

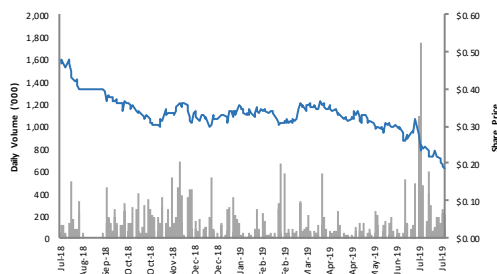
## Research Update

July 29, 2019

Rating:	BUY	(unchanged)
Target:	\$0.90	(unchanged)
Last Price:	\$0.19	
Ticker:	TK-V	

### Market Data

Target return (incl. dist.):	386.5%
Distribution/yield:	\$0 / 0%
Units outstanding (M, FD):	264.6
Market capitalization (\$M):	49
Net Asset Value (NAV) (\$):	0.90
52-week range (\$):	0.18 - 0.50
Last fiscal year ended:	Sep. 30, 2018
Average weekly volume:	726,115
Currency (unless otherwise indicated):	CAD
Net Cash/(Debt) (\$M):	11



### Company Profile

Tinka Resources is a base metals exploration and development company based out of Vancouver BC, with their flagship zinc asset, the Ayawilca Property, approximately 200km northeast of Lima, Peru.

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## Deposit Still Delivering Exploration Upside Potential

This morning, Tinka released four drilling results from its Ayawilca project in Peru.

### Highlights

- South Ayawilca Returns Grades Much Higher than Current Resource:** One hole (A19-162) into the zone returned 11.6% Zn over 25.4m starting at an 162m downhole depth. The upper portion (~300m) of the hole was infill while the lower portion (~250m) tested to 545m below surface, looking for mineralization beneath the defined zinc resource and intersected a 10m interval of limestone at 465m below surface with massive pyrite akin to the edge of the Zinc zone resource. Pending assay A19-163 also returned mineralization in the upper portion of the hole (remains open up dip) and a 50m interval of mineralized limestone at 400m below surface. Future holes will target extending the zone to the west and the limestone at depth.
- West Ayawilca Mixed:** Step-out holes A19-160 and A19-161 returned >10% Zn but over thin widths of ~1m and were not successful in extending the zone to the north. Infill hole A19-159 was successful with 11.8% Zn over 11.2m at a 243m downhole depth but did not show limestone at depth (<695m).
- Exploration and the Tin Zone Could Further Improve Economics:** The Company is continuing to drill to grow the 8.8Blb ZnEq deposit and has obtained the necessary permits to infill drill for a prefeasibility study. Management did not include the 201Mlb tin zone in the PEA as it still required metallurgical work. The tin resource provides additional opportunity to improve the economics of the project especially with the tin price (~US\$8.00/lb Sn) 7 times higher than current zinc prices. The indium by-product may also increase.
- PEA Increases Attractiveness for M&A:** The PEA, while likely optimistic will be filed soon, and allows industry a basis to analyse the Ayawilca deposit. Senior base metal producers haven't been exploring enough to replace production and now have to buy advanced projects. With South32 (S32-A, Not Rated) acquiring Arizona Mining (210 Mt @ 3.5% Zn; 16Blb Zn) at US\$0.04/lb ZnEq, focus should turn to what is left. Tinka now has a 7.4Blb Zinc @ 6% Zn (7% ZnEq) Ind. + Inf. resource in mining friendly Peru and is currently trading at just US\$0.01/lb ZnEq.

### Valuation

Using our long-term zinc price of US\$1.30/lb:US\$0.80/C\$ and 2% of in-situ value metric, we arrive at our target price of \$0.90/share. The stock is currently trading at a US\$0.01/lb ZnEq while our target equates to a US\$0.03/lb ZnEq.

