



(Formerly Stratton Resources Inc.)

(An exploration stage company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and six months ended June 30, 2018 and 2017

(Expressed in Canadian dollars unless otherwise stated)

UNAUDITED

TORQ RESOURCES INC.
(Formerly Stratton Resources Inc.)
(the "Company")

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and six months ended June 30, 2018 and 2017

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 Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

August 29, 2018

TORQ RESOURCES INC. (Formerly Stratton Resources Inc.)

Condensed Consolidated Interim Statements of Financial Position

Unaudited - (Expressed in Canadian dollars)

	As at June 30, 2018	As at December 31, 2017	As at December 31, 2016
		(Restated - note 3)	(Restated - note 3)
Assets			
Current assets:			
Cash and cash equivalents	\$ 13,729,476	\$ 15,444,707	\$ 5,864,033
Amounts receivable	263,264	328,723	31,938
Prepaid expenses and deposits	262,835	82,737	291,365
	14,255,575	15,856,167	6,187,336
Non-current assets:			
Mineral property interests (note 4c)	1,149,402	534,344	216,180
Total assets	\$ 15,404,977	\$ 16,390,511	\$ 6,403,516
Liabilities and Equity			
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 342,037	\$ 201,719	\$ 633,673
	342,037	201,719	633,673
Non-current liability:			
Gecon financial liability	158,553	151,049	218,472
	500,590	352,768	852,145
Equity			
Share capital	48,977,100	48,977,100	36,103,136
Share option and warrant reserve	7,944,225	7,094,897	5,039,680
Accumulated other comprehensive loss	(822)	(4,313)	(1,024)
Deficit	(42,016,116)	(40,029,941)	(35,590,421)
	14,904,387	16,037,743	5,551,371
Total liabilities and equity	\$ 15,404,977	\$ 16,390,511	\$ 6,403,516

Approved on behalf of the Board of Directors:

"Peter Rees"
Chief Financial Officer

"Jeffrey Mason"
Director

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

TORQ RESOURCES INC. (Formerly Stratton Resources Inc.)
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

Unaudited - (Expressed in Canadian dollars, except share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
				(Restated - note 3)
Operating expenses				
Exploration and evaluation costs (note 5)	\$ 455,369	\$ 268,575	\$ 583,373	\$ 342,667
Fees, salaries and other employee benefits	356,416	119,999	798,466	225,385
Legal and professional fees	62,283	25,608	75,347	72,284
Regulatory, transfer agent and shareholder information	24,407	10,531	60,040	23,282
Office and administration	64,445	48,209	94,565	87,825
Investor relations and marketing	101,853	20,545	157,182	31,683
Bank charges	1,845	1,946	2,724	4,043
	1,066,618	495,413	1,771,697	787,169
Other expenses (income)				
Project investigation costs (note 6)	170,008	168,724	407,188	280,667
Interest income	(68,009)	(27,823)	(127,995)	(43,635)
Change in fair value of Gecon financial liability and startup costs	2,583	(3,934)	7,504	(6,199)
Foreign exchange (gain) loss	(47,939)	29,366	(72,219)	10,774
	56,643	166,333	214,478	241,607
Loss for the period	1,123,261	661,746	1,986,175	1,028,776
Other comprehensive loss, net of tax				
Items that may be reclassified subsequently to profit or loss:				
Unrealized currency loss on translation of foreign operations	(2,755)	3,737	(3,491)	5,888
Other comprehensive loss for the period	(2,755)	3,737	(3,491)	5,888
Total comprehensive loss for the period	\$ 1,120,506	\$ 665,483	\$ 1,982,684	\$ 1,034,664
Basic and diluted loss per share (note 13)	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.01
Weighted average number of common shares outstanding (basic and diluted) (note 13)	77,324,164	77,124,164	77,324,164	70,507,037

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

TORQ RESOURCES INC. (Formerly Stratton Resources Inc.)

