TORQ RESOURCES

(An exploration stage company)

Torq Resources Inc.

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2023 and 2022

(Expressed in Canadian dollars - Unaudited)

TORQ RESOURCES INC.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars - Unaudited)

	Note		**June 30, 2023**		December 31, 2022
Assets					
Current assets					
Cash		**$**	**8,664,929**	$	12,470,543
Amounts receivable			**85,925**		65,899
Prepaid expenses and deposits	8,13		**547,545**		466,094
			9,298,399		13,002,536
Non-current assets					
Equity investment	3		**109,314**		127,024
Equipment	4		**350,915**		463,816
Mineral property interests	5		**2,056,551**		2,012,368
Total assets		**$**	**11,815,179**	$	15,605,744
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	8	**$**	**1,448,969**	$	1,637,551
			1,448,969		1,637,551
Non-current liability					
Loan facility	7		**2,117,454**		1,966,710
Total liabilities		**$**	**3,566,423**	$	3,604,261
Equity					
Share capital	9	**$**	**73,329,032**	$	68,160,093
Shares to be issued			**-**		70,862
Share option and warrant reserves	10		**12,793,112**		10,547,271
Accumulated other comprehensive income			**236,277**		89,777
Deficit			**(78,109,665)**		(66,866,520)
Total equity		**$**	**8,248,756**	$	12,001,483
Total liabilities and equity		**$**	**11,815,179**	$	15,605,744

Going concern (Note 1(c)), Commitments (Notes 3, 13)

Approved on behalf of the Board of Directors:

“Steve Cook”
Lead Independent Director

“Jeffrey Mason”
Director & Chair of the Audit Committee

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

TORQ RESOURCES INC.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars, except number of shares - Unaudited)

	Note		Three months ended June 30, 2023		2022		Six months ended June 30, 2023		2022
Operating expenses									
Exploration and evaluation	6	**$**	**4,565,488**	$	1,363,174	**$**	**7,863,690**	$	2,932,924
Fees, salaries and other employee benefits	8		**670,813**		409,192		**1,735,399**		922,298
Legal and professional			**117,421**		95,432		**274,171**		142,795
Marketing and investor relations			**308,261**		312,296		**656,413**		583,228
Office and administration			**194,235**		205,035		**339,338**		347,205
Project investigation			**19,638**		76,930		**69,344**		102,335
Regulatory and transfer agent			**16,746**		13,845		**62,501**		37,012
			5,892,602		2,475,904		**11,000,856**		5,067,797
Other expenses (income)									
Accretion expense	7		**78,187**		-		**150,744**		-
Foreign exchange loss			**226,649**		54,999		**241,676**		66,781
Interest and other income			**(132,044)**		(8,980)		**(277,629)**		(16,636)
Interest expense	7		**56,096**		-		**111,575**		-
Net loss from equity investment	3		**8,317**		34,834		**17,710**		34,834
			237,205		80,853		**244,076**		84,979
Net loss for the period		**$**	**6,129,807**	$	2,556,757	**$**	**11,244,932**	$	5,152,776
Other comprehensive income									
Unrealized gain on translation of foreign operations			**(166,913)**		(35,993)		**(148,287)**		(38,617)
Total comprehensive loss for the period		**$**	**5,962,894**	$	2,520,764	**$**	**11,096,645**	$	5,114,159
Basic and diluted loss per share		**$**	**0.06**	$	0.03	**$**	**0.11**	$	0.06
Basic and diluted weighted average number of shares			**110,368,130**		84,690,481		**106,269,365**		82,191,466

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

TORQ RESOURCES INC.
Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars, except number of shares - Unaudited)

