

PALAMINA CORP.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

This Management Discussion and Analysis ("MD&A") reviews the financial condition and results of operations of Palamina Corp. ("Palamina" or the "Company") for the nine month period ended September 30, 2020. The MD&A was prepared as of November 27, 2020 and should be read in conjunction with the unaudited interim consolidated financial statements for the nine month periods ended September 30, 2020 and 2019, including the notes thereto and the audited consolidated financial statements for the years ended December 31, 2019 and 2018 and the notes thereto. All figures are in Canadian dollars unless stated otherwise. Additional information relevant to the Companies activities, including the Company's audited consolidated financial statements can be found on SEDAR at www.sedar.com.

All statements, other than of historical fact included herein, including without limitation, statements regarding potential mineralization, reserves and exploration results and future plans and objectives of the Company are forward looking statements and involve various risks and uncertainties, which are detailed in the Section "Risk Factors" of this MD&A. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.

OVERVIEW

Palamina Corp. ("Palamina" or the "Company") is an exploration stage company focused on the exploration for economic mineral deposits in Peru through its wholly owned subsidiary, Palamina SAC ("Palamina Peru"), and to a lesser extent in Mexico through its wholly owned subsidiary, Palamina S.A. de C.V. ("Palamina Mexico"). Palamina was incorporated on April 23, 2015 under the *Business Corporations Act* (Ontario). The Company's head office is located at 145 King Street West, Suite 2870 Toronto, ON M5H 1J8. Palamina is a reporting issuer pursuant to the securities laws of Ontario, British Columbia, Alberta, and Saskatchewan and is listed on the TSX Venture Exchange under the symbol PA.

Management's strategy for building Palamina into a profitable resource company and maximizing shareholder value is to acquire and explore properties with the potential to host significant economic deposits within prolific mining districts in Peru. The Company explores primarily for gold and silver, with the objective of enhancing the value of its properties either by direct exploration or through joint ventures to third parties. This strategy diversifies the business risks inherent in developing a single property.

GOING CONCERN UNCERTAINTY

The Company is at an early stage of development and, as is common with many exploration companies, it relies on financings to fund its exploration and acquisition activities. The Company had a shortfall of current assets over current liabilities of \$98,348 at September 30, 2020; had not yet achieved profitable operations; had accumulated losses of \$9,054,186 at September 30, 2020; and expects to incur further losses in the development of its business. Palamina does not have adequate cash resources to fund its operations over the next twelve months and will require additional financing in order to conduct its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. There can be no certainty as to the ability of the Company to raise sufficient additional financing in order to continue to operate, and accordingly, there is a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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COVID-19

At the end of 2019, a novel strain of coronavirus (“COVID-19”) was reported in China. The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections around the world. On March 11, 2020, it was labelled a pandemic by the World Health Organization. During the first and second quarter of 2020, attempts at containment of COVID-19 have resulted in decreased economic activity, which has adversely affected the broader global economy. The Company’s exploration operations are located exclusively in Peru where COVID-19 infection rates are particularly high compared to other parts of the world. The rapid development and fluidity of the situation precludes any prediction as to the ultimate impact of COVID-19; however, the Company seeks to obtain the best possible information to enable the assessment of the risks involved and implement appropriate measures to respond.

CORPORATE HIGHLIGHTS

- **On September 28, 2020** Winshear Gold Corp. (TSX-V:WINS) , pursuant to Winshear receipting \$507,500 from warrant exercises, issued an additional 400,000 common shares of WINS to Palamina Corp. for a total 10,000,000 common shares completing the sale of the Gaban Gold and Tinka I.O.C.G. projects. Winshear Gold also provided Palamina a US\$25,000 annual advance royalty payment as required under the property purchase agreement. Palamina retains an 18.6% equity interest in Winshear Gold, future annual advance royalty payments and a 2% NSR on both WINS projects.
- **On September 9, 2020** Palamina appointed two new members to the company’s board of directors, Christina McCarthy and Sean Spraggett.
- **On August 13, 2020** Winshear Gold Corp. (TSX-V:WINS), pursuant to Winshear completing an \$1,320,000 financing, issued an additional 400,000 common shares of WINS to Palamina Corp for a total 9,600,000 common shares towards the purchase of the Gaban Gold and Tinka I.O.C.G. projects.
- **On May 26, 2020** Palamina completed an oversubscribed non-brokered private placement for gross proceeds of \$1,100,000. A total of 8,800,000 units priced at \$0.125 per Unit were issued.

