



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

For the three months ended March 31, 2020

**Dated: May 28<sup>th</sup>, 2020**

# TORQ RESOURCES INC.

Management's Discussion and Analysis of the Financial Condition and  
Results of Operations for the Three Months Ended March 31, 2020

Expressed in Canadian Dollars

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## 1.1. Date and presentation

This Management Discussion and Analysis ("MD&A") of Torq Resources Inc. (the "Company" or "Torq") has been prepared by management to assist the reader in assessing material changes in the interim financial condition and results of operations of the Company as at March 31, 2020 and for the three months then ended. This MD&A should be read in conjunction with the condensed consolidated interim financial statements of the Company and related notes thereto as at and for the three months ended March 31, 2020 and 2019. The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in the Company's most recent audited annual consolidated financial statements for the year ended December 31, 2019, except as outlined in note 2 of the March 31, 2020 condensed consolidated interim financial statements. All financial information has been prepared in accordance with IFRS and all dollar amounts presented are Canadian dollars unless otherwise stated.

The effective date of this MD&A is May 28, 2020.

### 1.1.2 Forward-looking statements and risk factors

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Company, including but not limited to statements with respect to the Company's plans or future financial or operating performance, the estimation of mineral reserves and resources, conclusions of economic assessments of projects, the timing and amount of estimated future production, costs of future production, future capital expenditures, costs and timing of the development of deposits, success of exploration activities, permitting time lines, requirements for additional capital, sources and timing of additional financing, realization of unused tax benefits and future outcome of legal and tax matters.

The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect", "budget", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, these statements. These uncertainties are factors that include but are not limited to risks related to international operations; risks related to general economic conditions and credit availability; public health crises such as the COVID-19 pandemic and other uninsurable risks; actual results of current exploration activities, unanticipated reclamation expenses; fluctuations in prices of base and precious metals; fluctuations in foreign currency exchange rates, increases in market prices of mining consumables; accidents, labour disputes, title disputes, claims and limitations on insurance coverage and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, changes in national and local government regulation of mining operations, tax rules and regulations, and political and economic developments in countries in which the Company operates, as well as other factors. Additional information relating to the Company and its operations is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.torqresources.com](http://www.torqresources.com).

The Company's management reviews periodically information reflected in forward-looking statements. The Company has and continues to disclose in its Management's Discussion and Analysis and other publicly filed documents, changes to material factors or assumptions underlying the forward-looking statements and to the validity of the statements themselves, in the period the changes occur.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

# TORQ RESOURCES INC.

Management's Discussion and Analysis of the Financial Condition and  
Results of Operations for the Three Months Ended March 31, 2020

Expressed in Canadian Dollars

## 1.2 Overall performance

### 1.2.1 Description of business

Torq is a junior exploration company focused on the acquisition, exploration and development 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") as a Tier 2 mining issuer, and its shares trade under the symbol TORQ.V. On September 18, 2017, the Company commenced trading on the OTCQX under the US symbol TRBMF.

As at the date of this MD&A, the corporate organizational structure of Torq is as follows:

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

During the year ended December 31, 2019, the Company elected to abandon its remaining mineral property interest, the Speedway Gold Project, after dropping its other mineral property interests in Q4 2018, as they did not meet the Company's criteria for further exploration. The Company no longer holds an interest in a Tier 2 Property ("Qualifying Property"), as defined by the rules of the Exchange, while it continues to actively pursue other mineral property opportunities.

Having made the decision to drop its previously held mineral projects and completed all obligations related to keeping those projects in good standing as of March 31, 2019, the Company's focus in the last twelve months has been entirely dedicated to project investigation activities and its goal of identifying and acquiring undervalued advanced stage exploration projects in order to maximize shareholder value.

