
TINKA RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2010 AND 2009

AUDITORS' REPORT

To the Shareholders of
Tinka Resources Limited

We have audited the consolidated balance sheets of Tinka Resources Limited as at September 30, 2010 and 2009 and the consolidated statements of loss and comprehensive loss and deficit and cash flows for the years 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 audits.

We conducted our audits 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, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, B.C.
January 19, 2011

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TINKA RESOURCES LIMITED
CONSOLIDATED BALANCE SHEETS
AS AT SEPTEMBER 30

	2010	2009
	\$	\$
A S S E T S		
CURRENT ASSETS		
Cash	884,144	75,106
Amounts receivable	6,450	1,995
Prepays	<u>14,754</u>	<u>6,913</u>
	905,348	84,014
MINERAL PROPERTY INTERESTS (Note 3)	2,228,824	2,037,674
EQUIPMENT (Note 4)	4,108	8,683
OTHER	<u>-</u>	<u>33,710</u>
	<u><u>3,138,280</u></u>	<u><u>2,164,081</u></u>

L I A B I L I T I E S

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>91,628</u>	<u>69,353</u>

S H A R E H O L D E R S ' E Q U I T Y

SHARE CAPITAL (Note 5)	9,599,417	8,335,738
CONTRIBUTED SURPLUS (Note 7)	1,050,477	799,524
DEFICIT	<u>(7,603,242)</u>	<u>(7,040,534)</u>
	<u>3,046,652</u>	<u>2,094,728</u>
	<u><u>3,138,280</u></u>	<u><u>2,164,081</u></u>

NATURE OF OPERATIONS (Note 1)

SUBSEQUENT EVENT (Note 14)

ON BEHALF OF THE BOARD

“Andrew Carter” , Director

“Nick DeMare” , Director

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

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

	2010 \$	2009 \$
EXPENSES		
Accounting and administration	32,250	22,996
Amortization	1,744	2,254
Audit	23,000	29,489
Consulting	27,345	31,277
Corporate development	14,618	13,680
General exploration	94,788	98,655
Investor relations	20,032	5,000
Legal	2,557	4,107
Management fees	96,000	96,000
Office	12,184	13,649
Regulatory	10,148	8,208
Rent	4,850	5,400
Shareholder costs	5,121	9,268
Stock-based compensation (Note 6)	206,015	95,000
Transfer agent	7,347	5,395
Travel and related	23,371	13,436
	<u>581,370</u>	<u>453,814</u>
LOSS BEFORE OTHER ITEMS	<u>(581,370)</u>	<u>(453,814)</u>
OTHER ITEMS		
Interest income	716	2,363
Foreign exchange gain	17,946	3,985
Write-off of mineral property interests (Note 3)	-	(565,895)
Write-off of equipment	-	(1,192)
	<u>18,662</u>	<u>(560,739)</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(562,708)	(1,014,553)
DEFICIT - BEGINNING OF YEAR	<u>(7,040,534)</u>	<u>(6,025,981)</u>
DEFICIT - END OF YEAR	<u><u>(7,603,242)</u></u>	<u><u>(7,040,534)</u></u>
LOSS PER SHARE - BASIC AND DILUTED	<u><u>\$(0.02)</u></u>	<u><u>\$(0.04)</u></u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	<u><u>36,097,458</u></u>	<u><u>24,804,251</u></u>

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

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

	2010	2009
	\$	\$
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Net loss for the year	(562,708)	(1,014,553)
Adjustment for items not involving cash		
Amortization	1,744	2,254
Stock-based compensation	206,015	95,000
Write-off of mineral property interests	-	565,895
Write-off of equipment	-	1,192
	<u>(354,949)</u>	<u>(350,212)</u>
Decrease (increase) in amounts receivable	(4,455)	17,381
Decrease (increase) in prepaids	(7,841)	15,633
Increase (decrease) in accounts payable and accrued liabilities	<u>23,878</u>	<u>(51,460)</u>
	<u>(343,367)</u>	<u>(368,658)</u>
INVESTING ACTIVITIES		
Expenditures on mineral property interests	(189,922)	(140,987)
Purchase of equipment	-	(1,534)
Other	<u>33,710</u>	<u>-</u>
	<u>(156,212)</u>	<u>(142,521)</u>
FINANCING ACTIVITIES		
Issuance of common shares	1,395,250	160,000
Share issue costs	<u>(86,633)</u>	<u>(2,050)</u>
	<u>1,308,617</u>	<u>157,950</u>
INCREASE (DECREASE) IN CASH DURING THE YEAR	809,038	(353,229)
CASH - BEGINNING OF YEAR	<u>75,106</u>	<u>428,335</u>
CASH - END OF YEAR	<u><u>884,144</u></u>	<u><u>75,106</u></u>

SUPPLEMENTAL CASH FLOW INFORMATION - See Note 13

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

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

1. NATURE OF OPERATIONS

Tinka Resources Limited (the “Company”) is a junior resource company engaged in the acquisition and exploration of unproven mineral interests and is considered a development stage company as defined by Accounting Guideline No. 11 of the Canadian Institute of Chartered Accountants (“CICA”) Handbook. The Company presently has no proven or probable 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 for the ensuing fiscal year. 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. Significant areas requiring the use of management estimates relates to the assessment of recoverability and impairment of amounts capitalized as mineral property interests, determination of environmental obligations, determination of the fair value of stock-based compensation and financial instruments and the estimation of future income tax asset valuation allowances. 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, 2010 AND 2009

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.

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.

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.

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, 2010 and 2009, the Company had no asset retirement obligations.

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

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

Future income tax liabilities and assets are recognized for the estimated income tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases, using substantially 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 and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely than not that they can be realized.

Translation of Foreign Currencies

As the Company's foreign subsidiary has been dependent on funding from its parent, the operation is considered to be integrated. As a result, the temporal method of translating the accounts of the foreign subsidiary has been adopted. Under this method, the Company translates monetary items 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. Revenues and expenses are translated at average rates in effect during the period except for depreciation and amortization which are translated at historical rates. 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.

Financial Instruments

Under Section 3251, *Equity*, Section 3855, *Financial Instruments - Recognition and Measurement* and Section 3861, *Financial Instruments - Disclosure and Presentation*, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of change in the fair value of financial instruments depends on their initial classification. Held-for-trading financial investments are

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, derecognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately. Transaction costs related to financing will be expensed in the period incurred.

The Company has designated its cash as held-for-trading, which is measured at fair value. Amounts receivable 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.

Section 3862, *Financial Instruments - Disclosures*, requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments - Recognition and Measurement*, Section 3863, *Financial Instruments - Presentation*, and Section 3865, *Hedges*. Disclosure requirements pertaining to Section 3862 are contained in Note 11.

