

TINKA RESOURCES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED JUNE 30, 2018

This discussion and analysis of financial position and results of operation is prepared as at August 24, 2018 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and the accompanying notes for the nine months ended June 30, 2018 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 annual information form, 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 (collectively the "Ayawilca Project"), 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”.

During the nine months ended June 30, 2018 the Company conducted equity financings to raise \$16,239,496. The Company received an additional \$4,875,154 on the exercises of share options and warrants. Subsequent to June 30, 2018 a further \$303,000 was received on the exercise of share options. Proceeds from the equity financings and exercises will be used to fund ongoing exploration on the Ayawilca Project and for other corporate purposes and general working capital. See also “Results of Operations - Financings” and “Financial Condition/Capital Resources”.

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
Ben McKeown	- Non-executive Chairman, and director
Nick DeMare	- Chief Financial Officer (“CFO”) and director
Alvaro Fernandez-Baca	- Vice President Exploration
Mary Little	- Director
Pieter Britz	- Director
Mariana Bermudez	- Corporate Secretary

Exploration Projects, Peru

Introduction

As at the date of this MD&A, Tinka held 100% ownership of 59 granted mining concessions covering 16,917 hectares at the Company’s flagship Ayawilca Property in the Pasco region of Central Peru. 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. The Property is 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.

The Ayawilca zinc discovery was made by Tinka in 2012-2013. Since then Tinka has drilled more than 60,000 metres and has identified a large, high-grade zinc resource. The current Zinc Mineral Resource (Inferred category) consists of 42.7 million tonnes grading 6.0 % zinc, 0.2 % lead, 17 g/t silver & 79 g/t indium (or 7.3 % ZnEq) - see “Mineral Resources at the Ayawilca Deposit”. Resource extensions and new targets are currently being drill tested.

The Ayawilca zinc resource is a “blind” deposit lying at depths of between 120 metres to 400 metres from surface. Zinc mineralization occurs in the form of flat-lying sulphide “mantos” typically from 5 to 30 metres thick, up to 50 metres thick in individual mantos. Very high-grade zones grading >12% zinc occur over vertical thicknesses of between 1 to 20 metres typically. At West and South Ayawilca, mantos are stacked on top of each other and can be mineralized continuously over vertical thicknesses of 100 to 150 metres. Zinc occurs in the sulphide form as high-iron sphalerite (“marmatite”) with lesser low-iron sphalerite accompanied by pyrite, pyrrhotite, and/or magnetite with minor galena, arsenopyrite, and chalcopyrite. Zinc is typically accompanied by the element indium (chemical formula “In”), a high value specialty metal used in the hi-tech industry. Tinka believes there are strong similarities in style of mineralization between Ayawilca and the Cerro de Pasco CRD deposit.

Zinc mineralization at Ayawilca is predominantly hosted by Pucara Group limestone, a Triassic-Jurassic formation 150 to 200 metres thick, which in the area of the resource is flat to gently east dipping. The Pucara limestone is in turn overlain by flat-lying Goyllarisguizga (“Goyllar”) sandstones of Cretaceous age. The Goyllar sandstones can be mineralized at or near the contact with limestone, and also host steeply dipping zinc-rich veins (not included in the resource). When the deposit was formed, the sandstone acted as an impermeable “seal” to the mineralization which is one of the key reasons why the Ayawilca deposit was not discovered until recent times. The mineralization is interpreted as Miocene age (10 to 15 million years), associated with an unidentified intrusion at depth.

A tin mineral resource has also been defined at Ayawilca, typically lying beneath and physically separated from the zinc resource near the base of the limestone in contact with underlying phyllite (Excelsior Formation). The tin mineralization slightly pre-dates the zinc mineralization, and is hosted by flat-lying pyrrhotite-rich sulphide mantos

typically 10-15 metres thick and up to 50 metres thick. Tin mineralization is hosted by the mineral cassiterite, accompanied by pyrrhotite, pyrite and minor chalcopyrite, stannite and arsenopyrite.

