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# **TINKA RESOURCES LIMITED**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

MARCH 31, 2005 AND 2004

*(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 six months ended March 31, 2005, 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>March 31, 2005 \$</b>	<b>September 31, 2004 \$</b>
<b>A S S E T S</b>		
<b>CURRENT ASSETS</b>		
Cash	1,595,475	967,669
Amounts receivable and prepaids	<u>16,167</u>	<u>24,536</u>
	1,611,642	992,205
<b>MINERAL PROPERTY INTERESTS</b> (Note 3)	369,546	302,129
<b>EQUIPMENT</b> (Note 4)	<u>55,411</u>	<u>59,711</u>
	<u><u>2,036,599</u></u>	<u><u>1,354,045</u></u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	<u>19,680</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)	4,662,594	3,621,068
<b>CONTRIBUTED SURPLUS</b>	279,210	171,836
<b>DEFICIT</b>	<u>(2,924,885)</u>	<u>(2,456,534)</u>
	<u>2,016,919</u>	<u>1,336,370</u>
	<u><u>2,036,599</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)*

	Three Months Ended March 31,		Six Months Ended March 31,	
	2005 \$	2004 \$	2005 \$	2004 \$
<b>EXPENSES</b>				
Accounting and administration	7,050	9,650	8,725	12,285
Amortization	387	180	774	180
Audit	(1,120)	600	(1,120)	600
Consulting	5,438	5,915	17,204	5,992
Corporate development	1,666	8,235	5,172	15,942
General exploration	9,637	15,345	13,554	15,345
Investor relations	8,750	6,000	16,250	12,000
Legal	140	502	489	1,058
Management fees	15,000	9,000	30,000	15,000
Office and general	10,204	7,947	16,010	11,792
Regulatory	3,970	7,151	4,645	8,025
Rent	1,350	1,350	2,700	1,350
Shareholder costs	2,854	1,804	3,491	2,055
Stock based compensation	187,850	29,900	189,650	29,900
Transfer agent	6,954	4,297	7,715	5,097
Travel and related	22,144	1,461	36,650	3,796
	<u>282,274</u>	<u>109,337</u>	<u>351,909</u>	<u>140,417</u>
<b>LOSS BEFORE OTHER ITEMS</b>	<u>(282,274)</u>	<u>(109,337)</u>	<u>(351,909)</u>	<u>(140,417)</u>
<b>OTHER ITEMS</b>				
Interest income	3,401	1,009	5,730	1,579
Foreign exchange	2,056	778	(19,650)	(3,088)
Write-off of mineral property interest	(102,522)	-	(102,522)	-
	<u>(97,065)</u>	<u>1,787</u>	<u>(116,442)</u>	<u>(1,509)</u>
<b>NET LOSS FOR THE PERIOD</b>	<u>(379,339)</u>	<u>(107,550)</u>	<u>(468,351)</u>	<u>(141,926)</u>
<b>DEFICIT - BEGINNING OF PERIOD</b>	<u>(2,545,546)</u>	<u>(1,814,319)</u>	<u>(2,456,534)</u>	<u>(1,779,943)</u>
<b>DEFICIT - END OF PERIOD</b>	<u>(2,924,885)</u>	<u>(1,921,869)</u>	<u>(2,924,885)</u>	<u>(1,921,869)</u>
<b>BASIC AND DILUTED</b>				
<b>LOSS PER SHARE</b>	<u>\$(0.03)</u>	<u>\$(0.01)</u>	<u>\$(0.04)</u>	<u>\$(0.02)</u>
<b>WEIGHTED AVERAGE NUMBER OF</b>				
<b>COMMON SHARES OUTSTANDING</b>	<u>12,486,112</u>	<u>7,865,186</u>	<u>11,595,894</u>	<u>6,756,240</u>

