
TINKA RESOURCES LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
JUNE 30, 2018

(Unaudited - Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

TINKA RESOURCES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	Note	June 30, 2018 \$	September 30, 2017 \$
ASSETS			
Current assets			
Cash		17,471,302	6,036,919
GST receivable		25,825	10,916
Amounts receivable		39,388	13,021
Prepaid expenses		<u>69,474</u>	<u>100,960</u>
Total current assets		<u>17,605,989</u>	<u>6,161,816</u>
Non-current assets			
Property, plant and equipment	4	23,998	30,635
Exploration and evaluation assets	5	<u>35,932,421</u>	<u>28,862,723</u>
Total non-current assets		<u>35,956,419</u>	<u>28,893,358</u>
TOTAL ASSETS		<u>53,562,408</u>	<u>35,055,174</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	<u>395,383</u>	<u>512,666</u>
TOTAL LIABILITIES		<u>395,383</u>	<u>512,666</u>
SHAREHOLDERS' EQUITY			
Share capital	6	74,081,342	53,486,789
Share-based payments reserve	6	5,159,911	5,198,982
Deficit		<u>(26,074,228)</u>	<u>(24,143,263)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>53,167,025</u>	<u>34,542,508</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>53,562,408</u>	<u>35,055,174</u>

Events after the Reporting Period - Note 11

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on August 24, 2018 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 condensed consolidated interim financial statements.

TINKA RESOURCES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

	Note	Three Months Ended June 30		Nine Months Ended June 30	
		2018 \$	2017 \$	2018 \$	2017 \$
Expenses					
Accounting and administration	7(b)	15,424	8,093	66,718	40,904
Audit		-	-	38,760	36,720
Corporate development		3,929	5,377	30,851	45,142
Depreciation		1,484	1,303	4,452	4,814
General exploration		94,394	17,563	163,511	53,615
Investment conferences		29,404	10,000	109,415	38,815
Investor relations		22,500	22,500	67,500	52,500
Legal		31,290	7,653	115,055	26,655
Management fees	7(a)	145,002	110,000	285,006	220,000
Office		45,203	35,640	129,307	109,247
Professional fees	7	70,937	103,935	177,001	231,348
Regulatory		(25,221)	2,275	28,868	8,527
Rent	7(b)	12,595	11,845	31,834	35,629
Salaries, wages and benefits		159,654	112,723	329,163	249,057
Shareholder costs		15,284	4,405	38,970	15,077
Share-based compensation	6(d)	285,763	213,350	373,292	1,006,880
Transfer agent		14,046	4,111	23,465	9,695
Travel and related		53,350	30,620	198,441	143,258
		<u>975,038</u>	<u>701,393</u>	<u>2,211,609</u>	<u>2,327,883</u>
Loss before other items		<u>(975,038)</u>	<u>(701,393)</u>	<u>(2,211,609)</u>	<u>(2,327,883)</u>
Other items					
Interest income		75,285	24,171	119,842	65,633
Foreign exchange (loss) gain		54,058	(87,603)	160,802	(41,503)
Write-off of exploration and evaluation assets	5	-	(65,904)	-	(65,904)
		<u>129,343</u>	<u>(129,336)</u>	<u>280,644</u>	<u>(41,774)</u>
Net loss and comprehensive loss for the period		<u>(845,695)</u>	<u>(830,729)</u>	<u>(1,930,965)</u>	<u>(2,369,657)</u>
Loss per share - basic and diluted		<u>\$(0.00)</u>	<u>\$(0.00)</u>	<u>\$(0.01)</u>	<u>\$(0.01)</u>
Weighted average number of common shares outstanding - basic and diluted		<u>260,465,351</u>	<u>208,284,121</u>	<u>233,983,233</u>	<u>198,266,076</u>

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

TINKA RESOURCES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian Dollars)