	Number of common shares		Share capital		Shares to be issued		Share option and warrant reserves		Accumulated other comprehensive income (loss)		Deficit		Total equity
Balance, December 31, 2021	77,515,414	$	49,124,432	$	99,031	$	9,284,921	$	(52,263)	$	(55,147,174)	$	3,308,947
Share and share purchase warrants issued pursuant to offering, net of share issue cost	7,033,400		4,693,205		-		351,670		-		-		5,044,875
Share-based compensation	-		-		-		247,159		-		-		247,159
Shares issued as finders' fee	141,667		28,169		(28,169)		-		-		-		-
Other comprehensive income for the period	-		-		-		-		38,617		-		38,617
Net loss for the period	-		-		-		-		-		(5,152,776)		(5,152,776)
Balance, June 30, 2022	84,690,481	$	53,845,806	$	70,862	$	9,883,750	$	(13,646)	$	(60,299,950)	$	3,486,822
Balance, December 31, 2022	99,690,481	$	68,160,093	$	70,862	$	10,547,271	$	89,777	$	(66,866,520)	$	12,001,483
Shares issued as finders' fee	243,750		70,862		(70,862)		-		-		-		-
Units issued, net of share issue costs and cash finders' fees	10,433,899		5,217,791		-		521,695		-		-		5,739,486
Warrants issued for finders' fees	-		(119,714)		-		119,714		-		-		-
Share-based compensation	-		-		-		1,604,432		-		-		1,604,432
Reclassification of subsidiary OCI upon dissolution	-		-		-		-		(1,787)		1,787		-
Other comprehensive income for the period	-		-		-		-		148,287		-		148,287
Net loss for the period	-		-		-		-		-		(11,244,932)		(11,244,932)
Balance, June 30, 2023	**110,368,130**	**$**	**73,329,032**	**$**	**-**	**$**	**12,793,112**	**$**	**236,277**	**$**	**(78,109,665)**	**$**	**8,248,756**

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

TORQ RESOURCES INC.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars - Unaudited)

	Three months ended June 30, 2023	2022	Six months ended June 30, 2023	2022
Operating activities				
Net loss for the period	**$ (6,129,807)**	$ (2,556,757)	**$ (11,244,932)**	$ (5,152,776)
Non-cash transactions:				
Accretion expense	**78,187**	-	**150,744**	-
Depreciation	**77,134**	23,105	**148,191**	39,121
Interest and other income	**(132,044)**	(8,980)	**(277,629)**	(16,636)
Interest expense	**56,096**	-	**111,575**	-
Net loss from equity investment	**8,317**	34,834	**17,710**	34,834
Share-based compensation	**484,242**	94,025	**1,604,432**	247,159
Unrealized foreign exchange loss	**278,291**	72,440	**254,605**	49,541
Changes in working capital items other than cash:				
Amounts receivable	**(4,224)**	(18,544)	**(20,933)**	113,627
Prepaid expenses and deposits	**298,858**	31,198	**(84,756)**	21,715
Accounts payable and accrued liabilities	**(704,511)**	119,305	**(267,838)**	216,912
Cash used in operating activities	**(5,689,461)**	(2,209,374)	**(9,608,831)**	(4,446,503)
Investing activities				
Acquisition of equity investment	**-**	(1,000)	**-**	(1,000)
Interest and other income received	**132,044**	8,980	**277,629**	16,636
Mineral properties additions	**(81,204)**	(198,745)	**(81,204)**	(230,490)
Purchase of equipment	**-**	(36,336)	**(36,903)**	(45,659)
Cash provided by (used in) investing activities	**50,840**	(227,101)	**159,522**	(260,513)
Financing activities				
Interest paid	**(56,096)**	**-**	**(111,575)**	**-**
Proceeds from the issuance of shares and share purchase warrants, net of cost	**-**	**-**	**5,739,486**	5,044,875
Cash provided by (used in) financing activities	**(56,096)**	**-**	**5,627,911**	5,044,875
Effect of foreign exchange rate on changes in cash	**14,076**	(72,559)	**15,784**	(34,355)
Change in cash	**(5,680,641)**	(2,509,034)	**(3,805,614)**	303,504
Cash, beginning of the period	**14,345,570**	4,711,862	**12,470,543**	1,899,324
Cash, end of the period	**$ 8,664,929**	$ 2,202,828	**$ 8,664,929**	$ 2,202,828

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

NOTE 1 – BUSINESS OVERVIEW

(a) 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 1177 West Hastings Street, Suite 1630, Vancouver, British Columbia, Canada, V6E 2K3.

These unaudited condensed interim consolidated financial statements (the "financial statements") were approved and authorized for issue by the Board of Directors of the Company on August 17, 2023.

(b) Nature of operations

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

(c) Going concern

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at June 30, 2023 the Company had a working capital surplus of $7,849,430 (December 31, 2022 - $11,364,985). For the six months ended June 30, 2023 and 2022, the Company incurred a net loss of $11,244,932 and $5,152,776, respectively. The Company has incurred operating losses to date and does not generate revenue to support its operating activities. With no source of operating cash flows, there is no assurance that sufficient funding will be available to conduct further exploration of its mineral properties. The Company has had success raising capital in the past, and on March 10, 2023, the Company closed a non-brokered private placement for gross proceeds of $6,260,339 (Note 9(b)). However, the ability to continue as a going concern remains dependent upon Torq's capacity to obtain the financing necessary to continue to fund its mineral properties, including two active exploration projects, 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.

