
TINKA RESOURCES LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
MARCH 31, 2017

(Unaudited - Expressed in Canadian Dollars)

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

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

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

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

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

	Note	March 31, 2017 \$	September 30, 2016 \$
ASSETS			
Current assets			
Cash		10,836,574	1,765,069
GST receivable		4,451	2,691
Amounts receivable		8,752	5,073
Prepaid expenses		<u>43,930</u>	<u>61,096</u>
Total current assets		<u>10,893,707</u>	<u>1,833,929</u>
Non-current assets			
Property, plant and equipment	4	19,033	23,123
Exploration and evaluation assets	5	<u>22,922,224</u>	<u>21,925,011</u>
Total non-current assets		<u>22,941,257</u>	<u>21,948,134</u>
TOTAL ASSETS		<u>33,834,964</u>	<u>23,782,063</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	<u>186,213</u>	<u>142,149</u>
TOTAL LIABILITIES		<u>186,213</u>	<u>142,149</u>
SHAREHOLDERS' EQUITY			
Share capital	6	50,783,404	40,137,096
Share-based payments reserve	6	5,358,700	4,457,243
Deficit		<u>(22,493,353)</u>	<u>(20,954,425)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>33,648,751</u>	<u>23,639,914</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>33,834,964</u>	<u>23,782,063</u>

Events after the Reporting Period - Note 11

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on May 26, 2017 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 March 31		Six Months Ended March 31	
		2017 \$	2016 \$	2017 \$	2016 \$
Expenses					
Accounting and administration	7(b)	17,186	10,647	32,811	25,676
Audit		-	-	36,720	32,640
Corporate development		26,135	2,280	39,765	3,701
Depreciation		1,499	1,562	3,511	3,122
General exploration		10,669	9,261	36,052	11,762
Investment conferences		7,383	9,378	28,815	21,890
Investor relations		15,000	-	30,000	-
Legal		17,710	5,280	19,002	6,708
Management fees	7(a)	55,000	55,000	110,000	110,000
Office		38,436	23,935	73,607	53,032
Professional fees	7	42,001	51,404	127,413	110,602
Regulatory		4,438	3,519	6,252	5,319
Rent	7(b)	11,868	12,108	23,784	23,804
Salaries, wages and benefits		60,269	81,926	136,334	227,023
Shareholder costs		5,272	5,188	10,672	7,073
Share-based compensation	6(d)	780,252	11,422	793,530	39,565
Transfer agent		2,074	929	5,584	2,125
Travel and related		58,511	26,788	112,638	67,369
		<u>1,153,703</u>	<u>310,627</u>	<u>1,626,490</u>	<u>751,411</u>
Loss before other items		<u>(1,153,703)</u>	<u>(310,627)</u>	<u>(1,626,490)</u>	<u>(751,411)</u>
Other items					
Interest income		23,785	9,581	41,462	22,691
Foreign exchange gain (loss)		4,857	(59,958)	46,100	(86,088)
		<u>28,642</u>	<u>(50,377)</u>	<u>87,562</u>	<u>(63,397)</u>
Net loss and comprehensive loss for the period		<u>(1,125,061)</u>	<u>(361,004)</u>	<u>(1,538,928)</u>	<u>(814,808)</u>
Loss per share - basic and diluted		<u>\$(0.00)</u>	<u>\$(0.00)</u>	<u>\$(0.01)</u>	<u>\$(0.00)</u>
Weighted average number of common shares outstanding - basic and diluted		<u>204,979,155</u>	<u>149,807,322</u>	<u>193,257,053</u>	<u>149,807,322</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, 2017					
Share Capital					
	Number of Shares	Amount \$	Share-Based Payments Reserve \$	Deficit \$	Total Equity \$
Balance at September 30, 2016	149,807,322	40,137,096	4,457,243	(20,954,425)	23,639,914
Common shares issued for:					
- private placement	55,000,000	11,000,000	-	-	11,000,000
- share options exercised	995,000	313,500	-	-	313,500
Share issue costs	-	(770,816)	211,551	-	(559,265)
Transfer on exercise of share options	-	103,624	(103,624)	-	-
Share-based compensation	-	-	793,530	-	793,530
Net loss	-	-	-	(1,538,928)	(1,538,928)
Balance at March 31, 2017	205,802,322	50,783,404	5,358,700	(22,493,353)	33,648,751

