

# **TINKA RESOURCES LIMITED**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED JUNE 30, 2014**

This discussion and analysis of financial position and results of operation is prepared as at August 27, 2014 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, 2014 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**

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated exploration programs and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to identify one or more economic deposits on its properties, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations. In particular, the current state of the global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations.

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](http://www.sedar.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 is currently engaged in the acquisition and exploration of precious and base metals on mineral properties located 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. 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 II issuer, under the symbol "TK" and on the Frankfurt Exchange under the symbol "TLD".

### **Plan of Arrangement and Financing**

On April 16, 2014 the Company, Darwin Resources Corp. ("Darwin") and Sentient Global Resources Fund IV, LP entered into a binding term sheet (the "Agreement") whereby the Company agreed to acquire, through a statutory plan of arrangement (the "Arrangement"), all of the outstanding shares of Darwin. Under the terms of the Arrangement, Darwin's shareholders received one common share of the Company for each 5.5 common shares of Darwin. The Arrangement was approved by Darwin shareholders on July 11, 2014 and by the Supreme Court of British Columbia on July 18, 2014. On July 24, 2014 the Company completed the Arrangement and acquired all of the issued and outstanding common shares of Darwin, under which the Company issued 6,131,094 common shares. The Company also granted 474,500 share options, exercisable at \$1.375 per share expiring June 19, 2015, and 342,401 warrants, exercisable at \$0.77 per share expiring November 27, 2015, in exchange for Darwin share options and warrants outstanding (adjusted for the exchange ratio).

As part of the Arrangement, the Company agreed to undertake a private placement of an initial amount of up to 16,509,090 units of the Company at a price of \$0.275 per unit for gross proceeds of up to \$4,540,000. The private placement was oversubscribed and the Company increased the private placement and issued 28,834,491 units for \$7,929,485, as follows:

- (i) a first tranche placement on May 1, 2014 of 1,818,182 units for \$500,000; and
- (ii) a second tranche placement concurrent with the closing of the Arrangement of 27,016,309 units for \$7,429,485.

Each unit comprised one common share and one half of one share purchase warrant, with each whole warrant exercisable to acquire an additional common share at a price of \$0.365 for a period of 24 months. The Sentient Group purchased a total of 21,330,909 units under the private placement. The Sentient Group beneficially own, or exercise control or direction over, 23,169,276 shares of the Company, or approximately 19.97% of the issued and outstanding shares, and warrants of the Company entitling the Sentient Group to acquire up to an additional 10,665,455 shares of the Company (the “Sentient Warrants”). The Sentient Group has agreed to a restriction on the exercise of the Sentient Warrants that will prevent the exercise thereof should such exercise result in the Sentient Group holding 20% or more of the issued and outstanding shares of the Company unless Company shareholder approval is obtained.

The Company also issued to a finder 91,000 finder’s units, each unit having the same terms as the units issued under the private placement.

The proceeds from the private placement will be used for conducting exploration and resource development work on the Ayawilca and Colquipucro projects and for general working capital purposes.

### **Corporate Update**

On closing of the Arrangement, Mr. Andrew Carter resigned as President, CEO and a director of the Company and was replaced by Dr. Graham Carman. The Company has paid Mr. Carter a severance payment of \$240,000 and Dr. Carman a signing bonus of \$160,000. Dr. Carman subsequently paid \$81,744 to the Company which was the outstanding balance of a loan from Darwin to Dr. Carman to enable him to purchase common shares of Darwin at the time Darwin was listed on the TSXV.

The current directors and officers of the Company are now as follows:

Dr. Graham Carman	Director, President and CEO
Mr. Nick DeMare	Director and CFO
Mr. David Henstridge	Director
Mr. William Lee	Director
Ms. Yanina Barila	Director
Mr. John Nebocat	Vice-President of Exploration
Ms. Mariana Bermudez	Corporate Secretary

### **Exploration Projects, Peru**

In Peru, as of the date of this MD&A, Tinka has staked 50 mining concessions covering 11,740 hectares at the Company’s flagship Colquipucro silver and Ayawilca zinc projects in central Peru. In addition, Tinka has 17 mining concessions covering 11,436 hectares in Peru acquired from the acquisition of Darwin.

