



(Formerly Stratton Resources Inc.)

(An exploration stage company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2017 and 2016

(Expressed in Canadian dollars unless otherwise stated)

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2017 and 2016

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

November 23, 2017

# TORQ RESOURCES INC. (Formerly Stratton Resources Inc.)

## Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

	As at September 30, 2017	As at December 31, 2016
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 16,348,033	\$ 5,864,033
Amounts receivable (note 3)	233,023	31,938
Prepaid expenses and deposits (note 4)	151,877	291,365
Deferred project acquisition costs	32,201	–
	16,765,134	6,187,336
<b>Non-current assets:</b>		
Mineral property interests (note 5)	1,309,040	605,232
<b>Total assets</b>	<b>\$ 18,074,174</b>	<b>\$ 6,792,568</b>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 160,044	\$ 633,673
	160,044	633,673
<b>Non-current liability:</b>		
Gecon financial liability	205,301	218,472
	365,345	852,145
<b>Equity</b>		
Share capital	48,851,100	36,103,136
Share option and warrant reserve	6,219,765	5,039,680
Accumulated other comprehensive loss	(6,912)	(1,024)
Deficit	(37,355,124)	(35,201,369)
	17,708,829	5,940,423
<b>Total liabilities and equity</b>	<b>\$ 18,074,174</b>	<b>\$ 6,792,568</b>

Subsequent event (note 5 (a))

Approved on behalf of the Board of Directors:

"Shawn Wallace"  
Director

"Steve Cook"  
Director

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

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

(Expressed in Canadian dollars, except share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
<b>Operating expenses</b>				
Consulting fees, directors' fees, wages and benefits	\$ 116,903	\$ 8,646	\$ 342,288	\$ 24,717
Legal and professional fees	15,510	11,034	87,794	26,154
Regulatory, transfer agent and shareholder information	27,207	6,516	50,489	15,879
Office and administration	42,819	8,394	130,644	26,257
Share-based compensation (note 8 (a))	703,513	–	703,513	–
Travel, marketing and investor relations	28,832	217	60,515	622
Bank charges	1,642	610	5,685	1,268
	<b>936,426</b>	<b>35,417</b>	<b>1,380,928</b>	<b>94,897</b>
<b>Other expenses (income)</b>				
Interest and other income	(46,020)	(321)	(89,655)	(874)
Project investigation expenditures (note 6)	537,818	–	818,485	–
Change in fair value of Gecon financial liability	(6,972)	–	(13,171)	–
Foreign exchange loss	46,394	2	57,168	1,674
	<b>531,220</b>	<b>(319)</b>	<b>772,827</b>	<b>800</b>
<b>Loss for the period</b>	<b>1,467,646</b>	<b>35,098</b>	<b>2,153,755</b>	<b>95,697</b>
Other comprehensive loss, net of tax				
Items that may be reclassified subsequently to profit or loss:				
Unrealized currency loss on translation of foreign operations	3,737	–	5,888	–
<b>Other comprehensive loss for the period</b>	<b>3,737</b>	<b>–</b>	<b>5,888</b>	<b>–</b>
<b>Total comprehensive loss for the period</b>	<b>\$ 1,471,383</b>	<b>\$ 35,098</b>	<b>\$ 2,159,643</b>	<b>\$ 95,697</b>
Basic and diluted loss per share	\$ 0.02	\$ 0.00	\$ 0.03	\$ 0.00
Weighted average number of common shares outstanding (basic and diluted)	77,124,164	43,463,294	72,736,985	38,986,938

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

## TORQ RESOURCES INC. (Formerly Stratton Resources Inc.)

### Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian dollars, except share amounts)

