

# TINKA RESOURCES LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED MARCH 31, 2017

This discussion and analysis of financial position and results of operation is prepared as at May 26, 2017 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and the accompanying notes for the six months ended March 31, 2017 of Tinka Resources Limited (the "Company" or "Tinka"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars.

### Forward-Looking Statements

Certain information in this MD&A may constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws (collectively, "Forward-Looking Statements"). All statements, other than statements of historical fact that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future are Forward-Looking Statements. Forward-Looking Statements are often, but not always, identified by the use of words such as "seek," "anticipate," "believe," "plan," "estimate," "expect," and "intend" and statements that an event or result "may," "will," "can," "should," "could," or "might" occur or be achieved and other similar expressions. Forward-Looking Statements are based upon the opinions and expectations of the Company based on information currently available to the Company. Forward-Looking Statements are subject to a number of factors, risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the Forward-Looking Statements including, among other things, the Company has yet to generate a profit from its activities; there can be no guarantee that the estimates of quantities or qualities of minerals disclosed in Tinka's public record will be economically recoverable; uncertainties relating to the availability and costs of financing needed in the future; successful completion of planned drill program; competition with other companies within the mining industry; the success of the Company is largely dependent upon the performance of its directors and officers and Tinka's ability to attract and train key personnel; changes in world metal markets and equity markets beyond Tinka's control; mineral reserves are, in the large part, estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized; production rates and capital and other costs may vary significantly from estimates; unexpected geological conditions; delays in obtaining or failure to obtain necessary permits and approvals from government authorities; community relations; all phases of a mining business present environmental and safety risks and hazards and are subject to environmental and safety regulation, and rehabilitation and restitution costs; and management of Tinka have experience in mineral exploration but may lack all or some of the necessary technical training and experience to successfully develop and operate a mine. Although Tinka believes that the expectations reflected in the Forward-Looking Statements, and the assumptions on which such Forward-Looking Statements are made, are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned not to place undue reliance on Forward-Looking Statements, as there can be no assurance that the plans, intentions or expectations upon which the Forward-Looking Statements are based will occur. Forward-Looking Statements herein are made as at the date hereof, and unless otherwise required by law, Tinka does not intend, or assume any obligation, to update these Forward-Looking Statements.

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via [www.sedar.com](http://www.sedar.com) or the Company's website [www.tinkaresources.com](http://www.tinkaresources.com) and readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties.

### Company Overview

The Company is a junior mineral exploration company currently engaged in the acquisition and exploration of base and precious metals mineral properties located in Peru with the aim of developing them to a stage where they can be exploited at a profit or to arrange joint ventures whereby other companies provide funding for development and exploitation. The Company's activities have been focused on developing its 100% owned Ayawilca and Colquipucro Properties, located 40 kilometres northwest of Cerro de Pasco, Central Peru. During fiscal 2015 the Company completed a private placement financing to raise \$7,253,475. In November 2016 the Company completed a further

private placement financing of \$11,000,000. These funds have been allocated towards the exploration of the Colquipucro and Ayawilca projects and for general working capital purposes. As of the date of this MD&A, the Company has not earned any production revenue, nor found any proven reserves on any of its properties. The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange (“TSXV”) as a Tier 1 issuer, under the symbol “TK”, on the Frankfurt Exchange under the symbol “TLD”, and on the OTC Pink under the symbol “TKRFF”.

## Exploration Projects, Peru

### Introduction

As of the date of this MD&A, Tinka owns 55 granted mining concessions covering 15,240 hectares at the Company’s flagship Ayawilca Property in the Pasco - Huanuco regions of Peru, held by its 100% owned subsidiary, Tinka Peru SAC. The Company also holds four applications covering 2,100 hectares at Ayawilca. In addition, Darwin Peru SAC (Tinka 100%) holds two granted mining concessions covering 2,000 hectares at the Rurimarac gold property located in the Ancash region of Peru.

