Peruvian Precious Metals Corp.

Management's Discussion and Analysis of Financial Condition and Results of Operation

For the nine months ended June 30, 2015

This Management's Discussion and Analysis ("MD&A") is dated August 31, 2015 and is management's assessment of the operations and the financial results together with future prospects of Peruvian Precious Metals Corp. ("Peruvian Precious Metals" or the "Company"). The Company changed its name from Sienna Gold Inc. and its stock symbol to PPX on July 2, 2013. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the nine months ended June 30, 2015 (the "June 2015 Interim Financial Statements"). The June 2015 Interim Financial Statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's audited consolidated financial statements for the year ended September 30, 2014. The June 2015 Interim Financial Statements do not include all the information required for complete annual financial statements 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") and therefore should be read together with the audited annual financial statements for the year ended September 30, 2014 and the related MD&A for the year then ended. Additional information relevant to the Company's activities, including the Company's press releases can be found on SEDAR at www.sedar.com and on the Company's website at (www.peruvianpmc.com).

All references to "dollars" or "$" are in Canadian dollars unless noted otherwise.

This Management's Discussion and Analysis includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Such risks and uncertainties include, but are not limited to, risks associated with the mining industry (including operational risks in exploration development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of Peruvian Precious Metals to obtain all permits, consents or authorizations required for its operations and activities; and health safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the ability of the Company to fund the capital and operating expenses necessary to achieve the business objectives of the Company, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by the Company. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of Peruvian Precious Metals should not place undue reliance on these forward-looking statements. Statements in relation to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this document are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

1. Company Highlights and Outlook

Peruvian Precious Metals is focused on exploring and developing the Igor property, located in Peru, South America.

Igor is the Company's main project with a Canadian National Instrument 43-101 Inferred resource estimate (the Callanquitas resource estimate) of 730,500 gold equivalent "Au Eq" ounces consisting of 7.2 million tonnes grading 1.9 grams per tonne (g/t) gold and 71.8 g/t silver; which equates to 3.16 Au Eq g/t using a cut-off grade of 1.5 Au Eq g/t. This represents 448,500 ounces of gold and 16,600,000 ounces of silver. The report can be viewed on SEDAR at ww.sedar.com or on the Company's web site at www.peruvianpmc.com.

The Company's objective is to continue to expand and upgrade the known gold and silver resources on the Igor Project and explore other targets along the approximately eight kilometres of undrilled gold and silver mineralized structure for additional potentially economically mineralized zones. The Company also intends to conduct test mining and bulk sampling of a portion of the known Callanquitas resource. In August 2014, the Company signed an agreement with Proyectos La Patagonia S.A.C. ("Patagonia"), a wholly-owned subsidiary of the

Explora Peru Mining Group, Peru to conduct underground bulk sampling and test mining in order to develop mining cost profiles, evaluate precious metal recoveries and validate the resource model. The Company's ability to complete this program and to continue to advance the Igor Project on the short and longer term is dependent on additional funding, retaining suitable qualified and professional personnel and maintaining costs appropriate for the Company's level of development.

On December 9, 2014, the Company's shareholders approved all matters submitted by management for their consideration at the annual general meeting ("AGM") held in Lima, Peru. Shareholders approved setting the number of directors at four and re-elected Mr. Jorge Benavides, Mr. Brian Maher, Mr. Brian Imrie and Mr. Luis-Felipe Arizmendi to the Board of Directors for the ensuing year. Shareholders also passed resolutions approving the appointment of MacKay LLP, Chartered Accountants as auditors of the Company for the ensuing year and the Company's 2014 Stock Option Plan as described in the information circular mailed to shareholders with the notice of the meeting.

On February 5, 2015 the Company announced that it had signed a series of agreements with AM Mining SAC ("AMM") of Lima, Peru, that outlines the terms and conditions under which AMM will construct and operate on behalf of the Company a 350 metric tonne per day ("350 mt/d") gold and silver processing plant, utilizing CIP/CIL and Merrill-Crowe precious metal recovery, capable of producing precious metal dore at the Company's Igor Project in northern Peru. AMM, in conjunction with sister company Fundición Callao, SAC ("Fundición"), has over 60 years of mining, mineral processing and plant construction experience, with a hemisphere-wide client and project resume. The AMM MOU will form the basis for a series of definitive construction and operational agreements ("Agreements") that the Company anticipates will be completed shortly. The Company and AMM will utilize data gathered during on-going metallurgical testing and the previously announced underground bulk sampling program (please see press release dated September 2, 2014) to develop a detailed process flow-sheet for the proposed precious metal processing plant. Should the underground bulk-sampling program produce positive results, validated through a prefeasibility process, having a company-owned processing facility at the Igor Project site could provide a significant economic benefit to the Company.

