

# **TORR METALS INC.**

Condensed Interim Financial Statements

For the three and six months ended October 31, 2022 and 2021

Expressed in Canadian Dollars

To the shareholders of Torr Metals Inc:

The condensed interim financial statements of Torr Metals Inc. (the “Company”) for the three and six months ended October 31, 2022 and 2021 have been compiled by management.

No audit or review of this information has been performed by the Company’s auditors.

TORR METALS INC.

Statements of Financial Position

Expressed in Canadian Dollars

(unaudited)

As at	October 31, 2022	April 30, 2022
<b>ASSETS</b>		
Current		
Cash (note 6)	\$ 2,804,807	\$ 3,148,590
Accounts receivable (note 6)	867	867
Goods and services tax receivable	110,565	50,912
Prepays and deposits	35,442	7,000
	<b>2,951,681</b>	3,207,369
Reclamation bond	12,381	-
Exploration and evaluation properties (note 3, 4)	6,479,783	5,065,332
	<b>\$ 9,443,845</b>	<b>\$ 8,272,701</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (note 7)	\$ 163,649	\$ 113,191
Deferred flow-through liability (note 5)	528,080	118,209
Asset retirement obligation liability	12,381	-
	<b>704,110</b>	231,400
<b>EQUITY</b>		
Share capital (note 5)	9,173,184	8,441,267
Option and warrant reserve	560,558	560,558
Deficit	(994,007)	(960,524)
	<b>8,739,735</b>	8,041,301
	<b>\$ 9,443,845</b>	<b>\$ 8,272,701</b>

Nature of operations and going concern (note 1)

Subsequent events (note 10)

Approved by the Board of Directors on December 19, 2022

Director (signed by) "Malcolm Dorsey"

Director (signed by) "John Williamson"

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

TORR METALS INC.

Statements of Loss and Comprehensive Loss

Expressed in Canadian Dollars

(unaudited)

For the	three months ended October 31		six months ended October 31	
	2022	2021	2022	2021
<b>Expenses</b>				
Advertising and promotion	40,751	-	142,478	-
Management fees (note 7)	14,500	-	29,000	-
Office and administration	15,499	3,210	35,924	6,845
Professional fees	15,968	12,640	29,621	18,141
Project evaluation (note 6)	-	45,303	-	144,140
Regulatory and filing fees	4,163	16,586	7,747	18,389
	<b>(90,881)</b>	<b>(77,739)</b>	<b>(244,770)</b>	<b>(187,515)</b>
<b>Other</b>				
Interest income	27,961	311	47,158	661
Settlement of flow-through liability (note 5)	106,466	-	164,129	-
<b>Comprehensive income (loss) for the period</b>	<b>\$ 43,546</b>	<b>\$ (77,428)</b>	<b>\$ (33,483)</b>	<b>\$ (186,854)</b>
<b>Basic and diluted income (loss) per common share</b>				
	<b>\$ 0.00</b>	<b>\$ (0.03)</b>	<b>\$ (0.00)</b>	<b>\$ (0.06)</b>
Basic and diluted weighted average number of common shares outstanding	<b>35,525,799</b>	<b>6,300,000</b>	<b>35,729,655</b>	<b>6,300,000</b>

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

TORR METALS INC.  
 Statements of Changes in Equity  
 Expressed in Canadian Dollars

(unaudited)

	Number of shares	Share capital	Option and warrant reserve	Deficit	Total equity
<b>Balance at April 30, 2021</b>	<b>4,333,466</b>	<b>\$ 394,302</b>	<b>\$ 70,200</b>	<b>\$ (221,688)</b>	<b>\$ 242,814</b>
Net loss	-	-	-	(186,854)	(186,854)
<b>Balance at October 31, 2021</b>	<b>4,333,466</b>	<b>\$ 394,302</b>	<b>\$ 70,200</b>	<b>\$ (408,542)</b>	<b>\$ 55,960</b>
Shares issued for cash	4,805,241	1,585,730	-	-	1,585,730
Shares issued for exploration and evaluation assets	22,506,867	6,752,060	-	-	6,752,060
Share issuance costs	-	(166,310)	-	-	(166,310)
Share issuance costs – non-cash	-	(20,858)	-	-	(20,858)
Share based compensation	-	-	483,000	-	483,000
Flow-through premium liability	-	(144,157)	-	-	(144,157)
Warrants issued	-	-	20,858	-	20,858
Warrants exercised	185,720	40,500	(13,500)	-	27,000
Net loss	-	-	-	(551,982)	(551,982)
<b>Balance at April 30, 2022</b>	<b>31,831,294</b>	<b>\$ 8,441,267</b>	<b>\$ 560,558</b>	<b>\$ (960,524)</b>	<b>\$ 8,041,301</b>
Shares issued for cash	4,100,000	1,353,000	-	-	1,353,000
Share issuance costs	-	(47,083)	-	-	(47,083)
Flow-through premium liability	-	(574,000)	-	-	(574,000)
Net loss	-	-	-	(33,483)	(33,483)
<b>Balance at October 31, 2022</b>	<b>35,931,294</b>	<b>\$ 9,173,184</b>	<b>\$ 560,558</b>	<b>\$ (994,007)</b>	<b>\$ 8,739,735</b>

