

TINKA RESOURCES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED DECEMBER 31, 2017

This discussion and analysis of financial position and results of operation is prepared as at February 27, 2018 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and the accompanying notes for the three months ended December 31, 2017 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, 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
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 of December 31, 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 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 the Colquipucro silver resource area since 2014. Much of the area is prospective for zinc, which has been the main focus of recent exploration activities.

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)

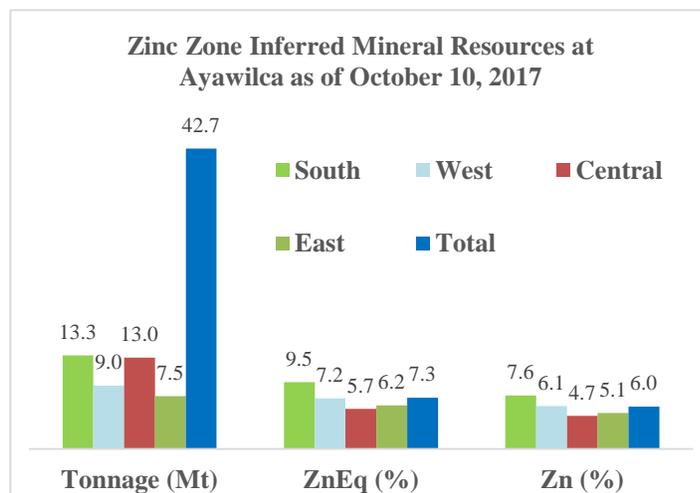
Zone	Tonnage (Mt)	ZnEq (%)	Zn (%)	Pb (%)	In (g/t)	Ag (g/t)	Zn (Mlb)	Pb (Mlb)	In (kg)	Ag (Moz)
West	9.0	7.2	6.1	0.2	64	14	1,206	37	577	4.0
Central	13.0	5.7	4.7	0.3	54	13	1,338	77	704	5.4
East	7.5	6.2	5.1	0.2	69	13	846	34	519	3.1
South	13.3	9.5	7.6	0.2	118	25	2,228	61	1,561	10.6
Total	42.7	7.3	6.0	0.2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

$$\text{NSR} = [\text{Zn}(\%) * \text{US}\$15.34 + \text{Pb}(\%) * \text{US}\$6.15 + \text{In}(\text{g}/\text{t}) * \text{US}\$0.18 + \text{Ag}(\text{g}/\text{t}) * \text{US}\$0.27]$$
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 & 2018 Drill Program

The Company drilled approximately 20,000 metres at Ayawilca during 2017. The main outcome of the drill program was the significant high-grade discovery at South Ayawilca. Drilling is continuing into 2018 with one rig currently operating at the area known as "Zone 3", with a second rig planned to commence in March 2018 to test other targets at the project.

South Ayawilca 2017 drill highlights included:

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;

Recent Results and Upcoming Work Program

The Company has two key objectives for 2018:

- (i) continue the exploration drill programs targeting additional zinc resources at Ayawilca with 15,000 metres of drilling planned; and
- (ii) advance the project with desktop mining studies and detailed metallurgical tests that will form the basis of a Preliminary Economic Assessment (“PEA”) planned for the second half of 2018. Exact timing of the PEA will depend on the extent to which significant new mineralization is identified in the first half of 2018.

A further nine drill holes from the Company’s ongoing drill program at Ayawilca were released in February 2018. All holes were testing for mineralization outside of the existing mineral resource boundaries. Four holes (107, 109, 110 and 111) were drilled at the new Zone 3 discovery area, part of a large geophysical target believed to be the northeastern extension of Ayawilca. An additional five holes were drilled at South, West and Central Ayawilca.

High-grade zinc mineralization intersected in holes A18-110 & A18-111 at Zone 3 is associated with flat-dipping massive sulphide replacements of the Pucará limestone and lower Goyllar sandstone, similar in style to the zinc

mineralization at South and West Ayawilca. In addition, high-grade vein-style polymetallic mineralization (zinc-lead-silver-tin) has been intersected in phyllite rocks at Zone 3 (hole A17-109), which represents a new style of mineralization encountered at Ayawilca for the first time. The high-grade polymetallic veins are believed to be feeder structures for the zinc and tin mineralization in the overlying limestones.

