# Torq Resources Inc.

An exploration stage company

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

For the three months ended March 31, 2022

**Dated: May 27, 2022**

## 1. HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND THE PERIOD UP TO MAY 27, 2022

### 1.1 Operational highlights

- On May 19, 2022, Torq Resources Inc. (the "Company" or "Torq") announced plans for a follow-up drill program to expand upon the new discovery made at its Margarita Iron-Oxide-Copper-Gold (IOCG) project, where drill hole 22MAR-013R intersected 90 metres (m) of 0.94% copper and 0.84 g/t gold. This discovery successfully identified the copper and gold sulphide source mineralization to the abundant copper oxide mineralization observed on the southern margin of the project, validating the Company's exploration thesis. The follow-up drill program will consist of approximately 4,000 m of reverse circulation (RC) drilling and will focus on testing an approximately 1-kilometre (km) strike length along the Falla 13 structure. The program is scheduled to begin in June, with construction on roads and drill pads starting in May.

- On January 26, 2022, the Company provided an update on the exploration and permitting progress at its Santa Cecilia gold – copper project located in the world-class Maricunga belt in northern Chile, approximately 100 km east of the city of Copiapo. Torq's technical team has conducted an initial geological evaluation of the available historical drill core and has identified multiple phases of porphyry intrusions and believes that there are several potential high-grade targets within the 10 square km hydrothermal alteration system. In addition, the Company is working closely with the local community on a plan for the first phase of exploration, which would include drilling from existing drill pads and building roads to the project, with the goal of commencing work in the second quarter of this year.

### 1.2 Corporate highlights

- On March 18, 2022, the Company announced that it had completed a non-brokered private placement of C$5.28 million through the issuance of 7,033,400 equity units at an offering price of $0.75. Each $0.75 unit consisted of a common share and a three-year share purchase warrant, exercisable at $1.10. The warrant is subject to accelerated expiry if the common shares trade above $1.75 for 20 consecutive trading days after the first 12 months. Customary referral fees of approximately 3% of the aggregate proceeds were paid to eligible persons who referred participating investors.

### 2.1. Date and forward-looking statements

This Management Discussion and Analysis ("MD&A") of Torq Resources Inc. has been prepared by management to assist the reader in assessing material changes in the condensed consolidated interim financial statements and results of operations of the Company as at March 31, 2022. Commentary is made on the results of the period under review. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company and related notes thereto as at and for the three months ended March 31, 2022. All financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts presented are Canadian dollars unless otherwise stated.

The effective date of this MD&A is May 27, 2022.

### 2.2. Forward-looking statements and risk factors

Certain statements made in this MD&A contain forward-looking information within the meaning of applicable Canadian and United States securities laws ("forward-looking statements"). These forward-looking statements are presented for the purpose of assisting the Company's shareholders and prospective investors in understanding management's intentions and views regarding future outcomes and are inherently uncertain and should not be heavily relied upon. When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to the Company, identify such forward-looking statements. Specific forward-looking statements in this MD&A may include, but are not limited to: the Company's exploration and financing plans, the likelihood of discovering or expanding resources; the Company's estimated mineral resources and the economics related thereto; the potential for development of the Company's Projects, including projected production rates, potentially extractable mineralization, mine life, mineral prices, capital costs, operating costs, internal rates of return, payback and net present value; permitting timelines; government regulation of mining operations; environmental and climate-related risks; the possible impairment of mining interests; any objectives, expectations, intentions, plans, results, levels of activity, goals or achievements; the timing and amount of estimated exploration expenditures and capital raises for the Company; the liquidity of the common shares in the capital of the Company and other events or conditions that may occur in the future.

