

**PERUVIAN METALS CORP.
(formerly Duran Ventures Inc.)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Form 51-102F1

For the Three Months Ended March 31, 2019

**PERUVIAN METALS CORP. (formerly Duran Ventures Inc.)
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FOR THE THREE MONTHS ENDED MARCH 31, 2019**

Report Dated: May 29, 2019

General

This Management's Discussion and Analysis ("MD&A") is provided for the purpose of reviewing the three months ended March 31, 2019 and comparing results to the previous period. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's audited annual financial statements and corresponding notes for the fiscal years ended December 31, 2018 and December 31, 2017. The Company's financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") and all monetary amounts are expressed in Canadian dollars unless otherwise indicated in the notes to the audited annual financial statements.

This MD&A is prepared as of May 29, 2019. Mr. Jeffrey Reeder, P.Geo., Chief Executive Officer and Chairman of the Company has either prepared, supervised the preparation of, or approved the scientific and technical disclosure in this MD&A. Mr. Reeder is a Qualified Person within the meaning of National Instrument 43-101 ("NI 43-101"). Additional information relevant to the Company's activities can be found at www.sedar.com.

Cautionary Note Regarding Forward-Looking Statements

Certain statements contained in the sections "Mineral Exploration Properties", "Company Outlook" and "Liquidity and Capital Resources" of this MD&A constitute forward-looking statements. These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Information concerning the interpretation of drill results, mineral resource and reserve estimates and capital cost estimates may also be deemed as forward-looking statements as such information constitutes a prediction of what mineralization might be found to be present and how much capital will be required if and when a project is actually developed. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the supply and demand for, deliveries of, and the level and volatility of prices of metals;
- the availability of financing for any of the Company's development projects on reasonable terms;
- the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- the ability to attract and retain skilled staff;
- market competition;
- the accuracy of any resource estimates (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which it is based;
- tax benefits and tax rates; and/or
- political uncertainty such as regulatory laws, statutes and permitting changes.

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These forward-looking statements involve risks and uncertainties relating to, among other things, changes in commodity prices, access to skilled mining development and mill production personnel, results of exploration and development activities, the Company's limited experience with production and development stage mining operations, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals, actual performance of facilities, equipment and processes relative to specifications and expectations and unanticipated environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors incorporated by reference herein; please see "Risk and Uncertainties". The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law. The Company also cautions readers not to place undue reliance on these forward-looking statements. Moreover, these forward-looking statements may not be suitable for establishing strategic priorities and objectives, future strategies or actions, financial objectives and projections other than those mentioned above.

Description of Business

Peruvian Metals Corp. ("Peruvian Metals" or the "Company") was incorporated under the laws of British Columbia on March 5, 1997 under the name 537926 B.C. Ltd. and its principal business activity is mineral processing and the acquisition and exploration of mineral properties. On June 18, 1997, the Company changed its name to Duran Gold Corp.; on August 10, 2000, the Company changed its name to Duran Ventures Inc.; and on September 5, 2018 the Company changed its name to Peruvian Metals Corp. to better reflect the nature of the Company's operations and business activities. On July 4, 2007, the Company was listed on the TSX Venture Exchange ("TSXV"). On October 14, 2008, the Shareholders approved the continuance of the Company under the Canada Business Corporations Act, which was completed by October 31, 2008. The Company's common shares were listed for trading on the Risk Capital Segment of the Lima Stock Exchange (Segmento de Capital de Riesgo de la Bolsa de Valores de Lima) in Peru (the "Lima Exchange") effective September 21, 2012. However, due to a lack of trading activity the Company delisted its shares from the Lima Exchange effective November 6, 2018. The Company's shares are traded on the TSXV under the symbol PER.

The Company is not in default under any debt or other contractual obligations. The Company has not been notified of any breach of any corporate, securities or other laws or of the terms of the listing agreement with the TSXV.

Peruvian Metals is focused on mineral processing and the exploration and development of precious and base metal properties in Peru.

The Company completed construction of the Aguila Norte mineral processing plant ("Aguila Norte" or the "Plant") in Northern Peru in late 2016 and has begun processing of concentrates.

In addition to the development of a mineral processing operation, the Company will maintain its prospect generator model where it will seek new partners to explore and develop properties in Peruvian Metals' existing portfolio of exploration properties. The Company will continue to generate and acquire new prospective mineral properties while partners are actively exploring Peruvian Metals' existing properties.

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Company Results and Outlook- Mineral Processing Plant and Exploration Project Plans

Aguila Norte Mineral Processing Plant

Peruvian Metals holds an 80% ownership interest in Minera Aguila de Oro SAC ("MADOSAC"), the joint company that built the Aguila Norte plant. The Company invested a total of US\$1,500,000 in capital and other expenditures to acquire its 80% interest. The 20% ownership interest in MADOSAC is held by the Peruvian National who owned the concessions on which the plant was constructed. Peru has initiated a formalization process designed to register all small scale mining operations. The registration will allow the government to tax income, and monitor and regulate health, safety and environmental issues for informal miners and will allow these operations to legally sell their mineral supply only to permitted mineral processing facilities. Peruvian Metals views this initiative into mineral processing as a solid step toward establishing a sustainable business model that will complement its exploration expertise and portfolio of mineral assets.

The Company completed construction of the plant during late 2016 and the commissioning of the crushing and milling circuits began shortly thereafter with the processing of third party mineral.

Highlights of the mineral processing plant are:

- All-in plant construction, start-up and commissioning costs of approximately \$4.4 million that is inclusive of fully tested crushing, milling and flotation circuits, tailings dams, closed circuit security system, camp construction for a local workforce of 25 and onsite logistical overheads
- Metal recovery is via flotation circuits designed to produce up to three distinct concentrates enabling processing of a wider spectrum of multi and poly-metallic sulphide mineral supply. Initial plant throughput is rated at 100 tonnes per day ("TPD")
- Initial ground preparations and plant layout allows for the sequential addition of a CIP gold leaching circuit and incremental expansion to a 350 TPD throughput
- The initial capacity of the tailings area is for an estimated 3 ½ years. Due to its favourable topography, the area can sustain increases to its tailings holding capacity to +20 years. The Surface Rights Agreement with the Peruvian government was expanded and now includes the area where a long-term tailings storage will be located.
- Permitting is in place under the Peruvian government's formalization mandate to operate up to 100 TPD. The Company has received full permits and licenses which will enable the expansion of the Aguila Norte Plant.

The location of the Aguila Norte plant facility is viewed as strategic by Peruvian Metals. Many processing plants in Peru are located in the south, more specifically, in the Nasca and Chala areas located 990 and 1,150 kilometres south of the plant facility. There is access to water and power at the site that is located near the city of Trujillo and it is 10 kilometres from the main Panamerican Highway, which runs the length of the country.

Peruvian Metals intends to submit plans for an expansion of the plant as mineral feed warrants. The Company also plans to connect to the power grid which will reduce operating costs. Initial proposals have been submitted to the government for approval. Further plant expansion includes a full onsite laboratory able to perform multi-element and metallurgical analysis.

