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**TINKA RESOURCES LIMITED**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED  
DECEMBER 31, 2018

*(Unaudited - Expressed in Canadian Dollars)*

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**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, 2018 \$	September 30, 2018 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		12,833,237	14,260,023
GST receivable		12,953	14,112
Amounts receivable		9,306	6,254
Prepaid expenses		<u>43,640</u>	<u>66,352</u>
<b>Total current assets</b>		<u>12,899,136</u>	<u>14,346,741</u>
<b>Non-current assets</b>			
Property, plant and equipment	4	26,074	28,266
Exploration and evaluation assets	5	<u>40,784,238</u>	<u>39,272,838</u>
<b>Total non-current assets</b>		<u>40,810,312</u>	<u>39,301,104</u>
<b>TOTAL ASSETS</b>		<u>53,709,448</u>	<u>53,647,845</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7	<u>537,804</u>	<u>588,203</u>
<b>TOTAL LIABILITIES</b>		<u>537,804</u>	<u>588,203</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	75,110,666	74,500,920
Share-based payments reserve	6	5,645,476	5,518,350
Deficit		<u>(27,584,498)</u>	<u>(26,959,628)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>53,171,644</u>	<u>53,059,642</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>53,709,448</u>	<u>53,647,845</u>

**Event after the Reporting Period - Note 11**

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on February 28, 2019 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	
		2018 \$	2017 \$
<b>Expenses</b>			
Accounting and administration	7(b)(ii)	33,610	29,798
Audit		42,000	38,760
Corporate development		5,506	11,278
Depreciation		719	1,484
General exploration		46,828	29,764
Investment conferences		34,168	51,889
Investor relations		22,500	22,500
Legal		25,159	62,151
Management fees	7(a)	70,002	70,002
Office		40,686	37,001
Professional fees	7	88,438	45,824
Regulatory		5,877	10,176
Rent	7(b)	12,874	6,755
Salaries, wages and benefits		118,659	113,290
Shareholder costs		6,723	14,792
Share-based compensation	6(d)	343,305	-
Transfer agent		2,442	4,519
Travel and related		42,116	74,080
		<u>941,612</u>	<u>624,063</u>
<b>Loss before other items</b>		<u>(941,612)</u>	<u>(624,063)</u>
<b>Other items</b>			
Interest income		73,542	21,218
Foreign exchange gain		243,200	81,530
		<u>316,742</u>	<u>102,748</u>
<b>Net loss and comprehensive loss for the period</b>		<u>(624,870)</u>	<u>(521,315)</u>
<b>Loss per share - basic and diluted</b>		<u>\$(0.00)</u>	<u>\$(0.00)</u>
<b>Weighted average number of common shares outstanding - basic and diluted</b>		<u>264,159,550</u>	<u>216,837,558</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)*

<b>Three Months Ended December 31, 2018</b>					
<b>Share Capital</b>					
	<b>Number of Shares</b>	<b>Amount \$</b>	<b>Share-Based Payments Reserve \$</b>	<b>Deficit \$</b>	<b>Total Equity \$</b>
<b>Balance at September 30, 2018</b>	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	-	-	-	(624,870)	(624,870)
<b>Balance at December 31, 2018</b>	<b>264,609,031</b>	<b>75,110,666</b>	<b>5,645,476</b>	<b>(27,584,498)</b>	<b>53,171,644</b>

<b>Three Months Ended December 31, 2017</b>					
<b>Share Capital</b>					
	<b>Number of Shares</b>	<b>Amount \$</b>	<b>Share-Based Payments Reserve \$</b>	<b>Deficit \$</b>	<b>Total Equity \$</b>
<b>Balance at September 30, 2017</b>	211,987,322	53,486,789	5,198,982	(24,143,263)	34,542,508
Common shares issued for:					
- share options exercised	300,000	88,000	-	-	88,000
- warrants exercised	12,232,347	3,669,704	-	-	3,669,704
Transfer on exercise of share options and finders' warrants	-	20,247	(20,247)	-	-
Net loss	-	-	-	(521,315)	(521,315)
<b>Balance at December 31, 2017</b>	<b>224,519,669</b>	<b>57,264,740</b>	<b>5,178,735</b>	<b>(24,664,578)</b>	<b>37,778,897</b>

