

# Tinka's 'silver lining' in lower precious metals prices

✘ Tinka Resources Limited ('Tinka, TSXV: TK) has deployed a third diamond drill rig at the Company's 100%-owned Colquipucro-Ayawilca project in Peru. Tinka has already drilled at Ayawilca ("Rig 1") around the area of hole A13-05 (213 m @ 5.3% zinc intersected in 2013) and the new diamond drilling at Colquipucro in the Pasco region by the third rig ("rig 3") adds to the ongoing exploration by "Rig 2" north of the existing 32 million ounce inferred silver oxide resource. Tinka says that Rig 3 will be used to explore untested geophysical targets adjacent to the Ayawilca zinc discovery, reaching depths of 500-600 meters.

The Colquipucro drilling program involves ten holes, covering about 1,500 meters and will last approximately three months. In the initial phase of its program, Tinka plans to drill the northwestern extension of existing oxide resource silver. Tinka has already started verification testing of samples from drill holes drilled during 2007 using slightly different techniques to subsequent drilling programs ensuring that the analytical techniques are uniform throughout the deposit. Colquipucro is located only 1.5 km from the Ayawilca project also wholly owned by Tinka, where the Company is looking for zinc and other base metal mineralization as part of a 19 hole program over 8,500 meters. The area contains soil samples that are anomalous in zinc and are consistent with the general, regional Colquipucro fault system that marks the western boundary of Colquipucro and Ayawilca projects.

Colquipucro consists of 46 adjacent properties covering a total area of 9.827 hectares, 100% owned by Tinka Resources. The Colquipucro project consists of a silver oxide deposit with mineralization starting from the surface, which may be the first such type ever documented in Peru. Last year, the

Ayawilca project was expanded to include zinc; diamond drilling at the site also revealed significant copper potential. The silver, lead and zinc project is located only 25 km from Buenaventura's Uchucchacua mine. Buenaventura S.A.A. is Peru's largest, publicly traded precious metals Company. It is also one of the main mining rights holders in Peru, specialized in the exploration and production of gold and silver. This means that Tinka benefits from excellent infrastructure, including roads and power all within reach of its properties.

Tinka's new drill area is covered by extensive sandstones which could hide additional 'blind' mineralization in the underlying Oyon Formation, similar to that found at Ayawilca. The results are encouraging and support Tinka's goal of pursuing the drilling program with the aim of identifying greater economic potential. Tinka launched the project based on conservative economics and a silver price of USD\$ 10/oz. It seems that, at current prices (above USD\$ 17/oz.), even if low based on silver's performance for the past few years, the project offers interesting profit prospects. In just three years, the international price of silver has dropped from a record high of almost USD\$ 49/oz. in March 2011 to just over USD\$ 17/oz. now. Silver companies based on the overly optimistic economics deriving from this trend may not be able to continue, or will have to be delayed – especially new projects. Silver has been much more volatile than other precious metals in recent years.

Peru is the world's third largest silver producer, preceded by China and Mexico according to the United States Geological Survey (USGS). Compared to production costs, the price of silver is at its lowest level since 2005, which is another reason to remain optimistic about silver even if margins have tightened to such an extent that it will not be sustainable in the long term without it affecting the industry. It is now likely that prices have bottomed out, since producers cannot

reduce spending. Tinka's project is based on prices low enough that it can afford to keep exploring and eventually produce. Paradoxically, those mines that cannot operate profitably will shut down and the resulting decline in production and greater scarcity will be a catalyst for higher prices. In addition, many silver miners will react to the lower prices by adopting cost cutting measures based on vastly reduced exploration budgets, contributing to a decrease in future supply – leaving the survivors to enjoy the benefits of lower supply.

Silver production in Peru has become an important aspect of social mobility and inclusion. In the past few years, thanks to government policies, silver mining has become more sustainable. In this sense, by choosing Peru, Tinka has also managed to avert the corporate social responsibility risks associated with the mining of precious metals in developing countries. Peru has placed the mining of silver (and other metals) at the forefront of its efforts to balance the growth of the mining sector with the demands for higher standards of environmental protection and a better redistribution of wealth to strengthen social inclusion. The government of President Ollanta Humala made this one of his main goals. Anyone who watched the movie (or read the book) "The Motorcycle Diaries" based on the autobiographical account of the famed revolutionary Ernesto 'Che' Guevara, understands that the Peruvian mining industry was at the heart of significant social conflicts. This context has changed considerably for the better.

Gold and silver projects, largely based in southern regions such as Puno, Arequipa and Cuzco, are being conducted with high social and environmental responsibility standards. The Peruvian government recognizes that mining wealth goes hand in hand with economic growth, but also believes that to complete the process it is necessary to develop a related social mobility policy. Indeed, the Peruvian government has favored mining projects that contribute to the local communities

helping to improve social and physical infrastructure along with the local authorities. In Peru, increasingly, mining companies must see themselves as part of a wider process and Tinka has embarked on such a course. It is essential for locals to receive benefits that help raise the whole community's standards the form of jobs and improved social services from health to education and infrastructure. This ensures that local communities, rather than being suspicious of foreign miners, will be welcoming and willing partners in the process. Junior companies like Tinka are more flexible because of their smaller size. They can quickly react to the changing social environment, addressing the communities' concerns promptly and personably, which ensures their long term viability.

Peru maintains an open and liberal investment policy; it has minor inflation and unemployment has been dropping for the past 10 years. Peru is one of the fastest growing economies in Latin America and a producer of raw materials, especially silver, zinc and gold. In this sense the strength that comes from unity will benefit the Darwin and Tinka's combined resources, making them even more valuable as a whole in light of Peru's attraction as a major gold and silver investment destination.