PERUVIAN METALS CORP.
(formerly Duran Ventures Inc.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

(Unaudited)

(Expressed in Canadian dollars)

NOTICE TO READER

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

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

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

PERUVIAN METALS CORP.
(formerly Duran Ventures Inc.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

(Unaudited)

(Expressed in Canadian dollars)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
AS AT

	September 30, 2018 $	December 31, 2017 $
ASSETS		
CURRENT		
Cash	292,013	85,538
Marketable securities (Note 6)	25,000	70,000
Prepaid expenses and advances	16,664	11,696
Amounts receivable	74,010	67,944
Inventory	32,911	45,040
TOTAL CURRENT ASSETS	440,598	280,218
PROPERTY, PLANT AND EQUIPMENT (Note 7)	1,827,300	1,960,069
EXPLORATION AND EVALUATION ASSETS (Notes 8 and 13)	582,051	582,051
	2,849,949	2,822,338
TOTAL ASSETS		
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilites	798,143	781,777
Promissory notes and interest payable (Note 9)	161,472	203,941
Due to related parties (Note 17)	331,217	320,928
TOTAL LIABILITIES	1,290,832	1,306,646
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 10(a))	52,032,312	50,966,189
WARRANT RESERVE (Note 10(b))	249,071	629,539
SHARE-BASED PAYMENT RESERVE (Note 11)	117,675	112,028
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	(40,000)	5,000
DEFICIT	(50,598,052)	(50,079,918)
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO SHAREHOLDERS	1,761,006	1,632,838
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTEREST	(201,889)	(117,146)
TOTAL SHAREHOLDERS' EQUITY	1,559,117	1,515,692
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,849,949	2,822,338

GOING CONCERN (Note 2)

COMMITMENTS AND CONTINGENCIES (Note 18)

SUBSEQUENT EVENTS (Note 19)

APPROVED ON BEHALF OF THE BOARD:

Signed "Steve Brunelle", Director Signed "Jeffrey Reeder", Director

See accompanying notes to the unaudited condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	**2018**	2017
	$	$	**$**	$
EXPENSES				
Plant start-up expenses (Note 15)	**140,261**	177,561	**478,601**	631,200
Exploration and evaluation expenditures (Note 13)	**43,494**	31,807	**79,699**	216,863
General and administrative (Note 16)	**192,371**	191,571	**433,364**	490,208
Revaluation of exploration and evaluation assets (Note 8)	**-**	-	**-**	(9,000)
Loss before the following:	**376,126**	400,939	**991,664**	1,329,271
Foreign exchange loss (gain)	**59,857**	(103,715)	**72,802**	(41,122)
Interest expense	**6,656**	9,219	**20,157**	16,514
NET LOSS LOSS FOR THE PERIOD	**442,639**	306,443	**1,084,623**	1,304,663
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO:				
Non-controlling interest	**19,317**	35,100	**84,743**	103,057
Shareholders	**423,322**	271,343	**999,880**	1,201,606
	442,639	306,443	**1,084,623**	1,304,663
Loss per share - basic and diluted (Note 14)	**0.01**	0.01	**0.02**	0.03
Weighted average number of common shares Outstanding - basic and diluted	**77,212,610**	48,138,938	**66,619,338**	46,808,323

See accompanying notes to the unaudited condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND OTHER COMPREHENSIVE LOSS

(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018	
	2018	2017	**2018**	2017
	$	$	**$**	$
Net loss for the period	**442,639**	306,443	**1,084,623**	1,304,663
Items that may be subsequently reclassifed to net loss:				
Unrealized loss on marketable securities	**5,000**	-	**45,000**	10,000
Other comprehensive loss for the period	**447,639**	306,443	**1,129,623**	1,314,663
Total comprehensive loss attributable to:				
Non-controlling interest	**19,317**	35,100	**84,743**	103,057
Shareholders	**428,322**	271,343	**1,044,880**	1,211,606
	447,639	306,443	**1,129,623**	1,314,663

See accompanying notes to the unaudited condensed consolidated interim financial statements.