Section 3863, *Financial Instruments - Presentation*, enhances financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

Comprehensive Income

Section 1530, *Comprehensive Income*, provides standards for the reporting and presentation of comprehensive income, which is defined as the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles. A statement of comprehensive income has not been presented as no components of comprehensive income have been identified and therefore have not affected the current or comparative period balances on the consolidated financial statements.

Capital Disclosures

Section 1535, *Capital Disclosures*, establishes standards for disclosing information about an entity's capital and how it is managed. Disclosure requirements pertaining to Section 1535 are contained in Note 12.

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Standards

Goodwill and Intangible Assets

The Accounting Standards Board (“AcSB”) issued Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The adoption of Section 3064 did not have a material impact on the Company’s financial position and results of operations.

Financial Instruments

During 2009 the CICA amended Section 3862, *Financial Instruments – Disclosures*, to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - inputs that are not based on observable market data.

Effective October 1, 2009 the Company adopted the new recommendations. The additional disclosures as a result of the amended Section 3862 are contained in Note 11.

Future Accounting Policies

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-Controlling Interests*. These new standards will be effective for fiscal years beginning on or after January 1, 2011.

Section 1582 replaces Section 1581, *Business Combinations*, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, *Business Combinations*. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

The Company does not expect the adoption of these accounting standards to have a material impact on its consolidated financial statements.

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

3. MINERAL PROPERTY INTERESTS

	2010			2009		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Peru:						
Colquipucro	77,129	1,779,669	1,856,798	33,706	1,678,031	1,711,737
Anita de Tibillos	24,647	2,743	27,390	-	-	-
Other	-	344,636	344,636	-	325,937	325,937
	<u>101,776</u>	<u>2,127,048</u>	<u>2,228,824</u>	<u>33,706</u>	<u>2,003,968</u>	<u>2,037,674</u>

(a) Peru

Colquipucro Project

On May 27, 2004, the Company entered into an agreement (the “Sierra Alliance Agreement”) with Sierra Peru Pty Ltd. (“Sierra”) pursuant to which the Company staked a number of prospects in Peru. As at September 30, 2010, the Company holds 46 mineral claims (the “Colquipucro Project”), which had been identified by Sierra, totalling 10,235 hectares, in the Province of Daniel Alcides Carrion.

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

Anita de Tibillos Project

On March 8, 2010, the Company entered into an option agreement to purchase up to a 100% interest in the Anita de Tibillos project (“Tibillos Project”) comprising 1,000 hectares and located south of Lima, Peru. The Company has the right to acquire an initial 75% interest in the Tibillos Project by making cash payments totaling US \$600,000 over a period of five years, including an initial cash payment of US \$11,000 (paid), payment of outstanding mineral claim fees (paid), and undertaking certain exploration programs in the first year of the agreement. Upon earning the 75% interest the Company has the right to purchase the remaining 25% interest in the Tibillos Project by making cash payments of US \$500,000 over a further five year period.

The Company has also staked a further 2,900 hectares surrounding the Tibillos Project.

Other

During fiscal 2009, the Company wrote off \$40,924 of acquisition and deferred exploration costs for other mineral property interests in Peru. As at September 30, 2010, this category comprises solely foreign value added taxes.

(b) Australia

During fiscal 2009 the company wrote-off a total of \$524,971 of acquisition and exploration costs relating to its termination of option agreements on properties located in Australia.

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

4. EQUIPMENT

	2010	2009
	\$	\$
Vehicles	51,590	51,590
Office equipment	<u>27,066</u>	<u>27,066</u>
	78,656	78,656
Less: accumulated amortization	<u>(74,548)</u>	<u>(69,973)</u>
	<u><u>4,108</u></u>	<u><u>8,683</u></u>

5. SHARE CAPITAL

Authorized - unlimited common shares without par value

	2010		2009	
Issued	Shares	\$	Shares	\$
Balance, beginning of year	<u>25,961,511</u>	<u>8,335,738</u>	<u>24,361,511</u>	<u>8,177,788</u>
Issued during the year				
For cash				
Private placements	13,500,000	1,350,000	1,600,000	160,000
Exercise of stock options	452,500	45,250	-	-
For finder's fees	652,000	42,380	-	-
Reallocation from contributed surplus on exercise of stock options	<u>-</u>	<u>26,150</u>	<u>-</u>	<u>-</u>
	14,604,500	1,463,780	1,600,000	160,000
Less share issue costs	<u>-</u>	<u>(200,101)</u>	<u>-</u>	<u>(2,050)</u>
	<u>14,604,500</u>	<u>1,263,679</u>	<u>1,600,000</u>	<u>157,950</u>
Balance, end of year	<u><u>40,566,011</u></u>	<u><u>9,599,417</u></u>	<u><u>25,961,511</u></u>	<u><u>8,335,738</u></u>

(a) During fiscal 2010, the Company completed a private placement financing totalling 13,500,000 units at \$0.10 per unit for gross proceeds of \$1,350,000 as follows:

- (i) 4,500,000 units on a non-brokered basis. Each unit consisted of one common share and one warrant, with each warrant entitling the holder to purchase an additional common share at a price of \$0.15 per share for a period of eighteen months. A finders' fees of \$8,000 was paid on a portion of this financing; and
- (ii) 9,000,000 units on a brokered basis. Each unit consisted of one common share and one warrant, with each warrant entitling the holder to purchase an additional common share at a price of \$0.15 per share for a period of eighteen months. The Company paid the agent a commission of \$72,000, of which \$28,800 was paid in cash and \$43,200 was paid through the issuance of 432,000 agent units, and issued 900,000 agent warrants. The Company also paid the agent a corporate finance fee of \$22,000 by issuance of 220,000 finance units. The agent units, agent warrants, and finance units have the same terms as the units and warrants issued on the brokered portion of the private placement. The fair value of the agent warrants

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

5. SHARE CAPITAL (continued)

and the underlying warrants to the agent units and finance units has been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield - 0%; expected volatility - 141.43%; a risk-free interest rate of 1.13%; and an expected life of 18 months. The values assigned to the agent warrants and the underlying warrants to the agent units and finance units were \$48,268, \$15,120 and \$7,700, respectively.

Directors and officers of the Company purchased 324,000 units for \$32,400.

The Company also incurred costs of \$49,833 relating to this financing.

- (b) During fiscal 2009, the Company completed a non-brokered private placement of 1,600,000 units at \$0.10 per unit for gross proceeds of \$160,000. Each unit consisted of one common share of the Company and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one additional share at a price of \$0.15 per share on or before December 22, 2010.

The Company incurred share issue costs of \$2,050 for filing fees relating to this financing.

