

PERUVIAN METALS CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(Unaudited)

(Expressed in Canadian dollars)

NOTICE TO READER

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

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

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

PERUVIAN METALS CORP.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Unaudited)
(Expressed in Canadian dollars)

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PERUVIAN METALS CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
AS AT

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	September 30, 2021 \$	December 31, 2020 \$
ASSETS		
CURRENT		
Cash	279,833	169,957
Prepaid expenses and advances	14,412	2,279
Amounts receivable	88,673	107,822
Inventory	27,137	25,185
TOTAL CURRENT ASSETS	410,055	305,243
INVESTMENT (Note 6)	342,000	861,903
PROPERTY, PLANT AND EQUIPMENT (Note 7)	1,679,138	1,750,305
TOTAL ASSETS	2,431,193	2,917,451
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	553,788	807,496
Promissory notes and interest payable (Note 10)	-	139,314
Due to related parties (Note 11)	201,083	272,092
TOTAL CURRENT LIABILITIES	754,871	1,218,902
ASSET RETIREMENT AND RECLAMATION OBLIGATIONS (Note 12)	256,704	247,425
TOTAL LIABILITIES	1,011,575	1,466,327
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 13(a))	53,156,129	52,808,986
WARRANT RESERVE (Note 13(b))	26,740	50,000
SHARE-BASED PAYMENT RESERVE (Note 14)	122,003	127,151
DEFICIT	(51,880,825)	(51,362,112)
EQUITY ATTRIBUTABLE TO SHAREHOLDERS	1,424,047	1,624,025
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTEREST	(4,429)	(172,901)
TOTAL SHAREHOLDERS' EQUITY	1,419,618	1,451,124
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,431,193	2,917,451

GOING CONCERN (Note 2)

COMMITMENTS AND CONTINGENCIES (Note 8,21)

SUBSEQUENT EVENTS (Note 22)

APPROVED ON BEHALF OF THE BOARD:

Signed "Dan Hamilton", Director

Signed "Jeffrey Reeder", Director

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

PERUVIAN METALS CORP.
CONDENSED CONSOLIDATED INTERIM
STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30,

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	Three Months Ended		Nine Months Ended	
	2021	2020	2021	2020
	\$	\$	\$	\$
REVENUE				
Mineral processing revenue	608,148	329,457	1,490,874	508,234
EXPENSES				
Plant operating expenses (Note 17)	(286,545)	(262,089)	(753,290)	(593,554)
Exploration and evaluation expenditures (Note 15)	(102,676)	(73,615)	(311,548)	(138,393)
General and administrative (Note 18)	(77,107)	(69,607)	(256,445)	(250,857)
Loss before the following:	141,820	(75,854)	169,591	(474,570)
Foreign exchange loss	(69,975)	(21,331)	(104,737)	(64,145)
Interest expense	46	(3,962)	(7,449)	(11,727)
Amortization	(3,206)	(182)	(9,311)	(1,088)
Accretion expense	(3,093)	(2,945)	(9,279)	(8,835)
Realized loss on sale of investment (Note 6)	(85,554)	-	(85,554)	-
Unrealized (loss) gain on investment (Note 6)	480	-	(303,502)	-
Gain on disposal of subsidiary (Note 9)	-	-	-	1,033,689
NET (LOSS) INCOME AND				
COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(19,482)	(104,274)	(350,241)	473,324
ATTRIBUTABLE TO:				
Non-controlling interest	65,014	21,957	168,472	(24,146)
Shareholders	(84,496)	(126,231)	(518,713)	497,470
	(19,482)	(104,274)	(350,241)	473,324
 (Loss) income per share - basic and diluted (Note 16)	 <u>(0.00)</u>	 <u>(0.00)</u>	 <u>(0.01)</u>	 <u>0.01</u>
 Weighted average number of common shares				
Outstanding - basic and diluted	95,733,081	88,530,021	94,890,572	87,211,682