#### ***Colquipucro Silver Project***

The Colquipucro and Ayawilca projects are located 200 km northeast of Lima in the Department of Pasco at an elevation of between 4000 and 4300 metres above sea level. The Company began exploration at Colquipucro during 2006. While sampling of old silver vein-hosted mines at the site, Tinka discovered that silver mineralization was also disseminated between the fracture zones within the sandstone host. From that discovery, Tinka has completed 6,425 metres of diamond drilling from 20 platforms at the project. Drilling has defined a region of oxidized silver mineralization approximately 400 metres long (north-south) by 150 metres wide (east-west) and up to 100 metres thick. The oxidised silver mineralization is largely in an upper sandstone unit from surface to up to 100 metres depth,

while in places also extends downward into the lower unit (altered siltstone and limestone). The Company believes that Colquipucro has the potential to host a moderate size, bulk-tonnage open pit silver oxide deposit. Surface mineralization remains open along strike, beyond the limit of the drilling footprint.

Highlights of past Tinka drill intercepts are shown in the table below:

Colquipucro Silver Drill Intersections

Drill Hole	From (m)	To (m)	Down-Hole Interval (m)	Silver (g/t)
CDD30	2.0	106.0	<b>104.0</b>	<b>95</b>
CDD29	2.0	112.0	<b>110.0</b>	<b>79</b>
CDD21	14.0	106.0	<b>92.0</b>	<b>93</b>
CDD13	18.0	88.0	<b>70.0</b>	<b>122</b>
CDD4	96.0	128.0	<b>34.0</b>	<b>249</b>
CDD23	16.0	90.0	<b>74.0</b>	<b>108</b>
CDD11	94.0	146.0	<b>52.0</b>	<b>134</b>
CDD22	14.0	96.0	<b>82.0</b>	<b>82</b>
CDD19	38.0	68.0	<b>30.0</b>	<b>205</b>
CDD28	24.0	132.0	<b>108.0</b>	<b>55</b>
CDD6	0.0	56.0	<b>56.0</b>	<b>90</b>
CDD11	0.0	44.0	<b>44.0</b>	<b>97</b>
CDD27	96.0	136.7	<b>40.7</b>	<b>100</b>
CDD31	10.0	64.0	<b>54.0</b>	<b>59</b>
CDD4	10.0	38.0	<b>28.0</b>	<b>105</b>
CDD3	0.0	24.0	<b>24.0</b>	<b>75</b>
CDD2	66.0	92.0	<b>26.0</b>	<b>69</b>
CDD26	24.0	32.5	<b>8.5</b>	<b>206</b>
CDD34	88.0	108.0	<b>20.0</b>	<b>80</b>

A National Instrument 43-101 report released by Tinka in 2014 ([see Tinka NI 43-101 Technical Report April 2, 2014](#)), calculated an Inferred Mineral Resource of 12.1 million tonnes grading 82 g/t silver using a 15 g/t cut-off, equating to 32 million ounces silver. Details of the Inferred Mineral Resource are shown in the following table:

NI 43-101 Inferred Mineral Resource April 2014 (Amended and Restated from September 2012), Colquipucro

Cut-off Category	15 g/t Ag			30 g/t Ag		
	Tonnes	Average Grade: g/t (oz)	Contained Oz.	Tonnes	Average Grade: g/t (oz)	Contained Oz.
Sandstone	9,220,960	80.6 (2.35)	23,890,861	5,936,548	114.3 (3.33)	21,821,145
Lower Units	2,892,569	87.6 (2.55)	8,144,869	1,254,350	137.3 (4.00)	5,535,062
Global	12,113,530	82.3 (2.40)	32,035,730	7,190,898	118.3 (3.45)	27,356,207

Preliminary metallurgical bottle roll and column leach tests of oxidised material from four drill composite samples in 2012 found good to excellent silver recoveries in three of those samples (between 50-70% recovery from samples crushed to minus 2mm) with low cyanide consumption after three days of leaching. Further test work is required to quantify the likely silver recovery from a possible future mining operation.

