

# TINKA RESOURCES LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED JUNE 30, 2017

This discussion and analysis of financial position and results of operation is prepared as at August 25, 2017 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and the accompanying notes for the nine months ended June 30, 2017 of Tinka Resources Limited (the "Company" or "Tinka"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars.

### Forward-Looking Statements

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

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

### Company Overview

The Company is a junior mineral exploration company currently engaged in the acquisition and exploration of base and precious metals mineral properties located in Peru with the aim of developing them to a stage where they can be exploited at a profit or to arrange joint ventures whereby other companies provide funding for development and exploitation. The Company's activities have been focused on developing its 100% owned Ayawilca and Colquipucro Properties, located 40 kilometres northwest of Cerro de Pasco, Central Peru. As of the date of this MD&A, the Company has not earned any production revenue, nor found any proven reserves on any of its properties. The

Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange (“TSXV”) as a Tier 1 issuer, under the symbol “TK”, on the Frankfurt Exchange under the symbol “TLD”, and on the OTC Pink under the symbol “TKRFF”.

### **Appointment of Director**

On August 17, 2017 the Company appointed Ben McKeown to its board as an independent non-executive director. Mr. McKeown brings strong commercial, financial, strategic and technical experience to the board of Tinka. He has worked across various sectors and in a number of jurisdictions during his 25 years in resources including in iron ore, lithium, precious metals, base metals, and oil and gas. He has served on numerous listed and unlisted company boards as Chairman or non-executive director, including Ferrous Resources Limited, Senex Energy Ltd, Jordan Energy & Mining Ltd and Rincon Lithium Ltd. Mr. McKeown was a partner at Sentient Group for 10 years until May 2017. Previously, Mr. McKeown was an investment principal at Actis (previously CDC Group) for 7 years. Mr. McKeown graduated from Imperial College London with B. Eng (Hons) in Mining Engineering, and holds an MBA from IESE Business School in Barcelona. Mr. McKeown currently resides in Sydney, Australia.

### **Exploration Projects, Peru**

#### **Introduction**

As of the date of this MD&A, the Company owns 55 granted mining concessions covering 15,240 hectares at the Company’s flagship Ayawilca Property in the Pasco - Huanuco regions of Peru. The Company also holds four applications pending grant covering 2,100 hectares at Ayawilca.

The Ayawilca project is located 250 kilometres northeast of Lima in the central Peru Andes at elevations of between 3,800 and 4,300 metres, 40 kilometres northwest of the Cerro de Pasco zinc-lead-silver-copper mine, a large carbonate replacement deposit (CRD) mined continuously at a variety of scales for centuries. The Ayawilca zinc project, discovered by Tinka in 2012 and also a CRD, has a current Inferred Mineral Resource of 18.8 million tonnes grading 8.2% Zinc Equivalent based on 27,248 metres of drilling to December 2015 (see section below). Since February 2017, Tinka has embarked on a significant resource step-out drill program of 12,000 to 15,000 metres aimed at expanding the zinc resource. As of the date of this MD&A, the Company has released results from the first 25 of approximately 40 drill holes. A new zinc discovery has been made at South Ayawilca covering an area of approximately 850 metres by 200 metres, and is interpreted to join with the Central Ayawilca resource area. This new discovery at South Ayawilca will have a significant impact on the zinc resources once the resource estimates are updated later in 2017. Two drill rigs continue to turn at the project.

Zinc mineralization at Ayawilca begins at depths of approximately 150 to 200 metres from surface, and extends to about 400 metres depth in the form of flat-lying sulphide ‘mantos’ ranging from 10 to 30 metres thick, or as vertical ‘chimneys’ up to 200 metres thick. Mineralization is 100% sulphide. Zinc occurs mostly as iron-rich sphalerite accompanied by pyrite and pyrrhotite, as well as magnetite. The zinc mineralization is accompanied by indium (“In”), a high value specialty metal used in the hi-tech industry. Minor silver (“Ag”) and lead (“Pb”) also occur within the resource. A flat lying carbonate unit, the Pucará Group, hosts most of the zinc mineralization, which is overlain by Goyllar Group sandstones which are 150 to 200 m thick and outcrop widely at the project. The base of the sandstone unit also hosts zinc mineralization but in minor quantities compared to the underlying limestone.