- (c) A summary of the number of common shares reserved pursuant to the Company's outstanding warrants outstanding September 30, 2010 and 2009, and the changes for the years ended on those dates is as follows:

	<u>2010</u>		<u>2009</u>	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of year	1,600,000	0.15	1,632,500	0.56
Issued	15,052,000	0.15	1,600,000	0.15
Expired	-	-	<u>(1,632,500)</u>	0.56
Balance, end of year	<u>16,652,000</u>	0.15	<u>1,600,000</u>	0.15

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at September 30, 2010:

Number	Exercise Price \$	Expiry Date
1,600,000	0.15	December 22, 2010
3,000,000	0.15	July 4, 2011
1,500,000	0.15	July 19, 2011
<u>10,552,000</u>	0.15	July 25, 2011
<u>16,652,000</u>		

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

6. 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 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 in accordance with the policies of the TSX Venture Exchange (“TSXV”). The options have a maximum term of five years.

During fiscal 2010, the Company granted stock options to directors, employees and consultants to purchase 1,430,000 (2009 - 1,770,000) common shares and recorded compensation expense of \$206,015 (2009 - \$95,000). The fair value of the stock options is estimated using the Black-Scholes option pricing model with the following assumptions used for the granting or vesting during fiscal 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Risk-free interest rate	1.63% - 2.47%	1.81%
Estimated volatility	122.8% - 150.83%	127%
Expected life	3 years	3 years
Expected dividend yield	0%	0%

The weighted average fair value of all stock options granted or vested during fiscal 2010 to the Company’s directors, employees and consultants was \$0.15 (2009 - \$0.05) 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, 2010 and 2009, and the changes for the fiscal years ended on those dates is presented below:

	<u>2010</u>		<u>2009</u>	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of year	2,255,000	0.14	2,195,000	0.34
Granted	1,430,000	0.16	1,770,000	0.10
Exercised	(452,500)	0.10	-	-
Expired	-	-	(1,672,500)	0.34
Forfeited	-	-	(37,500)	0.30
Balance, end of year	<u>3,232,500</u>	0.16	<u>2,255,000</u>	0.14

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

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

The following table summarizes information about the stock options outstanding and exercisable at September 30, 2010:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
360,000	360,000	0.30	March 1, 2011
125,000	125,000	0.30	July 18, 2011
1,020,000	1,020,000	0.10	January 30, 2012
297,500	297,500	0.10	March 2, 2012
200,000	200,000	0.16	December 23, 2012
1,080,000	1,080,000	0.15	January 26, 2013
<u>150,000</u>	<u>75,000</u>	0.23	March 18, 2013
<u><u>3,232,500</u></u>	<u><u>3,157,500</u></u>		

7. CONTRIBUTED SURPLUS

The Company's contributed surplus for fiscal 2010 and 2009 is comprised of the following:

	2010 \$	2009 \$
Balance, beginning of year	799,524	704,524
Stock-based compensation on stock options (Note 6)	206,015	95,000
Stock-based compensation on agent warrants (Note 5(a))	48,268	-
Stock-based compensation on finders' fees (Note 5(a))	22,820	-
Reallocation on exercise of stock options	<u>(26,150)</u>	<u>-</u>
Balance, end of year	<u><u>1,050,477</u></u>	<u><u>799,524</u></u>

8. RELATED PARTY TRANSACTIONS

(a) During fiscal 2010 and 2009, the Company incurred the following expenditures to directors and corporations controlled by directors of the Company:

	2010 \$	2009 \$
Management fees	96,000	96,000
Accounting and administration	32,250	22,996
Consulting services	18,000	18,000
Rent	<u>4,850</u>	<u>5,400</u>
	<u><u>151,100</u></u>	<u><u>142,396</u></u>

(b) During fiscal 2010, the Company reimbursed \$15,545 (2009 - \$17,031) to a public company with certain common directors for shared office and other costs.

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

8. RELATED PARTY TRANSACTIONS (continued)

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

As at September 30, 2010, \$79,667 (2009 - \$53,201) remained outstanding and was included in accounts payable and accrued liabilities.

9. INCOME TAXES

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

	2010 \$	2009 \$
Future income tax assets (liabilities):		
Losses available for future periods	1,275,400	1,259,000
Tax basis of equipment in excess of net book value	3,100	3,000
Net book value of mineral properties in excess of tax basis	(402,800)	(358,000)
Other	<u>22,500</u>	<u>11,000</u>
	898,200	915,000
Valuation allowance for future income tax assets	<u>(898,200)</u>	<u>(915,000)</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:

	2010 \$	2009 \$
Income tax rate reconciliation		
Combined federal and provincial income tax rate	<u>28.88%</u>	<u>30.00%</u>
Expected income tax recovery	(162,500)	(304,000)
Permanent differences	51,300	22,000
Effect of income tax rate changes	31,400	49,000
Effect of different income tax rates in Peru and Canada	900	-
Change in valuation allowance	<u>78,900</u>	<u>233,000</u>
	<u><u>-</u></u>	<u><u>-</u></u>

As at September 30, 2010, the Company has non-capital losses of approximately \$2,475,000 (2009 - \$2,200,000) and cumulative resource and other tax pools of approximately \$641,300 carried forward for Canadian income tax purposes and are available to reduce Canadian taxable income in future years. The non-capital losses expire commencing 2011 through 2030. The cumulative resource and certain other tax pools can be carried forward indefinitely.

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

9. INCOME TAXES (continued)

The Company also has non-capital losses of approximately \$2,188,900 (2009 - \$2,367,000) for Peruvian income tax purposes, which are available for application against future taxable income. These non-capital losses expire commencing December 31, 2010 through December 31, 2015.

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.

10. SEGMENTED INFORMATION

Substantially all of the Company's operations are in one industry, the exploration for precious metals. Management reviews the financial results according to expenditures by property. As at September 30, 2010, 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>2010</u>			
	<u>Corporate Canada \$</u>	<u>Mineral Operations Peru \$</u>	<u>Total \$</u>	
Current assets	862,525	42,823	905,348	
Mineral property interests	-	2,228,824	2,228,824	
Equipment	3,043	1,065	4,108	
	<u>865,568</u>	<u>2,272,712</u>	<u>3,138,280</u>	
	<u>2009</u>			
	<u>Corporate Canada \$</u>	<u>Mineral Operations Peru \$</u>	<u>Mineral Operations Australia \$</u>	<u>Total \$</u>
Current assets	78,164	5,850	-	84,014
Mineral property interests	-	2,037,674	-	2,037,674
Equipment	4,787	3,896	-	8,683
Other	-	-	33,710	33,710
	<u>82,951</u>	<u>2,047,420</u>	<u>33,710</u>	<u>2,164,081</u>

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of Financial Assets and Financial Liabilities

Under Canadian GAAP financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial Instrument	Category	2010	2009
		\$	\$
Cash	Held-for-trading	884,144	75,106
Amounts receivable	Loans and receivables	6,450	1,995
Accounts payable and accrued liabilities	Other liabilities	(91,628)	(69,353)

The recorded amounts for cash, amount receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The Company's carrying value and fair value of cash under the fair value hierarchy is measured using Level 1 inputs.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and amounts receivable is remote.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's liabilities are classified as current and are anticipated to mature within the next fiscal period. The Company intends to settle these with funds from its working capital and equity financings.