Condensed Consolidated Interim Statements of Changes in Equity

Unaudited - (Expressed in Canadian dollars, except share amounts)

	Number of shares	Share capital	Share option and warrant reserve	Accumulated other comprehensive loss	Deficit (Restated - note 3)	Total
Balance at December 31, 2016	56,824,164	\$ 36,103,136	\$ 5,039,680	\$ (1,024)	\$ (35,590,421)	\$ 5,551,371
Net loss and comprehensive loss for the period	–	–	–	(5,888)	(1,028,776)	(1,034,664)
Proceeds from private placement, net of share issue costs (note 7 (b))	20,300,000	12,747,964	–	–	–	12,747,964
Balance at June 30, 2017	77,124,164	48,851,100	5,039,680	(6,912)	(36,619,197)	17,264,671
Balance at December 31, 2017	77,324,164	\$ 48,977,100	\$ 7,094,897	\$ (4,313)	\$ (40,029,941)	\$ 16,037,743
Net loss and comprehensive loss for the period	–	–	–	3,491	(1,986,175)	(1,982,684)
Share-based compensation (note 8)	–	–	849,328	–	–	849,328
Balance at June 30, 2018	77,324,164	\$ 48,977,100	\$ 7,944,225	\$ (822)	\$ (42,016,116)	\$ 14,904,387

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

TORQ RESOURCES INC. (Formerly Stratton Resources Inc.)

Condensed Consolidated Interim Statements of Cash Flows

Unaudited - (Expressed in Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
				(Restated - note 3)
Cash (used in) provided by:				
Operating activities:				
Loss for the period	\$ (1,123,261)	\$ (661,746)	\$ (1,986,175)	\$ (1,028,776)
Items not involving cash:				
Share-based compensation (note 8)	340,922	–	849,328	–
Change in fair value of Gecon financial liability	2,583	(3,934)	7,504	(6,199)
Unrealized foreign exchange (gain) loss	(173,575)	23,471	(98,984)	26,390
Interest income	(68,009)	(27,823)	(127,995)	(43,635)
Changes in non-cash working capital:				
Amounts receivable	68,072	(197,488)	65,459	(212,415)
Prepaid expenses and deposits	(38,715)	167,969	(180,043)	113,862
Accounts payable and accrued liabilities	(259,687)	(96,318)	(213,061)	(200,287)
Cash used in operating activities	(1,251,670)	(795,869)	(1,683,967)	(1,351,060)
Investing activities:				
Mineral property acquisition costs	(89,372)	(25,000)	(130,651)	(25,000)
Deferred project acquisition costs	–	(32,842)	–	(32,842)
Acquisition of Rush Valley Exploration Inc.	(42,160)	–	(129,527)	–
Interest received	68,009	27,823	127,995	43,635
Cash used in investing activities	(63,523)	(30,019)	(132,183)	(14,207)
Financing activities:				
Shares issued for cash, net of issuance costs (note 7 (b))	–	–	–	12,747,964
Cash provided by financing activities	–	–	–	12,747,964
Effect of foreign exchange rate changes on cash	173,827	(26,875)	100,919	(32,063)
(Decrease) increase in cash	(1,141,366)	(852,763)	(1,715,231)	11,350,634
Cash, beginning of the period	14,870,842	18,067,430	15,444,707	5,864,033
Cash, end of the period	\$ 13,729,476	\$ 17,214,667	\$ 13,729,476	\$ 17,214,667

Supplemental cash flow information (note 11)

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

TORQ RESOURCES INC. (formerly Stratton Resources Inc.)

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2018 and 2017

1. Corporate information

Torq Resources Inc. (formerly known as Stratton 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 changed its name to Torq Resources Inc. effective March 15, 2017 and its shares trade under the symbol TORQ.V in Canada and on the OTCQX under the US symbol TRBMF.

The Company is principally engaged in the acquisition, exploration, and development of mineral property interests with focus in the Americas. The Company, through its wholly owned subsidiaries, currently owns mineral concessions in Newfoundland, Canada and in Utah, United States (note 4).

The head office and principal address of the Company is located at 1199 Hastings Street, Suite 600, Vancouver, British Columbia, Canada, V6E 3T5.

