PERUVIAN METALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Form 51-102F1

For the Year Ended December 31, 2021

PERUVIAN METALS CORP.
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FOR THE YEAR ENDED DECEMBER 31, 2021

Report Dated: May 9, 2022

General

This Management's Discussion and Analysis ("MD&A") is provided for the purpose of reviewing year ended December 31, 2021 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, 2021 and 2020. The Company's financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") and all monetary amounts are expressed in Canadian dollars unless otherwise indicated in the notes to the audited annual financial statements.

This MD&A is prepared as of May 9, 2022. 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 several assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

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

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

Description of Business

Peruvian Metals Corp. ("Peruvian Metals" or the "Company") was incorporated under the laws of British Columbia on March 5, 1997, under the name 537926 B.C. Ltd. and its principal business activity is mineral processing and the acquisition and exploration of mineral properties. On June 18, 1997, the Company changed its name to Duran Gold Corp.; on August 10, 2000, the Company changed its name to Duran Ventures Inc.; and on September 5, 2018, the Company changed its name to Peruvian Metals Corp. to better reflect the nature of the Company's operations and business activities. On July 4, 2007, the Company was listed on the TSX Venture Exchange ("TSXV"). On October 14, 2008, the Shareholders approved the continuance of the Company under the Canada Business Corporations Act, which was completed by October 31, 2008. The Company's 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 began processing of concentrates in early 2017.

In addition to the development of a mineral processing operation, the Company has maintained its prospect generator model where it seeks new partners to explore and develop properties in Peruvian Metals' existing portfolio of exploration properties. The Company continues to generate and acquire new prospective mineral properties and seek partners to explore selected Peruvian Metals' properties.

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

Aguila Norte Mineral Processing Plant

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

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

Highlights of the mineral processing plant are:

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

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

Peruvian Metals intends to submit plans for an expansion of the plant as mineral feed warrants. Further plant expansion includes a full onsite laboratory able to perform multi-element and metallurgical analysis. In addition, the Company has completed a new study to connect the Plant to the electrical grid and has been given permission to build the infrastructure.

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In early 2017, Aguila Norte completed the production of zinc and lead-silver concentrates from purchased mineral. However, as a result of extremely heavy rainfalls and floods in northern Peru due to the El Niño effect, the Regional Government of La Libertad declared a state of emergency for the region. Plant operations and concentrate shipments were delayed for several weeks until the weather improved. The decision was made mainly for the safety of the Plant operations staff during the commissioning phase and to maintain the equipment during this time. The Plant recommenced operations and concentrate shipments in mid-April 2017 when 91.17 metric tonnes ("mt") of zinc concentrates and 23.26 mt of lead-silver concentrate was shipped from the Plant to the Impala Terminals in the port of Callao, Lima. The concentrates were 100% owned by Aguila Norte and represent the first sale of concentrates produced from wholly owned purchased mineral. During 2017, a total of 2,718 mt of mineral was processed in 6 campaigns producing 474 mt of concentrates.

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

The Company has entered into agreements with small miners to process their mineral by charging a processing fee. The Plant can produce three concentrates from the same mineral source. The Company charges higher processing fees to produce multiple concentrates so preference will be given to the polymetallic mineral suppliers.

During the fourth quarter of 2018, Peruvian Metals upgraded and reconfigured the Plant to enable the processing of a wider range of minerals within a mineral concentrate. More specifically, modifications allow for Lead grades higher than 5%. These upgrades not only provide better flexibility for the Plant's mineral processing clients but also provide better concentrate grades. Due to the increased flexibility and performance several clients extended existing contracts. Further modifications and improvements were made during 2019 to improve on processing flexibility and increased recoveries for clients. The Company believes that these improvements and enhanced performance of the Plant is a competitive advantage.

During 2018, a total of 3,785 mt was processed producing 520 mt of concentrate, and 1,074 mt of mineral was crushed but not processed due to its low grade. This mineral is now owned by the Company but will not be processed.

During 2019, the plant produced high-grade concentrates for third parties in 22 mineral campaigns, or batches, ranging from 232 mt to 1,750 mt. All but two of the batches were polymetallic. The plant achieved excellent recoveries by producing 4,091 mt of highly marketable zinc concentrates averaging 52.4 per cent zinc and 1,364 mt of lead-silver concentrates averaging 52.9 per cent lead and 125 ounces of silver per mt. Forty-six tonnes of copper concentrate were also produced by processing only one small batch of copper mineral. Concentrate ratios (amount of mineral processed to tonnes of concentrates produced) averaged 3.31:1, showing that the plant is producing significant amounts of concentrates for clients.

On March 16, 2020, the Peruvian Government restricted all non-essential transportation and travel within the country in addition to declaring a quarantine whereby all citizens are to stay and work from home if possible. The restriction included a halt to all transportation including domestic and international flights. Essential businesses and services are exempt from this restriction which includes medical facilities, pharmacies, food markets, gas stations and banks.

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In full compliance with the Peruvian government's quarantine order, the Company suspended processing at its Aguila Norte Processing Plant. Prior to the restrictions the Company, processed 2,112 mt of third-party material in the first quarter and was on pace to exceed mineral processing throughput compared to 2019's first quarter processing. In addition, approximately 1,000 tonnes of third-party mineral were stockpiled at site during the first quarter. All governmental restrictions were lifted June 30th and processing of stockpiled minerals commenced on July 28th.

