
TINKA RESOURCES LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
DECEMBER 31, 2019

(Unaudited - Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

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

The Company's auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

TINKA RESOURCES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

| | Note | December 31, 2019 \$ | September 30, 2019 \$ |
|---|-------|----------------------------|-----------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | | 5,146,624 | 6,861,443 |
| GST receivable | | 9,410 | 5,292 |
| Prepaid expenses | | <u>41,858</u> | <u>119,878</u> |
| Total current assets | | <u>5,197,892</u> | <u>6,986,613</u> |
| Non-current assets | | | |
| Property, plant and equipment | 4 | 31,426 | 33,834 |
| Exploration and evaluation assets | 5 | 46,747,515 | 45,788,312 |
| Deferred share issue costs | 11(a) | <u>90,206</u> | <u>-</u> |
| Total non-current assets | | <u>46,869,147</u> | <u>45,822,146</u> |
| TOTAL ASSETS | | <u>52,067,039</u> | <u>52,808,759</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 7 | <u>756,356</u> | <u>1,041,597</u> |
| TOTAL LIABILITIES | | <u>756,356</u> | <u>1,041,597</u> |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 6 | 75,110,666 | 75,110,666 |
| Share-based payments reserve | 6 | 6,062,126 | 6,062,126 |
| Deficit | | <u>(29,862,109)</u> | <u>(29,405,630)</u> |
| TOTAL SHAREHOLDERS' EQUITY | | <u>51,310,683</u> | <u>51,767,162</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | <u>52,067,039</u> | <u>52,808,759</u> |

Events after the Reporting Period - Note 11

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on February 25, 2020 and are signed on its behalf by:

/s/ Graham Carman
Graham Carman
Director

/s/ Nick DeMare
Nick DeMare
Director

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

TINKA RESOURCES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

| | Note | Three Months Ended December 31 | |
|---|----------|-----------------------------------|--------------------|
| | | 2019 \$ | 2018 \$ |
| Expenses | | | |
| Accounting and administration | 7(b)(ii) | 24,819 | 33,610 |
| Audit | | 15,650 | 42,000 |
| Corporate development | | 5,820 | 5,506 |
| Depreciation | | 675 | 719 |
| General exploration | | 15,375 | 46,828 |
| Investment conferences | | 25,657 | 34,168 |
| Investor relations | | 22,500 | 22,500 |
| Legal | | 14,179 | 25,159 |
| Management and professional fees to executive officers | 7(a) | 100,009 | 103,514 |
| Office | | 54,685 | 40,686 |
| Professional fees | 7(b)(i) | 30,271 | 54,926 |
| Regulatory | | 10,093 | 5,877 |
| Rent | 7(b)(ii) | 17,453 | 12,874 |
| Salaries, wages and benefits | | 87,750 | 118,659 |
| Shareholder costs | | 8,593 | 6,723 |
| Share-based compensation | 6(d) | - | 343,305 |
| Transfer agent | | 1,403 | 2,442 |
| Travel and related | | 29,867 | 42,116 |
| | | <u>464,799</u> | <u>941,612</u> |
| Loss before other items | | <u>(464,799)</u> | <u>(941,612)</u> |
| Other items | | | |
| Interest income | | 32,113 | 73,542 |
| Foreign exchange | | (23,793) | 243,200 |
| | | <u>8,320</u> | <u>316,742</u> |
| Net loss and comprehensive loss for the period | | <u>(456,479)</u> | <u>(624,870)</u> |
| Loss per share - basic and diluted | | <u>\$(0.00)</u> | <u>\$(0.00)</u> |
| Weighted average number of common shares outstanding - basic and diluted | | <u>264,609,031</u> | <u>264,159,550</u> |

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

TINKA RESOURCES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian Dollars)

| Three Months Ended December 31, 2019 | | | | | |
|---|-----------------------------|----------------------|--|-----------------------|--------------------------------|
| Share Capital | | | | | |
| | Number of Shares | Amount \$ | Share-Based Payments Reserve \$ | Deficit \$ | Total Equity \$ |
| Balance at September 30, 2019 | 264,609,031 | 75,110,666 | 6,062,126 | (29,405,630) | 51,767,162 |
| Net loss for the period | - | - | - | (456,479) | (456,479) |
| Balance at December 31, 2019 | 264,609,031 | 75,110,666 | 6,062,126 | (29,862,109) | 51,310,683 |

