PANORO MINERALS LTD.

Management’s Discussion and Analysis – Quarterly Highlights

As at and for the Three-Month Periods

Ended March 31, 2018 and 2017

May 30, 2018

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Background & Date

The Management's Discussion and Analysis – Quarterly Highlights ("MD&A") should be read in conjunction with the condensed consolidated interim financial statements of Panoro Minerals Ltd. ("Panoro" or the "Company") for the three months ended March 31, 2018 ("fiscal 2018") and March 31, 2017 ("fiscal 2017"), and the Company's audited financial statements as at and for the year ended December 31, 2017, as filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") website. This report has been dated as at May 30, 2018, and was approved by the Board of Directors on May 30, 2018.

The common shares of the Company are listed on the TSX Venture Exchange ("TSXV") under the trading symbol "PML", the Junior Board of the Bolsa de Valores de Lima ("PML" - Lima Stock Exchange) and ("PZM" on the Frankfurt Exchange).

Additional Sources of Information

For a complete understanding of the Company's business environment, risks and uncertainties and the effect of accounting estimates on its results of operations and financial condition, this MD&A should be read together with the Company's Audited Financial Statements, the 2017 Annual Information Form, 2017 Management Information Circular, Material Change Reports, press releases, and the Company's technical reports, all of which are available on the SEDAR website at www.sedar.com or on the Company's website www.panoro.com.

Currency

All dollar amounts set forth in the tables and financial section of this MD&A are expressed in Canadian dollars and referred to as "$" and financial information is prepared under recorded under IFRS unless otherwise specifically indicated. There are also references in this MD&A to Perúvian Nuevos Soles ("S/.") and United States dollars ("US"). As at March 29, 2018, the closing rate for one Canadian dollar in S/. was C$1.00 = S/. 2.5025, and the closing rate for one Canadian dollar in USD was C$1.00 = US$0.7756 as reported by the Bank of Canada.

CAUTION REGARDING FORWARD LOOKING STATEMENTS: Information and statements contained in this Management Discussion and Analysis Quarterly Update ("MD&A") that are not historical facts are "forward-looking information" within the meaning of applicable Canadian securities legislation and involve risks and uncertainties. Examples of forward-looking information and statements contained in MD&A include information and statements with respect to:

- Acceleration of payments by Wheaton Metals to match third party financing by Panoro targeted for exploration at the Cotabambas Project
- Payment by Wheaton Metals of US$140 million in installments
- Mineral resource estimates and assumptions
- The PEAs on the Cotabambas and Antilla Projects, including, but not limited to, base-case parameters and assumptions, forecasts of net present value, internal rate of return and payback
- Copper concentrate grades from the Antilla and Cotabambas Projects

Various assumptions or factors are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking information. In some instances, material assumptions and factors are presented or discussed in this MD&A in connection with the statements or disclosure containing the forward-looking information and statements. You are cautioned that the following list of material factors and assumptions is not exhaustive. The factors and assumptions include, but are not limited to, assumptions concerning: metal prices and by-product credits; cut-off grades; short and long term power prices; processing recovery rates; mine plans and production scheduling; process and infrastructure design and implementation; accuracy of the estimation of operating and capital costs; applicable tax and royalty rates; open-pit design; accuracy of mineral reserve and resource estimates and reserve and resource modeling; reliability of sampling and assay data; representativeness of mineralization; accuracy of metallurgical test work; and amenability of upgrading and blending mineralization.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ materially from those expressed or implied by the forward-looking statements, and are included in all of the Company's documents filed on SEDAR and available on the Company's website. Items referred to in this MD&A may include forward-looking statements related to:

- the inherent operational risks associated with mining and mineral exploration, development, mine construction and operating activities, many of which are beyond Panoro's control;
- risks relating to Panoro's ability to enforce Panoro's legal rights under permits or licenses or risk that Panoro's will become subject to litigation or arbitration that has an adverse outcome;
- risks relating to Panoro's projects being in Perú, including political, economic and regulatory instability;
- risks relating to mineral resource estimates being based on interpretations and assumptions which may result in less mineral production under actual circumstances;
- risks relating to the uncertainty of applications to obtain, extend or renew licenses and permits;
- risks relating to potential challenges to Panoro's right to explore and/or develop its projects;
- risks relating to being adversely affected by environmental, safety and regulatory risks, including increased regulatory burdens or delays and changes of law;
- risks relating to inadequate insurance or inability to obtain insurance;
- risks relating to fluctuations in foreign currency exchange rates, interest rates and tax rates; and
- risks relating to Panoro's ability to raise funding to continue its exploration, development and mining activities.

