
TINKA RESOURCES LIMITED

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
JUNE 30, 2011

(Unaudited - Prepared by Management)

MANAGEMENT'S COMMENTS ON UNAUDITED FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements of Tinka Resources Limited for the nine months ended June 30, 2011 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)

	June 30, 2011 \$	September 30, 2010 \$
ASSETS		
CURRENT ASSETS		
Cash	1,733,126	884,144
Short-term deposit (Note 3)	700,750	-
Amounts receivable (Note 4)	50,191	6,450
Prepays	<u>30,449</u>	<u>14,754</u>
	2,514,516	905,348
MINERAL PROPERTY INTERESTS (Note 5)	2,620,897	2,228,824
EQUIPMENT (Note 6)	37,335	4,108
DEFERRED SHARE ISSUE COSTS (Note 15(a))	<u>39,346</u>	<u>-</u>
	<u><u>5,212,094</u></u>	<u><u>3,138,280</u></u>

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>77,002</u>	<u>91,628</u>

SHAREHOLDERS' EQUITY

SHARE CAPITAL (Note 7)	12,055,529	9,599,417
CONTRIBUTED SURPLUS (Note 9)	1,162,744	1,050,477
SHARE SUBSCRIPTIONS RECEIVED (Note 15(a))	255,500	-
DEFICIT	<u>(8,338,681)</u>	<u>(7,603,242)</u>
	<u>5,135,092</u>	<u>3,046,652</u>
	<u><u>5,212,094</u></u>	<u><u>3,138,280</u></u>

NATURE OF OPERATIONS (Note 1)

SUBSEQUENT EVENTS (Note 15)

ON BEHALF OF THE BOARD

“Andrew Carter” , Director

“Nick DeMare” , Director

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

TINKA RESOURCES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND
COMPREHENSIVE LOSS AND DEFICIT
(Unaudited - Prepared by Management)

	Three Months Ended June 30		Nine Months Ended June 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
EXPENSES				
Accounting and administration	8,300	7,000	25,200	27,000
Amortization	542	436	1,546	1,308
Audit	-	-	26,778	23,000
Consulting	5,286	6,600	21,828	19,271
Corporate development	-	-	7,990	-
General exploration	87,540	28,753	166,849	71,684
Investment conferences	-	-	27,010	12,418
Investor relations	9,000	9,000	27,000	11,032
Legal	-	639	-	1,918
Management fees	24,000	24,000	72,000	72,000
Office	5,157	3,181	15,551	10,544
Regulatory	292	1,300	8,138	8,848
Rent	1,200	1,200	3,600	3,650
Shareholder costs	1,668	955	6,215	4,368
Stock based compensation (Note 8)	-	10,050	276,379	200,015
Transfer agent	5,627	2,404	10,331	6,614
Travel and related	814	12,098	8,553	21,181
	<u>149,426</u>	<u>107,616</u>	<u>704,968</u>	<u>494,851</u>
LOSS BEFORE OTHER ITEMS	<u>(149,426)</u>	<u>(107,616)</u>	<u>(704,968)</u>	<u>(494,851)</u>
OTHER ITEMS				
Interest income	1,639	115	3,345	150
Foreign exchange(loss) gain	(5,768)	26,161	(33,816)	27,850
	<u>(4,129)</u>	<u>26,276</u>	<u>(30,471)</u>	<u>28,000</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	<u>(153,555)</u>	<u>(81,340)</u>	<u>(735,439)</u>	<u>(466,851)</u>
DEFICIT - BEGINNING OF PERIOD	<u>(8,185,126)</u>	<u>(7,426,045)</u>	<u>(7,603,242)</u>	<u>(7,040,534)</u>
DEFICIT - END OF PERIOD	<u><u>(8,338,681)</u></u>	<u><u>(7,507,385)</u></u>	<u><u>(8,338,681)</u></u>	<u><u>(7,507,385)</u></u>
LOSS PER SHARE				
- BASIC AND DILUTED	<u><u>\$(0.00)</u></u>	<u><u>\$(0.00)</u></u>	<u><u>\$(0.01)</u></u>	<u><u>\$(0.01)</u></u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
- BASIC AND DILUTED	<u><u>53,079,786</u></u>	<u><u>40,566,011</u></u>	<u><u>47,107,199</u></u>	<u><u>34,591,571</u></u>

