
TINKA RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2021 AND 2020

(Expressed in Canadian Dollars)



Independent Auditor's Report

To the Shareholders of Tinka Resources Limited

Opinion

We have audited the consolidated financial statements of Tinka Resources Limited (the “Company”), which comprise the consolidated statements of financial position as at September 30, 2021 and September 30, 2020, and the consolidated statements of comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2021 and September 30, 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Carly Bergman.

Vancouver, B.C.
January 26, 2022

"D&H Group LLP"

Chartered Professional Accountants

TINKA RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	September 30, 2021 \$	September 30, 2020 \$
ASSETS			
Current assets			
Cash and cash equivalents		4,041,734	12,865,468
Restricted cash	4	7,644,600	8,003,400
GST receivable		17,044	7,727
Prepaid expenses		<u>87,859</u>	<u>65,038</u>
Total current assets		<u>11,791,237</u>	<u>20,941,633</u>
Non-current assets			
Property, plant and equipment	5	49,273	47,594
Exploration and evaluation assets	6	<u>55,266,993</u>	<u>48,317,684</u>
Total non-current assets		<u>55,316,266</u>	<u>48,365,278</u>
TOTAL ASSETS		<u>67,107,503</u>	<u>69,306,911</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		<u>596,196</u>	<u>781,045</u>
TOTAL LIABILITIES		<u>596,196</u>	<u>781,045</u>
SHAREHOLDERS' EQUITY			
Share capital	7	93,478,232	93,478,232
Share-based payments reserve	7	7,176,618	7,136,533
Deficit		<u>(34,143,543)</u>	<u>(32,088,899)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>66,511,307</u>	<u>68,525,866</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>67,107,503</u>	<u>69,306,911</u>

These consolidated annual financial statements were approved for issue by the Board of Directors on January 26, 2022 and are signed on its behalf by:

/s/ Graham Carman
Graham Carman
Director

/s/ Nick DeMare
Nick DeMare
Director

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

TINKA RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	Year Ended September 30	
		2021 \$	2020 \$
Expenses			
Accounting and administration	8(b)(ii)	98,999	121,677
Audit		42,000	42,000
Corporate development		79,348	31,419
Depreciation		534	2,699
Directors and officers compensation	8	574,272	650,100
General exploration		53,351	77,120
Investment conferences		19,392	47,114
Investor relations		36,000	79,500
Legal		102,558	52,983
Office		171,260	178,869
Professional fees		-	5,650
Regulatory		68,402	70,414
Rent		44,536	52,472
Salaries and benefits		258,450	427,486
Shareholder costs		13,720	24,982
Share-based compensation	7(d)	40,085	1,074,407
Transfer agent		13,565	14,414
Travel and related		12,370	101,252
		<u>1,628,842</u>	<u>3,054,558</u>
Loss before other items		<u>(1,628,842)</u>	<u>(3,054,558)</u>
Other items			
Interest income		99,735	190,614
Foreign exchange		(525,537)	180,675
		<u>(425,802)</u>	<u>371,289</u>
Net loss and comprehensive loss for the year		<u>(2,054,644)</u>	<u>(2,683,269)</u>
Loss per share - basic and diluted		<u>\$(0.01)</u>	<u>\$(0.01)</u>
Weighted average number of common shares outstanding - basic and diluted		<u>340,740,717</u>	<u>318,569,229</u>

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

TINKA RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Year Ended September 30, 2021				
	Share Capital				
	Number of Shares	Amount \$	Share-Based Payments Reserve \$	Deficit \$	Total Shareholders' Equity \$
Balance at September 30, 2020	340,740,717	93,478,232	7,136,533	(32,088,899)	68,525,866
Share-based compensation	-	-	40,085	-	40,085
Net loss for the year	-	-	-	(2,054,644)	(2,054,644)
Balance at September 30, 2021	340,740,717	93,478,232	7,176,618	(34,143,543)	66,511,307

	Year Ended September 30, 2020				
	Share Capital				
	Number of Shares	Amount \$	Share-Based Payments Reserve \$	Deficit \$	Total Shareholders' Equity \$
Balance at September 30, 2019	264,609,031	75,110,666	6,062,126	(29,405,630)	51,767,162
Common shares issued for:					
- private placement	76,131,686	18,500,000	-	-	18,500,000
Share issue costs	-	(132,434)	-	-	(132,434)
Share-based compensation	-	-	1,074,407	-	1,074,407
Net loss for the year	-	-	-	(2,683,269)	(2,683,269)
Balance at September 30, 2020	340,740,717	93,478,232	7,136,533	(32,088,899)	68,525,866