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, the Company recalled all personnel who were conducting project investigation activities in the field and delayed certain site visits. Further to that, all employees have been working remotely since March 18, 2020, consistent with government recommendations. Despite these limitations, the Company has continued to actively investigate projects through desktop reviews and is currently pursuing several high-potential options to create value for shareholders. The Company is monitoring the COVID-19 situation closely including the phased reopening of many countries; and as restrictions are eased, the Company believes that with \$10.4 million in cash on hand, limited on-going obligations, and a highly experienced management and technical team, it is in a good position to move forward upon finding the right mineral property opportunity.

### 1.2.2 Project investigation costs

The Company is continually reviewing and evaluating new projects globally on its path to establishing a tier-one mineral portfolio. The table below shows the nature of the project investigation costs incurred during the three months ended March 31, 2020 and 2019 and includes all costs and project investigation activities within Europe, North America and South America.

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

## TORQ RESOURCES INC.

Management's Discussion and Analysis of the Financial Condition and  
Results of Operations for the Three Months Ended March 31, 2020

Expressed in Canadian Dollars

### 1.3 Selected annual information

The following represents selected information of the Company for the three most recently completed financial years:

	2019	2018	2017 (Restated) <sup>1</sup>
Loss for the year	\$ (1,677,736)	\$ (4,873,557)	\$ (4,439,520)
Total comprehensive loss for the year	(1,673,966)	(4,873,033)	(4,442,809)
Basic and diluted loss per share	(0.02)	(0.06)	(0.06)
Working capital	10,831,478	12,440,541	15,654,448
Total assets	11,050,736	12,669,876	16,390,511
Total long-term liabilities	-	68,210	151,049
Shareholders' equity	(10,831,478)	(12,372,331)	(16,037,743)
Cash dividends per share	-	-	-

<sup>1</sup> Due to a voluntary change in accounting policy, as disclosed in note 4 of the Company's audited consolidated annual financial statements for the year ended December 31, 2018, the Company restated certain 2017 amounts for comparative purposes.

The Company generated no revenues from operations during the fiscal years ended December 31, 2019, 2018 and 2017, other than interest income of \$245,363, \$280,861 and \$146,577 respectively.

### 1.4 Results of operations

#### Three months ended March 31, 2020 and 2019 (Q1 2020 vs Q1 2019)

Loss for the three months ended March 31, 2020 was \$328,586, or \$0.00 loss per share, compared to a loss of \$477,659 or \$0.01 loss per share for the three months ended March 31, 2019.

Significant variances are discussed as follows:

- For the three months ended March 31, 2020, the Company recorded \$169,957 in fees, salaries and other employee benefits which included share-based compensation expense of \$7,006. Fees, salaries and other employee benefits recorded for Q1 2019 was \$238,088 which included share-based compensation expense of \$34,081.
- For Q1 2020 the Company incurred project investigation costs of \$228,208, compared to \$129,666 in Q1 2019. The increase in the current period reflects that the Company is actively pursuing various mineral property opportunities while in Q1 2019 efforts were being refocused after completing the final work required to leave the abandoned mineral projects in good standing.
- During the three months ended March 31, 2020, the Company recognized a foreign exchange gain of \$175,795 compared to a foreign exchange loss of \$44,638 in the comparable period in 2019. The gain in the current period is unrealized and driven by the appreciation of the US dollar against the Canadian dollar during the quarter and the resulting increase in the Canadian dollar equivalent of the US dollar funds translated at March 31, 2020.

#### Subsequent events

None.

# TORQ RESOURCES INC.

Management's Discussion and Analysis of the Financial Condition and  
Results of Operations for the Three Months Ended March 31, 2020

Expressed in Canadian Dollars

## 1.4 Results of operations (continued)

### Plans for 2020

The Company is advancing its due diligence process on a variety of top tier mineral prospects. The list of properties under review has been refined and represents high priority targets with strong technical and geological merit that the Company believes would be accretive to shareholder value.

