
TINKA RESOURCES LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
MARCH 31, 2014

(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 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.

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

	Note	March 31, 2014 \$	September 30, 2013 \$
ASSETS			
Current assets			
Cash		438,772	1,653,410
GST receivable		8,801	5,510
Amounts receivable		6,142	2,765
Prepaid expenses		<u>15,326</u>	<u>33,978</u>
Total current assets		<u>469,041</u>	<u>1,695,663</u>
Non-current assets			
Property, plant and equipment	4	53,186	68,884
Exploration and evaluation assets	5	11,893,105	10,103,010
Deferred share issue costs	6(b)(i)	<u>-</u>	<u>750</u>
Total non-current assets		<u>11,946,291</u>	<u>10,172,644</u>
TOTAL ASSETS		<u>12,415,332</u>	<u>11,868,307</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	<u>177,337</u>	<u>255,031</u>
TOTAL LIABILITIES		<u>177,337</u>	<u>255,031</u>
SHAREHOLDERS' EQUITY			
Share capital	6	23,196,681	21,843,670
Share-based payments reserve		3,301,904	3,275,237
Share subscriptions received	6(b)(i)	-	242,240
Deficit		<u>(14,260,590)</u>	<u>(13,747,871)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>12,237,995</u>	<u>11,613,276</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>12,415,332</u>	<u>11,868,307</u>

Nature of Operations and Going Concern - Note 1

Events after the Reporting Period - Note 11

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on May 21, 2014 and are signed on its behalf by:

/s/ Andrew Carter
Andrew Carter
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 March 31		Six Months Ended March 31	
		2014 \$	2013 \$	2014 \$	2013 \$
Expenses					
Accounting and administration	7(b)(ii)	13,994	13,752	28,329	24,743
Audit		-	8,987	30,015	43,911
Corporate development		9,354	27,862	21,293	55,587
Depreciation of property, plant and equipment	4	291	228	582	457
General exploration		989	5,956	5,449	8,468
Investment conferences		6,284	4,514	15,289	14,104
Investor relations		16,500	17,500	34,500	38,500
Legal		13,683	41,449	17,788	45,907
Management fees	7(a)	30,000	30,000	60,000	60,000
Office		18,483	24,667	39,270	57,293
Professional fees	7	30,633	32,195	53,218	48,911
Regulatory		5,165	6,690	9,685	9,671
Rent	7(b)(ii)	12,592	11,154	24,019	22,090
Salaries, wages and benefits		59,168	69,849	121,842	134,053
Shareholder costs		7,019	6,521	10,144	8,734
Share-based compensation	6(d)	23,184	1,367,499	31,396	1,411,921
Transfer agent		2,310	4,024	4,295	5,556
Travel and related		31,003	58,163	66,618	111,228
		<u>280,652</u>	<u>1,731,010</u>	<u>573,732</u>	<u>2,101,134</u>
Loss before other items		<u>(280,652)</u>	<u>(1,731,010)</u>	<u>(573,732)</u>	<u>(2,101,134)</u>
Other items					
Interest income		2,204	5,047	6,593	8,108
Foreign exchange gain (loss)		26,686	(23,320)	54,420	(15,254)
Other income		-	12,795	-	12,795
		<u>28,890</u>	<u>(5,478)</u>	<u>61,013</u>	<u>5,649</u>
Net loss and comprehensive loss for the period		<u>(251,762)</u>	<u>(1,736,488)</u>	<u>(512,719)</u>	<u>(2,095,485)</u>
Loss per share - basic and diluted		<u>\$(0.00)</u>	<u>\$(0.02)</u>	<u>\$(0.01)</u>	<u>\$(0.03)</u>
Weighted average number of common shares outstanding - basic and diluted		<u>80,942,144</u>	<u>74,730,977</u>	<u>80,473,856</u>	<u>72,808,817</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)

Six months Ended March 31, 2014						
Share Capital						
	Number of Shares	Amount \$	Share-Based Payments Reserve \$	Share Subscriptions Received \$	Deficit \$	Total Equity \$
Balance at September 30, 2013	78,116,664	21,843,670	3,275,237	242,240	(13,747,871)	11,613,276
Common shares issued for cash:					-	
- private placement	2,769,480	1,384,740	-	(242,240)	-	1,142,500
- exercise of share options	80,000	21,600	-	-	-	21,600
Share issue costs	-	(70,166)	12,108	-	-	(58,058)
Share-based compensation	-	-	31,396	-	-	31,396
Transfer on exercise of share options	-	16,837	(16,837)	-	-	-
Net loss	-	-	-	-	(512,719)	(512,719)
Balance at March 31, 2014	80,966,144	23,196,681	3,301,904	-	(14,260,590)	12,237,995