During 2020, the plant processed 13,185 mt for third parties in 13 mineral campaigns or batches, ranging from 177 mt to 2,040 mt. The plant achieved excellent recoveries by producing 2,685 tonnes of highly marketable zinc concentrates averaging 50.5% zinc and 948 mt of lead-silver concentrates averaging 48.7% lead and 165 ounces silver per tonne. Two hundred ninety tonnes of copper concentrate averaging 30.7% copper were also produced by processing three small batches totalling 1,912 mt of copper mineral. Concentrate ratios (amount of mineral processed to tonnes of concentrates produced) in 2020 averaged 3.36:1, unchanged from 2019, showing that the plant is producing significant amounts of concentrates for clients.

During 2021, the plant processed 5,934 during the first quarter, 5,956 mt for the second quarter, 7,934 mt for the third quarter and 8,829 tonnes for the fourth quarter 7,934 for an accumulative total for 2021 of 28,654 mt. Mineral processing during the final six months of 2021 averaged more than 93 per cent of the plant's capacity of 36,000 tonnes per year.

During 2021, the plant produced high-grade quality concentrates for third parties in 30 mineral campaigns or batches, ranging from 62 tonnes to 2,077 tonnes. The plant continued to achieve excellent recoveries by producing 4,532 tonnes of zinc concentrate, 1,806 tonnes of lead-silver concentrate and 740 tonnes of copper concentrate. Concentrate ratios (amount of mineral processed to tonnes of concentrates produced) in 2021 averaged 4.04:1.

Mineral Exploration Properties

All projects are described below.

Cerro La Cumbre

Peruvian Metals has decided not to continue with the purchase option on the main concession and returned the property in good standing to the owner. The Company will continue to retain two concessions totaling 727 hectares.

Panteria Porphyry Gold - Copper Project

The Panteria Porphyry Copper prospect ("Panteria Project") located approximately 210 kilometres southeast of the city of Lima, in the Department of Huancavelica, in south-central Peru is believed to be situated in the northern extension of Southern Coastal Porphyry Belt. Peruvian Metals owns 100% of this property that consists of 2000 hectares held in 4 mineral concessions.

First Quantum drill programs

In March 2016, the Company entered into an Option Agreement (the "Panteria Agreement") on the Panteria Project with Minera Antares Peru S.A.C., a wholly owned subsidiary of First Quantum Minerals Ltd. (collectively "FQM"). In May 2019 the Company received notice from FQM of its decision to terminate the Agreement as of June 30, 2019.

FQM aggressively explored the property from 2016 to 2019. All necessary drill permits were received in August 2017 and a total of 8,699 metres was drilled in eleven holes in two campaigns. Four main mineralized zones were identified by the Company and First Quantum: NW Moly, El Corral, La Quebrada/El Gato and the Renaldo. NW Moly and the Renaldo mineralized zones remain untested by drilling. The Ronaldo zone is considered an Au-Ag precious metal target. Approximately $4.65 million US was spent on the project by FQM.

Drill results from the first drill campaign in 2017 were encouraging (see below). Drill Hole PANDD_006 from the 2017 campaign, located in the El Corral Zone within the main Panteria concession, intersected tourmaline-healed and hydrothermal breccias returning 31.30 metres of 0.497% copper and 0.676 g Au/T tonne, or 0.94% copper equivalent ("CuEq"), within a broader interval of 125.80 metres of 0.252% Cu and 0.283 g Au/T gold, or 0.44%CuEq. Drilling during the 2018 campaign consisted of five holes totalling 4,540 metres on the El Corral zone. Drilling was designed to focus on extending the mineralization intersected in Hole PANDD_006. The deepest hole, PANDD_007, was drilled to a depth of 1,190 metres with a -70° dip. No significant results were intersected during the 2018 campaign but significant porphyry style phyllic alteration is present in the drill holes. The El Corral zone requires furthering testing to the east. No other target was drill tested in 2018.

The following table summarizes the drill results in the first campaign:

	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.

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

<u>Discussion of Panteria Drill Program Results</u>

First Quantum's geologists noted that multiple porphyry phases were intersected and that the 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 proximity. These alteration and breccia types are always peripheral in a porphyry system and further exploration is warranted. Additional drilling is required to test the conductive zones located to the west and northwest of the current drilling.

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

Due to the increasing yearly costs of term fees paid to the Peruvian Ministry of Mines, the Company decided not to renew 13 of the 15 concessions in 2019 and 2020. More importantly the company decided in 2020 not to renew the main Panteria concession however successfully reacquired the area by applications in late 2020 and early 2021 totaling 800 hectares. Titles are pending. The two concessions over the Ronaldo Zone totaling 1200 hectares were renewed in 2021 and are in good standing.

The Company signed a binding Letter of Intent with on November 22, 2021 to sell the project including the Ronaldo Concessions to Gold State Resources ("Gold State"). An initial payment of $10,000 was paid to Peruvian Metals upon entering the LOI. The LOI allows Gold State to conduct its due diligence to execute a definitive agreement by Jan. 15, 2022. Upon signing the definitive agreement, the project will be transferred to a Peruvian subsidiary owned by Gold State, and Gold State will pay Peruvian Metals $200,000 (U.S.) and issue 9,275,000 common shares of Gold State. The payment shares will be escrowed, with 50 per cent being delivered on the closing date of the definitive agreement and the remaining 50 per cent being delivered eight months from the closing of the definitive agreement.

Additional bonus/milestone payments will be paid based on exploration success, which will be based on the amount of drilling on the project. Gold State will pay to Peruvian Metals $750,000 on or before the completion date of 10,000 metres of drilling on the project, and an additional $750,000 on or before the completion date of 20,000 metres of drilling on the project. At the sole election of the company, these payments can be made in cash or by issuance of the equivalent value in Gold State common shares at a value to be determined at the time of issuance based on market value, provided that such issuance would not result in Peruvian Metals holding 10 per cent or more of the issued and outstanding shares of Gold State following such issuance.