These financial statements do not give effect to adjustments to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

NOTE 2 – BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies followed in these financial statements are the same as those applied in the Company's most recent audited annual consolidated financial statements for the years ended December 31, 2022 and 2021 (the "annual financial statements").

(b) Basis of presentation

These financial statements have been prepared on a historical cost basis. In addition, except for cash flow information, these financial statements have been prepared using the accrual method of accounting.

(c) Basis of consolidation

Subsidiaries are 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.

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

The financial statements include the financial statements of the Company, and the following subsidiaries:

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

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

These financial statements include a 25% investment in Universal Mineral Services Ltd. ("UMS Canada") which is a shared service entity (Note 3).

(d) Critical accounting judgments and estimates

The preparation of the financial statements in conformity with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates. The Company's critical accounting judgements and estimates were presented in Note 3 of the annual financial statements and have been consistently applied in the preparation of these financial statements. No new estimates and judgements were applied for the period ended June 30, 2023.

(e) Application of new and revised accounting standards

On May 7, 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). The amendments narrow the scope of the initial recognition exemption ("IRE") so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The adoption of the new standard did not impact the financial statements of the Company.

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8). The amendments require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarifies how to distinguish changes in accounting policies from changes in accounting estimates. The adoption of the new standard did not impact the financial statements of the Company.

On February 12, 2021, the IASB issued Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements). The amendments help companies provide useful accounting policy disclosures. The adoption of the new standard did not impact the financial statements of the Company.

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

NOTE 3 – EQUITY INVESTMENT

Investment in associate - UMS Canada

UMS Canada is located in Vancouver, BC, and provides geological, financial and transactional advisory services as well as administrative services to the Company and three other companies on a cost recovery basis. On April 1, 2022, the Company acquired a 25% share interest in UMS Canada and accounts for this as an associate. UMS Canada is a party to an office lease agreement with a total term of ten years, for which certain rent expenses will be payable by the Company. As at June 30, 2023, the Company expects to incur approximately $1.6 million in respect of future lease rent for the remaining 8 years.

Summarized financial information of UMS Canada

The Company's share of net loss of UMS Canada for the three and six months ended June 30, 2023 is as follows:

		Three months ended June 30, 2023		**Six months ended June 30, 2023**
Cost recoveries	$	(1,664,628)	$	(3,220,332)
Geological services		675,482		1,166,899
Administrative services		1,022,414		2,124,274
Net loss for the period		33,268		70,841
Company's share of net loss of associate	**$**	**8,317**	**$**	**17,710**

The Company's share of net loss of UMS Canada for the three and six months ended June 30, 2022 is as follows:

		Three months ended June 30, 2022		Six months ended June 30, 2022
Cost recoveries	$	(1,689,579)	$	(1,689,579)
Geological services		665,023		665,023
Administrative services		1,163,892		1,163,892
Net loss for the period		139,336		139,336
Company's share of net loss of associate	$	34,834	$	34,834

The carrying amount of the Company's investment in UMS Canada as at June 30, 2023 is as follows:

		Equity investment
Acquisition of equity investment	$	151,000
Company's share of net loss on investment		(23,976)
Carrying amount as at December 31, 2022		127,024
Company's share of net loss on investment for the period		(17,710)
Carrying amount as at June 30, 2023	**$**	**109,314**

The Company's equity interest in net assets of UMS Canada at June 30, 2023 is as follows:

		2023
Current assets	$	782,142
Non-current assets		2,609,413
Current liabilities		(1,545,690)
Non-current liabilities		(1,408,608)
Net assets - 100%		437,257
Company's equity interest in net assets	**$**	**109,314**

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

NOTE 4 – EQUIPMENT

		Total
Balance as at December 31, 2021	$	383,270
Additions		196,330
Depreciation		(174,073)
Disposals		(7,576)
Foreign currency translation		65,865
Balance as at December 31, 2022		463,816
Additions		36,903
Depreciation		(148,191)
Foreign currency translation		(1,613)
Balance as at June 30, 2023	**$**	**350,915**

During the three and six months ended June 30, 2023, the Company recorded $71,004 and $136,400, respectively (2022 - $15,012 and $30,423, respectively) of depreciation in exploration and evaluation expense in the condensed interim consolidated statements of loss and comprehensive loss.