| Three Months Ended December 31, 2018 | | | | | |
|--|-----------------------------|----------------------|--|-----------------------|--------------------------------|
| Share Capital | | | | | |
| | Number of Shares | Amount \$ | Share-Based Payments Reserve \$ | Deficit \$ | Total Equity \$ |
| Balance at September 30, 2018 | 262,666,202 | 74,500,920 | 5,518,350 | (26,959,628) | 53,059,642 |
| Common shares issued for: | | | | | |
| - share options exercised | 100,000 | 25,000 | - | - | 25,000 |
| - warrants exercised | 1,842,829 | 368,567 | - | - | 368,567 |
| Transfer on exercise of share options and finders' warrants | - | 216,179 | (216,179) | - | - |
| Share-based compensation | - | - | 343,305 | - | 343,305 |
| Net loss for the period | - | - | - | (624,870) | (624,870) |
| Balance at December 31, 2018 | 264,609,031 | 75,110,666 | 5,645,476 | (27,584,498) | 53,171,644 |

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

TINKA RESOURCES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

| | Three Months Ended | |
|--|---------------------------|--------------------|
| | December 31, | |
| | 2019 | 2018 |
| | \$ | \$ |
| Operating activities | | |
| Net loss for the period | (456,479) | (624,870) |
| Adjustments for: | | |
| Depreciation | 675 | 719 |
| Share-based compensation | - | 343,305 |
| Changes in non-cash working capital items: | | |
| GST receivable | (4,118) | 1,159 |
| Amounts receivable | - | (3,052) |
| Prepaid expenses | 78,020 | 22,712 |
| Accounts payable and accrued liabilities | 79,876 | 99,342 |
| Net cash used in operating activities | <u>(302,026)</u> | <u>(160,685)</u> |
| Investing activity | | |
| Expenditures on exploration and evaluation assets | <u>(1,322,587)</u> | <u>(1,659,668)</u> |
| Net cash used in investing activity | <u>(1,322,587)</u> | <u>(1,659,668)</u> |
| Financing activities | | |
| Issuance of common shares | - | 393,567 |
| Deferred share issue costs | <u>(90,206)</u> | <u>-</u> |
| Net cash (used in) provided by financing activities | <u>(90,206)</u> | <u>393,567</u> |
| Net change in cash | (1,714,819) | (1,426,786) |
| Cash at beginning of period | <u>6,861,443</u> | <u>14,260,023</u> |
| Cash at end of period | <u>5,146,624</u> | <u>12,833,237</u> |

Supplemental cash flow information - See Note 10

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

TINKA RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2019
(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations

Tinka Resources Limited (the “Company”) was incorporated on September 15, 1987 under the provisions of the Company Act (British Columbia). The Company is listed and traded on the TSX Venture Exchange (“TSXV”) and the Lima Stock Exchange under the symbol “TK” and on the Frankfurt Exchange under the symbol “TLD”. The Company’s principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7 Canada.

The Company is a junior mineral exploration company currently engaged in the acquisition and exploration of mineral properties located in Peru. On the basis of information to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the mineral resource interests is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and upon future profitable production. Mineral resource interests represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values.

As at December 31, 2019 the Company had working capital in the amount of \$4,441,536. These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business operations for the foreseeable future. To date the Company has not earned any revenue and is considered to be in the exploration stage. The Company’s operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. Although management considers that the Company has adequate resources to maintain its core operations and planned exploration programs on its existing exploration and evaluation assets for the next twelve months, the Company recognizes that exploration expenditures may change with ongoing results and, as a result, it may be required to obtain additional financing. While the Company has been successful in securing financings in the past there can be no assurance that it will be able to do so in the future. These condensed consolidated interim financial statements do not reflect any adjustments related to conditions that occurred subsequent to December 31, 2019.

On January 13, 2020 the Company completed a private placement financing totalling \$18,500,000, as disclosed in Note 11.

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”), and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2019, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company’s consolidated financial statements for the year ended September 30, 2019 other than, effective October 1, 2019, the Company adopted IFRS 16 - *Leases* (“IFRS 16”).

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

There was no impact on the Company’s condensed consolidated interim financial statements upon the adoption of this new standard.

Basis of Measurement

The Company’s condensed consolidated interim financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. These condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise stated.