OPERATIONAL HIGHLIGHTS

- **On November 2, 2020** Palamina Peru staked an additional 4,300 hectares in three areas: 1) 1,600 hectares at PA’s Cori Gold Project; 2) 1,000 hectares at PA’s new Inca Gold Project in the POGB and 3) and 1,700 hectares at PA’s new Alcatraz Silver Gold Copper Project.
- **On September 30, 2020** Palamina Peru elected not to make the validity (renewal) payments due on September 30, 2020 on a total of 3,000 hectares over 4 projects. As a result, these areas revert to the government.
- **On October 27, 2020** Palamina reported the second round of exploration at the newly discovered Veta NE Zone which returned channel sample values up to 90.3 g/t Au over 1.30 m. Continued sampling in the Veta Zone returned values up to 17.9 g/t Au over 1.0 m and increased the known width of gold bearing structure #7.

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- **On October 7, 2020** Palamina reported channel sampling on the # 7 gold bearing structure in the Veta Zone returned channel sample values up to 14.3 g/t Au over 1.6 m and first round channel sampling in the newly discovered Veta NE Zone returned up to 1.6 g/t Au over 1.0 m.
- **On July 7, 2020** Palamina reported results from channel sampling up to 12 g/t Au over 3.2 m in the Cayos Zone located southwest of the Veta Zone at the Coasa Gold Project. Samples reported were collected in December 2020 and due to be submitted in mid-January but were delayed until June of 2020 due to the Covid-19 shut down.
- **On January 8, 2020** Palamina announced it had completed its Declaración de Impacto Ambiental (“DIA”) with the Peruvian Ministry of Energy and Mines for its Coasa Gold Project in the Puno region of Peru. The DIA allows for the construction of up to 40 drill pads in the Veta Zone on the Coasa Gold Project. With the DIA in hand, the Company has applied for the Authorization to Initiate Exploration Activities (“AIEA”) which is required to commence initial drill testing of the Coasa gold system. Palamina staff and consultants continue to work in support of successful permitting at Coasa.

Qualified Person

Mr. Bill McGuinty P.Geo., Vice President exploration of the company, is a “qualified person” as defined by National Instrument 43-101 and has reviewed the technical contents of the property portfolio section of this MD&A regarding exploration advances on the Palamina S.A.C. (“Palamina Peru”) mining concessions and applications. Mr. McGuinty has visited Palamina’s primary projects in Peru and reviewed work practices, geological reports and supporting data acquired and produced by Palamina’s exploration team and reported in this MD&A.

Mr. Yury Valdivieso, Palamina’s lead geologist and project manager in Peru, is responsible for the execution of all exploration programs. Mr. Valdivieso has a MSc. In economic geology and is a member of the society of economic geologists (seg), the geological society of Peru (SGP) and the college of engineers of Peru (CIP).

PROPERTY PORTFOLIO

Peru Properties

Focus on Puno Orogenic Gold Belt

The Puno Orogenic Gold Belt (POGB) is a southeasterly trending metasedimentary-hosted auriferous belt located in southern Peru which follows the Andean trend and covers an area of approximately 175 km NW-SE by 75 km NE-SW in the Puno region of Peru. The POGB is part of a larger orogenic belt that extends into Bolivia in the east and is flanked on the north by the gold producing Madre de Dios region in Peru. The belt contains numerous orogenic gold occurrences. Palamina’s exploration targets in this region are ‘pizarra’ or slate hosted gold systems.

The POGB is a section of a larger 3,400 km long metasedimentary belt hosting orogenic gold deposits extending from Argentina in the south, through Bolivia and the Puno region, to the Pataz region in northern Peru. Orogenic gold mineralization in the Puno region occurs in association with regional-scale shear zone structures, generally hosted by sheared and folded slates and related metasediments. Palamina is principally targeting continuous, tabular zones of orogenic gold mineralization within fine-grained,

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sheared, weakly metamorphosed sedimentary rocks. Mineralization may occur in discrete, stacked or bedding- or shear-parallel horizons within the host rock. Gold mineralization typically consists of native gold in distinctive “packages” of fine-grained quartz veins, veinlets and micro-veinlets. Globally, orogenic gold deposits are known to extend to vertical depths greater than 1,000 m. Important local examples of slate hosted deposits in the POGB in Peru include Ollachea & La Rinconada.

The orogenic gold belt in Puno hosts more than 100 known hard-rock gold-mineralized occurrences and over 50 mines are being exploited by small- and medium-scale artisanal miners. Palamina believes the POGB has considerable potential to contain a compelling number of additional yet undiscovered orogenic gold deposits. Erosion of these gold-bearing structures (by both fluvial and glacial processes), are widely considered to be the source for the extensive alluvial gold deposits located in the low-lying Madre de Dios region of Peru’s amazon basin.

