

PERUVIAN METALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Form 51-102F1

For the Three Months Ended March 31, 2020

**PERUVIAN METALS CORP.
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FOR THE THREE MONTHS ENDED MARCH 31, 2020**

Report Dated: July 15, 2020

General

This Management's Discussion and Analysis ("MD&A") is provided for the purpose of reviewing the three months ended March 31, 2020 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, 2019 and December 31, 2018. 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 July 15, 2020. 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.

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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

Description of Business

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

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

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

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

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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 located in the south, more specifically, in the Nasca and Chala areas located 990 and 1,150 kilometres south of the plant facility. There is access to water and power at the site that is located near the city of Trujillo and it is 10 kilometres from the main 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. The Company also plans to connect to the power grid which will reduce operating costs. Initial proposals have been submitted to the government for approval. Further plant expansion includes a full onsite laboratory able to perform multi-element and metallurgical analysis.

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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

During the commissioning phase the Plant will also process third party mineral. The Company has entered into agreements with small miners to process their mineral by charging a processing fee. The Plant 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 continued to upgrade and reconfigure the Plant to enable the processing of a wider range of minerals within a mineral concentrate. With the upgrades and further modifications, the Plant will be able to produce three different concentrates from the same mineral supplier. More specifically, modifications allow for Lead grades higher than 5%. These upgrades not only provide better flexibility for the Plant's mineral processing clients but also provide better concentrate grades. Due to the increased flexibility and performance several clients extended existing contracts. Further modifications and improvements 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.

During the three months ended March 31, 2019, the Plant processed 2,103 mt of mineral and had further stockpiles of 2,186mt of mineral for processing.

During the three months ended June 30, 2019, Peruvian Metals processed a record throughput of 7,509 metric tonnes (mt) at Aguila Norte. During these months, the plant produced high-grade concentrates for third parties. Eight mineral campaigns or batches were processed, ranging from 355 mt to 1,750 mt. All but one of the batches was polymetallic. The plant achieved excellent recoveries by producing 2,019 mt of highly marketable zinc (1,539 mt) and lead-silver (480 mt) concentrates. More importantly, concentrate ratios (amount of mineral processed to tonnes of concentrates produced) averaged 3.72:1, showing that the plant is producing significant amounts of concentrates.

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

During the months of August and September, Peruvian Metals completed additional plant upgrades at the plant including the completion of the first phase of the expansion of its tailings area by an additional 15,000 cubic metres. All plant upgrades and the expansion of the tailings facility were achieved through current cash flow from the processing of third party processed mineral. These upgrades should facilitate quicker throughput times and extend the tailing facility life for at least another two years.

During the three months ended September 30, 2019, Peruvian Metals processed throughput of 4,186 tonnes, representing a 44 per cent decrease from the second quarter. The Company reported by the end of third quarter the Aguila Norte Plant by processed 13,799 tonnes of third party mineral in 17 mineral campaigns for 2019.

During the three months ended December 31, 2019, Peruvian Metals processed throughput of 4,496 tonnes. During fiscal 2019, the plant produced high-grade concentrates for third parties in 22 mineral campaigns, or batches, ranging from 232 metric tonnes to 1,750 metric tonnes. All but two of the batches were polymetallic. The Plant achieved excellent recoveries by producing 4,091 metric tonnes of highly marketable zinc concentrates averaging 52.4 per cent zinc and 1,364 tonnes of lead-silver concentrates averaging 52.9 per cent lead and 125 ounces of silver per tonne. 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.

In full compliance with the Peruvian government's quarantine order, the Company suspended processing at its Aguila Norte Processing Plant until further notice. Prior to the restriction the company, which has processed 2,112 tonnes of third-party material in the first quarter was on pace to exceed mineral processing throughput from 2019's first quarter processing. In addition, approximately 1,000 tonnes of third-party mineral is stockpiled at site and will be processed and shipments to site will recommence once governmental restrictions are lifted. All restrictions were lifted June 30th and processing is expected to start in July.