TINKA RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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3. Subsidiaries

The subsidiaries of the Company are as follows:

| <u>Company</u> | <u>Location of Incorporation</u> | <u>Ownership Interest</u> |
|------------------------|----------------------------------|---------------------------|
| Darwin Resources Corp. | Canada | 100% |
| Tinka Resources S.A.C. | Peru | 100% |
| Darwin Peru S.A.C. | Peru | 100% |

4. Property, Plant and Equipment

| | <u>Office Furniture and Equipment \$</u> | <u>Vehicles \$</u> | <u>Total \$</u> |
|---|--|------------------------|---------------------|
| Cost: | | | |
| Balance at September 30, 2018 | 125,096 | 101,141 | 226,237 |
| Additions | <u>15,565</u> | <u>-</u> | <u>15,565</u> |
| Balance at September 30, 2019 and December 31, 2019 | <u>140,661</u> | <u>101,141</u> | <u>241,802</u> |
| Accumulated Depreciation: | | | |
| Balance at September 30, 2018 | (96,830) | (101,141) | (197,971) |
| Depreciation | <u>(9,997)</u> | <u>-</u> | <u>(9,997)</u> |
| Balance at September 30, 2019 | (106,827) | (101,141) | (207,968) |
| Depreciation | <u>(2,408)</u> | <u>-</u> | <u>(2,408)</u> |
| Balance at December 31, 2019 | <u>(109,235)</u> | <u>(101,141)</u> | <u>(210,376)</u> |
| Carrying Value: | | | |
| Balance at September 30, 2019 | <u>33,834</u> | <u>-</u> | <u>33,834</u> |
| Balance at December 31, 2019 | <u>31,426</u> | <u>-</u> | <u>31,426</u> |

5. Exploration and Evaluation Assets

| | <u>December 31, 2019</u> | | | <u>September 30, 2019</u> | | |
|-------------|-------------------------------------|--|---------------------|-------------------------------------|--|---------------------|
| | <u>Acquisition Costs \$</u> | <u>Deferred Exploration Costs \$</u> | <u>Total \$</u> | <u>Acquisition Costs \$</u> | <u>Deferred Exploration Costs \$</u> | <u>Total \$</u> |
| Colquipucro | 402,014 | 8,714,507 | 9,116,521 | 402,014 | 8,646,520 | 9,048,534 |
| Ayawilca | 975,954 | 33,085,350 | 34,061,304 | 975,954 | 32,330,409 | 33,306,363 |
| Other | <u>-</u> | <u>3,569,690</u> | <u>3,569,690</u> | <u>-</u> | <u>3,433,415</u> | <u>3,433,415</u> |
| | <u>1,377,968</u> | <u>45,369,547</u> | <u>46,747,515</u> | <u>1,377,968</u> | <u>44,410,344</u> | <u>45,788,312</u> |

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(Unaudited - Expressed in Canadian Dollars)

| 5. Exploration and Evaluation Assets (continued) | Colquipucro \$ | Ayawilca \$ | Other \$ | Total \$ |
|--|-------------------|-------------------|------------------|-------------------|
| Balance at September 30, 2018 | <u>8,714,833</u> | <u>27,638,540</u> | <u>2,919,465</u> | <u>39,272,838</u> |
| Exploration costs | | | | |
| Camp costs | - | 776,618 | - | 776,618 |
| Community relations | 298,361 | 1,599,294 | - | 1,897,655 |
| Consulting | - | 88,026 | - | 88,026 |
| Depreciation | - | 7,007 | - | 7,007 |
| Drilling | - | 1,009,797 | - | 1,009,797 |
| Environmental | 14,644 | 415,616 | - | 430,260 |
| Geological | - | 533,880 | - | 533,880 |
| Metallurgical | - | 205,883 | - | 205,883 |
| Modelling | - | 53,474 | - | 53,474 |
| Preliminary economic assessment | - | 604,283 | - | 604,283 |
| Software and database management | - | 19,548 | - | 19,548 |
| Topography | - | 1,593 | - | 1,593 |
| Travel | - | 13,558 | - | 13,558 |
| VAT incurred | - | - | 513,950 | 513,950 |
| | <u>313,005</u> | <u>5,328,577</u> | <u>513,950</u> | <u>6,155,532</u> |
| Acquisition costs | | | | |
| Concession payments | <u>20,696</u> | <u>339,246</u> | - | <u>359,942</u> |
| Balance at September 30, 2019 | <u>9,048,534</u> | <u>33,306,363</u> | <u>3,433,415</u> | <u>45,788,312</u> |
| Exploration costs | | | | |
| Camp costs | 535 | 156,396 | - | 156,931 |
| Community relations | 67,452 | 308,998 | - | 376,450 |
| Consulting | - | 9,866 | - | 9,866 |
| Depreciation | - | 1,733 | - | 1,733 |
| Drilling | - | 24,562 | - | 24,562 |
| Environmental | - | 25,310 | - | 25,310 |
| Geological | - | 116,978 | - | 116,978 |
| Metallurgical | - | 91,018 | - | 91,018 |
| Modelling | - | 17,281 | - | 17,281 |
| Topography | - | 2,799 | - | 2,799 |
| VAT incurred | - | - | 136,275 | 136,275 |
| | <u>67,987</u> | <u>754,941</u> | <u>136,275</u> | <u>959,203</u> |
| Balance at December 31, 2019 | <u>9,116,521</u> | <u>34,061,304</u> | <u>3,569,690</u> | <u>46,747,515</u> |