A separate Tin (“Sn”) Zone resource is hosted by pyrrhotite-bearing iron sulphide mantos lying beneath the zinc at the Central Ayawilca area. The Tin Zone mantos are typically 10 - 15 metres thick. Cassiterite (tin oxide) is accompanied by minor chalcopyrite (copper sulphide) and stannite (tin copper sulphide) within the pyrrhotite - pyrite - quartz mantos typically lying at the lower limestone contact with underlying phyllite basement.

The Colquipucro Silver resource lies two kilometres north of the Zinc Zone resource and is hosted by the Goyllar Group sandstones. Silver mineralization occurs in oxidised, weathered rocks from the surface to a depth of 80 metres.

#### **Mineral Resources**

In May 2016, the Company announced an Inferred Mineral Resource of 18.8 million tonnes grading 8.2% zinc equivalent (ZnEq) at a cut-off grade of 5% ZnEq (or US \$60 per tonne) using a zinc price of US \$1.0/lb, as shown in Table 1. The Company announced an additional Tin Zone resource of 5.4 million tonnes grading 0.89% tin equivalent

(SnEq) at a cut-off grade of 0.45% SnEq (or US \$60 per tonne), as referred to in Table 2. Both of the Mineral Resources are in accordance with the NI 43-101 Inferred Mineral Resource category (see [News Release dated May 25, 2016](#)). On June 29, 2016, the Company filed an independent National Instrument 43-101 Technical Report (the “**NI 43-101 Technical Report**”) on the Mineral Resource Estimate for the Ayawilca Property, Department of Pasco, Peru in support of the Company’s news release dated [May 25, 2016](#). The NI 43-101 Technical Report was authored by Mr. David Ross, P.Geol., of Roscoe Postle Associates Inc., who is an independent “qualified person” as defined by National Instrument 43-101. The NI 43-101 Technical Report may be found under the Company’s profile on SEDAR at [www.sedar.com](#) and on the Company’s website at [www.tinkaresources.com](#)

**Table 1 - Ayawilca Deposit Inferred Mineral Resources - Zinc Zone**  
(based on drilling to December 2015)

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

**Notes:**

1. Mineral Resources are reported above a cut-off grade of 5% ZnEq or approximately US \$60 per tonne NSR value.
2. The ZnEq grade was based on estimated metallurgical recoveries, assumed metal prices and smelter terms, which include payable factors, treatment charges, penalties, and refining charges. Metal price assumptions were: US \$1.00/lb Zn, US \$500/kg In, US \$20/oz Ag, and US \$1.00/lb Pb. Metal recovery assumptions were: 90% Zn, 75% In, 50% Ag, and 75% Pb. The NSR value for each block was calculated using the following NSR factors: US \$11.88 per % Zn, US\$ 4.16 per % Pb, US \$0.30 per gram In, and US \$0.28 per gram Ag.
3. The zinc equivalent (ZnEq.%) value was calculated using the following formula:  

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

**Table 2 - Ayawilca Deposit Inferred Mineral Resources - Tin Zone**  
(based on drilling to December 2015)

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

**Notes:**

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

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

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

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

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

Note: The cut-off grade is based on a price of US \$24/oz Ag.

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

**2017 Drill Program - Drilling Continues following Discovery at South Ayawilca**

A 10,000 to 15,000 metre drill program commenced at Ayawilca in February 2017. The drill program is targeting an expansion of the zinc resources by step-out drilling away from existing resources, as well as testing a number of new targets. As of the date of this MD&A, 25 drill holes have been released to the market, up to and including hole A17-080. A new zinc discovery has been made at South Ayawilca, including several high-grade zinc intersections, covering an area of approximately 850 metres by 200 metres. Zinc mineralization remains open at South Ayawilca to the south and east.

At West Ayawilca, zinc intercepts in holes A17-079 and A17-080 have extended the West Ayawilca Zinc Zone by approximately 150 metres to the northeast of the resource boundary. Zinc mineralization remains open to the north.

Other targets are also being drill tested in the current 2017 drill program including Zone 3, Chaucha, and Valley.

**South Ayawilca 2017 drill highlights to date include:**

**Hole A17-056:**

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

**Hole A17-057:**

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

**Hole A17-061:**

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

Hole A17-063:

- 47.7 metres at 11.3 % zinc, 18 g/t silver & 313 g/t indium from 302.2 metres depth, *including*
  - 9.8 metres at 17.4 % zinc, 28 g/t silver & 587 g/t indium from 303.3 metres depth; and
- 12.2 metres at 17.1 % zinc, 26 g/t silver & 495 g/t indium from 327.4 metres depth.