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

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

	<u>Three Months Ended June 30</u>		<u>Nine Months Ended June 30</u>	
	2011	2010	2011	2010
	\$	\$	\$	\$
CASH PROVIDED FROM (USED FOR)				
OPERATING ACTIVITIES				
Net loss for the period	(153,555)	(81,340)	(735,439)	(466,851)
Adjustment for items not involving cash				
Amortization	542	436	1,546	1,308
Interest receivable	(750)	-	(750)	-
Stock-based compensation	-	10,050	276,379	200,015
	<u>(153,763)</u>	<u>(70,854)</u>	<u>(458,264)</u>	<u>(265,528)</u>
Increase in amounts receivable	(28,558)	(7,893)	(43,741)	(11,400)
Increase in prepaids	(11,017)	(9,655)	(15,695)	(9,550)
Increase (decrease) in accounts payable and accrued liabilities	12,832	(1,529)	(19,796)	7,267
	<u>(180,506)</u>	<u>(89,931)</u>	<u>(537,496)</u>	<u>(279,211)</u>
INVESTING ACTIVITIES				
Short-term deposit	(700,000)	-	(700,000)	-
Additions to equipment	(6,744)	-	(39,930)	-
Expenditures on mineral property interests	(186,985)	(29,032)	(381,746)	(111,447)
Other	-	-	-	33,710
	<u>(893,729)</u>	<u>(29,032)</u>	<u>(1,121,676)</u>	<u>(77,737)</u>
FINANCING ACTIVITIES				
Issuance of common shares	658,650	-	2,292,000	1,395,250
Share subscriptions received	255,500	-	255,500	-
Share issue costs	(39,346)	-	(39,346)	(86,633)
	<u>874,804</u>	<u>-</u>	<u>2,508,154</u>	<u>1,308,617</u>
(DECREASE) INCREASE IN CASH DURING THE PERIOD	(199,431)	(118,963)	848,982	951,669
CASH - BEGINNING OF PERIOD	<u>1,932,557</u>	<u>1,145,738</u>	<u>884,144</u>	<u>75,106</u>
CASH - END OF PERIOD	<u><u>1,733,126</u></u>	<u><u>1,026,775</u></u>	<u><u>1,733,126</u></u>	<u><u>1,026,775</u></u>

SUPPLEMENTAL CASH FLOW INFORMATION - See Note 14.

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

TINKA RESOURCES LIMITED
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2011
(Unaudited - Prepared by Management)

1. NATURE OF OPERATIONS

Tinka Resources Limited (the “Company”) is a junior resource company engaged in the acquisition and exploration of unproven mineral interests. 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

These interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The preparation of financial statements in conformity with Canadian GAAP 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. These 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.

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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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3. SHORT-TERM DEPOSIT

	June 30, 2011	September 30, 2010
	\$	\$
Redeemable GIC due April 17, 2012 at cost of \$700,000 plus accrued interest at prime rate less 1.95% per annum	<u>700,750</u>	<u>-</u>

The GIC is redeemable after 30 days from purchase.

4. AMOUNTS RECEIVABLE

	June 30, 2011	September 30, 2010
	\$	\$
HST refundable	31,504	5,235
Other	<u>18,687</u>	<u>1,215</u>
	<u>50,191</u>	<u>6,450</u>

5. MINERAL PROPERTY INTERESTS

	June 30, 2011			September 30, 2010		
	Acquisition Costs	Deferred Exploration Costs	Total	Acquisition Costs	Deferred Exploration Costs	Total
	\$	\$	\$	\$	\$	\$
Peru:						
Colquipucro	105,619	1,911,752	2,017,371	77,129	1,779,669	1,856,798
Tibillos	53,442	159,077	212,519	24,647	2,743	27,390
Other	<u>-</u>	<u>391,007</u>	<u>391,007</u>	<u>-</u>	<u>344,636</u>	<u>344,636</u>
	<u>159,061</u>	<u>2,461,836</u>	<u>2,620,897</u>	<u>101,776</u>	<u>2,127,048</u>	<u>2,228,824</u>

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 June 30, 2011, 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.