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

TORR METALS INC.  
 Statements of Cash Flows  
 Expressed in Canadian Dollars

(unaudited)

For the six months ended	October 31, 2022	October 31, 2021
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net loss for the period	\$ (33,483)	\$ (186,854)
Items not affecting cash:		
Settlement of flow-through liability	(164,129)	-
	(197,612)	-
Changes in non-cash working capital:		
Goods and services tax receivable	(59,653)	(490)
Accounts receivable and prepayments	(28,442)	(7,355)
Accounts payable and accrued liabilities	(110,829)	145,166
Cash used in operating activities	(396,536)	(49,533)
<b>Investing activities</b>		
Exploration and evaluation property acquisition expenditures (note 4)	(299)	-
Exploration and evaluation property exploration expenditures (note 4)	(1,240,484)	-
Purchase of reclamation bond	(12,381)	-
Cash used in by investing activities	(1,253,164)	-
<b>Financing activities</b>		
Proceeds from private placements (note 5)	1,353,000	-
Share issuance costs	(47,083)	-
Cash provided by financing activities	1,305,917	-
<b>Net increase (decrease) in cash</b>	<b>(343,783)</b>	<b>(49,533)</b>
Cash, beginning of period	3,148,590	256,625
<b>Cash, end of period</b>	<b>\$ 2,804,807</b>	<b>\$ 207,092</b>

As at October 31, 2022, \$161,288 (2021 – \$nil) of exploration and evaluation property expenditures are included in accounts payable and accrued liabilities.

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

## TORR METALS INC.

Notes to the Condensed Interim Financial Statements

For the three and six months ended October 31, 2022 and 2021

Expressed in Canadian Dollars

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### 1. Nature of operations and going concern

Torr Metals Inc. ("Torr" or the "Company") was incorporated under the Business Corporations Act (Alberta) on July 18, 2018 and continued its corporate existence from Alberta to British Columbia under the British Columbia Business Corporation Act. On November 26, 2021, the Company completed its Qualifying Transaction ("QT") pursuant to the policies of the TSX Venture Exchange ("TSXV") to acquire an aggregate 100% interest in the Latham Copper-Gold Project in northern British Columbia. Concurrent with the QT, the Company changed its name from Duro Metals Inc. to Torr Metals Inc. and now trades under the symbol "TMET" on the TSXV.

On April 30, 2022, the Company completed a vertical short-form amalgamation pursuant to the Business Corporations Act with its wholly owned subsidiary 1306043 B.C. Ltd. ("130"). Pursuant to the Amalgamation, the resulting amalgamated company has adopted the name "Torr Metals Inc.", maintained the same Articles and management as the Company, issued no securities, the symbol "TMET" and the CUSIP remains the same.

The Company's principal business is to explore and develop the Latham Copper-Gold Project in northern British Columbia. The Company's head office is at Suite 780, 1111 West Hastings Street, Vancouver, BC, V6E 2J3.

While these condensed interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations for the foreseeable future, there are significant uncertainties related to certain adverse conditions and events that may cast doubt on the validity of this assumption. As at October 31, 2022, the Company had working capital of \$2,788,032 (April 30, 2022 - \$2,975,969) and an accumulated deficit of \$994,007 (April 30, 2022 - \$960,524). The Company anticipates that its cash resources will be sufficient to cover its projected funding requirements for the ensuing year.

### 2. Basis of presentation

#### Statement of compliance with International Financial Reporting Standards

These financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim financial statements were authorized for issue by the Board of Directors of the Company on December 19, 2022.

These condensed interim financial statements are presented in Canadian Dollars, unless otherwise noted and have been prepared on a historical cost basis. The Canadian dollar is the functional and presentation currency of the Company.

