(An exploration stage company)

Torq Resources Inc.

Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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Independent Auditor's Report

To the Shareholders and the Board of Directors of Torq Resources Inc.

Opinion

We have audited the consolidated financial statements of Torq Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Macdonald.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columbia
April 27, 2021

TORQ RESOURCES INC.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars, unless otherwise stated)

		As at December 31, 2020		As at December 31, 2019
Assets				
Current assets:				
Cash	$	8,748,073	$	10,838,021
Accounts receivable and other		42,951		24,933
Prepaid expenses and deposits		303,824		187,782
		9,094,848		11,050,736
Total assets	**$**	**9,094,848**	**$**	**11,050,736**
Liabilities and Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	202,917	$	219,258
Total liabilities		**202,917**		**219,258**
Equity:				
Share capital		49,003,385		48,977,100
Share option and warrant reserve		8,558,963		8,435,631
Accumulated other comprehensive loss		(1,347)		(19)
Deficit		(48,669,070)		(46,581,234)
Total equity		8,891,931		10,831,478
Total liabilities and equity	**$**	**9,094,848**	**$**	**11,050,736**

Approved on behalf of the Board of Directors:

"Michael Kosowan"
President, Chief Executive Officer and Director

"Jeffrey Mason"
Director

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

TORQ RESOURCES INC.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars, unless otherwise stated)

	Year ended December 31, 2020	Year ended December 31, 2019
Operating expenses:		
Exploration and evaluation (recovery) costs	**$** -	$ (4,914)
Fees, salaries and other employee benefits	852,102	876,845
Legal and professional fees	120,571	66,544
Marketing and investor relations	223,747	124,651
Office and administration	216,644	231,198
Regulatory, transfer agent and shareholder information	64,561	62,355
	1,477,625	1,356,679
Other expenses (income)		
Project investigation costs (Note 5)	671,245	529,857
Interest income	(84,704)	(245,363)
Change in fair value of Gecon financial liability (Note 4)	-	(1,205)
Gain on settlement of Gecon financial liability (Note 4)	-	(67,005)
Gain on disposition of Gecon investment (Note 4)	-	(2,087)
Foreign exchange loss	23,670	106,860
	610,211	321,057
Loss for the year	**$ 2,087,836**	**$ 1,677,736**
Other comprehensive loss (income)		
Unrealized currency loss (gain) on translation of foreign operations	1,328	(3,770)
Comprehensive loss for the year	**$ 2,089,164**	$ 1,673,966
Basic and diluted loss per share (Note 11)	$ 0.03	$ 0.02
Basic and diluted weighted average number of shares (Note 11)	77,327,066	77,324,164

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

TORQ RESOURCES INC.

Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars, unless otherwise stated)

	Number of common shares	Share capital	Share option and warrant reserve	Other comprehensive income (loss)	Deficit	Total
Balance at December 31, 2018	**77,324,164**	**$ 48,977,100**	**$ 8,302,518**	**$ (3,789)**	**$ (44,903,498)**	**$ 12,372,331**
Share-based compensation (Note 7)	-	-	133,113	-	-	133,113
Other comprehensive income	-	-	-	3,770	-	3,770
Net loss	-	-	-	-	(1,677,736)	(1,677,736)
Balance at December 31, 2019	**77,324,164**	**$ 48,977,100**	**$ 8,435,631**	**$ (19)**	**$ (46,581,234)**	**$ 10,831,478**
Share options exercised (Note 6(b))	35,000	26,285	(8,785)	-	-	17,500
Share-based compensation (Note 7)	-	-	132,117	-	-	132,117
Other comprehensive loss	-	-	-	(1,328)	-	(1,328)
Net loss	-	-	-	-	(2,087,836)	(2,087,836)
Balance at December 31, 2020	**77,359,164**	**$ 49,003,385**	**$ 8,558,963**	**$ (1,347)**	**$ (48,669,070)**	**$8,891,931**

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

TORQ RESOURCES INC.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars, unless otherwise stated)