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

TINKA RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	<u>Year Ended September 30.</u>	
	<u>2021</u>	<u>2020</u>
	\$	\$
Operating activities		
Net loss for the year	(2,054,644)	(2,683,269)
Adjustments for:		
Depreciation	534	2,699
Share-based compensation	40,085	1,074,407
Changes in non-cash working capital items:		
GST receivable	(9,317)	(2,435)
Prepaid expenses	(22,821)	54,840
Accounts payable and accrued liabilities	4,242	(466)
Net cash used in operating activities	<u>(2,041,921)</u>	<u>(1,554,224)</u>
Investing activities		
Expenditures on exploration and evaluation assets	(7,127,048)	(2,779,203)
Additions to property, plant and equipment	(13,565)	(26,714)
Net cash used in investing activities	<u>(7,140,613)</u>	<u>(2,805,917)</u>
Financing activities		
Issuance of common shares	-	18,500,000
Share issue costs	-	(132,434)
Net cash provided by financing activities	<u>-</u>	<u>18,367,566</u>
Net change in cash	(9,182,534)	14,007,425
Cash and cash equivalents at beginning of year	<u>20,868,868</u>	<u>6,861,443</u>
Cash and cash equivalents at end of year	<u>11,686,334</u>	<u>20,868,868</u>
Cash and cash equivalents comprises:		
Cash	4,041,734	4,193,468
Restricted cash	7,644,600	8,003,400
Short-term redeemable investment certificates	-	8,672,000
	<u>11,686,334</u>	<u>20,868,868</u>

Supplemental cash flow information - See Note 12

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

TINKA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in Canadian Dollars)

1. Nature of Operations

Tinka Resources Limited (the “Company”) was incorporated on September 15, 1987 under the provisions of the Company Act (British Columbia). The Company is listed and traded on the TSX Venture Exchange (“TSXV”) and the Lima Stock Exchange under the symbol “TK”, on the OTCQB under the symbol “TKRFF” and on the Frankfurt Exchange under the symbol “TLD”. The Company’s principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7 Canada.

The Company is a junior mineral exploration company currently engaged in the acquisition and exploration of mineral properties located in Peru. On the basis of information to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the mineral resource interests is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and upon future profitable production. Mineral resource interests represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values.

As at September 30, 2021 the Company had working capital in the amount of \$11,195,041. These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business operations for the foreseeable future. To date the Company has not earned any revenue 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. Although management considers that the Company has adequate resources to maintain its core operations and planned exploration programs on its existing exploration and evaluation assets for the next twelve months, the Company recognizes that exploration expenditures may change with ongoing results and, as a result, it may be required to obtain additional financing. While the Company has been successful in securing financings in the past there can be no assurance that it will be able to do so in the future.

In March 2020 the World Health Organization (“WHO”) declared the outbreak of a novel coronavirus, identified as “COVID-19”, as a global pandemic. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. Mining and exploration activities has, to a large extent, continued uninterrupted. The Company has implemented safety and physical distancing procedures, testing protocols and is encouraging its employees to be vaccinated. The Company will continue to monitor the impact of the COVID-19 outbreak, the duration and impact which is unknown at this time, as is the efficacy of any intervention. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

2. Basis of Preparation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of Measurement

The Company’s consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. These consolidated financial statements are presented in Canadian Dollars unless otherwise stated.

TINKA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

Details of the Group

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

The subsidiaries of the Company are as follows:

<u>Company</u>	<u>Location of Incorporation</u>	<u>Ownership Interest</u>
Darwin Resources Corp.	Canada	100%
Tinka Resources S.A.C.	Peru	100%
Darwin Peru S.A.C.	Peru	100%
Cia. Electrica Chaupihuaranga S.A.C.	Peru	100%

3. Summary of Significant Accounting Policies

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- (i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- (ii) Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.
- (iii) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods. During fiscal 2021 and 2020 management determined that no impairment indicators were present and no impairment charge was required.

