
TINKA RESOURCES LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
MARCH 31, 2018

(Unaudited - Expressed in Canadian Dollars)

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

	Note	March 31, 2018 \$	September 30, 2017 \$
ASSETS			
Current assets			
Cash		4,839,212	6,036,919
GST receivable		18,347	10,916
Amounts receivable		27,494	13,021
Prepaid expenses		<u>34,942</u>	<u>100,960</u>
Total current assets		<u>4,919,995</u>	<u>6,161,816</u>
Non-current assets			
Property, plant and equipment	4	26,974	30,635
Exploration and evaluation assets	5	32,785,481	28,862,723
Deferred share issue costs	11(a)	<u>177,468</u>	<u>-</u>
Total non-current assets		<u>32,989,923</u>	<u>28,893,358</u>
TOTAL ASSETS		<u>37,909,918</u>	<u>35,055,174</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	<u>493,902</u>	<u>512,666</u>
TOTAL LIABILITIES		<u>493,902</u>	<u>512,666</u>
SHAREHOLDERS' EQUITY			
Share capital	6	57,372,407	53,486,789
Share subscriptions received	11(a)	37,920	-
Share-based payments reserve	6	5,234,222	5,198,982
Deficit		<u>(25,228,533)</u>	<u>(24,143,263)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>37,416,016</u>	<u>34,542,508</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>37,909,918</u>	<u>35,055,174</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 18, 2018 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	
		2018 \$	2017 \$	2018 \$	2017 \$
Expenses					
Accounting and administration	7(b)(ii)	21,496	17,186	51,294	32,811
Audit		-	-	38,760	36,720
Corporate development		15,644	26,135	26,922	39,765
Depreciation		1,484	1,499	2,968	3,511
General exploration		39,353	10,669	69,117	36,052
Investment conferences		28,122	7,383	80,011	28,815
Investor relations		22,500	15,000	45,000	30,000
Legal		21,614	17,710	83,765	19,002
Management fees	7(a)	70,002	55,000	140,004	110,000
Office		47,103	38,436	84,104	73,607
Professional fees	7	60,240	42,001	106,064	127,413
Regulatory		43,913	4,438	54,089	6,252
Rent	7(b)	12,484	11,868	19,239	23,784
Salaries, wages and benefits		56,219	60,269	169,509	136,334
Shareholder costs		8,894	5,272	23,686	10,672
Share-based compensation	6(d)	87,529	780,252	87,529	793,530
Transfer agent		4,900	2,074	9,419	5,584
Travel and related		71,011	58,511	145,091	112,638
		<u>612,508</u>	<u>1,153,703</u>	<u>1,236,571</u>	<u>1,626,490</u>
Loss before other items		<u>(612,508)</u>	<u>(1,153,703)</u>	<u>(1,236,571)</u>	<u>(1,626,490)</u>
Other items					
Interest income		23,339	23,785	44,557	41,462
Foreign exchange gain		25,214	4,857	106,744	46,100
		<u>48,553</u>	<u>28,642</u>	<u>151,301</u>	<u>87,562</u>
Net loss and comprehensive loss for the period		<u>(563,955)</u>	<u>(1,125,061)</u>	<u>(1,085,270)</u>	<u>(1,538,928)</u>
Loss per share - basic and diluted		<u>\$(0.00)</u>	<u>\$(0.00)</u>	<u>\$(0.00)</u>	<u>\$(0.01)</u>
Weighted average number of common shares outstanding - basic and diluted		<u>224,733,558</u>	<u>204,979,155</u>	<u>220,742,173</u>	<u>193,257,053</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, 2018						
Share Capital						
	Number of Shares	Amount \$	Share Subscriptions Received \$	Share-Based Payments Reserve \$	Deficit \$	Total Equity \$
Balance at September 30, 2017	211,987,322	53,486,789	-	5,198,982	(24,143,263)	34,542,508
Common shares issued for:						
- share options exercised	565,000	163,625	-	-	-	163,625
- warrants exercised	12,232,347	3,669,704	-	-	-	3,669,704
Share subscriptions received	-	-	37,920	-	-	37,920
Transfer on exercise of share options and finders' warrants	-	52,289	-	(52,289)	-	-
Share-based compensation	-	-	-	87,529	-	87,529
Net loss	-	-	-	-	(1,085,270)	(1,085,270)
Balance at March 31, 2018	224,784,669	57,372,407	37,920	5,234,222	(25,228,533)	37,416,016