In March 2014 the Company received from the Ministry of Energy and Mines (“MINEM”) of Peru, the Directorial Resolution N° 097-2014-MEM-DGAAM, approving a semi-detailed environmental impact study (“EIASd”) for additional drilling at Colquipucro. The approval of the EIASd allows the Company to drill from an additional 34 drill platforms.

The next round of drilling at Colquipucro is scheduled to begin during September 2014, with approximately 10 diamond drill holes planned for 1,500 metres. The objectives of the program include extending the inferred silver oxide resource, by drilling along strike as well as tightening up the drill spacing in some areas. Metallurgical work to test silver recovery from the oxidized materials will also be carried out.

## Ayawilca Zinc Project

The Ayawilca zinc project lies less than 2 km south and east of the Colquipucro silver project beneath a 150m thick sandstone cap. A number of very small <1m wide silver-zinc structures outcrop in sandstone at the western end of the Ayawilca area, but otherwise the zinc mineralization is “blind” buried beneath the thick sandstone cap. The zinc sulphide mineralization was discovered when Tinka drilled a geophysical IP anomaly at the western end of Ayawilca in May 2011.

The zinc mineralization is associated with semi-massive to massive sulphides of pyrite, pyrrhotite and sphalerite with minor to trace galena, chalcopyrite and arsenopyrite. The sulphides typically replace the matrix and clasts of the host sediments and is accompanied by widespread chlorite alteration. The sphalerite is mostly dark-coloured and coarse-grained, and is typically accompanied by iron rich minerals (pyrite, pyrrhotite, magnetite, and siderite). The predominant host of the sulphide mineralization is siltstone and limestone of the Oyon Formation up to 300 metres thick.

To date Tinka has drilled 12,370m in 38 diamond drill holes - see table below for highlights of drill intersections.

### Ayawilca Zinc and Base Metal Drill Intersections

Drill Hole	From (m)	To (m)	Down-Hole Interval (m)	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)
A12-04A	266.0	278.0	12.0	10.51	0.03	0.05	14
A12-08	170.0	174.0	4.0	11.66	0.03	0.05	9
<i>and</i>	195.5	232.0	36.5	6.51	0.02	0.06	5
<i>including</i>	195.5	214.5	19.0	9.02	0.02	0.08	6
A13-05	130.3	343.2	212.9	5.34	0.17	0.03	15
<i>including</i>	130.3	179.5	49.2	10.07	0.55	0.16	46
<i>including</i>	150.0	166.0	16.0	18.14	0.05	0.25	39
<i>and</i>	316.0	326.0	10.0	12.93	0.02	0.04	42
A13-06	260.0	322.0	62.0	4.59	0.07	0.01	7
<i>including</i>	264.7	278.0	13.4	13.35	0.20	0.02	14
A13-07	75.8	76.9	1.1	30.00	0.06	0.10	54
A14-08	331.2	352.0	20.8	6.08	0.23	0.03	13
<i>and</i>	375.1	412.0	36.8	6.09	0.44	0.05	10
DD70	100.0	104.0	4.0	10.45	0.04	0.13	59
DD71	196.0	200.0	4.0	30.90	0.32	0.13	63
A13-01	312.0	346.0	34.0			0.57	12
A13-04	344.0	368.0	24.0	0.40		0.73	33
A13-11*	330.0	344.2	14.2			0.74	25

\* ended in mineralization

In July 2013 the Company received an approval for its Environmental Impact Assessment semi-detailed study (“EIASd”) for the next proposed drill program at Ayawilca. The permit allows for up to 74 platforms for a period of 30 months based on the proposed timetable submitted to the Ministry of Mines.