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5. MINERAL PROPERTY INTERESTS (continued)

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 2,177 hectares surrounding the Tibillos Project.

Other

This category comprises solely foreign value added taxes.

6. EQUIPMENT

	June 30, 2011	September 30, 2010
	\$	\$
Vehicles	81,205	51,590
Office equipment	<u>37,381</u>	<u>27,066</u>
	118,586	78,656
Less: accumulated amortization	<u>(81,251)</u>	<u>(74,548)</u>
	<u><u>37,335</u></u>	<u><u>4,108</u></u>

TINKA RESOURCES LIMITED
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(Unaudited - Prepared by Management)

7. SHARE CAPITAL

Authorized - unlimited common shares without par value

Issued	<u>Nine Months Ended</u> <u>June 30, 2011</u>		<u>Year Ended</u> <u>September 30, 2010</u>	
	Shares	\$	Shares	\$
Balance, beginning of period	<u>40,566,011</u>	<u>9,599,417</u>	<u>25,961,511</u>	<u>8,335,738</u>
Issued during the period				
For cash				
Private placements	-	-	13,500,000	1,350,000
Exercise of stock options	772,500	167,250	452,500	45,250
Exercise of warrants	14,165,000	2,124,750	-	-
For finder's fees	-	-	652,000	42,380
Reallocation from contributed surplus on				
- exercise of stock options	-	105,620	-	26,150
- exercise of agent's warrants	-	58,492	-	-
	<u>14,937,500</u>	<u>2,456,112</u>	<u>14,604,500</u>	<u>1,463,780</u>
Less share issue costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>(200,101)</u>
	<u>14,937,500</u>	<u>2,456,112</u>	<u>14,604,500</u>	<u>1,263,679</u>
Balance, end of period	<u><u>55,503,511</u></u>	<u><u>12,055,529</u></u>	<u><u>40,566,011</u></u>	<u><u>9,599,417</u></u>

A summary of the number of common shares reserved pursuant to the Company's warrants outstanding at June 30, 2011 and 2010 and the changes for the nine months ending on those dates is as follows:

	<u>2011</u>		<u>2010</u>	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of period	16,652,000	0.15	1,600,000	0.15
Issued	-	-	15,052,000	0.15
Exercised	<u>(14,165,000)</u>	0.15	<u>-</u>	-
Balance, end of period	<u><u>2,487,000</u></u>	0.15	<u><u>16,652,000</u></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 June 30, 2011:

Number	Exercise Price \$	Expiry Date
<u><u>2,487,000</u></u>	0.15	July 25, 2011

See also Note 15.

TINKA RESOURCES LIMITED
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited - Prepared by Management)

8. 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 the nine months ended June 30, 2011, the Company granted stock options to directors, employees and consultants to purchase 860,000 (2010 - 1,430,000) common shares and recorded compensation expense of \$254,363 (2010 - \$200,015). The Company also recorded stock-based compensation of \$22,016 (2010 - \$nil) on the vesting of stock options which were previously granted.

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 the nine months ended June 30, 2011 and 2010:

The fair value of the stock options granted or vested during the nine months ended June 30, 2011 and 2010 is estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>2011</u>	<u>2010</u>
Risk-free interest rate	1.43% - 1.97%	1.83% - 2.47%
Estimated volatility	113.74% - 158.99%	122.8 - 141.43%
Expected life	2 - 3 years	3 years
Expected dividend yield	0%	0%

The weighted average fair value of all stock options granted or vested during the nine months ended June 30, 2011 was \$0.30 (2010 - \$0.15) 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 June 30, 2011 and 2010, and the changes for the nine months ended on those dates is presented below:

	<u>2011</u>		<u>2010</u>	
	<u>Number of Options Outstanding</u>	<u>Weighted Average Exercise Price \$</u>	<u>Number of Options Outstanding</u>	<u>Weighted Average Exercise Price \$</u>
Balance, beginning of period	3,232,500	0.16	2,255,000	0.14
Granted	860,000	0.41	1,430,000	0.16
Exercised	<u>(772,500)</u>	0.22	<u>(452,500)</u>	0.10
Balance, end of period	<u><u>3,320,000</u></u>	0.21	<u><u>3,232,500</u></u>	0.16

TINKA RESOURCES LIMITED
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8. STOCK OPTIONS AND STOCK-BASED COMPENSATION (continued)

The following table summarizes information about the stock options outstanding and exercisable at June 30, 2011:

Number	Exercise Price \$	Expiry Date
70,000	0.30	July 18, 2011
995,000	0.10	January 30, 2012
105,000	0.10	March 2, 2012
200,000	0.16	December 23, 2012
940,000	0.15	January 26, 2013
150,000	0.23	March 18, 2013
80,000	0.27	January 28, 2014
120,000	0.27	February 7, 2014
<u>660,000</u>	0.45	March 3, 2014
<u><u>3,320,000</u></u>		

See also Note 15(b).

9. CONTRIBUTED SURPLUS

The Company's contributed surplus for the nine months ended June 30, 2011 and 2010 is comprised of the following:

	2011 \$	2010 \$
Balance, beginning of period	1,050,477	799,524
Stock-based compensation on stock options (Note 8)	276,379	200,015
Stock-based compensation on agent warrants	-	48,268
Stock-based compensation on finders' fees	-	34,967
Reallocation on exercise of stock options	(105,620)	(26,150)
Reallocation on exercise of agent's warrants	<u>(58,492)</u>	<u>-</u>
Balance, end of period	<u><u>1,162,744</u></u>	<u><u>1,056,624</u></u>

10. RELATED PARTY TRANSACTIONS

(a) During the nine months ended June 30, 2011 and 2010, the Company was charged for services provided by directors and corporations controlled by directors of the Company:

	2011 \$	2010 \$
Management fees	72,000	72,000
Accounting and administration	25,200	27,000
Consulting services	12,000	13,500
Rent	<u>3,600</u>	<u>3,650</u>
	<u><u>112,800</u></u>	<u><u>116,150</u></u>

TINKA RESOURCES LIMITED
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10. RELATED PARTY TRANSACTIONS (continued)

- (b) During the nine months ended June 30, 2011, the Company reimbursed \$7,150 (2010 - \$10,695) 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 June 30, 2011, \$11,650 (2010 - \$62,530) remained outstanding and was included in accounts payable and accrued liabilities.

11. 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 June 30, 2011, 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.

	June 30, 2011		
	Corporate Canada \$	Mineral Operations Peru \$	Total \$
Current assets	2,295,990	218,526	2,514,516
Mineral property interests	-	2,620,897	2,620,897
Equipment	4,535	32,800	37,335
Deferred share issue costs	39,346	-	39,346
	<u>2,339,871</u>	<u>2,872,223</u>	<u>5,212,094</u>
	September 30, 2010		
	Corporate Canada \$	Mineral Operations Peru \$	Total \$
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>

TINKA RESOURCES LIMITED
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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12. 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:

Financial Instrument	Category	June 30, 2011 \$	September 30, 2010 \$
Cash	Held-for-trading	1,733,126	884,144
Short-term deposit	Held-for-trading	700,750	-
Amounts receivable	Loans and receivables	50,191	6,450
Accounts payable and accrued liabilities	Other liabilities	(77,002)	(91,628)

The recorded amounts for cash, short-term deposit, 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 and short-term deposit 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.

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12. 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 June 30, 2011, 1 Canadian Dollar was equal to 2.85 Peruvian Nuevo Sols.