Six Months Ended March 31, 2016					
Share Capital					
	Number of Shares	Amount \$	Share-Based Payments Reserve \$	Deficit \$	Total Equity \$
Balance at September 30, 2015	149,807,322	40,137,096	4,363,949	(19,243,556)	25,257,489
Share-based compensation	-	-	39,565	-	39,565
Net loss	-	-	-	(814,808)	(814,808)
Balance at March 31, 2016	149,807,322	40,137,096	4,403,514	(20,058,364)	24,482,246

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,	
	2017 \$	2016 \$
Operating activities		
Net loss for the period	(1,538,928)	(814,808)
Adjustments for:		
Depreciation of property, plant and equipment	3,505	3,122
Share-based compensation	793,530	39,565
Changes in non-cash working capital items:		
GST receivable	(1,760)	(1,476)
Amounts receivable	(3,679)	4,954
Prepaid expenses	17,166	28,998
Accounts payable and accrued liabilities	12,570	(4,839)
Net cash used in operating activities	<u>(717,596)</u>	<u>(744,484)</u>
Investing activities		
Expenditures on exploration and evaluation assets	(1,337,772)	(2,397,653)
VAT recovered	373,150	-
Purchase of equipment	(512)	(2,847)
Net cash used in investing activities	<u>(965,134)</u>	<u>(2,400,500)</u>
Financing activities		
Issuance of common shares	11,313,500	-
Share issue costs	(559,265)	-
Net cash generated from financing activities	<u>10,754,235</u>	<u>-</u>
Net change in cash	9,071,505	(3,144,984)
Cash at beginning of period	<u>1,765,069</u>	<u>6,912,872</u>
Cash at end of period	<u>10,836,574</u>	<u>3,767,888</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, 2017
(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations

Tinka Resources Limited (the “Company”) was incorporated on September 15, 1987 under the provisions of the Company Act (British Columbia). The Company is listed and traded on the TSX Venture Exchange (“TSXV”) 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 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 March 31, 2017 the Company had working capital in the amount of \$10,707,494. 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 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. 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 March 31, 2017.

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, 2016, 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, 2016.

Basis of Measurement

The Company’s consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value.

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%

TINKA RESOURCES LIMITED
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4. Property, Plant and Equipment

	Office Furniture and Equipment \$	Vehicles \$	Total \$
Cost:			
Balance at September 30, 2015	94,631	101,141	195,772
Additions	<u>4,246</u>	<u>-</u>	<u>4,246</u>
Balance at September 30, 2016	98,877	101,141	200,018
Additions	<u>512</u>	<u>-</u>	<u>512</u>
Balance at March 31, 2017	<u>99,389</u>	<u>101,141</u>	<u>200,530</u>
Accumulated Depreciation:			
Balance at September 30, 2015	(65,813)	(90,139)	(155,952)
Depreciation	<u>(10,842)</u>	<u>(10,101)</u>	<u>(20,943)</u>
Balance at September 30, 2016	(76,655)	(100,240)	(176,895)
Depreciation	<u>(3,701)</u>	<u>(901)</u>	<u>(4,602)</u>
Balance at March 31, 2017	<u>(80,356)</u>	<u>(101,141)</u>	<u>(181,497)</u>
Carrying Value:			
Balance at September 30, 2016	<u>22,222</u>	<u>901</u>	<u>23,123</u>
Balance at March 31, 2017	<u>19,033</u>	<u>-</u>	<u>19,033</u>

5. Exploration and Evaluation Assets

	March 31, 2017			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	<u>7,392</u>	<u>1,926,955</u>	<u>1,934,347</u>	<u>7,392</u>	<u>2,187,350</u>	<u>2,194,742</u>
	<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>

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5. Exploration and Evaluation Assets (continued)	Colquipucro \$	Ayawilca \$	Other \$	Total \$
Balance at September 30, 2015	<u>7,673,029</u>	<u>9,025,503</u>	<u>2,099,426</u>	<u>18,797,958</u>
Exploration costs				
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>
Acquisition costs				
Concession payments	-	185,828	-	185,828
Impairment	-	-	(208,908)	(208,908)
Balance at September 30, 2016	<u>7,766,324</u>	<u>11,963,945</u>	<u>2,194,742</u>	<u>21,925,011</u>
Exploration costs				
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
Geophysics	5,355	6,032	-	11,387
Metallurgical test work	-	38,982	-	38,982
Software and database management	8,368	8,367	-	16,735
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>
Acquisition costs				
Concession payments	-	6,507	-	6,507
Balance at March 31, 2017	<u>7,835,391</u>	<u>13,152,486</u>	<u>1,934,347</u>	<u>22,922,224</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, 2017 the Colquipucro and Ayawilca projects comprise a total of 57 mineral claims granted or under application in the Province of Daniel Alcides Carrion, Peru.