In July 2014 Tinka carried out 245 line km of ground magnetics on 100m-spaced lines, extending the area of magnetics coverage from 4 km<sup>2</sup> to almost 28 km<sup>2</sup>. Zinc mineralization in the drill core at Ayawilca commonly occurs in association with magnetic minerals. The magnetics data is therefore considered useful for the direct drill targeting of zinc mineralization beneath the sandstone cover. The new survey has identified a number of untested drill targets along a 3-kilometre long northeast trend at Ayawilca. Other targets have also been found in the survey area that require ground follow-up.

Tinka is now gearing up to begin its next drill program at Ayawilca. Drilling is anticipated to begin by September 1, 2014. An 8,500 metre diamond drill program is planned for 19 drill holes which is expected to take five to six months to complete. The objectives of the program are to test the down-dip extensions of the previously drilled A13-05 drill hole, to determine an initial zinc resource at the project, as well as test a number of the new geophysical targets that were identified by the recent ground magnetic survey. Some targets will remain untested, as not all prospective areas are currently drill permitted.

### *Other Projects in Peru*

Tinka has a number of other projects which came via the recent acquisition of Darwin, including the Suriloma option and 100% owned Rurimarac. As Tinka will be focussing on its 100% owned Colquipucro and Ayawilca projects for the coming field season, the Tinka board has recently decided to withdraw from the Suriloma project with immediate effect, with no retained ownership. The book value of the Suriloma project will be written off in full in the fourth quarter.

Tinka will continue to hold the 100% owned Darwin properties in Peru, but may seek to farm-out selected properties if attractive deals can be done, that have the potential to add value to shareholders. The properties are as follows:

#### *Rurimarac*

The Rurimarac gold project is located in the Department of Ancash north-central Peru, 35km south of Barrick's Pierina gold mine (10 Moz). The property consists of two 100%-owned granted mining concessions for 2,000 ha.

The principal target at Rurimarac is an outcropping zone of oxide gold mineralization in fault breccia at the contact between siltstone and diorite exposed for almost 1km. Previous sampling in 65 pit and trench samples up to 1 metre deep ranged in grade from 0.1 g/t to 39 g/t Au, with an average grade of 5.1 g/t Au. A single past drill hole which tested the main geochemical target intersected 6m @ 3.3g/t Au from 60m depth.

No work was carried out during the period at the Rurimarac property. The Company is considering work plans for the property, including farm-out to a joint venture participant.

#### *Parihuana*

The Company has a 50% joint-venture interest in the Parihuana property located in the Province of Parinacochas, Department of Ayacucho Peru. The property covers 1,500 hectares and the area is believed to be prospective for gold - copper skarn and porphyry mineralization, and a number of artisanal mine workings are known on the properties.

A site visit is planned shortly with Duran Ventures Inc., the Company's joint venture partner, to determine a work program for the coming year.

#### *Cojines*

The Cojines property consists of three granted claims for 2,100 ha. Cojines is located 15km north of the Cuajone porphyry copper-molybdenum mine (1.2 Bt at 0.64% Cu) in the southern Peru copper belt operated by Southern Copper Corporation.

No work was carried out during the period at the Cojines property. The prospective rocks for potential porphyry copper mineralization lie beneath thick volcanic cover, requiring geophysical exploration.

#### *Pallka*

The Pallka property consists of one granted mining concession for 1,000 ha. The property lies 360km southeast of Lima in the Department of Ayacucho. Minor copper mineralization was found in limestone along a fault zone at the property, but no further work is planned immediately.

### Corilazo

The Corilazo property consists of two granted mineral concessions for 1,000 ha, located 80km south of Cusco in the Las Bambas-Tintaya copper belt of southeastern Peru. No exploration work was carried out on the properties during this quarter.

