

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Form 51-102F1

For the Three and Nine Months Ended September 30, 2018

**PERUVIAN METALS CORP. (formerly Duran Ventures Inc.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

Report Dated November 28, 2018

General

This Management's Discussion and Analysis ("MD&A") is provided for the purpose of reviewing the three and nine months ended September 30, 2018 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, 2017 and December 31, 2016. 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 November 28, 2018. 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; and/or
- tax benefits and tax rates;
- 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 Metal's existing portfolio of exploration properties. The Company will continue to generate and acquire new prospective mineral properties while partners are actively exploring Peruvian Metal's existing properties.

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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.

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. In early 2017 Aguila Norte completed 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 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. The Company entered into an agreement with mineral trader Ocean Partners to purchase the concentrates.

The Company expects to continue purchasing and processing mineral. The purchased mineral will be priced dependent on grade and metallurgical recoveries. Ultimately, the Company intends to enter into profit sharing agreements and/or purchase mineral outright before processing.

During the ongoing commissioning phase Aguila Norte will also process third party mineral. The Plant is currently negotiating agreements with miners to process mineral by charging a processing fee for each metric tonne produced.

The Company is currently reviewing sources of mineral with the objective of stockpiling a sufficient inventory of mineral to be processed once the plant commissioning phase is complete. The Company is very careful on the type of mineral being purchased. In order to process mineral, both proper documentation and metallurgical work are required from mineral suppliers. The Company has and will continue conducting detailed metallurgical work on several prospective feed sources and working with small miners to improve metallurgical and logistical efficiencies in return for profit sharing agreements.

During the third quarter of 2018, the Company entered into a long term contract with a mineral supplier to purchase a minimum of 600 tonnes per month of high grade lead-zinc (between 20% to 30% combined Pb-Zn) material with good silver credits. Shipping of this material to the Plant has commenced and processing of the first batch was conducted during the month of October. The Company expects that the mineral supplier will increase the tonnage up to 1000 tonnes per month over the next several months. To process this mineral the Company made significant modifications to the Plant by installing new equipment, which has been fully tested. Before the modifications, the Plant could only process lead grades below 5% to achieve optimal recoveries. Now, not only will higher quality lead-silver concentrates be produced, but the modifications will also aid in producing higher grade zinc 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. A power line was recently completed in the area to supply electricity to the local livestock and poultry farmers, reducing the distance for connection of the Plant to the electrical grid from 11.5

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kilometres to 3.5 kilometres and significantly reducing the cost of connecting to the grid. The Company has initiated 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 two mineral suppliers to process an additional combined 1000 tonnes per month by charging a processing fee. As well a spot contract to initially process 1000 tonnes for a processing fee has been signed. The Company believes that this contract will lead to a significantly longer contract since the recent plant modifications and the location of the Plant are very favourable for this supplier. 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.

Highlights of the mineral processing plant are:

- All-in plant construction, start-up and commissioning costs of approximately \$4.1 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 will be 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 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 Company's management spent several months evaluating various investment scenarios and operating parameters for its Aguila Norte Plant which included processing methodologies, working capital optimization, mineral supply reliability, metallurgical consistency, transporting logistics and security of both transported mineral supply and processed product. The conclusion was that the best risk/reward profile on existing cash reserves would be obtained by initially constructing a 100 TPD processing plant with a flotation circuit, rather than a carbon-in-pulp/in-leach ("CIP/CIL") gold leaching circuit. The principal advantages of the former as determined by the Company's assessments are:

- more secure long term suppliers with larger tonnage shipments
- reduced dependence on small scale artisanal mining as a supply source resulting in lower administrative and legal costs
- reduced working capital (less onerous mineral supply payments)
- improved metallurgical consistencies
- ability to process high grade sulphide-rich material

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

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site that is located near the city of Trujillo, and is 10 kilometres from the main Panamerican Highway which runs the length of the country.

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 and safety, and environmental issues for informal miners and will allow these operations to legally sell their mineral supply only to permitted mineral processing facilities.

In the coming months, 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.

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.

Gold Properties

In April 2017, the Company announced the acquisition of three gold-silver mineral concessions in Northern Peru through direct application with the Peruvian Ministry of Mines or by direct purchase. All 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 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 Eloro 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

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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 30 metres. The area was originally claimed in 1980 by a private Peruvian company and was allowed to lapse in 2013. The property was visited and sampled by MacMillan Gold (now Peruvian Metals) in 1996 but only recently acquired by Peruvian Metals by application in 2014 with other bidders. Due to errors in other competitor's applications, the Peruvian Ministry rejected the applications and no closed bid auction was necessary. Peruvian Metals was notified by the Ministry that title registration has been granted.

