



(Formerly Stratton Resources Inc.)

(An exploration stage company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and six months ended June 30, 2017 and 2016

(Expressed in Canadian dollars unless otherwise stated)

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and six months ended June 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.

August 29, 2017

TORQ RESOURCES INC. (Formerly Stratton Resources Inc.)

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

	As at June 30, 2017	As at December 31, 2016
Assets		
Current assets:		
Cash	\$ 17,214,667	\$ 5,864,033
Amounts receivable (note 3)	244,318	31,938
Prepaid expenses and deposits (note 4)	178,131	291,365
Deferred project acquisition costs	32,356	–
	17,669,472	6,187,336
Non-current assets:		
Mineral property interests (note 5)	972,899	605,232
Total assets	\$ 18,642,371	\$ 6,792,568
Liabilities and Equity		
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 433,708	\$ 633,673
	433,708	633,673
Non-current liability:		
Gecon financial liability	212,273	218,472
	645,981	852,145
Equity		
Share capital	48,851,100	36,103,136
Share option and warrant reserve	5,039,680	5,039,680
Accumulated other comprehensive loss	(6,912)	(1,024)
Deficit	(35,887,478)	(35,201,369)
	17,996,390	5,940,423
Total liabilities and equity	\$ 18,642,371	\$ 6,792,568

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 June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Administration expenses:				
Consulting fees, directors' fees, wages and benefits	\$ 119,999	\$ 7,530	\$ 225,385	\$ 16,071
Legal and professional fees	25,608	9,266	72,284	15,120
Regulatory, transfer agent and shareholder information	10,531	7,186	23,282	9,363
Office and administration	48,209	8,796	87,825	17,863
Travel, marketing and investor relations	20,545	202	31,683	405
Bank charges	1,946	380	4,043	658
	226,838	33,360	444,502	59,480
Other expenses (income):				
Interest and other income	(27,823)	(57)	(43,635)	(553)
Project evaluation costs (note 6)	168,724	-	280,667	-
Change in fair value of Gecon financial liability	(3,934)	-	(6,199)	-
Foreign exchange loss	29,366	1,889	10,774	1,672
	166,333	1,832	241,607	1,119
Loss for the period	393,171	35,192	686,109	60,599
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	-
Other comprehensive loss for the period	3,737	-	5,888	-
Total comprehensive loss for the period	\$ 396,908	\$ 35,192	\$ 691,997	\$ 60,599
Basic and diluted loss per share	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.00
Weighted average number of common shares outstanding (basic and diluted)	77,124,164	36,724,164	70,507,037	36,724,164

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	–	–	–	–	(60,599)	(60,599)
Balance at June 30, 2016	36,724,164	29,086,748	5,039,680	–	(34,601,469)	(475,041)
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)	(686,109)	(691,997)
Proceeds from private placement, net of share issue costs (note 7 (b))	20,300,000	12,747,964	–	–	–	12,747,964
Balance at June 30, 2017	77,124,164	\$ 48,851,100	\$ 5,039,680	\$ (6,912)	\$ (35,887,478)	\$ 17,996,390

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 June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Cash (used in) provided by:				
Operating activities:				
Net loss for the period	\$ (393,171)	\$ (35,192)	\$ (686,109)	\$ (60,599)
Items not involving cash:				
Change in fair value of Gecon financial liability	(3,934)	–	(6,199)	–
Unrealized foreign exchange loss	23,471	2,188	26,390	2,096
Interest income	(27,823)	(57)	(43,635)	(553)
Changes in non-cash working capital:				
Amounts receivable	(197,488)	107	(212,415)	(1,148)
Prepaid expenses and deposits	217,969	(8,814)	163,862	(12,723)
Accounts payable and accrued liabilities	(119,624)	(2,021)	(20,449)	591
Cash used in operating activities	(500,600)	(43,789)	(778,555)	(72,336)
Investing activities:				
Mineral property expenditures	(320,269)	–	(597,505)	–
Deferred project acquisition costs	(32,842)	–	(32,842)	–
Interest received	27,823	57	43,635	553
Cash used in / provided by investing activities	(325,288)	57	(586,712)	553
Financing activities:				
Shares issued for cash, net of issuance costs (note 7 (b))	–	–	12,747,964	–
Cash provided by financing activities	–	–	12,747,964	–
Effect of foreign exchange rate changes on cash	(26,876)	(2,188)	(32,063)	(2,096)
Increase (decrease) in cash	(852,763)	(45,920)	11,350,634	(73,879)
Cash, beginning of the period	18,067,430	187,562	5,864,033	215,521
Cash, end of the period	\$ 17,214,667	\$ 141,642	\$ 17,214,667	\$ 141,642

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 six months ended June 30, 2017 and 2016

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.

The Company and its subsidiaries are principally engaged in the acquisition, exploration, and development of mineral property interests in North America and Europe. 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 August 29, 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)

Three and six months ended June 30, 2017 and 2016

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 Skopje	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 June 30, 2017 and 2016.

3. Amounts receivable

As at June 30, 2017 the Company incurred approximately 83% of the required assessment work on its Newfoundland project claims and reclassified \$199,582 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).

	June 30, 2017	December 31, 2016
Receivable from DNRNFL	\$ 199,582	\$ -
Value added tax receivable	44,736	31,938
	\$ 244,318	\$ 31,938

TORQ RESOURCES INC. (formerly Stratton Resources Inc.)