		Year ended December 31, 2020		Year ended December 31, 2019
Operating activities:				
Loss for the year	$	(2,087,836)	$	(1,677,736)
Non-cash transactions:				
Share-based compensation (Note 7)		132,117		133,113
Change in fair value of Gecon financial liability (Note 4)		-		(1,205)
Gain on settlement of Gecon financial liability (Note 4)		-		(67,005)
Gain on disposition of Gecon investment (Note 4)		-		(2,087)
Unrealized foreign exchange loss		14,642		106,140
Interest income		(84,704)		(245,363)
Changes in non-cash working capital:				
Accounts receivable and other		(17,983)		(6,822)
Prepaid expenses and deposits		(115,804)		25,838
Accounts payable and accrued liabilities		(16,540)		(9,925)
Cash used in operating activities		**(2,176,108)**		**(1,745,052)**
Investing activities:				
Disposition of Gecon investment		-		1,974
Interest received		84,704		245,363
Cash provided by investing activities		**84,704**		**247,337**
Financing activities:				
Proceeds from exercise of options (Note 6(b))		17,500		-
Cash provided by financing activities		**17,500**		-
Effect of foreign exchange rates on changes on cash		(16,044)		(102,239)
Decrease in cash		(2,089,948)		(1,599,954)
Cash, beginning of the year		10,838,021		12,437,975
Cash, end of the year	**$**	**8,748,073**	$	10,838,021

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

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, particularly Chile.

Response to COVID-19

In light of the recent developments related to the COVID-19 pandemic, and the restrictions on travel and other activities, both within Canada and globally, in early 2020 the Company recalled all personnel who were conducting project investigation activities in the field and delayed certain site visits. The Company continued to actively investigate projects through desktop reviews generating several high-potential opportunities to create value for shareholders. The Company is monitoring the COVID-19 situation closely including the phased reopening of many countries; as restrictions are eased travel is being utilized where appropriate to support the evaluation activities in the pursuit of new assets.

2. Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective for the financial year ended December 31, 2020. IFRS include International Accounting Standards ("IAS") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

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

(b) Basis of preparation and consolidation

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

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

The consolidated financial statements include the financial statements of the Company and 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%
Torq Resources Chile SpA	Chile	USD	100%

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Control exists when the Company has power over an investee, exposure or rights, to variable returns from 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.

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

i. Functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions that determined the primary economic environment.

ii. Business combinations

Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or asset may require the Company to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 - Business Combinations.

iii. Indications of impairment of assets

Impairment testing is done at the cash generating unit level and judgment is involved in assessing whether there is any indication that an asset or a cash generating unit may be impaired. The assessment of the impairment indicators involves the application of a number of significant judgments and estimates to certain variables, including metal price trends, exploration plans for properties and the results of exploration and evaluation to date.

Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are:

i. Deferred tax assets and liabilities (Note 12)

Management judgment and estimates are required in assessing whether deferred tax assets and deferred tax liabilities are recognized in the consolidated statements of financial position. Judgments are made as to whether future taxable profits will be available in order to recognize deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, and other capital management transactions. These judgments and assumptions are subject to risk and uncertainty and changes in circumstances may alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the consolidated statements of financial position and the benefit of other tax losses and temporary differences not yet recognized.

ii. Share-based compensation (Note 7)

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's loss and equity reserves.

3. Summary of significant accounting policies

(a) Foreign currency translation

The financial statements of the Company and each of its subsidiaries are prepared in its functional currency determined on the basis of the primary economic environment in which such entities operate. The presentation and functional currency of the Company and each of its Canadian subsidiaries is the Canadian dollar, while the functional currency of its Peruvian and Chilean entities is the United States dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing at the transaction dates. At each reporting date, monetary items denominated in foreign currencies are translated into the entity's functional currency at the prevailing rates and non-monetary items measured at historical cost are translated into the entity's functional currency at rates in effect at the date the transaction took place.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are included in the consolidated statements of loss and comprehensive loss for the period in which they arise.