Drilling of hole A18-112 at Zone 3 has now commenced, with a second drill rig expected to start up once the wet weather conditions improve in March.

Recent Drill Result Highlights

Massive sulphide drill intercepts⁽¹⁾

Hole A18-111 (Zone 3):

- 5.0 metres at 20.2 % zinc, 0.3 % lead, 74 g/t silver & 420 g/t indium from 173.8 metres depth.

Hole A18-110 (Zone 3):

- 6.0 metres at 5.6 % zinc & 50 g/t indium from 436.0 metres depth; and
- 4.0 metres at 8.4 % zinc & 126 g/t indium from 454.0 metres depth, *including*
 - 0.5 metres at 41.7 % zinc & 366 g/t indium from 456.2 metres depth.

Hole A17-107 (Zone 3):

- 16.0 metres at 0.65 % tin & 0.09 % copper from 576.0 metres depth, *including*
 - 2.8 metres at 2.4 % tin & 0.01 % copper from 582.5 metres depth.

High-grade polymetallic veins⁽²⁾

Hole A17-109 (Zone 3):

- 0.7 metres at 4.8 % zinc, 8.8 % lead, 674 g/t silver & 0.76 % tin from 577.0 metres depth; and
- 1.2 metres at 5.2 % zinc, 10.1 % lead, 621 g/t silver & 0.29 % tin from 611.2 metres depth; and
- 0.6 metres at 5.5 % zinc, 4.8 % lead, 305 g/t silver & 0.48 % tin from 615.4 metres depth; and
- 0.35 metres at 6.5% zinc, 9.0 % lead, 557 g/t silver & 0.76 % tin from 681.6 metres depth.

Hole A18-110 (Zone 3):

- 0.35 metres at 17.1 % zinc, 7.5 % lead, 1.15% copper & 513 g/t silver from 530.4 metres depth.

(1) True thicknesses of the zinc and tin intersections in massive sulphides are estimated to be at least 85% of the downhole thicknesses.

(2) True thicknesses of the veins are unknown at this time.

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 the second quarter of 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 unaudited condensed consolidated interim financial statements of the Company.

	Fiscal 2018	Fiscal 2017				Fiscal 2016			
	Dec. 31 2017 \$	Sept. 30 2017 \$	Jun. 30 2017 \$	Mar. 31 2017 \$	Dec. 31 2016 \$	Sept. 30 2016 \$	Jun. 30 2016 \$	Mar. 31 2016 \$	
Operations:									
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
Expenses	(624,063)	(747,935)	(701,393)	(1,153,703)	(472,787)	(283,858)	(445,266)	(310,627)	

	Fiscal 2018	Fiscal 2017				Fiscal 2016			
	Dec. 31 2017 \$	Sept. 30 2017 \$	Jun. 30 2017 \$	Mar. 31 2017 \$	Dec. 31 2016 \$	Sept. 30 2016 \$	Jun. 30 2016 \$	Mar. 31 2016 \$	
Other items	102,748	(71,246)	(129,336)	28,642	58,920	(176,247)	9,310	(50,377)	
Net loss and comprehensive loss	(521,315)	(819,181)	(830,729)	(1,125,061)	(413,867)	(460,105)	(435,956)	(361,004)	
Loss per share -basic and diluted	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
Balance Sheet:									
Working capital	6,529,914	5,649,150	8,460,307	10,707,494	11,580,424	1,691,780	2,692,830	3,661,246	
Total assets	38,192,196	35,055,174	34,618,538	33,834,964	33,871,065	23,782,063	24,193,242	24,614,226	
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	

Results of Operations

Three Months Ended December 31, 2017 Compared to Three Months Ended September 30, 2017

During the three months ended December 31, 2017 (the “Q1/2018”) the Company reported a net loss of \$521,315 compared to a net loss of \$819,181 for the three months ended September 30, 2017 (the “Q4/2017”), a decrease in loss of \$297,866. The decrease in loss is mainly attributed to:

- (i) a decrease in share-based compensation expense. During Q4/2017 share-based compensation of \$155,923 was recorded relating to the granting of 500,000 share options and \$100,913 on the vesting of share options which were previously granted. No share options were granted or vested during Q1/2018 and, accordingly, no share-based compensation expense was recognized;
- (ii) a \$38,760 increase in audit fees, from \$nil during Q4/2017 as no audit services were incurred;
- (iii) a \$4,660 increase in general exploration related to properties in Peru from \$25,104 during Q4/2017 to \$29,764 during Q1/2018; and
- (iv) a \$32,948 increase in travel expenses, from \$41,132 during Q4/2017 to \$74,080 during Q1/2018. The increase is due to increased travel by management.