TINKA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

- (iv) Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.
- (v) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized to the extent of the amount expected to be utilized. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Details of these can be found in Note 9.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- (i) Depreciation expense is allocated based on assumed useful life of property, plant and equipment. Should the useful life differ from the initial estimate, an adjustment would be made in the statement of operations.
- (ii) The cost estimates are updated periodically during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. As at September 30, 2021 and 2020 there were no decommissioning liabilities.
- (iii) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.
- (iv) The assessment of any impairment of evaluation and exploration assets, and property, plant and equipment is dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets. In fiscal 2021 and 2020 management has concluded that there were no impairment indicators with respect to exploration and evaluation assets and property, plant and equipment.

Cash and Cash Equivalents

Cash includes cash in bank and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution.

TINKA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Amounts Receivable

Receivables are recognized initially at fair value and classified as amortized cost. Receivables are subsequently measured at amortized cost using the effective interest method, less expected credit losses. At each reporting date, the Company records a credit loss at an amount equal to the lifetime expected credit losses using a present value and probability-weighted model.

Accounts Payable and Accrued Liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are classified as amortized cost initially at fair value and are subsequently measured at amortized cost using the effective interest method.

Exploration and Evaluation Assets

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and, accordingly, follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties and crediting all proceeds received against the cost of the related properties. Such costs include, but are not exclusive to, geological and geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

The Company also accounts for foreign value added taxes as part of deferred costs. These amounts are treated as a reduction in the carrying costs of exploration and evaluation assets as they are recovered.

All capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that an exploration expenditure is not expected to be recovered, it is recognized in the consolidated statements of comprehensive income or loss.

Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

TINKA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Property, plant and equipment are depreciated annually on a straight-line basis over the estimated useful life of the assets, at a rate of between 20% and 25% for office furniture and equipment and vehicles.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of comprehensive income or loss.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

The Company compares the carrying value of property, plant and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

Impairment of Assets

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statements of comprehensive income or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized in the consolidated statements of comprehensive income or loss.

Decommissioning Provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. As at September 30, 2021 and 2020 the Company does not have any decommissioning obligations.

TINKA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Financial Instruments

The Company classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at FVTPL; (ii) those to be measured subsequently at fair value through other comprehensive income (FVOCI); and (iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are recognized in the consolidated statements of comprehensive income or loss.

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recognized in the consolidated statements of comprehensive income or loss.

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Equity Financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company adopted a residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in the private placements is determined by the closing quoted bid price on the price reservation date, if applicable, or the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

Share-Based Payment Transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized separately on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

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3. Summary of Significant Accounting Policies (continued)

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Current and Deferred Income Taxes

The tax expense comprises current and deferred tax. Tax is recognized in the statement of comprehensive loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax relating to items recognized directly in equity or other comprehensive income ("OCI") is recognized in equity or OCI and not in the consolidated statements of comprehensive income or loss.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Loss Per Share

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share.

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3. Summary of Significant Accounting Policies (continued)

Foreign Currency Translation

Functional and Presentation Currency

The financial statements of each of the Company's subsidiaries are prepared in the local currency of their home jurisdictions. Consolidation of each subsidiary includes re-measurement from the local currency to the subsidiary's functional currency. Each subsidiary's functional currency, being the currency of the primary economic environment in which the subsidiary operates, is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Exchange rates published by the Bank of Canada were used to translate subsidiary financial statements into the consolidated financial statements. Income and expenses for each statement of comprehensive loss presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in the consolidated statements of comprehensive income or loss.

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive income or loss.

Adoption of New Accounting Standards

Effective October 1, 2020 the Company adopted the Amendments to IFRS 3 - *Definition of a Business*, which clarifies the definition of a business for the purpose of determining whether a transaction should be accounted for as an asset acquisition or a business combination. The amendments:

- clarify the minimum attributes that the acquired assets and activities must have to be considered a business;
- remove the assessment of whether market participants can acquire the business and replace missing inputs or processes to enable them to continue to produce outputs;
- narrow the definition of a business and the definition of outputs; and
- add an optional concentration test that allows a simplified assessment of whether an acquired set of activities and assets is not a business.

There was no impact on the Company's consolidated financial statements upon the adoption of the amendments of this standard.

4. Restricted Cash

The Company has set aside \$7,644,600 (US \$6,000,000) for exploration and development of the Company's mineral projects.