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short term interest rates through the interest earned on cash balances. The Company has significant cash balances. From time to time, the Company invests its excess cash in money market instruments issued by major financial institutions. The term of such instruments does not exceed 365 days and are redeemable, from 30 to 90 days of purchase. As such the Company considers that the interest rate is not significant.

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(b) Foreign Currency Risk

The Company's significant operations are based in Peru and subject to foreign currency fluctuations. The Company's operating expenses are primarily incurred in Canadian Dollars and Peruvian Nuevo Sol and the fluctuation of the Canadian Dollar in relation to the Peruvian Nuevo Sol 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 has not entered into any agreements or purchased any instruments to hedge possible currency risks. At September 30, 2010, 1 Canadian Dollar was equal to 2.71 Peruvian Nuevo Sols.

Balances are as follows:

	Peruvian Nuevo Sol	CDN \$ Equivalent
Cash	114,048	42,072
Amounts receivable	2,034	750
Accounts payable and accrued liabilities	<u>(20,488)</u>	<u>(7,558)</u>
	<u>95,594</u>	<u>35,264</u>

Based on the net exposures as of September 30, 2010 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Peruvian Nuevo Sol would result in the Company's net loss to be approximately \$3,526 higher (or lower).

12. CAPITAL MANAGEMENT

The Company's objective when managing capital, defined as equity, is to safeguard the entity's ability to continue as a going concern, so that it can continue to acquire and explore mineral interests. The Company funds all administration and exploration programs from the issue of shares, generally through private placements. The Company prepares a budget for seasonal exploration programs and initiates equity offerings to ensure sufficient funds for each season's programs. If the Company is unsuccessful in raising sufficient capital, exploration programs are extended, delayed or cancelled. In order to conserve cash, the Company may issue shares to pay for properties or compensate directors, employees and contractors through stock options.

Any cash raised that is surplus to immediate requirements may be invested in low-risk liquid instruments which may include Bankers' Acceptances or Guaranteed Investment Certificates.

TINKA RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

13. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash activities were conducted by the Company during fiscal 2010 and 2009 as follows:

	2010 \$	2009 \$
Operating activities		
Amortization	2,831	11,115
(Decrease) increase in accounts payable and accrued liabilities	<u>(471)</u>	<u>9,160</u>
	<u>2,360</u>	<u>20,275</u>
Investing activity		
Expenditures on mineral property interests	<u>(2,360)</u>	<u>(20,275)</u>
Financing activities		
Issuance of common shares for finders' fees	42,380	-
Common share issue costs	(113,468)	-
Reallocation from contributed surplus on exercise of stock options	26,150	-
Contributed surplus	<u>44,938</u>	<u>-</u>
	<u>-</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>

14. SUBSEQUENT EVENT

Subsequent to September 30, 2010, the Company received \$558,750 from warrants exercised to purchase 3,725,000 common shares of the Company.

TINKA RESOURCES LIMITED
CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS
FOR THE YEARS ENDED SEPTEMBER 30

	2010			2009	
	Peru			Total	Total
	Colquipucro	Anita de Tibillos	Other		
	\$	\$	\$	\$	\$
BALANCE - BEGINNING OF YEAR	<u>1,711,737</u>	<u>-</u>	<u>325,937</u>	<u>2,037,674</u>	<u>2,442,307</u>
EXPLORATION EXPENDITURES					
Amortization	2,831	-	-	2,831	11,115
Assays	6,884	-	-	6,884	16,500
Camp costs	5,320	-	-	5,320	4,465
Consulting	1,416	394	-	1,810	3,759
Environment studies	8,690	-	-	8,690	6,019
Exploration site	21,414	1,224	-	22,638	8,079
Fuel	3,195	-	-	3,195	2,142
Geological	5,407	1,125	-	6,532	39,464
Geophysics	24,478	-	-	24,478	-
IVA tax	-	-	18,699	18,699	8,390
Permit and filing fees	-	-	-	-	4,427
Road access	6,866	-	-	6,866	5,264
Salaries	4,553	-	-	4,553	23,497
Travel	7,861	-	-	7,861	17,910
Vehicles	2,723	-	-	2,723	10,231
	<u>101,638</u>	<u>2,743</u>	<u>18,699</u>	<u>123,080</u>	<u>161,262</u>
ACQUISITION COSTS					
Option payments	-	11,253	-	11,253	-
Claims and rights	43,423	13,394	-	56,817	-
	<u>43,423</u>	<u>24,647</u>	<u>-</u>	<u>68,070</u>	<u>-</u>
BALANCE - BEFORE WRITE-OFFS	1,856,798	27,390	344,636	2,228,824	2,603,569
LESS WRITE-OFFS	-	-	-	-	(565,895)
BALANCE - END OF YEAR	<u><u>1,856,798</u></u>	<u><u>27,390</u></u>	<u><u>344,636</u></u>	<u><u>2,228,824</u></u>	<u><u>2,037,674</u></u>

TINKA RESOURCES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2010

Background

This discussion and analysis of financial position and results of operation is prepared as at January 21, 2011, and should be read in conjunction with the audited annual consolidated financial statements and the accompanying notes for the years ended September 30, 2010 and 2009 of Tinka Resources Limited (the "Company"). The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities, can be found on SEDAR at www.sedar.com.

Company Overview

The Company is a junior mineral exploration company engaged in the acquisition and exploration of precious metals on 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. 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 II issuer, under the symbol "TK" and on the Frankfurt Exchange under the symbol "TLD".

During fiscal 2010 the Company completed a private placement financing of 13,500,000 units to raise \$1,350,000. These funds are to be utilized for exploration of the Colquipucro and Anita de Tibillos Projects and for general working capital purposes.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Exploration Projects

Colquipucro Project, Peru

The Company has staked 46 claims covering 10,234.85 hectares in the Department of Pasco approximately 190 km NE of Lima and 65 km NW of Cerro de Pasco. The Colquipucro mining district lies some 25 km northwest of the famed Cerro de Pasco and Colquijirca Pb-Zn-Cu mines, and 35 km east of the Raura mine, a Cu-Pb-Zn-Ag skarn deposit mined since 1958. The project is 25 km SW of Buenaventura's high grade 150 million oz Uchucchacua silver mine.