Six Months Ended March 31, 2013					
Share Capital					
	Number of Shares	Amount \$	Share-Based Payments Reserve \$	Deficit \$	Total Equity \$
Balance at September 30, 2012	70,422,899	16,609,518	2,153,851	(11,092,425)	7,670,944
Common shares issued for cash:					-
- private placement	3,000,000	2,250,000	-	-	2,250,000
- exercise of share options	1,612,000	424,190	-	-	424,190
- exercise of warrants	28,500	28,500	-	-	28,500
Share issue costs	-	(207,950)	48,500	-	(159,450)
Share-based compensation	-	-	1,411,921	-	1,411,921
Transfer on exercise of share options	-	397,287	(397,287)	-	-
Net loss	-	-	-	(2,095,485)	(2,095,485)
Balance at March 31, 2013	75,063,399	19,501,545	3,216,985	(13,187,910)	9,530,620

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)

	Six Months Ended March 31,	
	2014 \$	2013 \$
Operating activities		
Net loss for the period	(512,719)	(2,095,485)
Adjustments for:		
Depreciation	582	457
Share-based compensation	31,396	1,411,921
	<u>(480,741)</u>	<u>(683,107)</u>
Changes in non-cash working capital items:		
Increase in GST receivable	(3,291)	(9,985)
(Increase) decrease in amounts receivable	(3,377)	122
Decrease in prepaid expenses	18,652	1,783
(Decrease) increase in accounts payable and accrued liabilities	(13,044)	39,945
	<u>(1,060)</u>	<u>31,865</u>
Net cash used in operating activities	<u>(481,801)</u>	<u>(651,242)</u>
Investing activities		
Expenditures on exploration and evaluation assets	(1,839,629)	(2,516,234)
Additions to property, plant and equipment	-	(28,664)
Net cash used in investing activities	<u>(1,839,629)</u>	<u>(2,544,898)</u>
Financing activities		
Issuance of common shares	1,164,100	2,702,690
Share issue costs	(57,308)	(159,450)
Net cash generated from financing activities	<u>1,106,792</u>	<u>2,543,240</u>
Net change in cash	(1,214,638)	(652,900)
Cash at beginning of period	<u>1,653,410</u>	<u>2,220,006</u>
Cash at end of period	<u>438,772</u>	<u>1,567,106</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 SIX MONTHS ENDED MARCH 31, 2014
(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

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”) under the symbol “TK”. 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 precious and base metals on 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 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 March 31, 2014 the Company had cash of \$438,772 and working capital in the amount of \$291,704. 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. 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. The Company will require additional equity financing to continue exploration and drilling activities on its mineral property interests in Peru and to fund ongoing corporate and administrative costs. 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. This material uncertainty casts significant doubt about the Company’s ability to continue as a going concern. The condensed consolidated interim financial statements do not reflect any adjustments related to conditions that occurred subsequent to March 31, 2014.

On April 16, 2014 the Company entered into an agreement to acquire all of the outstanding shares of Darwin Resources Corp. See also 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, 2013, 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, 2013.

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.

Comparative Figures

Certain of the prior period comparative figures have been reclassified to conform to the current period’s presentation.

TINKA RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED MARCH 31, 2014
(Unaudited - Expressed in Canadian Dollars)

3. Subsidiary

As at March 31, 2014 and September 30, 2013 the Company had one wholly-owned subsidiary, Tinka Resources S.A.C. (Peru), which was incorporated in Peru.