### Pampa Blanca

Pampa Blanca consists of two granted mineral concessions for 1,600 ha located in the Department of Ayacucho 300km southeast of Lima. Initial reconnaissance exploration identified altered intrusive rocks on the property, but no significant zones of mineralization have yet to be identified.

### Arcapampa

The Arcapampa property consists of two granted mineral claims for 1,900 ha, located 15km north of the high-grade gold mine of Orcopampa (3 Moz Au), and 15km south of the Arcata silver-rich mine (2 Moz gold equivalent) in the Department of Arequipa, southern Peru. No significant mineralized zones have yet been recognized on the property.

### 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 2014			Fiscal 2013			Fiscal 2012	
	Jun. 30 2014 \$	Mar. 31 2014 \$	Dec. 31 2013 \$	Sept. 30 2013 \$	Jun. 30 2013 \$	Mar. 31 2013 \$	Dec. 31 2012 \$	Sept. 30 2012 \$
<b>Operations:</b>								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(265,424)	(280,652)	(293,080)	(279,605)	(220,859)	(1,731,010)	(370,124)	(749,811)
Other items	(6,734)	28,890	32,123	(43,498)	(15,999)	(5,478)	11,127	(25,530)
Net loss and comprehensive loss	(272,158)	(251,762)	(260,957)	(323,103)	(236,858)	(1,736,488)	(358,997)	(775,341)
Loss per share -basic and diluted	(0.00)	(0.00)	(0.00)	(0.02)	(0.00)	(0.02)	(0.00)	(0.01)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Balance Sheet:</b>								
Working capital (deficiency)	(71,310)	291,704	1,134,633	1,440,632	2,228,112	1,401,908	2,730,618	2,135,148
Total assets	12,686,543	12,415,332	12,614,148	11,868,307	11,921,621	9,742,690	9,624,123	7,794,594
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

### Results of Operations

#### Three Months Ended June 30, 2014 Compared to Three Months Ended March 31, 2014

During the three months ended June 30, 2014 ("Q3") the Company reported a net loss of \$272,158, compared to a net loss of \$251,762 for the three months ended March 31, 2014 ("Q2"), an increase in loss of \$20,396. The increase in loss in Q3 was attributed primarily to an \$63,454 increase in legal costs, from \$13,683 during Q2 to \$77,137 during Q3. The increase was due to legal advice on general corporate matters and attendance to all legal matters pertaining to the Arrangement.

The increase in loss in Q3 was partially offset by the following:

- (i) a \$34,989 decrease in share-based compensation. The Company recorded share-based compensation of \$23,184 during Q2 and recorded a recovery of \$11,805 during Q3 relating to changes in the fair values estimates and assumptions from prior quarters on share options granted to investor relations consultants; and
- (ii) a \$24,854 decrease in travel costs, from \$31,003 during Q2 to \$6,149 during Q3. During Q2 the Company was conducting its drilling program on the Ayawilca Project, necessitating a number of trips to Peru by its President and Vice-President of Exploration. Limited travel was conducted in Q3.

*Nine Months Ended June 30, 2014 Compared to Nine Months Ended June 31, 2013*

During the nine months ended June 30, 2014 (the "2014 period"), the Company reported a net loss of \$784,877 (\$0.01 per share) compared to a net loss of \$2,332,343 (\$0.03 per share) for the nine months ended June 30, 2013 (the "2013 period"), a decrease in loss of \$1,547,466. The decrease in loss during the 2014 period was primarily attributed to a \$1,403,955 decrease in share-based compensation expense and a general decrease in the level of activities. During the 2014 period the Company recorded \$19,591 share-based compensation relating to the granting of 220,000 share options compared to \$1,383,963 share-based compensation recorded on the granting of 3,040,000 share options during the 2013 period. During the 2013 period the Company also recorded share-based compensation of \$39,583 on the vesting of stock options which were previously granted.