In early 2017, Aguila Norte completed the production of zinc and lead-silver concentrates from purchased mineral. However, as a result of extremely heavy rainfalls and floods in northern Peru due to the El Niño effect, the Regional Government of La Libertad declared a state of emergency for the region. Plant operations and concentrate shipments were delayed for several weeks until the weather improved. The decision was made mainly for the safety of the Plant operations staff during the commissioning phase and to maintain the equipment during this time. The Plant recommenced

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operations and concentrate shipments in mid-April 2017 when 91.17 metric tonnes ("mt") of zinc concentrates and 23.26 mt of lead-silver concentrate was shipped from the Plant to the Impala Terminals in the port of Callao, Lima. The concentrates were 100% owned by Aguila Norte and represent the first sale of concentrates produced from wholly-owned purchased mineral. During 2017, a total of 2,718 mt of mineral was processed in 6 campaigns producing 474 mt of concentrates.

Peruvian Metals is continuing to negotiate on several mineral purchase agreements for secure sources of mineralized material. The Company eventually intends to focus only on mineral purchase agreements, and processing 100% owned mineral from Peruvian Metals' concessions. The Company is currently preparing for exploitation permits to extract mineral on certain of its 100% owned concessions and will process this mineral at the Plant or other processing facilities in Peru. The Company is also pleased that recent agricultural and economic activity in the area resulted in improved infrastructure. The Company has completed a new study to connect the Plant to the electrical grid and has already been given permission to build the infrastructure.

During the commissioning phase the Plant will also process third party mineral. The Company has entered into agreements with small miners to process their mineral by charging a processing fee. The Plant is capable of producing three concentrates from the same mineral source. The Company charges higher processing fees to produce multiple concentrates so preference will be given to the polymetallic mineral suppliers.

During the fourth quarter of 2018, Peruvian Metals continued to upgrade and reconfigure the Plant to enable the processing of a wider range of minerals within a mineral concentrate. With the upgrades and further modifications the Plant will be able to produce three different concentrates from the same mineral supplier. More specifically, modifications allow for Lead grades higher than 5%. These upgrades not only provide better flexibility for the Plant's mineral processing clients but also provide better concentrate grades. Due to the increased flexibility and performance several clients extended existing contracts. Further modifications and improvements will continue during 2019 to improve on processing flexibility and increased recoveries for clients. The Company believes that these improvements and enhanced performance of the Plant is a competitive advantage.

During 2018, a total of 3,785 mt was processed producing 520 mt of concentrate, and 1,074 mt of mineral was crushed but not processed due to its low grade.

During the three months ended March 31, 2019, the Plant processed 2,103 mt of mineral and had further stockpiles of 2,186 mt of mineral for processing. The Plant processed another 3,292 mt from April 1st to May 10th totaling 5,395 mt processed year-to-date for 2019, resulting in 845 mt of concentrate production up to May 10th.

Gold Properties

The Company holds three gold-silver mineral concessions in Northern Peru. These concessions are 100% owned with no underlying royalties, are road accessible, were subject to varying forms of small scale artisanal mine workings, and were acquired as potential mineral sources for Aguila Norte. The three properties acquired are summarized below.

Miton de Oro

The Miton de Oro property is accessed via 157 kilometres of mostly asphalt road from Aguila Norte and consists of a 700 hectare concession application that was recently won in a closed bid auction that included Barrick and Newmont as competitors. Mineralization at Miton de Oro is considered similar to the past producing Machacala Au-Ag mine located 8.5 kilometres to the northwest. Historic production records from previous operators from the Machacala mine that cannot be verified by the Company noted that 232,645 tons of ore were mined with average grades of 6 g Au/T and 10 g Ag/T. Highlights

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of initial reconnaissance sampling on the Miton de Oro property of an abandoned, 22 metre long artisanal drift located in the east of the property that exploited low sulphidation epithermal quartz veins hosted in pyroclastic rocks returned 127.1 g Ag/T with 1.15 g Au/T, 881.7 g Ag/T with 1.32 g Au/T, and 574.21 g Ag/T and 0.34 g Au/T on sample and vein widths of up to 40 cm. Hand selected quartz vein material from this artisanal workings dump pile returned 660.4 g Ag/T and 1,706.6 g Ag/T. Several other areas on the property have returned strong Au-Ag mineralization and will require further follow up. A large low sulphidation target may exist on the property.

The initial focus will be on the area of the artisanal workings. Exploration will involve reopening the historic workings where high grade silver and gold mineralization is located. Initial exploration will comprise of exploration drifts along and perpendicular to the mineralized structures.

Indio Inka

The 100% owned, 470 hectare Indio Inka Property is located roughly 224 kilometres by mostly asphalted road from the Aguila Norte processing plant. Peruvian Metals' subsidiary Hatum Minas SAC purchased 100% of the property with a small cash payment with no underlying royalties. The property is located approximately 5 kilometres northeast of Eoro Resources' Victoria Gold Project in Northern Ancash.

The property's principal showing consists of high grade gold hosted in a near vertical, silicified breccia structure that roughly parallels bedding in the host lutite. The mineralized structure reaches 1 to 2 metres wide, and has been subject to artisanal development on two levels. Sampling within the old working, mostly from oxide/sulphide mix material, has returned results ranging from 1.48 to 13 g Au/T on 12 samples with sample lengths ranging from 0.4 to 1 metre. Initial metallurgical samples have shown 89% Au recovery (64% passing -200 mesh) from a Au-Ag-Cu concentrate flotation test in sulphide material and 92% Au recovery (90% passing -200 mesh) in cyanidation bottle roll tests in oxide material. The Company plans to extend the current mineralization by exploration drifting along the mineralized structures.

Pueblo de Oro

The 500 hectare Pueblo de Oro property is located in the Ancash Department near the small town of Pueblo Libre. The property is accessed via roughly 292 kilometres of mostly asphalt roads from the Aguila Norte plant and encompasses epithermal, oxide gold-silver mineralization hosted in fractured, brecciated, and faulted quartzites of the Chimu Formation. Historical mine workings are localized in a highly brecciated fault zone parallel to the hinge of an overturned, tightly folded syncline where at least two periods of exploitation have occurred including small, artisanal style tunnels and a large mechanically exploited stope measuring roughly 3,450 square metres entering the hill for 170 metres with widths of up to 30metres.

Sampling in the old workings has returned up to 7.33 g Au/T and 1,058 g Ag/T in individual samples with sample lengths of 0.6m and 0.4m respectively. In total, 36 random samples were taken underground and averaged 0.73 g Au/T and 66.9 g Ag/T. It is apparent that the Au-Ag grade depends on the brecciation intensity. The old mine dumps returned anomalous results from grab samples with individual samples assaying up to 4 g Au/T and 431 g Ag/T. In total, 14 samples were collected from the old mine dumps and averaged 0.81 g Au/T and 151 g Ag/T. These samples are random grab samples outside the workings and are not necessarily representative of the mineralization hosted on the property. The Company intends to conduct mapping to understand the structural controls on the gold-silver mineralization.