4. Property, Plant and Equipment

	Office Furniture and Equipment \$	Vehicles \$	Total \$
Cost:			
Balance at September 30, 2012	65,319	112,750	178,069
Additions	4,922	28,664	33,586
Disposals	-	(51,590)	(51,590)
	<u>70,241</u>	<u>89,824</u>	<u>160,065</u>
Balance at September 30, 2013 and March 31, 2014	<u>70,241</u>	<u>89,824</u>	<u>160,065</u>
Accumulated Depreciation:			
Balance at September 30, 2012	(37,866)	(74,245)	(112,111)
Depreciation	(8,204)	(22,456)	(30,660)
Disposals	-	51,590	51,590
	<u>(46,070)</u>	<u>(45,111)</u>	<u>(91,181)</u>
Balance at September 30, 2013	(46,070)	(45,111)	(91,181)
Depreciation	(4,470)	(11,228)	(15,698)
	<u>(50,540)</u>	<u>(56,339)</u>	<u>(106,879)</u>
Balance at March 31, 2014	<u>(50,540)</u>	<u>(56,339)</u>	<u>(106,879)</u>
Carrying Value:			
Balance at September 30, 2013	<u>24,171</u>	<u>44,713</u>	<u>68,884</u>
Balance at March 31, 2014	<u>19,701</u>	<u>33,485</u>	<u>53,186</u>

5. Exploration and Evaluation Assets

	As at March 31, 2014			As at September 30, 2013		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Colquipucro	207,167	5,766,290	5,973,457	207,167	5,564,170	5,771,337
Ayawilca	23,984	4,454,575	4,478,559	23,984	3,064,414	3,088,398
Other	-	1,441,089	1,441,089	-	1,243,275	1,243,275
	<u>231,151</u>	<u>11,661,954</u>	<u>11,893,105</u>	<u>231,151</u>	<u>9,871,859</u>	<u>10,103,010</u>

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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5. Exploration and Evaluation Assets (continued)

	Peru			Total \$
	Colquipucro \$	Ayawilca \$	Other \$	
Balance at September 30, 2012	<u>4,312,791</u>	<u>407,939</u>	<u>749,108</u>	<u>5,469,838</u>
Exploration costs				
Assays	47,206	137,652	-	184,858
Camp costs	64,254	170,901	-	235,155
Community relations	55,725	61,853	-	117,578
Consulting	4,331	11,305	-	15,636
Depreciation of property, plant and equipment	10,349	19,334	-	29,683
Drilling	522,871	991,882	-	1,514,753
Exploration site	71,960	152,193	-	224,153
Field equipment	93,254	128,754	-	222,008
Fuel	37,864	181,793	-	219,657
Geological	116,477	234,788	-	351,265
Salaries	366,124	235,423	-	601,547
Transportation	25,112	327,006	-	352,118
Travel	6,343	3,591	-	9,934
VAT	-	-	494,167	494,167
	<u>1,421,870</u>	<u>2,656,475</u>	<u>494,167</u>	<u>4,572,512</u>
Acquisition costs				
Surface right payments	<u>36,676</u>	<u>23,984</u>	<u>-</u>	<u>60,660</u>
Balance at September 30, 2013	<u>5,771,337</u>	<u>3,088,398</u>	<u>1,243,275</u>	<u>10,103,010</u>
Exploration costs				
Assays	7,409	25,438	-	32,847
Camp costs	33,329	104,919	-	138,248
Community relations	2,513	70,011	-	72,524
Consulting	-	2,563	-	2,563
Depreciation of property, plant and equipment	1,391	13,725	-	15,116
Drilling	-	663,990	-	663,990
Exploration site	16,824	71,933	-	88,757
Field equipment	706	48,576	-	49,282
Fuel	-	86,974	-	86,974
Geological	15,416	101,243	-	116,659
Geophysics	-	10,054	-	10,054
Salaries	123,185	91,897	-	215,082
Transportation	1,347	98,838	-	100,185
VAT	-	-	197,814	197,814
	<u>202,120</u>	<u>1,390,161</u>	<u>197,814</u>	<u>1,790,095</u>
Balance at March 31, 2014	<u>5,973,457</u>	<u>4,478,559</u>	<u>1,441,089</u>	<u>11,893,105</u>

Colquipucro and Ayawilca Projects

On May 27, 2004 the Company entered into an agreement (the "Sierra Alliance Agreement") with Sierra Peru Pty Ltd. ("Sierra") pursuant to which the Company staked a number of prospects in Peru. As at March 31, 2014 the Colquipucro and Ayawilca projects comprise a total of 47 contiguous mineral claims in the Province of Daniel Alcides Carrion, Peru.