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 International Financial Reporting 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, 2017 and 2016 except as follows:

- Revenue Recognition

Effective January 1, 2018 the Company adopted IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The adoption of this standard did not impact the Company's financial statements, as currently the Company does not earn revenues.

- Financial instruments

Effective January 1, 2018 the Company adopted IFRS 9 – Financial Instruments ("IFRS 9") which replaces IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The adoption of this standard did not impact the Company's financial statements as currently the Company does not hold any financial instruments for which the underlying accounting is impacted.

TORQ RESOURCES INC. (formerly Stratton Resources Inc.)

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2018 and 2017

2. Basis of presentation (continued)

(a) Statement of compliance (continued)

- Change in accounting policy for exploration and evaluation costs

Effective January 1, 2018 the Company elected to change its accounting policy for exploration and evaluation costs. As a result of this voluntary change in accounting policy, the Company has retrospectively restated certain prior period amounts within these condensed consolidated interim financial statements to be in accordance with this new policy. The voluntary change in policy and the impact on prior period amounts is detailed in note 3.

The revised accounting policy for exploration and evaluation costs and mineral property interests is as follows:

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.

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, 2017.

These condensed consolidated interim financial statements were authorized for issue and approved by the Board of Directors of the Company on August 29, 2018.

TORQ RESOURCES INC. (formerly Stratton Resources Inc.)

Notes to Condensed Consolidated Interim Financial Statements
Unaudited - (Expressed in Canadian Dollars, unless otherwise stated)

Three and six months ended June 30, 2018 and 2017

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, with the exception of the Gecon financial liability which is measured at fair value.

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 Euros are denoted as EUR and in United States dollars ("USD") 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) Ltd.	BC, Canada	CAD	100%
Torq USA Inc.	Nevada, USA	USD	100%
Rush Valley Exploration Inc.	Nevada, USA	USD	100%
Gecon OOD	Bulgaria	EUR	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 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 condensed consolidated interim 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 judgments and estimates were presented in note 2 of the audited annual consolidated financial statements for the year ended December 31, 2017 and have been consistently applied in the preparation of these condensed consolidated interim financial statements. No new judgements were applied for the periods ended June 30, 2018 and 2017.

3. Change in accounting policy

Effective January 1, 2018 the Company elected to change its accounting policy for exploration and evaluation costs incurred subsequent to the acquisition of a mineral property interest. Previously the Company had capitalized these costs as part of mineral property interests in accordance with IFRS 6 which allows for mining exploration companies to either capitalize or expense such costs.

Management determined that expensing exploration and evaluation costs would provide more relevant information to many of its financial statements users, as it would allow for comparisons to be drawn against its Canadian peers, many of which choose to expense such costs. Management believes that the new policy will assist users' review and analysis of the Company's financial statements as the statement of loss and comprehensive loss more fully reflects the activities and related expenditures for any given period.

The Company will continue to capitalize the costs incurred to acquire the right to explore a mineral property until the right is lost or the value of the mineral property is determined to be impaired.

See note 2 (a) for the Company's revised accounting policy on exploration and evaluation costs and mineral property interests.

TORQ RESOURCES INC. (formerly Stratton Resources Inc.)

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2018 and 2017

3. Change in accounting policy (continued)

The impact of this voluntary change in accounting policy on prior period amounts is outlined below:

Statements of Financial Position

	As previously reported	Adjustment	Restated
As at January 1, 2017			
Mineral property interests	605,232	(389,052)	216,180
Deficit	35,201,369	389,052	35,590,421
As at December 31, 2017			
Mineral property interests	2,166,106	(1,631,762)	534,344
Deficit	38,398,179	1,631,762	40,029,941

Statements of Loss and Comprehensive Loss

	As previously reported	Adjustment	Restated
Three months ended June 30, 2017			
Exploration and evaluation costs	-	268,575	268,575
Loss for the period	393,171	268,575	661,746
Comprehensive loss	396,908	268,575	665,483
Loss per share (basic and diluted)	\$0.01	\$0.00	\$0.01