Sampling in the old workings has returned up to 7.33 g Au/T and 1058 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 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 analyzed using fire-assay with gravimetric finish.

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Reanalysis 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 concession has a mining operational certificate allowing for the extraction of mineralized material from the property. The certificate is currently considered dormant but can be and will be reactivated. Peruvian Metals owns two concessions totalling 727 hectares contiguous with the 300 hectare property. The property is located about 3 hours by truck or approximately 145 kilometers by a combination of highway and dirt road from Peruvian Metals' 80% owned Aguila Norte Plant.

The concessions are located within the Tertiary aged Calipuy Volcanic complex. This volcanic unit hosts several prolific gold producers in Northern Peru including Newmont's Yanacocha and Barrick's Laguna Norte and Pierina mines. Gold-Silver mineralization on the property is considered by management to be similar to the past producing Machacala Au-Ag and the current producing Salpo Mine located in area.

A well-defined structure hosts the Au-Ag mineralization on the property. The structure is observed to have a strike length of at least 700 metres and dips between 70° to 80°. A 41 metre shaft was developed in the early 2000's and is still accessible. Underground development consists of three short drifts on different levels extending along strike totaling 86 metres. The bottom 41 metre level was not accessed. However a sample taken by the Company's geologist at the end of the drift on the 24 meter level returned 5.12 g Au/T (0.16 oz/t Au) and 1535 g Ag/T (49.35 oz Ag/T) over a 0.60 meter width.

Historic reports are available regarding previous sampling of the underground working. Ten non-systematic samples were taken in 2003 at various underground sites with a reported vein width ranging between 0.30 and 0.80 meters. Gold results reported in the report ranges between 4.16 g Au/T to 16.78 g Au/T averaging 8.8 g Au/T over a weighted average width of 0.66 meters. Silver results over the same average width ranges between 111 g Ag/T to 1,038 g Ag/T averaging 412 g Ag/T. Please take caution as these results are historical in nature and should not be relied on.

Sampling by a second group in late 2009 mainly focused on metallurgical work. Four samples taken at this time returned 6.8 g Au/T and 201.1 g Ag/T with gold results ranging from 4.11 g Au/T to 7.84 g Au/T. Silver results ranged from 103.83 g/T to 279.33 g/T. One of the samples was used for metallurgical work with a head grade of 7.78 g Au/T and 233.75 g Ag/T. Two flotation metallurgical methods were used to make high grade Au-Ag concentrates. Gold and silver recoveries in the first sample returned 92.27% for Ag and 59.91% for Au. Results from the second sample showed improvement with recoveries of 94.97% for Au and 86.59% Ag. Please take caution as these results are historical in nature and should not be relied on.

The Lease allows Peruvian Metals to extract mineralized material from the concession without applying for a new permit. Part of Peruvian Metals' initial due diligence will be conducting further metallurgical work and possibly processing a 300 to 750 tonne bulk sample at the Aguila Norte Plant. Mining equipment is available on site and can be use by the Company to extract a bulk sample. This work will

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aid in determining what modifications are needed for the Plant to process the mineralized material. Technical and legal due diligence was completed to the Company's satisfaction.

Peruvian Metals plans to develop and extend the underground workings for extraction of mineralized material. The Company also plans to conduct detailed exploration including geological mapping, geochemical and geophysical surveys, followed by diamond drilling.

The term of Lease is for ten years and includes a 2.5% Net Smelter Royalty ("NSR") payable to the title holder. The NSR is subject to a minimum payment of \$100,000 US per year. An initial non-refundable payment to the title holder of \$17,000 US has been made by Peruvian Metals. Upon successful completion of due diligence by Peruvian Metals and certain conditions to be met by the title holder the formal agreement will be executed as a public deed with a payment to the title holder of \$10,000 US. The Company has the option at anytime during the first five years of the Lease to purchase the concession for \$400,000 US. Should Peruvian Metals exercise this option, all royalties would be eliminated.

Financing

During the nine months ended September 30, 2018 the Company 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 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.

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 is being used for Plant costs and general working capital purposes.