In addition, Gold State will grant upon the signing of the definitive agreement, a 1-per-cent (1.0 per cent) net smelter return royalty on the project. Gold State will have a right of first refusal in the event that Peruvian Metals receives a third party offer for the royalty to purchase the royalty on the same terms and conditions as such third-party offer.

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The Company and Gold Sate amended the terms of the sale and completed the transaction on April 21st, 2022. Peruvian Metals agreed to sell its Peruvian subsidiary Empresa Querco SAC to Gold State for $7000 CDN. This already established legal business entity expedited the transaction in Peru by setting up a Peruvian holding company for Gold State. Upon signing the sales agreement, Gold State paid Peruvian Metals' subsidiary Hatum Minas SAC ("Hatum") the first installment of $100,000 US and will issue Peruvian Metals 4,637,500 shares of Gold State. The balance of the shares and cash will be paid 6 months after the initial payment. Additional bonus/milestone payments and the net smelter return royalty condition remain the same are noted above.

Mansa Musa Gold-Silver Project

Company has withdrawn from the project. The Company did not pay the yearly taxes due June 30th to keep the concessions in good standing as there exists very little community support for the project.

Huachocolpa Properties – Minas Maria Norte

The Huachocolpa Properties (the "Properties") consist of 78 contiguous and non-contiguous mining concessions totalling 2,548 hectares located within the historic Huachocolpa Mining District in the Department of Huancavelica, Peru, some 260 kilometres southeast of Lima. At the beginning of 2020, the Properties were 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 several gravel roads service the Properties. There is renewed interest in the area as a private company, Mines & Metals Trading (Peru) PLC ("MMTP"), has acquired the Recuperada 600 tpd Flotation plant from Minera Buenaventura. Peruvian miner Minera Kolpa is also a dominant miner in the area with a 900 tpd flotation plant located nearby the properties.

On March 3rd, 2020, the Company sold to MMTP the Company's 100% owned subsidiary Corongo Exploraciónes, which holds 67 of the Property concessions totalling 2,420 hectares. Consideration paid to the Company was $200,000 US cash and $600,000 US in shares. The sale of the subsidiary did not include the Minas Maria Norte Property which comprises 12 concessions totalling 388 hectares. The concessions were transferred to the Company's wholly owned subsidiary Mamaniña Exploraciónes S.A.C.

Mineralization at Maria Norte occurs in a series of conjugate vein sets within a 600 metre wide WNW trending structural corridor. Over 10 veins have been observed on surface with the main trend between E-W and WNW with a secondary NE-SW trend. The lengths of the veins as currently mapped and observed on surface are 40 to 400 metres with variable widths from 0.20 to 4 metres. Veins bend and occasionally branch, and it is anticipated that favourable extensional sites for mineralization will be found during future work programs. Site visits by the Company's geologists over the past few years resulted in 86 random grabs and chip samples sent to Bureau Veritas Mineral Laboratories based in Lima for analysis. Sample results within this structural corridor ranged from 0.01 to 40.30 g Au/T, 0.70 to 1,848 g Au/T Ag, 0.01 to 20.80% Pb and 0.02 to 16.66% Zn. Fifty percent of the samples averaged 5.33 g Au/T , 459 g Ag/T, 5.4% Pb and 1.99% Zn.

The mineralization at Maria Norte is considered a low-sulphidation type hosted in early Miocene volcanics. The historic Tangana Pb-Zn-Ag mine ("Tangana") and associated veins are located approximately 2.5 km's southwest of Maria Norte. The vein sets at Tangana have the similar WNW-ESE orientation however occur at a lower elevation. The Tangana mine is now owned by Latitude Base Metals and still contains a significant Pb-Zn-Ag resource. As noted earlier, the mineralization at Maria Norte contains a high gold content compared to other mines in the area. This is due to the vertical zonation typically associated with these types of mineralized environments. Precious metal mineralization will occur above the base metal mineralization. Elevation differences between known Pb-Zn-Ag mines in the area with Maria Norte can exceed 500 metres vertically, thus making it a favourable target host of gold enrichment.

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MMTP was to complete an RTO with Zincore Metals Inc. ("Zincore") in 2020, and upon completion of the RTO, each share of MMTP was to be exchanged for approximately 73.2 Zincore shares. Peruvian Metals was expected to receive approximately 3.3 million shares in the resulting TSX-Venture listed corporate entity to be called Latitude Base Metals. The agreement between Zincore and Latitude Base Metals did not proceed and was terminated on September 1, 2020. Peruvian Metals continued to remain a shareholder of MMTP.

MMTP entered into a new merger agreement early February 2021 with Oro X Mining Corp. ("Oro X") on an equal share basis. Pursuant to the terms of the business combination agreement, Oro X acquired all of the MMTP common shares as part of a merger of equals. Each MMTP share was exchanged for 28.828 common shares of Oro X, resulting in an aggregate of approximately 42,969,000 Oro X shares issued to the MMTP shareholders pursuant to the transaction.

The transactions contemplated by the business combination agreement are subject to, among other things: (i) the completion of a financing for minimum gross proceeds of $14-million, as described as follows; (ii) the approval of MMTP shareholders; (iii) the receipt of all necessary consents, approvals, authorizations (including exchange approval) for the transaction; (iv) certain changes to the board of directors and management of Oro X and (v) other conditions that are customary for a transaction of this type.

All conditions of the merger agreement were successfully completed, and Peruvian Metals received 1,297,490 shares of Oro X during April 2021.

Gold Properties

The Company holds several gold-silver mineral concessions in Northern Peru. The 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 two properties acquired are summarized below. In 2019, the Company acquired by application with the Ministry of Mines three concessions totalling 1,700 hectares in the Department of La Libertad. Some of the titles are still pending and the Company expects to visit the properties in late 2021.