Colquipucro and Ayawilca Projects

As at December 31, 2019 the Colquipucro and Ayawilca projects comprise a total of 59 mineral claims granted in the Province of Daniel Alcides Carrion, Peru.

The Company is required to issue 500,000 common shares to Sierra Peru Pty Ltd. (“Sierra”) in the event that a positive feasibility study is prepared on either of the Colquipucro or Ayawilca projects. Sierra also retains a right to a 1% net smelter return royalty (“NSR”) from any production from the Colquipucro and Ayawilca projects. The NSR can be purchased at any time for US \$1,000,000.

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5. Exploration and Evaluation Assets (continued)

Other

Expenditures incurred by the Company in Peru are subject to Peruvian Value Added Tax (“VAT”). The VAT is included in exploration and evaluation assets as incurred. Under Peruvian law VAT paid can be used in the future to offset amounts resulting from VAT charged on sales. Under certain circumstances and subject to approval from tax authorities a Company can also apply for early refund of VAT prior to generating sales.

6. Share Capital

(a) *Authorized Share Capital*

The Company’s authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) *Equity Financings*

No financings were conducted during the three months ended December 31, 2019 or fiscal 2019. See also Note 11(a).

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company’s warrants outstanding at December 31, 2019 and 2018 and the changes for the three months ended on those dates is as follows:

| | 2019 | | 2018 | |
|------------------------------|------------|--|-------------|--|
| | Number | Weighted Average Exercise Price \$ | Number | Weighted Average Exercise Price \$ |
| Balance, beginning of period | 12,382,347 | 0.45 | 31,141,314 | 0.60 |
| Exercised | - | - | (1,842,829) | 0.20 |
| Balance, end of period | 12,382,347 | 0.45 | 29,298,485 | 0.62 |

As at December 31, 2019 warrants to purchase 12,382,347 common shares were outstanding and exercisable at an exercise price of \$0.45 per share expiring May 29, 2020.

(d) *Share Option Plan*

The Company has established a rolling share option plan (the “Plan”) in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company’s closing share price on the day before the grant date, less allowable discounts. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of five years.

No share options were granted during the three months ended December 31, 2019 and 2018. During the three months ended December 31, 2018 the Company recorded share-based compensation of \$343,305 on share options which were previously granted. The fair value of the share options recognized during the three months ended December 31, 2018 was estimated using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 0.76% - 2.42%; estimated volatility of 74% - 131%; expected life of 1.75 years - 3.5 years; expected dividend yield of 0%; and estimated forfeiture rate of 0%.

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6. Share Capital (continued)

The weighted average measurement date fair value of all share options recognized, using the Black-Scholes option pricing model, during the three months ended December 31, 2018 was \$0.22 per option.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's share options.

A summary of the Company's share options at December 31, 2019 and 2018 and the changes for the three months ended on those dates, is as follows:

| | 2019 | | 2018 | |
|------------------------------|-------------------------------|------------------------------------|-------------------------------|------------------------------------|
| | Number of Options Outstanding | Weighted Average Exercise Price \$ | Number of Options Outstanding | Weighted Average Exercise Price \$ |
| Balance, beginning of period | 11,145,500 | 0.43 | 12,210,000 | 0.43 |
| Exercised | - | - | (100,000) | 0.25 |
| Expired | <u>(312,000)</u> | 0.50 | <u>(102,000)</u> | 0.41 |
| Balance, end of period | <u>10,833,500</u> | 0.43 | <u>12,008,000</u> | 0.43 |

The following table summarizes information about the share options outstanding and exercisable at December 31, 2019:

| Number Outstanding | Number Exercisable | Exercise Price \$ | Expiry Date |
|--------------------|--------------------|-------------------|------------------|
| 4,195,000 | 4,195,000 | 0.325 | February 2, 2020 |
| 135,000 | 135,000 | 0.46 | June 12, 2020 |
| 6,158,500 | 6,158,500 | 0.50 | May 8, 2022 |
| <u>345,000</u> | <u>-</u> | 0.35 | March 8, 2023 |
| <u>10,833,500</u> | <u>10,488,500</u> | | |

See also Note 11(b).