During the year ended December 2017, the Company issued a total of \$225,000 in promissory notes, of which \$45,000 was settled as part of \$96,083 of aggregate indebtedness settled in May 2017 through the issuance of 1,067,367 common shares; received \$26,400 as a result of the exercise of warrants; and received approximately \$65,000 on the sale of some of its marketable securities. The Company received aggregate gross proceeds of \$566,500 on the closing of a private placement financing (the "2017 Offering"). The proceeds from the 2017 Offering were used for the Aguila Norte plant commissioning and general and administrative purposes.

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Mineral Exploration Properties

All projects are described below.

Panteria Porphyry Gold - Copper Project

The Panteria Porphyry Copper prospect ("Panteria Project") is located approximately 210 kilometres southeast of the city of Lima, in the Department of Huancavelica in south-central Peru. 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 TSX listed First Quantum Minerals Ltd. (collectively "FQM").

Under the terms of the Panteria Agreement, commencing on 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 royalty.

The Panteria Agreement outlines an exploration and development schedule divided into 3 stages:

Stage 1: Peruvian Metals assigned all exploration rights to FQM and FQM contracted Peruvian Metals' community relations team in order to obtain community approval as a pre-requisite for the environmental permit. FQM has the right 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 2 cents (US\$0.02) per pound of copper equivalent to 20% of reserves. Peruvian Metals will also be paid an 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.

First Quantum drill program

First Quantum commenced drilling 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

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least a 1300 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 program, PANDD_006 located between holes PANDD_002 and PANDD_004 (see maps below), intersected tourmaline healed and hydrothermal breccias returning 31.30 metres of 0.497% Cu 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 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
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 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.

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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 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.

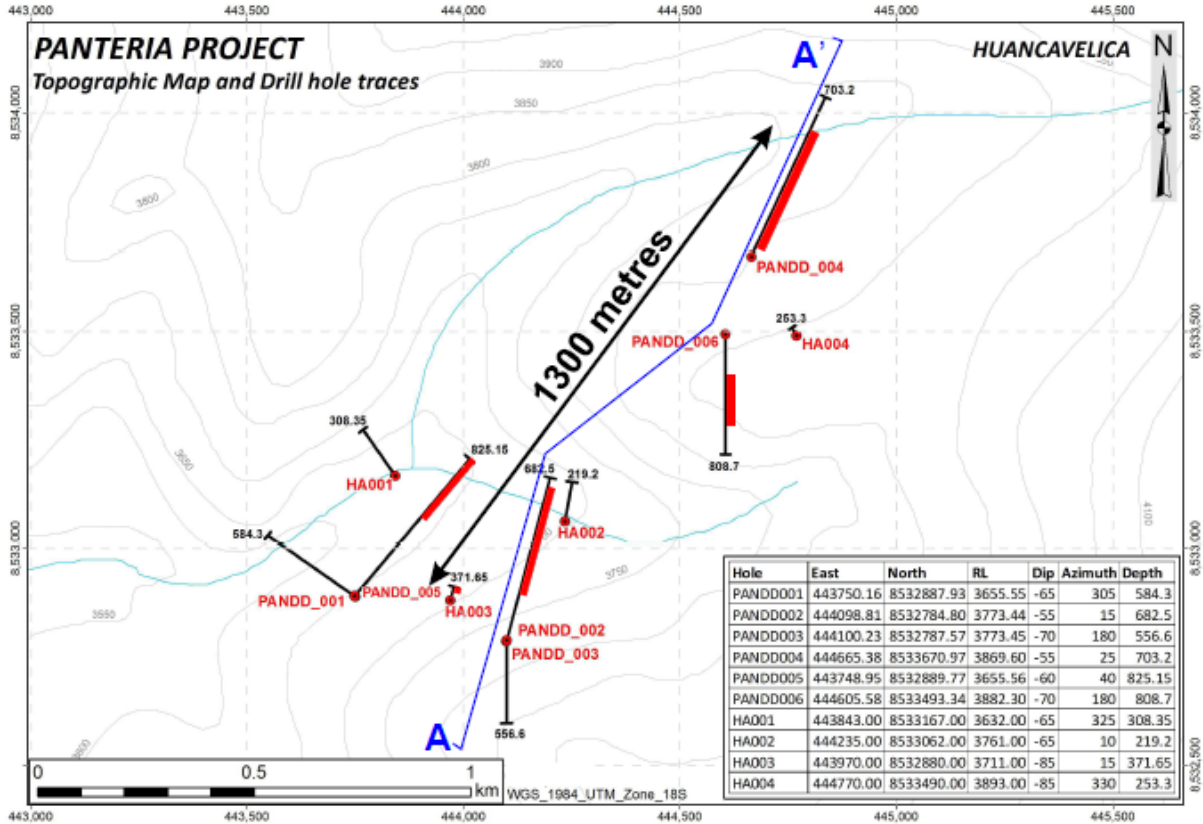
First Quantum is expected to continue the drilling once the weather improves. Peruvian Metals is very pleased with the social programs being implemented by First Quantum and the Company encourages shareholders and potential investors to review the videos provided by First Quantum regarding the social 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 First Quantum'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 per cent copper were reanalyzed using four-acid digestion with an ore-grade ICP finish.