The Company intends to find a partner to initially explore the property. The Chimu quartzites are excellent hosts for precious metal mineralization in Northern Peru. Barrick's massive Alto Chicama Mine and Tahoe's La Arena mines are excellent examples of this type of precious metal mineralization. The exploration target at Pueblo de Oro is an underground high grade operation similar to PPX

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Mining's Igor Project in Northern Peru. Any agreement will first assess the economics of treating mineral at Peruvian Metals' Aguila Norte plant during the development stage.

Quality Assurance and Quality Control

All sample lots were delivered to their respective laboratory by Company geologists where the laboratory crushed, pulverized, and split the sample for assay. No quality control material was submitted with the samples.

Miton de Oro samples were analysed for Au and Ag using fire assay with gravimetric finish by G&S laboratories of Trujillo, Peru, a private and independent laboratory. Two check samples were submitted to Minera Platinum, a separate private and independent laboratory, for Au and Ag analysis also using fire assay with gravimetric finish and the results fell within acceptable error limits.

Indio Inka samples were analysed by Inspectorate Services SAC for gold by fire assay with atomic absorption finish and with 44 element aqua regia digestion ICP emission spectroscopy. Samples containing more than 10 g/T gold were re-assayed using fire-assay with gravimetric finish. Re-analysis of the over-limit samples using fire-assay with gravimetric finish duplicated the previous results. No quality control material was employed in the sampling. All samples were also submitted for gold analysis by fire assay with ICP emission spectroscopy and achieved similar results to gold by fire assay with atomic absorption finish. Metallurgical tests for the Indio Inka property were completed by Minares Sur and Minera Platinum, two private and independent Peruvian laboratories.

Pueblo de Oro samples were analyzed by Inspectorate Services Peru SAC for gold and silver by fire-assay with atomic absorption finish. Over-limit gold and silver were reanalysed by fire assay with gravimetric finish.

Korimandy

The Company entered into a ten year Mineral Assignment Agreement ("the Lease") with a Peruvian National for the right to explore, develop and extract from a 300 hectare concession located in the La Libertad Department in Northern Peru. The Company determined in early 2019 to withdraw from the Lease and returned the property to the owner in good standing.

Mineral Exploration Properties

All projects are described below.

Panteria Porphyry Gold - Copper Project

The Panteria Porphyry Copper prospect ("Panteria Project"), located approximately 210 kilometres southeast of the city of Lima, in the Department of Huancavelica in south-central Peru is believed to be situated in the northern extension of Southern Coastal Porphyry Belt. Peruvian Metals owns 100% of this property that consists of 7,204 hectares held in 15 mineral concessions.

In March 2016, the Company entered into an Option Agreement (the "Panteria Agreement") on the Panteria Project with Minera Antares Peru S.A.C., a wholly owned subsidiary of First Quantum Minerals Ltd. (collectively "FQM"). In May 2019 the Company received notice from FQM of its decision to terminate the Agreement. (See Subsequent Events below)

First Quantum drill programs

FQM aggressively explored the property from 2016 to 2019. All necessary drill permits were received in August 2017 and a total of 8,699 metres have been drilled in eleven holes in two campaigns. Four

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main mineralized zones were identified by the Company and First Quantum: NW Moly, El Corral, La Quebrada/El Gato and the Renaldo. NW Moly and the Renaldo mineralized zones remain untested by drilling. The Renaldo zone is considered an Au-Ag precious metal target. Approximately \$4.65 million US has been spent on the project by FQM.

Previously released drill results from the first drill campaign in 2017 were encouraging (see below). Drill Hole PANDD_006 from the 2017 campaign, located in the El Corral Zone within the main Panteria concession, intersected tourmaline-healed and hydrothermal breccias returning 31.30 metres of 0.497% and 0.676 g Au/T, or 0.94% copper equivalent ("CuEq"), within a broader interval of 125.80 metres of 0.252% Cu and 0.283 g Au/T gold, or 0.44% CuEq. Drilling during the 2018 campaign consisted of five holes totalling 4,540 metres on the El Corral zone. Drilling was designed to focus on extending the mineralization intersected in Hole PANDD_006. The deepest hole, PANDD_007, was drilled to a depth of 1190 metres with a -70° dip. No significant results were intersected during the 2018 campaign but significant porphyry style phyllic alteration is present in the drill holes. The El Corral zone requires furthering testing to the east. No other target was drill tested in 2018.

Drilling for the 2017 campaign commenced in late September 2017 and finished in early 2018. Six drill holes were completed for a total of 4,160 metres. New geological, geochemical and geophysical information gathered since 2014 by both Peruvian Metals and First Quantum showed several distinct targets within an area covering 2,000 metres by 1,200 metres.

The initial drill program focused on testing a conceptual buried-porphyry target over the main Panteria area. Results strongly re-inforce the property's potential that a large copper-gold porphyry system is present within the project area and the core of the system has yet to be located. Four of the six widely spaced holes intersected copper-gold mineralization associated with strong phyllic alteration (quartz-sericite-pyrite) often overprinting an earlier potassic alteration (secondary biotite). Copper-gold mineralization associated with the typical porphyry style alteration intersected shows that there is at least a 1,300 metre horizontal extent of the mineralization and alteration in the sub-surface and over a 770 metre vertical extent.

The last drill hole of the 1st phase of drilling, PANDD_006 located between holes PANDD_002 and PANDD_004, intersected tourmaline healed and hydrothermal breccias returning 31.30 metres of 0.497% Cu and 0.676 g Au/T or 0.94 % CuEq within a broader interval of 125.80 metres of 0.252% Cu and 0.283 g Au/T or 0.44 % CuEq. This type of mineralization and alteration suggests close proximity to the core of the porphyry system. A strong quartz stockwork system (A veins) was intersected in PANDD_004 and later overprinted or altered to an intermediate argillic (SCC) type alteration. This mineralization and alteration in PANDD_004 is located 400 metres north of the mineralization in PANDD_006 and possibly shows a different mineralized porphyry event. The following table summarizes the drill results:

	From (m)	To (m)	Interval (m)	Cu %	g Au/T	% CuEq
PANDDH-002	194.90	322.00	127.10	0.150	0.143	0.24
	413.50	630.00	216.50	0.132	0.127	0.21
includes	556.40	614.00	51.60	0.198	0.155	0.30
PANDDH-004	74.60	89.60	15.00	0.151	0.069	0.20
	114.00	244.30	130.30	0.163	0.071	0.21
	308.00	326.40	18.40	0.121	0.101	0.19
	375.65	409.65	34.00	0.119	0.045	0.15
	438.40	453.80	15.40	0.170	0.089	0.23

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PANDDH-005	477.40	498.90	21.50	0.159	0.096	0.22
	513.00	540.60	27.60	0.156	0.075	0.20
	638.70	761.00	122.30	0.144	0.059	0.18
	795.60	825.15	29.55	0.122	0.043	0.15
PANDDH-006	303.60	320.00	16.40	0.083	0.133	0.17
	320.00	445.80	125.80	0.252	0.283	0.44
includes	330.00	361.30	31.30	0.497	0.676	0.94
	498.80	550.00	51.20	0.165	0.120	0.24

Notes: Copper equivalent (Cu Eq.) values for by-product gold are calculated using a copper price of US\$3.00/lb and a gold price of US\$1,340/oz. No allowance is made for losses in a normal mining situation. The reported intercepts are not necessarily true widths, as there is insufficient data at this time to determine the orientation of the mineralized body.