7. Related Party Disclosures

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

During the three months ended December 31, 2019 and 2018 the following amounts were incurred with respect to the Company's Chief Executive Officer ("CEO"), Vice-President of Exploration ("VPE") and Chief Financial Officer ("CFO") as follows:

| | 2019 \$ | 2018 \$ |
|--------------------------|----------------|----------------|
| Management fees - CEO | 70,002 | 70,002 |
| Management fees - VPE | 53,767 | 65,030 |
| Professional fees - CFO | 8,500 | 7,500 |
| Share-based compensation | - | <u>125,363</u> |
| | <u>132,269</u> | <u>267,895</u> |

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7. Related Party Disclosures (continued)

During the three months ended December 31, 2019 the Company expensed \$100,009 (2018 - \$103,514) to management and professional fees to executive officers and \$nil (2018 - \$125,363) for share-based compensation. In addition, the Company capitalized \$32,260 (2018 - \$39,018) of compensation paid to the VPE to exploration and evaluation assets.

As at December 31, 2019 \$nil (September 30, 2019 - \$44,191) remained unpaid and has been included in accounts payable and accrued liabilities.

The Company has a management agreement with its CEO which provides that in the event the CEO's services are terminated without cause or upon a change of control of the Company, a termination payment of two years compensation is payable. If the termination had occurred on December 31, 2019 the amount payable under the agreement would be approximately \$560,000.

The Company has a management agreement with its VPE which provides that in the event the VPE's services are terminated without cause or upon a change of control of the Company, a termination payment of twelve months of compensation is payable. If the termination had occurred on December 31, 2019 the amount payable under the agreement would be approximately \$200,000.

(b) *Transactions with Other Related Parties*

(i) During the three months ended December 31, 2019 and 2018 the following amounts were incurred with respect to the Company's non-management current and former directors and the corporate secretary of the Company:

| | 2019 \$ | 2018 \$ |
|--------------------------|---------------|----------------|
| Professional fees | 28,920 | 24,180 |
| Share-based compensation | - | 93,487 |
| | <u>28,920</u> | <u>117,667</u> |

As at December 31, 2019 \$15,720 (September 30, 2019 - \$10,000) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During the three months ended December 31, 2019 the Company incurred a total of \$14,100 (2018 - \$24,500) with Chase Management Ltd. ("Chase"), a private corporation owned by the CFO, for accounting and administrative services provided by Chase personnel, excluding the CFO, and \$1,005 (2018 - \$1,005) for rent. As at December 31, 2019 \$335 (September 30, 2019 - \$335) remained unpaid and has been included in accounts payable and accrued liabilities.

8. Segmented Information

Substantially all of the Company's operations are in one industry, the exploration for base and precious metals. Management reviews the financial results according to expenditures by property. The Company's mineral properties are located in Peru and its corporate assets are located in Canada. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results.

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8. Segmented Information (continued)

| | December 31, 2019 | | |
|-----------------------------------|------------------------------------|---|---------------------|
| | Corporate Canada \$ | Mineral Operations Peru \$ | Total \$ |
| Current assets | 4,857,041 | 340,851 | 5,197,892 |
| Exploration and evaluation assets | - | 46,747,515 | 46,747,515 |
| Property, plant and equipment | - | 31,426 | 31,426 |
| Deferred share issue costs | 90,206 | - | 90,206 |
| | <u>4,947,247</u> | <u>47,119,792</u> | <u>52,067,039</u> |
| | September 30, 2019 | | |
| | Corporate Canada \$ | Mineral Operations Peru \$ | Total \$ |
| Current assets | 6,848,898 | 137,715 | 6,986,613 |
| Exploration and evaluation assets | - | 45,788,312 | 45,788,312 |
| Property, plant and equipment | 2,699 | 31,135 | 33,834 |
| | <u>6,851,597</u> | <u>45,957,162</u> | <u>52,808,759</u> |

9. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: fair value through profit or loss (“FVTPL”); amortized cost; and fair value through other comprehensive income (“FVOCI”). The carrying values of the Company’s financial instruments are classified into the following categories:

| Financial Instrument | Category | December 31, 2019 \$ | September 30, 2019 \$ |
|--|-----------------|-------------------------------------|--------------------------------------|
| Cash | FVTPL | 5,146,624 | 6,861,443 |
| Accounts payable and accrued liabilities | Amortized cost | (746,356) | (1,041,597) |

The Company’s financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The Company’s fair value of cash under the fair value hierarchy is measured using Level 1 inputs.