Three Months Ended December 31, 2017 Compared to three months Ended December 31, 2016

During the three months ended December 31, 2017 (the “2017 period”), the Company reported a net loss of \$521,315 compared to a net loss of \$413,867 for the three months ended December 31, 2016 (the “2016 period”), an increase in loss of \$107,448.

Expenses increased by \$151,276, from \$472,787 during the 2016 period to \$624,063 during the 2017 period. Specific expenses of note are as follows:

- (i) during the 2017 period the Company was billed a total of \$29,798 (2016 - \$15,625) for accounting and administration services of which \$18,000 (2016 - \$9,450) 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, and \$11,798 (2016 - \$6,175) was billed 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 the 2017 period management fees of \$70,002 (2016 - \$55,000) were paid to Dr. Carman, the President and CEO of the Company;
- (iii) during the 2017 period the Company incurred \$45,824 (2016 - \$85,412) for professional fees, of which:
 - \$45,824 (2016 - \$43,478) was attributed to amounts incurred with current and former directors and officers of the Company;
 - \$nil (2016 - \$6,374) was reimbursement to a public company with certain common directors for shared personnel, office and other costs; and
 - \$nil (2016 - \$35,560) was incurred with various parties for financial advisory services.

- The Company also capitalized \$27,619 (2016 - \$37,608) for professional fees to exploration and evaluation assets. See also “Transactions with Related Parties”;
- (iv) during the 2016 period share-based compensation of \$13,278 was recorded relating to the granting and vesting of share options. No share options were granted or vested during the 2017 period and, accordingly, no share-based compensation expense was recognized;
 - (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 the 2017 period the Company was billed a total of \$22,500 (2016 - \$15,000) by Alpha;
 - (vi) corporate development expense decreased by \$2,352, from \$13,630 during the 2016 period to \$11,278 during the 2017 period;
 - (vii) a \$4,381 increase in general exploration, from \$25,383 during the 2016 period to \$29,764 during the 2017 period;
 - (viii) a \$60,859 increase in legal expense, from \$1,292 during the 2016 period to \$62,151 during the 2017 period. Legal expenses incurred during the 2017 period were mainly related to the listing of the Company’s common shares on the Lima Stock Exchange. Legal expenses incurred during fiscal 2016 were limited to corporate general matters;
 - (ix) a \$30,457 increase in investment conferences, from \$21,432 during the 2016 period to \$51,889 during the 2017 period. The increase is primarily attributed to the Company participating in more investment conferences in Europe and North America; and
 - (x) a \$37,225 increase in salaries, wages and benefits, from \$76,065 during the 2016 period to \$113,290 during the 2017 period. The increase is primarily attributed to requiring more staff in Peru.

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 2017 period the Company recorded interest income of \$21,218 compared to \$17,677 during the 2016 period, an increase of \$3,541. The increase is due to higher levels of cash held throughout the 2017 period compared to the 2016 period,

During the 2017 period the Company recorded a foreign exchange gain of \$81,530 compared to a foreign exchange gain of \$41,243 reported during the 2016 period. The increase in foreign exchange gain for the 2017 period arose from the appreciation of the Canadian dollar compared to the US dollar and the Peruvian Soles.