The Ayawilca Property is the Company’s flagship project, located 200 kilometres northeast of Lima and 40 kilometres northwest of the Cerro de Pasco zinc-lead-silver mine. Ayawilca is located at elevations of between 3,800 and 4,400 metres. The Company defined an Inferred Zinc Mineral Resource in May 2016 based on 27,000 metres of drilling to December 2015. The Zinc Zone resource is a sulphide, carbonate replacement style deposit beginning at depths of 150 metres and extending to about 400 metres depth. Mineralization remains open in most directions. Zinc occurs as iron-rich sphalerite accompanied by abundant other sulphides including pyrite and pyrrhotite as well as magnetite, in the form of either flat-lying sulphide ‘mantos’ ranging from 10 to 30 metres thick, or as vertical ‘chimneys’ up to 200 metres. The zinc mantos are tens to hundreds of metres across. The zinc mineralization occurs together with indium (“In”) with lesser silver (“Ag”), and lead (“Pb”) in the form of galena. The Pucará Group, which hosts the zinc mineralization, is overlain by Goyllar Group sandstones 150 to 200 m thick.

An additional Tin (“Sn”) Zone occurs within a pyrrhotite-bearing iron sulphide manto beneath the zinc zone at Central Ayawilca, with tin hosted by cassiterite. The Tin Zone has a thickness of 10 - 15 metres and is 300 metres across. Cassiterite is accompanied by minor chalcopyrite (copper sulphide) and stannite (tin copper sulphide).

The Colquipucro Silver resource on the Ayawilca Property lies two kilometres north of the Zinc Zone. Colquipucro is hosted by Goyllar Group quartz sandstone. Silver occurs in oxidised rocks from surface to a depth of 80 metres, within a number of fracture zones and disseminated within the weathered quartz sandstones.

### Mineral Resources

In May 2016, Tinka announced a resource update for its 100%-owned Ayawilca Zinc Zone sulphide deposit, which now consists of 18.8 million tonnes grading 8.2% zinc equivalent (ZnEq) at a cut-off grade of 5% ZnEq using a zinc price of US \$1.0/lb, as referred to in Table 1. The Company announced its first Tin Zone resource consisting of 5.4 million tonnes grading 0.89% tin equivalent (SnEq) at a cut-off grade of 0.45% SnEq, as referred to in Table 2. Both of the Mineral Resources are in accordance with the NI 43-101 Inferred Mineral Resource category at a cut-off grade equivalent to approximately US \$60/t, as estimated by Roscoe Postle Associates Inc. (RPA) of Toronto, Canada (see [News Release dated May 25, 2016](#)).

**Table 1 - Ayawilca Deposit Inferred Mineral Resources - Zinc Zone**

ZnEq % Cut-off	Tonnage (Mt)	ZnEq % Grade	Zinc %	Lead %	Indium g/t	Silver g/t
3	22.3	7.5	5.5	0.2	67	13
4	20.9	7.8	5.6	0.2	70	14
5	18.8	8.2	5.9	0.2	74	15
6	13.1	9.4	6.6	0.2	93	16
7	9.5	10.4	7.2	0.2	110	17

**Notes:**

1. Mineral Resources are reported above a cut-off grade of 5% ZnEq or approximately US \$60 per tonne NSR value.

- The ZnEq grade was based on estimated metallurgical recoveries, assumed metal prices and smelter terms, which include payable factors, treatment charges, penalties, and refining charges. Metal price assumptions were: US \$1.00/lb Zn, US \$500/kg In, US \$20/oz Ag, and US \$1.00/lb Pb. Metal recovery assumptions were: 90% Zn, 75% In, 50% Ag, and 75% Pb. The NSR value for each block was calculated using the following NSR factors: US \$11.88 per % Zn, US\$ 4.16 per % Pb, US \$0.30 per gram In, and US \$0.28 per gram Ag.
- The zinc equivalent (ZnEq.%) value was calculated using the following formula:  

$$\text{ZnEq.(\%)} = [\text{Zn(\%)} * \text{US } \$11.88 + \text{Pb(\%)} * \text{US } \$4.16 + \text{In(g/t)} * \text{US } \$0.30 + \text{Ag(g/t)} * \text{US } \$0.28] / \text{US } \$11.88$$