TINKA RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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5. Exploration and Evaluation Assets (continued)

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

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. The VAT is not currently refundable to the Company but can be used in the future to offset amounts due to Peruvian taxation authorities by the Company resulting from VAT charged on future sales

6. Share Capital

(a) *Authorized Share Capital*

As at March 31, 2014 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) *Reconciliation of Changes in Share Capital*

- (i) During the six months ended March 31, 2014 the Company completed a non-brokered private placement financing of 2,769,480 units at a price of \$0.50 per unit for gross proceeds of \$1,384,740. Each unit consisted of one common share of the Company and one-half of one share purchase warrant. Each whole warrant is exercisable to purchase an additional common share at a price of \$0.75 for a period of one year, with 789,740 warrants expiring on October 8, 2014 and 595,000 warrants expiring on November 28, 2014.

The Company paid its agents cash commissions totalling \$48,850 and issued 1,500 compensation warrants and 119,000 compensation options. The compensation warrants have the same terms and conditions as the private placement warrants. The compensation options have the same terms and conditions as the private placement units. The fair values of the compensation warrants and the compensation options have been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 0.99%; expected volatility of 53.40% - 55.25%; an expected life of one year; a dividend yield of 0%; and an expected forfeiture rate of 0%. The values assigned to the compensation warrants and compensation options were \$69 and \$12,039, respectively.

The 119,000 compensation options remained outstanding at March 31, 2014.

The Company incurred \$9,208 for legal and filing costs.

As at September 30, 2013 the Company had received \$242,240 on account of the private placement and incurred \$750 share issue costs relating to the private placement.

- (ii) During fiscal 2013 the Company completed private placement financings as follows:

- i) 3,000,000 units at \$0.75 per unit for gross proceeds of \$2,250,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable at a price of \$1.00 per common share expiring on June 21, 2014.

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6. Share Capital (continued)

The Company paid the agent a cash commission of \$146,850 and issued 235,000 compensation options. The compensation options entitled the agent to purchase 235,000 units at an exercise price of \$0.75 per unit which expired on December 21, 2013. The \$48,500 fair value assigned to the compensation options has been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 1.04%; expected volatility of 69.40%; an expected life of one year; a dividend yield of 0%; and an expected forfeiture rate of 0%.

The Company incurred \$17,170 for legal and filing costs; and

- ii) 3,030,265 units at a price of \$0.85 per unit for gross proceeds of \$2,575,725. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable at a price of \$1.25 per common share expiring November 14, 2014.

The Company paid the agent a cash commission of \$165,538 and issued 194,750 compensation options. The compensation options entitles the agent to purchase 194,750 units at an exercise price of \$0.85 per unit, expiring November 14, 2014. The exercise price and term of the underlying warrants to the units issuable upon the exercise of the compensation options are the same as the warrants issued under the private placement. In addition, the Company paid a finder a cash commission of \$6,375 and issued 7,500 finder warrants, each finder warrant having the same term and conditions as the warrants issued under the private placement. The fair values of the compensation options and finder's warrants have been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 0.95%; expected volatility of 65.26%; an expected life of eighteen months; a dividend yield of 0%; and an expected forfeiture rate of 0%. The values assigned to the compensation options and finder's warrants were \$52,224 and \$1,232 respectively.

The 194,750 compensation options remained outstanding at March 31, 2014.

The Company incurred filing and legal fees of \$15,909 for the private placement.

- (iii) See also Note 11.

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at March 31, 2014 and 2013 and the changes for the six months ended on those dates is as follows:

	2014		2013	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of period	2,994,133	1.13	-	-
Granted	1,386,240	0.75	1,500,000	1.00
Exercised	-	-	(28,500)	1.00
Balance, end of period	4,380,373	1.01	1,471,500	1.00

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(Unaudited - Expressed in Canadian Dollars)

6. Share Capital (continued)

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at March 31, 2014:

Number	Exercise Price \$	Expiry Date
1,471,500	1.00	June 21, 2014
791,240	0.75	October 8, 2014
1,522,633	1.25	November 14, 2014
<u>595,000</u>	0.75	November 28, 2014
<u>4,380,373</u>		

The weighted average remaining contractual life of the outstanding warrants at March 31, 2014 was 0.48 years.

(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.

During the six months ended March 31, 2014 the Company granted share options to purchase 220,000 (2013 - 3,040,000) common shares and recorded compensation expense of \$31,396 (2013 - \$1,372,338). In addition the Company also recorded share-based compensation of \$nil (2013 - \$39,583) on the vesting of share options which were previously granted.