Balances are as follows:

	Peruvian Nuevo Sol	CDN \$ Equivalent
Cash	28,069	9,842
Amounts receivable	51,918	18,205
Accounts payable and accrued liabilities	<u>(16,088)</u>	<u>(5,641)</u>
	<u><u>63,899</u></u>	<u><u>22,406</u></u>

Based on the net exposures as of June 30, 2011 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 \$2,241 higher (or lower).

13. 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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2011
(Unaudited - Prepared by Management)

14. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash activities were conducted by the Company during the nine months ended June 30, 2011 and 2010 as follows:

	2011 \$	2010 \$
Operating activities		
Amortization	5,157	2,123
Increase (decrease) in accounts payable and accrued liabilities	<u>5,170</u>	<u>(36)</u>
	<u>10,327</u>	<u>2,087</u>
Investing activity		
Expenditures on mineral property interests	<u>(10,327)</u>	<u>(2,087)</u>
Financing activities		
Issuance of common shares for finders' fees	-	30,233
Common share issue costs	-	(113,468)
Reallocation from contributed surplus on exercise of stock options	105,620	26,150
Reallocation from contributed surplus on exercise of agent's warrants	58,492	-
Contributed surplus	<u>(164,112)</u>	<u>57,085</u>
	<u>-</u>	<u>-</u>

15. SUBSEQUENT EVENTS

(a) In July 2011, the Company completed a private placement financing totalling 7,950,000 units at \$0.35 per unit for gross proceeds of \$2,782,500 as follows:

- (i) 1,350,000 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 \$0.50 per share for a period of one year; and
- (ii) 6,600,000 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 \$0.50 per share for a period of one year. The Company paid the agent a commission of \$184,800 cash and issued 720,000 agent units. The Company also paid the agent a corporate finance fee of \$41,800. The agent units have the same terms as the units and warrants issued on the brokered portion of the private placement.

As at June 30, 2011, the Company had received gross proceeds of \$255,500 and incurred \$39,346 for legal and filing costs.

(b) Subsequent to June 30, 2011 the Company issued:

- (i) 2,487,000 common shares of the Company on the exercise of warrants for \$373,050 proceeds; and
- (ii) 70,000 common shares of the Company on the exercise of stock options for \$21,000 proceeds.

TINKA RESOURCES LIMITED
INTERIM CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS

(Unaudited - Prepared by Management)

	Nine Months Ended June 30, 2011				Year Ended September 30, 2010
	Peru			Total \$	Total \$
	Colquipucro \$	Anita de Tibillos \$	Other \$		
BALANCE - BEGINNING OF PERIOD	<u>1,856,798</u>	<u>27,390</u>	<u>344,636</u>	<u>2,228,824</u>	<u>2,037,674</u>
EXPLORATION EXPENDITURES					
Amortization	5,157	-	-	5,157	2,831
Assays	362	174	-	536	6,884
Camp costs	6,979	4,662	-	11,641	5,320
Consulting	985	32,125	-	33,110	1,810
Drilling	44,865	-	-	44,865	-
Environment studies	-	3,913	-	3,913	8,690
Exploration site	22,040	24,388	-	46,428	22,638
Field supplies	9,150	-	-	9,150	-
Fuel	7,631	3,954	-	11,585	3,195
Geological	9,788	8,588	-	18,376	6,532
Geophysics	-	46,914	-	46,914	24,478
IVA tax	-	-	46,371	46,371	18,699
Road access	10,494	15,470	-	25,964	6,866
Salaries	-	-	-	-	4,553
Travel	14,632	16,146	-	30,778	7,861
Vehicles	-	-	-	-	2,723
	<u>132,083</u>	<u>156,334</u>	<u>46,371</u>	<u>334,788</u>	<u>123,080</u>
ACQUISITION COSTS					
Option payments	-	-	-	-	11,253
Claims and rights	28,490	28,795	-	57,285	56,817
	<u>28,490</u>	<u>28,795</u>	<u>-</u>	<u>57,285</u>	<u>68,070</u>
BALANCE - END OF PERIOD	<u><u>2,017,371</u></u>	<u><u>212,519</u></u>	<u><u>391,007</u></u>	<u><u>2,620,897</u></u>	<u><u>2,228,824</u></u>

TINKA RESOURCES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED JUNE 30, 2011

Background

This discussion and analysis of financial position and results of operation is prepared as at August 19, 2011 and should be read in conjunction with the unaudited interim consolidated financial statements and the accompanying notes for the nine months ended June 30, 2011 of Tinka Resources Limited (the "Company" or "Tinka"). The consolidated interim 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".