There has been a significant up-grading of road access in the Puno region (example: Pacific-Atlantic interoceanic highway) and power infrastructure (example: 206 MW San Gaban hydro-electric facility). It is Palamina’s belief that these infrastructure developments greatly assist exploration of the POGB and will well support future mine developments in the region.

Heliborne Geophysical Survey

Orogenic gold mineralization in the POGB frequently has an association with pyrrhotite (a sulphide mineral which is magnetic), associated with swarms of quartz veins and veinlets generally restricted to discrete, continuous packages in regional shear zone structures hosted by fine-grained sedimentary units. In August 2018 New-Sense Geophysics Limited completed an approximate 3,000-line km heliborne magnetic/radiometric geophysical survey over Palamina Peru’s Coasa and Cori gold projects and Winshear Gold’s Gaban gold project in the POGB. A heliborne geophysical study is being used to assist in identifying drill targets at Coasa and in locating further shear zones under cover on the Gaban and Cori Projects.

Gold Projects in the Puno Orogenic Gold Belt (POGB):

Coasa Gold Project

At the Coasa Gold Project, Palamina Peru has secured application rights and title to 14,600 hectares of mineral concessions. Palamina Peru elected not to make the renewal payments due on September 30, 2020 for 3,000 hectares at the SW perimeter of the claim block. The Coasa Gold Project is located near the town of Usicayos (centrally located along the western periphery of the POGB). The Coasa concessions extend east and west of the town of Usicayos at elevations ranging from 3,200 to 4,700 m. Rock exposure in the area is generally excellent as the properties sit predominantly above the tree line.

The Ollachea orogenic gold deposit reportedly occurs along a structurally deformed east-west trending regional shear structure on the edge of the SE trending POGB. Similarly, 75 km southeast of Coasa, the large orogenic gold occurrence at La Rinconada also features a significant east-west inflection zone. Midway between Ollachea and La Rinconada at roughly similar elevations, the Coasa Gold Project also lies along a comparably deformed east-west trending jog zone.

Palamina began comprehensive channel sampling program in the newly discovered Cayos Zone in December 2019. By year end 2019, 524 samples have been collected in the Cayos Zone. Channel samples (239) collected during the most recent exploration phases in the Cayos zone, returned 76 samples of 1.0 m to 1.2 m in length reporting assays over 1.0 g/t Au. Composite channel samples ranging from 2.0 m to 19.0 m in length, with values > 0.40 g/t Au, are presented in the following table:.

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Selected Channel Sample Results – Cayos Zone – Coasa Project 2020*

CHANNEL	SAMPLE INTERVAL ASSAY		INCLUDING INTERVAL	
ID*	Length (m)	Au g/t	Length (m)	Au g/t
CA-01	7.7	2.36	1.0	15.2
CA-02	3.5	0.70		
CA-03	5.3	5.46	1.0	27.3
CA-04	6.45	3.04	1.2	12.9
CA-07	10.7	1.35	1.0	4.70
CA-08	5.8	3.44	1.0	18.1
CA-09	7.1	2.89	1.0	15.9
CA-10	6.6	1.57	1.0	5.20
CA-12	3.2	12.0	1.2	30.9
CA-16	2.0	1.28	1.0	2.50
CA-18	2.2	1.22	1.2	2.21
CA-21	2.4	0.40		
CA-29	5.2	0.42	1.0	1.67
CA-31	2.0	1.79	1.0	3.51
CA-32	2.1	2.11	1.1	4.01
CA-33	3.8	0.37		
CA-34	3.0	3.91	1.0	11.3
CA-35	3.2	0.82	1.0	2.49
CA-36	4.4	0.87	1.3	2.68
CA-43	2.2	2.92	1.1	4.80
CA-44	2.0	3.35	1.0	6.45
CA-45	2.0	11.8	1.0	23.2
CA-46	2.0	0.39		
CA-47	2.0	1.83	1.0	3.44

**Values in table report composite channel samples returning > 0.4 g/t Au over their total interval. 20 composite channels reported average values of < 0.4 g/t Au over their total interval*

At Cayos composite channel sampling has defined 8 mineralized trends ranging from 100 m to 200 m in length within a 300 m x 500 m area. The Cayos Zone is underlain by fine grained sediments; organic-rich black shales and slates of the Ananea Formation with a general strike of 095° and a 65° southerly dip. The sedimentary sequence is intruded by small (0.05 m – 1.0 m) metamorphosed sills and dikes. Lithological, structural and mineralization characteristics at Coasa are similar to those identified at the Ollachea Gold project, located 60 km to the northwest.

