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# **TINKA RESOURCES LIMITED**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

DECEMBER 31, 2004 AND 2003

*(Unaudited - Prepared by Management)*

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## **MANAGEMENT'S COMMENTS ON UNAUDITED FINANCIAL STATEMENTS**

The accompanying unaudited interim consolidated financial statements of Tinka Resources Limited for the three months ended December 31, 2004, have been prepared by and are the responsibility of the Company's management. These statements have not been reviewed by the Company's external auditors.

**TINKA RESOURCES LIMITED**  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
*(Unaudited - Prepared by Management)*

	<b>December 31, 2004 \$</b>	<b>September 31, 2004 \$</b>
<b>A S S E T S</b>		
<b>CURRENT ASSETS</b>		
Cash	968,452	967,669
Amounts receivable and prepaids	<u>29,688</u>	<u>24,536</u>
	998,140	992,205
<b>MINERAL PROPERTY INTERESTS</b> (Note 3)	384,406	302,129
<b>EQUIPMENT</b> (Note 4)	<u>57,826</u>	<u>59,711</u>
	<u><u>1,440,372</u></u>	<u><u>1,354,045</u></u>
<b>L I A B I L I T I E S</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	<u>55,779</u>	<u>17,675</u>
<b>S H A R E H O L D E R S '   E Q U I T Y</b>		
<b>SHARE CAPITAL</b> (Note 5)	3,756,503	3,621,068
<b>CONTRIBUTED SURPLUS</b>	173,636	171,836
<b>DEFICIT</b>	<u>(2,545,546)</u>	<u>(2,456,534)</u>
	<u>1,384,593</u>	<u>1,336,370</u>
	<u><u>1,440,372</u></u>	<u><u>1,354,045</u></u>

APPROVED BY THE DIRECTORS

"Andrew Carter" , Director

"Nick DeMare" , Director

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

**TINKA RESOURCES LIMITED**  
**INTERIM CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT**

*(Unaudited - Prepared by Management)*

	<b>Three Months Ended December 31,</b>	
	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
<b>EXPENSES</b>		
Accounting and administration	1,675	2,635
Amortization	387	-
Consulting	11,766	77
Corporate development	3,506	7,707
General exploration	3,917	-
Investor relations	7,500	6,000
Legal	349	556
Management fees	15,000	6,000
Office and general	5,806	3,845
Regulatory	675	874
Rent	1,350	-
Shareholder costs	637	251
Stock based compensation	1,800	-
Transfer agent	761	800
Travel and related	14,506	2,335
	<u>69,635</u>	<u>31,080</u>
<b>LOSS BEFORE OTHER ITEMS</b>	<u>(69,635)</u>	<u>(31,080)</u>
<b>OTHER ITEMS</b>		
Interest income	2,329	570
Foreign exchange	(21,706)	(3,866)
	<u>(19,337)</u>	<u>(3,296)</u>
<b>NET LOSS FOR THE PERIOD</b>	<u>(89,012)</u>	<u>(34,376)</u>
<b>DEFICIT - BEGINNING OF PERIOD</b>	<u>(2,456,534)</u>	<u>(1,779,943)</u>
<b>DEFICIT - END OF PERIOD</b>	<u>(2,545,546)</u>	<u>(1,814,319)</u>
<b>BASIC AND DILUTED</b>		
<b>LOSS PER SHARE</b>	<u>\$(0.01)</u>	<u>\$(0.01)</u>
<b>WEIGHTED AVERAGE NUMBER OF</b>		
<b>COMMON SHARES OUTSTANDING</b>	<u>10,360,797</u>	<u>6,291,218</u>

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**TINKA RESOURCES LIMITED**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(Unaudited - Prepared by Management)*

	<b>Three Months Ended December 31,</b>	
	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
<b>CASH PROVIDED FROM (USED FOR)</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	(89,012)	(34,376)
Adjustment for items not involving cash		
Amortization	387	-
Stock-based compensation	1,800	-
	(86,825)	(34,376)
Increase in amounts receivable and prepaids	(5,152)	(3,566)
Increase in accounts payable and accrued liabilities	38,104	50,179
	(53,873)	12,237
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	(1,902)	-
Expenditures on mineral property interests	(78,877)	(94,992)
	(80,779)	(94,992)
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares	135,435	322,812
Share issue costs	-	(2,005)
	135,435	320,807
<b>INCREASE IN CASH DURING THE PERIOD</b>	783	238,052
<b>CASH - BEGINNING OF PERIOD</b>	967,669	267,208
<b>CASH - END OF PERIOD</b>	968,452	505,260
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest paid in cash	-	-
Income taxes paid in cash	-	-