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

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,	
	2018	2017
	\$	\$
Operating activities		
Net loss for the period	(1,085,270)	(1,538,928)
Adjustments for:		
Depreciation of property, plant and equipment	2,968	3,505
Share-based compensation	87,529	793,530
Changes in non-cash working capital items:		
GST receivable	(7,431)	(1,760)
Amounts receivable	(14,473)	(3,679)
Prepaid expenses	66,018	17,166
Accounts payable and accrued liabilities	(33,909)	12,570
Net cash used in operating activities	(984,568)	(717,596)
Investing activities		
Expenditures on exploration and evaluation assets	(3,905,231)	(1,337,772)
VAT recovered	-	373,150
Additions to property, plant and equipment	(1,689)	(512)
Net cash used in investing activities	(3,906,920)	(965,134)
Financing activities		
Issuance of common shares	3,833,329	11,313,500
Share subscriptions received	37,920	-
Deferred share issue costs	(177,468)	-
Share issue costs	-	(559,265)
Net cash generated from financing activities	3,693,781	10,754,235
Net change in cash	(1,197,707)	9,071,505
Cash at beginning of period	6,036,919	1,765,069
Cash at end of period	4,839,212	10,836,574

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, 2018
(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”) 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 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, 2018 the Company had working capital in the amount of \$4,426,093. In addition, subsequent to March 31, 2018, the Company completed equity financings totalling \$16,239,496 and received \$330,675 from the exercises of stock options and warrants. See also Note 11. 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, 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, 2017, 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, 2017.

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%

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4. Property, Plant and Equipment

	Office Furniture and Equipment \$	Vehicles \$	Total \$
Cost:			
Balance at September 30, 2016	98,877	101,141	200,018
Additions	17,329	-	17,329
Balance at September 30, 2017	116,206	101,141	217,347
Additions	1,689	-	1,689
Balance at March 31, 2018	117,895	101,141	219,036
Accumulated Depreciation:			
Balance at September 30, 2016	(76,655)	(100,240)	(176,895)
Depreciation	(8,916)	(901)	(9,817)
Balance at September 30, 2017	(85,571)	(101,141)	(186,712)
Depreciation	(5,350)	-	(5,350)
Balance at March 31, 2018	(90,921)	(101,141)	(192,062)
Carrying Value:			
Balance at September 30, 2017	30,635	-	30,635
Balance at March 31, 2018	26,974	-	26,974

5. Exploration and Evaluation Assets

	March 31, 2018			September 30, 2017		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Colquipucro	338,330	8,018,976	8,357,306	338,330	7,758,030	8,096,360
Ayawlca	457,785	21,010,238	21,468,023	457,785	17,754,478	18,212,263
Other	-	2,960,152	2,960,152	-	2,554,100	2,554,100
	796,115	31,989,366	32,785,481	796,115	28,066,608	28,862,723

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5. Exploration and Evaluation Assets (continued)	Colquipucro \$	Ayawilca \$	Other \$	Total \$
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	3,833	720,133	-	723,966
Community relations	185,540	596,283	-	781,823
Depreciation	-	3,519	-	3,519
Drilling	59,663	4,112,161	-	4,171,824
Environmental	46,043	282,271	-	328,314
Geological	20,676	293,251	-	313,927
Geophysics	5,355	6,032	-	11,387
Metallurgical test work	-	75,977	-	75,977
Software and database management	8,926	8,925	-	17,851
Topography	-	2,069	-	2,069
VAT incurred	-	-	798,412	798,412
VAT recovered	-	-	(373,150)	(373,150)
	<u>330,036</u>	<u>6,100,621</u>	<u>425,262</u>	<u>6,855,919</u>
Acquisition costs				
Concession payments	-	147,697	-	147,697
Impairment	-	-	(65,904)	(65,904)
Balance at September 30, 2017	<u>8,096,360</u>	<u>18,212,263</u>	<u>2,554,100</u>	<u>28,862,723</u>
Exploration costs				
Assays	-	7,180	-	7,180
Camp costs	-	474,003	-	474,003
Community relations	120,724	831,866	-	952,590
Consulting	70,216	72,758	-	142,974
Depreciation	-	2,382	-	2,382
Drilling	-	1,490,856	-	1,490,856
Environmental	22,338	125,417	-	147,755
Geological	-	176,381	-	176,381
Land access	39,479	15,788	-	55,267
Metallurgical	-	48,975	-	48,975
Software and database management	8,189	8,189	-	16,378
Topography	-	1,965	-	1,965
VAT incurred	-	-	406,052	406,052
	<u>260,946</u>	<u>3,255,760</u>	<u>406,052</u>	<u>3,922,758</u>
Balance at March 31, 2018	<u>8,357,306</u>	<u>21,468,023</u>	<u>2,960,152</u>	<u>32,785,481</u>

