
TINKA RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2007 AND 2006

AUDITORS' REPORT

To the Shareholders of
Tinka Resources Limited

We have audited the consolidated balance sheet of Tinka Resources Limited as at September 30, 2007 and the consolidated statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at September 30, 2006 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated January 17, 2007.

Vancouver, B.C.
January 15, 2008

"D&H Group LLP"
Chartered Accountants

TINKA RESOURCES LIMITED
CONSOLIDATED BALANCE SHEETS
AS AT SEPTEMBER 30

	2007	2006
	\$	\$
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	1,645,671	1,330,783
Amounts receivable	14,609	5,799
Prepays	<u>16,670</u>	<u>19,318</u>
	1,676,950	1,355,900
MINERAL PROPERTY INTERESTS (Note 4)	1,249,034	290,849
EQUIPMENT (Note 5)	<u>36,543</u>	<u>38,713</u>
	<u><u>2,962,527</u></u>	<u><u>1,685,462</u></u>
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>104,904</u>	<u>69,157</u>
S H A R E H O L D E R S ' E Q U I T Y		
SHARE CAPITAL (Note 6)	7,737,621	5,974,458
CONTRIBUTED SURPLUS (Note 8)	497,411	413,761
DEFICIT	<u>(5,377,409)</u>	<u>(4,771,914)</u>
	<u>2,857,623</u>	<u>1,616,305</u>
	<u><u>2,962,527</u></u>	<u><u>1,685,462</u></u>
SUBSEQUENT EVENT (Note 4(d))		

ON BEHALF OF THE BOARD

“Andrew Carter” , Director

“Nick DeMare” , Director

The accompanying notes are an integral part of these consolidated financial statements.

TINKA RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
FOR THE YEARS ENDED SEPTEMBER 30

	2007	2006
	\$	\$
EXPENSES		
Accounting and administration	23,550	18,000
Amortization	2,359	14,826
Audit	2,224	32,138
Consulting	32,500	16,640
Corporate development	26,056	14,839
General exploration	91,067	119,004
Investor relations	54,000	36,000
Legal	2,470	2,926
Management fees	96,000	88,000
Office	20,320	22,144
Regulatory	11,495	7,600
Rent	5,400	5,400
Shareholder costs	8,924	5,628
Stock-based compensation (Note 7)	134,050	97,900
Transfer agent	8,348	8,106
Travel and related	24,828	27,513
	<u>543,591</u>	<u>516,664</u>
LOSS BEFORE OTHER ITEMS	<u>(543,591)</u>	<u>(516,664)</u>
OTHER ITEMS		
Interest income	49,308	27,884
Foreign exchange	(25,959)	(4,684)
Write-off of mineral property interests (Note 4)	(85,253)	(1,002,783)
	<u>(61,904)</u>	<u>(979,583)</u>
NET LOSS FOR THE YEAR	(605,495)	(1,496,247)
DEFICIT - BEGINNING OF YEAR	<u>(4,771,914)</u>	<u>(3,275,667)</u>
DEFICIT - END OF YEAR	<u>(5,377,409)</u>	<u>(4,771,914)</u>
LOSS PER SHARE - BASIC AND DILUTED	<u>\$(0.03)</u>	<u>\$(0.09)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	<u>20,626,233</u>	<u>16,087,108</u>

The accompanying notes are an integral part of these consolidated financial statements.

TINKA RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30

	2007	2006
	\$	\$
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Net loss for the year	(605,495)	(1,496,247)
Adjustment for items not involving cash		
Amortization	2,359	14,826
Stock-based compensation	134,050	97,900
Write-off of mineral property interests	<u>85,253</u>	<u>1,002,783</u>
	(383,833)	(380,738)
Increase in amounts receivable	(8,810)	(1,339)
Decrease (increase) in prepaids	2,648	(11,631)
Decrease in accounts payable and accrued liabilities	<u>(50,683)</u>	<u>(2,300)</u>
	<u>(440,678)</u>	<u>(396,008)</u>
INVESTING ACTIVITIES		
Purchase of equipment	(9,582)	(3,382)
Expenditures on mineral property interests	<u>(849,615)</u>	<u>(797,323)</u>
	<u>(859,197)</u>	<u>(800,705)</u>
FINANCING ACTIVITIES		
Issuance of common shares	1,657,000	1,274,500
Share issue costs	<u>(42,237)</u>	<u>(70,210)</u>
	<u>1,614,763</u>	<u>1,204,290</u>
INCREASE IN CASH DURING THE YEAR	314,888	7,577
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,330,783</u>	<u>1,323,206</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>1,645,671</u></u>	<u><u>1,330,783</u></u>
CASH AND CASH EQUIVALENTS COMPRISE		
Cash	895,671	1,330,783
Short-term deposit	<u>750,000</u>	<u>-</u>
	<u><u>1,645,671</u></u>	<u><u>1,330,783</u></u>