	Number of shares	Share capital	Share option and warrant reserve	Accumulated other comprehensive loss	Deficit	Total
Balance at December 31, 2015	36,724,164	\$ 29,086,748	\$ 5,039,680	\$ –	\$ (34,540,870)	\$ (414,442)
Net loss and comprehensive loss for the period	–	–	–	–	(95,697)	(95,697)
Proceeds from private placement, net of share issue costs (note 7 (b))	20,000,000	6,956,388	–	–	–	6,956,388
Balance at September 30, 2016	56,724,164	36,043,136	5,039,680	–	(34,636,567)	6,446,249
Balance at December 31, 2016	56,824,164	\$ 36,103,136	\$ 5,039,680	\$ (1,024)	\$ (35,201,369)	\$ 5,940,423
Total comprehensive loss for the period	–	–	–	(5,888)	(2,153,755)	(2,159,643)
Proceeds from private placement, net of share issue costs (note 7 (b))	20,300,000	12,747,964	–	–	–	12,747,964
Share-based compensation expense	–	–	1,180,085	–	–	1,180,085
Balance at September 30, 2017	77,124,164	\$ 48,851,100	\$ 6,219,765	\$ (6,912)	\$ (37,355,124)	\$ 17,708,829

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

# TORQ RESOURCES INC. (Formerly Stratton Resources Inc.)

## Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
<b>Cash (used in) provided by:</b>				
<b>Operating activities:</b>				
Net loss for the period	\$ (1,467,646)	\$ (35,098)	\$ (2,153,755)	\$ (95,697)
Items not involving cash:				
Share-based compensation (note 8 (a))	1,022,021	–	1,022,021	–
Change in fair value of Gecon financial liability	(6,972)	–	(13,171)	–
Unrealized foreign exchange loss	11,404	(2,180)	37,794	(84)
Interest income	(46,020)	(321)	(89,655)	(874)
Changes in non-cash working capital:				
Amounts receivable	11,353	(4,283)	(201,062)	(5,431)
Prepaid expenses and deposits	26,006	11,373	189,868	(1,350)
Accounts payable and accrued liabilities	51,571	2,061	31,122	2,652
<b>Cash (used in) operating activities</b>	<b>(398,283)</b>	<b>(28,448)</b>	<b>(1,176,838)</b>	<b>(100,784)</b>
<b>Investing activities:</b>				
Mineral property expenditures, net of government grants	(503,304)	–	(1,100,809)	–
Deferred project acquisition costs	–	(85,716)	(32,842)	(85,716)
Interest received	46,020	321	89,655	874
<b>Cash (used in) / provided by investing activities</b>	<b>(457,284)</b>	<b>(85,395)</b>	<b>(1,043,996)</b>	<b>(84,842)</b>
<b>Financing activities:</b>				
Repayment of note payable (note 9)	–	(609,388)	–	(609,388)
Shares issued for cash, net of issuance costs (note 7 (b))	–	6,956,388	12,747,964	6,956,388
<b>Cash provided by financing activities</b>	<b>–</b>	<b>6,347,000</b>	<b>12,747,964</b>	<b>6,347,000</b>
<b>Effect of foreign exchange rate changes on cash</b>	<b>(11,067)</b>	<b>(2,188)</b>	<b>(43,130)</b>	<b>122</b>
<b>Increase (decrease) in cash</b>	<b>(866,634)</b>	<b>6,235,375</b>	<b>10,484,000</b>	<b>6,161,496</b>
<b>Cash, beginning of the period</b>	<b>17,214,667</b>	<b>141,642</b>	<b>5,864,033</b>	<b>215,521</b>
<b>Cash, end of the period</b>	<b>\$ 16,348,033</b>	<b>\$ 6,377,017</b>	<b>\$ 16,348,033</b>	<b>\$ 6,377,017</b>

Supplemental cash flow information (note 11)

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

# **TORQ RESOURCES INC.** (formerly Stratton Resources Inc.)

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

Three and nine months ended September 30, 2017 and 2016

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## **1. Corporate information**

Torq Resources Inc. (formerly known as Stratton Resources Inc.) (the “Company” or “Torq”) is incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange (“the Exchange”) as a Tier 2 mining issuer. The Company changed its name to Torq Resources Inc. effective March 15, 2017 and its shares trade under the symbol TORQ.V in Canada and on the OTCQX under the US symbol TRBMF.