Qualified Person

The technical information in this MD&A has been reviewed and approved by Mr. Luis Vela, a Qualified Person as defined by National Instrument 43-101, *Standards of Disclosure for Mineral Projects* ("NI 43-101"). Mr. Vela is responsible for the preparation and/or verification of the technical disclosure in this document unless otherwise noted.

Description of Business

Panoro holds a portfolio of ten mineral properties in Perú of which two, the Cotabambas and Antilla projects, are at an advanced stage of exploration and make up the core concession blocks for the Company.

The Company may reduce carrying costs on certain mineral projects by not renewing the mineral concessions on certain non-core concession blocks. There have been no write-downs of concessions held by the Company since the year ended December 31, 2015.

Corporate Update

Recent Activities and Highlights

Key developments to date in 2018 include:

1) Results of an independent Preliminary Economic Assessment ("PEA") of the Company's 100% owned Antilla project in Peru. The Antilla project is a copper-molybdenum porphyry deposit, located 140 km south west of the city of Cuzco, in the Apurimac region in Southern Peru, for which the summary of the news release is included in this MD&A;

2) Receipt of US$750,000 pursuant to the Precious Metals Purchase Agreement with Wheaton Precious Metals International Ltd. ("Wheaton Metals") (formerly Silver Wheaton (Caymans) Ltd. (the "Agreement") in May 2018;

3) The exercise of 2,060,484 common share purchase warrants for the purchase of common shares by Hudbay Minerals Ltd. resulting in aggregate proceeds of $556,330 to the Company. These share purchase warrants were exercisable until August 26, 2018. After the exercise, Hudbay holds 30,823,849 common shares, or 11.74% of the outstanding shares of the Company.

Antilla Project

The Antilla project is a copper-molybdenum porphyry deposit, located 140 km south west of the city of Cusco, in the Apurimac region in Southern Perú, held 100% by the Company.

On May 14, 2018, the Company announced the results of an independent Preliminary Economic Assessment ("PEA"). A summary of the PEA follows. The detailed PEA is required to be filed 45 days from the date of the initial announcement of the results.

Highlights

- Pre-tax Estimates:
  - NPV (7.5%) of US$ 519.8 million;
  - IRR of 34.7%; and
  - Payback of 2.6 years.
- After-tax Estimates:
  - NPV (7.5%) of US$ 305.4 million;
  - IRR of 25.9%; and
  - Payback of 3.0 years.
- Conventional open pit mine focused on supergene copper sulphides;
- Heap Leach and Solvent Extraction Electrowinning (SX/EW) process;
- Design throughput of 20,000 tonnes per day with an operational mine life of 17 years

- Low waste to mill feed ratio of 1.38:1;
- Average annual payable copper of 46.3 million pounds, as Cathodes;
- Average direct cash costs (C1) of US$1.51 per pound of payable copper;
- Initial Project capital costs of US$ 250.4 million, including contingencies; and
- Good potential for discovery of additional supergene mineralization adjacent to the current mineral resource area.

Having completed the optimization of the Antilla Project, the Company will be conducting a strategic review of development and financing plans for future development.

The PEA was prepared by Moose Mountain Technical Services Ltd. ("MMTS") in accordance with the definitions in Canadian National Instrument 43-101. The PEA is based on a Mineral Resource estimate completed by Tetra Tech Inc. ("Tetra Tech") in December 2013, based on 2,919 metres of drilling from legacy campaigns (2003-5), 9,130 metres of drilling by Panoro (2008), and 2,242 metres of drilling during a joint venture agreement with Chancadora Centauro SA (CHC) in 2010. The Mineral Resource estimate includes primary and supergene sulphides, as well as mixed hypogene and supergene copper mineralization.