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

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>CASH PROVIDED FROM (USED FOR)</b>				
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	(379,339)	(107,550)	(468,351)	(141,926)
Adjustment for items not involving cash				
Amortization	387	180	774	180
Stock-based compensation	187,850	29,900	189,650	29,900
Write-off of mineral resources interest	<u>102,522</u>	<u>-</u>	<u>102,522</u>	<u>-</u>
	(88,580)	(77,470)	(175,405)	(111,846)
Decrease (increase) in amounts receivable and prepaids	13,521	(11,165)	8,369	(14,731)
Increase (decrease) in accounts payable and accrued liabilities	<u>(36,099)</u>	<u>(47,171)</u>	<u>2,005</u>	<u>3,008</u>
	<u>(111,158)</u>	<u>(135,806)</u>	<u>(165,031)</u>	<u>(123,569)</u>
<b>INVESTING ACTIVITIES</b>				
Purchase of equipment	(1,372)	(7,186)	(3,274)	(7,186)
Expenditures on mineral property interests	<u>(84,262)</u>	<u>(20,828)</u>	<u>(163,139)</u>	<u>(115,820)</u>
	<u>(85,634)</u>	<u>(28,014)</u>	<u>(166,413)</u>	<u>(123,006)</u>
<b>FINANCING ACTIVITIES</b>				
Issuance of common shares	823,815	1,037,278	959,250	1,360,090
Share issue costs	<u>-</u>	<u>(72,063)</u>	<u>-</u>	<u>(74,068)</u>
	<u>823,815</u>	<u>965,215</u>	<u>959,250</u>	<u>1,286,022</u>
<b>INCREASE IN CASH DURING THE PERIOD</b>	627,023	801,395	627,806	1,039,447
<b>CASH - BEGINNING OF PERIOD</b>	<u>968,452</u>	<u>505,260</u>	<u>967,669</u>	<u>267,208</u>
<b>CASH - END OF PERIOD</b>	<u><u>1,595,475</u></u>	<u><u>1,306,655</u></u>	<u><u>1,595,475</u></u>	<u><u>1,306,655</u></u>

**SUPPLEMENTARY CASH FLOW INFORMATION** - See Note 8.

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

**TINKA RESOURCES LIMITED**  
**INTERIM CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS**  
**FOR THE SIX MONTHS ENDED MARCH 31, 2005**  
*(Unaudited - Prepared by Management)*

	<b>Peru</b>					<b>Total</b> \$
	<b>Pancoy Prospect</b> \$	<b>Pampa Property</b> \$	<b>Luminaria Prospect</b> \$	<b>Demetrio Prospect</b> \$	<b>Other</b> \$	
<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	-	-	6,800	-	-	6,800
Camp costs	-	-	2,438	-	-	2,438
Consulting	-	2,559	4,493	759	-	7,811
Geological	22,426	25	101,620	8,613	25	132,709
IVA tax	-	-	-	-	7,579	7,579
Staking	-	-	-	-	2,944	2,944
Other	<u>661</u>	<u>1,967</u>	<u>6,323</u>	<u>707</u>	<u>-</u>	<u>9,658</u>
	<u>23,087</u>	<u>4,551</u>	<u>121,674</u>	<u>10,079</u>	<u>10,548</u>	<u>169,939</u>
<b>LESS WRITE-OFF OF</b>						
<b>MINERAL PROPERTY</b>						
<b>INTERESTS</b>	<u>(102,522)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(102,522)</u>
<b>BALANCE - END OF PERIOD</b>	<u><u>-</u></u>	<u><u>40,384</u></u>	<u><u>213,674</u></u>	<u><u>82,715</u></u>	<u><u>32,773</u></u>	<u><u>369,546</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 SIX MONTHS ENDED MARCH 31, 2005**  
*(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**

	March 31, 2005			September 30, 2004		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Peru						
Luminaria Prospect	66,673	147,001	213,674	66,673	25,327	92,000
Demetrio Prospect	72,636	10,079	82,715	72,636	-	72,636
Pancoy Prospect	-	-	-	78,061	1,374	79,435
Pampa Property	28,469	11,915	40,384	28,469	7,364	35,833
Other	2,944	29,829	32,773	-	22,225	22,225
	<u>170,722</u>	<u>198,824</u>	<u>369,546</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 SIX MONTHS ENDED MARCH 31, 2005**  
*(Unaudited - Prepared by Management)*

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

As at March 31, 2005, 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

The Company held 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 was required to 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 during the six months ended March 31, 2005, the Company wrote-off \$102,522 in acquisition and exploration costs.