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Common Shares	Warrant Reserve	Share-based Payment Reserve	Deficit	Total	Non-Controlling Interest	Total Shareholders' Equity
	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2019	52,401,862	174,533	127,959	(52,002,478)	701,876	(216,640)	485,236
Shares issued for cash - exercise of options	114,783	-	(34,783)	-	80,000	-	80,000
Value of warrants expired	-	(6,610)	-	6,610	-	-	-
Share based payments	-	-	28,961	-	28,961	-	28,961
Net income	-	-	-	531,495	531,495	(46,103)	485,392
Balance, June 30, 2020	52,516,645	167,923	122,137	(51,464,373)	1,342,332	(262,743)	1,079,589
Shares and warrants issued for cash	200,000	50,000	-	-	250,000	-	250,000
Shares issued for cash - exercise of options	95,621	-	(28,121)	-	67,500	-	67,500
Share issuance costs	(3,280)	-	-	-	(3,280)	-	(3,280)
Value of warrants expired	-	(167,923)	-	167,923	-	-	-
Value of options expired	-	-	(21,380)	21,380	-	-	-
Share based payments	-	-	54,515	-	54,515	-	54,515
Net loss	-	-	-	(87,042)	(87,042)	89,842	2,800
Balance, December 31, 2020	52,808,986	50,000	127,151	(51,362,112)	1,624,025	(172,901)	1,451,124
Shares issued for cash - exercise of options	92,439	-	(33,689)	-	58,750	-	58,750
Shares issued for cash - exercise of warrants	255,860	(23,260)	-	-	232,600	-	232,600
Share issuance costs	(1,156)	-	-	-	(1,156)	-	(1,156)
Share based payments	-	-	28,541	-	28,541	-	28,541
Net loss	-	-	-	(518,713)	(518,713)	168,472	(350,241)
Balance, June 30, 2021	53,156,129	26,740	122,003	(51,880,825)	1,424,047	(4,429)	1,419,618

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

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

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	2021 \$	2020 \$
CASH FLOWS PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net (loss) Income for the period	(350,241)	473,324
Add items not requiring cash:		
Share based payments	28,541	28,961
Interest payable on promissory notes	7,611	12,311
Amortization	178,056	174,084
Accretion expense	9,279	8,835
Realized loss on sale of investment (Note 6)	85,554	-
Unrealized loss on investment	303,502	-
Gain on disposal of subsidiary	-	(1,033,689)
Changes in non-cash operating working capital:		
Prepaid expenses and advances	(12,133)	(110,390)
Amounts receivable	19,149	46,482
Inventory	(1,952)	18,534
Accounts payable and accrued liabilities	(253,708)	50,638
Due to related parties	(71,009)	(130,361)
Cash flows from operating activities	(57,351)	(461,271)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(106,889)	(28,392)
Proceeds on sale of investment (Note 6)	130,847	-
Proceeds on sale of subsidiary (Note 9)	-	253,700
Cash flows from investing activities	23,958	225,308
FINANCING ACTIVITIES		
Share issue costs	(1,156)	(1,500)
Shares issued for cash - exercise of options	58,750	137,500
Shares issued for cash - exercise of warrants	232,600	-
Repayment of promissory notes and interest	(146,925)	-
Advanced share subscriptions received	-	25,000
Issuance of private placement units for cash	-	105,000
Cash flows from financing activities	143,269	266,000
Increase in cash	109,876	30,037
Cash, beginning of the period	169,957	48,848
Cash, end of the period	279,833	78,885
Supplemental information		
Investment received on sale of subsidiary (Note 9)	-	779,989

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

1. GENERAL INFORMATION

Peruvian Metals Corp. (“Peruvian Metals” or “the Company”) is a publicly listed company originally incorporated in British Columbia and subsequently continued in Ontario under the Canada Business Corporations Act. Effective September 5, 2018 the Company changed its name from Duran Ventures Inc. to Peruvian Metals Corp. The Company’s common shares have been listed on the TSX Venture Exchange (“TSXVE”) since July 4, 2007, and trade under the symbol “PER”. The Company is engaged in mineral processing and the exploration and development of mineral properties in Peru. The Company’s principal office is located at 250 Southridge NW, Suite 300, Edmonton, AB, Canada T6H 4M9 and substantially all of the Company’s corporate and administrative expenses are incurred in Canada.

