
TINKA RESOURCES LIMITED

(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
MARCH 31, 2006

(Unaudited - Prepared by Management)

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, 2006, 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
(An Exploration Stage Company)
INTERIM CONSOLIDATED BALANCE SHEETS
(Unaudited - Prepared by Management)

	March 31, 2006 \$	September 30, 2005 \$
A S S E T S		
CURRENT ASSETS		
Cash	435,944	1,323,206
Amounts receivable and prepaids	<u>33,234</u>	<u>12,147</u>
	469,178	1,335,353
MINERAL PROPERTY INTERESTS (Note 3)	1,123,647	496,309
EQUIPMENT (Note 4)	<u>43,383</u>	<u>50,157</u>
	<u><u>1,636,208</u></u>	<u><u>1,881,819</u></u>

L I A B I L I T I E S

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>24,037</u>	<u>71,457</u>

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

SHARE CAPITAL (Note 5)	4,758,968	4,758,968
CONTRIBUTED SURPLUS (Note 7)	337,761	327,061
DEFICIT	<u>(3,484,558)</u>	<u>(3,275,667)</u>
	<u>1,612,171</u>	<u>1,810,362</u>
	<u><u>1,636,208</u></u>	<u><u>1,881,819</u></u>

SUBSEQUENT EVENTS (Note 11)

ON BEHALF OF THE BOARD

"Andrew Carter" , Director

"Nick DeMare" , Director

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

TINKA RESOURCES LIMITED
(An Exploration Stage Company)

INTERIM CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

(Unaudited - Prepared by Management)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2006 \$	2005 \$	2006 \$	2005 \$
EXPENSES				
Accounting and administration	6,300	7,050	12,650	8,725
Amortization	387	387	774	774
Audit	4,495	(1,120)	4,495	(1,120)
Consulting	3,000	5,438	6,225	17,204
Corporate development	5,120	1,666	9,147	5,172
General exploration	32,052	9,637	68,499	13,554
Investor relations	9,000	8,750	18,000	16,250
Legal	-	140	2,710	489
Management fees	21,000	15,000	42,000	30,000
Office	6,121	10,204	10,349	16,010
Regulatory	4,120	3,970	4,895	4,645
Rent	1,350	1,350	2,700	2,700
Shareholder costs	3,001	2,854	5,573	3,491
Stock based compensation	3,750	187,850	10,700	189,650
Transfer agent	3,728	6,954	4,814	7,715
Travel and related	12,612	22,144	17,610	36,650
	<u>116,036</u>	<u>282,274</u>	<u>221,141</u>	<u>351,909</u>
LOSS BEFORE OTHER ITEMS	<u>(116,036)</u>	<u>(282,274)</u>	<u>(221,141)</u>	<u>(351,909)</u>
OTHER ITEMS				
Interest income	2,989	3,401	7,119	5,730
Foreign exchange	(9,584)	2,056	5,131	(19,650)
Write-off of mineral property interest	-	(102,522)	-	(102,522)
	<u>(6,595)</u>	<u>(97,065)</u>	<u>12,250</u>	<u>(116,442)</u>
NET LOSS FOR THE PERIOD	<u>(122,631)</u>	<u>(379,339)</u>	<u>(208,891)</u>	<u>(468,351)</u>
DEFICIT - BEGINNING OF PERIOD	<u>(3,361,927)</u>	<u>(2,545,546)</u>	<u>(3,275,667)</u>	<u>(2,456,534)</u>
DEFICIT - END OF PERIOD	<u>(3,484,558)</u>	<u>(2,924,885)</u>	<u>(3,484,558)</u>	<u>(2,924,885)</u>
LOSS PER SHARE				
- BASIC AND DILUTED	<u>\$(0.01)</u>	<u>\$(0.03)</u>	<u>\$(0.01)</u>	<u>\$(0.04)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
- BASIC AND DILUTED	<u>14,354,012</u>	<u>12,486,112</u>	<u>14,354,012</u>	<u>11,595,894</u>

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

TINKA RESOURCES LIMITED
(An Exploration Stage Company)