A first field visit identified numerous gossanous mantos and veins over an area of 20 sq km within a sequence of limestone, shale and carbonaceous sandstone. Two dominant vein orientations were identified with widths up to 1 m, containing galena, sphalerite and pyrite as the principal sulphide minerals. Mapping identified propylitic alteration associated with intrusives northeast of the vein and gossanous occurrences, suggesting a mineralizing intrusive source may exist nearby.

Comprehensive exploration followed which included, geochemical surface and underground sampling, geophysical survey and a phase 1 diamond drill program which was completed in October 2007. The results of the program were included in the end of year report.

The Company has identified new areas of surface mineralization at Colquipucro. Two of the new areas, called Colquisur and Ayawilca, lie 1km SE of and from 1.5km and 2km SSE, respectively, from the recently drilled Zone 1 area. A total of 384 soil and rock chip samples were collected from the new areas on a grid covering both areas measuring roughly 1,500 metres by 1,900 metres. Results returned values ranging from trace to 85 g/t silver, trace to 0.39% lead and trace to 4.9% zinc. These geochemically anomalous areas are still open to the east, but geological mapping and soil sampling suggest that the mineralized areas are faulted-off along the western edge of the grid.

The Ayawilca zone is underlain mostly by sandstones and siltstones containing finely disseminated pyrite throughout. Other sulphide minerals have not yet been identified in the matrix of these rocks, but the highly anomalous soil sample results suggest they are there (galena, sphalerite). It is believed that this sequence of east-west structures could be a similar setting to the Zone 1 area just drilled, where faults served as conduits for reprecipitating and enriching the mineralization both along the faults and in intervening fractures.

The Colquisur zone sits in the valley immediately south of Zone 1. There is extensive overburden cover, but preliminary mapping and sampling indicates that it is underlain mostly by the Pucara limestone, host to the lead and zinc mineralization encountered in the deeper parts of some holes at Zone 1.

A third area, known as Colquicocha, of surface mineralization was discovered during the last quarter. This area lies 2 km SE of the recently identified Ayawilca zone and approximately 3.75 km SE of Zone 1 that was drilled during 2007. At Colquicocha, nine channel samples ranging from 1 metre to 3 metres wide were collected from surface outcrops and old workings. Results returned values ranging from trace to 222 g/t silver, trace to 9.10% lead and trace to 8.0% zinc. Two contiguous samples from one underground working, taken perpendicular to the bedding in the sandstone, averaged 136 g/t silver, 5.86% lead and 4.82% zinc. About 300 metres SE from this working, a 3.0 metre wide sample taken from another working along a north-south trending, easterly dipping structure, assayed 146 g/t silver, 8.78% lead and 0.57% zinc.

Of interest, also, are two other sample sites located during reconnaissance exploration. The first one, about 300 metres south of the centre of the Ayawilca zone, yielded 55 g/t silver and highly anomalous lead over 8 metres, sampled obliquely across the bedding. Previous mapping has identified a NE-trending structure that passes through this site and projects towards some anomalous soil samples, a distance in excess of 400 metres. The other site, located about 1.3 km ENE from here, returned 64 g/t silver and highly anomalous lead and zinc over 15 metres width. This site is described as a “manto” in sandstone which hosts pyrite and iron oxides.

The Colquicocha zone is underlain mostly by sandstones and siltstones containing finely disseminated pyrite throughout. Other sulphide minerals have not yet been identified in the matrix of these rocks, but the highly anomalous soil sample results suggest they are there (galena, sphalerite). It is believed that this sequence of east-west structures could be a similar setting to the Zone 1 area just drilled, where faults served as conduits for reprecipitating and enriching the mineralization both along the faults and in intervening fractures.

The Company has now completed a grid sampling program and surface exploration to further delineate this new zone and samples are now at the laboratory in Lima. The Company is continuing a grid sampling program and surface exploration to further delineate these zones.

In April 2008, an independent NI43-101 report was completed which determined an inferred silver resource of 20.3 million ounces silver with an immediate potential contiguous target.

Category	Ag Cut-off (g/t)	Tonnes	Avg. Grade Ag (g/t)	Troy Ounces Ag/Short Ton	Contained Troy Ounces
Inferred	30	5,669,853	111.4	3.25	20,311,120

The report recommended an extensive drilling program to further define the existing resource, to test the target north of the resource and to drill some exploration holes at the Zone2/Ayawilca anomaly. A copy of the full report can be viewed on the Company’s website www.tinkaresources.com

During February 2009, a review of the project was undertaken and it concluded that significant silver mineralization at Colquipucro is controlled by the complicated main regional fault and that future exploration must be directed at testing

this 12 km long structural trend within the Company's permit area. It recommended a work program prior to drilling consisting of: metallurgical testing of Zone 1 drill core, petrographic analysis, detailed airphoto interpretation on a 1 km corridor of the main thrust fault and detailed follow-up mapping and sampling of the Ayawilca zone and any further targets.

Initial metallurgical test work was undertaken during April 2009 and produced positive results. Highlights from this work include:

- Silver recovery ranged from 90 to 97% with cyanide consumptions of 3.5 to 8.0 kg/t after leaching for 72 hours.
- Silver leaching kinetics was extremely fast for both composites.
- Although reagent consumption was moderate to high the leaching time was extremely rapid, suggesting further test work may allow cyanide consumption to be reduced with only a small loss in recoverable silver.

Test work was completed by Plenge Laboratories in Lima, Peru on two composite samples from the Colquipucro main mineralized zone ("Zone 1"). The samples were composited from 63 samples from two separate sections of pulps taken from diamond drill holes CDD6 and CDD13 that passed through Zone 1. Tests included head grade analysis, gravity separation and cyanidation. The samples were subjected to six conventional bottle roll techniques. Sample head grades averaged 79.7g/t Ag (CDD6) and 132.1g/t Ag (CDD13). Head grades for the metallurgical samples are in the same range as those of the recently calculated NI 43-101 inferred resource of 5.7 Mt at a grade of 111 g/t silver (20.3 Moz silver) at Zone 1.

Following the positive initial metallurgy results, a comprehensive mineralogical study was conducted on concentrates produced from sections of Zone 1 drill holes CDD 6 & CDD 13 at Uppsala University, Uppsala, Sweden using Qualitative X-ray diffraction (XRD) and microprobe analysis. The most common silver mineral identified was a silver-sulphide, very likely argentite or acanthite. A silver sulphosalt of undetermined composition was also noted. Pyrite, arsenopyrite and zircon are common minerals identified in the concentrates.

The information obtained so far, including a recent interpretation done with satellite imagery, indicate that the geological setting at Zone 1 is strongly influenced by structural preparation, particularly by a large, complex fault system that marks the southwest margin of the prospective exploration area.