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

Inherent in the forward-looking statements are known and unknown risks, uncertainties and other factors beyond the Company's ability to control or predict, that may cause the actual results, performance or achievements of the Company, or developments in the Company's business or in its industry, to adversely differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Some of the risks and other factors (some of which are beyond the Company's control) which could cause results to differ materially from those expressed in the forward-looking statements and information contained in this MD&A include, but are not limited to, fluctuations in the current and projected prices for gold, other precious and base metals and other commodities (such as natural gas, fuel oil and electricity) which are needed to produce these metals; risks and hazards associated with the business of mineral exploration, development and mining (including environmental hazards, potential unintended releases of contaminants, industrial accidents, unusual or unexpected geological or structural formations, pressures, cave-ins and flooding); the speculative nature of mineral exploration and development; the estimation of mineral resources, the Company's ability to obtain funding, including the Company's ability to complete future equity financings; no preliminary economic assessment or other economic assessment can be conducted on the Company's projects due to their absence of known resources; environmental risks and remediation measures, including evolving environmental regulations and legislation; changes in laws and regulations impacting exploration and mining activities; the Company's mineral properties being subject to prior unregistered agreements, transfers or claims and other defects in title; legal and litigation risks; statutory and regulatory compliance; insurance and uninsurable risks; the Company's limited business history and history of losses and negative cash flow, which will continue into the foreseeable future; our inability to pay dividends, volatility in the Company's share price, the continuation of our management team and our ability to secure the specialized skill and knowledge necessary to operate in the mining industry; relations with and claims by local communities and non-governmental organizations, including relations with and claims by indigenous populations; the requirements of being a public company, including maintaining the listing requirements; risks associated with the significant resources required to maintain regulatory compliance as a public company; the effectiveness of the Company's internal control over financial reporting; cybersecurity risks; risks relating to the Company's public perception; general business, economic, competitive, political and social uncertainties; and public health crises such as the COVID-19 pandemic. This is not an exhaustive list of the risks and other factors that may affect any of the Company's forward-looking statements. Additional information relating to the Company and its operations is available on SEDAR at www.sedar.com and on the Company's website at www.torqresources.com. These documents are for information purposes only and not incorporated by reference in this MD&A.

## 3. Description of business

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

As at the date of this MD&A, the corporate organizational structure of Torq, includes the following beneficially owned subsidiaries. Stratton Resources (Canada) Inc., Torq Resources Holding Inc. and Candelaria Minerals S.A.C are dormant entities in the process of being dissolved, and subsequent to the period end, the Company acquired a minority interest in Universal Mineral Services Ltd ("UMS") ( section 10).

Results of Operations for the three Months Ended March 31, 2022 Expressed in Canadian dollars

| Subsidiary | Place of incorporation | Functional currency | Beneficial interest |
|---|---|---|---|
| Stratton Resources (Canada) Inc. | B.C., Canada | CAD | 100% |
| Torq Resources Holdings Inc. | B.C., Canada | CAD | 100% |
| Candelaria Minerals S.A.C. | Peru | USD | 100% |
| Torq Resources Chile SpA | Chile | USD | 100% |
| Minera Margarita SpA | Chile | USD | 100% |
| Minera Andrea SpA | Chile | USD | 100% |
| Minera Santa SpA | Chile | USD | 100% |
| Universal Mineral Services Ltd ("UMS") | B.C., Canada | CAD | 25% |

### 3.1. Response to COVID-19

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

While remaining compliant with the restrictions arising from the ongoing management of the pandemic, the Company was able to achieve its planned goals during the three months ended March 31, 2022. As the situation surrounding COVID-19 continues to develop, albeit to a lesser extent, the Company will continue to monitor the situation closely and respond appropriately.

## 4. Projects

### 4.1. Margarita project

On March 8, 2021, the Company announced it had acquired the option to earn a 100% interest in the Margarita project located in Chile within the prolific Coastal Cordillera belt. The Company acquired the rights that constitute the Margarita project through two option agreements with a small-scale mining company: the Margarita claims and the La Cototuda claims.