SUPPLEMENTAL CASH FLOW INFORMATION - See Note 13

The accompanying notes are an integral part of these consolidated financial statements.

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

1. NATURE OF OPERATIONS

The Company is in the process of exploring mineral properties located in Peru and Australia. The Company presently has no proven or probably reserves and on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently the Company considers itself to be an exploration stage company. The amounts shown as mineral property interests represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The underlying value of the mineral properties and related deferred costs is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete development, and upon future profitable production.

Management considers that the Company has adequate resources to maintain its core operations and planned exploration programs over the next twelve months. However, 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Tinka Resources S.A. (Peru). Intercompany balances and transactions are eliminated on consolidation.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Examples of significant estimates made by management include amortization, the provision for income taxes, composition of future income tax assets, future income tax liabilities and asset retirement obligations and valuations of mineral property interests, equipment and stock-based compensation. Actual results could differ from these estimates.

Mineral Property Costs

Mineral property costs and exploration, development and field support costs directly relating to mineral properties are deferred until the property to which they relate is placed into production, sold or abandoned. The deferred costs will be amortized over the life of the orebody following commencement of production or written off if the property is sold or abandoned. Administration costs and other exploration costs that do not relate to any specific property are expensed as incurred.

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

On a periodic basis, management reviews the carrying values of deferred mineral property acquisition and exploration expenditures with a view to assessing whether there has been any impairment in value. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or interest will be abandoned or its carrying value has been impaired, a provision is made for any expected loss on the project or interest.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received.

The Company also accounts for foreign value added taxes as part of deferred costs. The recovery of these taxes will commence on the beginning of foreign commercial operations. Should these amounts be recovered they would be treated as a reduction in the carrying costs of mineral property interests.

Cash Equivalents

Cash includes cash and short-term deposits maturing within 90 days of the original date of acquisition.

Equipment

Office equipment and vehicles are recorded at cost less accumulated amortization calculated using the straight-line method over their estimated useful lives of four to five years.

Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is charged to earnings using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow. As at September 30, 2007 and 2006, the Company does not have any asset retirement obligations.

Impairment of Long-Lived Assets

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings. Fair value is generally determined using a discounted cash flow analysis.

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock-Based Compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair value of awards of stock-based compensation are charged to expense as awards vest, with offsetting amounts recognized as contributed surplus.

Income Taxes

Income tax liabilities and assets are recognized for the estimated income tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax bases, using enacted income tax rates. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Future income tax assets are recognized to the extent that they are considered more likely than not to be realized.

Translation of Foreign Currencies

Monetary items are translated at the rate of exchange in effect at the balance sheet date. Non-monetary items are translated at average rates in effect during the period in which they were earned or incurred. Gains and losses resulting from the fluctuation of foreign exchange rates have been included in the determination of income.

Loss Per Share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated in accordance with the treasury stock method which assumes that proceeds received from the exercise of stock options and warrants would be used to repurchase common shares at the prevailing market rate. Under the treasury stock method, the basic and diluted loss per share are the same, as the effect of common shares issuable upon the exercise of warrants and stock options of the Company would be anti-dilutive.

3. CHANGES IN ACCOUNTING POLICIES

Effective October 1, 2006 the Company has adopted two new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants. These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

Financial Instruments - Recognition and Measurement (Section 3855)

In accordance with this new standard, the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held-for-trading, loans and receivables, or other financial liabilities. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized on the statement of loss.

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

3. CHANGES IN ACCOUNTING POLICIES (continued)

Upon adoption of this new standard, the Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Exploration advances and other receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. As at September 30, 2007, the Company did not have any financial assets classified as available-for-sale and therefore the adoption of the standards noted above had no effect on the presentation of the Company's financial statements.