### Bottom Line

The deposit still has exploration upside, in particular, the possible repeat mineralization showing the potential for more resources within each zone as well as linking up the south and the west zones. The stock's fall post PEA is more related to market sentiment on junior mining and zinc than Ayawilca's fundamentals. The scale of the deposit should attract industry interest from Trevali (TV-T, not rated), Glencore (GLEN-N, not rated), Teck (TECK-N, not rated), as well as a host of smaller international companies. With ~\$11M in cash, the Company is well financed. We maintain our Buy recommendation with a \$0.90/share target price.

**Exhibit 1: Zinc Zone – November 2018 Ayawilca Resource**

November 2018 Estimate	Tonnage (Mt)	Zinc Grade (%)	Lead Grade (%)	Silver Grade (g/t)	Zinc (Mlbs)	Lead (Mlbs)	Silver (Moz)	ZnEq (Mlbs)
<b>Zinc Zone</b>								
West	12.8	6.5	0.23	16	1,825	65	6.7	2,106
Central	18.6	4.6	0.23	12	1,884	95	7.5	2,296
East	11.3	5.0	0.18	14	1,238	44	5.0	1,469
South	14.1	7.8	0.22	26	2,416	69	11.9	2,940
<b>Total</b>	<b>56.8</b>	<b>5.9</b>	<b>0.22</b>	<b>17</b>	<b>7,363</b>	<b>273</b>	<b>31</b>	<b>8,812</b>

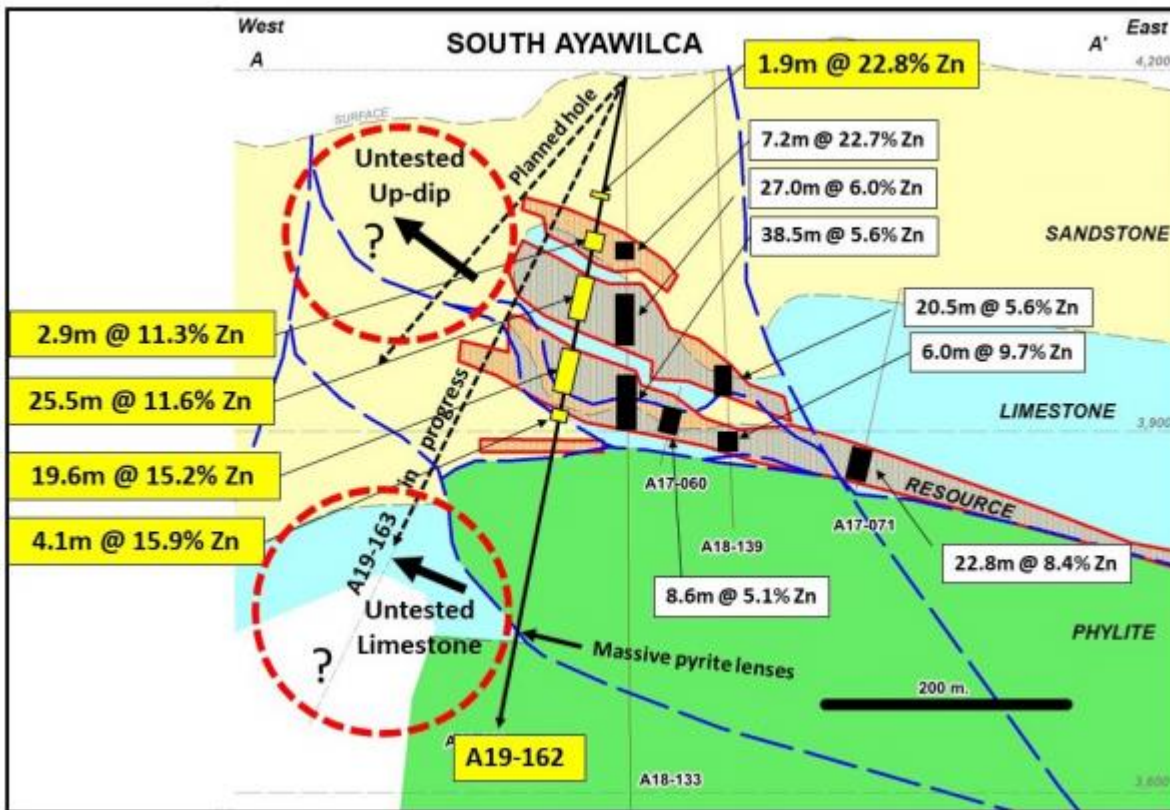
Source: Tinka Resources Ltd., iA Securities