On April 13, 2015, the Company and Explora Peru Mining Group/Proyectos Patagonia SAC ("PLP") received approval of the Declaracion de Impactos Ambientales ("DIA", "Declaration of Environmental Impacts") for the underground test mining and bulk sampling program at its Igor property in northern Peru. The approval of the DIA by the Regional Government of the Department of La Libertad allows the Company and the PLP to advance its test mining and bulk sampling program. The Company anticipates the permitting process and initiation of pre-mining operations to be completed in September or October 2015. The Company also completed the purchase of surface rights totaling 65.3 hectares within the Igor Project area.

On May 12, 2015, the Company completed a non-brokered private placement issuing 15,385,390 units at $0.10 per unit for gross proceeds of $1,538,539. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.15 for a period of two years from closing.

On May 19, 2015 the Company announced results from metallurgical testing on two bulk samples of typical oxidized gold and silver mineralization collected from the Callanquitas structure at the Igor project in northern Peru. The test work was performed by BM Ingenieros SAC of Lima, Peru ("BMI"). Metallurgical testing was designed to evaluate two different processing alternatives for gold and silver: Heap leaching and agitated leaching (milling). The results, +88% recovery for gold (77% for silver) in agitated leach and from 74 to 76% recovery for gold in column leaching, shows that mineralized rock from Callanquitas can be successfully treated in a conventional mill process plant (carbon-in-pulp, "CIP") and that low-cost heap leaching may be a viable treatment option.

Subsequent to June 30, 2015, on July 3, 2015, the Company made a cash payment of US$5,000,000 pursuant to the series of agreements with AM Mining Inc ("AMM") to construct and operate the Company's 350 metric tonne per day ("350 mt/d") gold and silver processing plant, utilizing CIP/CIL and Merill-Crowe precious metal recovery, capable of producing precious metal dore at the Igor Project.

Subsequent to June 30, 2015, on July 7, 2015, the Company held an Annual General Meeting in Lima, Peru and appointed Diego de la Torre de la Piedra and Felix Navarro-Grau Hurtado as directors of the Company along with the existing members of the board.

Subsequent to June 30, 2015, on July 13, 2015, the Company completed a non-brokered private placement issuing 42,311,740 common shares at $0.115 per common share for gross proceeds of $4,685,850. In connection with the non-brokered private placement, the Company issued 3,384,940 Finder's Units, each Finder's Unit consisting of one common share and one Finder's Warrant which entitles the holder to purchase one additional common share at a price of $0.18 for a period of two years from closing.

Complete details of the Company's activities can be found in the sections entitled "Exploration and Evaluation Assets", "Corporate and Financing", and "Subsequent Events" of the MD&A below.

2. Results of Operations

Summary of Quarterly Information

The following table sets out selected quarterly financial data from the Company's unaudited quarterly financial statements. There were no significant revenues reported in any of the periods reflected below.

	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
	$	$	$	$
Total revenue	**Nil**	Nil	Nil	Nil
Net (Loss) Income	**(71,580)**	(322,698)	102,218	(3,060,202)
Loss per share	**(0.00)**	(0.00)	0.00	(0.03)
	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
	$	$		$
Total revenue	**Nil**	Nil	Nil	Nil
Net Loss	**(754,674)**	(631,256)	(891,358)	(22,890,189)
Loss per share	**(0.00)**	(0.00)	(0.01)	(0.19)

The following are the operational results for the three and nine months ended June 30, 2015 and 2014:

	Three Months Ended June 30,		**Nine Months Ended June 30,**	
	2015	2014	**2015**	2014
	$	$	**$**	$
Communication and regulatory	**28,906**	35,593	**78,696**	85,253
Depreciation	**2,337**	3,558	**7,674**	10,171
Foreign exchange (gain) or loss	**(140,352)**	18,876	**96,320**	39,218
Consulting fees, salaries and benefits	**183,519**	184,952	**613,046**	739,153
Professional fees	**54,433**	163,135	**189,609**	335,674
Travel and promotions	**79,516**	1,116	**135,245**	146,021
Office and miscellaneous	**89,569**	54,828	**184,728**	142,577
Premises	**18,993**	30,566	**45,840**	64,302
Share-based payments	**-**	34,287	**563,974**	227,303
Peruvian VAT recovery	**-**	-	**(968,788)**	-
Write-down of exploration and evaluation assets	**-**	212,422	**218,159**	457,252
Interest income	**-**	(6,162)	**-**	(18,487)
Interest expense	**205,608**	21,503	**483,347**	48,851
Change in fair value of derivative liability	**(450,949)**	-	**(1,362,964)**	-
Transaction costs	**-**	-	**7,174**	-
	71,580	754,674	**292,060**	2,277,288

Three months ended June 30, 2015
The Company recorded a net loss of $71,580 ($0.00 per share) for the three months ended June 30, 2015 as compared to a net loss of $754,674 ($0.00 per share) for the three months ended June 30, 2014.