PERUVIAN METALS CORP. (formerly Duran Ventures Inc.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Common Shares	Warrants						
	Amount	Reserve Amount	Share-based Payment Reserve	Accumulated Other Comp. Income	Deficit	Total	Non-Controlling Interest	Total Shareholders' Equity
	$	$	$	$	$	$	$	$
Balance, December 31, 2016	50,402,306	504,459	318,816	-	(48,749,621)	2,475,960	30,369	2,506,329
Shares and warrants issued for cash	102,750	34,750	-	-	-	137,500	-	137,500
Shares issued for cash - exercise of warrants	33,676	(7,276)	-	-	-	26,400	-	26,400
Shares issued for debt settlement	96,063	-	-	-	-	96,063	-	96,063
Share based payments	-	-	66,000	-	-	66,000	-	66,000
Value of options expired	-	-	(292,788)	-	292,788	-	-	-
Unrealized gain on marketable securities	-	-	-	5,000	-	5,000	-	5,000
Net loss	-	-	-	-	(1,196,606)	(1,196,606)	(103,057)	(1,299,663)
Balance, September 30, 2017	50,634,795	531,933	92,028	5,000	(49,653,439)	1,610,317	(72,688)	1,537,629
Shares and warrants issued for cash	331,394	97,606	-	-	-	429,000	-	429,000
Share based payment	-	-	20,000	-	-	20,000	-	20,000
Unrealized gain on marketable securities	-	-	-	1,114	-	1,114	-	1,114
Reclassification of gain on marketable securities	-	-	-	(1,114)	-	(1,114)	-	(1,114)
Net (loss)	-	-	-	-	(426,479)	(426,479)	(44,458)	(470,937)
Balance, December 31, 2017	50,966,189	629,539	112,028	5,000	(50,079,918)	1,632,838	(117,146)	1,515,692
Shares and warrants issued for cash	664,479	160,521	-	-	-	825,000	-	825,000
Share issuance costs	(32,894)	(7,883)	-	-	-	(40,777)	-	(40,777)
Shares issued for cash - exercise of warrants	402,138	(95,388)	-	-	-	306,750	-	306,750
Shares issued for cash - exercise of options	32,400	-	(14,400)	-	-	18,000	-	18,000
Value of warrants expired	-	(437,718)	-	-	437,718	-	-	-
Value of options expired	-	-	(44,028)	-	44,028	-	-	-
Share based payments	-	-	64,075	-	-	64,075	-	64,075
Unrealized loss on marketable securities	-	-	-	(45,000)	-	(45,000)	-	(45,000)
Net (loss)	-	-	-	-	(999,880)	(999,880)	(84,743)	(1,084,623)
Balance, September 30, 2018	52,032,312	249,071	117,675	(40,000)	(50,598,052)	1,761,006	(201,889)	1,559,117

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
FOR THE NINE MONTHS ENDED SEPTEMBER 30,

	2018 **$**	2017 $
CASH FLOWS PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net for the period	**(1,084,623)**	(1,304,663)
Add items not requiring cash:		
Share based payments	**64,075**	66,000
Interest	**20,175**	16,514
Writedown of property development costs	**89,277**	-
Revaluation of exploration assets	**-**	(9,000)
Amortization	**474**	474
Changes in non-cash operating working capital:		
Decrease in prepaid expenses and advances	**(4,968)**	18,656
(Increase) decrease in amounts receivable	**(6,066)**	25,961
Decrease in inventory	**12,129**	101,587
Increase in accounts payable and accrued liabilities	**16,270**	446,236
Increase in due to related parties	**10,289**	236,961
Cash flows from operating activities	**(882,968)**	(401,274)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(27,531)**	(135,032)
Net proceeds from plant comissioning revenue	**70,626**	41,515
Proceeds on sale of exploration and evaluation assets	**-**	100,000
Cash flows from investing activities	**43,095**	6,483
FINANCING ACTIVITIES		
Promissory notes received	**15,000**	225,000
Repayment of promissory notes and interest	**(77,625)**	-
Issuance of private placement units for cash	**825,000**	137,500
Issue costs	**(40,777)**	-
Shares issued for cash - exercise of warrants	**306,750**	26,400
Shares issued for cash - exercise of options	**18,000**	-
Cash flows from financing activities	**1,046,348**	388,900
Decrease in cash	**206,475**	(5,891)
Cash, beginning of the period	**85,538**	43,003
Cash, end of the period	**292,013**	37,112
Supplemental information		
Marketable securities received for sale of assets	**-**	135,000
Common shares issued for debt	**-**	96,063

1. GENERAL INFORMATION

Peruvian Metals Corp. ("Peruvian Metals" or "the Company") is a publicly listed company originally incorporated in British Columbia and subsequently continued in Ontario under the Canada Business Corporations Act. Effective September 5, 2018 the Company changed its name from Duran Ventures Inc. to Peruvian Metals Corp. The Company's common shares have been listed on the TSX Venture Exchange ("TSXVE") since July 4, 2007, and trade under the symbol "PER". The Company's shares were listed on the Risk Capital Segment of the Lima Stock Exchange (Segmento de Capital de Riesgo de la Bolsa de Valores de Lima) in Peru, from September 21, 2012 to November 6, 2018. The Company, directly and with exploration partners, is engaged in mineral processing and the exploration and development of mineral properties in Peru. The Company's principal office is located at 40 University Avenue, Suite 603, Toronto, Ontario, Canada M5J 1T1 and substantially all of the Company's corporate and administrative expenses are incurred in Canada.