*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,	
	2018 \$	2017 \$
<b>Operating activities</b>		
Net loss for the period	(624,870)	(521,315)
Adjustments for:		
Depreciation	719	1,484
Share-based compensation	343,305	-
Changes in non-cash working capital items:		
GST receivable	1,159	(2,385)
Amounts receivable	(3,052)	(594)
Prepaid expenses	22,712	60,919
Accounts payable and accrued liabilities	99,342	74,959
<b>Net cash used in operating activities</b>	<u>(160,685)</u>	<u>(386,932)</u>
<b>Investing activities</b>		
Expenditures on exploration and evaluation assets	(1,659,668)	(2,530,465)
Additions to property, plant and equipment	-	(970)
<b>Net cash used in investing activities</b>	<u>(1,659,668)</u>	<u>(2,531,435)</u>
<b>Financing activities</b>		
Issuance of common shares	393,567	3,757,704
<b>Net cash generated from financing activities</b>	<u>393,567</u>	<u>3,757,704</u>
<b>Net change in cash</b>	(1,426,786)	839,337
<b>Cash at beginning of period</b>	<u>14,260,023</u>	<u>6,036,919</u>
<b>Cash at end of period</b>	<u>12,833,237</u>	<u>6,876,256</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, 2018**  
*(Unaudited - Expressed in Canadian Dollars)*

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**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, 2018 the Company had working capital in the amount of \$12,361,332. 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, 2018.

**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, 2018, 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, 2018 other than the adoption of IFRS 9 - *Financial Instruments* (“IFRS 9”).

*Financial Instruments*

Effective October 1, 2018, the Company adopted IFRS 9 using the modified retrospective approach. IFRS 9 did not impact the Company’s classification and measurement of financial assets and liabilities. The standard did not have an impact on the carrying amounts of the Company’s financial instruments at the transition date. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company’s business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

**TINKA RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2018**  
*(Unaudited - Expressed in Canadian Dollars)*

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**2. Basis of Preparation** (continued)

***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.

**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>
<b>Cost:</b>			
Balance at September 30, 2017	116,206	101,141	217,347
Additions	<u>8,890</u>	<u>-</u>	<u>8,890</u>
Balance at September 30, 2018 and December 31, 2018	<u>125,096</u>	<u>101,141</u>	<u>226,237</u>
<b>Accumulated Depreciation:</b>			
Balance at September 30, 2017	(85,571)	(101,141)	(186,712)
Depreciation	<u>(11,259)</u>	<u>-</u>	<u>(11,259)</u>
Balance at September 30, 2018	(96,830)	(101,141)	(197,971)
Depreciation	<u>(2,192)</u>	<u>-</u>	<u>(2,192)</u>
Balance at December 31, 2018	<u>(99,022)</u>	<u>(101,141)</u>	<u>(200,163)</u>
<b>Carrying Value:</b>			
Balance at September 30, 2018	<u>28,266</u>	<u>-</u>	<u>28,266</u>
Balance at December 31, 2018	<u>26,074</u>	<u>-</u>	<u>26,074</u>



**TINKA RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2018**  
*(Unaudited - Expressed in Canadian Dollars)*

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**5. Exploration and Evaluation Assets**