The most significant changes were:

Professional fees of $54,433 (2014 - $163,135). Professional fees includes charges for accounting and audit as well as legal fees, which decreased during the period as a result of reduced activity on general corporate matters.

Travel and promotions of $79,516 (2014 – $1,116). Travel and promotions includes travel and meals and entertainment, which increased as a result of travel to Peru to oversee project activities as well as conduct investor relations activities for raising financing.

Office and miscellaneous of $89,569 (2014 - $54,828). Office and miscellaneous, including those related to Peru increased due to increased business activity as well as interest accrued for a departed employee.

Premises of $18,993 (2014 - $30,566). Premises includes office rent related to Peru and its Corporate offices, which decreased as a result of the Company closing its Corporate office during 2014.

Share-based payments of $nil (2014 - $34,287). Share-based payments decreased as a result of the Company not granting options to its directors, officers and consultants during the period.

Write-down of exploration and evaluation assets of $nil (2014 – $212,422). Mineral property interest expenditures related to the Company's Igor Project in Peru were being written down annually due to economic conditions until the Company had sufficient financing to conduct significant exploration and development activities. Starting in the third quarter of the 2015 fiscal year, as a result of the recent successful completion of financing activities and definitive operating agreements with Patagonia and AMM, management has determined that it is appropriate to start capitalizing the exploration and evaluation expenditures on the mineral resources again, as the Company is confident that it can carry out its intended plan with respect to the Igor Project.

Interest expense of $205,608 (2014 - $21,503). Interest expense consists of accrued interest and accretion expense on the Company's convertible debentures and promissory notes, which increased as a result of the Company amortizing the discount on the convertible debenture as well as incurring interest expense.

Change in fair value of derivative liability of $450,949 (2014 - $nil). On August 15, 2014 and on March 26, 2015, the Company entered into agreements to issue convertible debentures for proceeds of US$800,000 and US$200,000 respectively. The conversion feature of the convertible debentures meets the definition of a derivative liability as outlined in IAS 39. As a result, the conversion feature of the debentures is required to be recorded as a derivative liability at fair market value and revalued on each subsequent reporting date with the changes in the fair value of the derivative liability being recorded in profit and loss. The change in fair value of derivative liability during the three months ended June 30, 2015 was $450,949.

Nine months ended June 30, 2015

The Company recorded a net loss of $292,060 ($0.00 per share) for the nine months ended June 30, 2015 as compared to a net loss of $2,277,288 ($0.02 per share) for the nine months ended June 30, 2014.

The most significant changes were:

Consulting fees, salaries and benefits of $613,046 (2014 - $739,153). Consulting fees, salaries and benefits includes charges from the CEO and CFO as well as health benefits, which decreased during the period due to a decrease in reliance on third party consultants.

Professional fees of $189,609 (2014 - $335,674). Professional fees include charges for accounting and audit as well as legal fees, which decreased during the period as a result of reduced activity on general corporate matters and conservative cost controls.

Office and miscellaneous of $184,728 (2014 - $142,577). Office and miscellaneous, including those related to Peru increased due to increased business activity as well as interest accrued for a departed employee.

Share-based payments of $563,974 (2014 - $227,303). Share-based payments increased as a result of the Company granting 4,700,000 options which vested immediately to its directors, officers and consultants during the current period as compared to no options granted during the 2014 fiscal year.

Peruvian VAT recovery of $968,788 (2014 - $nil). Expenses incurred by the Company in Peru, including deferred exploration expenses, are subject to a Peruvian Value Added Tax ("VAT"). The VAT is partially refundable. The amount not refundable to the Company can be used in the future to offset amounts due to the Peruvian Revenue Service by the Company resulting from VAT charged on future sales. Prior to September 30, 2014, the Company recorded a liability for the refunds received on the basis that the regulations in Peruvian law that give rise to the VAT refund were technical and under certain circumstances may give rise to a repayment. During the nine months ended June 30, 2015, the Company received a third party professional opinion that the Company would not be subject to any request for repayment and that it was no longer necessary to continue to record this liability. As such the liability is no longer being carried.

Write-down of exploration and evaluation assets of $218,159 (2014 – $457,252). Mineral property interest expenditures related to the Company's Igor Project in Peru were being written down annually due to economic conditions until the Company had sufficient financing to conduct significant exploration and development activities. Starting in the third quarter of the 2015 fiscal year, as a result of the recent successful completion of financing activities and definitive operating agreements with Patagonia and AMM, management has determined that it is appropriate to start capitalizing the exploration and evaluation expenditures on the mineral resources again, as the Company is confident that it can carry out its intended plan with respect to the Igor Project.