Nine Months Ended June 30, 2018					
	Share Capital		Share-Based Payments Reserve \$	Deficit \$	Total Equity \$
	Number of Shares	Amount \$			
Balance at September 30, 2017	211,987,322	53,486,789	5,198,982	(24,143,263)	34,542,508
Common shares issued for:					
- prospectus offering	16,790,000	8,059,200	-	-	8,059,200
- private placement	17,042,284	8,180,296	-	-	8,180,296
- share options exercised	3,629,785	1,205,450	-	-	1,205,450
- warrants exercised	12,232,347	3,669,704	-	-	3,669,704
Share issue costs	-	(932,460)	-	-	(932,460)
Transfer on exercise of share options and finders' warrants	-	412,363	(412,363)	-	-
Share-based compensation	-	-	373,292	-	373,292
Net loss	-	-	-	(1,930,965)	(1,930,965)
Balance at June 30, 2018	<u>261,681,738</u>	<u>74,081,342</u>	<u>5,159,911</u>	<u>(26,074,228)</u>	<u>53,167,025</u>

Nine Months Ended June 30, 2017					
	Share Capital		Share-Based Payments Reserve \$	Deficit \$	Total Equity \$
	Number of Shares	Amount \$			
Balance at September 30, 2016	149,807,322	40,137,096	4,457,243	(20,954,425)	23,639,914
Common shares issued for:					
- private placement	55,000,000	11,000,000	-	-	11,000,000
- share options exercised	4,415,000	1,402,500	-	-	1,402,500
- warrants exercised	667,500	243,281	-	-	243,281
Share issue costs	-	(770,816)	211,551	-	(559,265)
Transfer on exercise of share options	-	495,841	(495,841)	-	-
Share-based compensation	-	-	1,006,880	-	1,006,880
Net loss	-	-	-	(2,369,657)	(2,369,657)
Balance at June 30, 2017	<u>209,889,822</u>	<u>52,507,902</u>	<u>5,179,833</u>	<u>(23,324,082)</u>	<u>34,363,653</u>

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

TINKA RESOURCES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Nine Months Ended June 30,	
	2018	2017
	\$	\$
Operating activities		
Net loss for the period	(1,930,965)	(2,369,657)
Adjustments for:		
Depreciation	4,452	4,814
Share-based compensation	373,292	1,006,880
Write-off of exploration and evaluation assets	-	65,904
Changes in non-cash working capital items:		
GST receivable	(14,909)	(1,823)
Amounts receivable	(26,367)	(15,555)
Prepaid expenses	31,486	(17,443)
Accounts payable and accrued liabilities	(33,909)	19,247
Net cash used in operating activities	(1,596,920)	(1,307,633)
Investing activities		
Expenditures on exploration and evaluation assets	(7,149,198)	(4,288,262)
VAT recovered	-	373,150
Additions to property, plant and equipment	(1,689)	(17,329)
Net cash used in investing activities	(7,150,887)	(3,932,441)
Financing activities		
Issuance of common shares	21,114,650	12,645,781
Share issue costs	(932,460)	(559,265)
Net cash generated from financing activities	20,182,190	12,086,516
Net change in cash during the period	11,434,383	6,846,442
Cash at beginning of period	6,036,919	1,765,069
Cash at end of period	17,471,302	8,611,511

Supplemental cash flow information - See Note 10

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

TINKA RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2018
(Unaudited - 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” 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 precious and base metals on 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 June 30, 2018 the Company had working capital in the amount of \$17,210,606. These condensed consolidated interim 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 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. 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. These condensed consolidated interim financial statements do not reflect any adjustments related to conditions that occurred subsequent to June 30, 2018.

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”), and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2017, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company’s consolidated financial statements for the year ended September 30, 2017.

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.

3. Subsidiaries

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%

TINKA RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Unaudited - Expressed in Canadian Dollars)

4. Property, Plant and Equipment

	Office Furniture and Equipment \$	Vehicles \$	Total \$
Cost:			
Balance at September 30, 2016	98,877	101,141	200,018
Additions	17,329	-	17,329
Balance at September 30, 2017	116,206	101,141	217,347
Additions	1,689	-	1,689
Balance at June 30, 2018	117,895	101,141	219,036
Accumulated Depreciation:			
Balance at September 30, 2016	(76,655)	(100,240)	(176,895)
Depreciation	(8,916)	(901)	(9,817)
Balance at September 30, 2017	(85,571)	(101,141)	(186,712)
Depreciation	(8,326)	-	(8,326)
Balance at June 30, 2018	(93,897)	(101,141)	(195,038)
Carrying Value:			
Balance at September 30, 2017	30,635	-	30,635
Balance at June 30, 2018	23,998	-	23,998

5. Exploration and Evaluation Assets

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

TINKA RESOURCES LIMITED
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5. Exploration and Evaluation Assets (continued)