Gold Properties

The Company holds two gold-silver mineral concessions in Northern Peru. These concessions are 100% owned with no underlying royalties, are road accessible, were subject to varying forms of small scale artisanal mine workings, and were acquired as potential mineral sources for Aguila Norte. The two properties acquired are summarized below. In 2019, the Company acquired by application with the Ministry of Mines three concessions totalling 1700 hectares in the Department of La Libertad. Titles are pending and the Company expects to visit the properties in 2020.

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.

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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.

Pueblo de Oro

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

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 metres 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 Company intends to find a partner to initially explore the property. The Chimu quartzites are excellent hosts for precious metal mineralization in Northern Peru. Barrick's massive Alto Chicama Mine and Tahoe's La Arena mines are excellent examples of this type of precious metal mineralization. The exploration target at Pueblo de Oro is an underground high grade operation similar to PPX Mining's Igor Project in Northern Peru. Any agreement will first assess the economics of treating mineral at Peruvian Metals' Aguila Norte plant during the development stage.

Quality Assurance and Quality Control

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

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.

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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.

Mineral Exploration Properties

All projects are described below.

Panteria Porphyry Gold - Copper Project

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

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

First Quantum drill programs

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

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

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

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

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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

The following table summarizes the drill results:

	From (m)	To (m)	Interval (m)	Cu %	g Au/T	% CuEq
PANDDH-002	194.90	322.00	127.10	0.150	0.143	0.24
	413.50	630.00	216.50	0.132	0.127	0.21
includes	556.40	614.00	51.60	0.198	0.155	0.30
PANDDH-004	74.60	89.60	15.00	0.151	0.069	0.20
	114.00	244.30	130.30	0.163	0.071	0.21
	308.00	326.40	18.40	0.121	0.101	0.19
	375.65	409.65	34.00	0.119	0.045	0.15
	438.40	453.80	15.40	0.170	0.089	0.23
PANDDH-005	477.40	498.90	21.50	0.159	0.096	0.22
	513.00	540.60	27.60	0.156	0.075	0.20
	638.70	761.00	122.30	0.144	0.059	0.18
	795.60	825.15	29.55	0.122	0.043	0.15
PANDDH-006	303.60	320.00	16.40	0.083	0.133	0.17
	320.00	445.80	125.80	0.252	0.283	0.44
includes	330.00	361.30	31.30	0.497	0.676	0.94
	498.80	550.00	51.20	0.165	0.120	0.24

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

Discussion of Panteria Drill Program Results

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

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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

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

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.

Significant exploration progress elsewhere on the property focused on the Ronaldo Zone located 4 kilometres east of the main Panteria Zone. Twenty-two line kilometres of induced polarization geophysical survey was conducted over the Ronaldo Zone during the last quarter of 2017. On surface this zone exhibits characteristics of an epithermal gold-silver system. FQM conducted further surface sampling in this zone but decided not drill in this area.

About the Panteria Project:

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

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

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

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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

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

Due to the increasing yearly costs of term fees paid to the Peruvian Ministry of Mines, the Company decided not to renew 12 of the 15 concessions. The remaining three concessions cover the main Panteria Zone and the Ronaldo zone and cover an area of 1600 hectares.

Mansa Musa Gold-Silver Project

Effective December 31, 2017, the Company entered into an option agreement (the "Mansa Musa Agreement") on its Minasnioc Au-Ag project ("Mansa Musa" or the "Property") in southern Peru with IAMGOLD Peru S.A., a wholly owned subsidiary of IAMGOLD Corporation (collectively "IAMGOLD"). The name of the project has subsequently been changed to the Mansa Musa Project by IAMGOLD. The Mansa Musa Agreement between the companies was comprised of three options. On signing the Mansa Musa Agreement, IAMGOLD paid Peruvian Metals US\$50,000.

Effective upon securing the community agreement in May 2018, IAMGOLD entered into the First Option to earn a 60% interest in the Property over a 4 year period and made the First Option payment of US\$75,000. The surface agreement allowed IAMGOLD access to conduct exploration work consisting of geological mapping and sampling, geophysical surveys and drilling programs. IAMGOLD started drilling in November 2018 but suspended the program in January 2019 due to the weather. Drilling recommenced in late April 2019.