Under the option agreements the Company can acquire 100% interest in the Margarita claims by making cash payments totaling US$6,200,000 over 66 months. The Company is required to incur work expenditures totaling US$3,050,000 within 30 months of signing the definitive agreement; approximately US$2.2 million of eligible work expenditures had been incurred as at March 31, 2022.

| | Cash payments (US$) | Work expenditure requirements (US$) |
|---|---|---|
| April 20, 2021 (paid C$62,445) | $ 50,000 | $ - |
| August 22, 2021 (paid C$64,280 and work requirements met) | 50,000 | 400,000 |
| August 22, 2022 | 100,000 | 1,150,000 |
| August 22, 2023 | 300,000 | 1,500,000 |
| August 22, 2024 | 1,200,000 | - |
| August 22, 2025 | 2,000,000 | - |
| August 22, 2026 | 2,500,000 | - |
| | **$ 6,200,000** | **$ 3,050,000** |

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

Results of Operations for the three Months Ended March 31, 2022 Expressed in Canadian dollars

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 three years as follows:

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

In relation to the option arrangement of the Margarita Project, a finder's fee of 466,667 shares (the "Finder's Fee Shares") of the Company are payable. Of this total, 81,250 shares were issued on April 7, 2021, 141,667 shares were issued on March 31, 2022, and 243,750 shares are to be issued on March 31, 2023.

Exploration Activities

A summary of exploration and evaluation costs for the Margarita project during the three months ended March 31, 2022, is as follows:

| | | Three months ended March 31, 2022 |
|---|---|---|
| Geological consulting, salaries and wages | **$** | **257,240** |
| Geophysics, sampling and assays | | **69,293** |
| Share-based compensation | | **15,970** |
| Environmental and permitting | | **2,392** |
| Travel, meals and accommodation | | **40,036** |
| Project support | | **50,777** |
| Drilling | | **678,790** |
| | **$** | **1,114,498** |

For the three months ended March 31, 2021, the Company's exploration and evaluation costs were $119,924 which were related to the Margarita project.

As noted above, on May 2, 2022, the Company announced it had completed its maiden 4,075 metre (m) reverse – circulation (RC) drill program at the Margarita project, with the discovery of a new copper and gold sulphide system. Drill hole 22MAR-013R intersected 90 m of 0.94% copper and 0.84 g/t gold at a depth of 50 m – 140 m. This discovery successfully identified the copper and gold sulphide source mineralization to the abundant copper oxide mineralization observed on the southern margin of the project, validating the Company's exploration thesis. The Company has announced a follow-up drill program to expand the new discovery made at Margarita project, with approximately 4,000m of RC drilling testing an approximately 1-kilometre (km) strike length along the Falla 13 structure, which demonstrates the same geological, geochemical and geophysical characteristics as seen in the discovery drill hole. This program is scheduled to begin in June, 2022, with construction on roads and drill pads already underway.

Results of Operations for the three Months Ended March 31, 2022 Expressed in Canadian dollars

### 4.2. Andrea project

On May 25, 2021, the Company announced it had acquired the option to earn a 100% interest in the Andrea copper porphyry project located in northern Chile, 100 km east of the city of La Serena. The property is located at the western margin of the Miocene aged El Indio belt that hosts the world class El Indio and Pascua Lama epithermal gold and silver deposits.

The Company acquired the rights that constitute the Andrea Project through three option agreements. Under these option agreements the Company can acquire 100% interest in the project, through cash payments as follows:

| | | Cash payments (US$) |
|---|---|---|
| July 23, 2021 (paid C$132,038) | $ | 105,000 |
| May 24, 2022 (paid subsequent to period end) | | 135,000 |
| May 24, 2023 | | 185,000 |
| May 24, 2024 | | 300,000 |
| May 24, 2025 | | 1,000,000 |
| May 24, 2026 | | 4,275,000 |
| | **$** | **6,000,000** |

The option agreements include an NSR of 1.5% which is buyable for payments totaling US$3,000,000.

Exploration Activities

A summary of exploration and evaluation costs for the Andrea project during the three months ended March 31, 2022 is as follows:

| | | Three months ended March 31, 2022 |
|---|---|---|
| Geological consulting, salaries and wages | **$** | **68,924** |
| Geophysics, sampling and assays | | **472** |
| Share-based compensation | | **4,150** |
| Environmental and permitting | | **15,128** |
| Travel, meals and accommodation | | **3,568** |
| Project support | | **28,580** |
| | **$** | **120,822** |

During the three months ended March 31, 2022, the Company continued to focus on site geo-chemical sampling and comprehensive mapping at the Andrea Project, integrating these with the results of previous geophysics with the goal of updating targeting at the property for future drill testing.