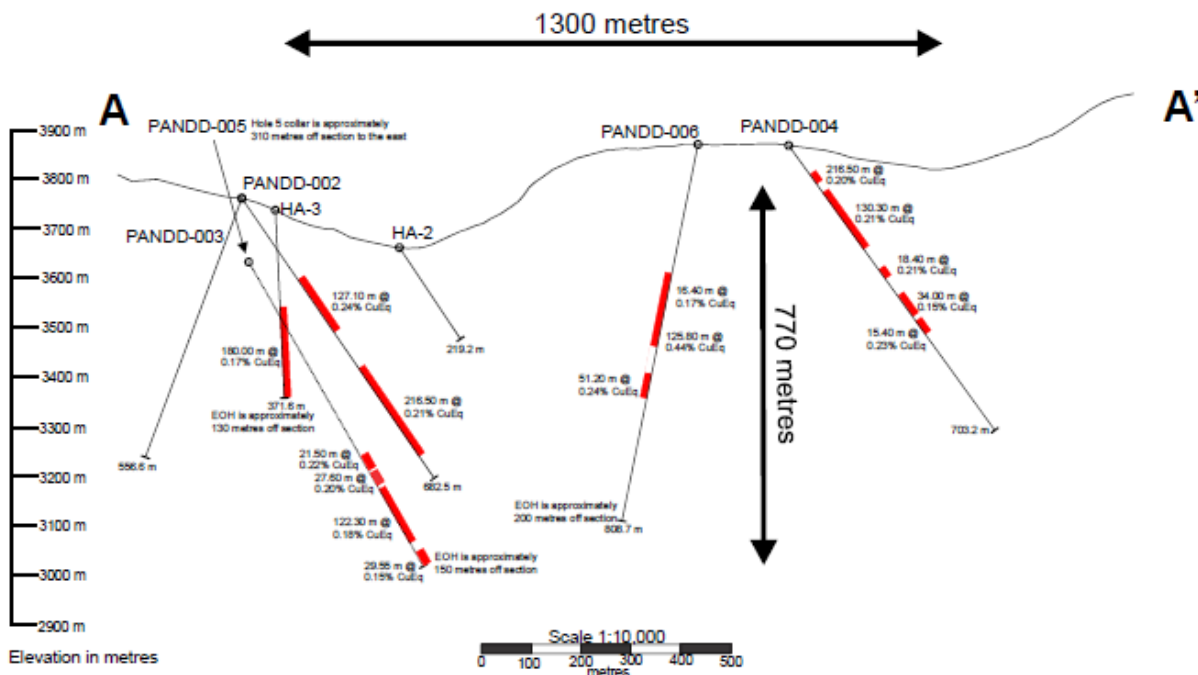
Significant exploration progress elsewhere on the property focused on the Ronaldo Zone located 4 kilometres east of the main Panteria Zone. Twenty-two line kilometres of induced polarization geophysical survey was conducted over the Ronaldo Zone during the last quarter of 2017. On surface this zone exhibits characteristics of an epithermal gold-silver system. The next phase of exploration will test the possibility that an underlying porphyry may exist in this area.

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Maps



**Panteria Copper – Gold
CuEq% Cross-Section Looking NW**



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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.

The second zone, the Ronaldo Zone, was discovered in 2014 while prospecting creeks and is located 4.5 kilometres east of the main Panteria Zone. Follow up sampling and mapping encountered gold and silver mineralization in a high sulphidation lithocap that is hosted in shallow dipping volcanics at higher elevations. At lower elevations, creeks expose hydrothermal breccias and quartz-pyrite-pyrrhotite-magnetite stockwork with locally anomalous gold values. Similar to the Panteria Zone, outcropping, advanced argillic altered volcanic rocks at the Ronaldo Zone include tourmaline and dumortierite that stratigraphically overly the breccias.

