

TINKA RESOURCES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2017

This discussion and analysis of financial position and results of operation is prepared as at January 19, 2018 and should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the years ended September 30, 2017 and 2016 of Tinka Resources Limited (the "Company" or "Tinka"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars.

Forward-Looking Statements

Certain information in this MD&A may constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws (collectively, "Forward-Looking Statements"). All statements, other than statements of historical fact that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future are Forward-Looking Statements. Forward-Looking Statements are often, but not always, identified by the use of words such as "seek," "anticipate," "believe," "plan," "estimate," "expect," and "intend" and statements that an event or result "may," "will," "can," "should," "could," or "might" occur or be achieved and other similar expressions. Forward-Looking Statements are based upon the opinions and expectations of the Company based on information currently available to the Company. Forward-Looking Statements are subject to a number of factors, risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the Forward-Looking Statements including, among other things, the Company has yet to generate a profit from its activities; there can be no guarantee that the estimates of quantities or qualities of minerals disclosed in Tinka's public record will be economically recoverable; uncertainties relating to the availability and costs of financing needed in the future; successful completion of planned drill program; competition with other companies within the mining industry; the success of the Company is largely dependent upon the performance of its directors and officers and Tinka's ability to attract and train key personnel; changes in world metal markets and equity markets beyond Tinka's control; mineral reserves are, in the large part, estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized; production rates and capital and other costs may vary significantly from estimates; unexpected geological conditions; delays in obtaining or failure to obtain necessary permits and approvals from government authorities; community relations; all phases of a mining business present environmental and safety risks and hazards and are subject to environmental and safety regulation, and rehabilitation and restitution costs; and management of Tinka have experience in mineral exploration but may lack all or some of the necessary technical training and experience to successfully develop and operate a mine. Although Tinka believes that the expectations reflected in the Forward-Looking Statements, and the assumptions on which such Forward-Looking Statements are made, are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned not to place undue reliance on Forward-Looking Statements, as there can be no assurance that the plans, intentions or expectations upon which the Forward-Looking Statements are based will occur. Forward-Looking Statements herein are made as at the date hereof, and unless otherwise required by law, Tinka does not intend, or assume any obligation, to update these Forward-Looking Statements.

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via www.sedar.com or the Company's website www.tinkaresources.com and readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties.

Company Overview

The Company is a junior mineral exploration company currently engaged in the acquisition and exploration of base and precious metals mineral properties 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. The Company's activities have been focused on developing its 100% owned Ayawilca and Colquipucro Properties, located 40 kilometres northwest of Cerro de Pasco, Central Peru. 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 1 issuer, under the symbol “TK”, on the Lima stock exchange under the symbol “TK”, on the Frankfurt Exchange under the symbol “TLD”, and on the OTC Pink under the symbol “TKRFF”.

Current Directors and Officers

As at the date of this MD&A, the Company’s Directors and Officers were as follows:

Graham Carman	- President, Chief Executive officer (“CEO”) and director
Nick DeMare	- Chief Financial Officer (“CFO”) and director
Alvaro Fernandez-Baca	- Vice President Exploration
Mary Little	- Director
Pieter Britz	- Director
Ben McKeown	- Director
Mariana Bermudez	- Corporate Secretary

Exploration Projects, Peru

Introduction

As of September 30, 2017 Tinka had 100% ownership of 55 granted mining concessions covering 15,240 hectares at the Company’s flagship Ayawilca Property in the Pasco region of Central Peru held by Tinka Peru SAC. There were also four mining concession applications covering 2,100 hectares at the Ayawilca Property.

The Ayawilca Property is located 250 kilometres northeast of Lima in the central Peru Andes at elevations of between 3,800 and 4,300 metres. It is located 40 km northwest of the Cerro de Pasco zinc-lead-silver-copper mine, a large carbonate replacement deposit (“CRD”) that has been mined continuously for centuries.

Zinc mineralization at Ayawilca lies at depths of 150 to 200 metres from surface to about 400 metres depth, and remains open in a number of directions. It is a “blind” deposit and does not outcrop. Mineralization occurs in the form of flat-lying massive sulphide ‘mantos’ ranging from 10 to 30 metres thick, which merge into vertical ‘chimneys’ up to 200 metres thick at West and South Ayawilca. Zinc occurs as sphalerite accompanied by pyrite and pyrrhotite, as well as magnetite. The zinc mineralization is accompanied by indium (“In”), a high value specialty metal used in the hi-tech industry. Minor silver (“Ag”) and lead (“Pb”) also occur within the resource. Mineralization is mostly hosted by the Pucará Group, a Triassic-Jurassic carbonate unit, in turn overlain by flat-lying Goyllar Group sandstones which are generally unmineralized except for narrow zinc-rich veins which do not form part of the existing resource.