2. GOING CONCERN

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

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

These condensed consolidated interim financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company also had a loss during the nine-month period ended September 30, 2021 and a cumulative deficit and working capital deficiency as at September 30, 2021. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the Company’s ability to continue as a going concern. The Company’s continuance as a going concern is dependent upon its ability to obtain adequate financing or to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. If the going concern assumption is not appropriate, material adjustments to the condensed consolidated interim financial statements may be required.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

3. BASIS OF CONSOLIDATION

These condensed consolidated interim financial statements include the accounts of the Company, which is incorporated in Canada under the Canada Business Corporations Act, and its wholly owned subsidiaries, Corongo Exploraciones SAC (“Corongo”) to February 26, 2020, Empresa Querco SAC (“Querco”), Mamaniña Exploraciones SAC (“Mamaniña Exploraciones”), Hatum Minas SAC (“Hatun Minas”), Magellan Gold Peru SAC, and its 80% owned subsidiary companies Minera Aguila de Ora SAC (“Madosac”) and Insumos Y Minerales del Norte SRL (“Insumos”), all of which were incorporated in Peru. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(a) Statement of Compliance**

These unaudited condensed consolidated interim financial statements of the Company and its subsidiaries were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company’s 2020 annual financial statements which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The accounting policies and the application are consistent with those disclosed in Note 4 to the Company’s consolidated financial statements as at and for the year ended December 31, 2020.

The policies applied in these unaudited condensed consolidated interim financial statements are based on the IFRS issued and effective as of September 30, 2021. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending December 31, 2021 could result in restatement of these interim consolidated financial statements. These unaudited condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on November 26, 2021.

(b) Basis of preparation

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Areas of critical accounting estimates and judgements that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements are disclosed in Note 5 of the Company’s consolidated financial statements as at and for the year ended December 31, 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

6. INVESTMENT

Pursuant to the sale of the Company's subsidiary Corongo to Mines & Metals Trading (Peru) PLC ("MMTP") (see Note 9), the Company received 45,008 common shares of MMTP, representing a 3.4% interest in the private company, which it has classified as financial assets at FVPL, carried at a fair value, with an unrealized loss recognized in operations for the period ended September 30, 2021.

The Company valued the shares at \$17.33 per common share in line with a financing offering of MMTP concurrent to the sale.

As at December 31, 2020 the Company recognized an unrealized gain of \$85,994 on the MMTP common shares, as MMTP completed a special warrant financing of \$19.15 per common share on December 29, 2020.

On June 23, 2021, MMTP completed a business combination transaction with Silver X Mining Corp. ("Silver X"), in which each common share of MMTP held by the Company were exchanged for 28.828 common shares of Silver X.

During the nine months ended September 30, 2021, the Company sold 347,490 common shares of Silver X for a loss of \$85,554. As at September 30, 2021, the Company held 950,000 Silver X common shares.

As at September 30, 2021, the Company has adjusted the fair value of its investment to \$0.36 per Silver X common share in line with market closing price on September 30, 2021 and recognized an unrealized loss of \$303,502 on the remaining Silver X common shares.

7. PROPERTY, PLANT AND EQUIPMENT

Cost	Office furniture and equipment	Computer equipment	Vehicles and field equipment	Plant	Total
	\$	\$	\$	\$	\$
Balance at December 31, 2019	29,872	30,362	46,698	2,120,097	2,227,029
Additions	16,880	1,325	19,253	47,548	85,006
Disposals	-	-	(15,985)	(8,233)	(24,218)
Balance at December 31, 2020	46,752	31,687	49,966	2,159,412	2,287,817
Additions	10,423	604	32,522	63,340	106,889
Balance at September 30, 2021	57,175	32,291	82,488	2,222,752	2,394,706