	<b>December 31, 2018</b>			<b>September 30, 2018</b>		
	<b>Acquisition Costs \$</b>	<b>Deferred Exploration Costs \$</b>	<b>Total \$</b>	<b>Acquisition Costs \$</b>	<b>Deferred Exploration Costs \$</b>	<b>Total \$</b>
Colquipucro	381,318	8,540,618	8,921,936	381,318	8,333,515	8,714,833
Ayawilca	637,282	28,190,595	28,827,877	636,708	27,001,832	27,638,540
Other	-	3,034,425	3,034,425	-	2,919,465	2,919,465
	<u>1,018,600</u>	<u>39,765,638</u>	<u>40,784,238</u>	<u>1,018,026</u>	<u>38,254,812</u>	<u>39,272,838</u>

**TINKA RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2018**  
*(Unaudited - Expressed in Canadian Dollars)*

5. Exploration and Evaluation Assets (continued)	Colquipucro \$	Ayawilca \$	Other \$	Total \$
<b>Balance at September 30, 2017</b>	<u>8,096,360</u>	<u>18,212,263</u>	<u>2,554,100</u>	<u>28,862,723</u>
<b>Exploration costs</b>				
Assays	-	10,717	-	10,717
Camp costs	-	1,109,691	-	1,109,691
Community relations	463,188	1,900,991	-	2,364,179
Consulting	70,217	100,340	-	170,557
Depreciation	-	5,323	-	5,323
Drilling	-	5,216,500	-	5,216,500
Environmental	33,891	292,498	-	326,389
Geological	-	445,818	-	445,818
Metallurgical	-	149,795	-	149,795
Software and database management	8,189	8,356	-	16,545
Topography	-	3,945	-	3,945
Travel	-	3,380	-	3,380
VAT incurred	-	-	1,252,605	1,252,605
VAT recovered	-	-	(887,240)	(887,240)
	<u>575,485</u>	<u>9,247,354</u>	<u>365,365</u>	<u>10,188,204</u>
<b>Acquisition costs</b>				
Concession payments	<u>42,988</u>	<u>178,923</u>	-	<u>221,911</u>
<b>Balance at September 30, 2018</b>	<u>8,714,833</u>	<u>27,638,540</u>	<u>2,919,465</u>	<u>39,272,838</u>
<b>Exploration costs</b>				
Camp costs	-	245,923	-	245,923
Community relations	172,278	477,365	-	649,643
Consulting	-	93,607	-	93,607
Depreciation	-	1,473	-	1,473
Drilling	-	80,570	-	80,570
Environmental	34,825	82,042	-	116,867
Geological	-	119,753	-	119,753
Metallurgical	-	80,937	-	80,937
Topography	-	1,574	-	1,574
Travel	-	5,519	-	5,519
VAT incurred	-	-	114,960	114,960
	<u>207,103</u>	<u>1,188,763</u>	<u>114,960</u>	<u>1,510,826</u>
<b>Acquisition costs</b>				
Concession payments	-	574	-	574
<b>Balance at December 31, 2018</b>	<u>8,921,936</u>	<u>28,827,877</u>	<u>3,034,425</u>	<u>40,784,238</u>

*Colquipucro and Ayawilca Projects*

As at December 31, 2018 the Colquipucro and Ayawilca projects comprise a total of 59 mineral claims granted in the Province of Daniel Alcides Carrion, Peru.

**TINKA RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2018**  
*(Unaudited - Expressed in Canadian Dollars)*

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**5. Exploration and Evaluation Assets (continued)**

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.

*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*

*Three Months ended December 31, 2018*

No financing were conducted during the three months ended December 31 ,2018.

*Fiscal 2018*

During fiscal 2018 the Company completed the following financings:

- (i) on April 4, 2018 the Company completed a prospectus offering of 16,790,000 units, at a price of \$0.48 per unit for gross proceeds of \$8,059,200. Each unit comprised one common share and one-half warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$0.75 per share until April 4, 2019. The Company paid a cash commission of \$483,552; and
- (ii) private placement financing of 17,042,284 units \$0.48 per unit for gross proceeds of \$8,180,296. Each unit comprised one common share and one-half warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$0.75 per share for one year from closing. On April 6, 2018 the Company closed on the first tranche of 12,022,284 units for gross proceeds of \$5,770,696. A cash commission of \$38,963 was paid on the first tranche placement. On April 27, 2018 the Company closed on the remaining tranche of 5,020,000 units for proceeds of \$2,409,600.