In June 2019, IAMGOLD notified the Company its intent to withdraw from project however the Company determined that IAMGOLD must first complete its obligations outlined in the agreement. Both companies terminated the agreement on July 10th, 2019. A final report has been received and remediation of the drill sites was completed in late 2019.

About the Mansa Musa Project:

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

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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

Company geologists have made initial property visits and have defined a high sulfidation (acid sulphate) epithermal gold and silver bearing system developed in Tertiary volcanic rocks. Extensive zones of argillic and advanced argillic alteration are present, with areas of massive and vuggy silica with associated alunite. The gold-silver bearing part of the epithermal alteration system covers an area of 2.0 x 2.0 kilometres. The age of the volcanic host rocks and style of mineralization is similar to Barrick's Pierina and Alto Chicama Mines and Newmont/Buenaventura's Yanacocha Mine in Peru. Other notable and comparable high sulphidation oxide gold properties in Southern Peru include Pan American Silver's Pico Machay Property, Minera IRL's Corihuarmi and Aruntani's Rescatada Properties.

It is important to note that the style of the oxide gold mineralization allows for low cost extraction. For example, Minera IRL's Corihuarmi property produced 33,013 ounces of gold at an average of 0.87 g Au/T during 2010 at cash costs of \$383 per ounce. The Corihuarmi gold mine was placed into production in 2008 for a capital cost of US\$20 million. The Corihuarmi capital cost was recovered from pre-tax cash flow within the first 7 months of production. (Source: Minera IRL Limited website: <http://www.minera-irl.com/english/Mine/Corihuarmi/tabid/135/Default.aspx>).

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

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

Huachocolpa Properties – 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.

During 2019 the Company was in discussion with two groups on the possible sale or joint venture of the properties. On March 3rd, 2020, the Company successfully sold to MMTP the Company's 100% owned subsidiary Corongo Exploraciones, 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 11 concessions totalling 228 hectares. The concessions were transferred to the Company's wholly-owned subsidiary Mamaniña Exploraciones S.A.C.

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

MMTP is currently undertaking an RTO with Zincore Metals (TSX-V: Symbol ZNC) and it is expected to be completed during 2020. The current valuation of MMTP shares is based on a pre-RTO financing of \$17.33 per share. Peruvian Metals has received 45,008 shares of MMTP valued at \$17.33 or \$780,000 Canadian. Upon completion of the RTO, each share of MMTP will be exchanged for approximately 73.2 Zincore shares. Peruvian Metals will receive approximately 3.3 million shares in the new TSX Venture Exchange-listed corporate entity called Latitude Base Metals.

The vein systems in the Huachocolpa District generally strike east-west to northwest. Mineralized veins crosscut folded Mesozoic sediments and overlying Cenozoic volcanics, and are related to late Cenozoic faulting. Polymetallic base metal mineralization in the veins is dominated by sphalerite, silver bearing galena, and chalcopyrite. The Minas Maria Norte property is located 13 kms northwest of the Recuperada Plant. The Maria Norte property covers an area of 228 hectares and covers numerous previously exploited Au-Ag-Zn-Pb veins. Five gold-bearing polymetallic structures were mapped by the Company's geologists that remain open along strike. The lengths of the structures as currently mapped are 40 to 400 metres with variable widths from 0.15 to four metres and occur in a vein corridor nearly 600 metres wide. Veins bend and occasionally branch, and it is anticipated that favourable extensional sites for mineralization will be found during future work programs.

The main structure, called the Castorindo Zone, has provided the highest-grade gold values in the area with five samples ranging in width from 0.18 to 0.70 metre and assaying 13.5 to 40.3 grams per tonne gold with 162.9 to 1,128 grams per tonne silver. High-grade silver (1,848 g/t Ag) was also encountered at the Jess structure on a sample of 0.3 metre width. Other veins not yet mapped represented by five samples with widths of 0.2 to 0.7 metre also present precious and base metal mineralization with gold values ranging from 0.89 to 1.55 g/t, silver ranging from 82.8 to 682 g/t, and up to 4.3 per cent zinc and 9.7 per cent lead."