Hole A17-065:

- 19.3 metres at 4.7 % zinc, 7 g/t silver & 93 g/t indium from 219.5 metres depth, *including*
  - 2.6 metres at 20.6 % zinc, 23 g/t silver & 529 g/t indium from 236.2 metres depth; and
- 26.6 metres at 3.6 % zinc, 4 g/t silver & 46 g/t indium from 266.4 metres depth; and
- 24.7 metres at 3.8% zinc, 5 g/t silver & 51 g/t indium from 307.3 metres depth.

Hole A17-066:

- 3.5 metres at 7.4 % zinc, 24 g/t silver & 111 g/t indium from 330.9 metres depth, and
- 5.0 metres at 11.3 % zinc & 37 g/t silver & 270 g/t indium from 345.0 metres depth;

Hole A17-069:

- 29.3 metres at 10.4 % zinc, 17 g/t silver & 278 g/t indium from 271.4 metres depth, *including*
  - 12.1 metres at 19.1 % zinc, 25 g/t silver & 440 g/t indium from 287.3 metres depth;

Hole A17-070:

- 1.6 metres at 15.4 % zinc, 40 g/t silver & 529 g/t indium from 306.8 metres depth; and
- 39.3\* metres at 7.1 % zinc, 13 g/t silver & 100 g/t indium from 317.5 metres depth, *including*
  - 8.0 metres at 20.9 % zinc, 19 g/t silver & 265 g/t indium from 340.0 metres depth;

\* *includes 4.3 metres of no recovery assumed zero grade*

Hole A17-071:

- 22.8 metres at 8.4 % zinc, 0.8 % lead, & 35 g/t silver from 327.2 metres depth, *including*
  - 12.6 metres at 11.6 % zinc, 0.9 % lead, & 35 g/t silver from 332.4 metres depth;

Hole A17-075:

- 20.8 metres\* at 5.0 % zinc, 11 g/t silver & 44 g/t indium from 359.0 metres depth, *including*
  - 3.5 metres at 10.2 % zinc, 17 g/t silver & 96 g/t indium from 376.3 metres depth;

\* *includes 1.7 metres of no recovery assumed zero grade*

Hole A17-078:

- 1.2 metres at 8.9 % zinc, 0.3% lead & 380 g/t silver from 190.0 metres depth, and
- 4.3 metres at 7.8 % zinc, 0.1 % lead & 57 g/t indium from 400.1 metres depth;

**West Ayawilca 2017 drill highlights to date include:**

Hole A17-074:

- 2.2 metres at 31.0 % zinc, 0.1 % lead & 138 g/t silver from 71.4 metres depth (vein), and
- 0.7 metres at 18.3 % zinc & 38 g/t silver from 148.0 metres depth (vein);

Hole A17-079:

- 36.25 metres at 5.2 % zinc, 0.2 % lead & 65 g/t indium from 273.25 metres depth, *including*
  - 5.5 metres at 12.5 % zinc & 103 g/t indium from 304.0 metres depth;

Hole A17-080:

- 15.2 metres at 6.0 % zinc & 184 g/t indium from 291.3 metres depth, *including*
  - 1.8 metres at 28.4 % zinc, 34 g/t silver & 1400 g/t indium from 304.7 metres depth;

**Upcoming Work Program**

Resource step-out drilling and new target drill testing is expected to continue until November 2017. A zinc resource update, including data from the new discovery at South Ayawilca, will be completed before the end of 2017.

Metallurgical work is being undertaken currently on zinc sulphide composite samples from the Ayawilca deposit. This work includes closed cycle flotation tests. Results of the metallurgical tests are expected during Q4 2017.

### **Rurimarac Gold Property**

The Rurimarac property in the Ancash region of Central Peru was relinquished in June 2017. Exploration costs of \$65,904 attributed to Rurimarac were written-off during the third quarter ended June 30, 2017.