Colquipucro and Ayawilca Projects

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

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.

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5. Exploration and Evaluation Assets (continued)

Other

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

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, 2018 the Company did not complete any financings. See also Note 11(a).

(ii) During fiscal 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 \$186,499 legal and filing costs associated with the private placement.

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

(c) *Warrants*

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

	2018		2017	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of period	26,476,273	0.36	25,338,444	0.38
Issued	-	-	1,842,829	0.20
Exercised	(12,232,347)	0.30	-	-
Expired	<u>(18,750)</u>	0.30	<u>-</u>	-
Balance, end of period	<u>14,225,176</u>	0.42	<u>27,181,273</u>	0.36

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6. Share Capital (continued)

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

Number	Exercise Price \$	Expiry Date
1,842,829	0.20	November 7, 2018
<u>12,382,347</u>	0.45	May 29, 2020
<u>14,225,176</u>		

See also Note 11(b).

(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, 2018 the Company recorded share-based compensation of \$87,529 (2017 - \$28,585) on the vesting of share options which were previously granted. No share options were granted during the six months ended March 31, 2018. During the six months ended March 31, 2017 the Company granted share options to purchase 5,618,750 common shares and recorded compensation expense of \$764,945.

The fair value of the share options granted and vested during the six months ended March 31, 2018 and 2017 was estimated using the Black-Scholes option pricing model using the following assumptions:

	<u>2018</u>	<u>2017</u>
Risk-free interest rate	0.69% - 1.29%	0.54% - 0.91%
Estimated volatility	72.37% - 109.17%	103.30% - 113.82%
Expected life	1.5 years - 2 years	2 years - 3 years
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%

The weighted average fair value of all share options granted and vested, using the Black-Scholes option pricing model, during the six months ended March 31, 2018 was \$0.13 (2017 -\$0.22) per option.

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

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6. Share Capital (continued)

A summary of the Company's share options at March 31, 2018 and 2017 and the changes for the six months ended on those dates, is as follows:

	2018		2017	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	10,528,750	0.34	10,860,000	0.33
Granted	-	-	5,618,750	0.32
Exercised	(565,000)	0.29	(995,000)	0.33
Expired	-	-	(200,000)	0.32
Balance, end of period	<u>9,963,750</u>	0.35	<u>15,363,750</u>	0.32

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

Number	Exercise Price \$	Expiry Date
390,000	0.30	April 20, 2018
3,655,000	0.35	June 12, 2018
108,750	0.20	November 23, 2018
120,000	0.25	November 24, 2018
200,000	0.25	July 25, 2019
4,815,000	0.325	February 2, 2020
175,000	0.46	June 12, 2020
<u>500,000</u>	0.65	August 28, 2020
<u>9,963,750</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, 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:

	2018 \$	2017 \$
Management fees - CEO	140,004	110,000
Professional fees - CFO	15,000	15,000
Professional fees - VPE	78,399	108,522
Share-based compensation	<u>65,617</u>	<u>146,934</u>
	<u>298,570</u>	<u>380,456</u>

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7. Related Party Disclosures (continued)

During the six months ended March 31, 2018 the Company expensed \$140,004 (2017 - \$110,000) to management fees, and \$49,678 (2017 - \$57,791) to professional fees and \$65,167 (2017 - \$146,934) for share-based compensation. In addition the Company capitalized \$43,721 (2017 - \$65,731) to exploration and evaluation assets.