General and administrative expenses decreased by \$1,482,837, from \$2,321,993 during the 2013 period to \$839,156 during the 2014 period. Specific expenses of note are as follows:

- during the 2014 period the Company was billed \$31,250 (2013 - \$28,600) 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 \$3,015 (2013 - \$3,340) by Chase for office space provided;
- during the 2014 period management fees of \$90,000 (2013 - \$90,000) were billed by Mr. Andrew Carter, the Company's former President and CEO, in his capacity as such;
- during the 2014 period the Company incurred \$78,970 (2013 - \$83,346) for professional expenses, of which \$54,000 (2013 - \$29,700) was billed by private companies owned by certain directors and the Vice-President of Exploration of the Company, \$16,340 (2013 - \$14,301) was reimbursed to public companies with certain common directors for shared personnel, office and other costs and \$8,630 (2013 - \$39,345) was billed by various parties for consulting services. The Company also capitalized \$22,900 (2013 - \$51,250) professional fees, which was billed by a private company owned by the Vice-President of Exploration of the Company, to exploration and evaluation assets;
- during the 2014 period the Company incurred \$94,925 (2013 - \$48,900) for legal costs, an increase of \$46,025. The increase was related to the legal advice on general corporate matters and attendance to all legal matters pertaining to the Arrangement;
- a total of \$57,515 decrease in general exploration costs, office costs, office rent, salaries, wages and benefits, and travel costs from \$419,227 for the 2013 period to \$361,712 for the 2014 period. The decrease was mainly due to decreased levels of activities in Peru during the 2014 period;
- share-based compensation of \$19,591 (2013 - \$1,383,963) was recorded during the 2014 period relating to the granting of share options. During the 2013 period the Company also recorded share-based compensation of \$39,583 on the vesting of stock options which were previously granted;
- during the 2014 period the Company was billed a total of \$51,000 (2013 - \$49,000) for investor relations costs. See also "Investor Relations Activities";
- corporate development expenses decreased by \$50,152 from \$72,445 during the 2013 period to \$22,293 during the 2014 period. During the 2014 period the Company significantly curtailed participation in corporate development programs; and
- audit fees of \$30,015 (2013- \$43,911) for the Company's year-end financial statements.

During the 2014 period the Company capitalized \$2,355,575 (2013 - \$3,925,443) for mineral property interests exploration expenditures and acquisition costs, comprising \$423,754 (2013 - \$1,322,482) on the Colquipucro Project, \$1,709,426 (2013 - \$2,174,852) on the Ayawilca Project, and \$222,395 (2013 - \$428,109) for IVA tax in Peru. See also "Exploration Projects".

	As at June 30, 2014			As at September 30, 2013		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Colquipucro	278,289	5,916,802	6,195,091	207,167	5,564,170	5,771,337
Ayawlca	78,352	4,719,472	4,797,824	23,984	3,064,414	3,088,398
Other	-	1,465,670	1,465,670	-	1,243,275	1,243,275
	<u>356,641</u>	<u>12,101,944</u>	<u>12,458,585</u>	<u>231,151</u>	<u>9,871,859</u>	<u>10,103,010</u>