The Company is principally engaged in the acquisition, exploration, and development of mineral property interests globally with focus in the Americas. The Company has not yet determined whether its mineral property interests contain economically recoverable mineral reserves. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, obtaining the necessary mining permits, and on future profitable production or the proceeds from the disposition of the exploration and evaluation assets.

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

## **2. Basis of presentation**

### **(a) Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). The accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in the Company's most recent audited consolidated financial statements for the year ended December 31, 2016, except for the following: the Company has adopted the narrow scope amendments to IFRS 12 - Disclosure of Interests in Other Entities, IAS 7 - Statement of Cash Flows and IAS 12 - Income Taxes which are effective for annual periods beginning on or after January 1, 2017. The amendments did not have an impact on the Company's condensed interim consolidated financial statements.

These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016.

These condensed consolidated interim financial statements were authorized for issue and approved by the Board of Directors of the Company on November 23, 2017.

### **(b) Basis of preparation and consolidation**

These condensed consolidated interim financial statements have been prepared on a historical cost basis, with the exception of the Gecon financial liability, which is measured at fair value.

The Company's functional currency is the Canadian dollar, which is also the Company's presentation currency. These consolidated financial statements are presented in Canadian dollars, unless otherwise noted. Amounts in these financial statements denominated in Euros are denoted as EUR.

# TORQ RESOURCES INC. (formerly Stratton Resources Inc.)

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

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## 2. Basis of presentation (continued)

### (b) Basis of preparation and consolidation (continued)

The condensed consolidated interim financial statements include the financial statements of the Company and its subsidiaries as follows:

Subsidiary	Place of incorporation	Functional Currency	Beneficial Interest
Stratton Resources (Canada) Ltd.	BC, Canada	CAD	100%
Gecon OOD	Bulgaria	EUR	100%
Archelaus Resources DOOEL (inactive)	Macedonia	EUR	100%
Balakros Resources DOOEL (inactive)	Macedonia	EUR	100%

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Control exists when the Company has power over an investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company's returns.

Intercompany balances and transactions have been eliminated on consolidation.

Certain comparative figures have been reclassified to conform to the current period presentation.

### (c) Critical accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the condensed consolidated interim financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates. The Company's critical accounting judgments and estimates were presented in note 2 of the audited annual consolidated financial statements for the year ended December 31, 2016 and have been consistently applied in the preparation of these condensed consolidated interim financial statements. No new judgements were applied in the periods ended September 30, 2017 and 2016.

## 3. Amounts receivable

As at September 30, 2017 the Company incurred approximately 88% of the required assessment work on its Newfoundland project claims and reclassified \$211,409 of the refundable deposit posted with the Department of Natural Resources of Newfoundland and Labrador ("DNRNFL") from prepaid expenses and deposits to amounts receivable (note 4).

	September 30, 2017	December 31, 2016
Receivable from DNRNFL	\$ 211,409	\$ -
HST/GST receivable	21,614	31,938
	\$ 233,023	\$ 31,938



# TORQ RESOURCES INC. (formerly Stratton Resources Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
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## 4. Prepaid expenses and deposits

Prepaid expenses and deposits as at September 30, 2017 include \$28,191 (December 31, 2016 - \$239,600) of security deposits paid to the DNRNFL in respect to the Newfoundland project. The security deposits are refundable to the Company upon the completion of assessment work on the claims in the aggregate amount of \$955,400 by October 24, 2017 and an additional \$3,000 by November 17, 2017. As at September 30, 2017, the Company incurred \$842,989 of the required assessment work and reclassified \$211,409 of the security deposits to amounts receivable (note 3).