Comprehensive Income (Section 1530)

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. In accordance with this new standard, the Company is required to report a statement of comprehensive income and a new category, accumulated other comprehensive income, in the shareholders' equity section of the balance sheet. The components of this new category will include unrealized gains and losses on financial assets classified as available-for-sale.

4. MINERAL PROPERTY INTERESTS

	2007			2006		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Peru:						
Colquipucro	22,588	804,405	826,993	7,195	43,890	51,085
Other	12,416	257,230	269,646	43,882	195,882	239,764
Australia:						
Strathbogie	104,000	-	104,000	-	-	-
Golden Mountain	48,395	-	48,395	-	-	-
	<u>187,399</u>	<u>1,061,635</u>	<u>1,249,034</u>	<u>51,077</u>	<u>239,772</u>	<u>290,849</u>

(a) Peru - Sierra Exploration Alliance

On May 27, 2004, the Company entered into an agreement (the "Sierra Alliance Agreement") with Sierra Peru Pty Ltd. ("Sierra") pursuant which the Company staked a number of prospects in Peru.

During fiscal 2007, the Company wrote-off a total of \$73,776 in acquisition and exploration costs associated with the Tibillos and Chunumayo projects. During fiscal 2006, the Company wrote-off \$841,217 in acquisition and exploration costs associated with the Luminaria Prospect.

As at September 30, 2007, the Company maintains and is actively conducting exploration activities on the Colquipucro Project, comprising 40 mineral claims totaling 6,579 hectares, in the Province of Daniel Alcides Carrion.

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

4. MINERAL PROPERTY INTERESTS (continued)

Under the terms of the Sierra Alliance Agreement the Company will issue 500,000 common shares to Sierra in the event that the Colquipucro Project be subject to a successful feasibility study. Sierra also retains a right to a 1% net smelter return royalty (“NSR”) from any production from the Colquipucro Project, which can be purchased for US \$1,000,000.

(b) Peru - Other

During fiscal 2007, the Company wrote-off \$11,477 (2006 - \$161,566) in acquisition and related exploration costs pertaining to properties abandoned or considered to be impaired.

As at September 30, 2007, the Company has maintained the Tingo Este prospect. In addition the category includes \$228,721 of foreign value added taxes.

(c) Australia - Strathbogie South Project

On June 5, 2007, the Company entered into a heads of agreement (the “Strathbogie HOA”) with Flinders Resources Pty Ltd. (“Flinders”), an arm’s length private company, under which the Company can earn a 49% interest in four mineral exploration claims, covering approximately 960 square kilometres, located in north-eastern Victoria, Australia (the “Strathbogie South Project”). Pursuant to the terms of the Strathbogie HOA, the Company may earn a 49% interest in the Strathbogie South Project by making a cash payment of \$6,000 (paid) and issuing 200,000 common shares (issued at an ascribed value of \$98,000) upon TSX Venture Exchange (“TSXV”) acceptance and a further 300,000 common shares on June 5, 2008. The Company must also incur a total minimum expenditure of \$400,000 on or before June 5, 2008. The Company will also issue 500,000 common shares of the Company should the Company define a gold resource within the Strathbogie South Project in excess of 1,000,000 ounces of gold in the proven or probable category. Flinders will also retain a 1% NSR on any production from the Strathbogie South Project, which can be purchased for \$1,000,000.

(d) Australia - Golden Mountain Project

During fiscal 2007, the Company entered into negotiations with Flinders, under which the Company has agreed, subject to regulatory approval, to earn an 80% interest in the 202 hectares Golden Mountain Mining License (the “Golden Mountain Project”) located in north-eastern Victoria, Australia. On October 29, 2007 the Company and Flinders finalized a heads of agreement (the “Golden Mountain HOA”), pursuant to which the Company may earn its 80% interest by making a cash payment of AUS \$55,000 (paid) and issuing 200,000 common shares. The Company must also incur a total minimum expenditure of AUS \$900,000 within a four year period including a minimum AUS \$100,000 expenditure in year one. The Company will also issue 300,000 common shares of the Company should the Company define a gold resource within the Golden Mountain Project in excess of 1,000,000 ounces of gold in the proven or probable category. Flinders will also retain a 1% NSR on any production from the Golden Mountain Project, which the Company can purchase for \$1,000,000.