Discussion of Panteria Drill Program Results

First Quantum's geologists note that multiple porphyry phases were intersected and alteration and mineralization styles present strongly suggest that drilling intersected the pyritic shell. Mineralized tourmaline healed breccias abundant in PANDD_006 also suggest the core of the porphyry is within close proximity. These alteration and breccia types are always peripheral in a porphyry system and further exploration is warranted. Furthermore, further drilling is required to test the conductive zones located to the west and northwest of the current drilling.

Typical copper-gold porphyry systems generally have high grade cores showing strong potassic alteration with well-developed quartz stockworks systems. The hydrothermal system present at Panteria is very extensive and well developed over a wide area. The core of the system is generally much smaller and always higher grade and has yet to be located. The company is extremely encouraged that there are many intervals of peripheral copper-gold mineralization returning copper equivalent values above 0.20 % CuEq.

Peruvian Metals' technical team has reviewed the core from the 1st phase of drilling and is very pleased with the quality of the data. Shareholders and potential investors are encouraged to visit Peruvian Metals' website to review the maps and photos of the core showing alteration types and their relative locations.

Peruvian Metals is very pleased with the social programs implemented by FQM and the Company encourages shareholders and potential investors to review the videos provided by FQM regarding the social and technical work on the Company's website in the Panteria project section of Peruvian Metals website (www.peruvianmetals.com).

All diamond drilling has been performed using HQ-diameter drill rods, reducing to NQ diameter if required. All core was shipped to FQM's warehouse in Arequipa for logging and splitting. Samples were submitted for preparation at ALS Peru S.A.'s ("ALS") preparation centre in Arequipa and later analyzed at ALS's facilities in Lima, Peru. All samples were analyzed using multi-digestion with inductively coupled plasma finish and fire assay with atomic absorption finish for gold. Samples over 1 % Cu were reanalyzed using four-acid digestion with an ore-grade ICP finish.

Significant exploration progress elsewhere on the property focused on the Ronaldo Zone located 4 kilometres east of the main Panteria Zone. Twenty-two line kilometres of induced polarization geophysical survey was conducted over the Ronaldo Zone during the last quarter of 2017. On surface

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this zone exhibits characteristics of an epithermal gold-silver system. FQM conducted further surface sampling in this zone but decided not drill in this area.

About the Panteria Project:

The property is underlain by intermediate Tertiary volcanic flows and tuffs which have been pervasively clay + iron oxide +/- silica-altered over an area of 2.5 x 1.0 kilometres, with a dominant northeast-southwest orientation. Altered diorite porphyry outcrops at lower elevations on the property. The Company interprets the geological environment to consist of a volcanic-intrusive complex with fingers of copper-bearing intrusive cutting an overlying, strongly altered volcanic package.

Anomalous copper values cluster mostly in a 1.0 x 1.0 kilometre area, which is coincident with the area of strongest silicification and may be centred over the mineralizing system at depth. The highest copper values occur in weakly clay-altered diorite intrusive rock, with visible copper carbonates and local chalcocite.

Previous exploration in the project area was conducted by Rio Tinto PLC in 2003. This work focused on an individual concession covering 400 hectares which is now part of Peruvian Metals' property. Rio Tinto's exploration work was comprised of sampling and mapping, a magnetic survey, and three diamond drill holes totaling 1,152 metres. A large hydrothermal/porphyry system was identified covering an area 2.5 x 2.0 kilometres. The third and final hole, drilled to a depth of 375 metres, intersected propylitic altered quartz-feldspar-hornblende porphyry ending in a potassic style alteration with a weak quartz stockwork. Magnetite was also noted ranging between 5 to 10%. According to an internal report by Rio Tinto, gold values range from 10 ppb to 420 ppb Au and copper ranges from 276 ppm to 4,470 ppm Cu with an average of 1,120 ppm over its entire length. Individual assays are not available but histogram Cu plots show that the mineralization is strongest starting at 200 meters to the end of the hole. Please note that the Company does not have the raw data or core to verify historic results.

A 2014 induced polarization (IP) survey, coupled with conceptual geological modeling, confirmed and amplified porphyry targets on the main Panteria Zone. Geophysics has highlighted a strong chargeability (>44 mV/V) anomaly surrounding a resistivity and magnetic high that is located more than 500 meters from the historic drilling. This geophysical anomaly is greater than 800 metres in width and shows a classic porphyry style geophysical IP signature with corresponding magnetic high. The high chargeability response reflects a pyrite shell exposed in lower elevations. The target now requires drilling to determine the depth of the porphyry.

The Kiosko Zone is located 1,200 metres south-southeast of the historic drilling and shows a broad structurally controlled geochemical anomaly with dimensions of 1,800 metres by 500 metres. Sampling and mapping suggests the presence of an east-west fractured mineralizing hydrothermal system showing elevated gold, silver, and molybdenum. In total, 123 samples were taken from this zone where 19 samples range between 0.1 and 1.075 g Au/T averaging 0.231 g Au/T.

Mansa Musa Gold-Silver Project

Effective December 31, 2017, the Company entered into an option agreement (the "Mansa Musa Agreement") on its Minasnioc Au-Ag project ("Mansa Musa" or the "Property") in southern Peru with IAMGOLD Peru S.A., a wholly owned subsidiary of IAMGOLD Corporation (collectively "IAMGOLD"). The name of the project has subsequently been changed to the Mansa Musa Project by 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.

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Effective upon securing the community agreement in May 2018, IAMGOLD entered into the First Option to earn a 60% interest in the Property over a 4 year period and made the First Option payment of US\$75,000. The surface agreement allows IAMGOLD access to conduct exploration work consisting of geological mapping and sampling, geophysical surveys and drilling programs. Peruvian Metals is extremely pleased that IAMGOLD has secured the surface agreement in a very efficient and timely manner. IAMGOLD commenced field work at the end of May and, as a result, a full field season of exploration is anticipated on this highly prospective gold-silver property.

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 totalling US\$500,000 as follows:

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

The Second Option will allow IAMGOLD to earn an additional 10% (total of 70%) in the Property 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 Second Option, if Peruvian Metals requests and IAMGOLD agrees, IAMGOLD will enter into a Third Option in which it can increase its ownership in the Property 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%.

IAMGOLD started drilling in November 2018, but suspended the program in January 2019 due to the weather. Drilling recommenced in late April 2019. The Company expects to release the drill results once this first phase is completed. The initial program will comprise of approximately 2,350 metres of diamond drilling in six holes. The initial phase, covering a 300-hectare area, was approved by the Ministry of Mines and Energy. Of the six holes, three holes will test new targets areas and three will expand and confirm mineralization encountered in previous drill programs. Diamond drilling will be performed by using HQ-diameter drill rods, reducing to NQ diameter if required. Samples will be prepared and analyzed at ALS's facilities in Lima, Peru. All samples will be analyzed using multi-digestion with inductively coupled plasma finish and fire assay with atomic absorption finish for gold.