2. GOING CONCERN

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and property, plant and equipment and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. The Company's assets are subject to increases in taxes and royalties, renegotiation of contracts, expropriation, currency exchange fluctuations and political uncertainty.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing registration or regulations, unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory, social and environmental requirements.

These unaudited condensed consolidated interim financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company also had a loss during the nine month period ended September 30, 2018 and a cumulative deficit and working capital deficiency as at September 30, 2018. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern. The Company's continuance as a going concern is dependent upon its ability to obtain adequate financing or to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. If the going concern assumption is not appropriate, material adjustments to the consolidated financial statements may be required.

3. BASIS OF CONSOLIDATION

These unaudited condensed consolidated interim financial statements include the accounts of the Company, which is incorporated in Canada under the Canada Business Corporations Act, and its wholly owned subsidiaries, Corongo Exploraciones SAC ("Corongo"), Empresa Querco SAC ("Querco"), Mamaniña Exploraciones SAC ("Mamaniña Exploraciones"), Hatum Minas SAC ("Hatum Minas"), Magellan Gold Peru SAC, and it's 80% owned subsidiary companies Minera Aguila de Ora SAC ("Madosac") and Insumos Y Minerales del Notre SRL ("Insumos"), all of which were incorporated in Peru. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those

3. BASIS OF CONSOLIDATION (continued)

returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases.

All inter-company balances and transactions have been eliminated. The unaudited condensed consolidated interim financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

For non-wholly owned, controlled subsidiaries, the net assets attributable to outside equity shareholders are presented as "non-controlling interests" in the equity section of the unaudited condensed consolidated interim statements of financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These unaudited condensed consolidated interim financial statements of the Company and its subsidiaries were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company's 2017 annual financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The accounting policies and the application are consistent with those disclosed in Note 4 to the Company's consolidated financial statements for the year ended December 31, 2017.

The policies applied in these unaudited condensed consolidated interim financial statements are based on the IFRS issued and effective as of September 30, 2018. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2018 could result in restatement of these interim consolidated financial statements. These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on November 28, 2018.

These consolidated financial statements of the Company and its subsidiaries were 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").

(b) Basis of preparation

The consolidated financial statements are presented in Canadian dollars. The financial statements are prepared on the historical cost basis except for marketable securities which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

(c) Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are not mandatory for accounting periods beginning on or after January 1, 2018 or later periods. Many are not applicable or do not have significant impact to the Company and have been excluded. They have not been early adopted in these consolidated financial statements, and management is evaluating these pronouncements to determine the impact on consolidated financial statements. In all cases the Company intends to apply these standards from application date as indicated below:

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Standards, Amendments and Interpretations Not Yet Effective (continued

- IFRS 2 Share-based Payment

  IFRS 2 – Share-based Payment ("IFRS 2") was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

- IFRS 10 Consolidated Financial Statements

  IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

- IFRS 16 Leases

  IFRS 16 – Leases ("IFRS 16") was issued by the IASB on January 13, 2016 and replaces IAS17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption permitted.

- IFRIC 23 Uncertainty Over Income Tax Treatments

  IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

There are no other IFRS or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

(Expressed in Canadian dollars)

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Areas of critical accounting estimates and judgements that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements are disclosed in Note 5 of the Company's consolidated financial statements as at and for the year ended December 31, 2017.

6. MARKETABLE SECURITIES

As at September 30, 2018, the Company's marketable securities consist of 500,000 common shares (December 31, 2017 – 500,000 common shares) of Tartisan Nickel Corp. (formerly Tartisan Resources Corp.) ("Tartisan") (see Note 8). The fair value of the listed available for sale investment has been determined directly by reference to published price quotations in an active market.