Interest expense of $483,347 (2014 - $48,851). Interest expense consists of accrued interest and accretion expense on the Company's convertible debentures and promissory notes, which increased as a result of the Company amortizing the discount on the convertible debentures as well as incurring interest expense.

Change in fair value of derivative liability of $1,362,964 (2014 - $nil). On August 15, 2014 and on March 26, 2015, the Company entered into agreements to issue convertible debentures for proceeds of US$800,000 and US$200,000 respectively. The conversion feature of the convertible debentures meets the definition of a derivative liability as outlined in IAS 39. As a result, the conversion feature of the debentures is required to be recorded as a derivative liability at fair market value and revalued on each subsequent reporting date with the changes in the fair value of the derivative liability being recorded in profit and loss. The change in fair value of derivative liability during the nine months ended June 30, 2015 was $1,362,964.

3. Exploration and Evaluation Assets

Igor Project

The Company is focused on exploring and developing the Igor property, located in Peru, South America. Igor is the Company's main project with a National Instrument 43-101 resource estimate (the Callanquitas resource estimate) with an inferred resource of 730,500 gold equivalent "Au Eq" ounces consisting of 7.2 million tonnes grading 1.9 grams per tonne (g/t) gold and 71.8 g/t silver; which equates to 3.16 Au Eq g/t using a cut-off grade of 1.5 Au Eq g/t. This represents 448,500 ounces of gold and 16,600,000 ounces of silver. The report can be viewed on SEDAR at ww.sedar.com or on the Company's web site at www.peruvianpmc.com.

The Company's objective is to continue to expand and upgrade the known gold and silver resources on the Igor Project and explore other targets along the approximately eight kilometres of undrilled gold and silver mineralized structure for further potentially economically mineralized areas. The Company also intends to conduct test mining and bulk sampling of a portion of the known Callanquitas resource. On September 2, 2014, the Company announced that it had signed a Memorandum of Understanding ("MOU") with Patagonia, a wholly-owned subsidiary of the Explora Peru Mining Group, Peru that outlines the terms and conditions under which Patagonia will conduct underground bulk sampling, test mining and develop appropriate underground infrastructure at the Company's Igor gold and silver project in northern Peru. The work program is intended to gather specific data on underground mining costs, acquire geotechnical information, collect bulk samples for metallurgical testing including test milling, and evaluate selective mining methods. The data gathered may be utilized to complete a pre-feasibility study ("PFS") and/or a preliminary economic assessment ("PEA") in accordance with Canadian National Instrument 43-101 that will evaluate economic parameters for potential future mine development at Igor. Further details of the MOU can be found in the press release announcing the transaction.

On February 5, 2015 the Company announced that it had signed a series of agreements ("Agreements") with AMM that outlines the terms and conditions under which AMM will construct and operate on behalf of the Company a 350 mt/d gold and silver processing plant, utilizing CIP/CIL and Merrill-Crowe precious metal recovery, capable of producing precious metal dore at the Company's Igor Project in northern Peru. AMM, in conjunction with sister company Fundición, has over 60 years of mining, mineral processing and plant construction experience, with a hemisphere-wide client and project resume. The AMM MOU form the basis for a series of definitive construction and operational agreements that the Company anticipates will be completed shortly. The Company and AMM will utilize data gathered during on-going metallurgical testing and the previously announced underground bulk sampling program (please see press release dated September 2, 2014) to develop a detailed process flow-sheet for the proposed precious metal processing plant. Should the underground bulk-sampling program produce positive results, validated through a prefeasibility process, having a company-owned processing facility at the Igor project site could provide a significant economic benefit to the Company.

Important aspects of the agreements are summarized below:

- AMM anticipates that it will take up to 18 months to obtain permits, complete the final design and plant engineering, construct the milling and processing equipment, prepare necessary site infrastructure, install and commission the processing plant at the Igor Project. AMM will be responsible for all aspects of project permitting, site preparation, tailings disposal, as well as the detailed design, assembly and construction of the processing facility. AMM will utilize the engineering expertise of Fundición in the design phase as well as the Fundición fabrication facility in Lima to construct the processing equipment including all mills, tanks, etc. Fundición is highly experienced in process plant design, construction and assembly, having been contractor and sub-contractor on projects of all scales: Mina Peñasquito, Zacatecas, Mexico (Au, Ag, Zn, Pb), Goldcorp, 130,000 tpd; Mina Antapaccay, Peru (Cu, Ag, Au), Xstrata, 60,000 t/d; Minera Aurifera Retamas, Peru (Au), 1,500 t/d; Mina Lagunas Norte, Peru (Au), Barrick Gold, processing facility.
- The Company and AMM have completed preliminary engineering and design work for the processing plant based on available and on-going metallurgical test work. Pending completion of the metallurgical testing, the processing plant will consist of a crushing/grinding circuit with a process capacity of 350 mt/day. Gold and silver recovery will be accomplished with either CIP or CIL leaching, Merrill Crowe silver recovery and a conventional desorption circuit. All support facilities, including analytical laboratory, CN destruction circuit, rock and crushed material loading and feeding conveyors, etc. are included in the proposed plant which is intended to be a "turn-key" facility. The processing plant will have the capacity to produce gold and silver dore at the Igor site. Plant equipment will be procured and/or fabricated by Fundición at its factory in Lima and then transported to the Igor Project site for assembly. All new components will be utilized.
- After completing the construction of the processing plant at the Igor Project site, AMM will operate the plant for a period of up to 54 months, charging a fixed fee for plant supervision, environmental monitoring, safety, security and reasonable profit. AMM has the right to receive its fee in dore produced from the plant's operations. At any time after the plant's completion, the title to the processing plant can be transferred to the Company at the Company's discretion. Once the processing plant's design and engineering is finalized, projected operating costs will be available for disclosure. Following completion of the 54-month operational period or termination of the Agreements as outlined below, the Company will assume operating control of the processing plant.
- As compensation for the design, procurement, permitting and construction of the processing facility as outlined above, Peruvian will pay AMM US$5,000,000, of whichUS$3,870,685 is payable in cash at the commencement of the contract. The balance of US$1,129,305 is payable within 12 months in cash, or at the Company's option, by the issuance of 12,344,782 shares. Any additional costs for the design, construction and assembly of the processing plant beyond the amount above will be borne by AMM. Peruvian has also agreed to a non-brokered private placement with AMM, for gross proceeds of

Cdn$4,865,850. The private placement will consist of 42,311,740 common shares of Peruvian priced at $0.115 per share. The Company may pay a finder's fee in connection with the private placement of 8% in shares and 8% in warrants ("Broker Warrants") in accordance with the policies of the TSX Venture Exchange. Each Broker Warrant entitles the holder to purchase one additional share at a price of $0.18 for a period of two years from closing.

- Combining the 18-month permitting and construction period with the 54 month period of processing plant operations, the total Agreement life is anticipated to be 72 months. The Company has the right to terminate the Agreements at any time by paying AMM a termination fee based on potential loss of earnings from the anticipated processing plant operations. The base termination fee is US$13,500,000. For each month that the Agreements are in effect, the termination fee is reduced by US$187,500, commencing at the end of the first month following the effective date of the Agreements. The termination fee can be further reduced by applying a credit equal to 50% of any appreciation in value of the shares acquired by AMM in the private placement outlined above. AMM has the right to receive a 120-day notice in event of a termination of the MOU and/or Agreements.

Subsequent to June 30, 2015, on July 3, 2015, the Company made a cash payment of US$5,000,000 pursuant to the series of agreements with AM Mining Inc ("AMM") to construct and operate the Company's 350 metric tonne per day ("350 mt/d") gold and silver processing plant, utilizing CIP/CIL and Merill-Crowe precious metal recovery, capable of producing precious metal dore at the Igor Project.

On April 13, 2015, the Company and Explora Peru Mining Group/Proyectos Patagonia SAC ("PLP") received approval of the Declaracion de Impactos Ambientales ("DIA", "Declaration of Environmental Impacts") for the underground test mining and bulk sampling program at its Igor property in northern Peru. The approval of the DIA by the Regional Government of the Department of La Libertad allows the Company and the PLP to advance its test mining and bulk sampling program. The Company anticipates the permitting process and initiation of pre-mining operations to be completed in September to October 2015. The Company also completed the purchase of surface rights totaling 65.3 hectares within the Igor Project area. The surface rights acquired will facilitate the development of the surface infrastructure associated with the test mining program and will also allow access to important areas of the project for surface exploration, including drilling.

On May 19, 2015 the Company announced results from metallurgical testing on two bulk samples of typical oxidized gold and silver mineralization collected from the Callanquitas structure at the Igor project in northern Peru. The test work was performed by BM Ingenieros SAC of Lima, Peru ("BMI"). Metallurgical testing was designed to evaluate two different processing alternatives for gold and silver: Heap leaching and agitated leaching (milling). The results, +88% recovery for gold (77% for silver) in agitated leach and from 74 to 76% recovery for gold in column leaching, shows that mineralized rock from Callanquitas can be successfully treated in a conventional mill process plant (carbon-in-pulp, "CIP") and that low-cost heap leaching may be a viable treatment option. The results are described in detail below.