Amortization and impairment	Office furniture and equipment	Computer equipment	Vehicles and field equipment	Plant	Total
	\$	\$	\$	\$	\$
Balance at December 31, 2019	29,607	28,629	23,803	229,188	311,227
Additions	120	630	4,042	233,801	238,593
Disposals	-	-	(10,744)	(1,564)	(12,308)
Balance at December 31, 2020	29,727	29,259	17,101	461,425	537,512
Additions	2,795	713	5,803	168,745	178,056
Balance at September 30, 2021	32,522	29,972	22,904	630,170	715,568

Carrying amounts	Office furniture and equipment	Computer equipment	Field equipment	Plant	Total
	\$	\$	\$	\$	\$
At December 31, 2020	17,025	2,428	32,865	1,697,987	1,750,305
At September 30, 2021	24,653	2,319	59,584	1,592,582	1,679,138

Effective January 1, 2019, the Company determined that the start-up phase of its plant was completed, and is now fully operational.

The net book value of the Company's property, plant and equipment at September 30, 2021 by geographic location is as follows: Canada - \$Nil (December 31, 2020 - \$Nil), and Peru \$1,735,978 (December 31, 2020- \$1,750,305).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION PROEPERTY INTERESTS**Palta Dorado Property, Peru**

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 (“Aguila Norte or Plant”). At December 31, 2020, the Company and Rio Silver shared a common director.

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.

Under the MOU, the Company must incur the capital expenditures US \$250,000 by December 31, 2021. During the nine months ended September 30, 2021 the Company incurred the required capital expenditures of US \$250,000.

Hatum Minas Properties, Peru

As at September 30, 2021 and December 31, 2020, the Hatum Minas Properties include the Panteria porphyry copper project (the “Panteria Project”). Title to the Hatum Minas Properties is held by the Company’s wholly-owned Peruvian subsidiary, Hatum Minas. The Company holds a 100% interest in the Panteria Project.

Mansa Musa Project

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

During the year ended December 31, 2020, the Company entered into an agreement with a group of Peruvian private investors to purchase the Mansa Musa gold-silver property. Due to the COVID pandemic and the lack of community support, the investors notified the Company of its intention to withdraw from the project.

The Company did not pay the yearly taxes due June 30, 2021 to keep the concessions in good standing as there exists very little community support for the project.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION PROEPERTY INTERESTS (continued)**Cerro La Cumbre Properties, Peru**

On September 29, 2020, the Company signed a purchase option agreement to acquire the main concession of a group of concessions called Cerro La Cumbre. Under the purchase option agreement, the Company is required to pay US \$200,000 over six months, with no royalties payable to the previous owner. On December 14, 2020, the purchase option agreement was amended to extend the payment schedule.

During the nine months ended September 30, 2021, the Company elected not to continue with the purchase option.

See Exploration and Evaluation Expenditures (Note 15).

9. SALE OF CORONGO EXPLORACIONES

During the nine months ended September 30, 2020, the Company sold its subsidiary Corongo (note 6) to MMTP, an arm's length entity, for \$253,700 (US \$200,000) cash and \$779,989 in shares of MMTP (45,008 shares), a private company. for aggregate proceeds of \$1,033,689. Corongo had nominal assets at the date of disposition.

10. PROMISSORY NOTES AND INTEREST PAYABLE

As at September 30, 2021, the Company had promissory notes payable outstanding of \$nil (December 31, 2020 - \$86,418) and interest payable of \$nil (December 31, 2020 - \$36,618). During the nine months ended September 30, 2021, the Company paid back principal of \$85,042 (December 31, 2020 - \$10,000) and interest of \$50,703 (December 31, 2020 - \$nil).

As at December 31, 2020, \$1,376 of principal and \$9,784 of interest payable was due to a director of the Company (See Note 11). The outstanding balance of \$11,160 and \$17 of interest accrued was paid to the director during the nine months ended September 30, 2021.

11. RELATED PARTY TRANSACTIONS

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including the directors of the Company. The remuneration of key management personnel of the Company for the nine months ended September 30, 2021 and 2020 were as follows:

	Three Months Ended September 30		Nine Months Ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Aggregate compensation	42,000	33,600	111,000	120,100

See Note 21.

As at September 30, 2021, a balance of \$194,076 (December 31, 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 nine months ended September 30, 2021 (See Note 10).