NOTE 5 – MINERAL PROPERTY INTERESTS

The Company's mineral property interests are composed of the following:

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

(a) Margarita project

Pursuant to the execution of the Margarita Project option agreement, the Company incurred finders' fees to be paid in shares of the Company and issued in separate tranches; on March 31, 2023, the final tranche of shares was issued in final settlement of the agreement with the finders.

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

Certain legal claims arose in 2022 regarding the mineral exploration rights over a non-material section (approximately 10 metres wide) at the edge of the Margarita southern property, comprised of four opposition filings. While the outcome of these legal claims is uncertain, management, after review with legal counsel, believes the claims have no merit. As of June 30, 2023, two of the four claims have been rejected at the first instance, regarding the two remaining, the issuance of the final award is pending.

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

(b) Andrea project

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

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

(c) Santa Cecilia project

In order to maintain the option agreement, the Company needs to complete work expenditures of US15,500,000 over the period up to October 21, 2025, including the requirement to achieve 25,000 metres of drilling during the exploration campaign which is a pre-requisite to exercising the option to earn 100% interest in the project and make cash payments of $25,000,000 by October 21, 2028. The expenditure requirement by October 20, 2023, is US$3,000,000; as at June 30, 2023, the Company has incurred approximately US$5,800,000 of eligible work expenditures.

NOTE 6 – EXPLORATION AND EVALUATION

During the three and six months ended June 30, 2023 and 2022, summary of the Company's exploration and evaluation costs is as follows:

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

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

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

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

NOTE 7 – LOAN FACILITY

As at June 30, 2023, the carrying value of the Loan Facility is as follows:

	Loan Facility
Upon recognition of the loan draws	$ 1,872,729
Interest expense	83,466
Payments of interest expense	(83,466)
Accretion expense	93,981
Balance as at December 31, 2022	$ 1,966,710
Interest expense	111,575
Payments of interest expense	(111,575)
Accretion expense	150,744
Balance as at June 30, 2023	**$ 2,117,454**

During the three and six months ended June 30, 2023, the Company has incurred an accretion expense in respect of the Loan Facility of $78,187 and $150,744, respectively (2022 - $nil and $nil, respectively).

During the three and six months ended June 30, 2023, the Company has incurred an interest expense in respect of the Loan Facility of $56,096 and $111,575, respectively (2022 - $nil and $nil, respectively) all of which has been paid in cash.

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

NOTE 8 – RELATED PARTY TRANSACTIONS

(a) Services rendered and balances

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

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

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

(b) Key management compensation

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

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

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

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

NOTE 9 – SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value.

(b) Common share issuances

<u>During the six months ended June 30, 2023:</u>

On March 31, 2023, the Company issued 243,750 common shares with a $70,862 fair value, pursuant to finders' fee in relation to the Margarita Project finders' fee agreement (Note 5(a)).

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

On March 10, 2023, the Company closed a non-brokered private placement for gross proceeds of $6,260,339 consisting of 10,433,899 units of the Company (the "Units") at a price of $0.60 per Unit. Each unit consists of one Torq common share and one half of a share purchase warrant, two half-warrants being required to exercise and acquire a full share at $0.80 until March 10, 2026. The securities were issued under the listed issuer financing exemption, pursuant to National Instrument 45-106 - Prospectus Exemptions, and therefore no hold period applies to these securities in Canada, except where required by the TSX Venture Exchange.

The Company applied the residual value approach to allocate the proceeds received from the unit offering to their respective components (shares and warrants). Using this approach, the Company attributed a residual value of $521,695 to the warrants issued. In relation to the private placement, the Company issued 601,034 warrants ("Broker Warrants") to the agents with a fair value of $119,714. The Company determined the fair value of the Broker Warrants using the Black-Scholes options valuation model under the following assumptions: risk-free rate of 3.97%, expected life of 2 years, volatility of 67.09%, and dividend yield of 0.00%. Each Broker Warrant will entitle the holder thereof to acquire one common share of the Company at an exercise price equal to $0.60 until March 10, 2025. The fair value of the Broker Warrants was treated as a cost of share issuance; the total share issuance costs associated with the private placement was $640,567.

<u>During the year ended December 31, 2022:</u>

On September 15, 2022, the Company completed a $15,000,000 non-brokered private placement with a wholly owned affiliate of a NYSE listed international gold mining company, Gold Fields Limited ("Gold Fields"), at a purchase price of $1.00 per common share. The Company issued 15,000,000 common shares on September 15, 2022. Torq and Gold Fields have signed an investment agreement that, amongst other things:

- Entitles Gold Fields to a pre-emptive right to maintain its share ownership percentage, subject to certain conditions,
- Subjects Gold Fields to a customary share purchase standstill regarding increasing its position without approval from the Company, apart from customary release conditions such as a third-party bid or similar transaction,
- Creates an advisory technical committee of which Gold Fields will be and is now a member,
- Binds Gold Fields to a voluntary one-year share hold period and customary limits on share resales thereafter, and
- Contains certain limited share voting restrictions on Gold Fields 'shares.