	As previously reported	Adjustment	Restated
Six months ended June 30, 2017			
Exploration and evaluation costs	-	342,667	342,667
Loss for the period	686,109	342,667	1,028,776
Comprehensive loss	691,997	342,667	1,034,664
Loss per share (basic and diluted)	\$0.01	\$0.00	\$0.01

Statement of Cash Flows

	As previously reported	Adjustment	Restated
Three months ended June 30, 2017			
Loss for the period	(393,171)	(268,575)	(661,746)
Changes in non-cash working capital			
Prepaid expenses and deposits	217,969	(50,000)	167,969
Accounts payable and accrued liabilities	(119,624)	23,306	(96,318)
Cash used in operating activities	(500,600)	(295,269)	(795,869)
Exploration and evaluation costs	(320,269)	320,269	-
Acquisition of mineral property interests	-	(25,000)	(25,000)
Cash used in investing activities	(325,288)	295,269	(30,019)

	As previously reported	Adjustment	Restated
Six months ended June 30, 2017			
Loss for the period	(686,109)	(342,667)	(1,028,776)
Changes in non-cash working capital			
Prepaid expenses and deposits	163,862	(50,000)	113,862
Accounts payable and accrued liabilities	(20,449)	(179,838)	(200,287)
Cash used in operating activities	(778,555)	(572,505)	(1,351,060)
Exploration and evaluation costs	(597,505)	597,505	-
Acquisition of mineral property interests	-	(25,000)	(25,000)
Cash used in investing activities	(586,712)	572,505	(14,207)

TORQ RESOURCES INC. (formerly Stratton Resources Inc.)

Notes to Condensed Consolidated Interim Financial Statements
Unaudited - (Expressed in Canadian Dollars, unless otherwise stated)

Three and six months ended June 30, 2018 and 2017

4. Mineral property interests

a) Newfoundland exploration projects

Wildwood Option

On October 28, 2016, the Company entered into an option agreement with Wildwood Exploration Inc. to acquire the rights to approximately 119,000 hectares in Newfoundland, Canada (the "Wildwood Option"). Under the terms of the Wildwood Option, the Company may acquire a 100% interest, subject to a NSR royalty, in 4,777 mineral claims through a combination of work expenditures and cash and share payments as listed in the table below:

Due dates	Status	Cash Payments	Common Shares	Work Expenditures
Upon signing of the agreement	Complete	\$ 75,000	100,000	\$ -
On or before October 28, 2017	Complete	150,000	200,000	250,000
On or before October 28, 2018		200,000	250,000	500,000
On or before October 28, 2019		250,000	400,000	500,000
On or before October 28, 2020		175,000	500,000	1,000,000
On or before October 28, 2021		-	1,750,000	-
Total		\$ 850,000	3,200,000	\$ 2,250,000

The NSR is 2.0% with 50% (being 1.0%) buyable for \$3,000,000 at any time.

Cracker Option

On June 26, 2017, the Company entered into an option agreement with a private individual to acquire the rights to certain mineral claims in northeastern Newfoundland, Canada (the "Cracker Option"), that are adjacent to the Company's Wildwood Option claims.

Under the terms of the Cracker Option, the Company may acquire either 75% or 100% interest in the mineral claims through a combination of work expenditures and cash or share payments as outlined in the table below:

Due dates	Status	Cash Payments	Cash or Share payments	Work Expenditures
On June 26, 2017	Complete	\$ 25,000	\$ -	\$ -
On or before June 26, 2018	Complete	50,000	-	100,000
On or before June 26, 2019		-	-	250,000
On or before June 26, 2020		-	175,000	650,000
Cumulative totals to earn a 75% interest in the claims		75,000	175,000	1,000,000
On or before June 26, 2021		-	250,000	1,000,000
Cumulative totals to earn a 100% interest in the claims		\$ 75,000	\$ 425,000	\$ 2,000,000

Should the Company elect to make share payments instead of cash, the shares would be subject to a four month resale restriction in Canada and the per share value would be the 5-day volume weighted average trading price calculated for the five trading days prior to the date of such payment.