No stock options were granted to related parties under the Company's Plan during the nine months ended September 30, 2021 and 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

12. ASSET RETIREMENT AND RECLAMATION OBLIGATIONS

The Company's operations are governed by laws and regulations covering the protection of the environment. The Company will implement progressive measures for rehabilitation work to be carried out during the operation, closing and follow-up work upon closing of the Aguila Norte processing plant; consequently, the Company accounted for its asset retirement obligations for the plant using best estimates of future costs, based on information available at the reporting date. These estimates are subject to change following modifications to laws and regulations or as new information becomes available.

The Company received its final environmental permit for the Aguila Norte Plant in February 2018 and set up a provision for the asset retirement and reclamation obligations. As at September 30, 2021, the estimated undiscounted cash flow required to settle the asset retirement obligation for Aguila Norte Plant and its related tailings pond is \$270,000 and is projected to be disbursed no earlier than 2024 (2020 – 2023). A 5% (2020 – 5%) discount rate and 2% (2020 – 2%) inflation rate were used to evaluate this provision.

	\$
Balance, December 31, 2019	235,645
Accretion	11,780
Balance, December 31, 2020	247,425
Accretion	9,279
Balance, September 30, 2021	256,704

13. CAPITAL STOCK AND WARRANT RESERVE**a) Authorized, Issued and Outstanding shares**

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

	Common Shares #	Amount \$
Balance, December 31, 2019	85,692,521	52,401,862
Issued in private placement	5,000,000	250,000
Allocation to warrant reserve	-	(50,000)
Share issuance costs	-	(3,280)
Exercise of stock options	2,950,000	147,500
Allocation from share-based payment reserve	-	62,904
Balance, December 31, 2020	93,642,521	52,808,986
Exercise of stock options	925,000	58,750
Allocation from share-based payment reserve	-	33,689
Exercise of warrants	2,326,000	232,600
Allocation from warrant reserve	-	23,260
Share issuance costs	-	(1,156)
Balance, September 30, 2021	96,893,521	53,156,129

A summary of common shares outstanding as at September 30, 2021 and December 31, 2020 and changes during the periods then ended are presented below:

- (i) During the nine months ended September 30, 2021, a total of 925,000 stock options were exercised at an average of \$0.06 per share for proceeds of \$58,750.
- (ii) During the nine months ended September 30, 2021, a total of 2,326,000 warrants were exercised at \$0.10 per share for proceeds of \$232,600.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

13. CAPITAL STOCK AND WARRANT RESERVE (continued)

- (iii) On October 30, 2020, the Company completed a non-brokered private placement financing (the "Offering"). In total the Offering consisted of 5,000,000 units for aggregate gross proceeds to the Company of \$250,000. Each unit consisted of one common share and one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one additional common share at an exercise price of \$0.10 for a period of two years issuance. (see Note 11)
- (iv) During the year ended December 31, 2020, a total of 2,950,000 stock options were exercised at \$0.05 per share for proceeds of \$147,500.

b) Share Purchase Warrants

A summary of warrants outstanding as at September 30, 2021 and December 31, 2020 and changes during the periods then ended are presented below:

	Warrants	Amount	Weighted average exercise price
	#	\$	\$
Balance, December 31, 2019	17,607,400	174,533	0.075
Issued in private placements (i)	5,000,000	50,000	0.10
Issued as finder's fee	1,200	-	0.10
Expired	(17,607,400)	(174,533)	0.075
Balance, December 31, 2020	5,001,200	50,000	0.10
Exercised	(2,326,000)	(23,260)	0.10
Balance, September 30, 2021	2,675,200	26,740	0.10

- (i) As a result of the Offering the Company issued 5,000,000 common share purchase warrants (valued at \$50,000) with an exercise price of \$0.10. The fair value of the common share purchase warrants issued in the Offering was estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: expected dividend yield 0%, expected volatility 98.89%, risk free interest rate of 0.24%, expected life of two years, and a share price of \$0.04. Volatility is based on the historical trading activity of the Company's shares.
- (ii) The following warrants are outstanding as at September 30, 2021:

Expiry date	Number of warrants outstanding #	Exercise price \$	Weighted average remaining contractual life (years)
September 10, 2022	900,000	0.10	0.95
October 5, 2022	1,201,200	0.10	1.01
October 30, 2022	574,000	0.10	1.08
	<u>2,675,200</u>		<u>1.01</u>

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14. SHARE-BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN

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

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

A summary of the status of the Plan as at September 30, 2021 and December 31, 2020, and changes during the periods ended on those dates are presented below:

	Number of options #	Weighted average exercise price \$
Balance, December 31, 2019	4,375,000	0.06
Issued	2,350,000	0.05
Exercised	(2,950,000)	0.05
Expired/terminated	(800,000)	0.05
Balance, December 31, 2020	2,975,000	0.06
Issued	400,000	0.10
Exercised*	(925,000)	0.07 *
Balance, September 30, 2021	2,450,000	0.06

* The weighted average share price, at the date of exercise of options was \$0.12.

As at September 30, 2021, the Company had outstanding share options issued to directors, officers, employees and consultants of the Company as follows:

Date of Grant	Options outstanding #	Options vested #	Exercise price \$	Expiry date
February 17, 2021	400,000	400,000	0.10	February 17, 2023
December 29, 2020	1,300,000	1,300,000	0.05	December 29, 2022
February 12, 2020	275,000	275,000	0.05	February 12, 2022
June 28, 2017	100,000	100,000	0.10	June 28, 2022
April 27, 2017	375,000	375,000	0.10	April 27, 2022
	2,450,000	2,450,000		

The weighted average remaining contractual life of options issued and outstanding as at September 30, 2021 was 1.05 years (December 31, 2020 – 1.33 years).

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

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

	<u>2021</u>	<u>2020</u>
Risk-free interest rate	0.21%	1.5%
Expected life (years)	2	2
Expected volatility	151%	140%
Expected rate of forfeiture	nil	nil
Expected dividend yield	nil	nil
Share price	\$0.10	\$0.05

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

15. EXPLORATION AND EVALUATION EXPENDITURES

During the nine months ended September 30, 2021, the Company had net exploration and evaluation expenditures of \$311,548 (2020 – \$46,701).

Palta Dorado Project

The Company signed a MOU with Rio Silver (note 8) to initially establish a small-scale mining operation on the Palta Dorado Au-Ag-Cu Property located in the Ancash Mining Department in Northern Peru. The MOU will eventually lead to a 50-50 ownership between Peruvian Metals and Rio Silver in a Joint Venture. Equal ownership will occur once Peruvian Metals has equally matched Rio Silver's capital investment in the Property of US \$250,000.

During the nine months ended the Company completed the US \$250,000 spending requirement. Both companies will enter into a definitive shareholder agreement in Peru shortly.

Panteria Project

The Company holds a 100% interest in the Panteria Project located in south central Peru. Title to the concessions comprising this project is held by Hatum Minas (Note 22).

See Exploration and Evaluation Property Interests (Note 8).

16. LOSS PER SHARE**a) Basic**

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

	Three Months ended September 30,		Nine months ended September 30,	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Net Income (loss) for the period	\$ (84,496)	\$ (126,231)	\$ (518,713)	\$ 497,470
Weighted average number of common shares outstanding	95,733,081	88,530,021	94,890,572	87,211,682
Income (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ 0.01

b) Diluted

Diluted income (loss) per common share is equal to the basic income (loss) per common share for the three and nine months ended September 30, 2021 and 2020 as all of the stock options and warrants outstanding are anti-dilutive.