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.

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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.

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%.

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.

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.

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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.

In December 2015, the Company signed an agreement with a private Peruvian mining company (the "Minasnioc Optionee") whereby the Minasnioc Optionee had the option to acquire a 100% interest in the Minasnioc Gold Project within a two (2) year period by paying Peruvian Metals US\$50,000 upon signing (paid) and US\$700,000 no later than December 4, 2017, subject to the Minasnioc Optionee receiving approval to access the property from the local Minasnioc community, and granting a 1.0% NSR on all concessions except for the concessions previously acquired from Barrick (Aura Azul 6, 7 and 8). The Minasnioc Optionee terminated the option agreement in September 2017 and the property was returned to Peruvian Metals in good standing.

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, acquired in January 2015, 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.

The Company is evaluating and considering the following options for the Huachocolpa 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

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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 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/eef/B20003/20150327203602/MEB200032014AIA01.PDF>

Don Pancho Silver-Lead-Zinc Project

In March 2017, the Company signed a Definitive Agreement with Tartisan Resources Corp. ("Tartisan") to sell the Don Pancho Silver-Lead-Zinc Project ("Don Pancho") 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 Don Pancho project milestone 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.

Ichuña Copper-Silver Project

In May 2017, the Company completed an agreement with Tartisan to sell 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 milestone 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.

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Mamaniña Porphyry Copper-Molybdenum-Gold Project

The Mamaniña property consisted of eight concessions covering 4,069 hectares located approximately 14 kilometres south along the same geological (copper porphyry) belt as the Racaycocha-Aguila Copper-Molybdenum Porphyry Project. In December 2012, the Company acquired the extensive historical database and drill core for the property. The Company did not renew the annual concession fees for the Mamaniña project as the cost of the annual concession fees did not justify the ongoing investment in the project.

Company Outlook- Mineral Processing Plant and Exploration Project Plans

Aguila Norte mineral processing plant

During the third quarter of 2018, the Company entered into a long term contract with a mineral supplier to purchase a minimum of 600 tonnes per month of high grade lead-zinc (between 20% to 30% combined Pb-Zn) material with good silver credits. Shipping of this material to the Plant has commenced and processing of the first batch was conducted during the month of October. The Company expects that the mineral supplier will increase the tonnage up to 1000 tonnes per month over the next several months. To process this mineral the Company made significant modifications to the Plant by installing new equipment, which has been fully tested. Before the modifications, the Plant could only process lead grades below 5% to achieve optimal recoveries. Now, not only will higher quality lead-silver concentrates be produced, but the modifications will also aid in producing higher grade zinc 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. A power line was recently completed in the area to supply electricity to the local livestock and poultry farmers, reducing the distance for connection of the Plant to the electrical grid from 11.5 kilometres to 3.5 kilometres and significantly reducing the cost of connecting to the grid. The Company has initiated 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 two mineral suppliers to process an additional combined 1000 tonnes per month by charging a processing fee. As well a spot contract to initially process 1000 tonnes for a processing fee has been signed. The Company believes that this contract will lead to a significantly longer contract since the recent plant modifications and the location of the Plant are very favourable for this supplier. 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.

Mineral Exploration Properties

As highlighted above in the detailed information for each mineral exploration property, the Company is continuing its strategy of engaging third parties at its projects for their timely advancement.

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Exploration and Evaluation Expenditures

A summary of exploration expenditures for the nine months ended September 30, 2018 and 2017 is as follows:

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	\$	\$	\$	\$
	2018	2017	2018	2017
Project management	23,127	(1,022)	81,840	173,189
Office and administration	16,363	27,966	25,070	40,000
Consultants	4,004	4,139	7,834	23,984
Concession payments & acquisitions	-	724	61,839	39,639
Property option payments	-	-	(96,884)	(59,949)
Expense for the year	<u>43,494</u>	<u>31,807</u>	<u>79,699</u>	<u>216,863</u>

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, 2017 audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), and their related notes.