**Table 2 - Ayawilca Deposit Inferred Mineral Resources - Tin Zone**

SnEq % Cut-off	Tonnage (Mt)	SnEq % Grade	Tin %	Copper %	Silver g/t
0.25	5.7	0.87	0.73	0.30	18
0.35	5.6	0.87	0.74	0.31	18
0.45	5.4	0.89	0.76	0.31	18
0.55	3.8	1.06	0.91	0.36	18
0.65	3.2	1.15	1.00	0.36	18

**Notes:**

- Mineral Resources are reported above a cut-off grade of 0.45% SnEq or approximately US \$60 per tonne NSR value.
- The SnEq grade was based on estimated metallurgical recoveries, assumed metal prices and smelter terms, which include payable factors, treatment charges, penalties, and refining charges. Metal price assumptions were: US \$9/lb Sn, US \$3/lb Cu, and US \$20/oz Ag. Metal recovery assumptions were: 85% Sn, 75% Cu, and 50% Ag. The NSR value for each block was calculated using the following NSR factors: US \$130.36 per % Sn, US \$41.26 per % Cu, and US \$0.28 per gram Ag.
- The tin equivalent (Sn Eq.%) value was calculated using the following formula:  

$$\text{Sn Eq.(\%)} = [\text{Sn(\%)} * \text{US } \$130.36 + \text{Cu(\%)} * \text{US } \$41.26 + \text{Ag(g/t)} * \text{US } \$0.28] / \text{US } \$130.36$$

The Ayawilca drill database includes 27,248 metres in 74 diamond drill holes. Readers are encouraged to read the technical report entitled “Technical Report on the Mineral Resource Estimate for the Ayawilca Property Department of Pasco, Peru”, dated June 29, 2016 which can be found under the Company’s profile on SEDAR at <http://www.sedar.com> or on the Company’s website at [NI 43-101 Technical Report Tinka Resources Ltd.](#)

The Mineral Resource estimate for the Colquipucro silver zone are described in the 2016 NI 43-101 report ([NI 43-101 Technical Report](#)) but remain unchanged from the 2015 resource estimate. Indicated Mineral Resources at Colquipucro are estimated to be 7.4 million tonnes at an average grade of 60 g/t Ag containing 14.3 million ounces of Ag, as referred to in Table 3. Inferred Mineral Resources are estimated to total 8.5 million tonnes at an average grade of 48 g/t Ag containing 13.2 million ounces of Ag. Mineral Resources are reported within a preliminary pit shell generated in Whittle software at a cut-off of 15 g/t Ag. The “High grade lenses” have a cut-off grade of 60 g/t Ag. The drill database for Colquipucro includes 8,003 m in 45 drill holes.

**Table 3 - Colquipucro Silver Mineral Resources as of May 25, 2016**

Classification/Zone	Tonnage (Mt)	Ag (g/t)	Ag (Moz)
<b>Indicated</b>			
High grade lenses	2.9	112	10.4
Low grade halo	4.5	27	3.9
<b>Total Indicated</b>	<b>7.4</b>	<b>60</b>	<b>14.3</b>
<b>Inferred</b>			
High grade lenses	2.2	105	7.5
Low grade halo	6.2	28	5.7
<b>Total Inferred</b>	<b>8.5</b>	<b>48</b>	<b>13.2</b>

**Notes:**

- Mineral Resources are reported within a preliminary pit shell and above a cut-off grade of 15 g/t Ag for the Low Grade Halo and 60 g/t Ag for the High Grade Lenses.
- The cut-off grade is based on a price of US \$24/oz Ag.

**Qualified Person - Mineral Resources:** The Mineral Resources have been estimated by Mr. David Ross, P.Geol., an employee of RPA and independent of Tinka. By virtue of his education and relevant experience, Mr. Ross is a “Qualified Person” for the purpose of National Instrument 43-101. The Mineral Resources have been classified in accordance with CIM Definition Standards for Mineral Resources and Mineral Reserves (May, 2014).