The Colquipucro silver resource, a third resource at the project, lies two kilometres north of the Ayawilca zinc resource. Silver mineralization at Colquipucro is hosted by oxidized Goyllar sandstone, both disseminated and in fractures, at depths from the surface to about 80 metres. No drilling has been carried out at the Colquipucro resource since 2014, although a few holes have been drilled exploring for zinc outside of the resource.

Recent Exploration Results

Tinka continues to drill for additional zinc resources at Ayawilca. Approximately 15,000 drill metres have been completed in 2018, with a further 5,000 metres of drilling planned for the rest of the year.

Drill hole A18-129 intersected exceptional grades of zinc at West Ayawilca in a new setting for mineralization at Ayawilca ([see press release dated June 26, 2018](#)). A mineralized interval of 10.4 metres grading 44.0% zinc occurs within a zone consisting of more than 90% zinc sulphides (sphalerite). This is the highest-grade zinc intersection ever encountered at Ayawilca over a significant interval. The high-grade mineralization occurs immediately beneath phyllite (metamorphic rock) within a repetition of the Pucara limestone formation which is favourable for mineralization and typically found above the phyllite. The mineralized interval is interpreted to be flat-dipping and close to true thickness. This is the first time that Tinka has tested the proposition that there may be a repetition of the mineralized Pucara limestone under the phyllite encountered at the base of most holes.

In addition, two high-grade zinc intersections at the newly named Camp area (holes A18-130 & 134) in the gap between West and Central Ayawilca include 5.7 metres grading 14.9% zinc. This intercept occurs within a repeated limestone unit underneath phyllite.

At West Ayawilca, two follow-up holes to Hole A18-129 intersected high-grade zinc mineralization beneath the known zinc resource. Zinc-rich veins hosted by phyllite in Hole A18-132 (including 6.9 metres grading 20% zinc) are believed to be feeder structures which have tapped the source for the zinc mineralization and provide further potential for additional mineralization at depth.

Recent Drill Highlights

West Ayawilca Area

Hole A18-129:

- 11.9 metres at 39.6% zinc, 0.8% lead, 45 g/t silver & 761 g/t indium from 339.4 metres depth, including 10.4 metres at 44.0% zinc, 0.4% lead, 43 g/t silver & 869 g/t indium from 340.6 metres depth;

Shallower intercepts in A18-129 include:

- 21.2 metres at 9.0% zinc, 0.1% lead, 13 g/t silver & 53 g/t indium from 260.0 metres depth, including 4.2 metres at 19.2% zinc, 0.1% lead, 17 g/t silver & 186 g/t indium from 277.0 metres depth; and
- 6.5 metres at 11.0% zinc, 0.1% lead, 8 g/t silver & 52 g/t indium from 290.5 metres depth.

Hole A18-132:

- 6.8 metres at 12.5% zinc, 28 g/t silver & 57 g/t indium from 120.0 metres depth; and
- 10.5 metres at 14.0% zinc, 15 g/t silver & 207 g/t indium from 259.6 metres depth; and
- *6.9 metres at 20.0% zinc, 0.4% lead, 60 g/t silver & 477 g/t indium from 320.0 metres depth.

Hole A18-135:

- 12.1 metres at 7.1% zinc, 6 g/t silver & 88 g/t indium from 274.9 metres depth, including 1.8 metres at 15.6% zinc, 14 g/t silver & 367 g/t indium from 285.2 metres depth; and
- *0.6 metres at 24.8% zinc, 131 g/t silver & 153 g/t indium from 422.3 metres depth.

Camp Area

Hole A18-130:

- 34.0 metres at 6.1% zinc, 4 g/t silver & 129 g/t indium from 294.0 metres depth, including 7.7 metres at 10.3% zinc, 4 g/t silver & 215 g/t indium from 300.3 metres depth;

Hole A18-134:

- 2.0 metres at 10.1% zinc, 4 g/t silver & 47 g/t indium from 242.0 metres depth; and
- 5.7 metres at 14.9% zinc, 13 g/t silver & 206 g/t indium from 346.4 metres depth.