(b) *Transactions with Other Related Parties*

(i) During the six months ended March 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	43,800	40,475
Share-based compensation	-	219,837
	<u>43,800</u>	<u>260,312</u>

As at March 31, 2018, \$12,000 (September 30, 2017 - \$9,000) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During the six months ended March 31, 2018 the Company incurred a total of \$33,800 (2017 - \$20,550) 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 (2017 - \$2,010) for rent. As at March 31, 2018, \$5,872 (September 30, 2017 - \$7,670) 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 for share-based compensation for share options granted to Chase.

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>March 31, 2018</u>		
	Corporate Canada \$	Mineral Operations Peru \$	Total \$
Current assets	4,590,951	329,044	4,919,995
Exploration and evaluation assets	-	32,785,481	32,785,481
Property, plant and equipment	5,112	21,862	26,974
Deferred share issue costs	177,468	-	177,468
	<u>4,773,531</u>	<u>33,136,387</u>	<u>37,909,918</u>

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8. Segmented Information (continued)

	<u>September 30, 2017</u>		
	<u>Corporate Canada \$</u>	<u>Mineral Operations Peru \$</u>	<u>Total \$</u>
Current assets	6,056,505	105,311	6,161,816
Exploration and evaluation assets	-	28,862,723	28,862,723
Property, plant and equipment	<u>6,019</u>	<u>24,616</u>	<u>30,635</u>
	<u>6,062,524</u>	<u>28,992,650</u>	<u>35,055,174</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”); 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, 2018 \$	September 30, 2017 \$
Cash	FVTPL	4,839,212	6,036,919
Amounts receivable	Loans and receivables	27,494	13,021
Accounts payable and accrued liabilities	Other financial liabilities	(493,902)	(512,666)

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.

Contractual Maturity Analysis at March 31, 2018					
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	4,839,212	-	-	-	4,839,212
Amounts receivable	27,494	-	-	-	27,494
Accounts payable and accrued liabilities	(493,902)	-	-	-	(493,902)

Contractual Maturity Analysis at September 30, 2017					
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	6,036,919	-	-	-	6,036,919
Amounts receivable	13,021	-	-	-	13,021
Accounts payable and accrued liabilities	(512,666)	-	-	-	(512,666)

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 March 31, 2018, 1 Canadian Dollar was equal to 2.50 Peruvian Nuevo Soles and 0.78 US Dollar.

Balances are as follows:

	Peruvian Nuevo Soles	US Dollars	CDN \$ Equivalent
Cash	756,014	378,049	789,366
Amounts receivable	70,712	-	28,238
Accounts payable and accrued liabilities	(681,964)	-	(304,059)
	<u>144,762</u>	<u>378,049</u>	<u>513,545</u>

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9. Financial Instruments and Risk Management (continued)

Based on the net exposures as of March 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 \$46,700.

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, 2018 and 2017 are as follows:

	2018	2017
	\$	\$
Operating activities		
Depreciation	2,382	1,097
Accounts payable and accrued liabilities	15,146	31,494
	<u>17,528</u>	<u>32,591</u>
Investing activities		
Property plant and equipment	-	-
Exploration and evaluation assets	(17,528)	(32,591)
	<u>(17,528)</u>	<u>(32,591)</u>
Financing activities		
Share-based payment reserves	(52,289)	107,927
Share issue costs	-	(211,551)
Transfer on exercise of options and finders' warrants	52,289	103,624
	<u>-</u>	<u>-</u>

11. Events After the Reporting Period

(a) Subsequent to March 31, 2018 the Company completed equity financings to raise gross proceeds of \$16,239,496, as follows:

(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 an agent's fee of \$483,552; and

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11. Events After the Reporting Period (continued)

- (ii) on April 6, 2018 the Company closed on the first tranche of a non-brokered private placement for 12,022,284 units, at a price of \$0.48 per unit for gross proceeds of \$5,770,696. A cash commission of \$39,191 was paid on the first tranche. On April 27, 2018 the Company closed on the second tranche for 5,020,000 units for gross proceeds of \$2,409,600. 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.

As at March 31, 2018 the Company had received \$37,920 in share subscriptions and incurred \$177,468 in legal and other costs associated with the equity financings.

- (b) Subsequent to March 31, 2018 the Company issued 1,000,500 common shares on the exercise of share options for proceeds of \$330,675.
- (c) On May 8, 2018 the Company granted 7,244,000 share options which are exercisable at \$0.50 per option until May 8, 2022.