For subsidiaries whose functional currency differs from the presentation currency of the Company, foreign currency balances and transactions are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position are translated at the closing rates at the date of that statement of financial position;
- Interest and other income and expenses for each statement representing profit or loss and other comprehensive income are translated at an exchange rate that approximates the exchange rates at the date of the transaction, determined to be the average rate for the period; and
- All resulting exchange rate differences are recognized in other comprehensive income.

(b) Financial instruments

The Company recognizes financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contract creating the asset or liability.

On initial recognition, all financial assets and liabilities are recorded by the Company at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as FVTPL for which transaction costs are expensed in the period in which they are incurred.

Amortized cost

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

The Company's financial assets classified as amortized cost include cash and amounts receivable.

Fair value through other comprehensive income ("FVTOCI")

Financial assets that meet the following conditions are measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not have any financial assets classified as FVTOCI.

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income ("OCI"). The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to deficit.

Financial assets measured subsequently at fair value through profit or loss ("FVTPL")

By default, all other financial assets are measured subsequently at FVTPL.

The Company, at initial recognition, may also irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using effective interest method.

The Company's financial liabilities at amortized cost primarily include accounts payable and accrued liabilities.

Financial instruments designated as hedging instruments

The Company does not currently apply nor have a past practice of applying hedge accounting to financial instruments.

Impairment

The Company recognizes a loss allowance for expected credit losses on its financial assets. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments.

(c) Mineral property interests

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing historical characteristic of many properties, in addition the Company does not carry mineral property title insurance. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

The Company accounts for mineral property interests in accordance with IFRS 6 – Exploration for and evaluation of mineral properties ("IFRS 6").

Costs directly related to acquiring the legal right to explore a mineral property including acquisition of licenses, mineral rights, and similar acquisition costs are recognized and capitalized as mineral property interests. Acquisition costs incurred in obtaining the legal right to explore a mineral property are deferred until the legal right is granted and thereon reclassified to mineral property interests. Transaction costs incurred in acquiring an asset are deferred until the transaction is completed and then included in the purchase price of the asset acquired.

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation activities, including but not limited to researching and analyzing existing exploration data, conducting geological studies, exploration drilling and sampling, payments made to contractors and consultants in connection with the exploration and evaluation of the property, are expensed in the period in which they are incurred as exploration and evaluation costs on the consolidated statement of loss and comprehensive loss.

Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed as administrative costs in the period in which they occur.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to exploration and evaluation costs.

When a project is deemed to no longer have commercially viable prospects to the Company, all capitalized acquisition costs in respect of that project are deemed to be impaired. As a result, those costs, in excess of the estimated recoverable amount, are written off to the consolidated statement of loss and comprehensive loss.

The Company assesses mineral property interests for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Once the technical feasibility and commercial viability of extracting the mineral resources has been determined, the property is considered to be a mine under development at which point the assets and further related costs no longer fall under the guidance of IFRS 6.

(d) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there are any indicators of impairment. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized immediately in the consolidated statement of comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal of impairment is recognized in the consolidated statement of comprehensive loss.

(e) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(f) Loss per share

Basic loss per share is calculated by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the relevant period. Diluted loss per share is calculated by dividing net loss applicable to common shareholders by the weighted average number of diluted common shares outstanding during the year. Diluted common shares reflect the potential dilutive effect of exercising the share options and warrants based on the treasury share method.

(g) Share-based payments

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

Where equity-settled share options are awarded to employees the fair value of the options, estimated using the Black-Scholes option pricing model, at the date of grant is charged to the net loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the net loss over the remaining vesting period.

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

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

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital along with any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

(h) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in net loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position statement date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, a reduction in the asset is recognized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(i) Comprehensive loss

Other comprehensive loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Comprehensive loss comprises net loss and other comprehensive loss. Financial assets that are classified as FVTOCI (none as at December 31, 2020 or 2019) will have gains and losses included in other comprehensive loss. Foreign currency translation differences arising on translation of foreign subsidiaries are also included in other comprehensive loss.

(j) Changes in accounting standards

The Company has adopted the following amended accounting standards and policies effective January 1, 2020:

<u>Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors</u>

In October 2018, the IASB issued Amendments to IAS 1 and IAS 8 to clarify the definition of material in IAS 1 and align the definition across the standards. The amendments are 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 consolidated financial statements.