7. PROPERTY, PLANT AND EQUIPMENT

Cost	Office furniture and equipment	Computer equipment	Field equipment	Plant	Total
	$	$	$	$	$
Balance at December 31, 2016	29,582	28,591	15,148	1,959,697	2,033,018
Additions	-	-	-	52,895	52,895
Plant commissioning revenue	-	-	-	(59,143)	(59,143)
Balance at December 31, 2017	29,582	28,591	15,148	1,953,449	2,026,770
Additions	-	-	-	27,608	27,608
Plant commissioning revenue	-	-	-	(70,626)	(70,626)
Writedown of property development costs	-	-	-	(89,277)	(89,277)
Balance at September 30, 2018	29,582	28,591	15,148	1,821,154	1,894,475

Amortization and impairment	Office furniture and equipment	Computer equipment	Field equipment	Plant	Total
	$	$	$	$	$
Balance at December 31, 2016	29,582	27,621	8,866	-	66,069
Additions	-	324	308	-	632
Balance at December 31, 2017	29,582	27,945	9,174	-	66,701
Additions	-	243	231	-	474
Balance at September 30, 2018	29,582	28,188	9,405	-	67,175

Carrying amounts	Office furniture and equipment	Computer equipment	Field equipment	Plant	Total
	$	$	$	$	$
At December 31, 2017	-	646	5,974	1,953,449	1,960,069
At September 30, 2018	-	403	5,743	1,821,154	1,827,300

As at September 30, 2018 and December 31, 2017, the plant is not yet in commercial production. Therefore no amortization has been taken on this asset.

The net book value of the Company's property, plant and equipment at September 30, 2018 by geographic location is as follows: Canada - $Nil (December 31, 2017 - $Nil), and Peru $1,861,050 (December 31, 2017 - $1,960,069).

See Note 12.

(Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS

	December 31, 2016 $	Impairment reversal $	Sale of Assets $	December 31, 2017 $	September 30, 2018 $
Peru					
Hatum Minas Properties	803,051	9,000	(230,000)	582,051	582,051
Total Exploration Properties	803,051	9,000	(230,000)	582,051	582,051

Hatum Minas Properties

As at September 30, 2018 and December 31, 2017, the Hatum Minas Properties include the Panteria porphyry copper project (the "Panteria Project"). Title to the Hatum Minas Properties is held by the Company's wholly-owned Peruvian subsidiary, Hatum Minas.

On March 23, 2017, the Company sold the Don Pancho property to Tartisan for cash consideration of $50,000 and 500,000 shares of Tartisan valued at $60,000 as at the date received, based on the quoted market price of the shares. Peruvian Metals will also receive an additional 500,000 shares of Tartisan as certain project milestones are achieved by Tartisan, and will retain a 2% net smelter royalty ("NSR") in the Don Pancho Project of which half (1%) can be purchased by Tartisan for US$500,000.

On April 12, 2017, the Company sold the Ichuña property to Tartisan for cash consideration of $50,000 and 500,000 shares of Tartisan valued $70,000 as at the date received, based on the quoted market price of the shares. Peruvian Metals will also receive an additional 500,000 shares of Tartisan as certain project milestones are achieved by Tartisan, and will retain a 2% NSR in the Ichuña project of which half (1%) can be purchased by Tartisan for US$500,000.

As at September 30, 2018 and December 31, 2017, the balance of the exploration and evaluation assets relates to the Panteria Project.

See Exploration and Evaluation Expenditures (Note 13).

9. PROMISSORY NOTES AND INTEREST PAYABLE

During the nine months ended September 30, 2018, the Company issued promissory notes of $15,000 (2017 - $225,000) and repaid a total of $77,625 in principal and interest (2017 - $45,740). The promissory notes are due on demand and bear interest at an annual rate of 18%. As at September 30, 2018, the Company had promissory notes payable outstanding of $161,472 (December 31, 2017 - $180,000) and interest payable of $14,771 (December 31, 2017 - $ 23,941), of which $67,706 of principal (December 31, 2017 - $80,000) and $6,047 of interest payable (December 31, 2017 - $13,979) was due to an officer and a director of the Company. (See Note 17).

(Expressed in Canadian dollars)

10. CAPITAL STOCK AND WARRANT RESERVE

a) Authorized, Issued and Outstanding shares

Authorized - unlimited number of common shares with no par value,
- 100,000,000 preferred shares with no par value

A summary of common shares outstanding as at September 30, 2018 and December 31, 2017 and changes during the periods then ended are presented below:

	Shares #	Amount $
Balance, December 31, 2016	45,848,330	50,402,306
Exercise of warrants (i)	176,000	26,400
Allocation from warrant reserve	-	7,276
Issued for settlement of debt (ii)	1,067,367	96,063
Issued in private placement (iii)	11,330,000	434,144
Balance, December 31, 2017	58,421,697	50,966,189
Issued in private placement (iv)	16,500,000	825,000
Allocation to warrant reserve	-	(160,521)
Share issuance costs	-	(32,894)
Exercise of warrants (v)	4,047,000	306,750
Allocation from warrant reserve	-	95,388
Exercise of stock options (vi)	360,000	18,000
Allocation from share-based payment reserve	-	14,400
Balance, September 30, 2018	79,328,697	52,032,312

(i) During the year ended December 31, 2017, a total of 176,000 warrants were exercised at $0.15 per share for gross proceeds of $26,400.