Gold mineralized structures composed of weak to moderately sheared slates hosting vein-veinlet sets of 1.0 m to 1.5 m thickness have two predominant orientations: 155/70 SW structures represent early gold mineralization and later 130/70 SW structures. The latter crosscutting vein event is strongly anomalous in arsenic (arsenopyrite) and is interpreted a remobilizing event. Geochemical analyses show a poor association between gold and other pathfinder elements such as arsenic, antimony and silver. Further study of these elements may help determine depth of emplacement of mineralization across the Coasa Property particularly in the Cayos and Veta zones.

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In 2020 Palamina announced results from several campaigns of mapping and channel sampling at the Veta Zone and the newly discovered Veta NE Zone.

The Veta NE Zone mineralization is hosted by slate and siltstone rocks similar to other zones at Coasa but structural zones appear to be re-oriented due to the proximity of a nearby intermediate intrusion and related dykes. Palamina's exploration has covered the south and east of the intrusion where Cayos and Veta are located and future work will investigate in greater depth the potential relationship of intrusive to gold deposition. Samples returning greater than 1.0 g/t Au from campaigns completed in 2020 are reported as follows:

Selected Channel Sample Results – Veta NE Zone – Coasa Project 2020*

SAMPLE NUMBER	SAMPLE LOCATION	SAMPLE TYPE	SAMPLE TYPE	LENGTH (metres)	Au g/t
5248	Veta NE	Outcrop	Channel	0.50	2.11
5250	Veta NE	Outcrop	Channel	0.50	2.39
5317	Veta NE	Outcrop	Channel	1.00	1.17
5318	Veta NE	Outcrop	Channel	1.00	1.56
5320	Veta NE	Outcrop	Channel	1.00	4.64
5325	Veta NE	Outcrop	Channel	1.00	1.49
5333	Veta NE	Outcrop	Channel	1.40	1.63
5336	Veta NE	Outcrop	Channel	0.90	3.81
5380	Veta NE	Outcrop	Channel	1.00	4.06
5381	Veta NE	Outcrop	Channel	1.00	22.3
5387	Veta NE	Outcrop	Channel	1.30	90.3
5395	Veta NE	Outcrop	Channel	1.00	1.28
5396	Veta NE	Outcrop	Channel	1.00	3.99
5399	Veta NE	Outcrop	Channel	1.35	2.28

*Select values in this table are for samples returning > 0.1 g/t Au over the reported interval

Similar to the Cayos Zone, Veta Zone geology is dominated by sequences of fine-grained siliclastic sediment including siltstone and shale with lesser mudstone and fine-grained sandstone with low grade metamorphism. Folding, faulting and shearing of sedimentary sequences is variably developed throughout area. Quartz veins range between millimetric and 40 cm wide. Quartz veins can occur in isolation, sheeted/sub-parallel or as localised stockwork and sulphide content pyrite, arsenopyrite is typically low. Gold generally occurs as native gold in quartz veins and veinlets often of coarse grain size. The following table selected assays above 1 g/t Au for Veta Zone channel sampling during the period.

Selected Channel Sample Results – Veta Zone – Coasa Project 2020*

SAMPLE NUMBER	ZONE	SAMPLE TYPE	SAMPLE TYPE	LENGTH (metres)	Au g/t
5227	Veta	Outcrop	Channel	1.00	5.90
5228	Veta	Outcrop	Channel	1.00	1.48
5230	Veta	Outcrop	Channel	1.00	14.2
5232	Veta	Outcrop	Channel	1.00	1.13
5236	Veta	Outcrop	Channel	1.60	14.3
5237	Veta	Outcrop	Channel	1.00	2.98
5263	Veta	Outcrop	Channel	1.00	1.02
5267	Veta	Outcrop	Channel	1.00	2.06
5277	Veta	Outcrop	Channel	1.00	1.29
5287	Veta	Outcrop	Channel	0.90	1.18

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SAMPLE NUMBER	ZONE	SAMPLE TYPE	SAMPLE TYPE	LENGTH (metres)	Au g/t
5288	Veta	Outcrop	Channel	1.00	1.74
5293	Veta	Outcrop	Channel	1.00	1.82
5295	Veta	Outcrop	Channel	1.00	1.67
5296	Veta	Outcrop	Channel	1.10	2.44
5297	Veta	Outcrop	Channel	1.00	3.58
5352	Veta	Outcrop	Channel	1.00	2.33
5359	Veta	Outcrop	Channel	1.20	1.19
5360	Veta	Outcrop	Channel	1.20	2.55
5370	Veta	Outcrop	Channel	1.00	2.51
5405	Veta	Outcrop	Channel	1.15	9.04
5406	Veta	Outcrop	Channel	1.00	2.73
5410	Veta	Outcrop	Channel	1.00	8.92
5411	Veta	Outcrop	Channel	1.00	1.28
5413	Veta	Outcrop	Channel	1.00	7.64
5414	Veta	Outcrop	Channel	1.00	9.53
5415	Veta	Outcrop	Channel	1.00	17.9
5416	Veta	Outcrop	Channel	1.10	1.91
5419	Veta	Outcrop	Channel	1.00	6.63