*Note: True thicknesses of the zinc intersections are estimated to be at least 85% of the downhole thicknesses, except for vein intercepts (marked *) where true thicknesses are unknown.*

Planned Work Program

Three drill rigs continue to operate at the project 24/7 in the resource expansion program. At the date of this report, two rigs are drilling at South Ayawilca while the third rig is testing extensions of West Ayawilca to the north. Several holes are planned for the next quarter at the Valley area.

In the September quarter, an updated mineral resource estimate will be initiated and expected to be completed during Q4/2018. A Preliminary Economic Assessment (“PEA”) is planned for the second half of 2018 and is expected to be completed in Q1 2019. Metallurgical test work for the PEA on the zinc mineralization is well advanced.

Mineral Resources at the Ayawilca Project

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) The 2015 Mineral Resource estimate for the Colquipucro silver deposit included an 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 US \$24/oz Ag).

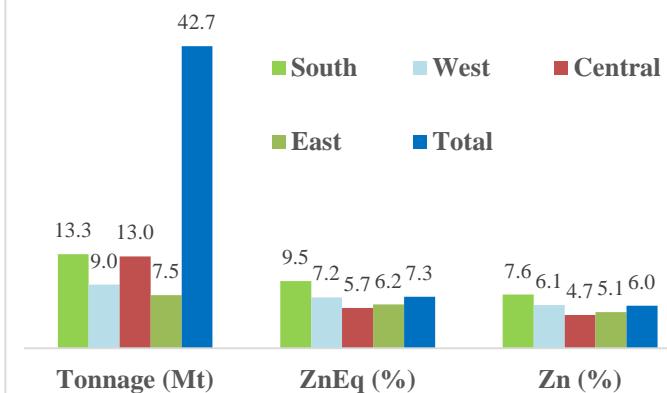
**Table 1 - Zinc Zone Inferred Mineral Resources at Ayawilca Deposit
(As of October 10, 2017)**

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

Zinc Zone Inferred Mineral Resources at Ayawilca as of October 10, 2017



**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

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).

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 unaudited condensed consolidated interim financial statements of the Company.

	Fiscal 2018			Fiscal 2017				Fiscal 2016
	Jun. 30 2018 \$	Mar. 31 2018 \$	Dec. 31 2017 \$	Sept. 30 2017 \$	Jun. 30 2017 \$	Mar. 31 2017 \$	Dec. 31 2016 \$	Sept. 30 2016 \$
Operations:								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(975,038)	(612,508)	(624,063)	(747,935)	(701,393)	(1,153,703)	(472,787)	(283,858)
Other items	129,343	48,553	102,748	(71,246)	(129,336)	28,642	58,920	(176,247)
Net loss and comprehensive loss	(845,695)	(563,955)	(521,315)	(819,181)	(830,729)	(1,125,061)	(413,867)	(460,105)

	Fiscal 2018			Fiscal 2017				Fiscal 2016
	Jun. 30 2018 \$	Mar. 31 2018 \$	Dec. 31 2017 \$	Sept. 30 2017 \$	Jun. 30 2017 \$	Mar. 31 2017 \$	Dec. 31 2016 \$	Sept. 30 2016 \$
Loss per share -basic and diluted	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Balance Sheet:								
Working capital	17,210,606	4,426,093	6,529,914	5,649,150	8,460,307	10,707,494	11,580,424	1,691,780
Total assets	53,562,408	37,909,918	38,192,196	35,055,174	34,618,538	33,834,964	33,871,065	23,782,063
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Results of Operations

Three Months Ended June 30, 2018 Compared to Three Months Ended March 31, 2018

During the three months ended June 30, 2018 (“Q3”) the Company reported a net loss of \$845,695 compared to a net loss of \$563,955 for the three months ended March 31, 2018 (the “Q2”), an increase in loss of \$281,740. The increase in loss is mainly attributed to:

- (i) during Q2 the Company recorded share-based compensation of \$285,763 (Q2 - \$87,529) which was comprised of \$268,386 (Q2 - \$nil) on the granting of options to purchase 7,244,000 (Q2 - nil) common shares of the Company and \$17,377 (Q2 - \$87,529) on the vesting of share options which were previously granted;
- (ii) a \$103,435 increase in salaries, wages and benefits, from \$56,219 during Q2 to \$159,654 during Q3. The increase is primarily attributed to increased staffing in Peru and performance bonuses awarded;
- (iii) a \$75,000 increase in management fees, from \$70,002 during Q2 to \$145,002 in Q3. Dr. Carman’s workload and responsibilities expanded in correlation with the significantly increased exploration efforts of the Company’s Peruvian properties and financing requirements. The Board of Directors approved a \$75,000 performance bonus to Dr. Carman in recognition of his achievements in advancing the Company’s Peruvian properties and successful completion of the Company’s prospectus offering and private placement in Q3. See “Related Party Disclosure”;
- (iv) during Q3 the Company recorded a \$25,221 recovery of regulatory fees expense compared to a \$43,913 expense in Q2. In Q3 management determined that \$31,008 of filing fees which had been expensed in Q2 as regulatory fees were directly attributed to the prospectus offering and has re-allocated this amount to share issue costs; and
- (v) general exploration expenditures increased by \$55,041 during Q3, from \$39,353 in Q2 to \$94,394 in Q3.

Nine Months Ended June 30, 2017 Compared to Nine Months Ended June 30, 2016

During the nine months ended June 30, 2018 (the “2018 period”), the Company reported a net loss of \$1,930,965 compared to a net loss of \$2,369,657 for the nine months ended June 30, 2017 (the “2017 period”). The decrease in loss during the 2018 period is mainly attributed to the following expenses:

- (i) the Company recognized share-based compensation of \$373,392 (2017 - \$1,006,880) on the granting and vesting of share options. During the 2018 period the Company recorded \$104,906 (2017 - \$59,864) on vested options and an additional \$268,386 (2017 - \$947,016) on the granting of 7,244,000 (2017 - 5,618,750) share options;
- (ii) during the 2018 period the Company recorded a foreign exchange gain of \$160,802 (2017 - loss of \$41,503), an increase of \$202,305 compared to 2017. The foreign exchange gain for the 2018 period arose from the depreciation of the Canadian Dollar compared to the US Dollar and Peruvian Soles;
- (iii) a \$109,896 increase in general exploration, from \$53,615 during the 2017 period to \$163,511 in the 2018 period;
- (iv) legal fees increased by \$88,400 in the 2018 period to \$115,055 (2017 - \$26,655). The current period fees were mainly related to the listing of the Company’s common shares on the Lima Stock Exchange, whereas legal services provided in 2017 were primarily attributed to corporate general matters;
- (v) an \$80,106 increase in salaries, wages and benefits, from \$249,057 during the 2017 period to \$329,163 during the 2018 period. The increase is primarily attributed to increased staffing in Peru and performance bonuses awarded;

- (vi) a \$70,600 increase in investment conferences, from \$38,815 during the 2017 period to \$109,415 during the 2018 period. The increase is primarily attributed to the Company participating in more investment conferences in Europe and North America;
- (vii) during the 2017 period the Company wrote-off \$65,904 of exploration costs attributed to the Rurimarcac Property in Peru;
- (viii) a \$65,006 increase in management fees, from \$220,000 during the 2017 period to \$285,006 in the 2018 period. On June 1, 2017 the annual remuneration to Dr. Carman, the President and CEO of the Company was increased from \$220,000 to \$280,000. Dr. Carman's workload and responsibilities expanded in correlation with the exploration efforts of the Company's Peruvian properties and financing requirements. The Board of Directors approved a \$75,000 performance bonus to Dr. Carman in recognition of his achievements in advancing the Company's Peruvian properties and successful completion of the Company's prospectus offering and private placement in the 2018 period. See "Related Party Disclosure";
- (ix) travel expenses of \$198,441 (2017 - \$143,258) were incurred by management to review exploration activities in Peru, meet with investors to raise capital and attend investment conferences to raise awareness of the Company's Peruvian exploration plans; and
- (x) professional fees decreased by \$54,347 from \$231,348 during the 2017 period to \$177,001 during the 2018 period. The Company appointed Mr. McKeown to the Board of Directors on August 17, 2017 and incurred \$18,000 for his professional fees during the 2018 period (2017 - \$nil). The Company's VP Exploration, Mr. Fernandez-Baca, was paid \$54,809 during the 2018 period compared to \$97,453 in the 2017 period. The remaining \$29,703 of the overall decrease is attributed to reduced demand for services provided by various professionals.