The PEA is considered preliminary in nature. The mine plan of the PEA includes 113.3 million tonnes of Indicated Mineral Resources and 5.4 million tonnes of Inferred Mineral Resources. Inferred Mineral Resources are considered too speculative to have the economic considerations applied that would enable classification as Mineral Reserves. There is no certainty that the conclusions within the PEA will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

It is anticipated that the redesign of the Antilla Project will result in improved project economics. The mine plan has focused on the higher grade, near surface secondary sulphides, which are amenable to processing through heap leaching, solvent extraction, and electrowinning (LIX-SX-EW). As a result, the initial capital costs have been reduced by 59%, the C1 cash costs reduced by 18%, the C2 cash costs by 23% and the sustaining capital required for a tailings facility has been eliminated. The base case, after tax NPV(7.5) has increased 36%, the IRR has increased 11% and the payback period has been reduced by 27%. Over 95% of the mineralized material contained in the mine plan is classified as Indicated. The improved Antilla Project is now near the lower quartile of new copper projects in terms of both cash costs and capital intensity. The much reduced $250 million initial capital cost is expected to facilitate a broader range of strategic financing and/or development approaches to advancing the Antilla Project through feasibility studies and into development and operation.

Economics

The table below summarizes base case economic metrics for the project as well as its sensitivity to the price of copper:

Table 1. Summary of PEA estimates of NPV, IRR, and Payback

Copper Price ($/lb)	Before Tax*					After Tax				
	NPV 5% (million USD)	NPV 7.5% (million USD)	NPV 10% (million USD)	IRR (%)	Payback (Years)	NPV 5% (million USD)	NPV 7.5% (million USD)	NPV 10% (million USD)	IRR (%)	Payback (Years)
2.75	487	383	301	28.8	2.9	232	169	118	18.7	3.6
3.05	**648**	**520**	**419**	**34.7**	**2.6**	**394**	**305**	**236**	**25.9**	**3.0**
3.25	755	611	497	38.4	2.5	501	397	314	30.3	2.7

* Excluding Peru statutory charges, i.e. profit sharing, regulatory fees, mining royalty, special mining tax, and income tax

** The economic results are based on the heap leach tonnages in the selected ultimate pit. The heap leach tonnages include Inferred Resources. The reader is cautioned that Inferred Resources are considered too speculative geologically to have the economic considerations applied to them that would enable categorization as Mineral Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Note: base case at Cu=$US 3.05 long term price in bold,

Project economics were estimated on the basis of long-term copper price of US$3.05/lb. The long-term forecasts were derived from prices periodically published by large banking and financial institutions and were applied to years 4 to 17 of the mine life. Shorter term copper price estimates were used for Years 1 to 3 of the mine life reflecting higher price forecasts in the shorter term. For the base case, Years 1 to 3 of the mine life used estimated copper prices of $3.20, $3.15 and $3.10, respectively. Molybdenum is not included in the proposed process recovery and not included in the project economics.

Mineral Resources

The PEA was based on a Mineral Resource model prepared by Tetra Tech, which is documented in a technical report filed on Sedar, dated December 16, 2013.

Mineral Resources were estimated by Qualified Person Paul Daigle, PGeo. (APGO #1592). A block model was generated with grade estimation constrained by modeled mineralization wireframes. Mineralization is mined from an open pit and treated using a conventional hydrometallurgical flow sheet. Copper equivalent (CuEq) cut-offs were used to report the mineral resource. Metal prices: copper - US$3.25/lb and molybdenum – US$9.00/lb and metallurgical recoveries: copper - 90% and molybdenum – 80% were applied in the equivalency calculation.

The Mineral Resource has an effective date October 19, 2015 and is tabulated in Table 2 below.

Table 2. Mineral Resource Statement*, Antilla Project, Peru, Tetra Tech Inc., October 19, 2015

Domain	Quantity	Grade		
	'000 tonnes	Cu %	Mo %	CuEq%
Indicated				
Overburden/Cover	5,600	0.25	0.01	0.28
Leach Cap	13,400	0.25	0.01	0.27
Supergene	168,900	0.41	0.01	0.42
Primary Sulphides	103,900	0.24	0.01	0.26
Total Indicated	**291,800**	**0.34**	**0.01**	**0.36**
Inferred				
Overburden/Cover	500	0.22	0.009	0.24
Leach Cap	13,400	0.21	0.008	0.22
Supergene	25,900	0.34	0.008	0.36
Primary Sulphides	50,700	0.24	0.007	0.25
Total Inferred	**90,500**	**0.26**	**0.007**	**0.28**

* Mineral resources are not mineral reserves and have not demonstrated economic viability. All figures have been rounded to reflect the relative accuracy of the estimates. Reported at a cut-off grade of 0.175 CuEq%; assuming an open pit extraction scenario, a copper of US$3.25 per pound and a molybdenum price of US$ 9.00 per pound, and a metallurgical recovery of 90 percent for copper and 80 percent for molybdenum.