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9. Financial Instruments and Risk Management (continued)

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Management believes that the credit risk concentration with respect to financial instruments included in cash is remote.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

| Contractual Maturity Analysis at December 31, 2019 | | | | | |
|--|--------------------------------------|---------------------------------|-------------------------------|--------------------------------|---------------------|
| | Less than 3 Months \$ | 3 - 12 Months \$ | 1 - 5 Years \$ | Over 5 Years \$ | Total \$ |
| Cash | 5,146,624 | - | - | - | 5,146,624 |
| Accounts payable and accrued liabilities | (746,356) | - | - | - | (746,356) |
| Contractual Maturity Analysis at September 30, 2019 | | | | | |
| | Less than 3 Months \$ | 3 - 12 Months \$ | 1 - 5 Years \$ | Over 5 Years \$ | Total \$ |
| Cash | 6,861,443 | - | - | - | 6,861,443 |
| Accounts payable and accrued liabilities | (1,041,597) | - | - | - | (1,041,597) |

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bear floating rates of interest. The interest rate risk on cash and on the Company's obligations are not considered significant.

(b) Foreign Currency Risk

The Company has operations in Canada and Peru which are subject to foreign currency fluctuations. The Company's operating expenses are incurred in Canadian Dollars and Peruvian Nuevo Soles and the fluctuation of the Canadian Dollar in relation to other currencies will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company also maintains a US Dollar bank account with a Canadian bank. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks. At December 31, 2019, 1 Canadian Dollar was equal to 2.55 Peruvian Nuevo Soles and 0.77 US Dollar.

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9. Financial Instruments and Risk Management (continued)

Balances are as follows:

| | Peruvian Nuevo Soles | US Dollars | CDN \$ Equivalent |
|--|-------------------------|-----------------|----------------------|
| Cash | 845,510 | 356,319 | 794,324 |
| Accounts payable and accrued liabilities | <u>(1,636,719)</u> | <u>(16,419)</u> | <u>(663,174)</u> |
| | <u>(791,209)</u> | <u>339,900</u> | <u>131,150</u> |

Based on the net exposures as of December 31, 2019 and, assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Peruvian Nuevo Soles and US Dollar would result in the Company's net loss being approximately \$16,000 higher or lower.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital and cash. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

10. Supplemental Cash Flow Information

Non-cash activities conducted by the Company during the three months ended December 31, 2019 and 2018 are as follows:

| | 2019 \$ | 2018 \$ |
|---|------------------|------------------|
| Operating activities | | |
| Depreciation | 1,733 | 1,473 |
| Accounts payable and accrued liabilities | <u>365,117</u> | <u>149,740</u> |
| | <u>366,850</u> | <u>151,213</u> |
| Investing activity | | |
| Exploration and evaluation assets | <u>(366,850)</u> | <u>(151,213)</u> |
| Financing activities | | |
| Share-based payment reserves | - | (216,179) |
| Transfer on exercise of options and finders' warrants | <u>-</u> | <u>216,179</u> |
| | <u>-</u> | <u>-</u> |

11. Events After the Reporting Period

- (a) On January 13, 2020 the Company completed a non-brokered private placement financing totalling 76,131,686 common shares of the Company at a price of \$0.243 per share for \$18,500,000, of which Compania de Minas Buenaventura S.A. subscribed for \$16,000,000 and Sentient Global Resources Fund IV, LP subscribed for \$2,500,000. As at December 31, 2019 the Company incurred \$90,206 legal costs associated with the private placement.

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11. Events After the Reporting Period

(b) On January 23, 2020 the Company granted share options to purchase a total of 8,500,000 common shares at an exercise price of \$0.25 expiring January 23, 2025.

On February 2, 2020 share options to purchase 4,195,000 common shares of the Company at \$0.325 per share expired without exercise.