As a result of ongoing health concerns related to the COVID-19 pandemic that commenced in Q1 2020 and the resulting travel restrictions, lockdown or self-isolation measures either mandated or recommended by many government agencies globally, the Company has been and will continue to advance its desktop reviews while employees work remotely, however site visits to potential acquisitions have been temporarily put on hold. In recent weeks, many governments have started to reopen their economies and ease restrictions in phases and the Company will follow government guidance when making plans to resume its field activities and site visits, but will only do so once the Company is confident that it is safe for its employees.

The Company expects that these dynamic and uncertain times may lead to an increase in the quality of opportunities and will continue to maintain its focus on identifying high value mineral projects.

## 1.5 Summary of quarterly results

The Company is a mineral exploration company and currently has no producing properties or operating income. The Company 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:

Quarter ended	Interest and other income	Loss	Total Comprehensive loss	Loss per share
	\$	\$	\$	\$
March 31, 2020	46,856	328,586	327,445	0.00
December 31, 2019	56,823	421,059	421,078	0.01
September 30, 2019	60,515	268,719	264,600	0.00
June 30, 2019	63,201	510,299	510,311	0.01
March 31, 2019	64,824	477,659	477,977	0.01
December 31, 2018	87,735	562,361	558,820	0.01
September 30, 2018	62,834	2,325,021	2,331,529	0.03
June 30, 2018	70,306	1,123,261	1,120,506	0.01

The summary of quarterly results for the last eight quarters reflects the downward trend in the net loss and comprehensive loss in the more recent periods. The abandonment of the Company's previously held mineral properties in Q4 2018 and Q1 2019 has resulted in a significant decrease in costs compared to when the Company was conducting exploration and evaluation activities in Q2 and Q3 2018. The losses for the 2019 and 2020 quarters have been comparatively low as a result of the decreased activity levels while the Company focuses solely on project investigation.

## TORQ RESOURCES INC.

Management's Discussion and Analysis of the Financial Condition and  
Results of Operations for the Three Months Ended March 31, 2020

Expressed in Canadian Dollars

### 1.6/1.7 Liquidity and capital resources

As at March 31, 2020, the Company had cash and cash equivalents of \$10,386,489 and working capital of \$10,511,039 compared to cash and cash equivalents of \$10,838,021 and working capital of \$10,831,478 as at December 31, 2019. The cash balance of \$10,386,489 as at March 31, 2020 is sufficient to meet the cash requirements for the Company's operating expenses as well as continue with its project investigation activities. The Company does not foresee the requirement to raise additional capital in the next twelve months but may do so if the Company's operations materially change.

#### Common share issuances

On February 27, 2017, the Company closed a private placement for gross proceeds of \$13,195,000 (the "February 2017 Placement") pursuant to which the Company issued an aggregate of 20,300,000 common shares at a price of \$0.65 per common share. Share issue costs related to the February 2017 Private Placement, which included commissions and professional and regulatory fees, totalled \$447,036.

Intended Use of Proceeds of February 2017 Private Placement		Actual Use of Proceeds to March 31, 2020		(Over)/under expenditure
Offering Expenses	\$447,036	Offering Expenses	\$ 447,036	-
Project Acquisition and exploration	\$10,747,964	Other project investigation and acquisition costs	\$ 628,399	\$ 10,119,565
Administration and general working capital	\$2,000,000	Administration and general working capital	\$ 1,733,076	\$ 266,924
Total	\$13,195,000	Total	\$ 2,808,511	\$ 10,386,489
Explanation of variances and the impact of variances 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, to support its project investigation efforts and to cover administration and general working capital needs.		

### 1.8 Off-balance sheet arrangements

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.