	September 30, 2017	December 31, 2016
Security deposits to DNRNFL	\$ 28,191	\$ 239,600
Prepaid services related to mineral property interests	53,713	20,765
Other prepaid expenses and deposits	69,973	31,000
	<b>\$ 151,877</b>	<b>\$ 291,365</b>

## 5. Mineral property interests

(a) Newfoundland exploration projects

### Wildwood Option

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

Due dates	Cash Payments	Torq common Shares	Work Expenditures
October 28, 2016 (paid)	\$ 75,000	100,000	\$ -
On or before October 28, 2017 (paid)	150,000	200,000	250,000
On or before October 28, 2018	200,000	250,000	500,000
On or before October 28, 2019	250,000	400,000	500,000
On or before October 28, 2020	175,000	500,000	1,000,000
On or before October 28, 2021	-	1,750,000	-
<b>Total</b>	<b>\$ 850,000</b>	<b>3,200,000</b>	<b>\$ 2,250,000</b>

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

Subsequent to September 30, 2017, the Company issued 200,000 of its common shares and paid \$150,000 pursuant to the Wildwood option agreement.

### Cracker Option

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

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

**TORQ RESOURCES INC.** (formerly Stratton Resources Inc.)Notes to Condensed Consolidated Interim Financial Statements  
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Three and nine months ended September 30, 2017 and 2016

**5. Mineral property interests (continued)**

(a) Newfoundland exploration projects (continued)

**Cracker Option (continued)**

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

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

(b) Mineral property interests continuity

The following is a continuity of costs capitalized as mineral property interests:

	Newfoundland projects
<b>Balance as at December 31, 2015</b>	<b>\$ -</b>
<b>Acquisition costs</b>	
Option payments	135,000
Other acquisition costs	81,180
<b>Exploration and evaluation costs</b>	
Drilling and sampling	159,292
Logistics	9,642
Project support cost	115,574
Wages and consultants	104,544
<b>Balance as at December 31, 2016</b>	<b>\$ 605,232</b>
<b>Acquisition costs</b>	
Option payments	25,000
<b>Exploration and evaluation costs</b>	
Aircraft and travel	77,597
Assaying	179,110
Equipment rental and maintenance	55,730
Geophysics and targeting	194,562
Project support cost	32,476
Share-based compensation	158,064
Wages and consultants	110,974
<b>Total additions for the period</b>	<b>\$ 833,513</b>
Government grants	(129,705)
<b>Balance as at September 30, 2017</b>	<b>\$ 1,309,040</b>

# TORQ RESOURCES INC. (formerly Stratton Resources Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
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## 5. Mineral property interests (continued)

(b) Mineral property interests continuity (continued)

During the nine months ended September 30, 2017 the Company received a grant from the Government of Newfoundland and Labrador in the amount of \$129,705 which was recorded as an offset to the exploration and evaluation expenditures incurred on the Newfoundland projects.

## 6. Project investigation expenditures

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
<b>Project investigation expenditures</b>				
Assays	\$ 30,873	\$ -	\$ 55,173	\$ -
Equipment, vehicles rent and field supplies	15,312	-	128,643	-
Geological consulting, salaries and wages	148,915	-	257,694	-
Share-based compensation	318,508	-	318,508	-
Travel, meals, accommodation	24,210	-	58,465	-
	<b>\$ 537,818</b>	<b>\$ -</b>	<b>\$ 818,485</b>	<b>\$ -</b>

## 7. Share capital

(a) Authorized

Unlimited common shares without par value

(b) Share issuances

### Nine months ended September 30, 2017:

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

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

# TORQ RESOURCES INC. (formerly Stratton Resources Inc.)

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## 7. Share capital (continued)

(b) Share issuances (continued)

### Nine months ended September 30, 2016:

On August 30, 2016, the Company closed a private placement for gross proceeds of \$7,000,000 (the "Private Placement") pursuant to which the Company issued an aggregate of 20,000,000 common shares at a price of \$0.35 per common share. Share issue costs related to the Private Placement, which included professional and regulatory fees, totaled \$43,612. There were no commissions or brokerage fees paid in connection with the Private Placement. A reconciliation of the impact of the Private Placement on share capital is as follows:

	Number of common shares issued	Impact on share capital
Common shares issued at \$0.35 per share	20,000,000	\$ 7,000,000
Cash share issue costs	-	(43,612)
	20,000,000	\$ 6,956,388

## 8. Share option and warrant reserve

(a) Share options

The Company maintains a Rolling Share-based Option Plan providing for the issuance of share options up to 10% of the Company's issued and outstanding common shares. The Company may grant from time to time share options to its directors, officers, employees and other service providers. The share options vest 25% on the date of the grant and 12½% every three months thereafter for a total vesting period of 18 months.

The continuity of the number of share options issued and outstanding is as follows:

	Number of share options	Weighted average exercise price
Outstanding, December 31, 2016 and 2015	-	\$ -
Granted	6,500,000	0.85
Outstanding, September 30, 2017	6,500,000	\$ 0.85

As at September 30, 2017, the number of share options outstanding and exercisable was:

Expiry date	Outstanding			Exercisable		
	Number of options	Exercise price	Remaining contractual life (years)	Number of options	Exercise price	Remaining contractual life (years)
Aug 30, 2022	6,500,000	\$0.85	4.92	1,625,000	\$0.85	4.92

# TORQ RESOURCES INC. (formerly Stratton Resources Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
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## 8. Share option and warrant reserve (continued)

### (a) Share options (continued)

The Company uses the fair value method of accounting for all share-based payments to directors, officers, employees and others providing similar services. During the three and nine months ended September 30, 2017 and 2016 the Company recognized share-based compensation expense as follows:

	<b>Three and nine months ended September 30, 2017</b>
Recognized in net income (loss):	
Included in administrative expenditures	\$ 703,513
Included in project investigation expenditures	318,508
Capitalized to mineral interest	158,064
	<b>\$ 1,180,085</b>

During the three and nine months ended September 30, 2016, the Company did not grant any share options and had no outstanding or exercisable share options.

The fair value of the share options granted during the nine months ended September 30, 2017 was estimated using the Black-Scholes option valuation model with the following assumptions on a weighted average basis:

	<b>Three and nine months ended September 30, 2017</b>
Risk-free interest rate	1.51%
Expected dividend yield	nil
Stock price volatility	99%
Expected life in years	4.30

The expected volatility assumption is based on the historical and implied volatility of the Company's common shares. The risk-free interest rate assumption is based on the Government of Canada benchmark bond yields and treasury bills with a remaining term that approximates the expected life of the share options.

### (b) Share purchase warrants

During the three and nine months ended September 30, 2017 and 2016, the Company did not issue share purchase warrants and has no outstanding or exercisable share purchase warrants.

# TORQ RESOURCES INC. (formerly Stratton Resources Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
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## 9. Related party transactions

All transactions with related parties have occurred in the normal course of operations and are measured at their fair value as determined by management. All amounts are unsecured, non-interest bearing and have no specific terms of settlement, unless otherwise noted.

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Universal Mineral Services Ltd. <sup>1</sup>				
Included in the statement of loss and comprehensive loss:				
Bank charges	\$ 980	\$ 159	\$ 1,551	\$ 450
Consulting fees, directors' fees, wages and benefits	87,290	8,647	126,200	24,718
Office, rent and administration	69,343	8,392	104,256	26,257
Project investigation expenditures	48,393	-	80,068	-
Regulatory, transfer agent and shareholder information	7,238	-	7,850	840
Travel, marketing and investor relations	2,245	-	2,245	-
Capitalized to mineral property interests:				
Newfoundland	51,177	-	57,619	-
<b>Total transactions for the period</b>	<b>\$ 266,667</b>	<b>\$ 17,198</b>	<b>\$ 379,790</b>	<b>\$ 52,265</b>

1) Universal Mineral Services Ltd., ("UMS") is a private company with certain directors and officers in common that, pursuant to an agreement dated December 30, 2015, provides office space and administrative services to the Company on a cost recovery basis. The outstanding balance owing at September 30, 2017 was \$42,459 (December 31, 2016 - \$30,388) and prepaid expenses and deposits balance was \$50,000 (December 31, 2016 - \$31,000).