<u>Amendments to IFRS 3 – Business Combinations</u>

The Company has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after January 1, 2020.

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

<u>Amendments to IFRS 16 – Leases</u>

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due on or before June 30, 2021 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2021 and increased lease payments that extend beyond June 30, 2021); and

c) There is no substantive change to other terms and conditions of the lease. To provide practical relief to lessees in accounting for rent concessions arising as a result of COVID-19, the IASB proposed an amendment to IFRS 16 which provide lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19- related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted.

This amendment did not have a significant impact to the Company's consolidated financial statements as the Company has not received any COVID-19 related rent concessions as of the date of these consolidated financial statements.

At the date of authorization of these consolidated financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

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

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

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

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. The Company is currently evaluating the impact of this adoption and it is expected not to materially impact the consolidated financial statements.

Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier. The Company is currently evaluating the impact of this adoption and it is expected not to materially impact the consolidated financial statements.

4. Gecon

In November 16, 2016, the Company had 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. In 2019, the Company made the decision not to further pursue its operations in Bulgaria and on June 5, 2019, the Company entered a framework agreement with the former shareholder to return Gecon and terminate its 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. On July 30, 2019, the Company completed the sale of its shares in Gecon to the former shareholder, and deconsolidated Gecon, recording a gain of $2,087 through the consolidated statement of loss and comprehensive loss for the year ended December 31, 2019.

(Expressed in Canadian Dollars, unless otherwise stated)

5. Project investigation costs

	Year ended December 31, 2020	2019
Assays	$ 28,397	$ 2,334
Equipment, vehicles rent and field supplies	40,808	7,700
Geological consulting, salaries and wages	458,469	378,435
Project support costs	19,912	25,008
Share-based compensation	63,567	16,158
Travel, meals and accommodation	60,092	100,222
	$ 671,245	$ 529,857

6. Share capital

(a) Authorized

Unlimited common shares without par value

(b) Common share issuances

The Company issued 35,000 common shares during the year ended December 31, 2020, as a result of share options exercised with a weighted average exercise price of $0.50 for gross proceeds of $17,500 with $8,785 attributable to these share options transferred from the share option reserve and recorded against share capital. There were no common shares issued during the year ended December 31, 2019.

7. 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 typically 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	550,000	0.60
Exercised	(35,000)	0.50
Expired	(30,000)	0.85
Forfeited	(8,125)	0.62
Outstanding, December 31, 2020	**6,846,875**	**$0.81**

(Expressed in Canadian Dollars, unless otherwise stated)

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

	Outstanding			**Exercisable**		
Expiry date	Number of options	Exercise price	Remaining contractual life (years)	Number of options	Exercise price	Remaining contractual life (years)
Aug 30, 2022	5,830,000	$ 0.85	1.66	5,830,000	$ 0.85	1.66
Sep 21, 2023	160,000	0.50	2.72	160,000	0.50	2.72
Apr 1, 2024	250,000	0.50	3.25	250,000	0.50	3.25
Jun 20, 2024	56,875	0.62	3.47	56,875	0.62	3.47
May 25, 2025	400,000	0.58	4.40	200,000	0.58	4.40
Jun 25, 2025	150,000	0.66	4.48	75,000	0.66	4.48
	6,846,875	$ 0.81	1.98	6,571,875	$ 0.81	1.88

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

	Year ended December 31,	
	2020	**2019**
Recognized in net loss:		
Included in fees, salaries and other employee benefits	$ 68,549	$ 116,955
Included in project investigation costs	63,568	16,158
	$ 132,117	**$ 133,113**

The fair value of the share options granted during the years ended December 31, 2020 and 2019 was estimated using the Black-Scholes option valuation model with the following assumptions on a weighted average basis:

	Year ended December 31,	
	2020	**2019**
Risk-free interest rate	0.36%	1.47%
Expected dividend yield	Nil	Nil
Share price volatility	70%	68%
Expected life in years	5.0	4.0