Tin mineralization is hosted mostly by pyrrhotite-rich iron sulphide mantos typically 10-15 metres thick, lying beneath and physically separated from the zinc mineralization. Cassiterite, a tin oxide, is the dominant tin mineral accompanied by minor chalcopyrite within the pyrrhotite-pyrite-quartz mantos typically lying at the lower limestone contact with underlying phyllite basement.

The Colquipucro Silver resource lies two kilometres north of the Zinc Zone resource. Silver mineralization occurs in oxidised, weathered rocks from the surface to a depth of 80 metres and is hosted by Goyllar Group sandstones.

To the end of September 2017, Tinka had drilled ~15,000 metres at Ayawilca during the year in a resource expansion drill program. A new zinc discovery was made during 2017 at South Ayawilca. On November 8 2017, the Company announced an update to its zinc and tin resources to October 10, 2017. Drilling continued through to the end of 2017 with approximately 5,000 metres of additional drill metres, continuing to test new areas for possible resource expansions. A number of holes still have assays pending. Drilling will recommence during January 2018, to test the Zone 3 area for extensions of the mineralization initially encountered there.

The Colquipucro Silver resource lies two kilometres north of the Zinc Zone resource and is hosted by the Goyllar Group sandstones. Silver mineralization occurs in oxidised, weathered rocks from the surface to a depth of 80 metres. No additional drilling has been conducted at Colquipucro since 2014.

Mineral Resources

On December 18, 2017 the Company filed the “Technical Report on the Mineral Resources Estimate for the Ayawilca Property, Department of Pasco, Peru (the “Ayawilca Update Report”), prepared by Roscoe Postle Associates Inc. (“RPA”) in accordance with National Instrument 43-101. The Ayawilca Update Report updated the Ayawilca Mineral Resource estimate using the drill results available to October 10, 2017 (Tables 1 and 2). The updated Mineral Resource estimation is as follows:

- (i) Inferred Zinc Mineral Resource of 42.7 million tonnes grading 6.0 % zinc, 0.2 % lead, 17 g/t silver & 79 g/t indium (7.3 % ZnEq), including:
 - 5.6 billion pounds of zinc;
 - 3.4 tonnes of indium;
 - 23.3 million ounces of silver; and
 - 209 million pounds of lead.
- (ii) Inferred Tin Mineral Resource of 10.5 million tonnes grading 0.63 % tin, 0.23 % copper, & 12 g/t silver (0.70 % SnEq), including:
 - 145 million pounds of tin;
 - 53 million pounds of copper; and
 - 4.2 million ounces of silver.
- (iii) No change to the Colquipucro Silver resource since the 2015 resource estimation.

The Zinc Zone Mineral Resources are hosted by Triassic Pucará Group limestone approximately 200 metres thick which underly the Goyllarisguizga Group sandstone unit. The Zinc Zone deposit is made up of multiple, gently dipping lenses or ‘mantos’ in the Central and East Ayawilca zones and as massive replacement bodies or “chimneys” within structural zones in the West and South Ayawilca zones.

The increase in tonnage and zinc grade as compared to the May 2016 Mineral Resource estimate is due to an increase in volume of the interpreted mineralized zones as a result of the addition of the high-grade South Zone discovered during the 2017 drilling campaign, higher metal prices, and lower cut-off value.

Table 1 - Zinc Zone Inferred Mineral Resources at Ayawilca Deposit
(As of October 10, 2017)

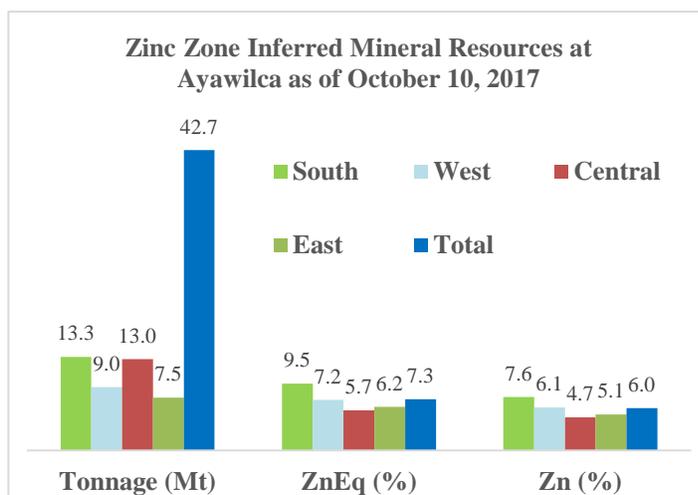
Zone	Tonnage (Mt)	ZnEq (%)	Zn (%)	Pb (%)	In (g/t)	Ag (g/t)	Zn (Mlb)	Pb (Mlb)	In (kg)	Ag (Moz)
West	9.0	7.2	6.1	0.2	64	14	1,206	37	577	4.0
Central	13.0	5.7	4.7	0.3	54	13	1,338	77	704	5.4
East	7.5	6.2	5.1	0.2	69	13	846	34	519	3.1
South	13.3	9.5	7.6	0.2	118	25	2,228	61	1,561	10.6
Total	42.7	7.3	6.0	0.2	79	17	5,617	209	3,361	23.1