The fair value of share options granted and vested during the six months ended March 31, 2014 and 2013 is estimated using the Black-Scholes option pricing model using the following assumptions:

	<u>2014</u>	<u>2013</u>
Risk-free interest rate	1.09% - 1.39%	1.10% - 1.28%
Estimated volatility	62.26% - 71.41%	48.96% - 95.23%
Expected life	3 years	1.5 years - 3 years
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%

The weighted average fair value of all share options granted and vested, using the Black-Scholes option pricing model, during the six months ended March 31, 2014 was \$0.45 (2013 - \$0.52) 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.

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6. Share Capital (continued)

A summary of the Company's share options at March 31, 2014 and 2013 and the changes for the six months ended on those dates, is as follows:

	2014		2013	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	6,185,000	0.73	5,080,000	0.43
Granted	220,000	0.49	3,040,000	1.01
Exercised	(80,000)	0.27	(1,612,000)	0.25
Expired	(685,000)	0.60	-	-
Forfeited	(25,000)	1.02	-	-
Balance, end of period	<u>5,615,000</u>	0.74	<u>6,508,000</u>	0.74

The following table summarizes information about the share options outstanding and exercisable at March 31, 2014:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
1,170,000	1,170,000	0.55	January 26, 2015
1,555,000	1,555,000	0.50	August 3, 2015
30,000	30,000	0.50	September 20, 2015
100,000	100,000	0.58	September 28, 2015
20,000	20,000	0.72	November 23, 2015
2,120,000	2,120,000	1.00	January 11, 2016
400,000	400,000	1.10	January 11, 2016
200,000	50,000	0.50	November 29, 2016
<u>20,000</u>	<u>20,000</u>	0.40	February 20, 2017
<u>5,615,000</u>	<u>5,465,000</u>		

The weighted average remaining contractual life of the outstanding share options at March 31, 2014 was 1.49 years.

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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 six months ended March 31, 2014 and 2013 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"):

	2014 \$	2013 \$
Management fees - CEO	60,000	60,000
Professional fees - CFO	9,000	6,000
Professional fees - VPE	54,000	27,000
Share-based compensation	-	664,428
	<u>123,000</u>	<u>757,428</u>

The Company has expensed \$27,300 (2013 - \$15,200) professional fees to operations and capitalized \$35,700 (2013 - \$17,800) professional fees to exploration and evaluation assets.

As at March 31, 2014, \$10,500 (2013 - \$12,000) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) *Transactions with Other Related Parties*

(i) During the six months ended March 31, 2014 and 2013 the following amounts were incurred with respect to non-management officers and directors:

	2014 \$	2013 \$
Professional fees	12,000	9,000
Share-based compensation	-	403,298
	<u>12,000</u>	<u>412,298</u>

As at March 31, 2014, \$3,000 (2013 - \$6,000) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During the six months ended March 31, 2014 the Company incurred a total of \$21,800 (2013 - \$20,600) with Chase Management Ltd. ("Chase"), a private corporation owned by the CFO of the Company, for accounting and administrative services provided by Chase personnel, excluding the CFO, and \$2,010 (2013 - \$2,400) for rent. As at March 31, 2014, \$6,470 (2013 - \$12,700) remained unpaid and has been included in accounts payable and accrued liabilities.

(c) The Company shares personnel, office and other costs with public companies with certain common directors. During the six months ended March 31, 2014 the Company recorded \$8,745 (2013 - \$9,026) expenses with the public companies. As at March 31, 2014, \$3,060 (2013 - \$2,270) remained unpaid and has been included in accounts payable and accrued liabilities.

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8. Segmented Information

Substantially all of the Company's operations are in one industry, the exploration for precious metals. Management reviews the financial results according to expenditures by property. As at March 31, 2014 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.

	As at March 31, 2014		
	Corporate Canada \$	Mineral Operations Peru \$	Total \$
Current assets	382,229	86,812	469,041
Exploration and evaluation assets	-	11,893,105	11,893,105
Property, plant and equipment	<u>2,131</u>	<u>51,055</u>	<u>53,186</u>
	<u>384,360</u>	<u>12,030,972</u>	<u>12,415,332</u>
	As at September 30, 2013		
	Corporate Canada \$	Mineral Operations Peru \$	Total \$
Current assets	1,591,417	104,246	1,695,663
Exploration and evaluation assets	-	10,103,010	10,103,010
Property, plant and equipment	2,713	66,171	68,884
Deferred share issued costs	<u>750</u>	<u>-</u>	<u>750</u>
	<u>1,594,880</u>	<u>10,273,427</u>	<u>11,868,307</u>

9. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following four categories: fair value through profit or loss ("FVTPL"); held-to-maturity investments; loans and receivables; and available-for-sale. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	March 31, 2014 \$	September 30, 2013 \$
Cash	FVTPL	438,772	1,653,410
Amounts receivable	Loans and receivables	6,142	2,765
Accounts payable and accrued liabilities	Other liabilities	(177,337)	(255,031)

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.