Share purchase warrants

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

(Expressed in Canadian Dollars, unless otherwise stated)

8. Related party transactions

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

	Year ended December 31, 2020	**2019**
Universal Mineral Services Ltd.		
Included in the statement of loss and comprehensive loss:		
Exploration and evaluation costs		
Newfoundland	$ -	$ 4,581
Utah	-	328
Fees, salaries and other employee benefits	222,382	314,769
Investor relations and marketing	49,987	83,512
Legal and professional fees	12,985	-
Office and administration	166,567	210,920
Project investigation costs	406,525	315,007
Regulatory, transfer agent and shareholder information	123	367
Total transactions for the year	**$ 858,569**	**$ 929,484**

Universal Mineral Services Ltd., (“UMS”) is a private company with two directors, of which one is an officer, in common with the Company. UMS provides geological, financial and transactional advisory services as well as administrative services to the Company on an ongoing, cost recovery basis. Having these services available through UMS on an as needed basis, allows the Company to maintain a more efficient and cost-effective corporate overhead structure by hiring fewer full-time employees and engaging outside professional advisory firms less frequently. The agreement has an indefinite term and can be terminated by either party upon providing due notice.

As at December 31, 2020, the Company’s accounts payable and accrued liabilities include an amount owing to UMS of $121,576 (December 31, 2019 - $176,360). In addition, the Company has $150,000 on deposit with UMS, recognized within prepaid expenses and deposits as at December 31, 2020 (December 31, 2019 - $150,000).

During the year ended December 31, 2020, Torq received $50,000 from Tier One Silver Inc. (“Tier One”), a company with certain directors and officers in common with Torq, as a partial reimbursement of Torq’s costs incurred for some preliminary technical work on a mineral project owned by Tier One after Torq decided to focus on projects outside of Peru.

<u>Key management compensation</u>

In addition to the transactions disclosed above, the Company provided the following compensation to key management members, being its five executives (December 31, 2019: three executives) and four non-executive directors:

	Year ended December 31, 2020	**2019**
Salaries and other employee benefits	$ 521,128	$ 392,271
Directors fees paid to non-executive directors	31,208	31,173
Share-based compensation	106,380	69,426
	$ 658,716	**$ 492,870**

9. Financial instruments

Financial instruments are evaluated under a fair value hierarchy that reflects the significance of inputs used in making fair value measurement 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 December 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 Company's financial instruments are exposed to credit risk, liquidity risk and market risks, which include foreign currency risk and interest rate risk. As at December 31, 2020 the primary risks were as follows:

Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. As at December 31, 2020, the Company has working capital of $8,891,931 (December 31, 2019 - $10,831,478). The Company held cash and cash equivalents of $8,748,073 at December 31, 2020 (December 31, 2019 - $10,838,021), which is entirely unrestricted.

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 December 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:

	Year ended December 31, 2020	2019
Period end exchange rate CAD per USD	1.2732	1.2988
Cash	$ 1,529,926	$ 1,972,696
Amounts receivable	-	-
Accounts payable and accrued liabilities	-	(5,968)
	$ 1,529,926	**$ 1,966,728**

A 10% increase or decrease in the US dollar exchange rates would result in an increase/decrease of approximately $152,993 in the Company's comprehensive loss for the year ended December 31, 2020.

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 December 31, 2020 and 2019.

(Expressed in Canadian Dollars, unless otherwise stated)

11. Loss per share

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

	Year ended December 31, 2020	2019
Loss attributable to ordinary shareholders	$ 2,087,836	$ 1,677,736
Weighted average number of common shares	77,327,066	77,324,164
Basic and diluted loss per share	**$0.03**	**$0.02**

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

12. Income taxes

(a) Income tax recovery provision

The reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is:

	December 31, 2020	December 31, 2019
Net loss for the year before income taxes	$ (2,087,836)	$ (1,677,736)
Canadian federal and provincial income tax rates	27%	27%
Expected income tax recovery	(563,716)	(452,989)
Increase (decrease) in income tax recovery resulting from:		
Share-based compensation	18,508	35,941
Differences in future and foreign jurisdiction tax rates	(2,227)	(114,641)
Non-deductible expenses and other	11,979	138,874
Increase in unrecognized tax assets	535,456	392,815
Income tax recovery provision	**$ -**	**$ -**

(b) Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:

	December 31, 2020	December 31, 2019
Exploration and evaluation assets	$ 10,115,336	$ 10,115,509
Non-capital losses carried forward	13,944,654	11,967,514
Capital losses carried forward	1,810,218	1,763,605
Share issuance costs and other	263,267	271,768
	$ 26,133,475	**$ 24,118,396**

(Expressed in Canadian Dollars, unless otherwise stated)

(c) Tax losses

The Company has accumulated non-capital losses of $13,879,608 in Canada as at December 31, 2020 (December 31, 2019 - $11,967,514) for income tax purposes, which may be carried forward to reduce taxable income of future years. The Canadian non-capital losses will, if unused, expire in:

Year of expiry	Amount
2026	$ 627,760
2027	1,036,992
2028	682,444
2029	652,086
2030	981,145
2031	1,465,623
2032	869,967
2033	890,382
2034	154,636
2035	152,042
2036	195,067
2037	1,177,376
2038	1,398,694
2039	1,682,283
2040	1,913,111
	$ 13,879,608

As at December 31, 2019, after the disposal of Gecon during 2019 (note 4), the Company no longer has non-capital losses to carry forward in Bulgaria.

The Company has accumulated capital losses of $1,810,218 (December 31, 2019 – $1,763,605) in Canada which may be carried forward indefinitely and used to reduce capital gains in future years.

The Company also has losses in Peru of $ 8,677 (December 31, 2019 – $nil) which expire in 2024.

The Company also has losses in Chile of $56,369 (December 31, 2019 – $nil) which carryforward and do not expire.

13. Management of capital

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

	Year ended December 31,	
	2020	**2019**
Equity	$ 8,891,931	$ 10,831,478
Less cash and cash equivalents	(8,748,073)	(10,838,021)
	$ 143,858	**$ (6,543)**

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

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

(Expressed in Canadian Dollars, unless otherwise stated)

The Company currently has sufficient working capital and is able to meet its ongoing current obligations as they become due. However, the Company will likely require additional capital in the future to meet its company objectives, being the acquisition and exploration of mineral properties. Future liquidity will depend upon the Company's ability to arrange additional debt or equity financing, as the Company relies on equity financings to fund its exploration and corporate activities.

14. Subsequent events

On March 8, 2021, the Company announced it had acquired the option to earn a 100% in interest in the Margarita iron-oxide-copper-gold ("IOCG") project located in Chile, 65 kilometres ("km") north of the city of Copiapo. The property is located within the prolific Coastal Cordillera belt. The Company acquired the rights that constitute the Margarita project through two option agreements: the Margarita claims and the La Cototuda claims with a small-scale mining company.

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

Period from Signing Definitive Agreement and Initial Payment		Cash Payments (USD)		Work Expenditure Requirement
Within 60 days of signing the Definitive Agreement	$	50,000	$	-
within 6 months		50,000		400,000
within 18 months		100,000		1,150,000
within 30 months		300,000		1,500,000
within 42 months		1,200,000		-
within 54 months		2,000,000		-
within 66 months		2,500,000		-
Total	**$**	**6,200,000**	**$**	**3,050,000**

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

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

Period from Signing Definitive Agreement and Initial Payment		Cash Payments (USD)
Upon signing the Agreement	$	50,000
within 12 months		250,000
within 24 months		250,000
within 36 months		350,000
Total	**$**	**900,000**

There are no work expenditure requirements, and the claims are not subject to an NSR royalty.

In relation to the option arrangement of the Margarita project, a finders fee of US$350,000 equivalent to 466,666 shares of the Company has been issued.

On April 7, 2021, the Company announced the grant of incentive stock options for the purchase of 420,000 common shares to officers of the Company. The options are exercisable at C$0.77 and expire five years from the date of grant.