TORQ RESOURCES INC. (formerly Stratton Resources Inc.)

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2018 and 2017

4. Mineral property interests (continued)

b) Utah exploration projects

Speedway Gold Project

On March 15, 2018 the Company entered a mineral lease agreement (the "Speedway Agreement") with Geological Services Inc. to acquire the rights to the Speedway gold project. Under the terms of the Speedway Agreement, the Company paid US\$25,000 upon signing and will be required to pay steadily escalating annual lease payments as well as the underlying claim fees. There is no required work commitment and the Speedway Agreement can be terminated at any time after one year. The Speedway Agreement may be bought-out at any time for US\$1,000,000 subject to a buyable 2% royalty to the underlying owner.

West Mercer Gold Project

On May 8, 2018, the Company entered a share exchange agreement with Rush Valley Exploration Inc. ("RVX") and its three principal shareholders (the "Mercur Agreement") to acquire a 100% interest in RVX and the West Mercur gold project. Under the terms of the Mercur Agreement, to acquire RVX, the Company can pay US\$2.4 million in a combination of cash and common shares to RVX's shareholders, at any time within a two-year period. During this two-year term, Torq is required to maintain the mineral interests in good standing but has full control over the exploration programs of RVX, subject to a minimum funding commitment of US\$500,000. Prior to the date of execution, the Company had advanced a total of \$398,074 of interim funding that has been used to cover a shortfall in RVX's working capital.

The Company has determined that, as of May 8th, 2018, the Company had effective control over RVX and has accounted for the transaction as an asset acquisition as of that date. The assets and liabilities of RVX have been recorded at fair value with a purchase price of \$483,002 which includes the interim funding of \$48,037 and transaction costs totaling \$84,928.

The allocation of the purchase price based on the relative fair value of assets acquired and liabilities assumed is as follows:

Total purchase price:	
Cash advanced to RVX as of May 8 th , 2018	\$ 398,074
Transaction costs associated with the acquisition	84,928
Total purchase price to allocate	\$ 483,002
Cost of assets acquired and liabilities assumed:	
Cash and cash equivalents ¹	\$ 353,474
Mineral properties	481,511
Accounts payable and accrued liabilities	(351,983)
	\$ 483,002

¹ Includes \$350,001 of cash advanced upon signing of the Mercur Agreement and net cash used in the acquisition of RVX was \$129,527.

c) The following is a continuity of mineral property interest acquisition costs:

	Newfoundland	Utah	Total
Balance as at December 31, 2016	\$ 216,180	\$ -	\$ 216,180
Direct acquisition costs	316,000	-	316,000
Other acquisition costs	2,164	-	2,164
Balance as at December 31, 2017	\$ 534,344	\$ -	\$ 534,344
Direct acquisition costs	50,000	549,511	599,511
Other acquisition costs	-	12,650	12,650
Currency translation adjustment	-	2,897	2,897
Balance as at June 30, 2018	\$ 584,344	\$ 565,058	\$ 1,149,402

TORQ RESOURCES INC. (formerly Stratton Resources Inc.)

Notes to Condensed Consolidated Interim Financial Statements

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

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5. Exploration and evaluation costs

For the three months ended June 30, 2018 the Company's exploration and evaluation costs are broken down as follows:

	Newfoundland	Utah	Total
Aircraft and travel	\$ 611	\$ 47,521	\$ 48,132
Assays	34,351	2,688	37,039
Environmental and permitting	-	54,895	54,895
Equipment rental and maintenance	-	3,926	3,926
Project support cost	838	7,539	8,377
Wages and consultants	27,904	208,062	235,966
Share-based compensation	42,070	24,964	67,034
Total for the three months ended June 30, 2018	\$ 105,774	\$ 349,595	\$ 455,369

For the six months ended June 30, 2018 the Company's exploration and evaluation costs are broken down as follows:

	Newfoundland	Utah	Total
Aircraft and travel	\$ 4,812	\$ 47,760	\$ 52,572
Assays	117,348	2,688	120,036
Environmental and permitting	-	54,895	54,895
Equipment rental and maintenance	-	3,926	3,926
Project support cost	1,288	7,539	8,827
Wages and consultants	52,576	208,201	260,777
Share-based compensation	127,507	24,964	152,471
Recoveries	(70,131)	-	(70,131)
Total for the six months ended June 30, 2018	\$ 233,400	\$ 349,973	\$ 583,373

During the six months ended June 30, 2018, the Company was awarded a grant from the Government of Newfoundland and Labrador in the amount of \$70,131 which was recorded as recoveries thereby offsetting the exploration and evaluation costs incurred on the Newfoundland projects.