About the Mansa Musa Project:

The Mansa Musa Gold Project is interpreted to be a high sulfidation (or acid-sulfate) epithermal gold-silver bearing system located in the Department of Huancavelica, approximately 300 kilometres southeast of Lima. The project consists of 10 concessions totalling 6,900 hectares (69 sq.km). This project has seen previous intensive exploration campaigns by Barrick Gold Corporation ("Barrick") and Compañía de Minas Buenaventura S.A.C. ("Buenaventura") between 2001 and 2007, which included surface channel sampling and drilling.

The Company acquired three (3) concessions and the historical geological and drill data from Barrick on these area concessions. The three concessions acquired from Barrick will be subject to a 2% NSR assigned to Franco Nevada. The remaining seven (7) Mansa Musa Gold Project concessions are wholly owned and not subject to any royalty.

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Company geologists have made initial property visits and have defined a high sulfidation (acid sulphate) epithermal gold and silver bearing system developed in Tertiary volcanic rocks. Extensive zones of argillic and advanced argillic alteration are present, with areas of massive and vuggy silica with associated alunite. The gold-silver bearing part of the epithermal alteration system covers an area of 2.0 x 2.0 kilometres. The age of the volcanic host rocks and style of mineralization is similar to Barrick's Pierina and Alto Chicama Mines and Newmont/Buenaventura's Yanacocha Mine in Peru. Other notable and comparable high sulphidation oxide gold properties in Southern Peru include Pan American Silver's Pico Machay Property, Minera IRL's Corihuarmi and Aruntani's Rescatada Properties. It is important to note that the style of the oxide gold mineralization allows for low cost extraction. For example, Minera IRL's Corihuarmi property produced 33,013 ounces of gold at an average of 0.87 g Au/T during 2010 at cash costs of \$383 per ounce. The Corihuarmi gold mine was placed into production in 2008 for a capital cost of US\$20 million. The Corihuarmi capital cost was recovered from pre-tax cash flow within the first 7 months of production. (Source: Minera IRL Limited website: <http://www.minera-irl.com/english/Mine/Corihuarmi/tabid/135/Default.aspx>).

Forty-one holes were drilled in 2003 and 2004 for a total of 5,863 metres. Previous work by Barrick confirms widespread gold and silver mineralization associated with high sulphidation type alteration. The previous drilling discovered two distinct mineralized zones. The north zone shows disseminated Au-Ag mineralization over a 1,200 metre east-west trend with several significant intersections starting at surface. The second mineralized zone is located some 2,000 metres south of the north zone and intersected a silver rich zone with hole P-17 returning 57.8 g Ag/T starting at 5.2 metres.

The historic drill results by Barrick have not been verified by Peruvian Metals and therefore must not be considered as NI 43-101 compliant and should not be relied upon by investors in assessing the value of the Mansa Musa properties. The project will require considerable future exploration to verify historic results as well as assessing the full extent and nature of the mineralization on these properties.

Huachocolpa Properties

The Huachocolpa Properties (the "Properties") consist of 82 contiguous and non-contiguous mining concessions totalling 2,980 hectares located within the historic Huachocolpa Mining District in the Department of Huancavelica, Peru, some 260 kilometres southeast of Lima. The Properties are 100% owned with no underlying royalties. There is paved road access from Lima (via the coastal town of Pisco) totalling 445 km up to the Chonta Pass. From there a number of gravel roads service the Properties. There is renewed interest in the area as a private group has acquired the Recuperada 600 tpd Flotation plant from Minera Buenaventura. Peruvian miner Minera Kolpa is also a dominant miner in the area with a 900 tpd flotation plant located nearby the Properties. The Company is evaluating and considering the following options for the Properties:

1. Contract Mining and toll treating its high grade material at one of the operating processing plants in the vicinity of the Properties.
2. Commence permitting for installation of a processing plant to treat high grade material from Peruvian Metals' properties plus several of the nearby artisanal mine workings in the district.
3. Associate with one of the existing small-scale producers in the district to build a joint district-wide mineral processing facility.
4. Seek a Joint Venture Partner who would fund exploration and development on the Properties with Peruvian Metals receiving cash payments and a royalty on production.
5. Associate with a 3rd party investment syndicate or Equity Fund to make a strategic investment in the district combining a number of small mining operations

Veins have been mined in the Huachocolpa District since Spanish colonial times (16th century) and the district is host to several producing and past-producing vein hosted polymetallic, base metal (silver-zinc-lead-copper plus or minus gold) properties. Polymetallic vein mining and milling continues to be the dominant formal economic activity in the district with Compañía Minera Caudalosa's Chica mine

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being one of the larger operations currently in production. Compañía Minera Caudalosa's Chica and Buenaventura's Recuperada mineral processing plants (located 3.0 and 7.5 kilometres respectively from the centre of the Properties) produced a combined 41,012^{(a)(b)} tonnes of concentrate during 2014. Compañía Minera Caudalosa is in the process of upgrading its current 800 tonne per day ("tpd") polymetallic flotation plant to 2,000 tpd. Smaller scale mining operations also operate in the district.

The vein systems in the Huachocolpa District generally strike easterly, crosscut folded Mesozoic sediments and overlying Cenozoic volcanics, and are related to late Cenozoic faulting. Polymetallic base metal mineralization in the veins is dominated by sphalerite, silver bearing galena, and chalcopyrite. Within the district and within Peruvian Metals' Properties, there is zoning towards epithermal mineralization resulting in higher precious metals contents.

The Properties have been divided into eight distinct packages or zones. Peruvian Metals mapped and sampled four of these zones for a total of 196 samples. The majority of the work concentrated on three zones that have assayed high-grade base and precious metal numbers during the reconnaissance sampling programs undertaken by the Company's geologists. The 2015 sampling also confirmed mineralization in 81 samples collected by the previous owner of the Properties.

Highlights of the 2015 sampling included defining several gold bearing polymetallic veins at the Castorindo Zone, identifying a 1,400 metre long mineral bearing structure at the Alta Tunes Zone, accessing and mapping two levels of an abandoned mine working at the Tangana West Zone, and confirming the potential to expand the strike length on these structures and numerous other structures within the Properties. The surface sampling was successful in defining numerous follow up targets. A description of each zone is provided at the Company's website: www.peruvianmetals.com.