### **Qualified Person**

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

### **Selected Financial Data**

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

	Fiscal 2017			Fiscal 2016			Fiscal 2015	
	Jun. 30 2017 \$	Mar. 31 2017 \$	Dec. 31 2016 \$	Sept. 30 2016 \$	Jun. 30 2016 \$	Mar. 31 2016 \$	Dec. 31 2015 \$	Sept. 30 2015 \$
<b>Operations:</b>								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(701,393)	(1,153,703)	(472,787)	(283,858)	(445,266)	(310,627)	(440,784)	(363,747)
Other items	(129,336)	28,642	58,920	(176,247)	9,310	(50,377)	(13,020)	134,370
Net loss and comprehensive loss	(830,729)	(1,125,061)	(413,867)	(460,105)	(435,956)	(361,004)	(453,804)	(229,377)
Loss per share -basic and diluted	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Balance Sheet:</b>								
Working capital	8,460,307	10,707,494	11,580,424	1,691,780	2,692,830	3,661,246	4,520,484	6,419,711
Total assets	34,618,538	33,834,964	33,871,065	23,782,063	24,193,242	24,614,226	25,167,499	25,808,464
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

### **Results of Operations**

#### *Three Months Ended June 30, 2017 Compared to Three Months Ended March 31, 2017*

During the three months ended June 30, 2017 ("Q3") the Company reported a net loss of \$830,729 compared to a net loss of \$1,125,061 for the prior three months ended March 31, 2017 ("Q2"), a decrease in loss of \$294,332. The decrease in loss was mainly attributed to the following:

- (i) a \$566,902 decrease in share-based compensation expenses relating to the granting and vesting of share options. During Q3 the Company recorded \$213,350 share-based compensation expense compared to \$780,252 recorded during Q2; and
- (ii) a \$20,758 decrease in corporate development. During Q3 the Company recorded corporate development costs of \$5,377 compared to \$26,135 in Q2.

This was partially offset by:

- (i) a \$55,000 increase in management fees. During Q3 management fees of \$60,000 (Q2 - \$55,000) and a one-time bonus of \$50,000 were paid to Dr. Carman, the President and CEO of the Company;
- (ii) a \$61,934 increase in professional fees. During Q3 the Company recorded \$103,935 for professional fee expenses compared to \$42,001 during Q2. The increase in Q3 reflected a one-time bonus of \$35,000 paid to the V.P. Exploration of the Company and a total of \$20,000 paid to other officers of the Company.

- (iii) a \$52,454 increase in salaries and wages. During Q3 the Company recorded \$112,723 for salaries and wages compared to \$60,269 during Q2.

*Nine Months Ended June 30, 2017 Compared to Nine Months Ended June 30, 2016*

During the nine months ended June 30, 2017 (the “2017 period”), the Company reported a net loss of \$2,369,657 (\$0.01 per share), compared to a net loss of \$1,250,764 (\$0.01 per share) for the nine months ended June 30, 2016 (the “2016 period”), an increase in loss of \$1,118,893.

Expenses increased by \$1,131,206, from \$1,196,677 during the 2016 period to \$2,327,883 during the 2017 period. Specific expenses of note are as follows:

- (i) during the 2017 period the Company was billed \$40,904 (2016 - \$31,726) for accounting and administration services of which \$28,550 (2016 - \$25,800) was billed for accounting and administration services provided by Chase Management Ltd. (“Chase”) a private company owned by Mr. Nick DeMare, the Chief Financial Officer (“CFO”) and a director of the Company;
- (ii) effective June 1, 2017 the annual remuneration to Dr. Carman was increased from \$220,000 to \$280,000. During the 2017 period management fees of \$170,000 (2016 - \$165,000) and a bonus of \$50,000 (2016 - \$nil) were paid to Dr. Carman, the President and CEO of the Company;
- (iii) during the 2017 period the Company expensed \$231,348 (2016 - \$167,605) for professional fees, of which:
  - \$169,280 (2016 - \$75,042 ) was attributed to directors and officers of the Company;
  - \$16,474 (2016 - \$17,562) was reimbursement to a public company with certain common directors for shared personnel, office and other costs; and
  - \$45,594 (2016 - \$75,001) was incurred with various parties for financial advisory services.
 The Company also capitalized \$95,176 (2016 - \$78,812) for professional fees to exploration and evaluation assets. See also “Transactions with Related Parties”;
- (iv) share-based compensation of \$1,006,880 (2016 - \$78,263) was recorded during the 2017 period relating to the granting and vesting of share options;
- (v) on July 25, 2016 the Company engaged Alpha Advisory Services Inc. (“Alpha”) to provide investor relations services, at a monthly fee of \$5,000. Effective March 25, 2017 the monthly fee was increased to \$7,500. During the 2017 period the Company was billed a total of \$52,500 by Alpha. No investor relations activities were conducted in the 2016 period;
- (vi) corporate development expense increased by \$14,164, from \$30,978 during the 2016 period to \$45,142 during the 2017 period; and
- (vii) investment conference expenses decreased by \$6,483, from \$45,298 during the 2016 period to \$38,815 during the 2017 period.