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 the 2018 period the Company recorded interest income of \$119,842 compared to \$65,633 during the 2017 period, an increase of \$54,209. The increase is due to the recent equity financings conducted and share options and warrants exercised. As a result, the Company held significantly higher levels of cash throughout the 2018 period compared to the 2017 period.

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

	As at June 30, 2018			As at September 30, 2017		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Colquipucro	338,330	8,161,195	8,499,525	338,330	7,758,030	8,096,360
Ayawilca	457,785	23,678,917	24,136,702	457,785	17,754,478	18,212,263
Other	-	3,296,194	3,296,194	-	2,554,100	2,554,100
	<u>796,115</u>	<u>35,136,306</u>	<u>35,932,421</u>	<u>796,115</u>	<u>28,066,608</u>	<u>28,862,723</u>

Exploration and evaluation activities incurred during the nine months ended June 30, 2018 and fiscal 2017 are as follows:

	Colquipucro \$	Ayawilca \$	Other \$	Total \$
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
Geophysics	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>

	Colquipucro \$	Ayawilca \$	Other \$	Total \$
Acquisition costs				
Concession payments	-	147,697	-	147,697
Impairment	-	-	(65,904)	(65,904)
Balance at September 30, 2017	8,096,360	18,212,263	2,554,100	28,862,723
Exploration costs				
Assays	-	10,717	-	10,717
Camp costs	-	740,767	-	740,767
Community relations	251,664	1,356,151	-	1,607,815
Consulting	70,217	72,758	-	142,975
Depreciation	-	3,874	-	3,874
Drilling	-	3,165,379	-	3,165,379
Environmental	31,225	202,771	-	233,996
Geological	-	271,232	-	271,232
Land access	41,703	17,390	-	59,093
Metallurgical	-	73,239	-	73,239
Software and database management	8,356	8,189	-	16,545
Topography	-	1,972	-	1,972
VAT incurred	-	-	742,094	742,094
	403,165	5,924,439	742,094	7,069,698
Balance at June 30, 2018	8,499,525	24,136,702	3,296,194	35,932,421

During the 2017 period the Company was primarily focused on negotiating access agreements and finalizing its environmental impact assessments. In February 2017 the Company initiated drilling activities at Ayawilca. The drilling program remained active through the remainder of 2017. During the 2018 period the Company incurred a total of \$7,069,698 (2017 - \$4,010,907) for exploration expenditures, comprising \$5,924,439 (2017 - \$3,781,226) on the Ayawilca Project, \$403,165 (2017 - \$144,055) on the Colquipucro Project, and \$742,094 (2017 - \$458,776) for IVA tax in Peru which remains outstanding and is a component of exploration expenditures. During the 2017 period the Company received a VAT recovery of \$373,150. See also “Exploration Projects, Peru - Recent Exploration Results and Planned Work Program”.

Financings

During the 2018 period the Company completed equity financings to raise gross proceeds of \$16,239,496, as follows:

- (i) on April 4, 2018 the Company completed a prospectus offering of 16,790,000 units, at a price of \$0.48 per unit for gross proceeds of \$8,059,200. Each unit comprised one common share and one-half warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$0.75 per share until April 4, 2019. The Company paid a cash commission of \$483,552; and
- (ii) private placement financing of 17,042,284 units \$0.48 per unit for gross proceeds of \$8,180,296. Each unit comprised one common share and one-half warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$0.75 per share for one year from closing. On April 6, 2018 the Company closed on the first tranche of 12,022,284 units for gross proceeds of \$5,770,696. A cash commission of \$38,963 was paid on the first tranche placement. On April 27, 2018 the Company closed on the remaining tranche of 5,020,000 units for proceeds of \$2,409,600. No cash commission was paid on the remaining tranche.