Mining and Processing

The PEA incorporates an open pit mining operation using conventional truck and shovel methods delivering mineralized material to the heap leach pad. Mining will be done using contractors. The estimated 17 year life of mine includes 118.7 million tonnes of mineralized leach pad feed plus 163.4 million tonnes of waste rock resulting in an average waste:process feed ratio of 1.38:1. The average life of mine leach pad head grade is 0.43% copper. The leach material placement is planned at an average rate of 20,000 tonnes per day. The waste rock will be placed in a storage area to the west of the pit, in between the pit and the leach pad.

Of the 118.7 million tonnes of leach material mined from the open pit, 117.1 million tonnes is classified as supergene enriched material with the balance of the 1.6 million tonnes being classified as overburden, leach cap or primary sulphides.

The sub-set of the Mineral Resources contained within the ultimate pit and included in the mine plan is 113.3 million tonnes averaging 0.45% Cu classified as Indicated Resources, and 5.4 million tonnes averaging 0.26% Cu classified as Inferred Resources. The reader is cautioned that the Inferred Resources included in the mine plan are considered too speculative geologically to have economic considerations applied to them that would enable categorization as Mineral Reserves. There is no certainty that Inferred Resources will be upgraded to Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Table 3 summarizes the production parameters:

Table 3. Projected Production Summary

Total Mill Feed Material*	118.7 million tonnes**
Average Placement Rate	20,000 tonnes per day
Life of Mine (LOM) Strip Ratio	1.37
	Copper
Average Mill Feed Grade	0.43%
Average Leaching Recoveries	71.9%

* The leach material in the mine plan includes Inferred Resources. The reader is cautioned that Inferred. Resources are considered too speculative geologically to have economic considerations applied to them that would enable categorization as Mineral Reserves. There is no certainty that Inferred Resources will be upgraded to Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

** The cut-off grade used to calculate the leach material is NSR>=$8.10 NSR is calculated using the following formula:

NSR = [Cu grade (%) * Cu leach recovery (%) * 57.76].

Haul trucks will deliver the run of mine, mineralized material to a two-stage crushing plant. The product from the primary crusher will feed a secondary crushing station whose product will then be stored in a crushed ore stockpile. The crushed material will be loaded to trucks and delivered to the synthetic lined valley-fill heap leach facility for irrigation with sulfuric acid and ferric solutions. The pregnant leach solution (PLS) will be recovered from the heap leach operation and piped to a conventional solvent extraction and electrowinning (SX-EW) plant to produce grade-A copper cathodes. The copper-stripped solution generated in the SX plant (raffinate) will be conditioned with sulfuric acid and fresh water and then recycled to the heap leaching operation to irrigate more mineralized material.

Preliminary metallurgical characterisation testwork was completed on samples of mineralogical materials from the Antilla project in 2017. An extended testwork program was initiated at Aminpro Laboratories in March 2018 under the direction of Tetra Tech Mining and Minerals. Aminpro Laboratories are fully certified under both ISO 9001 and 1400. The testwork program comprises quantitative mineralogical analysis, sulphuric acid and ferric sulphate bottle roll predictor tests and column leach tests aimed at characterising the copper leaching characteristics of supergene mineralogical materials. Results from the predictor tests indicate secondary copper minerals are available for extraction with close to theoretical copper extractions being achieved. The column tests remain under leach and are estimated to be completed by September 2018. The results from the column leach program will be incorporated in subsequent technical studies. No test work has been conducted on the Cover, Cap and Primary Sulphide domains as these constitute only minor portions of the deposit.

Table 4 summarizes the expected recoveries of the four mineralized domains, with the Cover and Leach Cap performance assumed to follow the main domains based on similar copper mineralogy/speciation.

Table 4. Summary of Metallurgical Recoveries Estimated in the PEA

Mineralized Domain	Cu Recovery (%)
Cover*	31.1
Leach Cap*	38.0
Supergene	72.5
Primary Sulphide*	21.2

* QP estimates - no supporting testwork completed

Projected production of payable metals is summarized in Table 5.

Table 5. Summary of Annual Average and Life of Mine Payable Metals

	Annual Average	Life of Mine
Copper (Mlbs)	46.3	787.5

Capital and Operating Costs

The projected capital and operating costs for Antilla over a 1 ½ year construction period and 17 year operating mine life are summarized in the tables below.