Palta Dorada Property – 50/50 Rio Silver Inc.

During the year ended December 31, 2020, the Company signed a Memorandum of Understanding ("MOU") with Rio Silver Inc. ("Rio Silver") to initially establish a small-scale mining operation on the Palta Dorado Au-Ag-Cu Property ("Palta Dorado" or the "Property") located in the Ancash Mining Department in Northern Peru. The purpose of the MOU is to establish an equal profit-sharing agreement between the companies on the sales of the Au-Ag-Cu concentrates. Peruvian Metals will provide space at Peruvian Metals' 80% owned Aguila Norte Processing Plant. The MOU would eventually lead to a 50-50 ownership between Peruvian Metals and Rio Silver in a Peruvian Company ("Joint Venture"). Equal ownership will occur once Peruvian Metals has equally matched Rio Silver's capital investment in the Property of US $250,000. These capital expenditures will include permitting, property taxes, camp construction, property wide exploration and any infrastructure needed for mining. The profits on the sale of concentrates would be shared between Rio Silver and Peruvian Metals after operational expenses outlined in the MOU. Operational expenses related to mining will be shared by both companies. Operational expenses will include mining, transportation of mineral and concentrates, support staff, consumable, and logistics. Peruvian Metals' 80% owned plant would also charge the Joint Venture commercial mineral processing rates as other clients and will be considered as an operational expense. Peruvian Metals' will act as the operator of the Joint Venture and be responsible to obtain the small-scale permits related to the mining.

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As of December 31, 2021, the Company incurred the required expenditures of US $250,000 related to its obligations under the MOU. Both companies amended the MOU recognizing that the Company met its earn-in and had incurred an additional $144,606 US in expenditures which will be paid back on cash flow and is subject to a one percentage monthly interest.

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 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 an 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. The Company has been informed by the local community that there are presently artisanal miners extracting oxide gold material.

Pueblo de Oro now called Minas Yanayco

The 500-hectare Pueblo de Oro property now called Minas Yanayco is located in the Ancash Department near the small town of Pueblo Libre. The property is accessed via roughly 292 kilometres of mostly asphalt roads from the Aguila Norte plant and encompasses epithermal, oxide gold-silver mineralization hosted in fractured, brecciated, and faulted quartzites of the Chimu Formation. Historical mine workings are localized in a highly brecciated fault zone parallel to the hinge of an overturned, tightly folded syncline where at least two periods of exploitation have occurred including small, artisanal style tunnels and a large mechanically exploited stope measuring roughly 3,450 square metres entering the hill for 170 metres with widths of up to 30metres. Production from the Yanayco Mine occurred in the late 70's and early 80's.

Sampling in the old workings has returned up to 7.33 g Au/T and 1,058 g Ag/T in individual samples with sample lengths of 0.6 meters and 0.4 metres, 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 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.

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New Silver-Lead-Zinc Project – Now called Minas Visca

In November 2021, the Company acquired a new high-grade silver-lead-zinc property by submitting a superior offer in a closed bid auction at the Peruvian Public Registry of Mining. Other bidders for the area included Newmont Peru SRL and Mitsui Mining & Smelting Co.

The new property covers an area of approximately 94 hectares and includes several old mine workings. The property is road accessible from Lima by a well paved highway and by 50 kilometres of dirt road. Historical reports from the area by Banco Minero del Peru note that a metallurgical sample was taken from the workings that averaged 13.16 ounces silver per tonne (oz/mt Ag) with 2.55 per cent lead (Pb) and 3.77 per cent zinc (Zn). Results from the metallurgical test show that two concentrates can be produced with the first averaging 63.03 per cent Pb, 6 per cent Zn and 317 oz/mt Ag. The second concentrate averaged 61.9 per cent zinc and 7.2 per cent lead. Please note that these results are historic and cannot be verified.

The area is underlain by tertiary volcanics belonging to the prospective Calipuy formation. Company geologists verified the potential of the area by mapping and sampling the workings and stockpiles left by the previous operators. Ten samples were taken from old stockpiles in four different areas with values ranging from 0.06 to 1.24 grams gold per ton (g/t Au), 0.71 to 47.82 oz/mt Ag, 0.34 per cent to 9.25 per cent Pb and 0.13 per cent to 4.93 per cent Zn averaging 0.49 g/t Au, 12.93 oz/mt Ag, 2.62 per cent Pb and 1.68 per cent Zn. It is important to note and highly likely that much of the high grade extracted from the underground workings and stockpiled have been shipped to toll mills for processing.

The company plans to initiate community discussions and plans to start the permitting process to reopen the underground workings for bulk sample extraction. The property has good infrastructure but will need to be improved. Another site visit by the company will be necessary this year to take additional samples for metallurgical tests and determine the condition of the underground adits for permitting purposes.

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. 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 Au/T were re-assayed using fire-assay with gravimetric finish. Re-analysis of the over-limit samples using fire-assay with gravimetric finish duplicated the previous results. No quality control material was employed in the sampling. All samples were also submitted for gold analysis by fire assay with ICP emission spectroscopy and achieved similar results to gold by fire assay with atomic absorption finish. Metallurgical tests for the Indio Inka property were completed by Minares Sur and Minera Platinum, two private and independent Peruvian laboratories.

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

Financing

During the year ended December 31, 2021, the Company received proceeds of $262,800 on the exercise of warrants and $117,500 on the exercise of stock options.

On October 30, 2020, the Company completed a non-brokered private placement consisting of 5,000,000 at a $0.05 per unit, each unit comprising one common share and one non-transferable share purchase warrant. Each warrant will entitle the holder to acquire one additional common share of the company at a price of $0.10 per common share for a period of two years following the closing date.