### 3. Acquisition of 1306043 BC Ltd.

On November 26, 2021, the Company executed an amalgamation agreement (the "Agreement") with 1306043 BC Ltd. ("130 BC") which provided for the transfer all of 130 BC's issued and outstanding shares to Torr, in exchange for the issuance of 22,106,867 common shares of Torr and 2.0% net smelter returns royalty from any production of the Dalvenie Property. As a result of this transaction, 130 BC. became a wholly owned subsidiary and Torr acquired a 100% interest in the Dalvenie and Hu Properties.

Due to the fact that the 130 BC is an exploration stage, with no significant operations, no processes or outputs, and no demonstrated technical feasibility or commercial viability of the project. Consequently, the Company has accounted for its acquisition of 130 BC as an asset acquisition, whereby acquired assets and liabilities assumed are

## TORR METALS INC.

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measured at their fair values at the acquisition date unless they are not readily measurable, in which case the fair value of the share-based payments and other consideration is used. No goodwill is recognized; and acquisition-related costs are capitalized to the assets.

The amounts shown below represent relative fair value of net assets on the effective date of the Agreement, which was November 26, 2021.

### Purchase consideration:

Shares issued in exchange for 130 BC Shares (i)	\$ 6,632,060
Warrants issued in exchange for 130 BC warrants (ii)	<u>16,393</u>
	<b><u>\$ 6,648,453</u></b>
Assets acquired:	
Cash	\$ 2,732,060
Other current assets	867
Mineral interest - Dalvenie and Hu properties (note 4)	<u>4,049,190</u>
	6,782,117
Less: liabilities assumed:	
Transaction costs	(113,771)
Accounts payable and accrued liabilities	<u>(19,893)</u>
<b>Total Purchase consideration</b>	<b><u>\$ 6,648,453</u></b>

(i) For accounting purposes, the common shares issued were recorded at \$0.30 per common share, representing the Company's share price on the date of issuance.

(ii) The Company issued warrants in exchange for 130 BC warrants with an estimated fair value of \$16,393 (note 5).

Subsequent to the acquisition, the Company amalgamated with 1306043 BC Ltd. on April 30, 2022 (note 1).

#### 4. Exploration and evaluation properties

On November 26, 2021, the Company completed its Qualifying Transaction (the "QT") by acquiring the British Columbia mineral claims known as the Hu Property and Dalvenie Property, by way of an acquisition transaction of 1306043 BC Ltd. (note 3). Immediately after the acquisition, the Company acquired mineral claims known as the Gnat claims. Together, the consolidated Gnat Claims, Hu Property and Dalvenie Property are now known as the Latham Copper-Gold Project, a mineral exploration property comprised of 41 mineral claims totaling 49,694 hectares in northern British Columbia.

To acquire the Dalvenie and Hu claims the Company acquired 1306043 BC Ltd., by issuing 22,106,867 shares in a share exchange (note 3, 4).

To acquire the Gnat claims, the Company paid \$100,000 cash to the vendor and issued 400,000 common shares of the Company at a deemed price of \$0.30 per share for a total consideration of \$220,000. The vendor retains a 2% net smelter royalty.

TORR METALS INC.

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Total costs incurred by the Company on the Latham property are summarized as follows:

	<u>Acquisition</u>	<u>Exploration</u>	<u>Total</u>
<b>Balance, April 30, 2022</b>	<b>\$ 4,611,478</b>	<b>\$ 453,854</b>	<b>\$ 5,065,332</b>
Assay and analysis	-	70,977	70,977
Camp	-	279,309	279,309
Claims and land use	299	-	299
Community relations	-	100,622	100,622
Drilling	-	27,350	27,350
Fieldwork	-	243,576	243,576
Freight	-	10,746	10,746
General and administrative	-	51,177	51,177
Geological consulting	-	282,637	282,637
Reclamation	-	12,381	12,381
Rentals	-	153,957	153,957
Subcontractors	-	66,992	66,992
Travel and support	-	114,428	114,428
<b>Balance, October 31, 2022</b>	<b>\$ 4,611,777</b>	<b>\$ 1,868,006</b>	<b>\$ 6,479,783</b>

5. Share capital

On November 26, 2021, immediately prior to the QT, the Company consolidated all its issued and outstanding common shares based on one post-consolidation common share for every 1.4538 pre-consolidation common shares. All share data and equity-based instruments have been retroactively adjusted to give effect to the consolidation.

a) Common shares

The Company's articles authorize an unlimited number of common shares without par value and an unlimited number of preferred shares.