Table 6. Summary of Antilla Initial Capital Cost Estimates (US$ millions)

Item	Cost (US$ million)
Mine Equipment	1.3
Mine Development	41.1
Crushing, SX, and EW plants	94.7
Infrastructure	42.4
Subtotal	**179.5**
Owners Cost	7.8
Indirect Costs	13.7
Subtotal	**201.0**
Contingencies	49.4
Total Initial Capital Cost	**250.4**

Power will be supplied via a 10 km long power line connected to the existing national grid connecting the Las Bambas mine to the Cotaruse substation in the district of Chalhuanca. This power line passes by the south part of Antilla property.

Grade-A copper cathodes produced by Antilla Project will be trucked by a contractor from the mine site to the port of Marcona, in Nazca province, along existing road networks.

Table 7. Antilla On-site Operating Costs (US$ per tonne milled)

Item	Cost (US$ per tonne)
Mining Cost	1.63
Processing Cost (including crushing)	3.85
Leach Material Haulage Cost (average)	0.81
G&A Costs	0.75
Total On-site Operating Cost	**7.04**

C1 and C2 cash costs, as defined by Brook Hunt, per pound of payable copper are listed in the table below.

Table 8. Antilla Average Cash Costs (US$) per lb Payable Copper

Item	Cost (US$ million)
C1 - Direct Cash Cost	1.51
C2 - Production Cost	1.82

Opportunities for Project Growth and Enhanced Economics

- Tetra Tech recommends that further investigation of the Antilla deposit is warranted and necessary. There is potential to add new mineral resources at depth and in the Northeast and Southeast sides of the pit shell. Tetra Tech recommends that additional drilling be carried out to reduce the drill spacing in those zones with copper mineralization, where drill spacing is greater than 100 m. Additional drilling will determine, with greater confidence, both the continuity and extents of copper mineralization within and outside of the known deposit.
- Tetra Tech recommends an extension of the current exploration grid to include the West Block, North Block, Middle Block and Chabuca exploration targets. Tetra Tech recommends continued geochemical sampling and geophysical surveys over these areas located next to the current mineral resources.
- Considering the preliminary metallurgical testwork undertaken on the project to date, there is potential to increase recoveries with additional metallurgical testing

Future Work

Further work leading to a Pre-Feasibility or Feasibiilty Study is recommended and will include drilling, mineral resource modeling, metallurgical testwork, engineering, and marketing studies, hydrological and geotechnical analysis, as well as various baseline environmental and archeological studies. In addition, exploration work will be recommended over the other targets in the vicinity of the known deposits.

<u>Environment & Permitting</u>

Existing environmental liabilities associated with the project are restricted to those expected to be associated with an exploration-stage project, and include drill sites and access roads. Additional Environmental Baseline studies should be conducted to collect site data including surface water quality, archeology, aquatic and terrestrial biology, flora, fauna, and additional geochemical characterization of mine waste materials. This information will inform a comprehensive Environmental Impact Study.

Technical Reporting

The complete technical report documenting the PEA will be filed within 45 days of the news release date of May 14, 2018, and will be available on the Company's website and on SEDAR. The technical report will be authored by the following Qualified Persons:

Qualified Person	**Firm**	**PEA Area**	**Professional Affiliation** (and registration number)
	TetraTech Inc.	Geology, Resources	
Jesse Aarsen, PEng	Moose Mountain Technical Services Ltd.	Mining, Infrastructure	APEGBC (#38709)
Luquman Shaheen, PEng	Panoro Minerals Ltd	Marketing, Copper Pricing	APEGBC (#21675)
Andrew Carter	Tetra Tech Inc.	Mineral Processing and Metallurgical Testing	EURING (#2920GB) CENG (#378467) MIMMM (#46421) SAIMM (#19580) SME (#4112502)
Daniel Sepulveda	Moose Mountain Technical Services Ltd.	Recovery Methods, Processing Capex and Opex	SME #4206787RM
Luis Vela, CMC	Panoro Minerals Ltd.	Exploration, mineral tenure, permits	CMC (#0173)

The information is extracted from a news release dated May 14, 2018, which was reviewed by the Qualified Persons of Tetra Tech, Moose Mountain Technical Services, and the Company.