	Colquipucro \$	Ayawilca \$	Other \$	Total \$
Balance at September 30, 2016	<u>7,766,324</u>	<u>11,963,945</u>	<u>2,194,742</u>	<u>21,925,011</u>
Exploration costs				
Camp costs	3,833	720,133	-	723,966
Community relations	185,540	596,283	-	781,823
Depreciation	-	3,519	-	3,519
Drilling	59,663	4,112,161	-	4,171,824
Environmental	46,043	282,271	-	328,314
Geological	20,676	293,251	-	313,927
Geophysics	5,355	6,032	-	11,387
Metallurgical test work	-	75,977	-	75,977
Software and database management	8,926	8,925	-	17,851
Topography	-	2,069	-	2,069
VAT incurred	-	-	798,412	798,412
VAT recovered	-	-	(373,150)	(373,150)
	<u>330,036</u>	<u>6,100,621</u>	<u>425,262</u>	<u>6,855,919</u>
Acquisition costs				
Concession payments	-	147,697	-	147,697
Impairment	-	-	(65,904)	(65,904)
Balance at September 30, 2017	<u>8,096,360</u>	<u>18,212,263</u>	<u>2,554,100</u>	<u>28,862,723</u>
Exploration costs				
Assays	-	10,717	-	10,717
Camp costs	-	740,767	-	740,767
Community relations	251,664	1,356,151	-	1,607,815
Consulting	70,217	72,758	-	142,975
Depreciation	-	3,874	-	3,874
Drilling	-	3,165,379	-	3,165,379
Environmental	31,225	202,771	-	233,996
Geological	-	271,232	-	271,232
Land access	41,703	17,390	-	59,093
Metallurgical	-	73,239	-	73,239
Software and database management	8,356	8,189	-	16,545
Topography	-	1,972	-	1,972
VAT incurred	-	-	742,094	742,094
	<u>403,165</u>	<u>5,924,439</u>	<u>742,094</u>	<u>7,069,698</u>
Balance at June 30, 2018	<u>8,499,525</u>	<u>24,136,702</u>	<u>3,296,194</u>	<u>35,932,421</u>

Colquipucro and Ayawilca Projects

As at June 30, 2018 the Colquipucro and Ayawilca projects comprise a total of 59 mineral claims granted in the Province of Daniel Alcides Carrion, Peru.

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 return royalty ("NSR") from any production from the Colquipucro and Ayawilca projects. The NSR can be purchased at any time for US \$1,000,000.

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5. Exploration and Evaluation Assets (continued)

Other

During fiscal 2017 the Company wrote-off \$65,904 exploration costs attributed to the Rurimarac Property in 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.

6. Share Capital

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

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

(b) ***Equity Financings***

Nine Months Ended June 30, 2018

During the nine months ended June 30, 2018 the Company completed the following financings:

- (i) on April 4, 2018 the Company completed a prospectus offering of 16,790,000 units, at a price of \$0.48 per unit for gross proceeds of \$8,059,200. Each unit comprised one common share and one-half warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$0.75 per share until April 4, 2019. The Company paid a cash commission of \$483,552; and
- (ii) private placement financing of 17,042,284 units \$0.48 per unit for gross proceeds of \$8,180,296. Each unit comprised one common share and one-half warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$0.75 per share for one year from closing. On April 6, 2018 the Company closed on the first tranche of 12,022,284 units for gross proceeds of \$5,770,696. A cash commission of \$38,963 was paid on the first tranche placement. On April 27, 2018 the Company closed on the remaining tranche of 5,020,000 units for proceeds of \$2,409,600.

The Company incurred a total of \$409,945 for legal and other costs associated with the prospectus and private placement financings.

Fiscal 2017

During fiscal 2017 the Company completed a private placement financing of 55,000,000 common shares at a price of \$0.20 per shares for gross proceeds of \$11,000,000. The Company paid finders' fees totalling \$368,566 and issued 1,842,829 finders' warrants. Each finders' warrant entitles the holder to purchase one common share of the Company at a price of \$0.20 per share, for a period of two years. The fair value of the finders' warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 0.54%; expected volatility of 112.01%; an expected life of 2 years; a dividend yield of 0%; and an expected forfeiture rate of 0%. The value assigned to the underlying finders' warrants was \$211,551.