During 2020 the Company also received proceeds of $147,500 on the exercise of stock options.

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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, 2021 audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), and their related notes.

	Years Ended		
	December 31, 2021 $	***December 31, 2020 $***	***December 31, 2019 $***
Revenues	2,144,215	1,072,613	1,607,486
Income (loss) attributable to shareholders	(1,059,304)	444,453	(1,281,193)
Income (loss) per share	(0.01)	0.01	(0.02)
Total assets	2,350,397	2,917,451	2,160,530
Working capital(deficit)	(122,774)	(913,659)	(1,194,921)
Total long term liabilities	259,797	247,425	235,645
Cash dividends	Nil	Nil	Nil

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

Summary of Quarterly Results

Quarter Ended	***Revenue $***	***Net income (loss) attributable to shareholders $***	***Income (loss) per share attributable to shareholders $***
December 31, 2021	653,341	(540,591)	(0.005)
September 30, 2021	608,148	(84,496)	(0.001)
June 30, 2021	443,652	(321,650)	(0.003)
March 31, 2021	439,074	(112,567)	(0.001)
December 31, 2020	564,379	(93,008)	(0.000)
September 30, 2020	329,457	(126,231)	(0.001)
June 30, 2020	17,836	(132,741)	(0.001)
March 31, 2020	160,941	796,433	0.010

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Results of Operations

Consolidated Statements of Operations	Three Months Ended December 31		Twelve Months Ended December 31	
	$	$	$	$
	2021	2020	2021	2020
REVENUES				
Mineral processing revenue	653,341	564,379	2,144,215	1,072,613
EXPENSES				
Plant operating expenses	(285,433)	(298,192)	(1,038,723)	(891,746)
Exploration and evaluation expenditures	(151,908)	(67,130)	(463,456)	(205,523)
Management and consulting fees	(95,189)	(23,923)	(170,740)	(110,603)
Share based payments	(270,000)	(54,514)	(298,541)	(83,475)
Accounting and administration	(24,613)	(4,097)	(63,551)	(41,148)
Shareholder relations and filing fees	(40,192)	(40,530)	(116,054)	(74,495)
Professional fees	(91,191)	(69,683)	(96,187)	(83,830)
Insurance	(3,625)	(3,469)	(14,112)	(15,400)
Travel	(4,999)	(1,864)	(11,319)	(22,860)
Rent	(5,250)	(5,250)	(21,000)	(20,500)
Telephone and communications	(150)	-	(150)	(1,876)
LOSS FOR THE PERIOD BEFORE THE FOLLOWING	(319,209)	(4,273)	(149,618)	(478,843)
Foreign exchange gain (loss)	24,865	(67,389)	(79,872)	(131,534)
Interest expense	98	(3,815)	(7,351)	(15,542)
Accretion expense	(3,093)	(2,945)	(12,372)	(11,780)
Amortization	(5,063)	(3,704)	(14,374)	(4,792)
Realized loss on sale of investment	(72,413)	-	(157,967)	-
Unrealized (loss) gain on investment	45,927	85,994	(257,575)	85,994
Loss on disposal of fixed assets	(15,647)	-	(15,647)	-
Gain on disposal of subsidiary	-	(28,991)	-	1,044,689
INCOME (LOSS) BEFORE INCOME TAXES FOR THE YEAR	(344,535)	(25,123)	(694,776)	488,192
Current income tax expense	(126,632)	-	(126,632)	-
NET INCOME (LOSS) FOR THE PERIOD	(471,167)	(25,123)	(821,408)	488,192

Three Months ended December 31, 2021

During the three months ended December 31, 2021, the Company had a net loss before non-controlling interest of $471,167 (2020 - $25,123). The Company incurred plant operating expenses during the period of $285,433 (2020 - $298,192) relating to the operation of the Aguila Norte mineral processing plant in northern Peru and pertain primarily to costs associated with securing, analysing and processing mineral at Aguila Norte, as well as, security and general administrative expenses (see table below). Exploration and evaluation expenses for the period of $151,908 (2020 – $67,130) from expenses related to the Company's exploration properties. Management and consulting fees of $95,189 (2020 - $23,923) are higher in the current period primarily due a reduction of fees charged by Company's CFO and CEO in the comparative period and board approved performance bonuses in the current period. All other operating costs were in line with or lower than the prior year period costs as the Company has continued to reduce corporate expenditures.

Significant other items include amortization of $5,063 (2020 - $3,704) realized loss on sale of investment of $72,413 (2020 - $nil) and an unrealized gain on investment $45,927 (2020 – $85,994) related to common shares held of SilverX.

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Twelve Months ended December 31, 2021

During the twelve months ended December 31, 2021, the Company had a net loss before non-controlling interest of $821,408 compared to a net income of $488,192 for the same period in 2020. The Company incurred plant operating expenses during the period of $1,038,723 (2020 - $891,746) relating to the operation of the Aguila Norte mineral processing plant in northern Peru and pertain primarily to costs associated with securing, analysing and processing mineral at Aguila Norte, as well as, security and general administrative expenses (see table below). Exploration and evaluation expenses for the period of $463,456 (2020 – $205,523) is higher in the current period for expenses related to Rio-Silver earn-in. Management and consulting fees of $170,740 (2020 - $110,603) are higher in the current period primarily due a reduction of fees charged by Company's CFO and CEO in the comparative period and board approved performance bonuses in the current period. (See transactions with Related Parties below). Share based payments of $298,541 (2020 - $83,475) as a result of stock options being granted in the current year period. Accounting and administration of $63,551 (2020 - $41,148) are higher as a result of increased staffing levels in the current year period. Shareholder relations and filing fees expense of $116,054 (2020 - $74,495) is higher in the current period due to additional costs associated with capital markets advisory services. All other operating costs were in line with or lower than the prior year period costs as the Company have continued to reduce corporate expenditures.