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5. Property, Plant and Equipment

	Office Furniture and Equipment \$	Vehicles \$	Total \$
Cost:			
Balance at September 30, 2019	140,661	101,141	241,802
Additions	28,486	-	28,486
Disposals	<u>(4,356)</u>	<u>-</u>	<u>(4,356)</u>
Balance at September 30, 2020	164,791	101,141	265,932
Additions	<u>13,565</u>	<u>-</u>	<u>13,565</u>
Balance at September 30, 2021	<u>178,356</u>	<u>101,141</u>	<u>279,497</u>
Accumulated Depreciation:			
Balance at September 30, 2019	(106,827)	(101,141)	(207,968)
Depreciation	(12,990)	-	(12,990)
Disposals	<u>2,620</u>	<u>-</u>	<u>2,620</u>
Balance at September 30, 2020	(117,197)	(101,141)	(218,338)
Depreciation	<u>(11,886)</u>	<u>-</u>	<u>(11,886)</u>
Balance at September 30, 2021	<u>(129,083)</u>	<u>(101,141)</u>	<u>(230,224)</u>
Carrying Value:			
Balance at September 30, 2020	<u>47,594</u>	<u>-</u>	<u>47,594</u>
Balance at September 30, 2021	<u>49,273</u>	<u>-</u>	<u>49,273</u>

6. Exploration and Evaluation Assets

	September 30, 2021			September 30, 2020		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Colquipucro	402,014	9,261,472	9,663,486	402,014	8,794,352	9,196,366
Ayawilca	1,571,273	40,301,497	41,872,770	1,297,195	35,026,527	36,323,722
Other	<u>329,924</u>	<u>3,400,813</u>	<u>3,730,737</u>	<u>-</u>	<u>2,797,596</u>	<u>2,797,596</u>
	<u>2,303,211</u>	<u>52,963,782</u>	<u>55,266,993</u>	<u>1,699,209</u>	<u>46,618,475</u>	<u>48,317,684</u>

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6. Exploration and Evaluation Assets (continued)

	Colquipucro \$	Ayawilca \$	Other \$	Total \$
Balance at September 30, 2019	<u>9,048,534</u>	<u>33,306,363</u>	<u>3,433,415</u>	<u>45,788,312</u>
Exploration costs				
Assays	-	17,564	-	17,564
Camp costs	530	616,066	-	616,596
Community relations	147,302	780,734	-	928,036
Depreciation	-	10,291	-	10,291
Drilling	-	52,811	-	52,811
Engineering	-	145,930	-	145,930
Environmental	-	317,099	-	317,099
Geological	-	437,188	-	437,188
Health and safety	-	180,718	-	180,718
Metallurgical	-	82,784	-	82,784
Modelling	-	37,399	-	37,399
Software and database management	-	14,759	-	14,759
Topography	-	2,775	-	2,775
VAT incurred	-	-	309,038	309,038
VAT recovered	-	-	(944,857)	(944,857)
	<u>147,832</u>	<u>2,696,118</u>	<u>(635,819)</u>	<u>2,208,131</u>
Acquisition costs				
Concession payments and related taxes	-	321,241	-	321,241
Balance at September 30, 2020	<u>9,196,366</u>	<u>36,323,722</u>	<u>2,797,596</u>	<u>48,317,684</u>
Exploration costs				
Assays	-	-	10,059	10,059
Camp costs	2,322	752,409	13,114	767,845
Community relations	438,844	939,287	-	1,378,131
Depreciation	-	11,352	-	11,352
Drilling	-	1,700,246	-	1,700,246
Engineering	23,343	268,049	-	291,392
Environmental	2,611	498,540	-	501,151
Geological	-	567,571	8,324	575,895
Health and safety	-	355,220	-	355,220
Metallurgical	-	153,802	-	153,802
Software and database management	-	27,306	-	27,306
Topography	-	1,188	-	1,188
VAT incurred	-	-	706,488	706,488
VAT recovered	-	-	(134,768)	(134,768)
	<u>467,120</u>	<u>5,274,970</u>	<u>603,217</u>	<u>6,345,307</u>
Acquisition costs				
Property acquisition payment	-	-	177,176	177,176
Concession payments and related taxes	-	274,078	128,931	403,009
Staking costs	-	-	23,817	23,817
	<u>-</u>	<u>274,078</u>	<u>329,924</u>	<u>604,002</u>
Balance at September 30, 2021	<u>9,663,486</u>	<u>41,872,770</u>	<u>3,730,737</u>	<u>55,266,993</u>

Colquipucro and Ayawilca Projects

As at September 30, 2021 the Colquipucro and Ayawilca projects comprise a total of 59 mineral claims granted in the Province of Daniel Alcides Carrion, Peru.