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited - Prepared by Management)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2006	2005	2006	2005
	\$	\$	\$	\$
CASH PROVIDED FROM (USED FOR)				
OPERATING ACTIVITIES				
Net loss for the period	(122,631)	(379,339)	(208,891)	(468,351)
Adjustment for items not involving cash				
Amortization	387	387	774	774
Stock-based compensation	3,750	187,850	10,700	189,650
Write-off of mineral property interests	-	102,522	-	102,522
	(118,494)	(88,580)	(197,417)	(175,405)
Decrease (increase) in amounts receivable and prepaids	(3,330)	13,521	(21,087)	8,369
Increase (decrease) in accounts payable and accrued liabilities	(8,544)	(36,099)	(47,420)	2,005
	(130,368)	(111,158)	(265,924)	(165,031)
INVESTING ACTIVITIES				
Purchase of equipment	-	(1,372)	-	(3,274)
Expenditures on mineral property interests	(359,783)	(84,262)	(621,338)	(163,139)
	(359,783)	(85,634)	(621,338)	(166,413)
FINANCING ACTIVITY				
Issuance of common shares	-	823,815	-	959,250
	-	823,815	-	959,250
INCREASE (DECREASE) IN CASH DURING THE PERIOD	(490,151)	627,023	(887,262)	627,806
CASH - BEGINNING OF PERIOD	926,095	968,452	1,323,206	967,669
CASH - END OF PERIOD	435,944	1,595,475	435,944	1,595,475
SUPPLEMENTARY CASH FLOW INFORMATION				
Interest paid in cash	-	-	-	-
Income taxes paid in cash	-	-	-	-

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TINKA RESOURCES LIMITED
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INTERIM CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS

(Unaudited - Prepared by Management)

	Six Months Ended March 31, 2006					Year Ended September 30, 2005	
	Luminaria Prospect \$	Chunumayo Prospect \$	Tibillos Project \$	Pampa Prospect \$	Other \$	Total \$	Total \$
BALANCE							
- BEGINNING OF PERIOD	379,945	19,514	-	41,012	55,838	496,309	302,129
EXPLORATION EXPENDITURES DURING THE PERIOD							
Access road	1,978	-	-	-	-	1,978	1,077
Amortization	6,000	-	-	-	-	6,000	13,186
Assays	25,596	-	1,664	-	-	27,260	40,181
Camp costs	12,791	-	-	-	-	12,791	8,079
Consulting	7,531	-	-	-	-	7,531	30,124
Drilling	246,654	-	-	-	-	246,654	-
Environmental	3,470	-	-	-	-	3,470	-
Exploration office	16,043	276	1,596	716	7,071	25,702	11,587
Field workers	37,614	-	137	-	402	38,153	7,858
Geological	35,118	-	3,708	-	17,175	56,001	192,716
Geophysics	-	-	-	-	-	-	42,370
IVA tax	-	-	-	-	67,560	67,560	33,352
Mapping	167	-	-	-	-	167	792
Permit and filing fees	9,284	-	1,247	-	5,099	15,630	2,637
Salaries	2,556	-	-	-	-	2,556	-
Supplies	10,387	-	-	-	-	10,387	-
Travel	2,342	-	-	-	-	2,342	6,014
Vehicles	13,379	-	-	-	-	13,379	5,467
	430,910	276	8,352	716	97,307	537,561	395,440
ACQUISITION COSTS DURING THE PERIOD	2,071	-	36,655	-	51,051	89,777	28,467
	432,981	276	45,007	716	148,358	627,338	423,907
BALANCE BEFORE WRITE-OFFS	812,926	19,790	45,007	41,728	204,196	1,123,647	726,036
LESS WRITE-OFF MINERAL PROPERTY INTERESTS	-	-	-	-	-	-	(229,727)
BALANCE - END OF PERIOD	812,926	19,790	45,007	41,728	204,196	1,123,647	496,309

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

TINKA RESOURCES LIMITED
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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED MARCH 31, 2006

(Unaudited - Prepared by Management)

1. NATURE OF OPERATIONS

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

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 financial statements.