The Company incurred \$190,699 legal and filing costs associated with the private placement. Directors of the Company and family members purchased 300,000 shares for \$60,000.

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6. Share Capital (continued)

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's warrants outstanding at June 30, 2018 and 2017 and the changes for the nine months ended on those dates is as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Number</u>	<u>Weighted Average Exercise Price \$</u>	<u>Number</u>	<u>Weighted Average Exercise Price \$</u>
Balance, beginning of period	26,476,273	0.36	25,338,444	0.38
Issued	16,916,138	0.75	1,842,829	0.20
Exercised	(12,232,347)	0.30	(667,500)	0.36
Expired	<u>(18,750)</u>	0.30	<u>-</u>	-
Balance, end of period	<u>31,141,314</u>	0.60	<u>26,513,773</u>	0.36

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at June 30, 2018:

<u>Number</u>	<u>Exercise Price \$</u>	<u>Expiry Date</u>
1,842,829	0.20	November 7, 2018
8,395,000	0.75	April 4, 2019
6,011,138	0.75	April 6, 2019
2,510,000	0.75	April 27, 2019
<u>12,382,347</u>	0.45	May 29, 2020
<u>31,141,314</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 five years.

During the nine months ended June 30, 2018 the Company recorded share-based compensation expense of \$268,386 (2017 - \$947,016) on the granting of options to purchase 7,244,000 (2017 - 5,618,750) common shares of the Company. In addition the Company recorded share-based compensation of \$104,906 (2017 - \$59,864) on the vesting of share options which were previously granted.

The fair value of the share options granted and vested during the nine months ended June 30, 2018 and 2017 was estimated using the Black-Scholes option pricing model using the following assumptions:

	<u>2018</u>	<u>2017</u>
Risk-free interest rate	2.12%	0.54% - 0.91%
Estimated volatility	73.00%	103.30% - 113.82%
Expected life	4 years	2 years - 3 years
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%

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6. Share Capital (continued)

The weighted average fair value of all share options granted and vested, using the Black-Scholes option pricing model, during the nine months ended June 30, 2018 was \$0.19 (2017 -\$0.26) 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.

A summary of the Company's share options at June 30, 2018 and 2017 and the changes for the nine months ended on those dates, is as follows:

	2018		2017	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	10,528,750	0.34	10,860,000	0.33
Granted	7,244,000	0.50	5,618,750	0.32
Exercised	(3,629,785)	0.33	(995,000)	0.33
Expired	<u>(385,000)</u>	0.35	<u>(120,000)</u>	0.32
Balance, end of period	<u>13,757,965</u>	0.43	<u>15,363,750</u>	0.33

The following table summarizes information about the share options outstanding at June 30, 2018:

Number	Exercise Price \$	Expiry Date
880,215	0.35	July 6, 2018
108,750	0.20	November 23, 2018
100,000	0.25	November 24, 2018
200,000	0.25	July 25, 2019
4,590,000	0.325	February 2, 2020
135,000	0.46	June 12, 2020
500,000	0.65	August 28, 2020
<u>7,244,000</u>	0.50	May 8, 2022
<u>13,757,965</u>		

See also Note 11.

TINKA RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2018
(Unaudited - Expressed in Canadian Dollars)

7. 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 the nine months ended June 30, 2018 and 2017 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:

	2018 \$	2017 \$
Management fees - CEO	285,006	220,000
Professional fees - CFO	22,500	22,500
Professional fees - VPE	177,682	192,596
Share-based compensation	<u>166,695</u>	<u>244,067</u>
	<u>651,883</u>	<u>679,163</u>

During the nine months ended June 30, 2018 the Company expensed \$285,006 (2017 - \$220,000) to management fees, \$117,573 (2017 - \$119,920) to professional fees and \$166,695 (2017 - \$244,067) for share-based compensation. In addition, the Company capitalized \$82,609 (2017 - \$95,176) of compensation paid to the VPE to exploration and evaluation assets.