The exploration area is defined as a zone ranging from 1 km to 2 km in width, bounded by two large northwest-southeast trending fault systems and underlain by the Pucura limestone and Goyllarisquisga sandstone formations. So far, the Ayawilca zone located 2 km to the south of the known resource, has shown some structural and geochemical similarities to Zone 1. In August, a detailed structural mapping and geological interpretation study was completed by the Company's independent consulting geologists on the Ayawilca zone.

The interpretations and conclusions provided include:

- The structural setting and mineralization found at the Ayawilca zone has a direct correlation with the system found at Zone 1.
- The area, approximately 500m north-south by 200m east-west, defined as prospective for hosting bulk-tonnage silver mineralization at Ayawilca is sufficient for an exploration target equal to or greater than that established at Zone 1. The potential quantity and grade is conceptual in nature, and there has been insufficient exploration to define this target at this time. It is uncertain that drilling will result in further discoveries in this area. The target referred to is based on follow up of currently untested known strike length and down dip potential of the host sandstone.
- Ayawilca is believed to be higher in the Goyllar sandstone stratigraphy; hence, there may be potential for a thicker sequence of mineralization than at Zone 1.
- An eight hole reverse circulation drill program, totalling not less than 1,600m, is recommended as a first phase test of the Ayawilca zone.

In August 2010, an induced polarization (IP) survey was undertaken over the Ayawilca zone. The pole-dipole survey consisted of 8 lines totaling 14.1 km and was contiguous with IP survey performed over Zone 1 in 2007. The inversion model of the IP data produced a target underlying the Ayawilca zone trending east-southeast for 600 metres and plunging gently to the east; this model fits the observed surface mineralization and pattern of faulting mapping east of Ayawilca and will be the target area for the eight reverse circulation holes. It is hoped that drilling will commence in

the first quarter of 2011. During this time the Company also finalized an agreement with the local community for all ongoing exploration which was lodged with the authorities.

A modification to the 50 hole diamond drill permit has been submitted to the authorities to include eight reverse circulation drill holes. There are no unresolved issues and concerns and the Company is waiting for the approval. The Company is seeking a drill contractor to undertake this drill program as soon as possible.

Anita de Tibillos, Peru

The Company has signed an option agreement to purchase 100% interest in the Anita de Tibillos Copper Porphyry property (“Tibillos”) from an arm’s length private owner in Peru (the “Vendor”). Tibillos totals 1,000 hectares and is located about 40 km northeast of the town of Palpa, situated 50 km northwest of Nazca, along the Pan American highway.

The Company has the right to acquire 75% interest in Tibillos by making cash payments totalling US \$600,000 over a period of five years, including a cash payment of US \$11,000, payment of outstanding mineral claim fees, and undertake certain exploration programs in the first year of the agreement. The Company has the exclusive right to purchase the remaining 25% interest in Tibillos by making cash payments of US \$500,000 over a further five year period provided that the Company has earned the initial 75% interest. The Vendor retains no royalties.

Tibillos is located within the coastal batholith and falls along a contiguous line of porphyry deposits including Lara, Tingo, Puquio and Los Pinos. Tibillos was sampled by Noranda in the 1990’s who took 87 rock chip samples over an area of 2.5 km x 1 km. Within a 1 km x 1 km area, 64 of these rock samples averaged 640 ppm Cu with the highest being 3,150 ppm Cu. The granodiorite host rock is extremely leached; experience gained elsewhere, in similar environments, shows that surface copper values do not reflect the actual copper grades found in primary sulphides at depth or in any supergene zone, yet to be identified. These results are very encouraging, and Tibillos has never been drill tested. The granodiorite subcrop has been traced for over 4 km east-west by 2 km north-south and is covered by quartzites and younger volcanics on all sides.

During October 2010, a preliminary mapping survey was completed by the Company’s independent geologist. The objective of this initial mapping survey was to determine, where possible, the geometry and zoning features of the porphyry target. Thus far, a typical zonation from propylitic to pyritic and phyllic zones has been identified on the western side of the target zone, but faulting has complicated the eastern side, down-dropping propylitic and pyritic altered volcanic and sedimentary roof pendant rocks next to the highly altered porphyry. A target zone of potentially economic mineralization at least 800 m east-west by 700 m north-south has been interpreted so far.

An induced polarization (IP) geophysical survey, incorporating approximately 18 line-kilometres of grid, was completed by mid December. The data is with the Company’s consulting geophysicist for interpretation. The drill permitting process, for an initial drill program, has already begun and will be lodged with the authorities by mid January 2011.

Selected Financial Data

The following selected consolidated financial information is derived from the audited consolidated financial statements and notes thereto. The information has been prepared in accordance with Canadian GAAP.

	Years Ended September 30,		
	2010 \$	2009 \$	2008 \$
Operations:			
Revenues	Nil	Nil	Nil
Expenses	(581,370)	(453,814)	(680,747)
Other items	18,662	(560,739)	32,175
Net loss	(562,708)	(1,014,553)	(648,572)
Loss per share - basic and diluted	(0.02)	(0.04)	(0.03)
Dividends per share	Nil	Nil	Nil

	Years Ended September 30,		
	2010 \$	2009 \$	2008 \$
Balance Sheet:			
Working capital	813,720	14,661	358,604
Total assets	3,138,280	2,164,081	2,967,984
Total long-term liabilities	Nil	Nil	Nil

The following selected financial information is derived from the unaudited interim consolidated financial statements of the Company prepared in accordance with Canadian GAAP.

	Fiscal 2010				Fiscal 2009			
	Sept. 30 2010 \$	Jun. 30 2010 \$	Mar. 31 2010 \$	Dec. 31 2009 \$	Sept. 30 2009 \$	Jun. 30 2009 \$	Mar. 31 2009 \$	Dec. 31 2008 \$
Operations:								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(86,519)	(107,616)	(256,689)	(130,546)	(115,290)	(66,858)	(185,707)	(85,959)
Other items	(9,338)	26,276	(2,068)	3,792	(43,755)	(234,345)	(281,735)	(904)
Net loss	(95,857)	(81,340)	(258,757)	(126,754)	(159,045)	(301,203)	(467,442)	(86,863)
Loss per share -basic and diluted	(0.01)	(0.00)	(0.01)	(0.00)	(0.01)	(0.01)	(0.02)	(0.00)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Balance Sheet:								
Working capital	813,720	980,049	1,080,721	574,576	14,661	135,559	74,333	204,467
Total assets	3,138,280	3,213,093	3,285,126	2,720,610	2,164,081	2,294,738	2,420,015	2,795,563
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Results of Operations

Three Months Ended September 30, 2010 Compared to Three Months Ended September 30, 2009

During the three months ended September 30, 2010 (the “2010 Quarter”) the Company reported a net loss of \$95,857, compared to a net loss of \$159,045 for the three months ended September 30, 2009 (the “2009 Quarter”), a decrease in loss of \$63,188. The primary factors for the fluctuation were: (i) a \$40,924 write-off of mineral property interests during the 2009 Quarter. No mineral property interest write-offs occurred during the 2010 Quarter; (ii) a \$11,018 decrease in general exploration; (iii) a \$6,001 decrease in shareholder costs; and (iv) a \$18,350 decrease in stock-based compensation expense. The decrease in loss was partially offset by a \$9,000 increase in investor relations and a \$2,037 increase in consulting.