Column Leach Testing: Column testing is designed to simulate the heap leach precious metal recovery process. Three columns were prepared with 100% of the test material passing <1/2 inch and with the minus ¼ inch fraction (59.4% of the sample) agglomerated with cement. The columns were leached for 10, 20 and 30 days utilizing a solution with a cyanide (NaCN) concentration of 0.2% and a pH of > 10.5. Results from the testing are shown in the table below:

Column	Days Leached	Head Grade		Residual (Tail) Grade		Extraction %		Reagent Consumption kg/tm	
		g/t Ag	g/t Au	g/t Ag	g/t Au	Ag	Au	CaO	NaCN
1*	10	44.18	16.12	35.49	3.86	19.68	76.05	2.50	3.40
2**	20	47.10	15.68	35.01	4.01	25.67	74.43	2.51	4.22
3**	30	47.10	15.68	36.18	3.80	23.18	75.77	2.74	4.87

* Calculated head grade

**Assayed head grade

The consistent good recoveries for gold (74.4 – 76.1%) suggest that heap leaching is a viable precious metal recovery method for Callanquitas mineralized rock and the potential lower capital and operating costs of heap leach recovery need to be evaluated in greater detail.

Agitated Tank Leaching: Agitated tank testing is designed to simulate conventional milling processes where the precious metal mineralized material is ground in a mill prior to leaching with NaCN. Three separate tests were performed utilizing different NaCN concentrations, solids concentration, pH and treatment times. Good recoveries of gold and silver were obtained as summarized in the table below:

Sample	Grind (mesh)	Solids	Cyanide Conc.	pH	Time (hr)	Extraction %		Reagent Consumption kg/tm	
						Ag	Au	CaO	NaCN
Tanque	70% < 200	28.5%	0.30%	>11	48	77.73	88.33	4.40	5.15

BMI also characterized processing parameters of the test samples: work index of 10.95 kWh/tm, pH of 5.54, specific gravity of 2.97 gm/cc, and an apparent density of 1.6 tm/m^3. The gold and silver recoveries and the leaching parameters of the test samples form a baseline that will allow the Company to evaluate improvements to the process flow sheet during our proposed test mining and bulk sampling program. BMI has also provided the company with a basic engineering outline for a 350 tm/day processing plant, an equipment take-off list, water balance calculation, and power requirements that can be refined during the bulk sampling program.

4. Corporate and Financing

Corporate

On July 7, 2015, the Company held an Annual General Meeting in Lima, Peru and appointed Diego de la Torre de la Piedra and Felix Navarro-Grau Hurtado as directors of the Company along with the existing members of the board.

Mr. Diego de la Torre is an entrepreneur and co-founded La Viga, a major building materials distribution company in Peru, and is also involved with a concrete production company.

Mr. Felix Navarro-Grau is a former CEO of Desafio Minero S.A. with 20 years' experience in the mining and exploration industry. Mr. Navarro Grau oversaw the expansion of the Parcoy mine operations with Consorcio Minero Horizonte S.A., a large gold producer in Peru.

Financing

On October 7, 2014 the Company announced it had closed a non-brokered private placement with Patagonia for gross proceeds of $478,588 for issuance of 5,317,644 common shares.

On November 3, 2014 the Company completed a non-brokered private placement issuing 4,949,690 units at $0.13 per unit for gross proceeds of $643,460. Each Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.18 for a period of two years from closing. Should the shares of the Company trade over $0.24 for twenty consecutive days, the expiry date of the warrants will be accelerated to 30 days from the date of the notice of acceleration. The Company also issued 319,555 Finder's Units to an arm's length finder, each Finder's Unit consisting of one common share and one common share purchase warrant (a "Finder's Warrant") which entitles the holder to purchase one additional common share at a price of $0.18 on or before October 31, 2016.

On December 31, 2014 the Company completed a non-brokered private placement issuing 2,223,626 units at $0.13 per unit for gross proceeds of $289,071. Each Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.18 for a period of two years from closing. Should the shares of the Company trade over $0.24 for twenty consecutive days, the expiry date of the warrants will be accelerated to 30 days from the date of the notice of acceleration. The Company also issued 155,653 Finder's Units to an arm's length finder, each Finder's Unit consisting of one common share and one Finder's Warrant which entitles the holder to purchase one additional common share at a price of $0.18 on or before December 31, 2016.

On February 26, 2015, the Company entered into a promissory note agreement for proceeds of US$200,000. The promissory note was non-transferable, payable on demand and bore an interest rate of 12% per annum, calculated on the principal balance. On May 22, 2015, the Company repaid the promissory note of US$200,000 plus interest of $7,448.

