentration test to permit a simplified assessment.

The adoption of the amended standard did not have an immediate impact on the Company's interim financial statements but will be applied in assessing any future business combination and asset acquisition scenarios.

These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019.

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors of the Company on May 28, 2020.

TORQ RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited - (Expressed in Canadian Dollars, unless otherwise stated)

Three months ended March 31, 2020 and 2019

2. Basis of presentation (continued)

(b) Basis of preparation and consolidation

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

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

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

Subsidiary	Place of incorporation	Functional Currency	Beneficial Interest
Stratton Resources (Canada) Inc.	BC, Canada	CAD	100%
Torq Resources Holdings Inc.	BC, Canada	CAD	100%
Torq USA Inc.	Nevada, USA	USD	100%
Candelaria Minerals S.A.C ("Candelaria")	Peru	USD	100%

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

Intercompany balances and transactions have been eliminated on consolidation.

(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. The Company's critical accounting judgements and estimates were presented in note 2 of the audited annual consolidated financial statements for the year ended December 31, 2019 and have been consistently applied in the preparation of these condensed consolidated interim financial statements. No new estimates and judgements were applied for the periods ended March 31, 2020 and 2019.

3. Gecon

Effective November 16, 2016, pursuant to an investment agreement (the "Investment Agreement"), the Company acquired a beneficial interest in 100% of the capital of a Bulgarian shell company, Gecon, for the purposes of establishing mineral exploration operations in the country. Pursuant to the Investment Agreement between the Company and Gecon's former shareholder, the Company would be required to pay a minimum of USD 50,000 and a maximum of USD 200,000 at any time within a 3-year period of signing the Investment Agreement in exchange for its beneficial interest in Gecon.

In January 2019 the Company made the decision not to further pursue its operations in Bulgaria and to return Gecon to its former shareholder. On June 5, 2019 the Company entered a framework agreement with the former shareholder which resulted in the termination of the Investment Agreement and the Company's underlying financial liability. As a result, the Company recorded a gain on settlement of \$67,005 in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2019. Changes in fair value of the liability up until the date of settlement were recorded in the consolidated statement of loss and comprehensive loss, which for the three months ended March 31, 2019 was a fair value gain of \$1,395.

On July 30, 2019, the Company completed the sale of its shares in Gecon to the former shareholder, by way of the Share Transfer Agreement, in exchange for EUR 1,384 (\$1,974). As a result, the Company deconsolidated Gecon and recorded a gain of \$2,087 through the consolidated statement of loss and comprehensive loss for the year ended December 31, 2019.

TORQ RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited - (Expressed in Canadian Dollars, unless otherwise stated)

Three months ended March 31, 2020 and 2019

4. Project investigation costs

	Three months ended March 31,	
	2020	2019
Aircraft and travel	\$ 46,641	\$ 5,942
Assays	25,587	1,564
Equipment, vehicles rent and field supplies	19,659	5,863
Geological consulting, salaries and wages	129,945	93,568
Project support costs	6,376	6,571
Share-based compensation	-	16,158
	\$ 228,208	\$ 129,666

5. Share capital

(a) Authorized

Unlimited common shares without par value

(b) Common share issuances

There were no common share issuances during the three-month periods ended March 31, 2020 and 2019.

6. Share option and warrant 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. The share options vest 25% on the date of the grant and 12½% every three months thereafter for a total vesting period of 18 months.

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

	Number of share options	Weighted average exercise price
Outstanding, December 31, 2018	6,476,250	\$ 0.84
Granted	515,000	0.56
Expired	(471,250)	0.83
Forfeited	(150,000)	0.62
Outstanding, December 31, 2019	6,370,000	\$ 0.82
Granted	-	-
Outstanding, March 31, 2020	6,370,000	\$ 0.82

As at March 31, 2020, the number of share options outstanding and exercisable was:

Expiry date	Outstanding			Exercisable		
	Number of options	Exercise price	Remaining contractual life (years)	Number of options	Exercise price	Remaining contractual life (years)
Aug 30, 2022	5,860,000	\$ 0.85	2.42	5,860,000	\$ 0.85	2.42
Sep 21, 2023	195,000	0.50	3.48	195,000	0.50	3.48
Apr 1, 2024	250,000	0.50	4.01	156,250	0.50	4.01
Jun 20, 2024	65,000	0.62	4.22	40,625	0.62	4.22
	6,370,000	\$ 0.82	2.53	6,251,875	\$ 0.83	2.50

TORQ RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited - (Expressed in Canadian Dollars, unless otherwise stated)