	Years Ended		
	December 31, 2017	December 31, 2016	December 31, 2015
	\$	\$	\$
<i>Revenues</i>	Nil	Nil	Nil
<i>Loss</i>	(1,770,600)	(2,453,297)	(2,643,671)
<i>Loss per share</i>	(0.03)	(0.06)	(0.08)
<i>Total assets</i>	2,822,338	3,100,287	3,908,015
<i>Working capital(deficit)</i>	(1,026,428)	(263,671)	2,432,686
<i>Total long term liabilities</i>	Nil	Nil	Nil
<i>Cash dividends</i>	Nil	Nil	Nil

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Results of Operations

Consolidated Statements of Operations

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	\$	\$	\$	\$
	2018	2017	2018	2017
EXPENSES				
Plant start-up expenses	140,261	177,561	478,601	631,200
Exploration and evaluation expenditures	43,494	31,807	79,699	216,863
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
Insurance	5,239	5,487	13,221	15,057
Travel	16,483	6,121	44,305	19,995
Rent	5,100	5,100	15,300	15,300
Telephone and communications	347	1,695	1,375	3,083
Sale of exploration assets	-	-	-	(9,000)
Amortization	-	158	474	474
LOSS FOR THE PERIOD 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 FOR THE PERIOD	442,639	306,443	1,084,623	1,304,663

Three Months ended September 30, 2018

During the three months ended September 30, 2018, the Company had a net loss before non-controlling interest of \$442,639 compared to a net loss of \$306,443 for the same period in 2017. The Company incurred plant start-up expenses during the period of \$140,261 (2017 - \$177,561) 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 commissioning, security and general administrative expenses (see table below). Exploration and evaluation expenditures for the period were \$43,494 (2017 - \$31,807) reflecting the Company's ongoing strategy of finding partners to develop its exploration projects. Management and consulting fees of \$52,500 (2017 - \$41,250) are higher in the current period as the prior period costs reflect a voluntary reduction in fees by the Company's CEO and CFO (See transactions with Related Parties below). Share based payments of \$64,075 (2017 - \$Nil) is as a result of 2,000,000 stock options being granted in the current year period to directors, officers, employees and consultants. Accounting and administration of \$2,714 (2017 - \$91,469) is lower in the current year period due to reduced staffing levels and the prior year including costs associated with a one-time termination fee. Professional fees of \$34,213 (2017 - \$23,594) are higher due to costs associated with capital markets advisory services in the current year period. Travel expense of \$16,483 (2017 - \$6,121) is higher in the current year period due to additional travel to Peru. All other operating costs were in line with or lower than the prior year period costs as the Company has significantly scaled back on corporate expenditures.

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Foreign exchange loss of \$59,857 (2017 – gain of \$103,715) is a result of the Canadian dollar exchange rate fluctuating against the US dollar and the Peruvian sol during the quarter and the impact on the Company's US dollar denominated accounts, and intercompany loan balances. Interest expense of \$6,656 (2017 - \$9,219) relates to interest incurred on promissory notes outstanding.

Nine Months ended September 30, 2018

During the nine months ended September 30, 2018, the Company had a net loss before non-controlling interest of \$1,084,623 compared to a net loss of \$1,304,663 for the same period in 2017. The Company incurred plant start-up expenses during the period of \$478,601 (2017 - \$631,200) 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 expenditures for the period of \$79,699 (2017 – \$216,863) reflecting the Mansa Musa option payment of US\$ 75,000 received from IAMGOLD during the period and the Company's ongoing strategy of finding partners to develop its exploration projects. Management and consulting fees of \$146,250 (2017 - \$107,250) are higher in the current period as the prior period costs reflect a voluntary reduction in fees by the Company's CEO and CFO (See transactions with Related Parties below). Share based payments of \$64,075 (2017 - \$66,000) is as a result of 2,000,000 stock options being granted in the current year period to directors, officers, employees and consultants. Accounting and administration of \$19,407 (2017 - \$123,956) is lower in the current year period due to reduced staffing levels and the prior year including costs associated with a one-time termination fee. Professional fees of \$60,199 (2017 - \$50,436) are higher due to costs associated with capital markets advisory services in the current year period. Shareholder relations and filing fees expense of \$68,758 (2017 - \$88,657) is lower in the current year period as the Company undertook various corporate communication initiatives during the prior year period and has incurred lower fees for its Lima Exchange listing during the current period. Travel expense of \$44,305 (2017 - \$19,995) is higher in the current year period due to additional travel to Peru and trade shows. Sale of exploration assets of \$Nil (2017 - \$9,000) is lower as the prior year reflects the sale of the Company's Don Pancho project. All other operating costs were in line with or lower than the prior year period costs as the Company has significantly scaled back on corporate expenditures.