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

5. EQUIPMENT

	2007	2006
	\$	\$
Vehicles	51,590	51,590
Office equipment	<u>28,361</u>	<u>18,779</u>
	79,951	70,369
Less: accumulated amortization	<u>(43,408)</u>	<u>(31,656)</u>
	<u><u>36,543</u></u>	<u><u>38,713</u></u>

6. SHARE CAPITAL

Authorized - unlimited common shares without par value

	2007		2006	
Issued	Shares	\$	Shares	\$
Balance, beginning of year	<u>18,614,012</u>	<u>5,974,458</u>	<u>14,354,012</u>	<u>4,758,968</u>
Issued during the year				
For cash				
Private placements	1,890,000	850,500	4,190,000	1,257,000
Exercise of options	270,000	121,500	70,000	17,500
Exercise of warrants	1,712,499	685,000	-	-
For mineral property interests	200,000	98,000	-	-
Reallocation from contributed surplus on exercise of options	<u>-</u>	<u>50,400</u>	<u>-</u>	<u>11,200</u>
	4,072,499	1,805,400	4,260,000	1,285,700
Less share issue costs	<u>-</u>	<u>(42,237)</u>	<u>-</u>	<u>(70,210)</u>
	<u>4,072,499</u>	<u>1,763,163</u>	<u>4,260,000</u>	<u>1,215,490</u>
Balance, end of year	<u><u>22,686,511</u></u>	<u><u>7,737,621</u></u>	<u><u>18,614,012</u></u>	<u><u>5,974,458</u></u>

- (a) During fiscal 2007, the Company completed a non-brokered private placement of 1,890,000 units, at a price of \$0.45 per unit, for gross proceeds of \$850,500. Each unit comprised one common share and one-half share purchase warrant. Each full warrant is exercisable to purchase one additional common share at an exercise price of \$0.60 per share for a period of one year. The warrants are subject to a forced conversion provision which will come into effect once the shares trade at a weighted average price of \$0.90 per share for 20 consecutive trading days. The Company paid \$37,485 for finders' fees and \$4,752 for filing fees. Certain directors, officers and their family members purchased 100,000 units of the private placement.
- (b) During fiscal 2006, the Company completed a non-brokered private placement of 4,190,000 units, at \$0.30 per unit, for gross proceeds of \$1,257,000. Each unit is comprised of one common share of the Company and one-half of a share purchase warrant. Each full warrant is exercisable to purchase an additional common share at a price of \$0.40 per share on or before May 8, 2007 and \$0.60 per shares on or before May 8, 2008. The Company paid \$46,840 for finders' fees on the private placement and \$23,370 for legal and related costs. Certain directors, officers and their family members purchased 252,334 units of the private placements.

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

6. SHARE CAPITAL (continued)

- (c) A summary of the number of common shares reserved pursuant to the Company's outstanding warrants outstanding September 30, 2007 and 2006 and the changes for the fiscal years ending on those dates is as follows:

	2007		2006	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of year	2,095,000	0.40	685,000	0.40
Issued	945,000	0.60	2,095,000	0.40
Exercised	(1,712,499)	0.40	-	-
Expired	-	-	(685,000)	0.40
Balance, end of year	1,327,501	0.54	2,095,000	0.40

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at September 30, 2007:

Number	Exercise Price \$	Expiry Date
382,501	0.40	May 8, 2008
702,500	0.60	February 28, 2008
242,500	0.60	March 21, 2008
1,327,501		

7. STOCK OPTIONS AND STOCK-BASED COMPENSATION

The Company has established a rolling stock 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 exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSXV. The options have a maximum term of five years.

During fiscal 2007, the Company granted 515,000 (2006 - 420,000) stock options to the Company's directors, officers and consultants and recorded compensation expense of \$134,050 (2006 - \$97,900) on the granting and vesting of stock options. The fair value of stock options granted to the Company's directors, officers and consultants is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for the grants made during fiscal 2007 and 2006:

	2007	2006
Risk-free interest rate	3.86% - 4.61%	3.83% - 4.13%
Estimated volatility	82% - 90%	82% - 90%
Expected life	2.25 years - 3 years	3 years
Expected dividend yield	0%	0%

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

7. STOCK OPTIONS AND STOCK-BASED COMPENSATION (continued)

The weighted average fair value of all stock options granted during fiscal 2007 to the Company's directors, officers and consultants was \$0.26 (2006 - \$0.21) per share.

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 stock options.