^(a)from Grupo Raffo GR Holding SA 2014 Annual Report

^(b)from Compañía de Minas Buenaventura SAA 2014 Annual Report in the Bolsa de Valores de Lima <http://www.bvl.com.pe/eff/B20003/20150327203602/MEB200032014AIA01.PDF>

Don Pancho Silver-Lead-Zinc and Ichuña Copper-Silver Projects

In 2017, the Company sold the Don Pancho Silver-Lead-Zinc Project ("Don Pancho") to Tartisan Nickel Corp. for cash consideration of \$50,000 and 500,000 shares of Tartisan. Peruvian Metals will also receive an additional 500,000 shares of Tartisan as certain Don Pancho project milestones are achieved by Tartisan, and will retain a 2% NSR in the Don Pancho project of which half (1%) can be repurchased by Tartisan for US\$500,000.

In 2017, the Company also sold the Ichuña Copper-Silver Project ("Ichuña") to Tartisan for cash consideration of \$50,000 and 500,000 shares of Tartisan. Peruvian Metals will also receive an additional 500,000 shares of Tartisan as certain Ichuña project milestones are achieved by Tartisan, and will retain a 2% NSR in the Ichuña project of which half (1%) can be repurchased by Tartisan for US\$500,000.

Financing

During the three months ended March 31, 2019 a total of 1,000,000 stock options were exercised for gross proceeds to the Company of \$50,000 and promissory notes of \$30,000 were issued.

During the year ended December 31, 2018 the Company obtained non-brokered private placement financing of 16,500,000 Units for gross proceeds to the Company of \$825,000 (the "2018 Offering"). Each Unit consists of one common share of the Company ("**Common Share**") and one common share purchase warrant ("**Warrant**"). Each Warrant entitles the holder to purchase one additional Common Share at an exercise price of \$0.10 for a period of two years from the closing of the Offering. In the event that the closing sale price of the Common Shares on the TSXV 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

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after the closing of the 2018 Offering, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof (which notice may take the form of a press release) and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company. The Company entered into finder's agreements with finders to assist the Company with the 2018 Offering. The finder's agreements entitle the finders to receive a cash fee equal to 6% of the gross proceeds raised in the 2018 Offering from purchasers directly introduced to the Company by the finders ("Purchasers"). Additionally, the Company issued the finders share purchase warrants (the "Finders Warrants") equal to 6% of the number of Units sold to purchasers directly introduced to the Company by such finders. Each Finders Warrant is exercisable to purchase one Common Share at a price of \$0.05 for a period of two years from the closing of the 2018 Offering. In connection with the 2018 Offering finder's fees of \$28,320 in cash were paid and 446,400 Finders Warrants were issued.

During 2018 the Company also received proceeds of \$306,750 on the exercise of warrants and \$18,000 on the exercise of stock options. Out of the proceeds received from the 2018 Financing and the exercise of warrants and stock options the Company paid down \$77,625 of principal and interest against outstanding promissory notes which bear interest at 18% per annum, and the balance was used for Plant costs and general working capital purposes.

Selected Annual Information

The following table summarizes selected financial data for the Company for each of the last three fiscal years. The information set forth below should be read in conjunction with the December 31, 2018 audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), and their related notes.

	<i>Years Ended</i>		
	<i>December 31, 2018</i>	<i>December 31, 2017</i>	<i>December 31, 2016</i>
	\$	\$	\$
<i>Revenues</i>	Nil	Nil	Nil
<i>Loss attributable to shareholders</i>	(1,367,827)	(1,770,600)	(2,453,297)
<i>Loss per share</i>	(0.02)	(0.03)	(0.06)
<i>Total assets</i>	2,861,763	2,822,338	3,100,287
<i>Working capital (deficit)</i>	(1,163,083)	(1,026,428)	(263,671)
<i>Total long term liabilities</i>	164,600	Nil	Nil
<i>Cash dividends</i>	Nil	Nil	Nil

The following table sets out selected consolidated financial information for each of the eight most recently completed quarters:

Summary of Quarterly Results

<i>Quarter Ended</i>	<i>Revenue</i> \$	<i>Net loss</i> <i>attributable to</i> <i>shareholders</i> \$	<i>Loss per share</i> <i>attributable to</i> <i>shareholders</i> \$
<i>March 31, 2019</i>	Nil	(922,120)	(0.012)
<i>December 31, 2018</i>	Nil	(222,870)	(0.004)
<i>September 30, 2018</i>	Nil	(423,322)	(0.006)
<i>June 30, 2018</i>	Nil	(239,002)	(0.004)
<i>March 31, 2018</i>	Nil	(337,556)	(0.006)
<i>December 31, 2017</i>	Nil	(426,479)	(0.004)
<i>September 30, 2017</i>	Nil	(256,343)	(0.005)
<i>June 30, 2017</i>	Nil	(764,955)	(0.017)

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Results of Operations

<u>Consolidated Statements of Operations</u>	Three Months Ended March 31	
	\$ 2019	\$ 2018
EXPENSES		
Plant start-up expenses	116,542	166,444
Exploration and evaluation expenditures	24,459	68,976
Management and consulting fees	72,500	41,250
Accounting and administration	1,806	13,140
Shareholder relations and filing fees	14,004	25,772
Professional fees	16,500	9,622
Insurance	4,236	4,670
Travel	11,770	10,972
Rent	5,100	5,100
Telephone and communications	822	394
Impairment of exploration assets	582,051	-
LOSS FOR THE PERIOD BEFORE THE FOLLOWING	849,790	346,340
Foreign exchange loss (gain)	6,955	8,539
Interest expense	6,632	7,140
Accretion expense	2,058	-
Amortization	12,580	235
Realized loss on sale of marketable securities	16,530	-
NET LOSS FOR THE PERIOD	894,545	362,254

Three Months ended March 31, 2019

During the three months ended March 31, 2019, the Company had a net loss before non-controlling interest of \$849,545 compared to a net loss of \$362,254 for the same period in 2018. The Company incurred plant start-up expenses during the period of \$116,542 (2018 - \$166,444) relating to the commissioning of the Aguila Norte mineral processing plant in northern Peru and pertain primarily to costs associated with securing and analysing potential mineral feed supply for Aguila Norte, as well as plant commission, security and general administrative expenses (see table below). Exploration and evaluation expenditure for the period of \$24,459 (2018 - \$68,976) is lower than the prior-year period and reflects the Company's strategy of securing option agreements with major companies to develop exploration projects, as well the prior year period included certain concession payments. Management and consulting fees of \$72,500 (2018 - \$41,250) are higher in the current period and includes bonuses totalling \$20,000 payable to the Company's CEO and CFO. (See transactions with Related Parties below). Accounting and administration costs of \$1,806 (2018 - \$13,140) are lower in the current year period as a result of reduced staffing levels in the current year period. Shareholder relations and filing fees expense of \$14,004 (2018 - \$25,722) is lower in the current year period as the Company undertook various corporate communication initiatives during the prior year quarter and no longer has a Lima Exchange listing. Professional fees of \$16,500 (2018 - \$9,622) is higher in the current year period due to costs associated with capital markets advisory services during the current year. Impairment of exploration assets of \$582,051 (2018 - \$Nil) reflects the writedown of the Panteria Project as FQM terminated their option agreement subsequent to the end of March 2019. All other operating costs were

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in line with or lower than the prior year period costs as the Company has significantly scaled back on corporate expenditures.