Year Ended September 30, 2010 Compared to Year Ended September 30, 2009

During the year ended September 30, 2010 (“fiscal 2010”), the Company reported a net loss of \$562,708 (\$0.02 per share), compared to a net loss of \$1,014,553 (\$0.04 per share) for the year ended September 30, 2009 (“fiscal 2009”), a decrease in loss of \$451,845. The decrease in loss is primarily attributable to a \$565,895 write-off of mineral property interests in fiscal 2009 (no mineral property interests were written-off in fiscal 2010), offset by an increase of \$111,015 for stock-based compensation recognized in fiscal 2010.

General and administrative expenses increased by \$127,556 from \$453,814 during fiscal 2009 period to \$581,370 during fiscal 2010. Specific expenses of note are as follows:

- during fiscal 2010 the Company was billed \$32,250 (2009 - \$22,996) for accounting and administration services provided by Chase Management Ltd. (“Chase”) a private company owned by a director of the Company. In addition, the Company was billed \$4,850 (2009 - \$5,400) by Chase for office space provided;
- management fees of \$96,000 during fiscal 2010 (2009 - \$96,000) were billed by the Company’s President in his capacity as such;
- general exploration decreased by \$3,867 from \$98,655 during fiscal 2009 to \$94,788 during fiscal 2010;

- corporate development expenses increased by \$938, from \$13,680 in fiscal 2009 period to \$14,618 in fiscal 2010;
- stock-based compensation of \$206,015 was recorded during fiscal 2010 relating to the granting of stock options compared to \$95,000 during fiscal 2009;
- investor relations expenses increased by \$15,032 from \$5,000 in fiscal 2009 to \$20,032 in fiscal 2010. During fiscal 2009 the Company paid \$5,000 to Mining Interactive Corp. (“Mining Interactive”) for investor relations services. In September 2008, the Company terminated its agreement with Mining Interactive. On March 20, 2010 the Company entered into an investor relations agreement with Bay Street Connect (“Bay Street”). During fiscal 2010 the Company was billed a total of \$20,032 by Bay Street;
- travel expenses increased by \$9,935, from \$13,436 in fiscal 2009 to \$23,371 in fiscal 2010, due to increased travel to Peru;
- audit fees decreased by \$6,489 from \$29,489 in fiscal 2009 to \$23,000 in fiscal 2010; and
- consulting expenses decreased by \$3,932, from \$31,277 in fiscal 2009 to \$27,345 in fiscal 2010.

During fiscal 2010 the Company capitalized \$191,150 (2009 - \$161,262) for mineral property interests exploration expenditures and acquisition costs, comprising of \$145,061 (2009 - \$122,432) on the Colquipucro Prospect, \$27,390 (2009 - \$nil) on the Anita de Tibillos Project and \$18,699 (2009 - \$8,390) for IVA tax in Peru. During fiscal 2009 the Company also capitalized \$30,440 on other prospects in Australia. During fiscal 2009 the Company terminated or withdrew from its properties in Australia and Peru accordingly wrote-off \$524,971 and \$40,924, respectively, of acquisition and exploration costs. See “Exploration Projects”.

During fiscal 2010 the Company completed private placements of 13,500,000 units for total gross proceeds of \$1,350,000 and received \$45,250 from the exercise of stock options for 452,500 common shares.

Financial Condition / Capital Resources

As at September 30, 2010, the Company had working capital of \$813,720 and accumulated losses of \$7,603,242 since inception. The Company is not generating any revenues and expects to incur further losses in the development of its business. With the financing completed in January 2010 the Company now has sufficient financing to implement a Phase 1 drill program to test the Ayawilca zone and meet ongoing corporate activities for the ensuing year. However, exploration activities may change due to ongoing results and recommendations or the Company may acquire additional mineral properties, which may entail additional significant funding or exploration commitments. The Company has relied solely on equity financing to raise the requisite financial resources. While it has been successful in the past, there can be no assurance that the Company will be successful in raising future financings should the need arise.

Subsequent to September 30, 2010, the Company has received \$558,750 from exercises of warrants for 3,725,000 common shares.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company has no proposed transactions.

Critical Accounting Estimates

A detailed summary of all the Company’s significant accounting policies is included in Note 2 to the September 30, 2010 audited consolidated financial statements.

Changes in Accounting Policies

Adoption of New Accounting Standards

Goodwill and Intangible Assets

The Accounting Standards Board (“AcSB”) issued Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The adoption of Section 3064 did not have a material impact on the Company’s financial position and results of operations.

Financial Instruments

During 2009 the CICA amended Section 3862, *Financial Instruments – Disclosures*, to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - inputs that are not based on observable market data.

Effective October 1, 2009 the Company adopted the new recommendations.

Future Accounting Policies

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-Controlling Interests*. These new standards will be effective for fiscal years beginning on or after January 1, 2011.

Section 1582 replaces Section 1581, *Business Combinations*, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards (“IFRS”) 3, *Business Combinations*. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, *Consolidated Financial Statements*. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27, *Consolidated and Separate Financial Statements*, and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

The Company does not expect the adoption of these accounting standards to have a material impact on its consolidated financial statements.

International Financial Reporting Standards

In January 2006, the Canadian Accounting Standards Board adopted a strategic plan, which includes the decision to move financial reporting for Canadian publicly accountable enterprises to a single set of globally accepted high-quality standards, namely, International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board. The effective implementation date of the conversion from Canadian generally accepted accounting principles (“Canadian GAAP”) to IFRS is January 1, 2011, with an effective transition date of January 1, 2010 for financial statements prepared on a comparative basis. The Company is engaged in an assessment and conversion process which includes consultation with external consulting firms and expects to be ready for the

conversion to IFRS in advance of January 1, 2011. As part of the conversion process, the Company has offered IFRS specific training to senior financial reporting personnel and directors.

The Company's approach to the conversion to IFRS includes three phases.

Phase One: an initial general diagnostic of its accounting policies and Canadian GAAP relevant to its financial reporting requirements to determine the key differences and options with respect to acceptable accounting standards under IFRS was completed in 2009.