	<u>Number of shares</u>	<u>Amount</u>
<b>Balance at April 30, 2022</b>	<b>31,831,294</b>	<b>\$ 8,441,267</b>
Shares issued in private placements	4,100,000	1,353,000
Share issuance cost	-	(47,083)
Flow-through liability	-	(574,000)
<b>Balance at October 31, 2022</b>	<b>35,931,294</b>	<b>\$ 9,173,184</b>

Acquisition and amalgamation of 1306034 B.C. Ltd.

As part of the QT, 1306034 B.C. Ltd. amalgamated with 1334885 B.C. Ltd., and continued as an amalgamated wholly-owned subsidiary of the Company. All existing common shares and warrants of both corporations were exchanged for shares of the Company on a one-to-one basis. The Company issued 22,106,867 shares at a deemed price of \$0.30 per share to acquire 1306043 BC Ltd. for total consideration of \$6,632,060.

TORR METALS INC.

Notes to the Condensed Interim Financial Statements

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Flow-through financing

On May 10, 2022, the Company completed a flow-through financing by issuing 4,100,000 post-consolidated flow through shares at a price of \$0.33 per share for gross proceeds \$1,353,000 and recognized a deferred flow-through premium of \$574,000 as the difference between the amounts recognized in common shares and the amounts the investors paid for the units. As at October 31, 2022, the Company has incurred \$106,178 of eligible exploration expenditures relating to these flow-through shares. As a result, the amount of \$45,920 in connection with the settlement of the flow-through liability was recognized in other income. No finders fees were paid in connection with the financing.

On November 26, 2021, immediately following the amalgamation, the Company completed a flow-through financing by issuing 4,805,241 post-consolidated flow through shares at a price of \$0.33 per share for gross proceeds \$1,585,730 and recognized a deferred flow-through premium of \$144,157 as the difference between the amounts recognized in common shares and the amounts the investors paid for the units. As at October 31, 2022, the Company has incurred all eligible exploration expenditures relating to these flow-through shares. As a result, the amount of \$144,157 in connection with the settlement of the flow-through liability was recognized in other income. The Company paid finders fees in the amount of \$114,029 in connection with the flow-through financing.

Acquisition of Gnat claims

On November 26, 2021, the Company acquired the Gnat claims, by issuing 400,000 common shares of the Company and a \$100,000 cash payment. The vendor retains a 2% net smelter royalty.

Escrowed Common Shares.

Pursuant to the closings of the Company's initial public offering ("IPO") and Qualifying Transaction, 2,242,395 of the Company's outstanding common shares are subject to a CPC Escrow Agreement and 12,666,667 are subject to a Tier 2 Value Security Escrow Agreement. Under these agreements, 10% of the escrowed common shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on the dates that are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release. As of the date of these financial statements, 11,181,797 common shares remained in escrow.

b) Warrants

The Following is a summary of the changes in the Company's warrants during the periods:

	<b>Number of Warrants</b>	<b>Weighted average exercise price</b>
<b>Outstanding warrants, April 30, 2022 and October 31, 2022</b>	<b>5,415,378</b>	<b>\$ 0.43</b>

TORR METALS INC.

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A summary of the warrants outstanding and exercisable is as follows:

Exercise Price	October 31, 2022			Exercise Price	April 30, 2022		
	Number of warrants	Remaining contractual life (years)			Number of warrants	Remaining contractual life (years)	
\$ 0.45	4,720,100	1.1		\$ 0.45	4,720,100	1.6	
0.33	148,852	0.1		0.33	148,852	0.6	i
0.30	546,426	0.1		0.30	546,426	0.6	ii
<b>\$ 0.43</b>	<b>5,415,378</b>	<b>0.9</b>		<b>\$ 0.43</b>	<b>5,415,378</b>	<b>1.5</b>	

i On November 26, 2021, the Company issued 148,852 warrants to agents pursuant to the flow-through private placement as compensation for services provided by the agents. The estimated fair value of the agents' warrants of \$4,465, or \$0.03 per agents' warrant, has been recorded as a decrease to share capital as a cost of share issuance and an increase to option and warrant reserve, and was calculated using the Black Scholes Option Pricing Model with the following grant-date assumptions: grant date stock price \$0.33; expected life, 1 year; expected volatility, 24%; risk free rate, 0.93%; expected dividends, 0%.