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9. Financial Instruments and Risk Management (continued)

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 amounts receivable and 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.

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 and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and amounts receivable 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 March 31, 2014				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	438,772	-	-	-	438,772
Amounts receivable	6,142	-	-	-	6,142
Accounts payable and accrued liabilities	(177,337)	-	-	-	(177,337)
	Contractual Maturity Analysis at September 30, 2013				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	1,653,410	-	-	-	1,653,410
Amounts receivable	2,765	-	-	-	2,765
Accounts payable and accrued liabilities	(255,031)	-	-	-	(255,031)

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9. Financial Instruments and Risk Management (continued)

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 has not entered into any agreements or purchased any instruments to hedge possible currency risks. At March 31, 2014, 1 Canadian Dollar was equal to \$2.54 Peruvian Nuevo Soles.

Balances are as follows:

	Peruvian Nuevo Soles	CDN \$ Equivalent
Cash	196,903	77,411
Amounts receivable	7,069	2,780
Accounts payable and accrued liabilities	<u>(332,618)</u>	<u>(130,767)</u>
	<u>(128,646)</u>	<u>(50,577)</u>

Based on the net exposures as of March 31, 2014 and, assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Peruvian Nuevo Soles would result in an increase or decrease of approximately \$4,600.

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.

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10. Supplemental Cash Flow Information

Non-cash activities conducted by the Company during the six months ended March 31, 2014 and 2013, are as follows:

	2014 \$	2013 \$
Operating activities		
Depreciation	15,116	14,750
(Decrease) increase in accounts payable and accrued liabilities	<u>(64,650)</u>	<u>48,475</u>
	<u>(49,534)</u>	<u>63,225</u>
Investing activity		
Exploration and evaluation assets expenditures	<u>49,534</u>	<u>(63,225)</u>
Financing activities		
Transfer on exercise of share options	16,837	397,287
Share-based payment reserves	(4,729)	(348,787)
Share issue costs	<u>(12,108)</u>	<u>(48,500)</u>
	<u>-</u>	<u>-</u>

11. Events after the Reporting Period

On April 16, 2014 the Company, Darwin Resources Corp. (“Darwin”) and Sentient Global Resources Fund IV, LP (“Sentient”) entered into a binding term sheet (the “Agreement”) whereby the Company has agreed to acquire, through a statutory plan of arrangement (the “Arrangement”), all of the outstanding shares of Darwin. Under the terms of the Arrangement, Darwin’s shareholders will receive one common share of the Company for each 5.5 common shares of Darwin, resulting in the issuance of 6,131,725 common shares of the Company in exchange for 33,724,488 common shares of Darwin.

As part of the Arrangement, the Company will undertake a private placement (the “Private Placement”) of up to 16,509,090 units of the Company at a price of \$0.275 per unit for gross proceeds of up to \$4,540,000. Each unit will be comprised of one common share and one half of one share purchase warrant, with each whole warrant exercisable to acquire an additional common share at a price of \$0.365 for a period of 24 months. Sentient has agreed, subject to certain conditions, to subscribe for 12,872,727 units under the Private Placement. On May 1, 2014 the Company completed the first tranche of the Private Placement and issued 1,818,182 units to Sentient for gross proceeds of \$500,000.

The Arrangement will be subject to standard closing conditions including, without limitation, receipt of all required Darwin shareholder, court and regulatory approvals by July 31, 2014. Closing of the Arrangement and Private Placement (the “Closing”) is expected to occur approximately ten days after receipt of Darwin’s shareholders approval. Darwin will hold a shareholder meeting on July 11, 2014 to consider and approve the Arrangement. The Agreement may be terminated by any party if Closing has not occurred by September 15, 2014.

The Company and its President have reached an agreement whereby the President will tender his resignation as the President and CEO and as a director of the Company upon Closing. Upon resignation the Company will pay all outstanding remuneration, if any, plus \$240,000.