A summary of the Company's stock options at September 30, 2007 and 2006 and the changes for the fiscal years then ended on those dates is presented below:

	2007		2006	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of year	1,680,000	0.42	1,406,000	0.44
Granted	515,000	0.45	420,000	0.30
Exercised	(270,000)	0.45	(70,000)	0.25
Expired	(100,000)	0.37	(76,000)	0.25
Balance, end of year	<u>1,825,000</u>	0.43	<u>1,680,000</u>	0.42

The following table summarizes information about the stock options outstanding and exercisable at September 30, 2007:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
50,000	50,000	0.50	January 17, 2008
605,000	605,000	0.50	February 22, 2008
235,000	235,000	0.40	June 8, 2008
20,000	20,000	0.40	December 5, 2008
100,000	100,000	0.30	May 12, 2009
300,000	300,000	0.30	May 23, 2009
60,000	15,000	0.35	November 29, 2009
110,000	110,000	0.35	January 18, 2010
310,000	280,000	0.50	April 5, 2010
35,000	35,000	0.50	May 8, 2010
<u>1,825,000</u>	<u>1,750,000</u>		

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

8. CONTRIBUTED SURPLUS

The Company's contributed surplus for fiscal 2007 and 2006, is comprised of the following:

	2007 \$	2006 \$
Balance, beginning of year	413,761	327,061
Stock-based compensation on stock options (Note 7)	134,050	97,900
Stock options exercised	<u>(50,400)</u>	<u>(11,200)</u>
Balance, end of year	<u>497,411</u>	<u>413,761</u>

9. RELATED PARTY TRANSACTIONS

- (a) During fiscal 2007 and 2006, the Company has incurred the following expenditures to directors and corporations controlled by directors of the Company:

	2007 \$	2006 \$
Management fees	96,000	88,000
Accounting and administration	23,550	18,000
Consulting services	20,500	2,000
Rent	5,400	5,400

- (b) During fiscal 2007, the Company reimbursed a total of \$18,716 (2006 - \$18,716) to Tumi Resources Limited ("Tumi") for shared office personnel and other costs. Tumi is a public company with certain common directors.

The above transactions have been recorded at the exchange amounts which is the amount agreed to by the related parties.

As at September 30, 2007, \$14,067 (2006 - \$6,132) remained outstanding and was included in accounts payable and accrued liabilities.

Other related party transactions are disclosed elsewhere in these consolidated financial statements.

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

10. INCOME TAXES

The income tax effects of temporary differences that give rise to significant components of future income tax assets and liabilities are as follows:

	2007 \$	2006 \$
Future income tax assets:		
Losses available for future periods	949,000	660,000
Fixed assets	2,000	1,000
Net book value of assets in excess of tax basis	(240,000)	(25,000)
Other	<u>34,000</u>	<u>55,000</u>
	745,000	691,000
Valuation allowance for future tax assets	<u>(745,000)</u>	<u>(691,000)</u>
	<u><u>-</u></u>	<u><u>-</u></u>

The recovery of income taxes shown in the statements of loss and deficit differ from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2007 \$	2006 \$
Income tax rate reconciliation		
Combined federal and provincial income tax rate	<u>34.12%</u>	<u>34.12%</u>
Expected income tax recovery	(207,000)	(511,000)
Permanent differences	27,000	184,000
Effect of income tax rate changes	-	47,000
Effect of different income tax rates in Peru and Canada	(6,000)	28,000
Change in valuation allowance	107,000	271,000
Other	<u>79,000</u>	<u>(19,000)</u>
	<u><u>-</u></u>	<u><u>-</u></u>

As at September 30, 2007, the Company has non-capital losses of approximately \$1,583,000 (2006 - \$1,233,000) available for Canadian income tax purposes to offset against future income. The non-capital losses expire commencing 2008 through 2027.

The Company also has non-capital losses of approximately \$1,364,000 (2006 - \$884,000) for Peruvian income tax purposes, which are available for application against future taxable income. These non-capital losses expire commencing December 31, 2007 through December 31, 2011.

Future income tax benefits which may arise as a result of these losses have not been recognized in the financial statements as their realization is unlikely.

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

11. SEGMENTED INFORMATION

Substantially all of the Company's operations are in one industry, the exploration for gold. Management reviews the financial results according to expenditures by property. As at September 30, 2007, the Company's mineral properties are located in Peru and Australia 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 during fiscal 2007 and 2006.