### 4.3. Santa Cecilia project

On October 21, 2021, the Company announced that it had acquired an option to earn a 100% interest in the 3,250-hectare Santa Cecilia gold-copper project, located approximately 100 km east of the city of Copiapo in northern Chile. The project is in the southern region of the world-class Maricunga belt and immediately north of the El Indio belt.

Under the option agreement the Company can acquire 100% interest in the project through cash payments as follows:

| | | Cash payments (US$) |
|---|---|---|
| October 21, 2021 (paid C$123,580) | $ | 100,000 |
| October 21, 2022 | | 300,000 |
| October 21, 2024 | | 600,000 |
| October 21, 2025 | | 1,000,000 |
| October 21, 2026 | | 3,000,000 |
| October 21, 2027 | | 5,000,000 |
| October 21, 2028 | | 15,000,000 |
| | **$** | **25,000,000** |

Results of Operations for the three Months Ended March 31, 2022 Expressed in Canadian dollars

Under the option agreement, the Company is also committed to the following work expenditures, which are scheduled from the date the Company obtains the necessary permits to start its exploration campaigns, both drill permits and social license from indigenous communities located in the area of interest.

| | | **Work Expenditure Requirements (US$)** |
|---|---|---|
| Within 12 months of obtaining permits | $ | 3,000,000 |
| Within 24 months | | 4,500,000 |
| Within 36 months | | 8,000,000 |
| | **$** | **15,500,000** |

The option agreement includes an NSR of 3%, half of which (being 1.5%) is buyable once the option is executed for a price that will be based on the fair value of the project, determined by mutual agreement between the parties.

Exploration Activities

A summary of exploration and evaluation costs for the Santa Cecilia project during the three months ended March 31, 2022, is as follows:

| | | **Three months ended March 31, 2022** |
|---|---|---|
| Geological consulting, salaries and wages | **$** | **255,890** |
| Share-based compensation | | **6,137** |
| Environmental and permitting | | **36,452** |
| Travel, meals and accommodation | | **3,602** |
| Project support | | **32,349** |
| | **$** | **334,430** |

During the three months ended March 31, 2022, the Company continued to focus its efforts on advancing dialogue with the local Colla community, as well as reviewing available historical data from prior exploration activities, including the re-logging and re-habilitation of existing historical drill cores available from previous drilling campaigns by a major mining company and the property owners. This work drives the development of drill targets for future drill campaigns at Santa Cecilia.

### 4.4. Project investigation

While the Company's focus is now on its Chile projects, it continues to review and evaluate new projects to potentially add to its top tier mineral portfolio. A summary of project investigation costs during the three months ended March 31, 2022, is as follows:

| | **Three months ended March 31** | | | |
|---|---|---|---|---|
| | | **2022** | | 2021 |
| Geological consulting, salaries and wages | **$** | **23,269** | **$** | 110,309 |
| Travel, meals and accommodation | | **113** | | 428 |
| Project support | | **2,023** | | 2,049 |
| Share-based compensation | | **-** | | 8,200 |
| | **$** | **25,405** | **$** | 120,986 |

### 4.5 Climate related risks

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

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

Due to the position of the Andrea Project and the altitude of the project it is less accessible than Margarita. The Company began its reconnaissance work in September 2021, once access was granted. The project is expected to be available and accessible for field work for at least eight months of the year (September to April).

In the case of Santa Cecilia project, although it has similar altitude to Andrea, it is slightly more accessible. The Company is having discussions with the local Colla indigenous community in order to gain access to the project. The Company expects to be able to carry out field activities at Santa Cecilia in the fourth quarter of 2022.

The Company is taking all measures to prioritize safe access to the three projects, as well as the well-being of people and equipment while working in each area. The field experience of the local teams and the knowledge of neighboring projects plays a fundamental role in this care, and in the proactive management of the risks associated with working in remote exploration areas, and in the cases of the Andrea and Santa Cecilia projects, with access limitations due to their particular weather conditions.