### 2017 Drill Program – A New Discovery at South Ayawilca

A 10,000 to 15,000 metre drill program commenced at Ayawilca in February 2017, immediately after reception of drill permits. The current drill program is targeting an expansion of the zinc resources by step out drilling away from existing resources, as well as testing a number of new targets including at Zone 3 and Chaucha.

A new zinc discovery was made at South Ayawilca with the first hole of the program, A17-056, almost 400 metres from the existing resource. To date, six holes have been released to the market. Drill highlights to date include:

#### Hole A17-056:

- 63.9 metres at 5.6% zinc, 17 g/t silver and 29 g/t indium from 126 metres depth, *including*:
  - 17.9 metres at 11.6% zinc, 36 g/t silver and 20 g/t indium from 127.5 metres depth; *and*
- 51.9 metres at 10.1 % zinc, 62 g/t silver & 233 g/t indium from 242.0 metres depth, *including*:
  - 14.9 metres at 20.6 % zinc, 152 g/t silver & 441 g/t indium from 279.0 metres depth, *including*;
  - 6.4 metres at 37.5 % zinc, 301 g/t silver & 916 g/t indium from 279.0 metres depth;

#### Hole A17-057:

- 40.1 metres at 9.1 % zinc, 22 g/t silver & 168 g/t indium from 157.6 metres depth, *including*:
  - 9.6 metres at 16.8 % zinc, 22 g/t silver & 299 g/t indium from 168.2 metres; *and*
- 15.3 metres at 20.0 % zinc, 2.5 % lead, 102 g/t silver & 263 g/t indium from 264.0 metres depth, *including*:
  - 3.25 metres at 34.5% zinc, 2.1 % lead, 96 g/t silver & 196 g/t indium from 265.75 metres;
  - 5.2 metres at 32.5 % zinc, 69 g/t silver, & 639 g/t indium from 272.5 metres depth;

#### Hole A17-061:

- 18.6 metres at 10.4 % zinc & 52 g/t silver from 184.0 metres depth (includes 3.1 metres no recovery assigned a zero grade), *including*:
  - 2.6 metres at 23.6 % zinc, 2.4 % lead & 192 g/t silver from 196.2.0 metres depth; *and*
- 13.4 metres at 18.7 % zinc, 57 g/t silver & 463 g/t indium from 220.0 metres depth, *including*:
  - 7.9 metres at 29.3 % zinc, 71 g/t silver & 719 g/t indium from 224.1 metres depth;

Drilling is continuing with 3 rigs turning at South Ayawilca, aiming to expand the resources in that area but also to join the zinc mineralization with the Zinc Zone resources at Central and West Ayawilca. A fourth drill rig will commence drilling at Zone 3 before the end of May 2017.

### 2016 Metallurgical Test Work

In October 2016, Tinka completed initial metallurgical flotation tests of zinc sulphide samples from West Ayawilca. The test work showed that the zinc sulphide mineralization is amenable to industry standard flotation processing. Zinc recoveries of 98% were produced in first pass (rougher) flotation tests from two typical grade composites. A zinc concentrate grade of 52% Zn was achieved in second pass (cleaner) flotation. Indium recoveries were similar to the zinc. The tests were carried out by SGS Peru under the supervision of Transmin Consultants of Lima, Peru.

Two composite samples (7.1% and 10.0% Zn, respectively) were prepared from quarter-core samples of typical zinc mineralization from West Ayawilca. Industry standard flotation techniques using accepted reagents and three stages of open-cycle cleaner flotation tests produced saleable zinc concentrate grades, with attractive indium credits. Summary of the composites, rougher concentrate recoveries and cleaner concentrate recoveries are shown in Tables 4 and 5. Cleaner tests were conducted by ‘open cycle’, meaning recoveries were lower than would be achieved under ‘closed cycle’ tests. These metallurgical results are considered positive initial test results.