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 Pucura 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 completed a grid sampling program and surface exploration to further delineate this new zone. The Company is continuing a grid sampling program and surface exploration to identify further 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 drill holes. During this time the Company also finalized an agreement with the local community for all ongoing exploration which was lodged with the authorities.

During the first week of February 2011, the Company was granted modification to the existing 50 hole diamond drill permit, for a further eight holes to test the Ayawilca zone. The first of two holes to test the eastern side of the Ayawilca zone was collared on May 21, 2011. This hole and the first two of eight holes in the Ayawilca target zone have been completed. Core is being split and logged on site under the supervision of Tinka geologists. Following the completion

of these holes, the rig will move to Zone 1 to test the northern extension of the NI 43-101 compliant resource, drilling a minimum of five holes and approximately 500 metres.

Results will be released once they have been received and reviewed.

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 IP geophysical survey, incorporating approximately 18 line-kilometres of grid, was completed by mid December. The IP data produced a target area in the central part of the porphyry roughly 800 m east-west by up to 500m north-south. This model fits the observed surface mineralisation. Also, there exists a conductive body in the southeastern part of the survey area that is underlain by volcanics. Skarn-style mineralisation was noted in a small mine operated by informal miners about 2 km southeast from here which is hosted by similar rocks. The Company has staked a further 2,177 hectares on three sides of the optioned property

During January 2011, an application for a drill permit was lodged with the authorities and a permit was granted for the Phase 1 drill program which will allow for up to 18 drill platforms. The Company is seeking a drill contractor to undertake this drill program as soon as possible. Work is commencing on the preparation of access roads, pads and accommodation. Due to the lack of availability of reverse circulation drill rigs, the first six of the eighteen permitted holes at Tibillos will be completed using a diamond drill. Drilling will commence as soon as the construction work is completed.

Selected Financial Data

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

	Fiscal 2011			Fiscal 2010			Fiscal 2009	
	Jun. 30 2011 \$	Mar. 31 2011 \$	Dec. 31 2010 \$	Sept. 30 2010 \$	Jun. 30 2010 \$	Mar. 31 2010 \$	Dec. 31 2009 \$	Sept. 30 2009 \$
Operations:								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(149,426)	(414,792)	(140,750)	(86,519)	(107,616)	(256,689)	(130,546)	(115,290)
Other items	(4,129)	(17,181)	(9,161)	(9,338)	26,276	(2,068)	3,792	(43,755)
Net loss	(153,555)	(431,973)	(149,911)	(95,857)	(81,340)	(258,757)	(126,754)	(159,045)
Loss per share -basic and diluted	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)	(0.01)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Balance Sheet:								
Working capital	2,437,514	1,910,881	1,031,008	813,720	980,049	1,080,721	574,576	14,661
Total assets	5,212,094	4,437,238	3,524,793	3,138,280	3,213,093	3,285,126	2,720,610	2,164,081
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Results of Operations

During the nine months ended June 30, 2011 (the “2011 period”) the Company reported a net loss of \$735,439, compared to a net loss of \$466,851 for the nine months ended June 30, 2010 (the “2010 period”), an increase in loss of \$268,588. The primary factors for the fluctuation were: \$3,778 increase in audit costs, \$14,592 increase in investments conferences, \$15,968 increase in investor relations, \$95,165 increase in general exploration, \$61,666 increase in foreign exchange loss and \$76,364 increase in stock-based compensation expenses.