The Company holds its cash in interest bearing accounts in major financial institutions. Interest income is generated from the deposits and fluctuates primarily with the levels of cash on deposit. During the 2017 period the Company recorded interest income of \$65,633 compared to \$28,819 during the 2016 period, an increase of \$36,814.

During the 2017 period the Company recorded a foreign exchange loss of \$41,503 compared to a foreign exchange loss of \$82,906 reported in the 2016 period. The decrease in foreign exchange for the 2017 period arose from the appreciation of the Canadian dollar compared to the U.S. dollar on US currencies held.

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

	As at June 30, 2017			As at September 30, 2016		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Colquipucro	338,330	7,572,049	7,910,379	338,330	7,427,994	7,766,324
Ayawilca	457,581	15,287,590	15,745,171	310,088	11,653,857	11,963,945
Other	-	2,214,464	2,214,464	7,392	2,187,350	2,194,742
	<u>795,911</u>	<u>25,074,103</u>	<u>25,870,014</u>	<u>655,810</u>	<u>21,269,201</u>	<u>21,925,011</u>

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

	Colquipucro \$	Ayawilca \$	Other \$	Total \$
<b>Balance at September 30, 2015</b>	<u>7,673,029</u>	<u>9,025,503</u>	<u>2,099,426</u>	<u>18,797,958</u>
<b>Exploration costs</b>				
Assays	-	30,168	-	30,168
Camp costs	4,372	234,497	-	238,869
Community relations	16,786	471,587	-	488,373
Consulting	29,758	29,758	-	59,516
Depreciation	177	12,869	-	13,046
Drilling	-	692,422	-	692,422
Environmental	6,672	350,448	-	357,120
Exploration site	5,806	87,020	-	92,826
Field equipment	-	9,373	-	9,373
Fuel	8,660	29,289	-	37,949
Geological	-	264,054	-	264,054
Geophysics	3,547	266,267	-	269,814
Metallurgical test work	-	5,425	-	5,425
Salaries	5,463	218,617	-	224,080
Software and database management	7,880	7,880	-	15,760
Transportation	4,174	42,940	-	47,114
VAT incurred	-	-	304,224	304,224
	<u>93,295</u>	<u>2,752,614</u>	<u>304,224</u>	<u>3,150,133</u>
<b>Acquisition costs</b>				
Concession payments	-	185,828	-	185,828
<b>Impairment</b>	-	-	(208,908)	(208,908)
<b>Balance at September 30, 2016</b>	<u>7,766,324</u>	<u>11,963,945</u>	<u>2,194,742</u>	<u>21,925,011</u>
<b>Exploration costs</b>				
Camp costs	3,833	508,745	-	512,578
Community relations	72,248	484,238	-	556,486
Depreciation	-	2,306	-	2,306
Drilling	15,304	2,132,483	-	2,147,787
Environmental	17,990	230,896	-	248,886
Geological	20,676	221,156	-	241,832
Geophysical	5,355	6,032	-	11,387
Metallurgical test work	-	39,227	-	39,227
Software and database management	8,649	8,650	-	17,299
VAT incurred	-	-	458,776	458,776
VAT recovered	-	-	(373,150)	(373,150)
	<u>144,055</u>	<u>3,633,733</u>	<u>85,626</u>	<u>3,863,414</u>
<b>Acquisition costs</b>				
Concession payments	-	147,493	-	147,493
<b>Impairment</b>	-	-	(65,904)	(65,904)
<b>Balance at June 30, 2017</b>	<u>7,910,379</u>	<u>15,745,171</u>	<u>2,214,464</u>	<u>25,870,014</u>

During the 2016 period the Company completed the drilling program at the Ayawilca Project and incurred a total of \$4,010,907 (2016 - \$2,565,621) for exploration expenditures, comprising \$3,781,226 (2016 - \$2,246,348) on the Ayawilca Project, \$144,055 (2016 - \$84,755) on the Colquipucro Project, and \$458,776 (2016 - \$234,518) for other concessions and IVA tax in Peru.

During the 2017 period the Company received a VAT recovery of \$373,150.