Amortization of \$12,580 (2018 - \$235) is higher and reflects the amortization of the Company's asset retirement obligations. Realized loss on sale of marketable securities of \$16,350 (2018 - \$Nil) represents the loss on the sale of Tartisan shares during the period.

Plant start-up expenses

	Three months ended March 31	
	2019	2018
	\$	\$
Salaries and management fees	57,624	49,930
Office and general	15,904	13,291
Geological and laboratory	9,649	341
Security	6,707	2,328
Professional fees	4,765	572
Rent and utilities	7,669	6,689
Vehicles and equipment rentals	14,224	4,016
Writedown of property development costs	-	89,277
	<u>116,542</u>	<u>166,444</u>

Exploration and Evaluation Expenditures

A summary of exploration expenditures for the three months ended March 31, 2019 and 2018 is as follows:

	Three Months Ended	
	March 31	
	2019	2018
	\$	\$
Project management	11,147	32,910
Office and administration	3,491	5,795
Consultants	9,822	6,012
Concession payments & acquisitions	-	24,259
Expense for the year	<u>24,459</u>	<u>68,976</u>

Liquidity and Capital Resources

The Company's liquid assets at March 31, 2019 were valued at \$232,644 (December 31, 2018 - \$213,787), consisting of cash of \$72,634 (December 31, 2018 - \$80,162), marketable securities of \$14,820 (December 31, 2018 - \$25,000), amounts receivable of \$103,555 (December 31, 2018 - \$72,270) and inventory of \$41,655 (December 31, 2018 - \$36,355). Substantially all of the Company's cash is on deposit with Canadian chartered banks or a financial institution controlled by a Canadian chartered bank.

During the three months ended March 31, 2019, the Company's average monthly cash burn rate, excluding plant start-up expenses, exploration expenditures, share-based payments, amortization, and foreign exchange, was approximately \$42,250, comparable to \$46,500 for the year ended December

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31, 2018. The Company expects the monthly burn rate to remain low throughout 2019. Peruvian Metals has invested approximately \$4.4 million in capital, start-up expenditures, and advances to MADOSAC to design, construct and operate a mineral processing operation in northern Peru, and has established a US\$200,000 line of credit for the purpose of mineral purchases for the plant.

As a junior exploration stage company, Peruvian Metals has traditionally relied on equity financings and warrant exercises to fund exploration programs and cover the general working capital requirements of a publicly traded junior resource company. As at March 31, 2019, the Company had a working capital deficit of \$1,231,263 (December 31, 2018 – deficit of \$1,163,083). During the three months ended March 31, 2019 a total of 1,000,000 stock options were exercised for gross proceeds to the Company of \$50,000.

During the year ended December 31, 2018 the Company completed the 2018 Offering for gross proceeds to the Company of \$825,000 and received total proceeds of \$324,750 on the exercise of warrants and stock options. The net proceeds received were used for the Aguila Norte plant operations, and general and administrative purposes.

To accelerate ramp up to commercial production, the Company may need additional funding to cover plant working capital requirements. The Company does not intend to fund significant exploration programs in 2019 and 2020 and is actively looking for partners to develop its exploration projects.

The Company's ability to raise additional funds and its future performance are largely tied to the health of the financial markets and investor interest in the junior resource sector. Financial markets are currently volatile, and are likely to remain so during 2019 and 2020, reflecting ongoing concerns about the stability of the global economy, sovereign debt levels, global growth prospects and many other factors that might impact the Company's ability to raise additional funds.

Off Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Transactions with Related Parties

Related parties include the Board of Directors, officers, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

The remuneration of key management personnel and directors of the Company for the three months ended March 31, 2019 and 2018 were as follows:

Aggregate compensation		2019	2018
Jeffrey Reeder	CEO, Chairman & Director	\$ 60,000	\$ 37,500
Dan Hamilton	CFO	35,000	22,500
Oscar Pezo	Director and VP	-	11,382
		\$ 95,000	\$ 71,382

As at March 31, 2019, a balance of \$456,490 (December 31, 2018 - \$404,625) was due to certain officers and directors of the Company. Of this amount \$103,330 (December 31, 2018 - \$70,473) relates to outstanding promissory notes and interest (see Other below); \$335,160 (December 31, 2018 - \$287,853) relates to unpaid compensation; \$Nil (December 31, 2018 - \$30,000) relates to non-interest bearing advances, and \$17,341 (December 31, 2018 - \$16,299) relates to reimbursable expenses incurred in the normal course of business.

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Share based compensation

No stock options were granted to related parties under the Company's Plan during the three months ended March 31, 2019, and 2018.

Other

During the three months ended March 31, 2019 the Company issued promissory notes of \$30,000 (2018 - \$Nil) to a related party. During the year ended December 31, 2018, the Company issued promissory notes of \$15,000 and repaid a total of \$Nil (2018 – 49,500) of promissory note principal and interest to related parties. The promissory notes are payable on demand and bear interest at the rate of 18% per annum (\$30,283 principal balance) and 10% per annum (\$61,376 principal balance). As at March 31, 2019, the promissory notes balance and interest outstanding for related parties was \$103,330 (December 31, 2018 - \$70,473).

Critical Accounting Estimates

The preparation of these consolidated condensed financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- **Assets' carrying values and impairment charges**
In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.
- **Capitalization of exploration and evaluation costs**
Management has determined that exploration and evaluation costs incurred during the period have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits.
- **Mineral reserve and resource estimates**
The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

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- **Impairment of exploration and evaluation assets**
While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.
- **Estimation of decommissioning and restoration costs and the timing of expenditure**
Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.
- **Income taxes and recoverability of potential deferred tax assets**
In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.
- **Share-based payments**
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Changes in Accounting Policies

The significant accounting policies are outlined in the consolidated financial statements for the years ended December 31, 2018 and 2017, unless otherwise disclosed.

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New accounting standards adopted in the current period

▪ 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 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.

▪ 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.

Accounting standards and interpretations issued but not yet adopted

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee (“IFRIC”) that are not mandatory for accounting periods beginning on or after January 1, 2019 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 these consolidated financial statements. In all cases the Company intends to apply these standards from application date as indicated below:

▪ IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

▪ 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

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contributed constitute a business. The effective date of these amendments is yet to be determined, however early 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.

Financial Risk Factors

The Company may be exposed to risks of varying degrees of significance that could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below. There have been no changes in the risks, objectives, policies and procedures from the previous period.

a) Credit risk management

Credit risk relating to cash and accounts receivable arises from the possibility that any counterparty to an instrument fails to perform. The Company does not feel there is significant counterparty risk that could have an impact on the fair value of cash and cash equivalents and receivables.

b) Liquidity risk

The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its capital, development and exploration expenditures. The Company ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Cash includes cash on hand and balances with banks. The deposits are primarily held in a Canadian chartered bank or a financial institution controlled by a Canadian chartered bank.