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

	As at December 31, 2017			As at September 30, 2017		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Colquipucro	338,330	7,936,198	8,274,528	338,330	7,758,030	8,096,360
Ayawilca	457,785	19,696,963	20,154,748	457,785	17,754,478	18,212,263
Other	-	2,790,845	2,790,845	-	2,554,100	2,554,100
	<u>796,115</u>	<u>30,424,006</u>	<u>31,220,121</u>	<u>796,115</u>	<u>28,066,608</u>	<u>28,862,723</u>

Exploration and evaluation activities incurred during the three months ended December 31, 2017 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
Geophysical	5,355	6,032	-	11,387
Metallurgical test work	-	75,977	-	75,977
Software and database management	8,926	8,925	-	17,851

	Colquipucro \$	Ayawilca \$	Other \$	Total \$
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>
Exploration costs				
Camp costs	-	259,745	-	259,745
Community relations	62,668	467,491	-	530,159
Consulting	67,231	67,230	-	134,461
Depreciation	-	1,259	-	1,259
Drilling	-	952,867	-	952,867
Environmental	9,949	78,460	-	88,409
Geological	-	99,112	-	99,112
Land access	38,320	14,074	-	52,394
Topography	-	2,247	-	2,247
VAT incurred	-	-	236,745	236,745
	<u>178,168</u>	<u>1,942,485</u>	<u>236,745</u>	<u>2,357,398</u>
Balance at December 31, 2017	<u>8,274,528</u>	<u>20,154,748</u>	<u>2,790,845</u>	<u>31,220,121</u>

During the 2016 period the Company was primarily focussed 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 and is planned to continue through 2018. See also “Exploration Projects, Peru - 2017 and 2018 Drill Program”.

During the 2017 period the Company incurred a total of \$2,357,398 (2016 - \$493,168) for exploration expenditures, comprising \$1,942,485 (2016 - \$462,767) on the Ayawilca Project, \$178,168 (2016 - \$30,401) on the Colquipucro Project, and \$236,745 (2016 - \$33,533) for other concessions and IVA tax in Peru.

Financings

During the 2017 period the Company issued 12,532,347 common shares for gross proceeds of \$3,757,704 on the exercise of share options and warrants. The Company did not complete any equity financings during the 2017 period.

During the 2016 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. The Company allocated the net proceeds from the financing to fund the 2017 and 2018 drilling program at the Company’s Ayawilca Project in Peru, as well as for other exploration expenditures, corporate purposes and general working capital.

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 December 31, 2017 the Company had working capital in the amount of \$6,529,914. 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.

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 2017 and 2016 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:

	2017 \$	2016 \$
Management fees - Dr. Carman	70,002	55,000
Professional fees - Mr. DeMare	7,500	7,500
Professional fees - Mr. Fernandez-Baca	46,323	61,586
	<u>123,825</u>	<u>124,086</u>

During the three months ended December 31, 2017 the Company expensed \$70,002 (2016 - \$55,000) to management fees, and \$26,204 (2016 - \$31,478) to professional fees. In addition the Company capitalized \$27,619 (2016 - \$37,608) to exploration and evaluation assets.

(b) *Transactions with Other Related Parties*

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

	2017 \$	2016 \$
Professional fees - Ms. Little (current director) ⁽¹⁾	6,000	6,000
Professional fees - Mr. McKeown (current director) ⁽²⁾	6,000	-

	2017 \$	2016 \$
Professional fees - Mr. Britz (current director) ⁽³⁾	-	-
Professional fees - Mr. Henstridge (former director) ⁽⁴⁾	3,000	6,000
Professional fees - Ms. Bermudez ⁽⁵⁾	4,620	-
	<u>19,620</u>	<u>12,000</u>

(1) Appointed on March 23, 2016.

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

(3) Appointed on January 8, 2018.

(4) Resigned on November 15, 2017.

(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 December 31, 2017 \$4,420 (September 30, 2017 - \$9,000) remained unpaid.

- (ii) During the 2017 period the Company incurred a total of \$18,000 (2016 - \$9,450) with Chase, a private corporation owned by Mr. DeMare, for accounting and administrative services provided by Chase personnel, excluding Mr. DeMare, and \$1,005 (2016 - \$1,005) for rent. As at December 31, 2017 \$15,170 (September 30, 2017 - \$7,670) remained unpaid.

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 February 27, 2018, there were 224,784,669 issued common shares, 14,225,176 warrants outstanding exercisable at prices ranging from \$0.20 to \$0.45 per share and 10,228,750 share options outstanding, at exercise prices ranging from \$0.20 to \$0.65 per share.