Foreign exchange loss of $79,872 (2020 – $131,534) is a result of the Canadian dollar exchange rate fluctuating against the US dollar and the Peruvian sol during the year and the impact on the Company's US dollar denominated accounts, and intercompany loan balances. Interest expense of $7,351 (2020 - $15,542) relates to interest incurred on promissory notes outstanding. Significant other items include amortization of $14,374 (2020 - $4,792), realized loss on sale of investment of $171,738 (2020 - $nil) and an unrealized loss on investment $257,575 (2020 – gain of $85,994) related to common shares held of SilverX. In the comparative period, the Company recorded a gain on disposal of subsidiary of $1,044,689 related to the sale of Corongo Exploraciones.

<u>Plant operating expenses</u>

	Years ended December 31,	
	2021	2020
	$	$
Processing costs	**337,850**	266,734
Amortization	**226,381**	233,801
Salaries and management fees	**277,248**	207,789
Office and general	**60,942**	46,119
Security	**22,987**	24,832
Professional fees	**70,236**	82,561
Rent and utilities	**5,484**	5,846
Vehicles and equipment rentals	**37,595**	24,064
	1,038,723	891,746

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Exploration and Evaluation Expenditures

A summary of exploration expenditures for the year ended December 31, 2021 and 2020 is as follows:

	Years Ended December 31	
	2021	2020
	$	$
Project management	**98,665**	44,683
Fieldwork and administration	**196,283**	37,193
Consultants	**25,880**	50,519
Concession payments & acquisitions	**85,749**	5,998
Geological and laboratory	**61,231**	-
Property option payments	**5,648**	-
Recovery of expenditures	**(10,000)**	-
Expense for the period	**463,456**	138,393

Liquidity and Capital Resources

The Company's liquid assets at December 31, 2021 were valued at $615,124 (2020 - $302,964), consisting of cash of $323,808 (2020 - $169,657), amounts receivable of $265,982 (2020 - $107,822) and inventory of $25,334 (2020 - $25,185). 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 year ended December 31, 2021, the Company's average monthly cash burn rate, excluding plant operating expenses, exploration expenditures, share-based payments, amortization, foreign exchange, realized and unrealized loss on investment and gain on disposal of subsidiary was approximately $41,092 compared to $37,850 for the year ended December 31, 2020. The Company expects the monthly burn rate to remain low throughout 2022.

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 December 31, 2021, the Company had a working capital deficit of $160,543 (2020 – $913,659). During the year ended December 31, 2021, the Company received proceeds of $262,800 on the exercise of 2,628,000 warrants and $117,500 on the exercise of 2,100,000 stock options.

The Company may need additional funding to cover plant working capital requirements. The Company does not intend to fund significant exploration programs during 2021 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 2021, 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.

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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 year ended December 31, 2021 and 2020 were as follows:

Aggregate compensation		**2021**	2020
Jeffrey Reeder	CEO, Chairman & Director	**$ 165,000**	$ 110,000
Justin Bourassa	CFO	**63,000**	49,600
		$ 228,000	$ 159,600

As at December 31, 2021, a balance of $151,053 (2020 - $281,753) was due to certain officers and directors of the Company relating to unpaid compensation. Amounts payable are unsecured, non-interest bearing and due on demand. As at December 31, 2020, $11,161 of the balance due to directors was related to outstanding promissory notes and interest, this amount was repaid during year ended December 31, 2021.

Share based compensation

A total of 1,300,000 stock options were granted to officers and directors under the Company's stock option plan during the year ended December 31, 2021 (2020 – 1,400,000).

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 National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

- Impairment of exploration and evaluation assets
  While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

- Estimation of decommissioning and restoration costs and the timing of expenditure
  Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

- Income taxes and recoverability of potential deferred tax assets
  In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

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- 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.

- Valuation of private investment

  1. Securities in privately held companies are initially recorded at cost, being the fair value at the time of acquisition. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements.

  With respect to valuation, the financial information of private companies in which the Company has an investment may not always be available, or such information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these may not be realized or realizable. In addition to the events described below, which may affect a specific investment, the Company will take into account general market conditions when valuing the privately held investment in its portfolio. In the absence of occurrence of any of these events or any significant change in general market conditions indicates generally that the fair value of the investment has not materially changed.

  An upward adjustment is considered appropriate and supported by pervasive and objective evidence such as a significant subsequent equity financing by an unrelated investor at a transaction price higher than the Company's carrying value; or if there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a positive impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable. Such events include, without limitation:

  - political changes in a country in which the investee company operates that, for example, reduce the corporate tax burden, permit mining where, or to an extent that, it was not previously allowed, or reduce or eliminate the need for permitting or approvals;
  - receipt by the investee company of environmental, mining, or similar approvals, which allow the investee company to proceed with its project(s);
  - filing by the investee company of a National Instrument 43-101 technical report in respect of a previously noncompliant resource;
  - the investee company has positive operating results at its processing plant;
  - release by the investee company of positive exploration results, which either proves or expands their resource prospects; and
  - important positive management changes by the investee company that the Company's management believes will have a very positive impact on the investee company's ability to achieve its objectives and build value for shareholders.