**4. EQUIPMENT**

	<b>March 31, 2005</b>	<b>September 30, 2004</b>
Vehicles	51,590	51,590
Office equipment	<u>13,491</u>	<u>10,217</u>
	65,081	61,807
Less: accumulated amortization	<u>(9,670)</u>	<u>(2,096)</u>
	<u><u>55,411</u></u>	<u><u>59,711</u></u>

**TINKA RESOURCES LIMITED**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED MARCH 31, 2005**

*(Unaudited - Prepared by Management)*

**5. SHARE CAPITAL**

Authorized - unlimited common shares without par value (2004 - 100,000,000 common shares)

Issued	<u>March 31, 2005</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 options	501,100	128,875	-	-
Exercise of warrants	3,213,750	830,375	411,450	81,790
Reallocation from contributed surplus				
on exercise of options	-	82,276	-	-
For mineral properties	-	-	550,000	234,500
For agent's fee	-	-	55,000	24,750
	<u>3,714,850</u>	<u>1,041,526</u>	<u>4,126,450</u>	<u>1,654,540</u>
Share issue costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>(98,818)</u>
	<u>3,714,850</u>	<u>1,041,526</u>	<u>4,126,450</u>	<u>1,555,722</u>
Balance, end of period	<u><u>14,012,672</u></u>	<u><u>4,662,594</u></u>	<u><u>10,297,912</u></u>	<u><u>3,621,068</u></u>

- (a) During the six months ended March 31, 2005, the Company granted 655,000 stock options to directors and consultants, and recorded compensation expense of \$189,650.

The fair value of stock options granted to directors and consultants is estimated on the date of grants using the Black-Scholes option pricing model with the following assumptions used for the grants made during the six months ended March 31, 2005:

Risk-free interest rate	2.77%
Estimated volatility	92%
Expected life	1.5 years
Expected dividend yield	0

The weighted average fair value per share of stock options, calculated using the Black-Scholes option pricing model, granted during the six months ended March 31, 2005 to the Company's directors and consultants was \$0.29 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.

**TINKA RESOURCES LIMITED**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED MARCH 31, 2005**  
*(Unaudited - Prepared by Management)*

**5. SHARE CAPITAL** (continued)

A summary of the Company's stock options at March 31, 2005 and the changes for the six months ended March 31, 2005 is presented below:

	Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	1,017,100	0.32
Granted	655,000	0.50
Exercised	<u>(501,100)</u>	0.26
Balance, end of period	<u><u>1,171,000</u></u>	0.45

The following table summarizes information about the stock options outstanding and exercisable at March 31, 2005:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
146,000	146,000	0.25	August 8, 2006
100,000	100,000	0.37	January 20, 2007
270,000	260,000	0.45	April 2, 2007
50,000	50,000	0.50	January 17, 2008
<u>605,000</u>	<u>567,500</u>	0.50	February 22, 2008
<u><u>1,171,000</u></u>	<u><u>1,123,500</u></u>		

- (b) A summary of the number of common shares reserved pursuant to the Company's outstanding warrants and agents warrants outstanding at March 31, 2005 and the changes for the six months ended March 31, 2005, is as follows:

	Number
Balance, beginning of period	5,422,500
Exercised	(3,213,750)
Expired	<u>(1,170,000)</u>
Balance, end of period	<u><u>1,038,750</u></u>

Common shares reserved pursuant to warrants outstanding at March 31, 2005, are as follows:

Number	Exercise Price \$	Expiry Date
60,000	0.20	July 16, 2005
293,750	0.30	July 15, 2005
<u>685,000</u>	0.50	December 23, 2005
<u><u>1,038,750</u></u>		

**TINKA RESOURCES LIMITED**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED MARCH 31, 2005**  
*(Unaudited - Prepared by Management)*

**6. RELATED PARTY TRANSACTIONS**

During the six months ended March 31, 2005, the Company:

- i) paid \$11,425 for accounting and administration services and office rent provided by a private corporation controlled by a director of the Company;
- ii) paid \$30,000 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 \$8,875 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 March 31, 2005, 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 six months ended March 31, 2005.

	March 31, 2005		
	Corporate Canada \$	Mineral Operations Peru \$	Total \$
Current assets	1,586,849	24,793	1,611,642
Mineral property interests	-	369,546	369,546
Equipment	6,196	49,215	55,411
	<u>1,593,045</u>	<u>443,554</u>	<u>2,036,599</u>

**8. SUPPLEMENTARY CASH FLOW INFORMATION**

Non-cash financing activities were conducted by the Company during the six months ended March 31, 2005 and 2004 as follows:

	2005 \$	2004 \$
Financing activities		
Shares issued on exercise of options	82,276	-
Contributed surplus	(82,276)	-
	<u>-</u>	<u>-</u>

**TINKA RESOURCES LIMITED**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED MARCH 31, 2005**  
*(Unaudited - Prepared by Management)*

**8. SUPPLEMENTARY CASH FLOW INFORMATION** (continued)

Other supplementary cash flow information:

	2005 \$	2004 \$
Interest paid in cash	-	-
Income taxes paid in cash	-	-