Notes:

1. CIM definitions were followed for Mineral Resources.
2. Mineral Resources are reported above a cut-off NSR value of US\$55 per tonne.
3. The NSR value was based on estimated metallurgical recoveries, assumed metal prices and smelter terms, which include payable factors, treatment charges, penalties, and refining charges. Metal price assumptions were: US\$1.15/lb Zn, US\$300/kg In, US\$18/oz Ag, and US\$1.10/lb Pb. Metal recovery assumptions were: 90% Zn, 75% In, 60% Ag, and 75% Pb. The NSR value for each block was calculated using the following NSR factors: US\$15.34 per % Zn, US\$6.15 per % Pb, US\$0.18 per gram In, and US\$0.27 per gram Ag.
4. The NSR value was calculated using the following formula:

$$\text{NSR} = [\text{Zn}(\%) * \text{US}\$15.34 + \text{Pb}(\%) * \text{US}\$6.15 + \text{In}(\text{g/t}) * \text{US}\$0.18 + \text{Ag}(\text{g/t}) * \text{US}\$0.27]$$
5. The ZnEq value was calculated using the following formula:

$$\text{ZnEq} = \text{NSR} / \text{US}\$15.34$$
6. Numbers may not add due to rounding.



The Tin Zone Mineral Resources are hosted as disseminated cassiterite and chalcopyrite in massive to semi-massive pyrrhotite lenses at the contact between the Pucará Group and underlying phyllite of the Devonian Excelsior Group. Parts of the Tin Zone mineralization occur as quartz sulphide stockwork veinlets hosted by the phyllite. The increase in tonnage as compared to the May 2016 Mineral Resource estimate is due to an increased volume of the interpreted zones due to the newly discovered South area and a lower cut-off grade.

Table 2 - Tin Zone Inferred Mineral Resources at Ayawilca
(As of October 10, 2017)

	Tonnage (Mt)	SnEq (%f)	Sn (%)	Cu (%)	Ag (g/t)	Sn (Mlb)	Cu (Mlb)	Ag (Moz)
Tin Zones	10.5	0.70	0.63	0.23	12	145	53	4.2

Notes:

1. CIM definitions were followed for Mineral Resources.
2. Mineral Resources are reported above a cut-off grade of US\$55 per tonne NSR value.
3. The NSR grade was based on estimated metallurgical recoveries, assumed metal prices and smelter terms, which include payable factors, treatment charges, penalties, and refining charges. Metal price assumptions were: US\$9.50/lb Sn, US\$3/lb Cu, and US\$18/oz Ag. Metal recovery assumptions were: 86% Sn, 75% Cu, and 60% Ag. The NSR value for each block was calculated using the following NSR factors: US\$164.53 per % Sn, US\$39.95 per % Cu, and US\$0.27 per gram Ag.
4. The NSR value was calculated using the following formula: $US\$NSR = [Sn(\%)*US\$164.53 + Cu(\%)*US\$39.95 + Ag(g/t)*US\$0.27]$.
5. The SnEq value was calculated using the following formula: $SnEq = NSR/US\$164.53$
6. Numbers may not add due to rounding.

The Mineral Resource estimate for the Colquipucro silver oxide deposit (Indicated Mineral Resource of 7.4 Mt at a grade of 60 g/t Ag for 14.3 Moz Ag and Inferred Mineral Resource of 8.5 Mt at a grade of 48 g/t Ag for 13.2 Moz Ag, using US\$ 15/t cut-off and a metal price of \$ 24/oz Ag) remains unchanged from the February 26, 2015 news release.

The Ayawilca Update Report can be downloaded from the Company's website at www.tinkaresources.com or from www.sedar.com.

Qualified Person - Mineral Resources: The Mineral Resources have been estimated by Mr. David Ross, P.Geo., an employee of RPA and independent of Tinka. By virtue of his education and relevant experience, Mr. Ross is a "Qualified Person" for the purpose of National Instrument 43-101. The Mineral Resources have been classified in accordance with CIM Definition Standards for Mineral Resources and Mineral Reserves (May, 2014).

2017 Drill Program

A ~15,000 metre drill program commenced at Ayawilca in February 2017 (subsequently expanded to 20,000 m). The drill program targeted an expansion of the zinc resources by step-out drilling from existing resources, as well as testing a number of new targets. A new zinc discovery was made at South Ayawilca, covering an area of approximately 850 metres by 200 metres.