**Exhibit 2: Tin Zone – November 2018 Ayawilca Resource**

November 2018 Estimate	Tonnage (Mt)	Tin Grade (%)	Copper Grade (%)	Silver Grade (g/t)	Tin (Mlbs)	Copper (Mlbs)	Silver (Moz)	SnEq (Mlbs)
<b>Tin Zone</b>	14.5	0.63	0.21	18	201	67	8.0	224

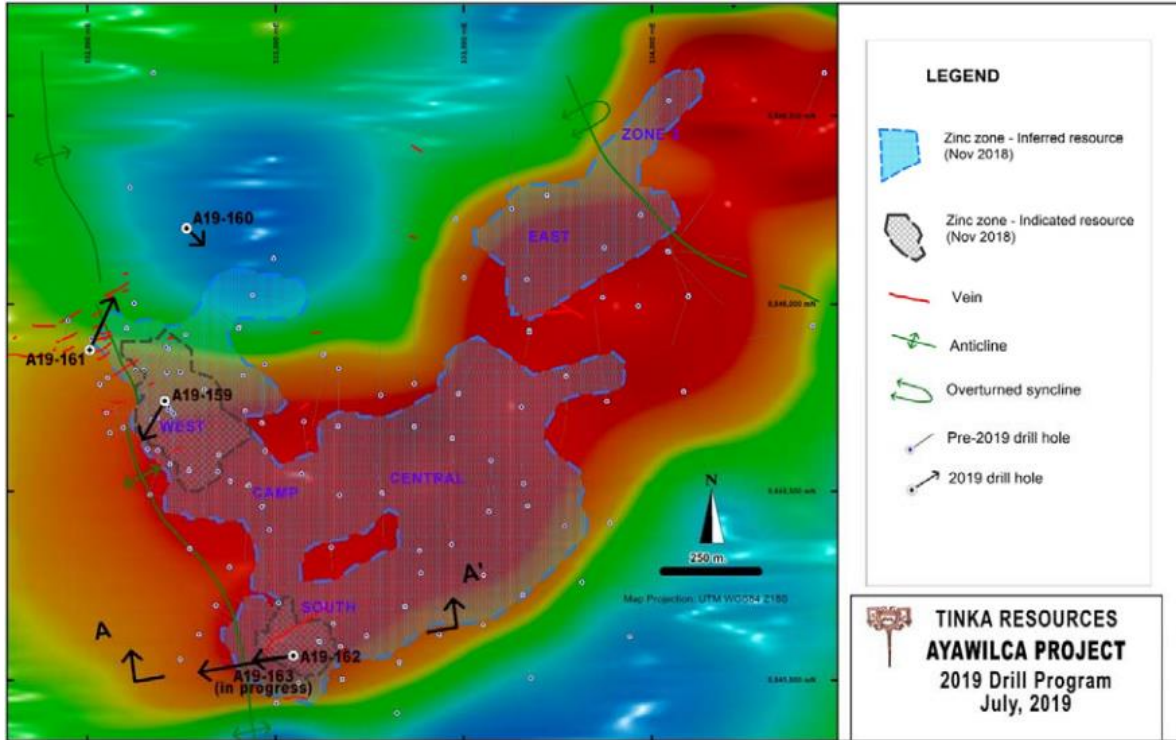
Source: Tinka Resources Ltd., iA Securities