## 5. Results of operations

**Three months ended March 31, 2022 and 2021 (Q1 2022 vs Q1 2021)**

Loss for Q1 2022 was $2,596,019 or $0.03 loss per share, compared to a loss of $1,317,192 or $0.02 loss per share for Q1 2021. Overall costs increased to support the exploration activities on the Margarita, Santa Cecilia and Andrea projects.

Significant variances are discussed as follows:

- For Q1 2022, exploration and evaluation expenses increased to $1,569,750 from $119,924 in Q1 2021 primarily as a result of exploration activities on the Margarita project, including the reverse circulation drill campaign. The Q1 2022 amount includes share-based compensation expense of $26,257 whereas there was no share-based compensation expense included in exploration and evaluation costs in Q1 2021.

- For Q1 2022, fees, salaries and other employee benefits increased to $513,106 from $231,883 in Q1 2021 primarily as a result of the recruitment of additional support personnel for the expanded exploration team in Chile during Q1 2021. In addition, shared based compensation of $115,903 was allocated during Q1 2022 compared to $8,026 in Q1 2021.

- Offsetting these increases in costs, marketing and investor relations costs decreased from $465,466 in Q1 2021 to $270,932 in Q1 2022 due to a specific marketing campaign in the former pertaining to the Company's first acquisition in Chile – the Margarita option agreement.

- Project investigation costs also decreased to $25,405 in Q1 2022 from $120,986 in Q1 2021 as management shifted their focus to exploring the properties acquired during 2021.

## 6. Summary of quarterly results

Torq has no producing properties or operating income and holds all of its cash on hand with financial institutions and earns interest on the cash balances it has available to fund its acquisition and exploration activities and administrative expenses. A summary of quarterly results is shown below:

Results of Operations for the three Months Ended March 31, 2022 Expressed in Canadian dollars

| Quarter ended | Interest and other income | Loss | Total comprehensive loss | Loss per share |
|---|---|---|---|---|
| March 31, 2022 | $ 7,656 | $ 2,596,019 | $ 2,593,395 | $ 0.03 |
| December 31, 2021 | 4,143 | 1,941,866 | 1,962,501 | 0.03 |
| September 30, 2021 | 6,523 | 1,612,254 | 1,626,874 | 0.02 |
| June 30, 2021 | 17,269 | 1,606,792 | 1,619,465 | 0.02 |
| March 31, 2021 | 11,356 | 1,317,192 | 1,320,180 | 0.02 |
| December 31, 2020 | 12,177 | 683,016 | 683,925 | 0.01 |
| September 30, 2020 | 12,609 | 535,629 | 535,935 | 0.01 |
| June 30, 2020 | 13,062 | 540,605 | 541,859 | 0.01 |

The summary of quarterly results for the last eight quarters reflects the relatively consistent loss in 2020 as the Company focused solely on project investigation, followed by a significant increase in loss in 2021 as the Company entered Chile and set up corporate entities, built a key portfolio of projects, and began exploration on the Andrea and Santa Cecilia projects and drilling activities at the Margarita project. There were related increases in salaries and office and administration costs, as well as marketing and investor relations costs, which were a consequence of this ramp up in exploration activities.

## 7. Exploration plans for 2022

Following the successful inaugural drill program at Margarita, the Company has begun to prepare for the second phase of drilling with roads and platform construction underway, and drilling expected to commence in June 2022.

At the Andrea project, the Company is systematically completing early-stage exploration activities including surface sampling and geological mapping, combined with historical geophysical results to further refine targets for a potential future drill program.

At Santa Cecilia, management continues to prioritize the discussions with the local community with the goal of establishing a community agreement that will allow access to commence drilling activities. Field work at Santa Cecilia is expected to commence in the fourth quarter of 2022.