At West Ayawilca, zinc intercepts in holes A17-079 and A17-080 extended the West Ayawilca Zinc Zone by approximately 150 metres to the northeast of the resource boundary. Zinc mineralization remains open to the north. A new discovery was also made in November at the Zone 3 area. Drilling of this area is continuing into 2018.

South Ayawilca 2017 drill highlights to date include:

Hole A17-056:

- 63.9 metres at 5.6% zinc, 17 g/t silver and 29 g/t indium from 126 metres depth, *including:*
 - 17.9 metres at 11.6% zinc, 36 g/t silver and 20 g/t indium from 127.5 metres depth; and
- 51.9 metres at 10.1 % zinc, 62 g/t silver & 233 g/t indium from 242.0 metres depth, *including:*
 - 14.9 metres at 20.6 % zinc, 152 g/t silver & 441 g/t indium from 279.0 metres depth, *including:*
 - 6.4 metres at 37.5 % zinc, 301 g/t silver & 916 g/t indium from 279.0 metres depth;

Hole A17-057:

- 40.1 metres at 9.1 % zinc, 22 g/t silver & 168 g/t indium from 157.6 metres depth, *including:*
 - 9.6 metres at 16.8 % zinc, 22 g/t silver & 299 g/t indium from 168.2 metres; and

- 15.3 metres at 20.0 % zinc, 2.5 % lead, 102 g/t silver & 263 g/t indium from 264.0 metres depth, *including*:
 - 3.25 metres at 34.5% zinc, 2.1 % lead, 96 g/t silver & 196 g/t indium from 265.75 metres;
 - 5.2 metres at 32.5 % zinc, 69 g/t silver, & 639 g/t indium from 272.5 metres depth;

Hole A17-061:

- 18.6 metres at 10.4 % zinc & 52 g/t silver from 184.0 metres depth (includes 3.1 metres no recovery assigned a zero grade), *including*:
 - 2.6 metres at 23.6 % zinc, 2.4 % lead & 192 g/t silver from 196.2.0 metres depth; and
- 13.4 metres at 18.7 % zinc, 57 g/t silver & 463 g/t indium from 220.0 metres depth, *including*:
 - 7.9 metres at 29.3 % zinc, 71 g/t silver & 719 g/t indium from 224.1 metres depth;

Hole A17-063:

- 47.7 metres at 11.3 % zinc, 18 g/t silver & 313 g/t indium from 302.2 metres depth, *including*
 - 9.8 metres at 17.4 % zinc, 28 g/t silver & 587 g/t indium from 303.3 metres depth; and
- 12.2 metres at 17.1 % zinc, 26 g/t silver & 495 g/t indium from 327.4 metres depth.

Hole A17-065:

- 19.3 metres at 4.7 % zinc, 7 g/t silver & 93 g/t indium from 219.5 metres depth, *including*
 - 2.6 metres at 20.6 % zinc, 23 g/t silver & 529 g/t indium from 236.2 metres depth; and
- 26.6 metres at 3.6 % zinc, 4 g/t silver & 46 g/t indium from 266.4 metres depth; and
- 24.7 metres at 3.8% zinc, 5 g/t silver & 51 g/t indium from 307.3 metres depth.

Hole A17-066:

- 3.5 metres at 7.4 % zinc, 24 g/t silver & 111 g/t indium from 330.9 metres depth, and
- 5.0 metres at 11.3 % zinc & 37 g/t silver & 270 g/t indium from 345.0 metres depth;

Hole A17-069:

- 29.3 metres at 10.4 % zinc, 17 g/t silver & 278 g/t indium from 271.4 metres depth, *including*
 - 12.1 metres at 19.1 % zinc, 25 g/t silver & 440 g/t indium from 287.3 metres depth;

Hole A17-070:

- 1.6 metres at 15.4 % zinc, 40 g/t silver & 529 g/t indium from 306.8 metres depth; and
 - 39.3* metres at 7.1 % zinc, 13 g/t silver & 100 g/t indium from 317.5 metres depth, *including*
 - 8.0 metres at 20.9 % zinc, 19 g/t silver & 265 g/t indium from 340.0 metres depth;
- * *includes 4.3 metres of no recovery assumed zero grade*

Hole A17-071:

- 22.8 metres at 8.4 % zinc, 0.8 % lead, & 35 g/t silver from 327.2 metres depth, *including*
 - 12.6 metres at 11.6 % zinc, 0.9 % lead, & 35 g/t silver from 332.4 metres depth;

Hole A17-075:

- 20.8 metres* at 5.0 % zinc, 11 g/t silver & 44 g/t indium from 359.0 metres depth, *including*
 - 3.5 metres at 10.2 % zinc, 17 g/t silver & 96 g/t indium from 376.3 metres depth;
- * *includes 1.7 metres of no recovery assumed zero grade*

Hole A17-078:

- 1.2 metres at 8.9 % zinc, 0.3% lead & 380 g/t silver from 190.0 metres depth, and
- 4.3 metres at 7.8 % zinc, 0.1 % lead & 57 g/t indium from 400.1 metres depth;

West Ayawilca 2017 drill highlights include:

Hole A17-074:

- 2.2 metres at 31.0 % zinc, 0.1 % lead & 138 g/t silver from 71.4 metres depth (vein), and
- 0.7 metres at 18.3 % zinc & 38 g/t silver from 148.0 metres depth (vein);

Hole A17-079:

- 36.25 metres at 5.2 % zinc, 0.2 % lead & 65 g/t indium from 273.25 metres depth, *including*
 - 5.5 metres at 12.5 % zinc & 103 g/t indium from 304.0 metres depth;

Hole A17-080:

- 15.2 metres at 6.0 % zinc & 184 g/t indium from 291.3 metres depth, *including*
 - 1.8 metres at 28.4 % zinc, 34 g/t silver & 1400 g/t indium from 304.7 metres depth;

Zone 3 drill highlights include:

Hole A17-091A:

- 10.3 metres at 5.9 % zinc, 2.0 % lead & 66 g/t silver from 570.2 metres, *including*
 - 4.5 metres at 9.4 % zinc, 1.1 % lead & 45 g/t silver from 576.0 metres depth; and
- 13.5 metres at 0.83 % tin, 0.39 % copper & 54 g/t silver from 588.50 metres depth, *including*
 - 7.5 metres at 1.14 % tin, 0.14 % copper & 54 g/t silver from 588.5 metres depth; and
- 4.0 metres at 1.04 % tin, 0.11 % copper & 5 g/t silver from 608.0 metres, *including*
 - 2.0 metres at 1.82 % tin, 0.13 % copper & 6 g/t silver from 610.0 metres depth.

Upcoming Work Program

Following a short break for Christmas, Tinka is continuing with its resource expansion drill program at Ayawilca, testing new areas for zinc and tin mineralization. This drill program is expected to continue throughout 2018. The focus of the current drill program is at Zone 3, and the expansions of the resources at East and Central Ayawilca. It is expected the project will move into a preliminary economic assessment (PEA) stage during 2018.

Metallurgical flotation tests are being carried out on zinc sulphide composite samples from different parts of the Ayawilca Zinc Zone. Results of this work are expected in Q1 2018.

Qualified Person

The qualified person for the Company's projects, Dr. Graham Carman (FAUSIMM), President and CEO of the Company, has reviewed and approved the technical information in this MD&A.

Selected Financial Data

The following selected financial information is derived from the audited annual consolidated financial statements of the Company.

	Year Ended September 30,		
	2017 \$	2016 \$	2015 \$
Operations:			
Revenues	Nil	Nil	Nil
Expenses	(3,075,818)	(1,480,535)	(1,965,194)
Other items	(113,020)	(230,334)	274,480
Net loss	(3,188,838)	(1,710,869)	(1,690,714)
Loss per share - basic and diluted	(0.01)	(0.01)	(0.01)
Dividends per share	Nil	Nil	Nil
Balance Sheet:			
Working capital	5,649,150	1,691,780	6,419,711
Total assets	35,055,174	23,782,063	25,808,464
Total long-term liabilities	Nil	Nil	Nil

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements of the Company.

	Fiscal 2017				Fiscal 2016			
	Sept. 30 2017 \$	Jun. 30 2017 \$	Mar. 31 2017 \$	Dec. 31 2016 \$	Sept. 30 2016 \$	Jun. 30 2016 \$	Mar. 31 2016 \$	Dec. 31 2015 \$
Operations:								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(747,935)	(701,393)	(1,153,703)	(472,787)	(283,858)	(445,266)	(310,627)	(440,784)
Other items	(71,246)	(129,336)	28,642	58,920	(176,247)	9,310	(50,377)	(13,020)
Net loss and comprehensive loss	(819,181)	(830,729)	(1,125,061)	(413,867)	(460,105)	(435,956)	(361,004)	(453,804)
Loss per share -basic and diluted	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Balance Sheet:								
Working capital	5,649,150	8,460,307	10,707,494	11,580,424	1,691,780	2,692,830	3,661,246	4,520,484
Total assets	35,055,174	34,618,538	33,834,964	33,871,065	23,782,063	24,193,242	24,614,226	25,167,499
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Results of Operations

Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

During the three months ended September 30, 2017 (the "Q4/2017") the Company reported a net loss of \$819,181, compared to a net loss of \$460,105 for the three months ended September 30, 2016 (the "Q4/2016"), an increase in loss of \$359,076. The increase in loss is mainly attributed to:

- (i) a \$241,805 increase in share-based compensation expense. During Q4/2017 share-based compensation of \$155,923 (Q4/2016 - \$9,782) was recorded relating to the granting of 500,000 (Q4/2016 - 200,000) share options. During Q4/2017 the Company also recorded share-based compensation of \$100,913 (Q4/2016 - \$5,249) on the vesting of share options which were previously granted;
- (ii) a \$12,500 increase in investor relations. On July 25, 2016 the Company engaged Alpha Advisory Services Inc. ("Alpha") to provide investor relations services, at a monthly fee of \$5,000. Effective March 25, 2017 the monthly fee was increased to \$7,500. During fiscal Q4/2017 the Company was billed a total of \$22,500 (Q4/2016 - \$10,000) by Alpha;
- (iii) a \$15,003 increase in management fees. Effective June 1, 2017 the annual remuneration to Dr. Carman was increased from \$220,000 to \$280,000. During Q4/2017 management fees of \$70,003 (Q4/2016 - \$55,000) were paid to Dr. Carman, the President of the Company;
- (iv) a \$12,075 increase in regulatory costs, from \$2,350 during Q4/2016 to \$14,425 during Q4/2017. The increase was mainly related to the filing for ratification of the 2017 share option plan;
- (v) \$16,857 increase in general exploration, from \$8,247 during Q4/2016 to \$25,104 during Q4/2017; and
- (vi) \$48,341 increase in legal expenses, from \$1,024 during Q4/2016 to \$49,365 during Q4/2017. Legal expense incurred during Q4/2017 was mainly due to preparing management agreements, responding to queries from the environmental agency, attending local employment matters in Peru and listing on the Lima Stock Exchange.

Year Ended September 30, 2017 Compared to Year Ended September 30, 2016

During the year ended September 30, 2017 ("fiscal 2017"), the Company reported a net loss of \$3,188,838, compared to a net loss of \$1,710,869 for the year ended September 30, 2016 ("fiscal 2016"), an increase in loss of \$1,477,969.

Expenses increased by \$1,595,283, from \$1,480,535 during fiscal 2016 to \$3,075,818 during fiscal 2017. Specific expenses of note are as follows:

- (i) during fiscal 2017 the Company was billed \$64,964 (2016 - \$57,762) for accounting and administration services of which \$39,050 (2016 - \$32,100) was billed for accounting and administration services provided

- by Chase Management Ltd. (“Chase”) a private company owned by Mr. Nick DeMare, the Chief Financial Officer (“CFO”) and a director of the Company. In addition, the Company was billed \$25,914 (2016 - \$25,662) for accounting services provided by a third-party accounting firm for ongoing accounting for its Peru subsidiaries;
- (ii) effective June 1, 2017 the annual remuneration to Dr. Carman was increased from \$220,000 to \$280,000. During fiscal 2017 management fees of \$240,003 (2016 - \$220,000) and a bonus of \$50,000 (2016 - \$nil) were paid to Dr. Carman, the President and CEO of the Company;
- (iii) during fiscal 2017 the Company incurred \$284,711 (2016 - \$225,912) for professional fees, of which:
- \$222,677 (2016 - \$148,112) was attributed to amounts incurred with directors and officers of the Company;
 - \$16,474 (2016 - \$19,345) was reimbursement to a public company with certain common directors for shared personnel, office and other costs; and
 - \$45,560 (2016 - \$58,455) was incurred with various parties for financial advisory services.
- The Company also capitalized \$131,851 (2016 - \$114,168) for professional fees to exploration and evaluation assets. See also “Transactions with Related Parties”;
- (iv) share-based compensation of \$1,263,716 (2016 - \$93,294) was recorded during fiscal 2017 relating to the granting and vesting of share options;
- (v) on July 25, 2016 the Company engaged Alpha to provide investor relations services, at a monthly fee of \$5,000. Effective March 25, 2017 the monthly fee was increased to \$7,500. During fiscal 2017 the Company was billed a total of \$75,000 (2016 - \$10,000) by Alpha;
- (vi) corporate development expense increased by \$10,454, from \$42,823 during fiscal 2016 to \$53,277 during fiscal 2017;
- (vii) transfer agent expense increased by \$17,331, from \$6,129 during fiscal 2016 to \$23,460 during fiscal 2017. The increase in fiscal 2017 was mainly due to fees charged relating to the numerous issuances of common shares from the exercises of share options and warrants. The transfer agent expense incurred during fiscal 2016 were limited to regular agency service fees;
- (viii) a \$50,370 increase in general exploration, from \$28,349 during fiscal 2016 to \$78,719 during fiscal 2017; and
- (ix) a \$64,587 increase in legal expense, from \$11,433 during fiscal 2016 to \$76,020 during fiscal 2017. Legal expense incurred during fiscal 2017 were mainly related to preparing and finalizing access agreements with the various communities for the Ayawilca Property, responding to queries from the environmental agency, preparing management agreements and listing on the Lima Stock Exchange. Legal expenses incurred during fiscal 2016 were limited to corporate general matters.