3. MINERAL PROPERTY INTERESTS

	<u>March 31, 2006</u>			<u>September 30, 2005</u>		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Luminaria Prospect	85,372	727,554	812,926	83,301	296,644	379,945
Chunumayo Prospect	3,588	16,202	19,790	3,588	15,926	19,514
Tibillos Project	36,655	8,352	45,007	-	-	-
Other	51,051	153,145	204,196	-	55,838	55,838
Pampa Property	<u>28,469</u>	<u>13,259</u>	<u>41,728</u>	<u>28,469</u>	<u>12,543</u>	<u>41,012</u>
	<u>205,135</u>	<u>918,512</u>	<u>1,123,647</u>	<u>115,358</u>	<u>380,951</u>	<u>496,309</u>

(a) **Sierra Exploration Alliance**

On May 27, 2004, the Company entered into an agreement (the "Sierra Alliance 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% net smelter return royalty from any production from a project, which can be purchased for US \$1.0 million.

TINKA RESOURCES LIMITED
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FOR THE SIX MONTHS ENDED MARCH 31, 2006

(Unaudited - Prepared by Management)

3. MINERAL PROPERTY INTERESTS (continued)

As at March 31, 2006, the Company has staked prospects or projects identified through the Sierra Alliance Agreement, as follows:

- i) Luminaria Prospect - twelve claims totalling 8,100 hectares, located in the Huraz mining district, department of Ancash;
- ii) Chunumayo Prospect - one claim of 900 hectares, located in the Huachocolpa mining district, department of Huancavelica;
- iii) Tibillos Project - three claims totalling 2,900 hectares, located in the Province of Lucanas;
- iv) Colquipucro Project - thirty-four claims totalling 2,079 hectares, located in the Province of Daniel Allides Carrion; and
- v) Mercedes Project - four claims totalling 2,759 hectares, located in the Province of Bolognesi.

(b) Pampa Property

The Company has staked ten claims, totalling 7,000 hectares, located in the Puquio mining district, department of Ayacucho, southern central Peru.

4. EQUIPMENT

	March 31, 2006	September 30, 2005
Vehicles	51,590	51,590
Office equipment	<u>15,397</u>	<u>15,397</u>
	66,987	66,987
Less: accumulated amortization	<u>(23,604)</u>	<u>(16,830)</u>
	<u><u>43,383</u></u>	<u><u>50,157</u></u>

5. SHARE CAPITAL

Authorized - unlimited common shares without par value

	March 31, 2006		September 30, 2005	
	Shares	\$	Shares	\$
Issued				
Balance, beginning of period	<u>14,354,012</u>	<u>4,758,968</u>	<u>10,297,912</u>	<u>3,621,068</u>
Issued during the period				
For cash				
Exercise of options	-	-	501,100	128,875
Exercise of warrants	-	-	3,555,000	926,750
Reallocation from contributed surplus on exercise of options	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,275</u>
	<u>-</u>	<u>-</u>	<u>4,056,100</u>	<u>1,137,900</u>
Balance, end of period	<u><u>14,354,012</u></u>	<u><u>4,758,968</u></u>	<u><u>14,354,012</u></u>	<u><u>4,758,968</u></u>

TINKA RESOURCES LIMITED
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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED MARCH 31, 2006

(Unaudited - Prepared by Management)

5. SHARE CAPITAL (continued)

- (a) A summary of the number of common shares reserved pursuant to the Company's outstanding warrants and agents warrants outstanding at March 31, 2006 and 2005 and the changes for the six months ending March 31, 2006 and 2005, is as follows:

	<u>2006</u>	<u>2005</u>
Balance, beginning of period	685,000	5,422,500
Exercised	-	(3,213,750)
Expired	<u>(685,000)</u>	<u>(1,170,000)</u>
Balance, end of period	<u><u>-</u></u>	<u><u>1,038,750</u></u>

- (b) As at March 31, 2006, there were 115,500 common shares held in escrow, which will be released on July 21, 2006.

- (c) See also Note 11.

6. STOCK OPTIONS AND STOCK-BASED COMPENSATION

The Company has established a rolling stock option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The 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. The options have a maximum term of five years.

During the six months ended March 31, 2006, the Company granted 20,000 (2005 - 655,000) stock options to directors and consultants and recorded compensation expense of \$3,200 (2005 - \$189,650). The Company also recorded an additional \$7,500 (2005 - \$nil) compensation expense for options which had vested during the six months ended March 31, 2006.