**Table 4. Summary of composite samples grades from West Ayawilca**

<b>Composite Grade</b>	<b>Zn (%)</b>	<b>Ag (g/t)</b>	<b>In (g/t)</b>	<b>Pb (%)</b>
AAFC-01	7.1	12	22	0.09
AAFC-02	10.0	12	121	0.07

**Table 5. Recoveries of zinc concentrates for West Ayawilca composites**

Composite Grade	Rougher Concentrate Grade			Rougher Recovery		
	Zn (%)	Ag (g/t)	In (g/t)	Zn (%)	Ag (%)	In (%)
AAFC-01	32.9	40.9	95.2	98.7	78.5	94.6
AAFC-02	40.3	33.2	471	98.5	73.2	97.4
Composite Grade	3rd Cleaner Concentrate Grade			3rd Cleaner Recovery		
	Zn (%)	Ag (g/t)	In (g/t)	Zn (%)	Ag (%)	In (%)
AAFC-01	50.8	55.4	152	64.5	45.1	63.9
AAFC-02	51.7	37.1	591	57.6	37.2	55.6

**Rurimarac Gold Property**

The Rurimarac gold property (including Tinka Nueve) is located in the Department of Ancash in central Peru. The property consists of two, 100% owned, mining concessions covering 2,000 hectares (Tinka Nueve and Rurimarac 1).

The principal target at Rurimarac lies beneath an outcropping zone of oxide gold mineralization. Previous sampling in 65 pit and trench samples up to 1 metre deep ranged in grade from 0.1 g/t to 39 g/t gold, with an average grade of 5.1 g/t gold. A single drill hole by Tinka intersected 6 metres grading 3.3 g/t gold from 60 metres depth in a fault zone in 2009.

Tinka is continuing to review options to move this project forward, with farm-out options being considered.

**Qualified Person**

The qualified person for the Company's projects, Dr. Graham Carman (FAUSIMM), President and CEO of the Company, has reviewed and approved the technical information in this MD&A.

**Selected Financial Data**

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements of the Company.

	Fiscal 2017		Fiscal 2016				Fiscal 2015	
	Mar. 31 2017 \$	Dec. 31 2016 \$	Sept. 30 2016 \$	Jun. 30 2016 \$	Mar. 31 2016 \$	Dec. 31 2015 \$	Sept. 30 2015 \$	Jun. 30 2015 \$
<b>Operations:</b>								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(1,153,703)	(472,787)	(283,858)	(445,266)	(310,627)	(440,784)	(363,747)	(821,367)
Other items	28,642	58,920	(176,247)	9,310	(50,377)	(13,020)	134,370	(5,172)
Net loss and comprehensive loss	(1,125,061)	(413,867)	(460,105)	(435,956)	(361,004)	(453,804)	(229,377)	(826,539)
Loss per share -basic and diluted	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Balance Sheet:</b>								
Working capital	10,707,494	11,580,424	1,691,780	2,692,830	3,661,246	4,520,484	6,419,711	8,807,814
Total assets	33,834,964	33,871,065	23,782,063	24,193,242	24,614,226	25,167,499	25,808,464	25,737,199
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

**Results of Operations**

*Three Months Ended March 31, 2017 Compared to Three Months Ended December 31, 2016*

During the three months ended March 31, 2017 ("Q2") the Company reported a net loss of \$1,125,061, compared to a net loss of \$413,867 for the prior three months ended December 31, 2016 ("Q1"), an increase in loss of \$711,194. The increase in loss was mainly attributed to a \$766,974 increase in share-based compensation expenses. During Q2 the Company recorded \$751,667 (Q1 - \$13,278) share-based compensation expense relating to the granting of 5,510,000

(Q1 - 108,750) share options. In addition during Q2 the Company recorded share-based compensation of \$28,585 (Q1 - \$nil) on the vesting of share options which had been previously granted. The increase in loss in Q2 was partially offset by:

- (i) a \$36,720 decrease in audit fees. During Q1 the Company was billed \$36,720 for audit services performed on its year-end financial statements. No further audit fees were billed in Q2; and
- (ii) a \$43,411 decrease in professional fees. During Q2 the Company recorded \$42,001 (Q1 - \$85,412 for professional fee expenses, of which:
  - \$38,313 (Q1 - \$43,478) was attributed to directors and officers of the Company;
  - \$3,688 (Q1 - \$6,374) was reimbursed to a public company with certain common directors for shared personnel, office and other costs; and
  - in Q1, \$35,560 was incurred with various parties for financial advisory services. The Company did not engage these services in Q2.