The Company holds its cash in interest bearing accounts in major financial institutions. Interest income is generated from the deposits and fluctuates primarily with the levels of cash on deposit. During fiscal 2017 the Company recorded interest income of \$87,281 compared to \$33,422 during fiscal 2016 period, an increase of \$53,859. The increase is due to higher levels of cash held throughout fiscal 2017 compared to fiscal 2016.

During fiscal 2017 the Company recorded a foreign exchange loss of \$134,397 compared to a foreign exchange loss of \$54,848 reported in fiscal 2016. The increase in foreign exchange loss for fiscal 2017 arose from the appreciation of the Canadian dollar compared to the US dollar on US currencies held.

The carrying costs of the Company’s exploration and evaluation assets are as follows:

	As at September 30, 2017			As at September 30, 2016		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Colquipucro	338,330	7,758,030	8,096,360	338,330	7,427,994	7,766,324
Ayawilca	457,785	17,754,478	18,212,263	310,088	11,653,857	11,963,945
Other	-	2,554,100	2,554,100	7,392	2,187,350	2,194,742
	<u>796,115</u>	<u>28,066,608</u>	<u>28,862,723</u>	<u>655,810</u>	<u>21,269,201</u>	<u>21,925,011</u>

Exploration and evaluation activities incurred during fiscal 2017 and 2016 are as follows:

	Colquipucro \$	Ayawilca \$	Other \$	Total \$
Balance at September 30, 2015	<u>7,673,029</u>	<u>9,025,503</u>	<u>2,099,426</u>	<u>18,797,958</u>
Exploration costs				
Assays	-	30,168	-	30,168
Camp costs	4,372	234,497	-	238,869
Community relations	16,786	471,587	-	488,373
Consulting	29,758	29,758	-	59,516
Depreciation	177	12,869	-	13,046
Drilling	-	692,422	-	692,422
Environmental	6,672	350,448	-	357,120
Exploration site	5,806	87,020	-	92,826
Field equipment	-	9,373	-	9,373
Fuel	8,660	29,289	-	37,949
Geological	-	264,054	-	264,054
Geophysics	3,547	266,267	-	269,814
Metallurgical test work	-	5,425	-	5,425
Salaries	5,463	218,617	-	224,080
Software and database management	7,880	7,880	-	15,760
Transportation	4,174	42,940	-	47,114
VAT incurred	-	-	304,224	304,224
	<u>93,295</u>	<u>2,752,614</u>	<u>304,224</u>	<u>3,150,133</u>
Acquisition costs				
Concession payments	-	185,828	-	185,828
Impairment	-	-	(208,908)	(208,908)
Balance at September 30, 2016	<u>7,766,324</u>	<u>11,963,945</u>	<u>2,194,742</u>	<u>21,925,011</u>
Exploration costs				
Camp costs	3,833	720,133	-	723,966
Community relations	185,540	596,283	-	781,823
Depreciation	-	3,519	-	3,519
Drilling	59,663	4,112,161	-	4,171,824
Environmental	46,043	282,271	-	328,314
Geological	20,676	293,251	-	313,927
Geophysical	5,355	6,032	-	11,387
Metallurgical test work	-	75,977	-	75,977
Software and database management	8,926	8,925	-	17,851
Topography	-	2,069	-	2,069
VAT incurred	-	-	798,412	798,412
VAT recovered	-	-	(373,150)	(373,150)
	<u>330,036</u>	<u>6,100,621</u>	<u>425,262</u>	<u>6,855,919</u>
Acquisition costs				
Concession payments	-	147,697	-	147,697
Impairment	-	-	(65,904)	(65,904)
Balance at September 30, 2017	<u>8,096,360</u>	<u>18,212,263</u>	<u>2,554,100</u>	<u>28,862,723</u>

During fiscal 2017 the Company completed the drilling program at the Ayawilca Project and incurred a total of \$7,003,616 (2016 - \$3,335,961) for exploration expenditures, comprising \$6,248,318 (2016 - \$2,938,442) on the Ayawilca Project, \$330,036 (2016 - \$93,295) on the Colquipucro Project, and \$798,412 (2016 - \$304,224) for other concessions and IVA tax in Peru.

During fiscal 2017 the Company received a VAT recovery of \$373,150.

During fiscal 2017 the Company wrote-off \$65,904 exploration costs attributed to the Rurimarac Property in Peru. During fiscal 2016 the Company recorded an impairment charge of \$208,908 relating to certain concessions and associated costs incurred in Peru.

Financings

During fiscal 2017 the Company completed a private placement financing and issued a total of 55,000,000 common shares for gross proceeds of \$11,000,000. The Company has allocated the net proceeds from the financing to fund the ongoing 2017 drilling program at the Company's Ayawilca Project in Peru, as well as for other exploration expenditures, corporate purposes and general working capital. In addition, during fiscal 2017 the Company received \$2,382,781 (2016 - \$nil) from the exercise of share options and warrants.