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17. PLANT OPERATING EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Processing costs	116,889	122,621	266,451	168,351
Amortization	56,476	57,665	168,745	172,995
Salaries and management fees	67,030	42,577	193,858	146,084
Office and general	11,509	(3,202)	37,154	24,070
Security	6,486	6,704	16,049	17,146
Professional fees	17,374	23,459	46,902	41,965
Rent and utilities	1,416	791	1,416	7,730
Vehicles and equipment rentals	9,365	11,474	22,715	15,213
	286,545	262,089	753,290	593,554

18. GENERAL AND ADMINISTRATIVE

	Three months ended September 30		Nine months ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Management and consulting fees	27,689	23,726	75,551	86,680
Share based payments	-	-	28,541	28,961
Accounting and administration	13,293	10,305	38,938	37,051
Shareholder relations and filing fees	22,873	12,661	75,862	33,965
Professional fees	-	12,000	4,996	14,147
Travel	4,451	1,815	6,320	20,996
Insurance	3,551	3,564	10,487	11,931
Rent	5,250	5,250	15,750	15,250
Telephone and communication	-	286	-	1,876
	77,107	69,607	256,445	250,857

19. 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 significant changes in the risks, objectives, policies and procedures from the previous period.

a) Credit risk management

Credit risk relating to cash and amounts 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 receivables. The Company applies the simplified approach to providing for expected credit losses ("ECL") prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables. The provision for ECL at September 30, 2021 and December 31, 2020 was \$Nil.

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19. FINANCIAL RISK FACTORS (continued)**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 September 30, 2021, the Company had a cash balance of \$279,833 (December 31, 2020 - \$169,957) to settle current liabilities of \$754,874 (December 31, 2020 - \$1,218,902). The Company's other current assets consist of amounts receivable of \$88,673 (December 31, 2020 - \$107,822), prepaid expenses and advances of \$14,412 (December 31, 2020 - \$2,279) and inventory of \$27,137 (December 31, 2020 - \$25,185).

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. Revenue, cash flow, and profits from any future mining operations 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 \$3,420 change to the Company's net income for the period ended September 30, 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 September 30, 2021, the Company had cash balances of \$106,785 (US \$12,047) (December 31, 2020 - \$76,946 (US \$63,572)) in U.S. dollars, and \$108,996 (S/.353,194) (December 31, 2020 - \$48,099 (S/. 130,279)) in Peruvian New Sol ("PNS"); amounts receivable of \$79,651 (S/.258,107) (December 31, 2020 - \$92,948 (S/.264,359) in PNS, and accounts payable of \$237,925 (S/.770,982) (December 31, 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 \$4,351 for the period ended September 30, 2021, based on the net foreign currency monetary assets as at September 30, 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.

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19. FINANCIAL RISK FACTORS (continued)**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 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 period ended September 30, 2021.

f) Fair value of financial assets and liabilities

The carrying values of the cash, amounts receivable, accounts payable and accrued liabilities, promissory notes and interest payable and due to related parties 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 (note 6). There were no transfers in or out of the Level 3 fair value hierarchy during the period ended September 30, 2021 and December 31, 2020.

20. CAPITAL RISK MANAGEMENT

The Company defines capital as shareholders' equity which at September 30, 2021 was \$1,419,618 (December 31, 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 September 30, 2021 and December 31, 2020, the Company had no bank debt.

Management reviews its capital management approach on an ongoing basis. There were no significant changes in the Company's approach to capital management during the period ended September 30, 2021 and December 31, 2020. The Company and its subsidiaries are not subject to externally imposed capital requirements other than Policy 2.5 of the TSXVE, which requires adequate working capital or financial resources to maintain operations and cover general and administrative expenses for a period of 6 months. As of September 30, 2021, the Company may not be compliant with Policy 2.5 of the TSXVE. The impact of this violation is not known and is ultimately dependent on the direction of the TSXVE.

21. COMMITMENTS AND CONTINGENCIES**Lease agreements**

The Company's subsidiary, Madosac, has annual office rental obligations of US\$12,000 (\$15,289) due during the year ending December 31, 2021.

Management compensation

The Company has agreed to pay management compensation of total minimum annual payments of \$150,000.

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.

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21. COMMITMENTS AND CONTINGENCIES (continued)**Legal proceedings**

The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations. As at September 30, 2021 and December 31, 2020, no amounts have been accrued related to such matters.

22. SUBSEQUENT EVENTSSale of Panteria Project

Subsequent to the nine months ended September 30, 2021, the Company signed a binding Letter of Intent (the "LOI") 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.