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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 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

During fiscal 2016 the Company recorded an impairment charge of \$208,908 relating to certain concessions and associated costs incurred in Peru. As at March 31, 2017 the Company holds two granted concessions in Peru.

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. During the six months ended March 31, 2017 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 (September 30, 2016 - \$1,937,599).

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*

- (i) During the six months ended March 31, 2017 the Company completed a private placement financing of 55,000,000 common shares at a price of \$0.20 per shares for gross proceeds of \$11,000,000. The Company paid finders’ fees totalling \$368,566 and issued 1,842,829 finders’ warrants. Each finders’ warrant entitles the holder to purchase one common share of the Company at a price of \$0.20 per share, for a period of two years. The fair value of the finders’ warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 0.54%; expected volatility of 112.01%; an expected life of 2 years; a dividend yield of 0%; and an expected forfeiture rate of 0%. The value assigned to the underlying finders’ warrants was \$211,551.

The Company incurred \$190,699 legal and filing costs associated with the private placement.

Directors of the Company and family members purchased 300,000 shares for \$60,000.

- (ii) During fiscal 2016 the Company did not complete any financings.

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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 March 31, 2017 and 2016 and the changes for the three months ended on those dates is as follows:

	2017		2016	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of period	25,338,444	0.38	40,143,556	0.37
Issued	1,842,829	0.20	-	-
Expired	-	-	(342,367)	0.77
Balance, end of period	27,181,273	0.36	39,801,189	0.37

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at March 31, 2017:

Number	Exercise Price \$	Expiry Date
12,669,222	0.30	November 29, 2017
1,842,829	0.20	November 7, 2018
12,669,222	0.45	May 29, 2020
27,181,273		

See also Note 11.

(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, 2017 the Company granted share options to purchase 5,618,750 (2016 - 580,000) common shares and recorded compensation expense of \$764,945 (2016 - \$20,018). In addition during the six months ended March 31, 2017 the Company also recorded share-based compensation of \$28,585 (2016 - \$19,547) 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, 2017 and 2016 has been estimated using the Black-Scholes option pricing model using the following assumptions:

	<u>2017</u>	<u>2016</u>
Risk-free interest rate	0.54% - 0.91%	0.51% - 1.01%
Estimated volatility	103.30% - 113.82%	72.60% - 73.42%
Expected life	2 years - 3 years	1.25 years - 2 years
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%

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6. Share Capital (continued)

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, 2017 was \$0.22 (2016 - \$0.10) per option.

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

A summary of the Company's share options at March 31, 2017 and 2016 and the changes for the six months ended on those dates, is as follows:

	2017		2016	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	10,860,000	0.33	10,915,000	0.37
Granted	5,618,750	0.32	580,000	0.25
Exercised	(995,000)	0.33	-	-
Expired	(120,000)	0.32	(1,235,000)	0.65
Balance, end of period	<u>15,363,750</u>	0.32	<u>10,260,000</u>	0.33

The following table summarizes information about the share options outstanding and exercisable at March 31, 2017:

Number	Exercise Price \$	Expiry Date
2,125,000	0.37	August 5, 2017
1,845,000	0.30	August 5, 2017
150,000	0.35	August 31, 2017
390,000	0.30	April 20, 2018
4,105,000	0.35	June 12, 2018
108,750	0.20	November 23, 2018
530,000	0.25	November 24, 2018
400,000	0.25	April 1, 2019
200,000	0.25	July 25, 2019
<u>5,510,000</u>	0.325	February 2, 2020
<u>15,363,750</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 six months ended March 31, 2017 and 2016 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:

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7. Related Party Disclosures (continued)

	2017 \$	2016 \$
Management fees - CEO	110,000	110,000
Professional fees - CFO	15,000	15,000
Professional fees - VPE	108,522	95,696
Share-based compensation	<u>146,934</u>	<u>19,547</u>
	<u>380,456</u>	<u>240,243</u>

During the six months ended March 31, 2017 the Company 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 six months ended March 31, 2017 and 2016 the following amounts were incurred with respect to the Company's non-management current and former directors of the Company:

	2017 \$	2016 \$
Professional fees	24,000	18,000
Share-based compensation	<u>219,837</u>	<u>-</u>
	<u>243,837</u>	<u>18,000</u>

As at March 31, 2017, \$10,000 (September 30, 2016 - \$8,000) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During the six months ended March 31, 2017 the Company incurred a total of \$20,550 (2016 - \$19,700) 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 (2016 - \$2,010) for rent. As at March 31, 2017, \$6,770 (September 30, 2016 - \$6,170) remained unpaid and has been included in accounts payable and accrued liabilities.