	Peru			
	Colquipucro \$	Ayawlca \$	Other \$	Total \$
<b>Balance at September 30, 2012</b>	<u>4,312,791</u>	<u>407,939</u>	<u>749,108</u>	<u>5,469,838</u>
<b>Exploration costs</b>				
Assays	47,206	137,652	-	184,858
Camp costs	64,254	170,901	-	235,155
Community relations	55,725	61,853	-	117,578
Consulting	4,331	11,305	-	15,636
Depreciation of property, plant and equipment	10,349	19,334	-	29,683
Drilling	522,871	991,882	-	1,514,753
Exploration site	71,960	152,193	-	224,153
Field equipment	93,254	128,754	-	222,008
Fuel	37,864	181,793	-	219,657
Geological	116,477	234,788	-	351,265
Salaries	366,124	235,423	-	601,547
Transportation	25,112	327,006	-	352,118
Travel	6,343	3,591	-	9,934
VAT	-	-	494,167	494,167
	<u>1,421,870</u>	<u>2,656,475</u>	<u>494,167</u>	<u>4,572,512</u>
<b>Acquisition costs</b>				
Surface right payments	<u>36,676</u>	<u>23,984</u>	<u>-</u>	<u>60,660</u>
<b>Balance at September 30, 2013</b>	<u>5,771,337</u>	<u>3,088,398</u>	<u>1,243,275</u>	<u>10,103,010</u>
<b>Exploration costs</b>				
Assays	11,995	31,450	-	43,445
Camp costs	46,618	132,434	-	179,052
Community relations	3,948	105,164	-	109,112
Consulting	2,400	2,700	-	5,100
Depreciation of property, plant and equipment	3,901	18,774	-	22,675
Drilling	-	663,990	-	663,990
Environmental	8,068	10,606	-	18,674
Exploration site	27,726	116,100	-	143,826
Field equipment	1,206	53,456	-	54,662
Fuel	3,418	101,077	-	104,495
Geological	32,684	135,631	-	168,315
Geophysics	-	26,209	-	26,209
Salaries	203,623	110,408	-	314,031
Transportation	4,702	144,049	-	148,751
Travel	2,343	3,010	-	5,353
VAT	-	-	222,395	222,395
	<u>352,632</u>	<u>1,655,058</u>	<u>222,395</u>	<u>2,230,085</u>
<b>Acquisition costs</b>				
Concession payments	<u>71,122</u>	<u>54,368</u>	<u>-</u>	<u>125,490</u>
<b>Balance at June 30, 2014</b>	<u>6,195,091</u>	<u>4,797,824</u>	<u>1,465,670</u>	<u>12,458,585</u>

During the 2014 period the Company completed private placement financings as follows:

- (i) 2,769,480 units at a price of \$0.50 per unit for gross proceeds of \$1,384,740; and
- (ii) 1,818,182 units at a price of \$0.275 per unit for gross proceeds of \$500,000.

During the 2013 period the Company completed private placement financings as follows:

- (i) 3,000,000 units at \$0.75 per unit for gross proceeds of \$2,250,000; and
- (ii) 3,030,265 units at a price of \$0.85 per unit for gross proceeds of \$2,575,725

In addition, during the 2014 period the Company received \$21,600 (2013 - \$458,900) from the exercise of share options and warrants. The funds were allocated for exploration on the Company's Colquipucro and Ayawilca projects and general working capital purposes.

### **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, 2014 the Company had cash of \$134,847 and working capital deficiency in the amount of \$71,310. Subsequent to June 30, 2014 the Company completed the acquisition of Darwin as contemplated under the Arrangement and the second tranche financing to raise to a further \$7,429,485. The Company has budgeted approximately \$3,000,000 for its upcoming drill programs on the Ayawilca and Colquipucro projects. Management considers that the Company currently has sufficient financial resources to complete the planned drill programs and other exploration activities and meet anticipated corporate administration costs for the upcoming twelve months. However, 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, 2013 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 nine months ended June 30, 2014 and 2013 the following amounts were incurred with respect to the Company's former Chief Executive Officer (Mr. Andrew Carter), the Company's Vice-President of Exploration (Mr. John Nebocat), and the Company's CFO (Mr. Nick DeMare):

	2014	2013
	\$	\$
Management fees - Mr. Carter	90,000	90,000
Professional fees - Mr. DeMare	13,500	10,500
Professional fees - Mr. Nebocat	45,400	55,450
Share-based compensation - Mr. Carter	-	265,771
Share-based compensation - Mr. DeMare	-	212,617
Share-based compensation - Mr. Nebocat	-	186,040
	<u>148,900</u>	<u>820,378</u>

The Company has expensed \$36,000 (2013 - \$14,700) professional fees to operations and capitalized \$22,900 (2013 - \$51,250) professional fees to exploration and evaluation assets.