*Six Months Ended March 31, 2017 Compared to Six Months Ended March 31, 2016*

During the six months ended March 31, 2017 (the “2017 period”), the Company reported a net loss of \$1,538,928 (\$0.01 per share), compared to a net loss of \$814,808 (\$0.00 per share) for the six months ended March 31, 2016 (the “2016 period”), an increase in loss of \$724,120.

Expenses increased by \$875,079, from \$751,411 during the 2016 period to \$1,626,490 during the 2017 period. Specific expenses of note are as follows:

- (i) during the 2017 period the Company was billed \$32,811 (2016 - \$25,676) for accounting and administration services of which \$20,550 (2016 - \$19,700) was billed for accounting and administration services provided by Chase Management Ltd. (“Chase”) a private company owned by Mr. Nick DeMare, the Chief Financial Officer (“CFO”) and a director of the Company;
- (ii) during the 2017 period the Company expensed \$127,413 (2016 - \$110,602) for professional fees, of which:
  - \$81,791 (2016 - \$73,277 ) was attributed to directors and officers of the Company;
  - \$10,062 (2016 - \$7,325) was reimbursement to a public company with certain common directors for shared personnel, office and other costs; and
  - \$35,560 (2016 - \$30,000) was incurred with various parties for financial advisory services.

The Company also capitalized \$65,731 (2016 - \$55,419) for professional fees to exploration and evaluation assets. See also “Transactions with Related Parties”;

- (iii) share-based compensation of \$764,945 (2016 - \$20,018) was recorded during the 2017 period relating to the granting of 5,618,750 (2016 - 580,000) share options. In addition the Company also recorded share-based compensation of \$28,585 (2016 - \$19,547) on the vesting of stock options which were previously granted;
- (iv) on July 25, 2016 the Company engaged Alpha to provide investor relations services, at a monthly fee of \$5,000. During the 2017 period the Company was billed a total of \$30,000 by Alpha. No investor relations activities were conducted in the 2016 period;
- (v) audit fees of \$36,720 (2016 - \$32,640) were incurred for the Company’s year-end financial statements;
- (vi) corporate development expense increased by \$36,064, from \$3,701 during the 2016 period to \$39,765 during the 2017 period;
- (vii) investment conference expenses increased by \$6,925, from \$21,890 during the 2016 period to \$28,815 during the 2017 period. During the 2017 period the Company participated in more investment conferences in North America and Europe.

The Company holds its cash in interest bearing accounts in major financial institutions. Interest income is generated from the deposits and fluctuates primarily with the levels of cash on deposit. During the 2017 period the Company recorded interest income of \$41,462 compared to \$22,691 during the 2016 period, an increase of \$16,771.

During the 2017 period the Company recorded a foreign exchange gain of \$46,100 compared to a foreign exchange loss of \$86,088 reported in the 2016 period. The increase in foreign exchange for the 2017 period arose from the appreciation of the Canadian dollar compared to the U.S. dollar on US currencies held.

The carrying costs of the Company's exploration and evaluation assets are as follows:

	As at March 31, 2017			As at September 30, 2016		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Colquipucro	338,330	7,497,061	7,835,391	338,330	7,427,994	7,766,324
Ayawilca	316,595	12,835,891	13,152,486	310,088	11,653,857	11,963,945
Other	7,392	1,926,955	1,934,347	7,392	2,187,350	2,194,742
	<u>662,317</u>	<u>22,259,907</u>	<u>22,922,224</u>	<u>655,810</u>	<u>21,269,201</u>	<u>21,925,011</u>

Exploration and evaluation activities incurred during the 2017 period and fiscal 2016 are as follows:

	Colquipucro \$	Ayawilca \$	Other \$	Total \$
<b>Balance at September 30, 2015</b>	<u>7,673,029</u>	<u>9,025,503</u>	<u>2,099,426</u>	<u>18,797,958</u>
<b>Exploration costs</b>				
Assays	-	30,168	-	30,168
Camp costs	4,372	234,497	-	238,869
Community relations	16,786	471,587	-	488,373
Consulting	29,758	29,758	-	59,516
Depreciation	177	12,869	-	13,046
Drilling	-	692,422	-	692,422
Environmental	6,672	350,448	-	357,120
Exploration site	5,806	87,020	-	92,826
Field equipment	-	9,373	-	9,373
Fuel	8,660	29,289	-	37,949
Geological	-	264,054	-	264,054
Geophysics	3,547	266,267	-	269,814
Metallurgical test work	-	5,425	-	5,425
Salaries	5,463	218,617	-	224,080
Software and database management	7,880	7,880	-	15,760
Transportation	4,174	42,940	-	47,114
VAT incurred	-	-	304,224	304,224
	<u>93,295</u>	<u>2,752,614</u>	<u>304,224</u>	<u>3,150,133</u>
<b>Acquisition costs</b>				
Concession payments	-	185,828	-	185,828
<b>Impairment</b>	-	-	(208,908)	(208,908)
<b>Balance at September 30, 2016</b>	<u>7,766,324</u>	<u>11,963,945</u>	<u>2,194,742</u>	<u>21,925,011</u>
<b>Exploration costs</b>				
Camp costs	1,912	232,983	-	234,895
Community relations	31,943	380,998	-	412,941
Depreciation	-	1,097	-	1,097
Drilling	-	210,252	-	210,252
Environmental	11,812	149,216	-	161,028
Geological	9,677	154,107	-	163,784
Geophysical	5,355	6,032	-	11,387
Metallurgical test work	-	38,982	-	38,982
Software and database management	8,368	8,367	-	16,735

	Colquipucro \$	Ayawilca \$	Other \$	Total \$
VAT incurred	-	-	112,755	112,755
VAT recovered	-	-	(373,150)	(373,150)
	<u>69,067</u>	<u>1,182,034</u>	<u>(260,395)</u>	<u>990,706</u>
<b>Acquisition costs</b>				
Concession payments	-	6,507	-	6,507
<b>Balance at March 31, 2017</b>	<u>7,835,391</u>	<u>13,152,486</u>	<u>1,934,347</u>	<u>22,922,224</u>

During the 2016 period the Company completed the drilling program at the Ayawilca Project and incurred a total of \$1,370,363 (2016 - \$1,991,548) for exploration expenditures, comprising \$1,188,541 (2016 - \$1,713,275) on the Ayawilca Project, \$69,067 (2016 - \$79,036) on the Colquipucro Project, and \$112,755 (2016 - \$199,237) for other concessions and IVA tax in Peru.

During the 2017 period the Company received a VAT recovery of \$373,150. As at March 31, 2017 the Company has recorded a VAT balance of \$1,677,204.

#### *Financings*

During the 2017 period the Company completed a private placement financing and issued a total of 55,000,000 common shares for gross proceeds of \$11,000,000. The Company has allocated the net proceeds from the financing to fund the ongoing 2017 drilling program at the Company's Ayawilca Project in Peru, as well as for other exploration expenditures, corporate purposes and general working capital. In addition, during the 2017 period the Company received \$313,500 (2016 - \$nil) from the exercise of share options.

During the 2016 period the Company did not completed any equity financings.

#### **Financial Condition / Capital Resources**

The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to develop properties and to establish future profitable production. To date the Company has not earned significant revenues 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. As at March 31, 2017 the Company had working capital in the amount of \$10,707,494. Management considers that the Company has sufficient funds to maintain ongoing corporate overhead and field expenses, complete its planned 10,000 - 15,000 metre drill program and metallurgical tests on Ayawilca and continue ongoing exploration activities on its existing mineral projects. Exploration activities may change as a result of ongoing results and recommendations or the Company may acquire additional properties which may entail significant exploration commitments. While the Company has been successful in securing financings in the past, there is material uncertainty it will be able to do so in the future.

#### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

#### **Proposed Transactions**

The Company has no proposed transactions.

#### **Critical Accounting Estimates**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Examples of significant estimates made by management include estimating the fair values of financial



instruments, valuation allowances for deferred income tax assets and assumptions used for share-based compensation. Actual results may differ from those estimates.

A detailed summary of all the Company's significant accounting policies is included in Note 3 to the September 30, 2016 annual consolidated financial statements.

### Changes in Accounting Policies

There are no changes in accounting policies.

### Transactions with Related Parties

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 2017 and 2016 periods the Company the following amounts were incurred with respect to the Company's CEO (Dr. Carman), the Company's CFO (Mr. Nick DeMare) and the Company's VP Exploration (Mr. Alvaro Fernandez-Baca) as follows:

	2017 \$	2016 \$
Management fees - Dr. Carman	110,000	110,000
Professional fees - Mr. DeMare	15,000	15,000
Professional fees - Mr. Fernandez-Baca	108,522	95,696
Share-based compensation - Dr. Carman	44,057	9,134
Share-based compensation - Mr. DeMare	81,800	10,413
Share-based compensation - Mr. Fernandez-Baca	21,077	-
	<u>380,456</u>	<u>240,243</u>

The Company has expensed \$110,000 (2016 - \$110,000) to management fees, \$57,791 (2016 - \$55,277) to professional fees and \$146,934 (2016 - \$19,547) for share-based compensation. In addition the Company capitalized \$65,731 (2016 - \$55,419) to exploration and evaluation assets.

#### (b) *Transactions with Other Related Parties*

(i) During the 2017 and 2016 periods the following amounts were incurred for professional services provided by non-management current and former directors of the Company (Messrs. David Henstridge, Mary Little and William Lee) and the Corporate Secretary (Ms. Mariana Bermudez):

	2017 \$	2016 \$
Professional fees - Mr. Henstridge (current director)	12,000	12,000
Professional fees - Ms. Little (current director)	12,000	-
Professional fees - Mr. Lee (former director)	-	6,000
Share-based compensation - Mr. Henstridge	81,800	-
Share-based compensation - Ms. Little	81,800	-
Share-based compensation - Ms. Marian Bermudez	56,237	-
	<u>243,837</u>	<u>18,000</u>

As at March 31, 2017, \$10,000 (September 30, 2016 - \$8,000) remained unpaid.

(ii) During the 2017 period the Company incurred a total of \$20,550 (2016 - \$19,700) with Chase, a private corporation owned by Mr. DeMare, for accounting and administrative services provided by

Chase personnel, excluding Mr. DeMare, and \$2,010 (2016 - \$2,010) for rent. As at March 31, 2017, \$6,770 (September 30, 2016 - \$6,170) remained unpaid.

During the 2017 period the Company also recorded \$15,337 (2016 - \$nil) for share-based compensation for share options granted to Chase.

- (c) The Company shared personnel, office and other costs with a public company Mawson Resources Limited (“Mawson”). Mr. DeMare and Mr. Henstridge are also directors of Mawson. During the 2017 period the Company incurred \$10,062 (2016 - \$7,325) for expenses. As at March 31, 2017, \$1,200 (September 30, 2016 - \$337) remained unpaid.

### **Risks and Uncertainties**

The Company competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral concessions, claims and other interests, as well as for the recruitment and retention of qualified employees.

The Company is in compliance with all material regulations applicable to its exploration activities. Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

The Company’s mineral properties are located in Peru and consequently the Company is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations relating to the mining industry.

### **Outstanding Share Data**

The Company’s authorized share capital is unlimited common shares with no par value. As at May 26, 2017, there were 208,702,947 issued common shares, 26,725,648 warrants outstanding exercisable at prices ranging from \$0.20 to \$0.45 per share and 12,918,750 share options outstanding, at exercise prices ranging from \$0.20 to \$0.37 per share.