The fair value of stock options granted to directors and consultants is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for the grants made during the six months ended March 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Risk-free interest rate	3.55%	2.77%
Estimated volatility	82%	92%
Expected life	1.5 years	1.5 years
Expected dividend yield	0%	0%

The weighted average fair value of all stock options granted during the period to the Company's directors and consultants was \$0.16 (2005 - \$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
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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED MARCH 31, 2006

(Unaudited - Prepared by Management)

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

A summary of the Company's stock options at March 31, 2006 and 2005 and the changes for the six months ended March 31, 2006 and 2005 is presented below:

	2006		2005	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	1,406,000	0.44	1,017,100	0.32
Granted	20,000	0.40	655,000	0.50
Exercised	-	-	(501,100)	0.26
Balance, end of period	<u>1,426,000</u>	0.44	<u>1,171,000</u>	0.45

The following table summarizes information about the stock options outstanding and exercisable at March 31, 2006:

Number Outstanding and Exercisable	Exercise Price \$	Expiry Date
146,000	0.25	August 8, 2006
100,000	0.37	January 20, 2007
270,000	0.45	April 2, 2007
50,000	0.50	January 17, 2008
605,000	0.50	February 22, 2008
235,000	0.40	June 8, 2008
20,000	0.40	December 5, 2008
<u>1,426,000</u>		

See also Note 11.

7. CONTRIBUTED SURPLUS

The Company's contributed surplus is comprised of the following:

	Six Months Ended March 31,	
	2006 \$	2005 \$
Balance, beginning of period	327,061	171,835
Stock-based compensation (Note 6)	10,700	189,650
Stock options exercised	-	(82,275)
Balance, end of period	<u>337,761</u>	<u>279,210</u>

TINKA RESOURCES LIMITED
(An Exploration Stage Company)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED MARCH 31, 2006

(Unaudited - Prepared by Management)

8. RELATED PARTY TRANSACTIONS

- (a) The Company incurred the following expenditures to directors and corporations controlled by directors of the Company during the six months ended March 31, 2006 and 2005:

	2006	2005
	\$	\$
Management fees	42,000	30,000
Accounting and administration	12,650	8,725
Rent	2,700	2,700

- (b) During the six months ended March 31, 2006, the Company reimbursed \$6,000 (2005 - \$5,375) and \$1,726 (2005 - \$nil) to Tumi Resources Limited ("Tumi") for shared office personnel and other costs, respectively. Tumi is a public company with certain common directors.

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

9. 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, 2006, 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 during the six months ended March 31, 2006.

	March 31, 2006			September 30, 2005		
	Corporate Canada \$	Mineral Operations Peru \$	Total \$	Corporate Canada \$	Mineral Operations Peru \$	Total \$
Current assets	430,849	38,329	469,178	1,314,000	21,353	1,335,353
Mineral property interests	-	1,123,647	1,123,647	-	496,309	496,309
Equipment	4,648	38,735	43,383	5,422	44,735	50,157
	435,497	1,200,711	1,636,208	1,319,422	562,397	1,881,819

10. FINANCIAL INSTRUMENTS

The fair values of financial instruments at March 31, 2006, were estimated based on relevant market information and the nature and terms of financial instruments. Management is not aware of any factors which would significantly affect the estimated fair market amounts, however, such amounts have not been comprehensively revalued for purposes of these financial statements. Disclosure subsequent to the balance sheet dates and estimates of fair value at dates subsequent to March 31, 2006 may differ significantly from that presented.

TINKA RESOURCES LIMITED
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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED MARCH 31, 2006

(Unaudited - Prepared by Management)

10. FINANCIAL INSTRUMENTS (continued)

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

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

11. SUBSEQUENT EVENTS

Subsequent to March 31, 2006, the Company:

- (i) completed a non-brokered private placement of 4,190,000 units, at \$0.30 per unit, for gross proceeds of \$1,257,000. Each unit is comprised of one common share of the Company and one-half of a share purchase warrant. Each full warrant is exercisable to purchase an additional common share at a price of \$0.40 per share on or before May 8, 2007 and \$0.60 per shares on or before May 8, 2008. The Company paid \$46,840 for finders' fees on the private placement; and
- (ii) granted stock options to its directors and consultants to purchase 400,000 common shares of the Company at \$0.30 per share exercisable for a period of three years.