Torq will primarily use the net proceeds for drilling at its Santa Cecilia project, as well as for drilling at the Company's Margarita project. The total cost of issuing the shares was $685,713 which has been recognized within share capital.

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

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

March 2022 Private placement		
Gross proceeds	**$**	**5,275,050**
Share issuance costs		(230,175)
Net proceeds		5,044,875
Warrants		(351,670)
Impact on share capital	**$**	**4,693,205**

The Company applied the residual value approach to allocate the proceeds received from the unit offering to their respective components (shares and warrants). Using this approach, the Company attributed a residual value of $351,670 to the warrants issued.

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

NOTE 10 – SHARE OPTION AND WARRANT RESERVES

(a) Share-based options

The Company maintains a Rolling Share-Based Option Plan providing for the issuance of share purchase 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, 2021	7,745,000	$ 0.80
Granted	700,000	0.65
Forfeited	(70,000)	0.78
Cancelled/Expired	(4,523,125)	0.85
Outstanding, December 31, 2022	3,851,875	0.72
Granted	5,550,000	0.71
Forfeited	(122,500)	0.69
Cancelled/Expired	(158,750)	0.72
Outstanding, June 30, 2023	**9,120,625**	**$ 0.72**

As at June 30, 2023, the number of share options outstanding and exercisable is as follows:

	Outstanding			Exercisable		
Expiry date	Number of share options	Exercise price	Remaining contractual life (years)	Number of share options	Exercise price	Remaining contractual life (years)
Sep 21, 2023	125,000	$ 0.50	0.23	125,000	$ 0.50	0.23
Apr 1, 2024	250,000	0.50	0.76	250,000	0.50	0.76
May 25, 2025	400,000	0.58	1.90	400,000	0.58	1.90
Jun 25, 2025	150,000	0.66	1.99	150,000	0.66	1.99
Apr 7, 2026	1,290,000	0.77	2.77	1,290,000	0.77	2.77
Sep 3, 2026	375,000	0.82	3.18	375,000	0.82	3.18
Nov 24, 2026	529,375	0.86	3.41	529,375	0.86	3.41
Jul 19, 2027	534,375	0.65	4.05	359,063	0.65	4.05
Jan 19, 2028	5,321,875	0.73	4.56	1,945,028	0.73	4.56
Feb 7, 2028	45,000	0.62	4.61	16,875	0.62	4.61
Mar 3, 2028	100,000	0.60	4.68	37,500	0.60	4.68
	9,120,625	**$ 0.72**	**3.83**	**5,477,841**	**$ 0.72**	**3.36**

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

The fair value of all share-based payments to directors, officers, employees and others providing similar services was calculated using the Black-Scholes option valuation model. During the three and six months ended June 30, 2023, and 2022 the Company recognized the following share-based compensation amounts within:

	Three months ended June 30,				Six months ended June 30,			
		2023		2022		**2023**		2022
Exploration and evaluation	**$**	**167,888**	$	17,027	**$**	**584,910**	$	43,284
Fees, salaries and other employee benefits		**285,054**		69,736		**912,678**		185,639
Marketing and investor relations		**24,704**		6,743		**82,728**		17,717
Project investigation		**6,596**		519		**24,116**		519
	$	**484,242**		94,025	$	**1,604,432**	$	247,159

During the six months ended June 30, 2023, the Company granted 5,550,000 share options to directors, officers, employees, and certain consultants who provide on-going services to the Company, representative of employee services. The weighted average fair value per option of these share options was calculated as $0.44 using the Black-Scholes option valuation model at the grant date.

The fair value of the share-based options granted during the six months ended June 30, 2023 is based on the following weighted average assumptions:

	2023
Risk-free rate	**2.84%**
Expected life	**5 years**
Expected volatility	**70.93%**
Dividend yield	**0.00%**

During the year ended December 31, 2022, the Company granted 700,000 share options to directors, officers, employees, and certain consultants who provide on-going services to the Company, representative of employee services. The weighted average fair value per option of these share options was calculated as $0.32 using the Black-Scholes option valuation model at the grant date.