On March 26, 2015, the Company entered into an agreement to issue a convertible debenture for proceeds of US$200,000. The convertible debenture is unsecured and bears an interest rate of 13% per annum, calculated on the principal balance, payable every four months commencing on September 30, 2015. The convertible debenture is non-transferable and can be converted into common shares of the Company at any time at a conversion price of US$0.085 per share for a period of one year. If the convertible debenture is not converted in the one year, the Company will repay the full amount of the debenture along with any outstanding accrued interest. The Company also issued 166,960 common shares, valued at $17,530 as a finder's fee.

On May 12, 2015, the Company completed a non-brokered private placement issuing 15,385,390 units at $0.10 per unit for gross proceeds of $1,538,539. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.15 for a period of two years from closing. Should the shares of the Company trade over $0.24 for twenty consecutive days, the expiry date of the warrants will be accelerated to 30 days from the date of the notice of acceleration. The Company issued 655,304 Finder's Units to an arm's length finder, each Finder's Unit consisting of one common share and one Finder's Warrant. The Company also incurred legal and filing fees of $21,551, paid cash of US$45,670 ($54,553)

and issued 575,527 Finder's Warrants to an arm's length finder. Each Finder's Warrant entitles the holder to purchase one common share at a price of $0.16 on or before May 11, 2018. Should the shares of the Company trade over $0.45 for twenty consecutive days, the expiry date of the Finder's Warrants will be accelerated to 30 days from the date of the notice of acceleration.

Subsequent to June 30, 2015, on July 13, 2015, the Company completed a non-brokered private placement issuing 42,311,740 common shares at $0.115 per common share for gross proceeds of $4,685,850. In connection with the non-brokered private placement, the Company issued 3,384,940 Finder's Units, each Finder's Unit consisting of one common share and one Finder's Warrant which entitles the holder to purchase one additional common share at a price of $0.18 for a period of two years from closing. Should the shares trade over $0.24 for twenty consecutive days, the expiry date of the warrants may be accelerated to 30 days from the date of the notice of acceleration.

5. Capital Resources, Capital Expenditures and Liquidity

The Company's cash and working capital deficiency were $516,098 and $2,246,379 as at June 30, 2015 (September 30, 2014 – $56,795 and $4,888,112). The Company will need to raise additional funds to settle its outstanding obligations, fund future drilling and for general and administrative expenses.

During the nine months ended June 30, 2015, net cash used in operating activities was $1,956,085, net cash used in investing activities was $781,549 including $478,588 for the development of underground mining infrastructure, and $302,961 in deferred exploration costs on its Igor Project; and net cash provided by issuance of common shares, promissory note and convertible debenture as part of financing activities was $3,229,851.

The exploration activities of the Company will require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration and development of any of the Company's properties. Furthermore, inability to meet property payments and negotiate satisfactory terms with creditors could ultimately result in the loss of the properties.

There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financings will be favorable to the Company. In addition, low commodity prices may affect the Company's ability to obtain financing.

6. Related Party Transactions

(a) Compensation of key management personnel

Certain of the Company's key management personnel render services to the Company as sole proprietors or through companies in which they are an officer or director.

	Nature of transactions
Maher Global Exploration	Consulting fees
KA Gold LLC	Consulting fees

Compensation includes salaries paid to the President and Chief Executive Officer, Chief Financial Officer, Vice President of Corporate Development and amounts paid to directors as consulting fees for their services provided to the Company outside of their capacity as a director.

	Three Months Ended June 30		**Nine Months Ended June 30**	
	2015	2014	**2015**	2014
Consulting fees, salaries and benefits	**$ 131,700**	$ 122,125	**$ 396,122**	$ 346,099
Termination benefits	**-**	-	**-**	210,000
Share-based compensation	**-**	13,187	**244,834**	127,773
	$ 131,700	135,312	**$ 640,956**	$ 683,872

(b) Other related parties

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at June 30, 2015 included $516,901 (September 30, 2014 - $672,184), which were due to individuals or companies whose officers, directors or partners were also officers or directors of the Company.

(c) Note Receivable from former Officer/Director

During the year ended September 30, 2013, the Company entered into a loan agreement with the former President/Director ("director") of the Company, whereby, the Company would provide him with a loan of $616,250 in order for him to exercise his share options to purchase 2,465,000 shares of the Company.

The terms of the loan require the former director to place the shares in trust with the Company's counsel as security for the loan. The loan accrues interest at a rate of 4% per annum with principal repayments following the below schedule:

1. $136,250 due August 31, 2014 (unpaid);
2. $175,000 due September 14, 2015; and
3. $305,000 due on November 24, 2016

Interest amounts began accruing at the inception of the loan and have been capitalized to the note receivable. No interest is to be paid during the first three years of the term.