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

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

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

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

Financing

During the three months ended March 31, 2020, a total of 1,600,000 stock options were exercised for gross proceeds to the Company of \$80,000.

During the year ended December 31, 2019, a total of 1,400,000 stock options were exercised for gross proceeds to the Company of \$70,000 and promissory notes of \$81,700 were issued.

During the year ended December 31, 2019, the Company issued 4,713,824 common shares on settlement of debt amounting to \$235,691. A total of 631,888 of the foregoing common shares were issued to officers and directors of the Company for an aggregate settlement of \$210,691.

Selected Annual Information

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

	<i>Years Ended</i>		
	<i>December 31, 2019</i>	<i>December 31, 2018</i>	<i>December 31, 2017</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>
<i>Revenues</i>	1,607,486	Nil	Nil
<i>Loss attributable to shareholders</i>	(1,281,193)	(1,222,750)	(1,770,600)
<i>Loss per share</i>	(0.02)	(0.02)	(0.03)
<i>Total assets</i>	2,160,530	2,861,763	2,822,338
<i>Working capital(deficit)</i>	(1,194,921)	(1,163,083)	(1,026,428)
<i>Total long term liabilities</i>	235,645	164,600	Nil
<i>Cash dividends</i>	Nil	Nil	Nil

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

Summary of Quarterly Results

<i>Quarter Ended</i>	<i>Revenue</i> <i>\$</i>	<i>Net income</i> <i>(loss)</i> <i>attributable to</i> <i>shareholders</i> <i>\$</i>	<i>Income (loss)</i> <i>per share</i> <i>attributable to</i> <i>shareholders</i> <i>\$</i>
<i>March 31, 2020</i>	160,941	806,734	0.010
<i>December 31, 2019</i>	328,743	(174,796)	(0.002)
<i>September 30, 2019</i>	519,006	(116,601)	(0.001)
<i>June 30, 2019</i>	513,544	(187,979)	(0.002)
<i>March 31, 2019</i>	246,193	(801,817)	(0.010)
<i>December 31, 2018</i>	Nil	(222,870)	(0.004)
<i>September 30, 2018</i>	Nil	(423,322)	(0.006)
<i>June 30, 2018</i>	Nil	(239,002)	(0.004)

PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020

Results of Operations

<u>Consolidated Statements of Operations</u>	Three Months Ended March 31	
	\$ 2020	\$ 2019
REVENUES		
Mineral processing revenue	160,941	246,193
EXPENSES		
Plant operating expenses	(204,695)	(252,720)
Exploration and evaluation expenditures	(46,701)	(24,459)
Management and consulting fees	(39,973)	(72,500)
Share based payments	(28,961)	-
Accounting and administration	(13,872)	(1,806)
Shareholder relations and filing fees	(11,132)	(14,004)
Professional fees	(2,147)	(16,500)
Insurance	(3,833)	(4,236)
Travel	(18,085)	(11,770)
Rent	(4,750)	(5,100)
Telephone and communications	(1,225)	(822)
Impairment of exploration assets	-	(582,051)
LOSS FOR THE PERIOD BEFORE THE FOLLOWING	(214,433)	(739,775)
Foreign exchange (loss)	(45,188)	(6,955)
Interest expense	(3,927)	(6,632)
Accretion expense	(2,945)	(2,058)
Amortization	(453)	(2,292)
Gain on disposal of subsidiary	1,073,680	-
Realized loss on sale of marketable securities	-	(16,530)
NET LOSS FOR THE PERIOD	806,734	(774,242)

Three Months ended March 31, 2020

During the three months ended March 31, 2020, the Company had a net income before non-controlling interest of \$806,734 compared to a net loss of \$774,242 for the same period in 2019. The Company incurred plant operating expenses during the period of \$204,695 (2019 - \$252,720) 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 for Aguila Norte, as well as, security and general administrative expenses (see table below). Exploration and evaluation expenditure for the period of \$46,701 (2019 - \$24,459) is higher than the prior-year period due to increased consulting fees related to evaluation of current prospective exploration projects. Management and consulting fees of \$39,973 (2019 - \$72,500) are lower in the current period primarily due to bonuses paid to the CFO and CEO in the comparative period. Accounting and administration costs of \$13,872 (2019 - \$1,806) are higher in the current year period as a result of increased staffing levels in the current year period.

PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020

Shareholder relations and filing fees expense of \$11,132 (2019 - \$14,004). Professional fees of \$2,147 (2019 - \$16,500) is higher in the comparative period due to costs associated with capital markets advisory services during the current year. During the three months ended March 31, 2019, Impairment of exploration assets of \$582,051 reflects the write-down of the Panteria Project as FQM terminated their option agreement subsequent to the end of March 2019. All other operating costs were in line with or lower than the prior year period costs as the Company has significantly scaled back on corporate expenditures.

Other items include a gain on disposal of subsidiary of \$1,073,680 related to the sale of Corngo Exploraciones (page 11), amortization of \$453 (2019 - \$2,292) and the comparative period a realized loss on sale of marketable securities of \$16,350 represents the loss on the sale of Tartisan shares during the period.

Plant operating expenses

	Three months ended March 31,	
	2020	2019
	\$	\$
Processing costs	34,231	79,250
Amortization	57,665	56,929
Salaries and management fees	63,948	57,624
Office and general	17,705	15,904
Geological and laboratory	-	9,649
Security	6,220	6,707
Professional fees	14,923	4,765
Rent and utilities	6,869	7,669
Vehicles and equipment rentals	3,134	14,223
	204,695	252,720

Exploration and Evaluation Expenditures

A summary of exploration expenditures for the years ended March 31, 2020 and 2019 is as follows:

	Three Months Ended	
	March 31	
	2020	2019
	\$	\$
Project management	10,528	11,147
Office and administration	10,160	3,490
Consultants	26,013	9,822
Expense for the year	46,701	24,459

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

Liquidity and Capital Resources

The Company's liquid assets at March 31, 2020 were valued at \$273,613 (December 31, 2019 - \$231,434), consisting of cash of \$163,228 (December 31, 2019 - \$48,848), amounts receivable of \$56,609 (December 31, 2019 - \$136,676) and inventory of \$53,776 (December 31, 2019 - \$45,910). Substantially all of the Company's cash is on deposit with Canadian chartered banks or a financial institution controlled by a Canadian chartered bank.

During the three months ended March 31, 2020, the Company's average monthly cash burn rate, excluding plant operating expenses, exploration expenditures, share-based payments, amortization, foreign exchange, and loss on disposal of subsidiary was approximately \$45,700 comparable to \$51,200 for the year ended December 31, 2018. The Company expects the monthly burn rate to remain low throughout 2020. Peruvian Metals has invested approximately \$4.4 million in capital, start-up expenditures, and advances to MADOSAC to design, construct and operate a mineral processing operation in northern Peru, and has established a US\$200,000 line of credit for the purpose of mineral purchases for the plant.

As a junior exploration stage company, Peruvian Metals has traditionally relied on equity financings and warrant exercises to fund exploration programs and cover the general working capital requirements of a publicly traded junior resource company. As at December 31, 2019, the Company had a working capital deficit of \$217,545 (December 31, 2019 - \$1,194,921). During the three months ended March 31, 2020 a total of 1,600,000 stock options were exercised for gross proceeds to the Company of \$80,000.

The Company may need additional funding to cover plant working capital requirements. The Company does not intend to fund significant exploration programs during 2020 and is actively looking for partners to develop its exploration projects.