## 8. Liquidity and capital resources

As at March 31, 2022, the Company has net working capital of $4,622,568 while it incurred a loss for the period of $2,596,019. The Company has incurred operating losses to date and does not generate revenue from operations to support its activities. With no source of revenue, there is no assurance that sufficient funding will be available to conduct further exploration of its mineral properties. The ability to continue as a going concern remains dependent upon Torq's ability to obtain the financing necessary to continue to fund its mineral properties, the realization of future profitable production, proceeds from the disposition of its mineral interests, and/or other sources. These conditions create a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

On February 27, 2017, the Company closed a private equity placement for gross proceeds of $13,195,000 and issued an aggregate of 20,300,000 common shares at a price of $0.65 per common share. Share issue costs including commissions and professional and regulatory fees, totaled $447,036. These funds have now been fully spent.

Results of Operations for the three Months Ended March 31, 2022 Expressed in Canadian dollars

| Intended Use of Proceeds of February 2017 Private Placement | | Actual Use of Proceeds to March 31, 2022 | | (Over)/under expenditure |
|---|---|---|---|---|
| Offering Expenses | $447,036 | Offering Expenses | $ 447,036 | - |
| Project Acquisition and exploration | $10,747,964 | Other project investigation and acquisition costs | $ 6,084,600 | $ 4,663,364 |
| Administration and general working capital | $2,000,000 | Administration and general working capital | $ 6,663,364 | $ (4,663,364) |
| Total | $13,195,000 | Total | $13,195,000 | - |
| Explanation of variances and the impact of them on the ability of the Company to achieve its business objectives and milestones | | The Company has used funds from the February 2017 private placement to complete work required to leave its abandoned properties in good standing, acquire the Margarita, Andrea and Santa Cecilia concessions, finance the exploration activities including the first phase of the drilling campaign, continue with the project investigation activities and to cover administration and general working capital needs. | | |

On March 18, 2022, the Company announced it had completed a non-brokered private placement for gross proceeds of $5,275,050, which has improved the Company's liquidity providing capital resources to finance the drilling activities and to conduct further explorations on the newly optioned properties. Share issue costs including commissions and professional and regulatory fees, totaled $230,175.

By March 31, 2022, the Company had used $333,013 of the proceeds as detailed in the table below:

| **Actual Use of Proceeds from March 2022 Private Placement** | |
|---|---|
| Exploration | $ 201,649 |
| General working capital | 131,364 |
| **Total** | **$ 333,013** |

Net proceeds from the Private Placement are being used as the Company had originally planned, to carry on the drill campaign at Margarita and perform a comprehensive review of those results, in turn planning for the next phase of the drill campaign. These funds are also being used to perform ongoing targeting exploration activities at the Andrea and Santa Cecilia concessions, collaborate with the local communities toward an access agreement, continue with the project investigation activities and to cover administration and general working capital needs.

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

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

| | Margarita Project | Andrea Project | Santa Cecilia Project | Total USD |
|---|---|---|---|---|
| 2022 | $ 350,000 | $ 135,000 | $ 300,000 | $ 785,000 |
| 2023 | 550,000 | 185,000 | - | 735,000 |
| 2024 | 1,550,000 | 300,000 | 600,000 | 2,450,000 |
| 2025 | 2,000,000 | 1,000,000 | 1,000,000 | 4,000,000 |
| 2026 | 2,500,000 | 4,275,000 | 3,000,000 | 9,775,000 |
| 2027 | - | - | 5,000,000 | 5,000,000 |
| 2028 | - | - | 15,000,000 | 15,000,000 |

Results of Operations for the three Months Ended March 31, 2022 Expressed in Canadian dollars

<u>Common share issuances</u>

During the three months ended March 31, 2022, the Company issued 141,667 common shares with a fair value of $28,169 pursuant to the Margarita Project finder's fee agreement.

In connection with the non-brokered private placement financing completed March 18, 2022, the Company issued 7,033,400 equity units at an offering price of $0.75, each unit includes one three-year share purchase warrant, exercisable at $1.10. The warrant is subject to accelerated expiry if the common shares trade above $1.75 for 20 consecutive trading days after the first 12 months.