The Company incurred a total of \$409,945 for legal and other costs associated with the prospectus and private placement financings.

**TINKA RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2018**  
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**6. Share Capital (continued)**

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's warrants outstanding at December 31, 2018 and 2017 and the changes for the three months ended on those dates is as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Number</u>	<u>Weighted Average Exercise Price \$</u>	<u>Number</u>	<u>Weighted Average Exercise Price \$</u>
Balance, beginning of period	31,141,314	0.60	26,476,273	0.36
Exercised	(1,842,829)	0.20	(12,232,347)	0.30
Expired	-	-	(18,750)	0.30
Balance, end of period	<u>29,298,485</u>	0.62	<u>14,225,176</u>	0.42

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at December 31, 2018:

<u>Number</u>	<u>Exercise Price \$</u>	<u>Expiry Date</u>
8,395,000	0.75	April 4, 2019
6,011,138	0.75	April 6, 2019
2,510,000	0.75	April 27, 2019
<u>12,382,347</u>	0.45	May 29, 2020
<u>29,298,485</u>		

(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, 2018 and 2017.

During the three months ended December 31, 2018 the Company recorded share-based compensation of \$343,305 (2017 - \$nil) 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:

	<u>2018</u>
Risk-free interest rate	0.758% - 2.42%
Estimated volatility	74.21% - 131.23%
Expected life	1.75 years - 3.5 years
Expected dividend yield	0%
Expected forfeiture rate	0%

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.

**TINKA RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**6. Share Capital (continued)**

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, 2018 and 2017 and the changes for the three months ended on those dates, is as follows:

	<u>2018</u>		<u>2017</u>	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	12,210,000	0.43	10,528,750	0.34
Exercised	(100,000)	0.25	(300,000)	0.29
Cancelled	<u>(102,000)</u>	0.41	<u>-</u>	-
Balance, end of period	<u>12,008,000</u>	0.43	<u>10,228,750</u>	0.35

The following table summarizes information about the share options outstanding at December 31, 2018:

Number	Exercise Price \$	Expiry Date
200,000	0.25	July 25, 2019
4,520,000	0.325	February 2, 2020
135,000	0.46	June 12, 2020
<u>7,153,000</u>	0.50	May 8, 2022
<u>12,008,000</u>		

See also Note 11.

**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, 2018 and 2017 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:

	<u>2018</u> \$	<u>2017</u> \$
Management fees - CEO	70,002	70,002
Professional fees - CFO	7,500	7,500
Professional fees - VPE	65,030	46,323
Share-based compensation	<u>125,363</u>	<u>-</u>
	<u>267,895</u>	<u>123,825</u>

**TINKA RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2018**  
*(Unaudited - Expressed in Canadian Dollars)*

**7. Related Party Disclosures (continued)**

During the three months ended December 31, 2018 the Company expensed \$70,002 (2017 - \$70,002) to management fees, \$33,512 (2017 - \$26,204) to professional fees and \$125,363 (2017 - \$nil) for share-based compensation. In addition, the Company capitalized \$39,018 (2017 - \$27,619) of compensation paid to the VPE to exploration and evaluation assets.

As at December 31, 2018, \$nil (September 30, 2018 - \$27,743) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) *Transactions with Other Related Parties*

(i) During the three months ended December 31, 2018 and 2017 the following amounts were incurred with respect to the Company's non-management current and former directors and the corporate secretary of the Company:

	2018 \$	2017 \$
Professional fees	24,180	19,620
Share-based compensation	93,487	-
	<u>117,667</u>	<u>19,620</u>

As at December 31, 2018 \$4,620 (September 30, 2018 - \$10,000) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During the three months ended December 31, 2018 the Company incurred a total of \$24,500 (2017 - \$18,000) 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 \$1,005 (2017 - \$1,005) for rent. As at December 31, 2018 \$19,670 (September 30, 2018 - \$7,000) 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.