(ii) On May 30, 2017, the Company issued 1,067,368 common shares on settlement of debt amounting to $96,063. A total of 631,888 of the foregoing common shares were issued to an officer of the Company for an aggregate settlement of $56,870.

(iii) During the year ended December 31, 2017, the Company completed a non-brokered private placement financing (the "2017 Offering"). In total the 2017 Offering consisted of 11,330,000 units for aggregate gross proceeds to the Company of $566,500. Each unit consisted of one common share and one half common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one additional common share at an exercise price of $0.075 for a period of two years from the closing of each tranche of the 2017 Offering. In the event that the closing sale price of the common shares on the TSXVE is greater than $0.15 per share for a period of 20 consecutive trading days at any time after the date that is four months and one day after the closing of the 2017 Offering, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and in such case the warrants will expire on the 30th day after the date on which such notice is given by the Company. (see Note 17).

(iv) In July 2018, the Company completed a non-brokered private placement financing (the "2018 Offering"). In total the 2018 Offering consisted of 16,500,000 units for aggregate gross proceeds to the Company of $825,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share at an exercise price of $0.10 for a period of two years from the closing of each tranche of the 2018 Offering. In the event that the closing sale price of the common shares on the TSXVE is greater than $0.20 per share for a period of 20 consecutive trading days at any time after the date that is four months and one day after the closing of the 2018 Offering, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and in such case the warrants will expire on the 30th day after the date on which such notice is given by the Company. In connection with the 2018 Offering finder's fees of $28,320 in cash were paid and 446,000 finders warrants were issued (see Note 17).

(Expressed in Canadian dollars)

10. CAPITAL STOCK AND WARRANT RESERVE (continued)

a) Authorized, Issued and Outstanding shares (continued)

(v) During the nine months ended September 30, 2018, a total of 4,004,000 warrants were exercised at $0.075 per share for gross proceeds of $300,300, and 43,000 warrants were exercised at $0.15 per share for gross proceeds of $6,450.

(vi) During the nine months ended September 30, 2018 a total of 360,000 stock options were exercised at $0.05 per share for proceeds of $18,000.

b) Share Purchase Warrants

(i) A summary of warrants outstanding as at September 30, 2018 and December 31, 2017 and changes during the periods then ended are presented below:

	Warrants	Amount	Weighted average exercise price
	#	$	$
Balance, December 31, 2016	12,338,921	504,459	0.15
Issued in private placements (ii)	5,665,000	132,356	0.075
Exercised	(176,000)	(7,276)	0.15
Balance, December 31, 2017	17,827,921	629,539	0.11
Issued in private placements (iii)	16,946,400	152,638	0.10
Exercised	(4,047,000)	(95,388)	0.075
Expired	(10,516,421)	(437,718)	0.15
Balance, September 30, 2018	20,210,900	249,071	0.14

(ii) As a result of the 2017 Offering the Company issued 5,665,000 common share purchase warrants (valued at $132,356) with an exercise price of $0.075. The fair value of the common share purchase warrants issued in the 2017 Offering was estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: expected dividend yield 0%, expected volatility 149%, risk free interest rate of 0.99%, expected life of two years, and a share price of $0.075. Volatility is based on the historical trading activity of the Company's shares.

(iii) As a result of the 2018 Offering the Company issued 16,500,000 common share purchase warrants 32,356) with an exercise price of $0.10 and 72,000 finder's warrants with an exercise price of $0.05. The fair value of the common share purchase warrants and finder's warrants issued in the 2018 Offering was estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: expected dividend yield 0%, expected volatility 85-88%, risk free interest rate of 2%, expected life of two years, and a share price of $0.04. Volatility is based on the historical trading activity of the Company's shares.

(Expressed in Canadian dollars)

10. CAPITAL STOCK AND WARRANT RESERVE (continued)

b) Share Purchase Warrants (continued)

(iv) The following warrants are outstanding as at September 30, 2018:

Expiry date	Number of warrants outstanding #	Exercise price $	Weighted average remaining contractual life (years)
October 7, 2018	1,603,500	0.15	0.02
November 22, 2019	661,000	0.075	0.85
July 6, 2020	9,140,000	0.10	1.85
July 6, 2020	374,000	0.05	1.85
July 19, 2020	7,360,000	0.10	1.81
July 19, 2020	72,000	0.05	1.81
	19,210,500		1.65

11. SHARE-BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN

The Company has adopted a share option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date immediately preceding the date on which the option is granted. The terms and conditions of the options are determined by the Board of Directors.