**Exhibit 3: A19-162 Conceptual Cross Section**



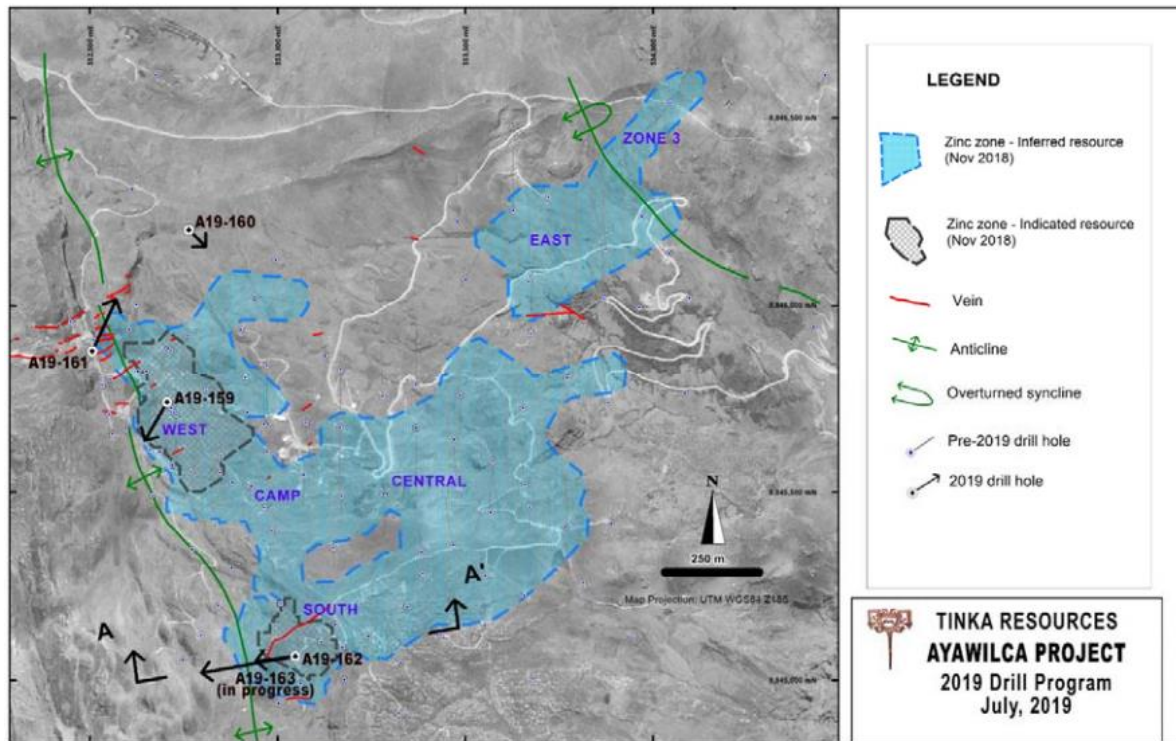
Source: Tinka Resources Ltd.

**Exhibit 4: Airborne Magnetics Map (TMI at 1KM)**



Source: Tinka Resources Ltd.

**Exhibit 5: 2019 Ayawilca Drill Map and Zinc Mineral Resources**



Source: Tinka Resources Ltd.

**Investment Recommendation Rating System**

<b>Strong Buy:</b>	Expected to provide a substantial return over the next 12 months, with a lower level of risk than comparable investments.
<b>Buy:</b>	Expected to provide a reasonably positive return over the next 12 months.
<b>Speculative Buy:</b>	Expected to provide a positive return over the next 12 months, but with a high level of risk, or based on a future uncertain event.
<b>Hold:</b>	Expected to remain in a trading range near the current share price for the next 12 months.
<b>Sell:</b>	Expected to deliver a negative return over the next 12 months.
<b>Under Review:</b>	Currently available information is inadequate to provide an investment rating.
<b>Tender:</b>	Investors should tender their shares to the current offer.

**Company related disclosures:**

Issuer Company	Ticker	Exch.	Disclosures
Tinka Resources Ltd.	TK	V	3, 7

See legend of Disclosures on next page.

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