For the three and six months ended June 30, 2017 the Company's exploration and evaluation costs were entirely related to activities in Newfoundland broken down as follows:

	Three months ended June 30, 2017	Six months ended June 30, 2017
Assays	\$ 210,863	\$ 251,432
Equipment rental and maintenance	45,534	45,534
Project support cost	62,891	81,500
Wages and consultants	78,992	93,906
Recoveries	(129,705)	(129,705)
Total for the period	\$ 268,575	\$ 342,667

During the six months ended June 30, 2017, the Company was awarded a grant from the Government of Newfoundland and Labrador in the amount of \$129,705 which was recorded as recoveries thereby offsetting the exploration and evaluation costs incurred on the Newfoundland projects.

TORQ RESOURCES INC. (formerly Stratton Resources Inc.)

Notes to Condensed Consolidated Interim Financial Statements
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Three and six months ended June 30, 2018 and 2017

6. Project investigation costs

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Assays	\$ 797	\$ 995	\$ 2,745	\$ 24,300
Equipment, vehicles rent and field supplies	4,310	14,727	4,456	17,203
Geological consulting, salaries and wages	78,565	131,747	172,691	196,443
Project support costs	9,248	8,465	14,600	8,465
Share-based compensation	65,400	-	179,333	-
Travel, meals, accommodation	11,687	12,790	33,363	34,256
	\$ 170,008	\$ 168,724	\$ 407,188	\$ 280,667

7. Share capital

(a) Authorized

Unlimited common shares without par value

(b) Share issuances

Six months ended June 30, 2018:

There were no share issuances during the six months ended June 30, 2018.

Six months ended June 30, 2017:

On February 27, 2017, the Company closed a non-brokered private placement for gross proceeds of \$13,195,000 (the "February 2017 Private Placement") pursuant to which the Company issued an aggregate of 20,300,000 common shares at a price of \$0.65 per common share. Share issue costs related to the Private Placement amounted to \$447,036, which included finder's fees of \$377,042 and professional and regulatory fees of \$66,994. A reconciliation of the impact of the February 2017 Private Placement on share capital is as follows:

	Number of common shares issued	Impact on share capital
Common shares issued at \$0.65 per share	20,300,000	\$ 13,195,000
Cash share issue costs	-	(447,036)
	20,300,000	\$ 12,747,964

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8. 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, 2016	-	\$ -
Granted	6,500,000	0.85
Forfeited	(60,000)	0.85
Outstanding, December 31, 2017	6,440,000	\$ 0.85
Forfeited	(38,750)	0.85
Outstanding, June 30, 2018	6,401,250	\$ 0.85

As at June 30, 2018, 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	6,401,250	\$0.85	4.17	4,025,000	\$0.85	4.17

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 and six months ended June 30, 2018 there were no share options granted and share-based compensation expense recognized in relation to prior period share option grants was as follows:

	Three months ended June 30, 2018	Six months ended June 30, 2018
Recognized in net loss:		
Included in exploration and evaluation costs	\$ 67,034	\$ 152,471
Included in consulting fees, wages and benefits	208,488	517,524
Included in project investigation costs	65,400	179,333
	\$ 340,922	\$ 849,328

During the three and six months ended June 30, 2017, the Company did not grant any share options and had no outstanding or exercisable share options as at June 30, 2017.

Share purchase warrants

During the three and six months ended June 30, 2018 and 2017, the Company did not issue share purchase warrants and has no outstanding or exercisable share purchase warrants.