In the event one of the following events (each, an "Event of Default") occur, namely:

(a) Sale, transfer, assignment or any other disposition of the former director's interest in the common shares, or any part thereof; or
(b) The bankruptcy or insolvency of the former director;

the Company shall, by notice in writing to the former director, declare the principal amount of the note receivable due and payable within 30 days of the notice, provided that the Company's recourse will be limited to the common shares and further provided that, in the event of the sale, transfer, assignment or other disposition of some but not all of the shares, the amount immediately due and payable by the former director shall be limited to any positive amount resulting from the principal sum less the proceeds of the sale of the common shares.

The Company's recourse for any shortfall from the former director shall be limited to the remaining common shares. If the former director does not repay the principal sum upon receipt of notice of an event of default, the former director shall pay all costs and expenses incurred by the Company in enforcing the agreement and realizing its security.

		June 30, 2015		September 30, 2014
Balance, beginning of the period / year	**$**	**-**	$	631,272
Loan		**-**		-
Foreign exchange		**-**		-
Interest		**-**		24,650
Allowance provided for note receivable		**-**		(655,922)
Balance, ending of the period / year	**$**	**-**	$	-

During the year ended September 30, 2014, management decided to write down and provide an allowance for the note receivable for accounting purposes due to the uncertainty around the collectability, as the settlement with the former director is currently in dispute.

7. Subsequent Events

Subsequent to June 30, 2015, on July 3, 2015, the Company made a cash payment of US$5,000,000 pursuant to the series of agreements with AM Mining Inc ("AMM") to construct and operate the Company's 350 metric tonne per day ("350 mt/d") gold and silver processing plant, utilizing CIP/CIL and Merill-Crowe precious metal recovery, capable of producing precious metal dore at the Igor Project.

Subsequent to June 30, 2015, on July 13, 2015, the Company completed a non-brokered private placement issuing 42,311,740 common shares at $0.115 per common share for gross proceeds of $4,685,850. In connection with the non-brokered private placement, the Company issued 3,384,940 Finder's Units, each Finder's Unit consisting of one common share and one Finder's Warrant which entitles the holder to purchase one additional common share at a price of $0.18 for a period of two years from closing. Should the shares trade over $0.24 for twenty consecutive days, the expiry date of the warrants may be accelerated to 30 days from the date of the notice of acceleration.

Subsequent to June 30, 2015, on July 30, 2015, the Company announced a non-brokered private placement offering up to 1,500,000 units at a price of $0.10 per unit for gross proceeds of $150,000. Each Unit will consist of one common share and one common share purchase warrant. Each warrant will entitle the holder to purchase one additional common share at a price of $0.15 for a period of two years from closing. The private placement is subject to approval by the TSX Venture Exchange. The Company has received gross proceeds of $149,404 in connection with the private placement.

Subsequent to June 30, 2015, on August 4, 2015, the Company agreed to settle the US$800,000 convertible debenture issued on August 15, 2014 and accrued interest of US$104,000 by issuing 13,907,693 common shares in lieu of cash. The Company also issued 984,615 common shares to an arm's length individual for assisting with the debt settlement and conversion of the debenture. This transaction closed on August 21, 2015.

8. Disclosure of Outstanding Share Data

	August 31, 2015
Voting or equity securities issued and outstanding	**247,106,714**
Securities convertible or exercisable into voting or equity share:	
Warrants	**22,933,706**
Agent warrants	**5,090,979**
Share options	**11,613,000**
Convertible debenture	**2,352,941**

9. Financial Instruments

Fair Value and Classification of Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, interest payable, promissory note and convertible debenture. Cash and other receivables are designated as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, interest payable and promissory note are designated as other financial liabilities, which are measured at amortized cost. The convertible debenture derivative liability is measured at fair value through profit and loss using Black-Scholes option pricing model. This basis of determining fair value is a level 2 technique for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. The carrying values of the Company's financial instruments approximate their fair values due to the short-term nature of these instruments.

10. Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements.

11. Significant Accounting Estimates and Judgments

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the determination of environmental obligations and VAT liability, the recoverability of exploration and evaluation assets, the assumptions used in the determination of the fair value of share-based payments, and recoverability of accounts and note receivables.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical Accounting Judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments, as follows:

- the point in time that an economic feasibility study has established the presence of proven and probable reserves;
- deferred tax assets recorded in the consolidated financial statements;

- in accordance with IAS 21 “The Effects of Changes in Foreign Exchange Rates”, management determined that the functional currency of the Company is the Canadian dollar and the functional currency of the Company’s wholly-owned subsidiaries is the US dollar, as they are the currencies of the primary economic environments in which the companies operate.