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6. Exploration and Evaluation Assets (continued)

The Company is required to issue 500,000 common shares to Sierra Peru Pty Ltd. (“Sierra”) in the event that a positive feasibility study is prepared on either of the Colquipucro or Ayawilca projects. Sierra also retains a right to a 1% net smelter royalty (“NSR”) from any production from 46 of the 59 mineral claims that make up the Colquipucro and Ayawilca projects. The NSR can be purchased at any time for US \$1,000,000.

Other

On June 16, 2021 the Company entered into an acquisition agreement with BHP World Exploration Inc. Sucursal del Peru (“BHP Peru”) in which the Company paid \$177,176 (US \$145,000) and acquired 37 mineral claims (the “Silvia Project”) located in the Huanuco Andean region of central Peru. BHP Peru retains a right to a 1% NSR. The NSR can be repurchased at any time for US \$8,000,000 on or before July 8, 2036.

As at September 30, 2021 the Company has three granted mining concessions and six applications at three exploration target areas in Central Peru.

Expenditures incurred by the Company in Peru are subject to Peruvian Value Added Tax (“VAT”). The VAT is included in exploration and evaluation assets as incurred. Under Peruvian law VAT paid can be used in the future to offset amounts resulting from VAT charged on sales. Under certain circumstances and subject to approval from tax authorities a Company can also apply for early refund of VAT prior to generating sales. As at September 30, 2021 the Company has a VAT balance of \$3,370,885 (2020 - \$2,797,800).

7. Share Capital

(a) ***Authorized Share Capital***

The Company’s authorized share capital consists of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) ***Equity Financings***

Fiscal 2021

No financings were conducted during fiscal 2021.

Fiscal 2020

On January 13, 2020 the Company completed a non-brokered private placement totalling 76,131,686 common shares of the Company at a price of \$0.243 per share for \$18,500,000, of which Compania de Minas Buenaventura S.A. subscribed for \$16,000,000 and Sentient Global Resources Fund IV, LP subscribed for \$2,500,000.

The Company incurred a total of \$132,434 for legal and other costs associated with the private placement.

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7. **Share Capital** (continued)

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's warrants outstanding at September 30, 2021 and 2020 and the changes for the years ended on those dates is as follows:

	2021		2020	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of year	-	-	12,382,347	0.45
Expired	-	-	<u>(12,382,347)</u>	0.45
Balance, end of year	<u>-</u>	-	<u>-</u>	-

(d) *Share Option Plan*

The Company has established a rolling share option plan (the "Plan") in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years.

During fiscal 2021 the Company granted share options to purchase 500,000 (2020 - 8,500,000) common shares and recorded compensation expense of \$38,000 (2020 - \$1,040,580). The Company also recorded additional compensation expense of \$2,085 (2020 - \$33,827) on the vesting of share options previously granted.

The fair value of share options granted and vested during the year ended September 30, 2021 and 2020 is estimated using the Black-Scholes option pricing model using the following assumptions:

	<u>2021</u>	<u>2020</u>
Risk-free interest rate	0.32% - 0.72%	0.31% - 1.43%
Estimated volatility	65% - 72%	74% - 76%
Expected life	3.5 years - 4.75 years	4.5 years - 5 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The weighted average measurement date fair value of all share options granted, using the Black-Scholes option pricing model, during fiscal 2021 was \$0.08 (2020 - \$0.13) per option.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's share options.