The aggregate number of share options shall not exceed 10% of the issued and outstanding common shares of the Company, and if any option granted under the Plan expires or terminates for any reason in accordance with the terms of the Plan without being exercised, that option shall again be available for the purpose of the Plan. In addition, the exercise price of options granted under the Plan shall not be lower than the exercise price permitted by the TSXVE, and all options granted under the plan will have a term not to exceed five years after issuance. All options currently issued and outstanding vested 100% on the date of grant.

A summary of the status of the Plan as at September 30, 2018 and December 31, 2017, and changes during the periods ended on those dates are presented below:

	Number of options #	Weighted average exercise price $
Balance, December 31, 2016	628,570	0.87
Issued	1,600,000	0.10
Expired	(578,570)	(0.89)
Balance, December 31, 2017	1,650,000	0.10
Issued	2,000,000	0.05
Exercised	(360,000)	(0.05)
Expired/terminated	(350,000)	(0.19)
Balance, September 30, 2018	2,940,000	0.06

(Expressed in Canadian dollars)

11. SHARE-BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN (continued)

As at September 30, 2018, the Company had outstanding share options issued to directors, officers, employees and consultants of the Company as follows:

Date of Grant	Options outstanding #	Options vested #	Exercise price $	Expiry date
Aug 1, 2018	500,000	500,000	0.05	Aug 1, 2020
Aug 28, 2018	1,500,000	1,500,000	0.05	Aug 28, 2020
April 27, 2017	700,000	700,000	0.10	April 27, 2022
June 28, 2017	100,000	100,000	0.10	June 28, 2022
October 30, 2017	140,000	140,000	0.05	October 30, 2019
	2,940,000	2,940,000		

The weighted average remaining contractual life of options issued and outstanding as at September 30, 2018 was 2.3 years (December 31, 2017 – 3.9 years).

The grant date fair value of the options granted was estimated using the Black-Scholes option pricing model, using the following weighted average assumptions:

	2017	2017
Risk-free interest rate	2%	1%
Expected life (years)	2.0	5.0
Expected volatility	90%	199%
Expected rate of forfeiture	nil	nil
Expected dividend yield	nil	nil
Share price	$0.05	$0.10

Volatility is based on the historical trading activity of the Company's shares.

12. INVESTMENT IN INSUMOS

On September 14, 2015, the Company and its wholly-owned subsidiary, Madosac, entered into an agreement with a private Peruvian company, Insumos, to establish a mineral processing plant in northern Peru. Under the terms of the agreement Peruvian Metals was required to invest US$1.5 million and establish a line of credit of US$250,000 for the purpose of general working capital for the start-up. Insumos holds the concessions on which the plant is built.

On November 7, 2016, the Company and Insumos finalized the transaction and 20% of the outstanding shares of Madosac were transferred to the majority shareholder of Insumos in exchange for 80% of the outstanding shares of Insumos. As the Company received 80% of the outstanding shares of Insumos, the Company consolidated Insumos commencing November 7, 2016. The transaction has been accounted for as an asset acquisition.

(Expressed in Canadian dollars)

12. INVESTMENT IN INSUMOS (continued)

The assets acquired and liabilities of Insumos as at November 7, 2016 were recorded at their estimated fair market values as follows:

Purchase Price Consideration Paid		
Estimated fair value of Madosac shares issued	$	48,049
Net Assets Acquired		
Cash	$	4,415
Amounts receivable		2,382
Inventory		17,108
Mining concessions		127,535
Accounts payable and accruals		(91,379)
Non-controlling interest		(12,012)
	$	48,049

13. EXPLORATION AND EVALUATION EXPENDITURES

During the nine months ended September 30, 2018, the Company had net exploration and evaluation expenditures of $59,555 (2017 – $185,056).

Panteria Project
The Company holds a 100% interest in the Panteria Project located in south central Peru. Title to the concessions comprising this project is held by Hatum Minas. On March 11, 2016, the Company entered into an option agreement (the “Agreement”) on its Panteria Project with Minera Antares Peru SAC – a wholly owned subsidiary of First Quantum Minerals Ltd. (collectively “FQM”).