Cotabambas Project

Work Plans

The Company commenced a work program at the Cotabambas Project including the following:

A drilling program commenced in late February at the Maria Jose and Petra-David targets at Cluster 1 and continued until the end of April. Over 2700 meters were drilled, with final assays pending. The drilling program will then expand into the Chaupec Skarn Target in Cluster 2 in August with an additional 5,000 m budgeted for completion by the end of 2018.

Drilling at the Maria Jose Target focused on the further delineation of oxide and sulphide copper zones identified during the 2017 drill program, where 15 drillholes confirmed continuity of mineralization over an area of 400 m by 1200 m, and to over 450 m depth. The focus of the 2018 campaign was to the northeast and north based from the geochemistry and geophysics signatures and 2017 drilling.

In 2017, 8 drillholes were completed at the Petra-David target confirming copper oxides mineralization continuity over an area of 600 m by 150 m along a structural control in northeast direction, hosted in quartz monzonite porphyries and diorite rocks. The 2018 drilling has targeted expansion to the north and south of 2017 drilling.

The Chaupec target in Cluster 2 is an area of skarn and porphyry mineralization exposed at surface along approximately 3 km by 1 km and includes exposures at surface of different skarn type mineralization, such as pyroxenes, garnets and magnetite, containing mineralization of bornite, chalcopyrite, minor pyrite, and expanded copper oxides.

The quartz-monzonite porphyry outcrops in the south part of the Chaupec Target with potassic alteration and quartz stockwork also contain hypogene/oxides copper mineralization. The mineralization at the Chaupec Target is similar to the skarns at the Las Bambas Copper Mine, located 40 km to the south, specifically with the skarn exposed in the Ferrobamba open pit.

The samples at surface have some of the highest grades sampled to date at the Cotabambas Project. The area has never been drilled. Soil sampling and geophysics commenced in February and work continues to determine drill targets planned to commence in August. Stepping out into the Chaupec Skarn Target in Cluster 2 is scheduled for the middle of 2018, on approval of an expanded EIA.

Results of Operations

Exploration

During fiscal 2018, the Company expended $1,409,342 on exploration and evaluation expenditures, $133,113 on Antilla, $1,122,642 on Cotabambas and $153,587 on other projects. A total of $275,466 has been accrued for recording and concession fees, and is included in the exploration costs.

Exploration and evaluation expenditures are largely made up of salaries and wages of site-based staff, geology, community relations and casual labour and other capitalized costs. Drilling commenced in late February at Cotabambas, and 1,502 metres were drilled at a cost of $352,397 to the end of March, including mobilization. To the end of April, a total of 2,172 metres were drilled, and assays are still pending for the total program.

Expenses

The Company's loss in fiscal 2018 of $1,786,215 ($0.01 per common share) compares to a loss of $821,598 ($0.00 per common share) in fiscal 2017. The discussion below is based on comparison of fiscal 2018 and 2017.

Overall, the increase in the Company's expenditures reflects the increase in exploration and evaluation expenditures incurred on the properties and the increased costs of administration as additional staff is needed for the increased to administer the expansion of exploration activities. Additional investor relations activities have been undertaken to inform investors of the exploration undertaken in advance of the planned drilling program.

Areas of increased administration costs in fiscal 2018 include the following:

- An increase in travel and investor relations costs from $23,679 and $54,216, respectively, in fiscal 2017 to $23,542 and $207,604 in fiscal 2018. The Company has increased its marketing and shareholder communications' activity in Europe and Norther America. Expenses are expected to continue to be higher in fiscal 2018 as the Company focuses more on shareholder communications, and has entered into investor relations' consulting agreements in Canada and Europe. Town hall meetings and road shows are carried out in Europe and North America.
- An increase of $974,410 in share-based compensation in fiscal 2018 related to the grant of 7,300,000 stock options to officers, directors and employees at an exercise price of $0.34, exercisable for a period of five years. The total fair value of the options granted in the three months ended March 31, 2018 was $1,129,083, using the Black-Scholes method with the following assumptions- a volatility of 68%, an expected option life of 2.92 years, a risk free interest rate of 1.90%, and an expected dividend yield of 0%. Of the total granted, $154,669 was capitalized to mineral property interests.