Foreign exchange loss of \$72,802 (2017 – gain of \$41,122) is a result of the Canadian dollar exchange rate fluctuating against the US dollar and the Peruvian sol during the quarter and the impact on the Company's US dollar denominated accounts, and intercompany loan balances. Interest expense of \$20,157 (2017 - \$16,514) relates to interest incurred on promissory notes outstanding.

Plant start-up expenses

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	\$	\$	\$	\$
	2018	2017	2018	2017
Salaries and management fees	67,892	124,075	218,484	455,502
Administrative and general	53,293	43,496	118,184	130,036
Rent and utilities	8,827	8,875	19,692	23,061
Geological and laboratory	6,253	339	10,261	19,531
Professional fees	1,943	776	12,481	3,070
Vehicles and equipment rentals	22,197	-	30,416	-
Writedown of property development costs	-	-	89,227	-
	<u>160,405</u>	<u>177,561</u>	<u>498,745</u>	<u>631,200</u>

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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 attributable to shareholders \$</i>	<i>Loss per share attributable to shareholders \$</i>
<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)
<i>March 31, 2017</i>	Nil	(175,308)	(0.004)
<i>December 31, 2016</i>	Nil	(271,341)	(0.008)

Liquidity and Capital Resources

The Company's liquid assets at September 30, 2018 were valued at \$423,934 (December 31, 2017 - \$268,522), consisting of cash of \$292,013 (December 31, 2017 - \$85,538), marketable securities of \$25,000 (December 31, 2017 - \$70,000), amounts receivable of \$74,010 (December 31, 2017 - \$67,944) and inventory of \$32,911 (December 31, 2017 - \$45,040). 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 nine months ended September 30, 2018, the Company's average monthly cash burn rate, excluding plant start-up expenses, exploration expenditures, share-based payments, amortization, and foreign exchange, was approximately \$41,000, compared to \$44,200 for the year ended December 31, 2017, reflecting various ongoing cost cutting measures implemented by the Company. The Company expects the monthly burn rate to remain low throughout 2018. Peruvian Metals has invested approximately \$4.1 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 September 30, 2018, the Company had a working capital deficit of \$850,234 (December 31, 2017 – deficit of \$1,026,428). During the nine months ended September 30, 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 are being used for the Aguila Norte plant operations, and general and administrative purposes.

During the year ended December 31, 2017, the Company sold the Ichuña and Don Pancho projects for cash consideration of \$100,000 and 1,000,000 shares in Tartisan. The Company also issued a total of \$225,000 in promissory notes, of which \$45,000 was settled as part of \$96,083 of aggregate indebtedness settled in May 2017 through the issuance of 1,067,368 common shares, and received \$20,850 as a result of the exercise of warrants. The Company also closed a private placement financing for gross proceeds of \$566,500 (the 2017 Offering).

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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 2018 and 2019 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 2018 and 2019, 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 nine months ended September 30, 2018 and 2017 were as follows:

Aggregate compensation	2018	2017
Jeffrey Reeder	\$ 127,500	\$ 97,500
Oscar Pezo	19,052	63,858
Dan Hamilton	82,500	58,500
	\$ 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 (see Other below); \$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.

For the period from January 1, 2017 to June 30, 2017, Mr. Reeder voluntarily reduced his monthly management fee to \$10,000 per month and Mr. Hamilton voluntarily reduced his monthly management fee to \$6,000 per month. Effective July 1, 2017 Mr. Reeder and Mr. Hamilton amended their existing management and consulting contracts to eliminate certain contingent events such as a change of control. As part of the amendments Mr. Reeder reduced his contractual monthly fee from \$18,750 to \$12,500 per month and Mr. Hamilton reduced his monthly fee from \$10,833 to \$7,500 per month. As consideration for these amendments Mr. Reeder was entitled to a one-time termination fee of \$200,000 and Mr. Hamilton a one-time termination fee of \$100,000, provided that Mr. Reeder and Mr. Hamilton remained with the Company at least until January 1, 2018. Mr. Reeder and Mr. Hamilton subsequently voluntarily waived their entitlement to these one-time termination fees. Consequently the termination fees are not included in the aggregate compensation amounts shown above. Effective April 1, 2018 the Company increased Mr. Reeder's minimum monthly payment to \$15,000 and Mr. Hamilton's minimum monthly payment to \$10,000.

The Company did not pay any directors fees for the nine months ended September 30, 2018 and 2017.

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Share based compensation

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).

Other

During the nine months ended September 30, 2018, the Company issued promissory notes of \$15,000 (2017 - \$100,000) and repaid a total of \$49,500 (2017 - \$Nil) 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. As at September 30, 2018, the promissory notes balance and interest outstanding for related parties was \$67,706 (December 31, 2017 - \$93,979).