## 9. Off-balance sheet arrangements

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

## 10. Related party transactions

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

| | Three months ended March 31, | |
|---|---|---|
| | **2022** | 2021 |
| Universal Mineral Services Ltd. ("UMS") | | |
| Exploration and evaluation | **$ 24,730** | $ - |
| Fees, salaries and other employee benefits | **71,255** | 42,345 |
| Marketing and investor relations | **2,822** | 9,038 |
| Office and administration | **60,020** | 43,421 |
| Project investigation | **436** | 24,456 |
| Legal and professional | **14,785** | - |
| Regulatory, transfer agent and shareholder information | **51** | 42 |
| Share issue costs | **1,146** | - |
| **Total transactions for the period** | **$ 175,245** | **$** 119,302 |

UMS provides geological, financial and transactional advisory services as well as administrative services to the Company on an ongoing, cost recovery basis. Having these services available through UMS on an as needed basis, allows the Company to maintain a more efficient and cost-effective corporate overhead structure by hiring fewer full-time employees and engaging outside professional advisory firms less frequently. The agreement has an indefinite term and can be terminated by either party upon providing due notice. During the year ended December 31, 2021, UMS entered into an office lease agreement with a term of ten years, for which certain rent expenses will be payable by the Company. As at March 31, 2022, the Company expects to incur approximately $1.2 million in respect of its share of future rent.

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

Results of Operations for the three Months Ended March 31, 2022 Expressed in Canadian dollars

As at March 31, 2022, the Company's accounts payable and accrued liabilities include an amount owing to UMS of $62,002 (December 31, 2021 - $115,446). In addition, the Company has $420,000 on deposit with UMS, recognized within prepaid expenses and deposits as at March 31, 2022 (December 31, 2021 - $458,112).

Key management compensation

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

| | | **Three months ended March 31,** | | |
|---|---|---|---|---|
| | | **2022** | | 2021 |
| Salaries and other employee benefits | **$** | **234,486** | $ | 200,463 |
| Fees paid to non-executive directors | | **15,492** | | 17,813 |
| Share-based compensation | | **42,173** | | 13,492 |
| | **$** | **292,151** | $ | 231,768 |

## 11. 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 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.

In preparing the Company's condensed consolidated interim financial statements for the three months ended March 31, 2022, the Company applied the critical accounting estimates and judgements disclosed in Note 2 of its consolidated financial statements for the year ended December 31, 2021.

## 12. Changes in accounting policies including initial adoption

New accounting standards and policies

The Company did not adopt any new accounting standards or policies during the quarter, and the accounting policies applied in preparing the Company's condensed interim consolidated financial statements for the three months ended March 31, 2022, were consistent with those disclosed in Note 3 of its audited consolidated financial statements for the year ended December 31, 2021.

New and amended standards not yet effective

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods beginning after December 31, 2022. The Company has not early adopted any of these pronouncements, and they are not expected to have a significant impact in the foreseeable future on the Company's consolidated financial statements once adopted.

## 13. Financial instruments and other instruments

As at March 31, 2022, the Company's financial instruments consist of cash, accounts receivable, deposits, 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 certain financial risks including credit risk, liquidity risk, market risk and currency risk. Details of the primary risks that the Company is exposed to are laid out in the notes to the Company's unaudited condensed consolidated interim financial statements.

## 14. Other required disclosure

### 14.1. Capital structure

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

As at May 27, 2022, there are 84,690,481 common shares of the Company issued and outstanding.

As at March 31, 2022, there were 84,690,481 common shares of the Company issued and outstanding.

As at May 27, 2022, there were 7,610,625 share purchase options and 7,033,400 share purchase warrants outstanding.

As at March 31, 2022, there were 7,645,000 share purchase options and nil warrants outstanding.

### 14.2 Disclosure controls and procedures

Details relating to disclosure controls and procedures, and internal control over financial reporting, are disclosed in the Company's MD&A for the year ended December 31, 2021.

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's management is responsible for establishing and maintaining effective internal control over financial reporting. All internal control systems have inherent limitations and may become ineffective because of changes in conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

During the quarter ended March 31, 2022, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.
Additional disclosures pertaining to the Company's management information circulars, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.

On behalf of the Board of Directors,

*"Michael Kosowan"*
**Michael Kosowan**
Director, President and Chief Executive Officer
May 27, 2022