Effective June 30, 2013, UMS agreed to settle historic payable balances totaling \$609,388 with a note payable for an equivalent value. The note payable was repaid in full effective August 30, 2016, with funds from the Private Placement (note 7(b)).

### Key management compensation

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Short-term benefits	\$ 60,000	\$ -	\$ 173,735	\$ -
Share-based compensation	594,582	-	594,582	-
<b>Total</b>	<b>\$ 654,582</b>	<b>\$ -</b>	<b>\$ 768,317</b>	<b>\$ -</b>

# TORQ RESOURCES INC. (formerly Stratton Resources Inc.)

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

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## 10. Financial instruments

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

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

As at September 30, 2017, the Company's financial instruments consist of cash, accounts payable and accrued liabilities and Gecon financial liability. The fair values of cash, accounts payable and accrued liabilities approximate their carrying values due to their short-term to maturity.

As at September 30, 2017 and December 31, 2016, the only financial instrument measured at fair value was the Gecon financial liability which is classified under level 3 of the fair value hierarchy. The Gecon financial liability was remeasured at September 30, 2017 with the change in fair value since December 31, 2016 recognized in the comprehensive statement of loss.

The Company's financial instruments are exposed to certain financial risks including credit risk, liquidity risk and market risks. As at September 30, 2017 and December 31, 2016 credit risk and liquidity risk do not have a material impact on the Company's consolidated financial statements. The quantitative impact of the market risk on the Company's net loss for the period is presented as follows:

### (a) Market risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Significant market risks to which the company is exposed are:

#### Foreign currency risk

The Company is exposed to currency risk by having balances and transactions in currencies that are different from its functional currency (the Canadian dollar). As at September 30, 2017, the Company held net financial assets denominated in US dollars in the amount of \$820,722 (December 31, 2016 - \$165,642) and net financial assets denominated in Euro of \$52,160 (December 31, 2016 – \$33,632).

A 1% increase or decrease in the US dollar and Euro exchange rates would result in an increase/decrease of approximately \$8,728 in the Company's net loss for the nine-month period ended September 30, 2017.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash attract interest at floating rates paid on deposits. The interest is typical of Canadian banking rates, which are at present low, however the conservative investment strategy mitigates the risk of deterioration to the investment. A change of one basis point in the interest rate would result in an increase/decrease of approximately \$16,348 in the Company's net loss for the nine-month period ended September 30, 2017.

**TORQ RESOURCES INC.** (formerly Stratton Resources Inc.)Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian Dollars, unless otherwise stated)

Three and nine months ended September 30, 2017 and 2016

**11. Supplemental cash flow information**

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Net working capital change included in mineral property interests	\$ (325,227)	\$ -	\$ (555,065)	\$ -
Change in trade payables and other included in deferred costs	-	45,141	-	45,141
Share-based compensation included in mineral property interest	158,064	-	158,064	-
Share-based compensation included in project investigation expenditures	318,508	-	318,508	-

**12. Segmented information**

The Company operates as one operating segment being acquisition, exploration and development of mineral resource properties. As at September 30, 2017 and December 31, 2016 all of the Company's non-current assets are located in Canada.

**13. Loss per share**

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Loss attributable to ordinary shareholders	\$ 1,467,646	\$ 35,098	\$ 2,153,755	\$ 95,697
Weighted average number of common shares	77,124,164	43,463,294	72,736,985	38,986,938
Basic and diluted loss per share	\$0.02	\$0.00	\$0.03	\$0.00

As at September 30, 2017 and 2016, the Company had no dilutive securities.