During fiscal 2016 the Company did not complete any equity financings.

Financial Condition / Capital Resources

The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to develop properties and to establish future profitable production. To date the Company has not earned significant revenues and is considered to be in the exploration stage. The Company's operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. As at September 30, 2017 the Company had working capital in the amount of \$5,649,150. Management considers that the Company has sufficient funds to maintain ongoing corporate overhead and field expenses, complete its current drill program and metallurgical tests on Ayawilca and continue ongoing exploration activities on its existing mineral projects. Exploration activities may change as a result of ongoing results and recommendations or the Company may acquire additional properties which may entail significant exploration commitments. While the Company has been successful in securing financings in the past, there is material uncertainty it will be able to do so in the future.

Subsequent to September 30, 2017 the Company issued 12,667,347 common shares for gross proceeds of \$3,797,079 on the exercise of share options and warrants.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company has no proposed transactions.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Examples of significant estimates made by management include estimating the fair values of financial instruments, valuation allowances for deferred income tax assets and assumptions used for share-based compensation. Actual results may differ from those estimates.

A detailed summary of all the Company's significant accounting policies is included in Note 3 to the September 30, 2017 annual consolidated financial statements.

Changes in Accounting Policies

There are no changes in accounting policies.

Transactions with Related Parties

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

During fiscal 2017 and 2016 the Company the following amounts were incurred with respect to the Company's CEO (Dr. Carman), the Company's CFO (Mr. Nick DeMare) and the Company's VP Exploration (Mr. Alvaro Fernandez-Baca) as follows:

	2017 \$	2016 \$
Management fees - Dr. Carman	290,003	220,000
Professional fees - Mr. DeMare	30,000	30,000
Professional fees - Mr. Fernandez-Baca	254,708	190,280
Share-based compensation - Dr. Carman	157,180	15,457
Share-based compensation - Mr. DeMare	81,800	-
Share-based compensation - Mr. Fernandez-Baca	66,689	14,608
	<u>880,380</u>	<u>470,345</u>

The Company has expensed \$290,003 (2016 - \$220,000) to management fees, \$152,857 (2016 - \$106,112) to professional fees and \$305,669 (2016 - \$30,065) for share-based compensation. In addition the Company capitalized \$131,851 (2016 - \$114,168) to exploration and evaluation assets.

(b) *Transactions with Other Related Parties*

(i) During fiscal 2017 and 2016 the following amounts were incurred for professional services provided by non-management current and former directors of the Company (David Henstridge, Mary Little, Ben McKeown and William Lee) and the Corporate Secretary (Mariana Bermudez):

	2017 \$	2016 \$
Professional fees - Mr. Henstridge (former director) ⁽¹⁾	24,000	24,000
Professional fees - Ms. Little (current director) ⁽²⁾	24,000	12,000
Professional fees - M. McKeown (current director) ⁽³⁾	3,000	-
Professional fees - Mr. Lee (former director) ⁽⁴⁾	-	6,000
Professional fees - Ms. Bermudez ⁽⁵⁾	35,294	19,345
Share-based compensation - Mr. Henstridge	81,800	-
Share-based compensation - Ms. Little	81,800	29,956
Share-based compensation - M. McKeown	155,923	-
Share-based compensation - Ms. Bermudez	56,237	-
	<u>462,054</u>	<u>91,301</u>

(1) Resigned on November 15, 2017.

(2) Appointed on March 23, 2016.

(3) Appointed on August 17, 2017.

(4) Ceased to be a director on March 21, 2016.

(5) Since June 1, 2017, Ms. Bermudez compensation was billed by a private corporation owned by Ms. Bermudez. Prior thereto Ms. Bermudez was employed by Mawson Resources Limited ("Mawson") and her time was allocated to the Company.

As at September 30, 2017, \$9,000 (2016 - \$8,337) remained unpaid.

(ii) During fiscal 2017 the Company incurred a total of \$39,050 (2016 - \$32,100) with Chase, a private corporation owned by Mr. DeMare, for accounting and administrative services provided by Chase personnel, excluding Mr. DeMare, and \$4,020 (2016 - \$4,020) for rent. As at September 30, 2017, \$7,670 (2016 - \$6,170) remained unpaid.

During fiscal 2017 the Company also recorded \$15,337 (2016 - \$nil) for share-based compensation for share options granted to Chase.

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.

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.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares with no par value. As at January 19, 2018, there were 224,654,669 issued common shares, 14,225,176 warrants outstanding exercisable at prices ranging from \$0.20 to \$0.45 per share and 10,093,750 share options outstanding, at exercise prices ranging from \$0.20 to \$0.65 per share.