## TORQ RESOURCES INC.

Management's Discussion and Analysis of the Financial Condition and  
Results of Operations for the Three Months Ended March 31, 2020

Expressed in Canadian Dollars

### 1.9 Related party transactions

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

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

- 1) Universal Mineral Services Ltd., ("UMS") is a private company with certain directors and officers in common. Pursuant to an agreement dated December 30, 2015, UMS provides geological, financial and transactional advisory services as well as administrative services to the Company on an ongoing, cost recovery basis. Having these services available through UMS 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 March 31, 2020, the Company's accounts payable and accrued liabilities include an amount owing to UMS of \$182,356 (December 31, 2019 - \$176,360). In addition, the Company has \$150,000 on deposit with UMS, recognized within prepaid expenses and deposits, as at March 31, 2020 (December 31, 2019 - \$150,000).

#### Key management compensation

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

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

### 1.10 Proposed transactions

None

### 1.11 Critical accounting estimates

This section is not required as the Company is a Venture Issuer, as the term is defined in National Instrument 51-102 *Continuous Disclosure Obligations*.

## **TORQ RESOURCES INC.**

Management's Discussion and Analysis of the Financial Condition and  
Results of Operations for the Three Months Ended March 31, 2020

Expressed in Canadian Dollars

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### **1.12 Changes in accounting policies**

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

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 interim financial statements.

In October 2018 the IASB issued narrow-scope amendments to IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not.

The amendments, which are effective for annual reporting periods beginning on or after January 1, 2020, clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, narrow the definition of outputs, add guidance to assess whether an acquired process is substantive and introduce an optional concentration test to permit a simplified assessment.

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

### **1.13 Financial instruments and other instruments**

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

The Company's financial instruments are exposed to certain financial statement risks including credit risk, liquidity risk and market risks, which include foreign currency risk and interest rate risk. Details of the primary risks to which the Company is exposed at March 31, 2020 are laid out in the notes to the Company's March 31, 2020 condensed consolidated interim financial statements.

### **1.14 Other requirements**

#### **1.14.1 Capital structure**

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

#### **Issued share capital:**

As at May 28, 2020, there are 77,324,164 common shares of the Company issued and outstanding.

As at March 31, 2020, there were 77,324,164 common shares of the Company issued and outstanding.

As at May 28, 2020 there were 6,770,000 share purchase options and nil warrants outstanding.

As at March 31, 2020 there were 6,370,000 share purchase options and nil warrants outstanding.

## TORQ RESOURCES INC.

Management's Discussion and Analysis of the Financial Condition and  
Results of Operations for the Three Months Ended March 31, 2020

Expressed in Canadian Dollars

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### 1.14.2 Disclosure controls and procedures

As defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, disclosure controls and procedures require that controls and other procedures be designed to provide reasonable assurance that material information required to be disclosed is duly gathered and reported to senior management in order to permit timely decisions and timely and accurate public disclosure.

Management is responsible for the establishment and maintenance of a system of internal control over financial reporting. This system has been designed to provide reasonable assurance that assets are safeguarded and that the financial reporting is accurate and reliable. The condensed consolidated interim financial statements as at and for the three months ended March 31, 2020 have been prepared by management in accordance with IFRS and in accordance with accounting policies set out in the notes to the annual audited consolidated financial statements for the years ended December 31, 2019 and 2018, except as outlined in note 2 of the March 31, 2020 condensed consolidated interim financial statements.

Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, have evaluated the design of the Company's disclosure controls and procedures and the design of internal controls over financial reporting as required by Canadian securities laws, and have concluded that such procedures are adequate to ensure accurate and complete disclosures in public filings.

There are inherent limitations in all control systems and no disclosure controls and procedures can provide complete assurance that no future errors or fraud will occur. An economically feasible control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Note: As a Venture Issuer, the Company is not required to certify the design and evaluation of the issuer's disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") and has not completed such an evaluation; and there are inherent limitations on the ability of Management to design and implement on a cost effective basis DC&P and ICFR for the Company which may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports required under securities legislation.

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](http://www.sedar.com).

On behalf of the Board of Directors,

"Michael Kosowan"

**Michael Kosowan**

President and Chief Executive Officer

May 28, 2020