Under the terms of the Agreement, commencing from the date that FQM has obtained all necessary permits to initiate exploration mining activities (received July 24, 2017) FQM can conduct due diligence studies for up to 18 months before proceeding to earn up to 80% of the project by delineation of a resource greater than 1 million tonnes of copper equivalent and making a series of staged payments over 5 years. If FQM proceeds to a decision to mine they have the option to buy the remaining 20% equity from Peruvian Metals for US $0.02 per lb of copper equivalent based on 20% of delineated reserves. Peruvian Metals will retain a 0.5% NSR. The Agreement outlines an exploration and development schedule divided into 3 stages:

Stage 1: Peruvian Metals will assign all exploration rights to FQM and FQM will contract Peruvian Metals’ community relations team in order to obtain community approval as a pre-requisite for the environmental permit (DIA). FQM will have the rights to carry out due diligence studies over a period of 18 months subsequent to receiving the aforementioned necessary permits to initiate exploration mining activities.

Stage 2: FQM may earn an 80% interest in the project by defining a mineral resource, and reporting the resource in compliance with National Instrument 43-101, in excess of 1 million tonnes of copper equivalent within 5 years and making a series of escalating payments with a maximum cumulative total of US $500,000 (First Option).

Stage 3: FQM will be granted a second option to purchase Peruvian Metals’ remaining 20% interest by carrying out additional technical/feasibility studies and declaring a “decision to mine”. The purchase amount will be calculated by applying a value of US$0.02 per pound of copper equivalent to 20% of reserves. Peruvian Metals will also be paid a NSR of 0.5% on all metal production from any subsequent mining operation (capped annually at US$15 million) except in the case where FQM elects not to exercise the Second Option and Peruvian Metals contributes its proportion of project development and construction costs. Peruvian Metals’ 20% interest will be free-carried through to a decision to mine.

(Expressed in Canadian dollars)

13. EXPLORATION AND EVALUATION EXPENDITURES (continued)

Mansa Musa Project
The Mansa Musa Gold Project (previously known as Minasnioc Gold Project) concessions ("Mansa Musa") are located in the Department of Huancavelica, approximately 300 kilometres southeast of Lima. Title to Mansa Musa is held by Querco.

In December 2015 the Company entered into an agreement with a private Peruvian mining company (the "Optionee") whereby the Optionee could earn a 100% interest in Mansa Musa by paying Peruvian Metals US$50,000 (received $69,200) and US$700,000 ($904,190) by December 2017, subject to the Optionee receiving approval from the local Mansa Musa community. The Optionee terminated the option agreement in September 2017 and the property was returned to Peruvian Metals in good standing.

Effective December 31, 2017 the Company entered into an option agreement (the "Mansa Musa Agreement") on Mansa Musa with IAMGOLD Peru S.A., a wholly owned subsidiary of IAMGOLD Corporation (collectively "IAMGOLD").

The Mansa Musa Agreement between the companies is comprised of three options. On signing the Mansa Musa Agreement IAMGOLD paid Peruvian Metals US $50,000 (CAD $64,930) and subsequently signed the access rights agreement with the local community and enter into the First Option period effective May 2018.

Upon entering into the First Option IAMGOLD has the right to earn a 60% interest in Mansa Musa over a 4 year period. As a condition of the First Option IAMGOLD must carry out sufficient drilling to determine a resource estimate and issue a Preliminary Economic Assessment prepared in accordance with National Instrument 43-101 standards (the "PEA") demonstrating a minimum gold resource of 300,000 ounces. During the term of the First Option IAMGOLD will be also required to make payments to Peruvian Metals totaling US $500,000 as follows:

On entering First Option:	US $ 75,000 (paid)
First Anniversary of entering the First Option	US $100,000
Second Anniversary of entering the First Option	US $100,000
Third Anniversary of entering the First Option	US $100,000
Fourth Anniversary of entering the First Option	US $125,000

The Second Option will allow IAMGOLD to earn an additional 10% (total of 70%) in Mansa Musa over 4 years by completing a prefeasibility study in accordance with NI 43-101 standards (the "PFS"). The PFS must have a Measured and Indicated Resource of at least 1 million ounces of gold. Should IAMGOLD fail to produce the PFS as specified above it will still maintain its 60% interest in the Property.

Within 10 days of IAMGOLD vesting in the Second Option, if Peruvian Metals requests and IAMGOLD agrees, IAMGOLD will enter a Third Option in which it can increase its ownership in Mansa Musa to 75% (the "Third Option") by arranging financing for Peruvian Metals' 25% share of exploration, feasibility and mine development and construction costs. The financing will be done at Libor plus 8%.

Huachocolpa Properties
The Company holds a 100% interest in the Huachocolpa Properties, which consist of contiguous and non-contiguous mining concessions in the Department of Huancavelica, approximately 260 kilometres southeast of Lima. Title to the Huachocolpa Properties is held by Corongo.

Don Pancho Project
During the year ended December 31, 2017, the Company sold its 100% interest in the Don Pancho silver lead zinc project. (See Note 8).