(b) *Transactions with Other Related Parties*

(i) During the nine months ended June 30, 2018 and 2017 the following amounts were incurred with respect to the Company's non-management current and former directors and the corporate secretary of the Company:

	2018 \$	2017 \$
Professional fees	82,600	49,360
Share-based compensation	<u>64,651</u>	<u>219,837</u>
	<u>147,251</u>	<u>269,197</u>

As at June 30, 2018, \$20,620 (September 30, 2017 - \$9,000) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During the nine months ended June 30, 2018 the Company incurred a total of \$41,450 (2017 - \$28,550) with Chase Management Ltd. ("Chase"), a private corporation owned by the CFO of the Company, for accounting and administrative services provided by Chase personnel, excluding the CFO, and \$3,015 (2017 - \$3,015) for rent. As at June 30, 2018, \$3,500 (September 30, 2017 - \$7,670) remained unpaid and has been included in accounts payable and accrued liabilities.

During the nine months ended June 30, 2017 the Company also recorded \$4,816 (2017 - \$15,337) for share-based compensation for share options granted to Chase.

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8. 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.

	June 30, 2018		
	Corporate Canada \$	Mineral Operations Peru \$	Total \$
Current assets	17,521,273	84,716	17,605,989
Exploration and evaluation assets	-	35,932,421	35,932,421
Property, plant and equipment	4,656	19,342	23,998
	<u>17,525,929</u>	<u>36,036,479</u>	<u>53,562,408</u>
	September 30, 2017		
	Corporate Canada \$	Mineral Operations Peru \$	Total \$
Current assets	6,056,505	105,311	6,161,816
Exploration and evaluation assets	-	28,862,723	28,862,723
Property, plant and equipment	6,019	24,616	30,635
	<u>6,062,524</u>	<u>28,992,650</u>	<u>35,055,174</u>

9. 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"); held-to-maturity investments; loans and receivables; available-for-sale, and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	June 30, 2018 \$	September 30, 2017 \$
Cash	FVTPL	17,471,302	6,036,919
Amounts receivable	Loans and receivables	39,388	13,021
Accounts payable and accrued liabilities	Other financial liabilities	(395,383)	(512,666)

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.

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9. Financial Instruments and Risk Management (continued)

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 amounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The Company's fair value of cash under the fair value hierarchy is 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 and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and amounts receivable 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.

Contractual Maturity Analysis at June 30, 2018					
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	17,471,302	-	-	-	17,471,302
Amounts receivable	39,388	-	-	-	39,388
Accounts payable and accrued liabilities	(395,383)	-	-	-	(395,383)
Contractual Maturity Analysis at September 30, 2017					
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	6,036,919	-	-	-	6,036,919
Amounts receivable	13,021	-	-	-	13,021
Accounts payable and accrued liabilities	(512,666)	-	-	-	(512,666)

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.

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9. Financial Instruments and Risk Management (continued)

(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 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 June 30, 2018, 1 Canadian Dollar was equal to 2.50 Peruvian Nuevo Soles and 0.76 US Dollar.

Balances are as follows:

	Peruvian Nuevo Soles	US Dollars	CDN \$ Equivalent
Cash	98,664	3,350,466	4,451,395
Amounts receivable	98,384	-	39,388
Accounts payable and accrued liabilities	<u>(736,018)</u>	<u>-</u>	<u>(294,665)</u>
	<u>(538,970)</u>	<u>3,350,466</u>	<u>4,196,118</u>

Based on the net exposures as of June 30, 2018 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 an increase or decrease of approximately \$381,465.

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.

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10. Supplemental Cash Flow Information

Non-cash activities conducted by the Company during the nine months ended June 30, 2018 and 2017 are as follows:

	2018	2017
	\$	\$
Operating activities		
Depreciation	3,874	2,306
Accounts payable and accrued liabilities	<u>(83,373)</u>	<u>93,489</u>
	<u>79,499</u>	<u>95,795</u>
Investing activity		
Exploration and evaluation assets	<u>79,499</u>	<u>(95,795)</u>
Financing activities		
Share-based payment reserves	(412,363)	(284,290)
Share issue costs	-	(211,551)
Transfer on exercise of options and finders' warrants	<u>(412,363)</u>	<u>495,841</u>
	<u>-</u>	<u>-</u>

11. Events After the Reporting Period

Subsequent to June 30, 2018 the Company:

- (i) issued 865,714 common shares on the exercises of share options for proceeds of \$303,000. On July 6, 2018 the remaining share options to purchase 14,501 common shares, with an exercise price of \$0.35 per share, expired without exercise; and
- (ii) cancelled share options to purchase a total of 630,000 common shares with exercise prices of \$0.50 and \$0.65.