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7. Share Capital (continued)

A summary of the Company's share options at September 30, 2021 and 2020 and the changes for the year ended on those dates, is as follows:

	2021		2020	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of year	14,377,000	0.36	11,145,500	0.43
Granted	500,000	0.25	8,500,000	0.25
Expired	<u>(1,157,500)</u>	0.44	<u>(5,268,500)</u>	0.34
Balance, end of year	<u>13,720,000</u>	0.35	<u>14,377,000</u>	0.36

The following table summarizes information about the share options outstanding and exercisable at September 30, 2021:

Number	Exercise Price \$	Expiry Date
5,255,000	0.50	May 8, 2022
35,000	0.35	March 8, 2023
<u>8,430,000</u>	0.25	January 23, 2025
<u>13,720,000</u>		

8. Related Party Disclosures

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

(a) *Transactions with Key Management Personnel*

During fiscal 2021 and 2020 the following amounts were incurred with respect to the Company's Chief Executive Officer ("CEO"), Vice-President of Exploration ("VPE") and Chief Financial Officer ("CFO") as follows:

	2021 \$	2020 \$
Management fees - CEO	309,996	354,336
Management fees - VPE	206,190	265,959
Professional fees - CFO	36,000	33,100
Share-based compensation	<u>-</u>	<u>539,500</u>
	<u>552,186</u>	<u>1,192,895</u>

During fiscal 2021 the Company expensed \$428,472 (2020 - \$517,820) to directors and officers compensation and \$nil (2020 - \$539,500) for share-based compensation. In addition, the Company capitalized \$123,714 (2020 - \$135,575) of compensation paid to the VPE to exploration and evaluation assets.

As at September 30, 2021 \$3,000 (2020 - \$nil) remained unpaid and has been included in accounts payable and accrued liabilities.

Pursuant to various agreements with its CEO and VPE the Company is currently committed to pay up to approximately \$860,000 in the event of termination without cause or a change of control of the Company.

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8. Related Party Disclosures (continued)

(b) *Transactions with Other Related Parties*

- (i) During fiscal 2021 and 2020 the following amounts were incurred with respect to the Company's non-management current and former directors and the corporate secretary of the Company:

	2021 \$	2020 \$
Directors and officers compensation	145,800	132,280
Share-based compensation	<u>-</u>	<u>273,000</u>
	<u>145,800</u>	<u>405,280</u>

As at September 30, 2021 \$3,500 (2020 - \$1,680) remained unpaid and has been included in accounts payable and accrued liabilities.

- (ii) During fiscal 2021 the Company incurred a total of \$54,000 (2020 - \$57,800) with Chase Management Ltd. ("Chase"), a private corporation owned by the CFO, for accounting and administrative services provided by Chase personnel, excluding the CFO, and \$4,020 (2020 - \$4,020) for rent. As at September 30, 2021 \$4,170 (2020 - \$4,170) remained unpaid and has been included in accounts payable and accrued liabilities.

9. Income Taxes

The income tax effects of temporary differences and unused tax losses that give rise to significant components of deferred income tax assets and liabilities are as follows:

	2021 \$	2020 \$
Deferred income tax assets (liabilities):		
Losses available for future periods	4,733,000	4,618,300
Tax basis of exploration and evaluation assets in excess of net book value	8,696,200	10,153,900
Other	<u>261,400</u>	<u>356,600</u>
	13,690,600	15,128,800
Valuation allowance for deferred income tax assets	<u>(13,690,600)</u>	<u>(15,128,800)</u>
Net deferred income tax assets	<u>-</u>	<u>-</u>

The recovery of income taxes shown in the consolidated statements of comprehensive loss and deficit differ from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2021	2020
Income tax rate reconciliation		
Combined federal and provincial income tax rate	<u>27.0%</u>	<u>27.0%</u>

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9. Income Taxes (continued)

	2021 \$	2020 \$
Expected income tax recovery	(554,800)	(724,500)
Permanent differences	(77,200)	202,200
Effect of different income tax rates in Peru and Canada	21,300	28,200
Change in valuation allowance	<u>610,700</u>	<u>494,100</u>
Actual income tax recovery	<u>-</u>	<u>-</u>

As at September 30, 2020 the Company has non-capital losses of approximately \$14,666,200 (2020 - \$13,531,800), capital losses of approximately \$329,100 (2020 - \$329,100) and tax pools of approximately \$800,700 (2020 - \$1,153,200) carried forward for Canadian income tax purposes and are available to reduce Canadian taxable income in future years. The non-capital losses expire commencing 2026 through 2041. The capital losses and tax pools can be carried forward indefinitely.

The Company also has non-capital losses of approximately \$2,577,000 (2020 - \$3,068,300) and tax pools of approximately \$38,876,200 (2020 - \$38,661,600) carried forward for Peruvian income tax purposes, which are available for application against future taxable income. The non-capital losses expire commencing December 31, 2021 through December 31, 2026. The tax pools can be carried forward indefinitely.