Three months ended March 31, 2020 and 2019

6. Share option and warrant reserve (continued)

The Company uses the fair value method of accounting for all share-based payments to directors, officers, employees and others providing similar services. During the three months ended March 31, 2020 and 2019 the Company recognized share-based compensation expense as follows:

	Three months ended March 31, 2020		2019
Recognized in net loss:			
Included in fees, salaries and other employee benefits	\$ 7,006		\$ 34,081
Included in project investigation costs	-		16,158
	\$ 7,006		\$ 50,239

Share purchase warrants

During the three months ended March 31, 2020 and 2019, the Company did not issue share purchase warrants and has no outstanding or exercisable share purchase warrants.

7. Related party transactions

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

	Three months ended March 31, 2020		2019
Universal Mineral Services Ltd. ¹			
Included in the statement of loss and comprehensive loss:			
Exploration and evaluation costs			
Newfoundland	\$ -		\$ 4,581
Utah	-		328
Fees, salaries and other employee benefits	46,527		77,367
Investor relations and marketing	11,593		29,862
Office, rent and administration	44,103		48,212
Project investigation costs	126,157		77,118
Total transactions for the periods	\$ 228,380		\$ 237,468

- 1) Universal Mineral Services Ltd., ("UMS") is a private company with certain directors and officers in common. Pursuant to an agreement dated December 30, 2015, UMS provides geological, financial and transactional advisory services as well as administrative services to the Company on an ongoing, cost recovery basis. The agreement has an indefinite term and can be terminated by either party upon providing due notice.

As at March 31, 2020, the Company's accounts payable and accrued liabilities include an amount owing to UMS of \$182,356 (December 31, 2019 - \$176,360). In addition, the Company has \$150,000 on deposit with UMS, recognized within prepaid expenses and deposits, as at March 31, 2020 (December 31, 2019 - \$150,000).

Key management compensation

In addition to the transactions disclosed above, the Company provided the following compensation to key management members, being its three executives and three directors:

	Three months ended March 31, 2020		2019
Short-term benefits provided to executives	\$ 102,213		\$ 104,640
Directors fees paid to non-executive directors	7,802		7,793
Share-based compensation	4,435		20,241
	\$ 114,450		\$ 132,674

TORQ RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited - (Expressed in Canadian Dollars, unless otherwise stated)

Three months ended March 31, 2020 and 2019

8. Financial instruments

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

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (market prices) or indirectly (derived from market prices);

Level 3 – Inputs for the asset or liability that are not based upon observable market data.

As at March 31, 2020 the Company's financial instruments consist of cash, amounts receivable, and accounts payable and accrued liabilities. The fair values of these financial assets and liabilities approximate their carrying values due to their short-term maturity. The Gecon financial liability was measured at fair value and classified under level 3 up until its settlement on June 5, 2019.

The Company's financial instruments are exposed to credit risk, liquidity risk and market risks, which include foreign currency risk and interest rate risk. As at March 31, 2020 the primary risks were as follows:

(a) Market risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The significant market risk to which the Company is exposed is:

Foreign currency risk

The Company is exposed to currency risk by having balances and transactions in currencies that are different from its functional currency. As at March 31, 2020 and December 31, 2019, the Company's foreign currency exposure related to its financial assets and liabilities held in US dollars is as follows:

	March 31, 2020	December 31, 2019
Period end exchange rate CAD per USD	1.4187	1.2988
Cash	\$ 2,058,901	\$ 1,972,696
Amounts receivable	75	-
Accounts payable and accrued liabilities	-	(5,968)
	\$ 2,058,976	\$ 1,966,728

A 10% increase or decrease in the US dollar exchange rates would result in an increase/decrease of approximately \$205,898 in the Company's net loss for the three months ended March 31, 2020.

9. Supplemental cash flow information

Cash and cash equivalents at March 31, 2020 included \$28,750 (December 31, 2019 - \$28,750) held in a guaranteed investment certificate as security against corporate credit cards.

10. Segmented information

The Company operates as one operating segment, being the acquisition, exploration and development of mineral resource properties and does not have any non-current assets as at March 31, 2020.

11. Loss per share

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

	Three months ended March 31, 2020	2019
Loss attributable to ordinary shareholders	\$ 328,586	\$ 477,659
Weighted average number of common shares	77,324,164	77,324,164
Basic and diluted loss per share	\$0.00	\$0.01

All of the outstanding share-purchase options at March 31, 2020 and 2019 were antidilutive for the periods then ended as the Company was in a loss position.