As at June 30, 2014, \$10,500 (2013 - \$10,500) remained unpaid.

See also "Corporate Update".

### (b) *Transactions with Other Related Parties*

(i) During the nine months ended June 30, 2014 and 2013 the following amounts were incurred with respect to non-management directors of the Company (Messrs. David Henstridge and William Lee) and the Company's Corporate Secretary (Ms. Mariana Bermudez):

	2014	2013
	\$	\$
Professional fees - Mr. Henstridge	9,000	7,500
Professional fees - Mr. Lee	9,000	7,500
Share-based compensation - Mr. Henstridge	-	203,970
Share-based compensation - Mr. Lee	-	106,308
Share-based compensation - Ms. Bermudez	-	93,020
	<u>18,000</u>	<u>418,298</u>

As at June 30, 2014, \$4,000 (2013 - \$6,000) remained unpaid.

(ii) During the nine months ended June 30, 2014 the Company incurred a total of \$31,250 (2013 - \$28,600) with Chase, a private corporation owned by Mr. DeMare, for accounting and administrative services provided by Chase personnel, excluding Mr. DeMare, and \$3,105 (2013 - \$3,340) for rent. As at June 30, 2014, \$8,120 (2013 - \$6,170) remained unpaid.

(c) The Company shared personnel, office and other costs with two public companies, Tumi Resources Limited ("Tumi") and Mawson Resources Limited ("Mawson"). Mr. DeMare and Mr. Henstridge are also directors of Tumi and Mawson. During the 2014 period the Company recorded \$16,340 (2013 - \$14,301) expenses with the public companies. As at June 30, 2014, \$2,500 (2013 - \$nil) 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.

## **Investor Relations Activities**

Effective August 1, 2014 the Company engaged Albis Capital Corp. ("Albis") to provide investor relations services to the Company. The principals of Albis are Mr. James Powell and Ms. Seema Sindwani. Albis will work with the Company to, among other things, develop a strategy to enhance and expand the Company's exposure in North America and Europe, provide market awareness, promotion and arrange road shows. Under the contract, subject to TSXV approval, Albis will be paid a monthly fee of \$2,500 and has been granted stock options to purchase up to 200,000 common shares of Tinka at an exercise price of \$0.30 per common share for a period of three years, subject to vesting and termination provisions. Albis' engagement may be terminated at any time on 30-day advance notice.

Commencing December 1, 2013 the Company entered into an investor relations agreement with Mr. Reg Advocaat for an initial term of twelve months, at \$5,500 per month. In addition Mr. Advocaat was paid a signing-fee of \$5,500. The Company also granted share options to Mr. Advocaat to purchase up to 200,000 common shares of the Company at a price of \$0.50 per common share for a period of three years, subject to vesting and termination provisions. During the 2014 period the Company was billed a total of \$44,000 by Mr. Advocaat. Effective July 3, 2014 Mr. Advocaat's engagement was terminated.

On February 1, 2013 the Company engaged Michael D'Amico to provide investor relations services at \$3,500 per month. Effective November 30, 2013 Mr. D'Amico's engagement was terminated. During the 2014 period the Company was billed a total of \$7,000 (2013 - \$14,000) by Mr. D'Amico.

In addition the Company updates its website ([www.tinkaresources.com](http://www.tinkaresources.com)) on a continuous basis.

## **Outstanding Share Data**

The Company's authorized share capital is unlimited common shares with no par value. As at August 27, 2014, there were 116,022,729 issued common shares, 17,714,019 warrants outstanding exercisable at prices ranging from \$0.365 to \$1.25 per share, compensation options to purchase 313,750 units exercisable at prices ranging from \$0.50 to \$0.85 per unit and 10,544,500 share options outstanding, at exercise prices ranging from \$0.30 to \$1.375 per share.