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**TINKA RESOURCES LIMITED**  
**INTERIM CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2004**

*(Unaudited - Prepared by Management)*

	<u>Peru</u>					<u>Total</u> \$
	<u>Pancoy</u> <u>Prospect</u> \$	<u>Pampa</u> <u>Property</u> \$	<u>Luminaria</u> <u>Property</u> \$	<u>Demetrio</u> <u>Property</u> \$	<u>Other</u> \$	
<b>BALANCE -</b>						
<b>BEGINNING OF PERIOD</b>	<u>79,435</u>	<u>35,833</u>	<u>92,000</u>	<u>72,636</u>	<u>22,225</u>	<u>302,129</u>
<b>EXPLORATION</b>						
<b>EXPENDITURES</b>						
<b>DURING THE PERIOD</b>						
Amortization	-	-	3,400	-	-	3,400
Assays	-	-	14,449	-	-	14,449
Consulting	-	-	1,500	-	-	1,500
Geological	22,426	25	29,197	75	25	51,748
IVA tax	-	-	-	-	5,050	5,050
Other	<u>655</u>	<u>2,184</u>	<u>3,289</u>	<u>2</u>	<u>-</u>	<u>6,130</u>
	<u>23,081</u>	<u>2,209</u>	<u>51,835</u>	<u>77</u>	<u>5,075</u>	<u>82,277</u>
<b>BALANCE - END OF PERIOD</b>	<u><u>102,516</u></u>	<u><u>38,042</u></u>	<u><u>143,835</u></u>	<u><u>72,713</u></u>	<u><u>27,300</u></u>	<u><u>384,406</u></u>

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

**TINKA RESOURCES LIMITED**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2004**

*(Unaudited - Prepared by Management)*

**1. NATURE OF OPERATIONS**

The Company is in the process of exploring mineral properties located in Peru. On the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the mineral properties and related deferred costs is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. Mineral property interests represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the interim financial statements and accompanying notes. Actual results could differ from those estimates. The interim consolidated financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality. These interim consolidated financial statements should be read in conjunction with the most recent annual consolidated financial statements. The significant accounting policies follow that of the most recently reported annual consolidated financial statements.

**3. MINERAL PROPERTY INTERESTS**

	December 31, 2004			September 30, 2004		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Peru						
Luminaria Property	66,673	77,162	143,835	66,673	25,327	92,000
Demetrio Property	72,636	77	72,713	72,636	-	72,636
Pancoy Prospect	78,061	24,455	102,516	78,061	1,374	79,435
Pampa Property	28,469	9,573	38,042	28,469	7,364	35,833
Other	-	27,300	27,300	-	22,225	22,225
	<u>245,839</u>	<u>138,567</u>	<u>384,406</u>	<u>245,839</u>	<u>56,290</u>	<u>302,129</u>

(a) **Sierra Exploration Alliance**

On May 27, 2004, the Company entered into an agreement with Sierra Peru Pty Ltd. ("Sierra") to form an exploration alliance to identify gold and silver targets in Peru. The Company has issued 250,000 common shares, at a fair value of \$87,500, for the right of first refusal on all targets identified by Sierra and will also issue a further 500,000 shares in the event that a project be subject to a successful feasibility study. Sierra also retains a right to a 1% NSR from any production from a project, which can be purchased for US \$1.0 million.

**TINKA RESOURCES LIMITED**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2004**

*(Unaudited - Prepared by Management)*

**3. MINERAL PROPERTY INTERESTS (continued)**

As at December 31, 2004, Sierra has identified, and the Company has staked, two prospects. The Luminaria Prospect comprises 4,300 hectares located in the Huraz mining district, department of Ancash. The Demetrio Prospect comprises five claims (5,000 hectares) located between the departments of La Libertad and Cajamarca, within the Pataz mining district.

(b) Pancoy Prospect

On February 26, 2003, as amended the Company entered into an option agreement to acquire a 100% interest in three concessions (the "Pancoy Prospect"), comprising of 2,700 hectares, located in southern central Peru. To exercise the option, the Company paid US \$10,000 and must issue a total of 1.2 million common shares (180,000 shares issued) and incur \$300,000 exploration expenditures.