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Three and six months ended June 30, 2018 and 2017

9. 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 June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Universal Mineral Services Ltd. ¹				
Included in the statement of loss and comprehensive loss:				
Bank charges	\$ 770	\$ 535	\$ 1,066	\$ 1,106
Fees, salaries and other employee benefits	87,107	44,531	141,830	83,441
Office, rent and administration	49,877	34,966	70,671	69,879
Project investigation costs	14,280	21,045	20,315	52,720
Regulatory, transfer agent and shareholder information	119	383	119	995
Investor relations and marketing	8,182	537	8,403	537
Exploration and evaluation costs				
Newfoundland	17,516	38,229	42,188	44,671
Utah	92,114	-	92,252	-
Included on the statement of financial position:				
Mineral property acquisition costs				
Utah Projects	915	-	5,542	-
Other prepaid and deferred amounts	28,528	-	28,528	-
Total transactions for the periods	\$ 299,408	\$ 140,226	\$ 410,914	\$ 253,349

1) Universal Mineral Services Ltd., ("UMS") is a private company with two directors and one officer in common that, pursuant to an agreement dated December 30, 2015, provides office space and administrative services to the Company on a cost recovery basis.

The outstanding balance owing at June 30, 2018 was \$124,027 (December 31, 2017 - \$43,194). In addition, the Company had \$150,000 on deposit with UMS as at June 30, 2018 (December 31, 2017 - \$50,000).

Key management compensation

In addition to the transactions disclosed above, the Company provided the following compensation to key management members:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Short-term benefits	\$ 60,000	\$ 60,155	\$ 123,795	\$ 113,735
Share-based compensation	157,148	-	393,723	-
	\$ 217,148	\$ 60,155	\$ 517,518	\$ 113,735

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10. 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 June 30, 2018 the Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities and the Gecon financial liability. The fair values of these financial assets and liabilities, with the exception of the Gecon liability, approximate their fair values due to their short-term maturity.

As at June 30, 2018, the financial instruments measured at fair value included the Gecon Financial Liability which is classified under level 3 of the fair value hierarchy. The Gecon Financial Liability was remeasured at June 30, 2018 with the change in fair value for the period then ended recognized in the statement of loss and comprehensive loss.

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 June 30, 2018 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 (the Canadian dollar). As at June 30, 2018 and December 31, 2017, the Company's foreign currency exposure related to its financial assets and liabilities held in foreign currencies is as follows:

	June 30, 2018		December 31, 2017	
	US\$	EUR	US\$	EUR
Cash	2,810,336	10,143	990,303	29,601
Accounts payable and accrued liabilities	(89,732)	(4,029)	(21,538)	(3,071)
Gecon financial liability	(158,553)	-	(151,049)	-
	2,562,051	6,114	817,715	26,530

A 10% increase or decrease in the US dollar and Euro exchange rates would result in an increase/decrease of approximately \$279,965 in the Company's net loss for the six months ended June 30, 2018.

11. Supplemental cash flow information

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Change in accounts payable related to mineral property acquisition costs	\$ (25,124)	\$ -	\$ -	\$ -

Cash and cash equivalents at June 30, 2018 included \$28,750 (December 31, 2017 - \$28,750) held in a guaranteed investment certificate as security against corporate credit cards.

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12. Segmented information

The Company operates as one operating segment, being the acquisition, exploration and development of mineral resource properties. The breakdown of the Company's non-current assets, being its mineral property interests, by geographic location can be found in its mineral property interests note 4(c).

13. 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 June 30,		Six months ended June 30,	
	2018	2017	2018	2017
		(Restated – note 3)		(Restated – note 3)
Loss attributable to ordinary shareholders	\$ 1,123,261	\$ 661,746	\$ 1,986,175	\$ 1,028,776
Weighted average number of common shares	77,324,164	77,124,164	77,324,164	70,507,037
Basic and diluted loss per share	\$0.01	\$0.01	\$0.03	\$0.01

All of the outstanding share-purchase options at June 30, 2018 and 2017 were antidilutive for the periods then ended as the Company was in a loss position.