	<u>December 31, 2018</u>		
	Corporate Canada \$	Mineral Operations Peru \$	Total \$
Current assets	12,325,782	73,354	12,899,136
Exploration and evaluation assets	-	40,784,238	40,784,238
Property, plant and equipment	3,873	22,201	26,074
	<u>12,829,655</u>	<u>40,879,793</u>	<u>53,709,448</u>

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**8. Segmented Information** (continued)

	September 30, 2018		
	Corporate Canada \$	Mineral Operations Peru \$	Total \$
Current assets	14,066,883	279,858	14,346,741
Exploration and evaluation assets	-	39,272,838	39,272,838
Property, plant and equipment	4,202	24,064	28,266
	<u>14,071,085</u>	<u>39,576,760</u>	<u>53,647,845</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; fair value through other comprehensive income (“FVOCI”); and other financial liabilities. The carrying values of the Company’s financial instruments are classified into the following categories:

Financial Instrument	Category	December 31, 2018 \$	September 30, 2018 \$
Cash	FVTPL	12,833,237	14,260,023
Amounts receivable	Amortized cost	9,306	6,254
Accounts payable and accrued liabilities	Amortized cost	(537,804)	(588,203)

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 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.

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**9. Financial Instruments and Risk Management (continued)**

*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.

<b>Contractual Maturity Analysis at December 31, 2018</b>					
	<b>Less than 3 Months \$</b>	<b>3 - 12 Months \$</b>	<b>1 - 5 Years \$</b>	<b>Over 5 Years \$</b>	<b>Total \$</b>
Cash	12,833,237	-	-	-	12,833,237
Amounts receivable	9,306	-	-	-	9,306
Accounts payable and accrued liabilities	(537,804)	-	-	-	(537,804)
<b>Contractual Maturity Analysis at September 30, 2018</b>					
	<b>Less than 3 Months \$</b>	<b>3 - 12 Months \$</b>	<b>1 - 5 Years \$</b>	<b>Over 5 Years \$</b>	<b>Total \$</b>
Cash	14,260,023	-	-	-	14,260,023
Amounts receivable	6,254	-	-	-	6,254
Accounts payable and accrued liabilities	(588,203)	-	-	-	(588,203)

*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, 2018, 1 Canadian Dollar was equal to 2.49 Peruvian Nuevo Soles and 0.73 US Dollar.

Balances are as follows:

	<b>Peruvian Nuevo Soles</b>	<b>US Dollars</b>	<b>CDN \$ Equivalent</b>
Cash	149,339	2,661,113	3,690,279
Amounts receivable	23,168	-	9,306
Accounts payable and accrued liabilities	(963,995)	(19,825)	(414,275)
	<u>(791,488)</u>	<u>2,641,288</u>	<u>3,285,310</u>



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**9. Financial Instruments and Risk Management (continued)**

Based on the net exposures as of December 31, 2018 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 an increase or decrease of approximately \$305,872.

*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, 2018 and 2017 are as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Operating activities		
Depreciation	1,473	1,259
Accounts payable and accrued liabilities	<u>149,740</u>	<u>(174,326)</u>
	<u>151,213</u>	<u>(173,067)</u>
Investing activity		
Exploration and evaluation assets	<u>(151,213)</u>	<u>173,067</u>
Financing activities		
Share-based payment reserves	(216,179)	(20,247)
Transfer on exercise of options and finders' warrants	<u>216,179</u>	<u>20,247</u>
	<u>-</u>	<u>-</u>

**11. Event After the Reporting Period**

Subsequent to December 31, 2018 the Company cancelled share options to purchase a total of 546,000 common shares with an exercise price of \$0.50 per share.