	2007			
	Corporate Canada \$	Mineral Operations Peru \$	Mineral Operations Australia \$	Total \$
Current assets	1,664,572	12,378	-	1,676,950
Mineral property interests	-	1,096,639	152,395	1,249,034
Equipment	8,608	27,935	-	36,543
	1,673,180	1,136,952	152,395	2,962,527
	2006			
	Corporate Canada \$	Mineral Operations Peru \$		Total \$
Current assets		1,245,090	110,810	1,355,900
Mineral property interests		-	290,849	290,849
Equipment		4,699	34,014	38,713
		1,249,789	435,673	1,685,462

12. FINANCIAL INSTRUMENTS

The fair values of financial instruments at September 30, 2007, were estimated based on relevant market information and the nature and terms of financial instruments. Management is not aware of any factors which would significantly affect the estimated fair market amounts, however, such amounts have not been comprehensively revalued for purposes of these financial statements. Disclosure subsequent to the balance sheet dates and estimates of fair value at dates subsequent to September 30, 2007, may differ significantly from that presented.

Fair value approximates the amounts reflected in the financial statements for cash, amounts receivable and accounts payable and accrued liabilities.

The Company may be subject to currency risk due to the fluctuations of exchange rates between the Canadian dollar and other foreign currencies. However, the Company is not subject to significant interest and credit risks arising from these instruments.

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

13. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash activities were conducted by the Company during fiscal 2007 and 2006, as follows:

	2007 \$	2006 \$
Operating activity		
Increase in accounts payable	<u>86,430</u>	<u>-</u>
Financing activities		
Shares issued for mineral property interests	98,000	-
Shares issued on exercise of options	50,400	11,200
Contributed surplus	<u>(50,400)</u>	<u>(11,200)</u>
	<u>98,000</u>	<u>-</u>
Investing activity		
Expenditures on mineral property interests	<u>(184,430)</u>	<u>-</u>
Other supplemental cash flow information:		
Interest paid in cash	<u>-</u>	<u>-</u>
Income taxes paid in cash	<u>-</u>	<u>-</u>

SCHEDULE 1

TINKA RESOURCES LIMITED
CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	2007				2006	
	Peru		Australia		Total	Total
	Colquipucro Prospect	Other	Strathbogie	Golden Mountain		
	\$	\$	\$	\$	\$	\$
BALANCE						
- BEGINNING OF YEAR	51,085	239,764	-	-	290,849	496,309
EXPLORATION EXPENDITURES DURING THE YEAR						
Access road	-	-	-	-	-	1,975
Amortization	9,393	-	-	-	9,393	-
Assays	26,379	2,362	-	-	28,741	46,504
Camp costs	27,962	-	-	-	27,962	6,372
Consulting	85,578	6,185	-	-	91,763	36,943
Drilling	259,055	-	-	-	259,055	244,884
Environmental	-	-	-	-	-	3,465
Exploration site	76,161	3,044	-	-	79,205	28,255
Field workers	62,618	679	-	-	63,297	44,168
Geological	77,143	15,232	-	-	92,375	95,753
Geophysical	16,952	-	-	-	16,952	-
IVA tax	-	85,240	-	-	85,240	87,903
Mapping	-	-	-	-	-	822
Permit and filing fees	30,989	-	-	-	30,989	38,595
Salaries	14,174	-	-	-	14,174	2,552
Supplies	27,598	-	-	-	27,598	9,283
Travel	12,687	-	-	-	12,687	17,623
Vehicles	33,826	-	-	-	33,826	19,888
	760,515	112,742	-	-	873,257	684,985
ACQUISITION COSTS DURING THE YEAR						
Staking and related costs	15,393	2,393	-	-	17,786	112,338
Option payment	-	-	6,000	48,395	54,395	-
Shares issued	-	-	98,000	-	98,000	-
	15,393	2,393	104,000	48,395	170,181	112,338
	775,908	115,135	104,000	48,395	1,043,438	797,323
BALANCE BEFORE WRITE-OFFS	826,993	354,899	104,000	48,395	1,334,287	1,293,632
LESS WRITE-OFF MINERAL PROPERTY INTERESTS	-	(85,253)	-	-	(85,253)	(1,002,783)
BALANCE - END OF YEAR	826,993	269,646	104,000	48,395	1,249,034	290,849