During the six months ended March 31, 2017 the Company also recorded \$15,337 (2016 - \$nil) for share-based compensation for share options granted to Chase.

(c) The Company shares personnel, office and other costs with a public company with certain common directors. During the six months ended March 31, 2017 the Company incurred \$10,062 (2016 - \$7,325) for expenses. As at March 31, 2017, \$1,200 (September 30, 2016 - \$337) remained unpaid and has been included in accounts payable and accrued liabilities.

8. Segmented Information

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

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8. Segmented Information (continued)

	March 31, 2017		
	Corporate Canada \$	Mineral Operations Peru \$	Total \$
Current assets	10,525,532	368,175	10,893,707
Exploration and evaluation assets	-	22,922,224	22,922,224
Property, plant and equipment	<u>3,157</u>	<u>15,876</u>	<u>19,033</u>
	<u>10,528,689</u>	<u>23,306,275</u>	<u>33,834,964</u>
	September 30, 2016		
	Corporate Canada \$	Mineral Operations Peru \$	Total \$
Current assets	1,751,140	82,789	1,833,929
Exploration and evaluation assets	-	21,925,011	21,925,011
Property, plant and equipment	<u>3,707</u>	<u>19,416</u>	<u>23,123</u>
	<u>1,754,847</u>	<u>22,027,216</u>	<u>23,782,063</u>

9. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following five categories: fair value through profit or loss (“FVTPL”); held-to-maturity investments; loans and receivables; available-for-sale, and other financial liabilities. The carrying values of the Company’s financial instruments are classified into the following categories:

Financial Instrument	Category	March 31, 2017 \$	September 30, 2016 \$
Cash	FVTPL	10,836,574	1,765,069
Amounts receivable	Loans and receivables	8,752	5,073
Accounts payable and accrued liabilities	Other financial liabilities	(186,213)	(142,149)

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.

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9. Financial Instruments and Risk Management (continued)

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, 2017				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	10,836,574	-	-	-	10,836,574
Amounts receivable	8,752	-	-	-	8,752
Accounts payable and accrued liabilities	(186,213)	-	-	-	(186,213)

	Contractual Maturity Analysis at September 30, 2016				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	1,765,069	-	-	-	1,765,069
Amounts receivable	5,073	-	-	-	5,073
Accounts payable and accrued liabilities	(142,149)	-	-	-	(142,149)

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.

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9. Financial Instruments and Risk Management (continued)

(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 March 31, 2017, 1 Canadian Dollar was equal to 2.42 Peruvian Nuevo Soles and 0.75 US Dollar.

Balances are as follows:

	Peruvian Nuevo Soles	US Dollars	CDN \$ Equivalent
Cash	856,525	3,219,490	4,642,568
Amounts receivable	18,008	-	7,434
Accounts payable and accrued liabilities	<u>(344,301)</u>	<u>-</u>	<u>(142,124)</u>
	<u>530,232</u>	<u>3,219,490</u>	<u>4,507,878</u>

Based on the net exposures as of March 31, 2017 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 \$410,000.

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 six months ended March 31, 2017 and 2016 are as follows:

	2017 \$	2016 \$
Operating activities		
Depreciation	1,097	8,051
Accounts payable and accrued liabilities	<u>31,494</u>	<u>(414,156)</u>
	<u>32,591</u>	<u>(406,105)</u>
Investing activity		
Exploration and evaluation assets	<u>(32,591)</u>	<u>406,105</u>
	<u>(32,591)</u>	<u>406,105</u>

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10. Supplemental Cash Flow Information (continued)

	2017	2016
	\$	\$
Financing activities		
Share-based payment reserves	107,927	-
Share issue costs	(211,551)	-
Transfer on exercise of share options	<u>103,624</u>	<u>-</u>
	<u>-</u>	<u>-</u>

11. Events After the Reporting Period

Subsequent to March 31, 2017 the Company:

- (i) issued 455,625 common shares of the Company on the exercise of warrants for \$147,937; and
- (ii) issued 2,445,000 common shares of the Company on the exercise of share options for \$784,250.