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

Three and six months ended June 30, 2017 and 2016

4. Prepaid expenses and deposits

Prepaid expenses and deposits as at June 30, 2017 include \$40,018 (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 June 30, 2017, the Company incurred \$795,829 of the required assessment work and reclassified \$199,582 of the security deposits to amounts receivable (note 3).

	June 30, 2017	December 31, 2016
Security deposits to DNRNFL	\$ 40,018	\$ 239,600
Prepaid services related to mineral property interests	66,502	20,765
Other prepaid expenses and deposits	71,611	31,000
	\$ 178,131	\$ 291,365

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 Newfoundland 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	\$ 75,000	100,000	\$ -
On or before October 28, 2017	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	-
Total	\$ 850,000	3,200,000	\$ 2,250,000

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

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.

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

Three and six months ended June 30, 2017 and 2016

5. Mineral property interests (continued)

a) Newfoundland exploration projects (continued)

Cracker Option (continued)

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:

Due dates	Cash Payments	Cash or Share payments	Work Expenditures
On June 26, 2017	\$ 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
Cumulative totals to earn a 75% interest in the claims	75,000	175,000	1,000,000
On or before June 26, 2021	-	250,000	1,000,000
Cumulative totals to earn a 100% interest in the claims	\$ 75,000	\$ 425,000	\$ 2,000,000

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 costs

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

	Newfoundland projects
Balance as at December 31, 2015	\$ -
Acquisition costs	
Option payments	135,000
Other acquisition costs	81,180
Exploration and evaluation costs	
Drilling and sampling	159,292
Logistics	9,642
Project support cost	115,574
Wages and consultants	104,544
Balance as at December 31, 2016	\$ 605,232
Acquisition costs	
Option payments	25,000
Exploration and evaluation costs	
Drilling and till sampling	251,432
Equipment rental and maintenance	45,534
Project support cost	81,130
Wages and consultants	94,276
Total additions for the period	497,372
Government grants	(129,705)
Balance as at June 30, 2017	\$ 972,899

TORQ RESOURCES INC. (formerly Stratton Resources Inc.)

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

a) Mineral property interests costs (continued)

During the six months ended June 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 costs

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Project investigation costs				
Assays	\$ 1,952	\$ -	\$24,300	\$ -
Geological consulting, salaries and wages	130,551	-	196,443	-
Vehicle, equipment and field supplies	23,279	-	25,668	-
Travel, meals, accommodation	12,942	-	34,256	-
	\$ 168,724	\$ -	\$280,667	\$ -

7. Share capital

(a) Authorized

Unlimited common shares without par value

(b) Share issuances

Six months ended June 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)
	20,300,000	\$ 12,747,964

TORQ RESOURCES INC. (formerly Stratton Resources Inc.)

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

Three and six months ended June 30, 2017 and 2016

7. Share capital (continued)

(b) Share issuances (continued)

Six months ended June 30, 2016:

No common shares were issued during the six months ended June 30, 2016.

8. Share option and warrant reserve

Share-based options

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

During the three and six months ended June 30, 2017 and 2016, the Company did not grant any stock options and has no outstanding or exercisable stock options.

Share purchase warrants

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

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 June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Universal Mineral Services Ltd. ¹				
Included in the statement of loss and comprehensive loss:				
Bank charges	\$ 535	\$ 149	\$ 1,106	\$ 291
Consulting fees, directors' fees, wages and benefits	44,531	7,530	83,441	16,071
Office, rent and administration	34,966	8,797	69,879	17,864
Project evaluation costs	21,045	-	52,720	-
Regulatory, transfer agent and shareholder information	383	840	995	840
Travel, marketing and investor relations	537	-	537	-
Capitalized to mineral property interests:				
Newfoundland	38,229	-	44,671	-
Total transactions for the period	\$ 140,226	\$ 17,316	\$ 253,349	\$ 35,066

1) Universal Mineral Services Ltd., ("UMS") is a private company with 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 June 30, 2017 was \$65,486 (December 31, 2016 - \$30,388) and prepaid expenses and deposits balance was \$50,000 (December 31, 2016 - \$31,000).

TORQ RESOURCES INC. (formerly Stratton Resources Inc.)

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

Three and six months ended June 30, 2017 and 2016

9. Related party transactions (continued)

Key management compensation

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Short-term benefits	\$ 60,155	\$ -	\$ 113,735	\$ -

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 June 30, 2017, the Company's financial instruments consist of cash, amounts receivable, trade payables and other and Gecon financial liability. The fair values of cash, amounts receivable, trade payables and other approximate their carrying values due to their short-term to maturity.

As at June 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 June 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 June 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 June 30, 2017, the Company held net financial assets denominated in US dollars in the amount of \$905,918 (December 31, 2016 - \$165,642) and net financial assets denominated in Euro of \$58,464 (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 \$9,644 in the Company's net loss for the six-month period ended June 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 six months ended June 30, 2017 and 2016

10. Financial instruments (continued)

(a) Market risk (continued)

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 \$17,214 in the Company's net loss for the six-month period ended June 30, 2017.

11. Supplemental cash flow information

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net working capital change included in mineral property interests	\$ (26,694)	\$ -	\$ (229,838)	\$ -

12. Segmented information

The Company operates as one operating segment being acquisition, exploration and development of mineral resource properties. As at June 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 June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Loss attributable to ordinary shareholders	\$ 393,171	\$ 35,192	\$ 686,109	\$ 60,599
Weighted average number of common shares	77,124,164	36,724,164	70,507,037	36,724,164
Basic and diluted loss per share	\$0.01	\$0.00	\$0.01	\$0.00

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