Areas where administration costs have decreased include:

- A decrease in salaries and benefits in fiscal 2018 from $257,009 in fiscal 2017 to $246,027 in fiscal 2018. The Company had a co-operative student in fiscal 2017.
- Project evaluation costs of $80,917 in fiscal 2017 with no comparative costs incurred in fiscal 2018.
- The Company incurred financial consulting fees of $60,210 in fiscal 2017. This fee is paid to Macquarie Capital Markets Canada Ltd ("Macquarie"), and relates to the scheduled payment of US$750,000 received in March 2017. Macquarie will receive a 6% commission on all payments received up to US$14.0 million. A payment was received in May 2018, and the fees of 6% will be recorded in the second quarter of fiscal 2018.
- Legal fees decreased from $58.669 in fiscal 2017 to $4,390 in fiscal 2018, due to the timing of legal costs incurred related to payments received pursuant to the Agreement.
- An exchange loss in fiscal 2017 of $119,777, compared to a gain of$105,725 in fiscal 2018. The Company has recorded a change in fair value of the Agreement's financial liability of $191,950 in fiscal 2018 due to the decrease in the value of the Canadian dollar

against the US dollar since the end of December 2017. The funds received pursuant to the Agreement are in US dollars, and are primarily retained for exploration activities.

Liquidity and capital resources

Liquidity risk is the risk that the Company will not be able to operate in the normal course of business for the next 12 months. The Company is considered to be in the exploration and development stage and is currently exploring mineral properties in Perú. The Company has no history of revenues from operating activities and will have negative cash flow from operations in future periods until commercial production is achieved from its advanced exploration stage projects. Subsequent to March 31, 2018, the Company received proceeds of US$750,000 from the Agreement, and it is anticipated that a scheduled payment of US$750,000 will be received in September 2018. To the date of this MD&A, the Company has received US$6.25 million pursuant to the Agreement. In fiscal 2018, the Company received $656,666 on the exercise of 2,420,974 share purchase warrants at a price of $0.27. Subsequent to March 31, 2018, an additional 171,696 share purchase warrants have been exercised.

The Company has no operating revenue and incurred a loss of $1,786,215 for fiscal 2018 (fiscal 2017 – $821,598). As at March 31, 2018, the Company has an accumulated deficit of $34,305,987 (December 31, 2017 – $32,519,772), and has a working capital deficiency of $872,542 (December 31, 2017 – working capital of $438,467), with the inclusion of the current portion of the Wheaton Metals Agreement.

Based on its financial position at March 31, 2018, the Company believes that it has sufficient funds to meet budgeted exploration and operational expenditures over the ensuing twelve-month period.

Commitments

In the normal course of business, the Company enters into contracts that result in commitments for future payments. The following table summarizes the remaining contractual maturities of the Company's operating and capital commitments. The Company has the following commitments: The Company has the following commitments:

	2018	2019	2020	2021	2022	Total
Office lease (Vancouver)	$ 49,312	$ 64,820	$ 66,327	$ 33,164	$ -	$ 213,623
Office leases (Perú)	$ 67,624	$ 89,482	$ 37,894	$ -	$ -	$ 195,000
Warehouses (3)	$ 11,868	$ 8,944	$ -	$ -	$ -	$ 20,812
Accounts payable and accrued liabilities	$2,236,952	$ -	$ -	$ -	$ -	$2,236,952
Community agreement accrual	$ 841,222	$ -	$ -	$ -	$ -	$ 841,222

Key management personnel and related parties

Employment contracts have been entered into with each of the President and Chief Executive Officer ("CEO"), the Vice-President Exploration ("VP-Ex"), the Senior Vice-President, South America ("VP-SA") and the Vice-President, Operations ("VP-Op"). The Company is in the process of entering into an employment contract with the Chief Financial Officer ("CFO"). In fiscal 2018, the Company purchased $14,926 (2017 - $Nil) in geological supplies from a private company controlled by a director of a subsidiary of the Company. The Company had no other transactions between directors and officers and/or companies controlled by directors or officers in common with the Company. At March 31, 2018, there was $1,496 (2016: $49) owing to an officer and director of the Company for expenses incurred on behalf of the Company.

Contingent receivable

In 2007, the Company entered into a Purchase and Sale Agreement of a property in the Philippines (“Mindoro Agreement”) with Mindoro Resources Ltd. and its subsidiaries (collectively, “Mindoro”). As of the date of this MD&A no payment from Mindoro has been received. The Mindoro Agreement is still in effect, and the Company has not issued written notice to Mindoro regarding the breach of the Mindoro Agreement. An approach has been made by Mindoro for an amended agreement, but at the date of this MD&A, no changes in terms have been agreed to between the two parties.