General and administrative expenses increased by \$210,117 from \$494,851 during the 2010 period to \$704,968 during the 2011 period. Specific expenses of note are as follows:

- during the 2011 period the Company was billed \$25,200 (2010 - \$27,000) 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 \$3,600 (2010 - \$3,650) by Chase for office space provided;
- management fees of \$72,000 during the 2011 period (2010 - \$72,000) were billed by the Company’s President in his capacity as such;
- general exploration increased by \$95,165 from \$71,684 during the 2010 period to \$166,849 during the 2011 period, reflecting the increase in exploration activities in the 2011 period as a result of financings by the Company;
- investment conferences expenses increased by \$14,592, from \$12,418 during the 2010 period to \$27,010 during the 2011 period. During the 2011 period the Company participated in several investment conferences in North America and incurred \$27,010 related costs. These activities were limited in the 2010 period due to the Company’s limited financial resources and activities;
- stock-based compensation of \$254,363 (2010 - \$200,015) was recorded during the 2011 period relating to the granting of stock options. During the 2011 period the Company also recorded stock-based compensation of \$22,016 on the vesting of stock options which were granted in fiscal 2010;
- investor relations expenses increased by \$15,968. On March 20, 2010 the Company entered into an investor relations agreement with Bay Street Connect (“Bay Street”). During the 2011 period the Company was billed a total of \$27,000 (2010 - \$11,032) by Bay Street;
- corporate development expenses increased by \$7,990. During the 2011 period the Company participated in a market awareness campaign. During the 2010 period the Company did not participate in any campaign;
- audit fees increased by \$3,778 from \$23,000 in the 2010 period to \$26,778 in the 2011 period. The increase in the 2011 period was due to the timing of billings of the Company’s year-end financial statements; and
- consulting expenses increased by \$2,557, from \$19,271 during the 2010 period to \$21,828 during the 2011 period.

During the 2011 period the Company capitalized \$392,073 (2010 - \$113,534) for mineral property interests exploration expenditures and acquisition costs, comprising \$160,573 (2010 - \$77,035) on the Colquipucro Prospect, \$185,129 (2010 - \$26,189) on the Tibillos Project and \$46,371 (2010 - \$10,310) for IVA tax in Peru. See “Exploration Projects”.

During the 2011 period the Company received \$2,292,000 from the exercise of warrants and stock options to purchase 14,937,500 common shares of the Company. The Company also received subscription proceeds totalling \$255,500 for a private placement financing which was completed in July 2011.

Financial Condition / Capital Resources

As at June 30, 2011, the Company had working capital of \$2,437,514 and accumulated losses of \$8,338,681 since inception. The Company is not generating any revenues and expects to incur further losses in the development of its business. In July 2011 the Company completed a private placement financing totalling 7,950,000 units and received \$2,527,000 (net of \$255,500 received in June 2011) and also received a further \$394,050 on the exercises of warrants and stock options. The Company has sufficient financing to meet ongoing corporate activities and planned exploration programs 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 may conduct further equity financings as market conditions allow. 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.

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

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 October 1, 2011, with an effective transition date of October 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 October 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 was completed 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.
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 the nine months ended June 30, 2011 and 2010, the Company incurred the following expenditures to directors and corporations controlled by directors of the Company:

	2011 \$	2010 \$
Management fees	72,000	72,000
Accounting and administration	25,200	27,000
Consulting services	12,000	13,500
Rent	3,600	3,650
	<u>112,800</u>	<u>116,150</u>

- (b) During the nine months ended June 30, 2011, the Company reimbursed \$7,150 (2010 - \$10,695) 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 June 30, 2011, \$11,650 (2010 - \$62,530) 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 June 30, 2011, 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

The Company has retained Bay Street Connect ("Bay Street") to provide investor relations services at \$3,000 per month, on a month to month basis. During the 2011 period the Company was billed a total of \$27,000 (2010 - 11,032) 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 August 19, 2011, there were 66,010,511 issued common shares and 3,250,000 stock options outstanding, at exercise prices ranging from \$0.10 to \$0.45 per share and 8,670,000 warrants outstanding at an exercise price of \$0.50 per share.