During November and December 2004, the Company conducted a comprehensive sampling and mapping program on the Pancoy Prospect. Results were received in January 2005 and based on the results, the Company determined to terminate the option agreement. Accordingly the write-off of the Pancoy Prospect will be made in January 2005.

**4. EQUIPMENT**

	<b>December 31, 2004</b>	<b>September 30, 2004</b>
Vehicles	51,590	51,590
Office equipment	<u>12,119</u>	<u>10,217</u>
	63,709	61,807
Less: accumulated amortization	<u>(5,883)</u>	<u>(2,096)</u>
	<u><u>57,826</u></u>	<u><u>59,711</u></u>

**TINKA RESOURCES LIMITED**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2004**

*(Unaudited - Prepared by Management)*

**5. SHARE CAPITAL**

Authorized - 100,000,000 common shares without par value

Issued	<u>December 31, 2004</u>		<u>September 30, 2004</u>	
	Shares	\$	Shares	\$
Balance, beginning of period	<u>10,297,912</u>	<u>3,621,068</u>	<u>6,171,462</u>	<u>2,065,346</u>
Issued during the period				
For cash				
Private placements	-	-	3,110,000	1,313,500
Exercise of warrants	661,550	135,435	411,450	81,790
For mineral properties	-	-	550,000	234,500
For agent's fee	<u>-</u>	<u>-</u>	<u>55,000</u>	<u>24,750</u>
	661,550	135,435	4,126,450	1,654,540
Share issue costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>(98,818)</u>
	<u>661,550</u>	<u>135,435</u>	<u>4,126,450</u>	<u>1,555,722</u>
Balance, end of period	<u><u>10,959,462</u></u>	<u><u>3,756,503</u></u>	<u><u>10,297,912</u></u>	<u><u>3,621,068</u></u>

(a) No stock options were granted by the Company during the three months ended December 31, 2004.

The following table summarizes information about the stock options outstanding and exercisable at December 31, 2004:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
617,100	617,100	0.25	August 8, 2006
130,000	130,000	0.37	January 20, 2007
<u>270,000</u>	<u>250,000</u>	0.45	April 2, 2007
<u><u>1,017,100</u></u>	<u><u>997,100</u></u>		

(b) A summary of the number of common shares reserved pursuant to the Company's outstanding warrants and agents warrants outstanding at December 31, 2004 and the changes for the three months ended December 31, 2004, is as follows:

	Number
Balance, beginning of period	5,422,500
Exercised	<u>(661,550)</u>
Balance, end of period	<u><u>4,760,950</u></u>

**TINKA RESOURCES LIMITED**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2004**

*(Unaudited - Prepared by Management)*

**5. SHARE CAPITAL** (continued)

Common shares reserved pursuant to warrants outstanding at December 31, 2004, are as follows:

Number	Exercise Price \$	Expiry Date
1,829,700	0.20	July 16, 2005
663,750	0.30	July 15, 2005
860,000	0.50	December 23, 2005
625,000	0.60	March 15, 2005
<u>782,500</u>	0.60	March 25, 2005
<u><u>4,760,950</u></u>		

(c) See also Note 8.

**6. RELATED PARTY TRANSACTIONS**

During the three months ended December 31, 2004, the Company:

- i) paid \$1,675 for accounting and administration services and \$1,350 for office rent provided by a corporation controlled by a director of the Company;
- ii) paid \$15,000 to the President of the Company for management services;
- iii) paid \$5,000 for consulting services provided by a director of the Company; and
- iv) reimbursed \$5,375 to Tumi Resources Limited, a public company with common directors, for shared office personnel.

**7. 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 December 31, 2004, 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 for the three months ended December 31, 2004.

	<u>December 31, 2004</u>		
	<b>Corporate Canada \$</b>	<b>Mineral Operations Peru \$</b>	<b>Total \$</b>
Current assets	954,286	43,854	998,140
Mineral property interests	-	384,406	384,406
Equipment	<u>6,583</u>	<u>51,243</u>	<u>57,826</u>
	<u><u>960,869</u></u>	<u><u>479,503</u></u>	<u><u>1,440,372</u></u>

**TINKA RESOURCES LIMITED**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2004**

*(Unaudited - Prepared by Management)*

**10. SUBSEQUENT EVENT**

Subsequent to December 31, 2004, the Company issued 2,580,800 common shares for \$664,065 cash on the exercise of 2,079,700 warrants and 501,100 stock options.