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

Off Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Transactions with Related Parties

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

The remuneration of key management personnel and directors of the Company for the years ended March 31, 2020 and 2019 were as follows:

Aggregate compensation		2020	2019
Jeffrey Reeder	CEO, Chairman & Director	\$ 45,000	\$ 60,500
Justin Bourassa	CFO	12,000	-
Dan Hamilton	Director, former CFO	-	35,000
		\$ 57,000	\$ 95,000

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

As at March 31, 2020, a balance of \$309,195 (December 31, 2019 - \$431,942) was due to certain officers and directors of the Company. Of this amount \$20,472 (December 31, 2019 - \$20,190) relates to outstanding promissory notes and interest (See Note 10); and \$288,723 (December 31, 2019 - \$412,131) relates to unpaid compensation.

Share based compensation

No stock options were granted to related parties under the Company's Plan during the three months ended March 31, 2020 and 2019.

Other

During the three months ended March 31, 2019, the Company issued promissory notes of \$30,000 to related parties.

Critical Accounting Estimates

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

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

- **Assets' carrying values and impairment charges**
In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.
- **Capitalization of exploration and evaluation costs**
Management has determined that exploration and evaluation costs incurred during the period have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits.

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

▪ 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.

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

▪ **Share-based payments**

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Changes in Accounting Policies

The significant accounting policies are outlined in the consolidated financial statements for the years ended December 31, 2019 and 2018, 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 and cash equivalents.

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

As of March 31, 2020, the Company had a cash balance of \$163,228 (December 31, 2019 - \$48,848) to settle current liabilities of \$1,364,129 (December 31, 2019 - \$1,143,649). The Company's other current assets consist of marketable securities of \$806,940 (December 31, 2019 \$Nil), amounts receivable of \$56,609 (December 31, 2019 - \$136,676), prepaid expenses and advances of \$85,236 (December 31, 2019 - \$13,294) and inventory of \$53,776 (December 31, 2019 - \$45,910).

c) Market risk

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

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

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

d) Foreign exchange risk

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

As at March 31, 2020, the Company had cash balances of \$nil (US \$nil) (December 31, 2019 - \$4,603 (US \$3,544)) in U.S. dollars, and \$68,844 (S/. 166,732) (December 31, 2019 - \$29,746 (S/. 75,902)) in Peruvian New Sol ("PNS"); amounts receivable of \$45,056 (S/. 109,116) (December 31, 2019 - \$111,838 (S/. 285,373) in PNS, and accounts payable of \$578,266 (S/. 1,400,498) (December 31, 2019 - \$527,069 (S/. 1,344,907)) in PNS.

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

e) Interest rate risk

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

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 nine months ended September 30, 2019.

f) Fair value of financial assets and liabilities

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

The Company defines capital as shareholders' equity which at March 31, 2020 was \$1,382,369 (December 31, 2019 - \$485,236). 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 March 31, 2020 and December 31, 2019, the Company had no bank debt.

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

Other MD&A RequirementsCommon Shares Outstanding

Balance, December 31, 2018	79,578,697
Shares issued on option exercise	1,400,000
Shares issued for settlement of debt	4,713,824
Balance, December 31, 2019	85,692,521
Shares issued on option exercise	1,600,000
Balance, March 31, 2020 and July 15, 2020	87,292,521

Warrants Outstanding

Balance, December 31, 2018	18,607,400
Warrants expired	(1,000,000)
Balance, December 31, 2019	17,607,400
Warrants expired	(661,000)
Balance, March 31, 2020	16,946,400
Warrants expired	(9,514,000)
Balance, July 15, 2020	7,432,400

Stock Options Outstanding

Balance, December 31, 2018	3,475,000
Stock options granted	3,300,000
Stock options exercised	(1,400,000)
Stock options expired	(1,000,000)
Balance, December 31, 2019	4,375,000
Stock options granted	850,000
Stock options exercised	(1,600,000)
Balance, March 31, 2020 and July 15, 2020	3,625,000

Fully Diluted as at July 15, 2020

Common shares	87,292,521
Warrants	7,432,400
Stock options	3,625,000
Balance, July 15, 2020	98,349,921

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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.

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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.

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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.

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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.

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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.

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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.

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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.

Commitments

Lease agreements

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

Management compensation

The Company has agreed to pay management compensation of total minimum annual payments of \$228,000.

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.

**PERUVIAN METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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.