During the 2017 period the Company wrote-off \$65,904 exploration costs attributed to the Rurimarac Property in Peru.



## *Financings*

During the 2017 period the Company completed a private placement financing and issued a total of 55,000,000 common shares for gross proceeds of \$11,000,000. The Company has allocated the net proceeds from the financing to fund the ongoing 2017 drilling program at the Company's Ayawilca Project in Peru, as well as for other exploration expenditures, corporate purposes and general working capital. In addition, during the 2017 period the Company received \$1,645,781 (2016 - \$nil) from the exercise of share options and warrants.

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

## **Financial Condition / Capital Resources**

The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to develop properties and to establish future profitable production. To date the Company has not earned significant revenues and is considered to be in the exploration stage. The Company's operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. As at June 30, 2017 the Company had working capital in the amount of \$8,460,307. Management considers that the Company has sufficient funds to maintain ongoing corporate overhead and field expenses, complete its current drill program and metallurgical tests on Ayawilca and continue ongoing exploration activities on its existing mineral projects. Exploration activities may change as a result of ongoing results and recommendations or the Company may acquire additional properties which may entail significant exploration commitments. While the Company has been successful in securing financings in the past, there is material uncertainty it will be able to do so in the future.

Subsequent to June 30, 2017 the Company issued 2,060,000 common shares of the Company on the exercise of share options for \$725,750.

## **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

## **Proposed Transactions**

The Company has no proposed transactions.

## **Critical Accounting Estimates**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Examples of significant estimates made by management include estimating the fair values of financial instruments, valuation allowances for deferred income tax assets and assumptions used for share-based compensation. Actual results may differ from those estimates.

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

## **Changes in Accounting Policies**

There are no changes in accounting policies.

## **Transactions with Related Parties**

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

(a) *Transactions with Key Management Personnel*

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

	2017 \$	2016 \$
Management fees - Dr. Carman	220,000	165,000
Professional fees - Mr. DeMare	22,500	22,500
Professional fees - Mr. Fernandez-Baca	192,596	131,354
Share-based compensation - Dr. Carman	113,180	13,700
Share-based compensation - Mr. DeMare	81,800	-
Share-based compensation - Mr. Fernandez-Baca	49,087	12,861
	<u>679,163</u>	<u>345,415</u>

The Company has expensed \$220,000 (2016 - \$165,000) to management fees, \$119,920 (2016 - \$75,042) to professional fees and \$244,067 (2016 - \$26,561) for share-based compensation. In addition the Company capitalized \$95,176 (2016 - \$78,812) to exploration and evaluation assets.

(b) *Transactions with Other Related Parties*

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

	2017 \$	2016 \$
Professional fees - Mr. Henstridge (current director)	18,000	18,000
Professional fees - Ms. Little (current director)	18,000	6,000
Professional fees - Mr. Lee (former director)	-	6,000
Professional fees - Ms. Bermudez	13,360	-
Share-based compensation - Mr. Henstridge	81,800	-
Share-based compensation - Ms. Little	81,800	29,956
Share-based compensation - Ms. Bermudez	56,237	-
	<u>269,197</u>	<u>59,956</u>

As at June 30, 2017, \$nil (September 30, 2016 - \$8,000) remained unpaid.

(ii) During the 2017 period the Company incurred a total of \$28,550 (2016 - \$25,800) with Chase, a private corporation owned by Mr. DeMare, for accounting and administrative services provided by Chase personnel, excluding Mr. DeMare, and \$3,015 (2016 - \$3,015) for rent. As at June 30, 2017, \$7,670 (September 30, 2016 - \$6,170) remained unpaid.

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

(c) The Company shared personnel, office and other costs with a public company Mawson Resources Limited ("Mawson"). Mr. DeMare and Mr. Henstridge are also directors of Mawson. During the 2017 period the Company incurred \$16,474 (2016 - \$17,562) for expenses. As at June 30, 2017, \$nil (September 30, 2016 - \$337) remained unpaid.

**Risks and Uncertainties**

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

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

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

### **Outstanding Share Data**

The Company's authorized share capital is unlimited common shares with no par value. As at August 25, 2017, there were 211,949,822 issued common shares, 26,513,773 warrants outstanding exercisable at prices ranging from \$0.20 to \$0.45 per share and 10,028,750 share options outstanding, at exercise prices ranging from \$0.20 to \$0.46 per share.