Ichuña Project
During the year ended December 31, 2017, the Company sold its 100% interest in the Ichuña copper/silver project. (See Note 8).

(Expressed in Canadian dollars)

14. LOSS PER SHARE

a) Basic

Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares in issue during the period.

	Three Months ended September 30,				Nine Months ended September 30,			
		2018		2017		**2018**		2017
Net loss for the period	**$**	**423,322**	$	271,343	**$**	**999,880**	$	1,201,606
Weighted average number of common shares outstanding		**77,212,610**		48,138,938		**66,619,338**		46,808,323
Loss per share	**$**	**0.01**	$	0.01	**$**	**0.02**	$	0.03

b) Diluted

Diluted loss per common share is equal to the basic loss per common share for the nine months ended September 30, 2018 and 2017 as all of the stock options and warrants outstanding are anti-dilutive.

15. PLANT START-UP EXPENSES

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	**2018**	2017
	$	$	$	$
Salaries and management fees	**67,892**	124,075	**218,484**	455,502
Office and general	**33,149**	43,496	**98,040**	130,036
Geological and laboratory	**6,253**	339	**10,261**	19,531
Professional fees	**1,943**	776	**12,481**	3,070
Rent and utilities	**8,827**	8,875	**19,692**	23,061
Vehicles and equipment rentals	**22,197**	-	**30,416**	-
Writedown of property development costs	**-**	-	**89,227**	-
	140,261	177,561	**478,601**	631,200

16. GENERAL AND ADMINISTRATIVE

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	**2018**	2017
	$	$	$	$
Management and consulting fees	**52,500**	41,250	**146,250**	107,250
Share based payments	**64,075**	-	**64,075**	66,000
Accounting and administration	**2,714**	91,469	**19,407**	123,956
Shareholder relations and filing fees	**11,700**	16,697	**68,758**	88,657
Professional fees	**34,213**	23,594	**60,199**	50,436
Travel	**16,483**	6,121	**44,305**	19,995
Insurance	**5,239**	5,487	**13,221**	15,057
Rent	**5,100**	5,100	**15,300**	15,300
Telephone and communication	**347**	1,695	**1,375**	3,083
Amortization	**-**	158	**474**	474
	192,371	191,571	**433,364**	490,208

(Expressed in Canadian dollars)

17. RELATED PARTY TRANSACTIONS

Related parties include officers of the Company, the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including the directors of the Company. The remuneration of key management personnel of the Company for the nine months ended September 30, 2018 and 2017 were as follows.

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	**2018**	2017
	$	$	$	$
Aggregate compensation	**75,000**	60,732	**229,052**	219,858

As at September 30, 2018, a balance of $398,923 (December 31, 2017 - $414,907) was due to certain officers and directors of the Company. Of this amount $67,706 (December 31, 2017 - $93,979) relates to outstanding promissory notes and interest; $290,858 (December 31, 2017 - $247,522) relates to unpaid compensation; $30,000 (December 31, 2017 - $60,000) relates to non-interest bearing advances, and $10,359 (December 31, 2017 - $13,406) relates to reimbursable expenses incurred in the normal course of business.

Certain directors and officers of the Company subscribed for 2,710,000 units in connection with the 2018 Offering as disclosed in Note 10 (a)(iv).

Certain directors and officers of the Company subscribed for 7,490,000 units in connection with the 2017 Offering as disclosed in Note 10 (a)(iii). See also Note 10(a)(ii).

During the nine months ended September 30, 2018 the Company repaid a total of $49,500 (2017 - $Nil) of promissory note principal and interest to related parties of the Company, and issued promissory notes of $15,000 (2017 - $100,000) to related parties. (See Note 9)

A total of 1,500,000 stock options were granted to related parties under the Company's Plan during the nine months ended September 30, 2018 (2017 – Nil).

18. COMMITMENTS AND CONTINGENCIES

Lease agreements
The Company is party to an operating lease agreement for office space with annual lease payments, before sub-lease income, of $32,400, expiring on April 30, 2019.

The Company's subsidiary, Madosac, has annual office rental obligations of US$20,400 ($26,300).

Management contracts
Effective July 1, 2017, the Company amended the existing management consulting contracts to eliminate certain contingent events such as a change of control payments. In addition, management agreed to reduce their total minimum annual payments to $300,000.

Environmental matters
The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

18. COMMITMENTS AND CONTINGENCIES (continued)

Legal proceedings

The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations. As at September 30, 2018 and December 31, 2017, no amounts have been accrued related to such matters.

19. SUBSEQUENT EVENTS

A total of 1,603,500 common share purchase warrants expired without exercise on October 7, 2018.