ii On November 26, 2021, the Company acquired 546,426 warrants from 1306043 BC Ltd. with an estimated fair value of the agents' warrants of \$16,393, or \$0.03 per agents' warrant, has been recorded as a decrease to share capital as a cost of share issuance and an increase to option and warrant reserve, and was calculated using the Black Scholes Option Pricing Model with the following grant-date assumptions: grant date stock price \$0.30; expected life, 1 years; expected volatility, 24%; risk free rate, 0.93%; expected dividends, 0%.

c) Stock options

The Company has a stock option plan (the "Plan") for directors, officers, employees, and consultants. The Plan provides for the issuance of incentive options to acquire up to a total of 10% of the issued and outstanding common shares of the Company. The exercise price of each option shall not be less than the minimum prescribed amount allowed under the TSX. The options can be granted for a maximum term of 5 years with vesting provisions determined by the Company.

A summary of stock options outstanding and exercisable is as follows:

	Number of Warrants	Weighted average exercise price
<b>Outstanding options, April 30, 2022 and October 31, 2022</b>	<b>2,733,250</b>	<b>\$ 0.28</b>

TORR METALS INC.

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Expressed in Canadian Dollars

A summary of the options outstanding and exercisable is as follows:

Exercise Price	October 31, 2022			Exercise Price	April 30, 2022		
	Number of options	Remaining contractual life (years)			Number of options	Remaining contractual life (years)	
\$ 0.18	433,250	2.4		\$ 0.18	433,250	2.9	
0.30	2,300,000	4.4		0.30	2,300,000	4.9	i
<b>\$ 0.28</b>	<b>2,733,250</b>	<b>4.1</b>		<b>\$ 0.28</b>	<b>2,733,250</b>	<b>4.6</b>	

i The fair value of stock options granted in the year ended April 30, 2022 was estimated based on the Black-Scholes option pricing model using a share price of \$0.21, volatility of 90%, risk free interest rate of 1.70%, expected life of 5 years, and expected dividend yield of nil. The estimated fair value of the stock options of \$483,000 has been recognized as the share-based compensation during the year ended April 30, 2022.

## 6. Financial instruments and risk management

### *Fair value of financial instruments*

IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of hierarchy are:

- 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 (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data.

The Company's cash are classified as Level 1, whereas accounts receivable, and accounts payable and accrued liabilities are classified as Level 2. As at October 31, 2022, the Company believes that the carrying values of cash, accounts payable and accrued liabilities approximate their fair values because of their nature and relatively short maturity dates or durations.

### *Financial instruments risk*

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counter party limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

#### Credit risk

Credit risk is defined as the risk of loss associated with counterparty's inability to fulfill its payment obligations. The maximum exposure to credit risk is the carrying amount of the Company's financial assets.

Liquidity risk

Liquidity risk is defined as the risk that the Company will not be able to settle its obligations as they come due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds available to meet its short-term business requirements by taking into account the anticipated cash expenditures for its exploration and other operating activities, and its holding of cash and cash equivalents. The Company will pursue further equity or debt financing as required to meet its commitments. There is no assurance that such financing will be available or that it will be available on favourable terms.

As at October 31, 2022, the Company's financial liabilities consist of its accounts payable and accrued liabilities, which are all current obligations.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign exchange risk is minimal.

Capital management

The Company monitors its equity as capital.

The Company's objectives in managing its capital are to maintain a sufficient capital base to support its operations and to meet its short-term obligations and at the same time preserve investor's confidence and retain the ability to seek out and acquire new projects of merit. The Company is not exposed to any externally imposed capital requirements.

**7. Related party transactions**

Unless otherwise noted, related party transactions were incurred in the normal course of operations and are measured at the amount established and agreed upon by the related parties. The Company incurred and paid fees to directors and officers for management and professional services as follows:

<b>For the six months ended</b>	<b>October 31, 2022</b>	<b>October 31, 2021</b>
Management fees paid to key management and directors	\$ 29,000	\$ 4,000
Capitalized consulting fees paid to key management	48,000	-
Investor relations fees paid to a director	66,000	-
Rent fees paid to a corporation controlled by key management	20,100	6,000
	<u>\$ 163,100</u>	<u>\$ 10,000</u>

In the comparative period, \$3,150 was payable to corporations controlled by key management personnel and is included in accounts payable and accrued liabilities in the financial statements. Such amounts are unsecured, non-interest bearing and will be paid under normal trade terms.