The fair value of the share-based options granted during the year ended December 31, 2022 was based on the following weighted average assumptions:

	2022
Risk-free rate	**3.13%**
Expected life	**5 years**
Expected volatility	**71.46%**
Dividend yield	**0.00%**

(b) Share purchase warrants

The continuity of the share purchase warrants issued and outstanding is as follows:

	Number of warrants	**Weighted average exercise price**
Outstanding, December 31, 2021	-	-
Issued	11,135,964	$ 0.92
Outstanding, December 31, 2022	11,135,964	0.92
Issued	5,817,983	0.78
Outstanding, June 30, 2023	**16,953,947**	**$ 0.87**

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

A summary of the Company's warrants issued and outstanding as at June 30, 2023 is as follows:

Expiry date	Warrants outstanding	Weighted average exercise price
July 11, 2024	3,333,333	$ 0.60
July 11, 2024	769,231	0.65
March 1, 2025	7,033,400	1.10
March 10, 2025	601,034	0.60
March 10, 2026	5,216,949	0.80
	16,953,947	**$ 0.87**

NOTE 11 – FINANCIAL INSTRUMENTS

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

Level 1 – Quoted prices in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (market prices) or indirectly (derived from market prices).
Level 3 – Inputs for the asset or liability are not based upon observable market data.

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

The Company's financial instruments are exposed to liquidity risk, credit risk and currency risk. As at June 30, 2023, the primary risks were as follows:

(a) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. As the Company's operations do not generate cash, financial liabilities are discharged using funding through the issuance of common shares or debt, as required. As at June 30, 2023, the Company had sufficient cash on hand to discharge its financial liabilities as they become due but will require additional funding to continue with planned exploration operations for the upcoming year.

(b) Credit risk

The Company's cash and amounts receivable are exposed to credit risk, which is the risk that the counterparties to the Company's financial instruments will cause a loss to the Company by failing to pay for their obligations. The amount of credit risk to which the Company is exposed is considered insignificant as the Company's cash is held with highly rated financial institutions in interest-bearing accounts and the amounts receivable primarily consist of sales taxes receivable from the Government of Canada.

(c) Currency 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 Company is exposed to significant market risk from currency risk by having balances and transactions in currencies that are different from its functional currency.

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

The Canadian parent company is exposed to USD foreign currency risk with functional currency and the Chilean subsidiaries with USD functional currency are exposed to CLP foreign currency risk. As at June 30, 2023, the Company's foreign currency exposure related to its financial assets and liabilities held in USD and CLP is as follows:

		June 30, 2023		December 31, 2022
Period end exchange rate $ per USD	**$**	**1.3240**	$	1.3544
Cash	**$**	**86,533**	$	1,192
Accounts payable and accrued liabilities		**(99,633)**		-
	$	**(13,100)**	$	1,192

In USD		**June 30, 2023**		December 31, 2022
Period end exchange rate CLP per USD	**$**	**801.66**	$	848.50
Cash	**$**	**588,921**	$	215,907
Amounts receivable		**56,531**		-
Accounts payable and accrued liabilities		**(800,982)**		(675,711)
	$	**(155,530)**	$	(459,804)

A 10% increase or decrease in the USD and CLP exchange rates would result in an impact of approximately $21,902 to the Company's loss and comprehensive loss for the three and six months ended June 30, 2023.

NOTE 12 – SEGMENTED INFORMATION

The Company operates as one operating segment, being the acquisition and exploration of mineral resource properties. The Company's primary exploration and evaluation assets are located in Chile, and its corporate assets, comprising mainly cash, are located in Canada. The Company is in the exploration stage and has no reportable segment revenues or operating results. Most corporate expenses are incurred in Canada.

NOTE 13 – COMMITMENTS

During the six months ended June 30, 2023, the Company entered into a drilling services contract for the 2023 exploration program at the Santa Cecilia mineral property in Chile. The Company committed to a 3,000 – 4,000 metre drill program with the contractor, ending on May 31, 2023 or when the weather dictated the cessation of drilling activity, whichever was earlier. As at June 30, 2023, the Company had fulfilled its commitment and fully utilized the amount prepaid to the contractor.

NOTE 14 – MANAGEMENT OF CAPITAL

The Company considers capital to include items within shareholders' equity. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and evaluation of mineral properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue additional common shares. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets.

The properties in which the Company currently has an interest are in the exploration stage and are not positive cash-flow generating; as such, the Company has historically relied on the equity markets to fund its activities. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to any capital restrictions and the Company's approach to capital management has not changed from the prior year.