Downward adjustments to carrying values are made when there is evidence of a decline in value as indicated by the assessment of the financial condition of the investment based on third party financing, operational results, forecasts, and other developments since acquisition, or if there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a negative impact on the investee company's prospects and therefore its fair value. The amount of the change to the fair value of the investment is based on management's judgment and any value estimated may not be realized or realizable. Such events include, without limitation:

- political changes in a country in which the investee company operates that increases the tax burden on companies, that prohibit mining where it was previously allowed, that increases the need for permitting or approvals, etc.;
- denial of the investee company's application for environmental, mining, aboriginal or similar approvals that prohibit the investee company from proceeding with its projects;
- the investee company releases negative exploration results;
- changes to the management of the investee company take place that the Company believes will have a negative impact on the investee company's ability to achieve its objectives and build value for shareholders;
- the investee company has negative operating results at its processing plant;
- the investee company is placed into receivership or bankruptcy; and
  based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern.

The resulting values may differ from values that would be realized had a ready market existed. The amounts at which the Company's privately held investments could be disposed of may differ from the carrying value assigned. Such differences could be material.

Changes in Accounting Policies

The significant accounting policies are outlined in the consolidated financial statements for the years ended December 31, 2021 and 2020, unless otherwise disclosed.

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.

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

As of December 31, 2021, the Company had a cash balance of $323,808 (2020 - $169,957) to settle current liabilities of $783,759 (2020 - $1,218,902). The Company's other current assets consist of amounts receivable of $82,651 (2020 - $107,822), prepaid expenses and advances of $8,092 (2020 - $2,279), inventory of $25,334 (2020 - $25,185) and an investment of $221,100 (2020 - $861,903).

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 Company is exposed to the price risk associated with the change in the market value of its investment. The Company closely monitors equity prices to determine the appropriate course of action to take. A 1% change in the market price of the investment would result in a $2,211 change to the Company's net income for the year ended December 31, 2021.

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 December 31, 2021, the Company had cash balances of $136,573(US $107,782) (2020 - $76,946 (US $63,572)) in U.S. dollars, and $145,881 (S/.459,324) (2020 - $48,099 (S/. 130,279)) in Peruvian New Sol ("PNS"); amounts receivable of $50,817(US $40,252) (2020 - $Nil) in US Dollars, and $17,265 (S/.54,361) (2020 - $92,948 (S/.264,359) in PNS, and accounts payable of $16,759 (US $13,275) (202 - $Nil) in US Dollar and $280,769 (S/.884,030) (2020 – $404,914 (S/.1,151,630)) in PNS.

Sensitivity to a plus or minus 5% change in the foreign exchange rate would have affected the net loss by approximately $2,649 for the year ended December 31, 2021, based on the net foreign currency monetary assets as at December 31, 2021.

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.

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 year ended December 31, 2021.

f) Fair value of financial assets and liabilities

The book values of the cash, investment, accounts receivable and accounts payable and accrued liabilities, approximate their respective fair values due to the short-term nature of these instruments.

The fair value of the investment is determined based on Level 3 inputs that are not based in observable market data, such as private equity financings. There were no transfers in or out of the Level 3 fair value hierarchy during the year ended December 31, 2021 and 2020.

The Company defines capital as shareholders' equity which at December 31, 2021 was $1,306,841 (2020 - $1,451,124). The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support its exploration, development and operation activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to fund operations at the Aguila Norte Plant, pursue the exploration of its mineral properties, and maximize shareholder returns. The Company satisfies its capital requirements through careful management of its cash resources and by utilizing bank indebtedness or equity issues, as necessary, based on the prevalent economic conditions of both the industry and the capital markets and the underlying risk characteristics of the related assets. As at December 31, 2021 and 2020, the Company had no bank debt.

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Other MD&A Requirements

Common Shares Outstanding

Balance, December 31, 2019	85,692,521
Shares issued in private placement	5,000,000
Shares issued on option exercise	2,950,000
Balance, December 31, 2020	93,642,521
Shares issued on option exercise	2,100,000
Shares issued on warrant exercise	2,628,000
Balance, December 31, 2021	98,370,521
Shares issued on option exercise	250,000
Shares issued on warrant exercise	38,000
Balance, May 9, 2022	98,658,521

Warrants Outstanding

Balance, December 31, 2019	17,607,400
Warrants expired	(17,607,400)
Warrants issued	5,006,000
Balance, December 31, 2020	5,006,000
Warrants exercised	(2,628,000)
Balance, December 31, 2021	2,378,000
Warrants exercised	(38,000)
Balance, May 9, 2022	2,340,000

Stock Options Outstanding

Balance, December 31, 2019	4,375,000
Stock options granted	2,350,000
Stock options exercised	(2,950,000)
Stock options expired	(800,000)
Balance, December 31, 2020	2,975,000
Stock options granted	2,725,000
Stock options exercised	(2,100,000)
Balance, December 31, 2021	3,600,000
Stock options exercised	(250,000)
Balance, May 9, 2022	3,350,000

Fully Diluted as at May 9, 2022

Common shares	98,658,521
Warrants	2,340,000
Stock options	3,350,000
Balance, May 9, 2022	104,348,521

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 in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

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

Risks and Uncertainties

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

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

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

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

Operating in a Foreign Country Usually Involves Uncertainties Relating to Political and Economic Matters
Peru, where the Company's principle foreign mineral properties are located is considered by the Company to be a mining friendly country. However, any change of government may result in changes to government legislation and policy, which may include changes that impact the Company's ownership of and its ability to continue exploration and, possibly, the development of its properties. Further, changes in the government may result in political and economic uncertainty, which may cause the Company to delay its exploration and, possibly, its development activities or they may decrease the willingness of investors to provide financing to the Company. Accordingly, changes in legislation and policy could result in increased costs to explore and develop the Company's projects and could require the Company to delay or suspend these activities.