Future income tax benefits which may arise as a result of these losses have not been recognized in the consolidated financial statements as their realization is unlikely.

10. Segmented Information

Substantially all of the Company's operations are in one industry, the exploration for base and precious metals. Management reviews the financial results according to expenditures by property. The Company's mineral properties are located in Peru and its corporate assets are located in Canada. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results.

	<u>September 30, 2021</u>		
	Corporate Canada \$	Mineral Operations Peru \$	Total \$
Current assets	11,654,194	137,043	11,791,237
Property, plant and equipment	-	49,273	49,273
Exploration and evaluation assets	-	<u>55,266,993</u>	<u>55,266,993</u>
	<u>11,654,194</u>	<u>55,453,309</u>	<u>67,107,503</u>
	<u>September 30, 2020</u>		
	Corporate Canada \$	Mineral Operations Peru \$	Total \$
Current assets	20,573,542	368,091	20,941,633
Property, plant and equipment	-	47,594	47,594
Exploration and evaluation assets	-	<u>48,317,684</u>	<u>48,317,684</u>
	<u>20,573,542</u>	<u>48,733,369</u>	<u>69,306,911</u>

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11. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: fair value through profit or loss (“FVTPL”); amortized cost; and fair value through other comprehensive income (“FVOCI”). The carrying values of the Company’s financial instruments are classified into the following categories:

Financial Instrument	Category	September 30, 2021 \$	September 30, 2020 \$
Cash and cash equivalents	FVTPL	4,041,734	12,865,468
Restricted cash	FVTPL	7,644,600	8,003,400
Accounts payable and accrued liabilities	Amortized cost	(596,196)	(781,045)

The Company’s financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The Company’s cash and cash equivalents and restricted cash under the fair value hierarchy are measured using Level 1 inputs.

The Company’s risk exposures and the impact on the Company’s financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company’s credit risk is primarily attributable to cash. Management believes that the credit risk concentration with respect to financial instruments included in cash and restricted cash is remote.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company’s financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

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11. Financial Instruments and Risk Management (continued)

	Contractual Maturity Analysis at September 30, 2021				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash and cash equivalents	4,041,734	-	-	-	4,041,734
Restricted cash	7,644,600	-	-	-	7,644,600
Accounts payable and accrued liabilities	(596,196)	-	-	-	(596,196)

	Contractual Maturity Analysis at September 30, 2020				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash and cash equivalents	12,865,468	-	-	-	12,865,468
Restricted cash	8,003,400	-	-	-	8,003,400
Accounts payable and accrued liabilities	(781,045)	-	-	-	(781,045)

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bear floating rates of interest. The interest rate risk on cash and cash equivalents and on the Company's obligations are not considered significant.

(b) Foreign Currency Risk

The Company has operations in Canada and Peru which are subject to foreign currency fluctuations. The Company's operating expenses are incurred in Canadian Dollars and Peruvian Nuevo Soles and the fluctuation of the Canadian Dollar in relation to other currencies will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company also maintains a US Dollar bank account with a Canadian bank. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks. At September 30, 2021, 1 Canadian Dollar was equal to 3.27 Peruvian Nuevo Soles and 0.78 US Dollar.

Balances are as follows:

	Peruvian Nuevo Soles	US Dollars	CDN \$ Equivalent
Cash and cash equivalents	383,177	1,812,002	2,440,259
Restricted cash	-	6,000,000	7,644,600
Accounts payable and accrued liabilities	<u>(1,364,344)</u>	<u>(110,039)</u>	<u>(558,306)</u>
	<u>(981,167)</u>	<u>7,701,963</u>	<u>9,526,553</u>

Based on the net exposures as of September 30, 2021 and, assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Peruvian Nuevo Soles and US Dollar would result in the Company's net loss being approximately \$938,000 higher or lower.

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11. Financial Instruments and Risk Management (continued)

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital and cash. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

12. Supplemental Cash Flow Information

Non-cash activities conducted by the Company during fiscal 2021 and 2020 are as follows:

	2021	2020
	\$	\$
Operating activities		
Depreciation	11,352	10,255
Accounts payable and accrued liabilities	<u>516,239</u>	<u>260,086</u>
	<u>527,591</u>	<u>270,341</u>
Investing activity		
Exploration and evaluation assets	<u>(527,591)</u>	<u>(270,341)</u>