Phase Two: an in depth analysis of the impact of those areas identified under phase one commenced in 2010.

Phase Three: the implementation of the conversion process, through the preparation of the opening balance sheet as at October 1, 2011, will be completed in 2011.

At this point, the Company's IT accounting and financial reporting systems are not expected to be significantly impacted. Further, the Company has in place internal and disclosure control procedures to ensure continued effectiveness during this transition period.

Based on the review undertaken under Phase One and the work completed to date under Phase Two, the Company believes that IFRS will have limited impact on its current financial position. At the same time, IFRS will likely require more extensive disclosure and analysis of balances and transactions in the notes to the financial statements. The specific accounting areas the Company has focused its analysis on are outlined below together with the more salient issues under each area.

Key Area	Canadian GAAP (as currently applied)	IFRS	Analysis and Preliminary Conclusions
Capital Assets	Capital assets are recorded at historical cost.	Capital assets can be recorded using the cost (on transition to IFRS, the then fair value can be deemed to be the cost) or revaluation models.	Capital assets will likely continue to be recorded at their historical costs due to the complexity and resources required to determine fair values on an annual basis.
	Depreciation is based on their useful lives after due estimation of their residual values.	Depreciation must be based on the useful lives of each significant component within Capital assets.	Based on an analysis of Capital assets' significant components and their useful lives, it is unlikely that changes to their useful lives and, therefore, depreciation rates and expenses, will be required.
Resource Properties	Exploration, evaluation and development costs directly relating to mineral interests are deferred until the interest in which they relate is placed in production, sold or abandoned.	IFRS has limited guidance with respect to these costs and currently allows exploration and evaluation costs to be either capitalized or expensed.	The existing accounting policy is likely to be maintained.

Key Area	Canadian GAAP (as currently applied)	IFRS	Analysis and Preliminary Conclusions
Asset Retirement Obligations	Canadian GAAP limits the definition of ARO's to legal obligations.	IFRS defines ARO's as legal or constructive obligations.	The broadening of this definition is unlikely to cause a significant change in current estimates.
	ARO is calculated using a current credit-adjusted, risk-free rate for upward adjustments, and the original credit-adjusted, risk-free rate for downward revisions. The original liability is not adjusted for changes in current discount rates.	ARO is calculated using a current pre-tax discount rate (which reflects current market assessment of the time value of money and the risk specific to the liability) and is revised every reporting period to reflect changes in assumptions or discount rates.	The change in calculation of ARO and the discounting process will likely generate some changes in the value of ARO on transition.
Impairment of Long Lived Assets	Impairment tests of its long-term assets are considered annually based on indications of impairment.	Impairment tests of "cash generating units" are considered annually in the presence of indications of impairment.	Assets will continue to be grouped under the Company's various mining operations. Currently, there are no indications of impairment and, therefore, no impairment test has been performed.
	Impairment tests are generally done on the basis of undiscounted future cash flows.	Impairment tests are generally carried out using the discounted future cash flow.	Impairment tests using discounted values could generate a greater likelihood of write downs in the future.
	Write-downs to net realizable values under an impairment test are permanent changes in the carrying value of assets.	Write downs to net realizable values under an impairment test can be reversed if the conditions of impairment cease to exist.	Potential significant volatility in earnings could arise as a result of the difference in the treatment of write-downs.
Stock-Based Compensation	Stock-based compensation is determined using fair value models (e.g. Black-Scholes) for equity-settled awards and the intrinsic model for cash-settled awards.	Stock-based compensation is determined using fair value models for all awards. However, upon settlement, cash-settled awards are adjusted to the value actually realized (intrinsic model).	The determination of the value of stock-based compensation for share appreciation rights and deferred share units, both cash-settled awards, will change and likely be more volatile under a Black-Scholes model until the awards are settled.

Key Area	Canadian GAAP (as currently applied)	IFRS	Analysis and Preliminary Conclusions
Income Taxes	There is no exemption from recognizing a deferred income tax for the initial recognition of an asset or liability in a transaction that is not a business combination. The carrying amount of the asset or liability acquired is adjusted for the amount of the deferred income tax recognized.	A deferred income tax is not recognized if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction affects neither accounting profit nor taxable profit.	The Company does not expect the difference in recognition of deferred income tax to have any significant change in the future.
	All deferred income tax assets are recognized to the extent that it is "more likely than not" that the deferred income tax assets will be realized recognized.	A deferred tax asset is recognized if it is "probable" that it will be realized.	"Probable" in this context is not defined and does not necessarily mean "more likely than not". The Company is in the final stages of quantifying the impact of this difference.

The above comments should not be considered as a complete list of changes that will result from the transition to IFRS as the Company's analysis is still in progress and no final determinations have been made where choices of accounting policies are available. In addition, the accounting bodies responsible for issuing Canadian and IFRS accounting standards have significant ongoing projects that could impact the Company's financial statements as at September 30, 2011 and in subsequent years, including projects regarding income taxes, financial instruments and joint venture accounting. In addition, there is an extractive industries project currently underway that will lead to more definitive guidance on the accounting for exploration and evaluation expenditures, but this is still in the discussion paper stage and may not be completed for some time. The Company is continuing to monitor the development of these projects and will assess their impact in the course of its transition process to IFRS.

Transactions with Related Parties

- (a) During fiscal 2010 and 2009, the Company incurred the following expenditures to directors and corporations controlled by directors of the Company:

	2010 \$	2009 \$
Management fees	96,000	96,000
Accounting and administration	32,250	22,996
Consulting services	18,000	18,000
Rent	4,850	5,400
	<u>151,100</u>	<u>142,396</u>

- (b) During fiscal 2010, the Company reimbursed \$15,545 (2009 - \$17,031) to a public company with certain common directors for shared office and other costs.

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

As at September 30, 2010, \$79,667 (2009 - \$53,021) remained outstanding and was included in accounts payable and accrued liabilities.

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.

As at September 30, 2010, 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.

Investor Relations Activities

On March 20, 2010, the Company entered into an investor relations agreement with Bay Street Connect ("Bay Street"), at \$3,000 per month, for an initial term of nine months. The Company also granted options to Bay Street to purchase 150,000 common shares of the Company at \$0.23 per share for a period of three years. During fiscal 2010 the Company was billed a total of \$20,032 by Bay Street.

In addition the Company updates its website (www.tinkaresources.com) on a continuous basis.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares with no par value. As at January 21, 2011, there were 44,291,011 issued common shares and 3,232,500 stock options outstanding, at exercise prices ranging from \$0.10 to \$0.30 per share and 12,927,000 warrants outstanding at an exercise price of \$0.15 per share.