As of December 31, 2018, the Company had a cash balance of \$72,634 (December 31, 2018 - \$80,162) to settle current accounts payable and accrued liabilities of \$918,680 (December 31, 2018 - \$891,545); due to related parties of \$353,160 (December 31, 2018 - \$334,152); and promissory notes and interest payable of \$204,686 (December 31, 2018 - \$168,054). Included in promissory notes and interest payable is \$103,330 (December 31, 2018 - \$70,473) due to related parties. The Company's other current assets consist of marketable securities of \$14,820 (December 31, 2018 - \$25,000), amounts receivable of \$103,555 (December 31, 2018 - \$72,270), prepaid expenses and advances of \$12,599 (December 31, 2018 - \$16,881) and inventory of \$41,655 (December 31, 2018 - \$36,365).

c) Market risk

At the present time, the Company does not hold any interest in a mining property that is in production. The Company's viability and potential success depends on its ability to develop, exploit, and generate revenue from the development of mineral deposits and mineral processing plants. Revenue, cash flow, and profits from any future mining operations and mineral processing plants in which the Company is involved will be influenced by precious and/or base metal prices and by the relationship of such prices to production costs. Such prices can fluctuate widely and are affected by numerous factors beyond the Company's control.

The fair value of the Company's marketable securities is also influenced by these factors and is therefore subject to market risk.

As at March 31, 2019, the Company had marketable securities with a market value of \$14,820 (December 31, 2018 - \$25,000).

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d) Foreign exchange risk

The Company's financings are in Canadian dollars. Certain of the Company's transactions with its subsidiaries are incurred in foreign currencies and are therefore subject to gains or losses due to fluctuations in exchange rates.

As at March 31, 2019, the Company had cash balances of \$21,490 (US \$16,082) (December 31, 2018 - \$13,275 (US \$9,731)) in U.S. dollars, and \$47830 (S/. 118,804) (December 31, 2018 - \$17,088 (S/. 42,277)) in Peruvian New Sol ("PNS"); and accounts payable of \$610,941 (S/.1,636,293) (December 31, 2018 – \$650,688 (S/.1,609,817)) in PNS.

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposure associated with the Company's foreign currency denominated cash balances. The Company utilizes foreign exchange forward contracts to manage foreign exchange risks from time to time, at the determination of management.

e) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the Company's cash and cash equivalents balances earn interest at fixed rates over the next three to twelve months. It is management's opinion that the Company is not exposed to significant interest rate risk.

As at March 31, 2019, the Company had promissory notes and interest payable of \$204,686, bearing interest at 18% per annum (\$115,325 principal) and 10% per annum (\$61,376 principal). A sensitivity analysis has determined that an interest rate fluctuation of 1% would not have resulted in significant fluctuation in the interest expense during the three months ended March 31, 2019.

f) Fair value of financial assets and liabilities

The book values of the cash, marketable securities, accounts receivable and accounts payable and accrued liabilities, approximate their respective fair values due to the short-term nature of these instruments. The fair values together with the carrying amounts shown in the balance sheet are as follows:

	Carrying amount	Fair Value	Carrying amount	Fair Value
	As at March 31, 2019		As at December 31, 2018	
	\$	\$	\$	\$
Cash	72,634	72,634	80,162	80,162
Marketable securities	14,820	14,820	25,000	25,000
Amounts receivable	103,555	103,555	72,270	72,270
Accounts payable and accrued liabilities	(918,680)	(918,680)	(891,545)	(891,545)
Promissory notes and interest payable	(204,686)	(204,686)	(168,054)	(168,054)
Due to related parties	(353,160)	(353,160)	(334,152)	(334,152)

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Other MD&A RequirementsCommon Shares Outstanding

Balance, December 31, 2017	58,421,697
Shares issued in private placement	16,500,000
Shares issued on warrant exercise	4,047,000
Shares issued on option exercise	610,000
Balance, December 31, 2018	<u>79,578,697</u>
Shares issued on option exercise	1,000,000
Balance, March 31, 2019 and May 29, 2019	<u><u>80,578,697</u></u>

Warrants Outstanding

Balance, December 31, 2017	17,827,921
Warrants issued	16,946,400
Warrants exercised	(4,047,000)
Warrants expired	(12,119,921)
Balance, December 31, 2018 and May 29, 2019	<u><u>18,607,400</u></u>

Stock Options Outstanding

Balance, December 31, 2017	1,650,000
Stock options granted	3,000,000
Stock options exercised	(610,000)
Stock options expired/terminated	(565,000)
Balance, December 31, 2018	<u>3,475,000</u>
Stock options exercised	(1,000,000)
Balance, December 31, 2018 and May 29, 2019	<u><u>2,475,000</u></u>

Fully Diluted as at May 29, 2019

Common shares	80,578,697
Warrants	18,607,400
Stock options	2,475,000
Balance, March 31, 2019 and May 29, 2019	<u><u>101,661,097</u></u>

Disclosure Of Internal Controls

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements; and (ii) the consolidated financial statements fairly present all

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material respects the financial condition, results of the operations and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings (NI 52-109), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Risks and Uncertainties

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Only investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment should undertake such investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

At the present time, the Company does not hold any interest in a mining property in production. The Company's viability and potential successes lie in its ability to develop, exploit and generate revenue out of mineral deposits, and/or its ability to successfully construct and operate its proposed mineral processing plant. Revenues, profitability and cash flow from any future mining operations and/or mineral processing activities involving the Company will be influenced by precious and/or base metal prices and by the relationship of such prices to production costs. Such prices have fluctuated widely and are affected by numerous factors beyond the Company's control.

The Company has limited financial resources and there is no assurance that additional funding will be available to it for further exploration and development of its exploration projects, and/or further development of its mineral processing plant, or to fulfill its obligations under applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the property interests of the Company and/or further development and expansion of its mineral processing plant, with the possible dilution or loss of such interests.

Resource exploration and development, and mineral processing is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which,

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though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations of metal prices, the proximity and capacity of milling facilities, mineral markets, processing reagents and equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environment protection, the combination of which factors may result in the Company not receiving an adequate return on investment capital.

Resource exploration and development, and mineral processing is a speculative business, characterized by a number of significant risks. In addition to the risks noted above and under the "Financial Risks" section, special consideration should be given when evaluating trends, risks and uncertainties relating to the Company's business. Information concerning risks specific to the Company and its industry, which are required to be included in this MD&A are incorporated by reference to the Company's MD&A for the year ended December 31, 2018.

Commitments

Lease agreements

The Company is party to an operating lease agreement for office space with remaining lease payments, before sub-lease income, of \$13,500, expiring on August 31, 2019.

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

Management compensation

The Company has agreed to pay management compensation of total minimum annual payments of \$300,000. Should IAMGOLD make the option payment of US\$100,000 (\$127,500) on the first anniversary of the First Option management will be entitled to a bonus of \$20,000.

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.

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 the date of this report, the Company was not aware of any claims or legal proceedings against it and as a result no amounts have been accrued related to such matters.

Subsequent Events

Subsequent to March 31, 2019, the Company was advised by FQM of its decision to terminate the Panteria Option Agreement.

Additional disclosure of the Company's technical reports, material change reports, news releases and other information can be obtained on SEDAR.