Certain directors and officers of the Company subscribed for 2,710,000 units in connection with the 2018 Offering and 7,490,000 Units in connection with the 2017 Offering.

Critical Accounting Estimates

The preparation of these consolidated 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 NI 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.
- Impairment of exploration and evaluation assets

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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, 2017 and 2016, unless otherwise disclosed.

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Accounting standards and interpretations issued but not yet adopted

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 these consolidated financial statements. In all cases the Company intends to apply these standards from application date as indicated below:

- 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.

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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 September 30, 2018, the Company had a cash balance of \$292,013 (December 31, 2017 - \$85,538) to settle current accounts payable and accrued liabilities of \$798,143 (December 31, 2017 - \$781,777); due to related parties of \$331,217 (December 31, 2017 - \$302,928); and promissory notes and interest payable of \$161,472 (December 31, 2017 - \$203,941). Included in promissory notes and interest payable is \$67,706 (December 31, 2017 - \$93,979) due to related parties. The Company's other current assets consist of marketable securities of \$25,000 (December 31, 2017 - \$70,000), amounts receivable of \$74,010 (December 31, 2017 - \$67,944), prepaid expenses and advances of \$16,664 (December 31, 2017 - \$11,696) and inventory of \$32,911 (December 31, 2017 - \$45,040).

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 September 30, 2018, the Company had marketable securities with a market value of \$25,000 (December 31, 2017 - \$70,000).

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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 September 30, 2018, the Company had cash balances of \$40,273 (US\$31,111) (December 31, 2017 - \$924 (US\$740)) in U.S. dollars and \$4,093 (S/.10,437) (December 31, 2017 - \$41,193 (S/.44,092)) in Peruvian Nuevo Soles ("PNS"), and accounts payable of \$570,783 (S/.1,455,336) (December 31, 2017 - \$500,535 (S/.1,309,617)) 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 September 30, 2018 the Company had promissory notes payable of \$161,472, bearing interest at 18% per annum. 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 six months ended September 30, 2018.

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 September 30, 2018		As at December 31, 2017	
	\$	\$	\$	\$
Cash	292,013	292,013	85,537	85,537
Marketable securities	25,000	25,000	70,000	70,000
Amounts receivable	74,010	74,010	67,944	67,944
Accounts payable and accrued liabilities	(798,143)	(798,143)	(781,777)	(781,777)
Due to related parties	(331,217)	(331,217)	(320,928)	(320,928)
Promissory notes and interest payable	(161,472)	(161,472)	(203,941)	(203,941)

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Other MD&A RequirementsCommon Shares Outstanding

Balance, December 31, 2016	45,848,330
Shares issued in 2017	<u>12,573,367</u>
Balance, December 31, 2017	58,421,697
Shares issued on warrant exercise	4,047,000
Shares issued on option exercise	360,000
Shares issued in private placement	<u>16,500,000</u>
Balance, September 30, 2018 and November 28, 2018	<u><u>79,328,697</u></u>

Warrants Outstanding

Balance, December 31, 2016	12,338,921
Warrants issued in 2017	5,665,000
Warrants exercised in 2017	<u>(176,000)</u>
Balance, December 31, 2017	17,827,921
Warrants issued	16,946,400
Warrants exercised	(4,047,000)
Warrants expired	<u>(10,516,421)</u>
Balance, September 30, 2018	20,210,900
Warrants expired	<u>(1,603,500)</u>
Balance, November 28, 2018	<u><u>18,607,400</u></u>

Stock Options Outstanding

Balance, December 31, 2016	628,570
Stock options granted in 2017	1,600,000
Stock options expired/terminated in 2017	<u>(578,570)</u>
Balance, December 31, 2017	1,650,000
Stock options granted	2,000,000
Stock options exercised	(360,000)
Stock options expired/terminated	<u>(350,000)</u>
Balance, September 30, 2018 and November 28, 2018	<u><u>2,940,000</u></u>

Fully Diluted

Common shares	79,328,697
Warrants	18,607,400
Stock options	<u>2,940,000</u>
Balance, November 28, 2018	<u><u>100,876,097</u></u>

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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 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 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

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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, 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, 2017.

Commitments

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 (\$27,220).

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. 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.

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.

**PERUVIAN METALS CORP. (formerly Duran Ventures Inc.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

Subsequent Events

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

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