Exploration and Development Efforts May Not Be Successful
There is no certainty that the expenditures to be made by the Company in the exploration of its properties as described herein will result in the discovery of mineralized material in commercial quantities. Most exploration projects do not result in the discovery of commercially mineable ore deposits and no assurance can be given that any particular level of recovery of ore reserves will in fact be realized or that any identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body which can be legally and economically exploited. Estimates of reserves, mineral deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ from that indicated by drilling results. Short term factors relating to ore reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and on the results of operations. There can be no assurance that minerals recovered in small scale tests will be duplicated in large scale tests under on-site conditions or in production scale. Material changes in ore reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project.

Lack of Cash Flow
None of the Company's properties have advanced to the commercial production stage and the Company has no history of earnings or cash flow from operations. The Company does not expect to generate material revenue from mining operations or to achieve self-sustaining commercial mining operations for several years. The Company has paid no dividends on its shares since inception and does not anticipate doing so in the foreseeable future. Historically, the only source of funds available to the Company is through the sale of its securities or exploration properties. Future additional equity financing would cause dilution to current shareholders.

No Proven Reserves
The properties in which the Company has an interest or the right to earn an interest are in the exploratory stage only and are without a known body of ore in commercial production.

No Guarantee of Clear Title to Mineral Properties
While the Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties and properties in which it has the right to acquire or earn an interest are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects.

Uncertainty of Obtaining Additional Funding Requirements
Programs planned by the Company may necessitate additional funding, which could cause a dilution of the value of the investment of the shareholders of the Company. The recuperation value of mining properties indicated in the balance sheet depends on the discovery of mineralization that can be profitably exploited and on the Company's capacity to obtain additional funds in order to realize these programs. The Company's exploration activities can therefore be interrupted at any moment if the Company is incapable of obtaining the necessary funds in order to continue any additional activities that are necessary and that are not described in the exploration programs outlined in the Company's geological report for its properties.

Mineral Prices May Not Support Corporate Profit
The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of mineral resources are developed, a profitable market will exist for the sale of same. Factors beyond the control of the Company may affect the marketability of any substances discovered. The price of minerals is volatile over short periods of time, and is affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining techniques.

Supply and Quality of Mineral Feed
The Company's mineral processing operations will involve the purchase of mineral feed from local producers which is then converted in the mineral processing plant. The revenues of the Company will depend on the availability of mineral supply from the local producers. As the Company does not produce its own mineral supply, it does not have entire control over the grade of mineral supplied by local producers. Therefore, this can have an impact over the volume of production from the mineral processing plant and metal sales.

Competition
The mining industry is intensively competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for the recruitment and retention of qualified employees.

Environmental Regulations
The current and future operations of the Company, including further exploration, development activities and commencement of production on its properties, require permits from various Provincial, Federal and State governmental authorities. Such operations are subject to various laws governing land use, the protection of the environment, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances mine safety and other matters. There can be no assurance, however, that all permits which the Company may require for construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.

Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violation of applicable laws or regulations.

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Uncertainty of Reserves and Mineralization Estimates

There are numerous uncertainties inherent in estimating proven and probable reserves and mineralization, including many factors beyond the control of the Company. The estimation of reserves and mineralization is a subjective process and the accuracy of any such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may justify revision of such estimates. No assurances can be given that the volume and grade of reserves recovered and rates of production will not be less than anticipated. Assumptions about prices are subject to greater uncertainty and metal prices have fluctuated widely in the past. Declines in the market price of base or precious metals also may render reserves or mineralization containing relatively lower grades of ore uneconomic to exploit. Changes in operating and capital costs and other factors including, but not limited to, short-term operating factors such as the need for sequential development of ore bodies and the processing of new or different ore grades, may materially and adversely affect reserves.

Operating Hazards and Risks Associated with the Mining Industry

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Hazards such as unusual or unexpected formations and other conditions are involved. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of precious and base metals, any of which could result in work stoppages, damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage. The Company may become subject to liability for cave-ins and other hazards for which it cannot insure or against which it may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration activities.

The Ability to Manage Growth

Should the Company be successful in its efforts to develop its mineral properties and/or mineral processing operations or to raise capital for other mining ventures it will experience significant growth in operations. If this occurs management anticipated that additional expansion will be required in order to continue development. Any expansion of the Company's business would place further demands on its management, operational capacity and financial resources. The failure to manage growth effectively could have a material adverse effect on the Company's business, financial condition and results of operations.

Lack of Dividend Policy

The Company does not presently intend to pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding its business. However, the actual amount of dividends received from the Company will remain subject to the discretion of the Company's Board of Directors and will depend on results of operations, cash requirements and future prospects of the Company and other factors.

Possible Dilution to Present and Prospective Shareholders

The Company's plan of operation, in part, contemplates the accomplishment of business negotiations by the issuance of cash, securities of the Company, or a combination of the two, and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued common shares, or securities convertible into common shares, would result in dilution, possibly substantial, to present and prospective holders of common shares.

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Dependence of Key Personnel
The Company strongly depends on the business and technical expertise of its management and key personnel. There is little possibility that this dependence will decrease in the near term. As the Company's operations expand, additional general management resources will be required, especially since the Company encounters risks that are inherent in doing business in several countries.

Conflict of Interest
Certain directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Lack of Trading
The lack of trading volume of the Company's shares reduces the liquidity of an investment in the Company's shares.

Volatility of Share Price
Market prices for shares of early-stage companies are often volatile. Factors such as announcements of mineral discoveries, financial results, and other factors could have a significant effect on the price of the Company's shares.

COVID-19
In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

Commitments

Lease agreements
The Company's subsidiary, MADOSAC, has annual office rental obligations of US$12,600 ($15,289) due during the year ending December 31, 2022.

Management compensation
The Company has agreed to pay management compensation of total minimum annual payments of $170,000.

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.

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