In addition during the 2018 period the Company issued a total of 15,862,132 common shares on the exercises of warrants and share options for total proceeds of \$4,875,154. The Company plans to use the proceeds from the financings and warrant and option exercises to fund exploration expenditures at the Ayawilca Project, as well as for other corporate purposes and general working capital.

During the 2017 period the Company completed a private placement financing and issued a total of 55,000,000 common shares for gross proceeds of \$11,000,000. In addition, during the 2017 period the Company received \$1,645,781 from the exercise of share options and warrants.

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 June 30, 2018 the Company had working capital in the amount of \$17,210,606. Management considers that the Company has sufficient funds to maintain ongoing corporate overhead, 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 June 30, 2018 the Company received \$303,000 on the exercises of share options.

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 the 2018 and 2017 periods 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:

	2018	2017
	\$	\$
Management fees - Dr. Carman	285,006	220,000
Professional fees - Mr. DeMare	22,500	22,500
Professional fees - Mr. Fernandez-Baca	177,682	192,596
Share-based compensation - Dr. Carman	105,307	113,180

	2018 \$	2017 \$
Share-based compensation - Mr. DeMare	14,449	81,800
Share-based compensation - Mr. Fernandez-Baca	46,939	49,087
	651,883	679,163

During the 2018 period the Company expensed \$285,006 (2017 - \$220,000) to management fees, \$117,573 (2017 - \$119,920) to professional fees and \$166,695 (2017 - \$244,067) for share-based compensation. In addition the Company capitalized \$82,609 (2017 - \$95,176) of Mr. Fernandez-Baca's compensation to exploration and evaluation assets.

(b) *Transactions with Other Related Parties*

- (i) During the 2018 and 2017 periods the following amounts were incurred for professional services provided by non-management current and former directors of the Company (Mary Little, Ben McKeown, and David Henstridge) and the Corporate Secretary (Mariana Bermudez):

	2018 \$	2017 \$
Professional fees - Ms. Little (current director) ⁽¹⁾	18,000	18,000
Professional fees - Mr. McKeown (current director) ⁽²⁾	18,000	-
Professional fees - Mr. Henstridge (former director) ⁽³⁾	3,000	18,000
Professional fees - Ms. Bermudez ⁽⁴⁾	43,600	13,360
Share-based compensation - Ms. Little	15,561	81,800
Share-based compensation - Mr. McKeown	37,049	-
Share-based compensation - Mr. Henstridge	-	81,800
Share-based compensation - Ms. Bermudez	12,041	56,237
	147,251	269,197

(1) Appointed on March 23, 2016.

(2) Appointed director on August 17, 2017 and appointed non-executive Chairman on February 14, 2018.

(3) Resigned on November 15, 2017.

(4) Since June 1, 2017, Ms. Bermudez compensation is 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 June 30, 2018, \$20,620 (September 30, 2017 - \$9,000) remained unpaid.

- (ii) During the 2018 period the Company incurred a total of \$41,450 (2017 - \$28,550) with Chase, a private corporation owned by Mr. DeMare, for accounting and administrative services provided by Chase personnel, excluding Mr. DeMare, and \$3,015 (2017 - \$3,015) for rent. As at June 30, 2018 \$3,500 (September 30, 2017 - \$7,670) remained unpaid.

During the 2018 period the Company also recorded \$4,816 (2017 - \$15,337) 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 August 24, 2018, there were 262,547,452 issued common shares, 31,141,318 warrants outstanding exercisable at prices ranging from \$0.20 to \$0.75 per share and 12,247,750 share options outstanding, at exercise prices ranging from \$0.20 to \$0.65 per share.