*Select values in table are from recent sampling returning > 1.0 g/t Au over their reported interval

The company continues exploration at Coasa and has been working with local health providers and the community with regards to working safely at Coasa and in the community throughout the Covid-19 pandemic.

For additional detail on Coasa exploration activities in the period, see Palamina news releases dated July 7th, October 7th and October 27th, 2020.

Bendi Gold Project

At the Bendi Gold Project, Palamina Peru has secured application rights and title to 13,400 hectares. In October of 2020, Palamina Peru reduced the land position by 3,000 hectares. The Bendi Gold Project is located northeast of the Coasa Gold Project where staking has been based on Palamina's understanding of prospective district-scale geological features in the Benditani Mine district and proximity to historical and current operating small-scale orogenic gold mines in the area. Mining in the Benditani district reportedly dates back to Pre-Inca times. More than 10 small-scale hard-rock mining operations are currently in production and there is evidence for over 20 orogenic gold mineralized occurrences in the district. Aside from hard-rock mining activities, alluvial gold mining also takes place in the nearby Inambari River and its tributaries.

Palamina's exploration efforts at Bendi to date have focused on 2 highly prospective sub-parallel district-scale structures identified by Palamina's field teams; 1) The Carol structure is an approximately 15 km long NW-SE trending shear zone interpreted to have developed in close association with the core of an anticlinal feature. This structure transects the southwestern sector of the Bendi concessions. The auriferous Carol Anomaly is located south-west of the Huacolcota mine. At Carol, Palamina has reported rock chip samples returning up to 47.8 g/t Au and channel samples returning high values of 1.8 m of 13.4 g/t Au and 234 g/t Ag (Palamina news release October 29, 2018).; 2) The Mantos structure is a 7 km long thrust-related shear-zone trending sub-parallel to the host shear structure of the Benditani gold mine. Palamina has reported rock chip samples returning 25.4 g/t Au and 9.9 g/t Au from the Mantos Gold Anomaly (Palamina news release October 29, 2018). No work programs were undertaken to date in 2020.

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Cori Gold Project

At the Cori Gold Project, Palamina Peru has secured application rights and title to 16,700 hectares. Palamina elected not to make the renewal payments due on September 30, 2020 for 3,000 hectares on the NW end of the project and staked 1,600 hectares on November 2, 2020 on the SW end of the project. It is estimated over 1,200 informal miners are mining orogenic native gold from quartz veins in at least 7 separate mining camps within a NW-SE geological trend in this sector. Palamina Peru has staked the available strike extensions of this structure in both directions as well as the interpreted northerly down-dip extensions on the north side of the Corimayo mountains. Palamina completed an helicopter geophysical study over the Cori project in 2018. Limited geological reconnaissance has been carried out to-date. No work programs were completed in to date in 2020.

Inca Gold Project

At the Inca Gold project, Palamina Peru has secured application rights to 1,000 hectares in the POGB NE of the Ollachea Gold Deposit near the town of Ayapata. Palamina Peru staked the claims area to cover a known gold zone with similar geology to that of Ollachea.

Projects Outside of the POGB:

Lagos Silver-Copper Polymetallic Project

At the Lagos Silver-Copper Polymetallic Project (formerly the Lagunas Project), Palamina Peru holds application rights and title to 7,900 hectares. The Lagos Project is located at the southwest end of the Santa Lucia mining district, west of the town of Puno. The property was acquired to investigate the Ag-Cu (Pb-Zn) potential of the area. Nearby polymetallic mines include the Santa Bárbara, Santa Lucía and Tacaza mines. Mineralization identified to-date is interpreted to be related to fault structures and fractures with a NE-SW orientation.

In 2019, Palamina carried out 4 mapping and sampling programs. During the first two campaigns a total of 102 samples from 4 separate zones were acquired and analyzed. Palamina Peru conducted follow-up staking to cover the Azul Zone and extensions to the Gris and Verde Zones. Follow up staking was also carried out northeast of Lake Lagunillas after brief site visits to available ground in the district.

Alcatraz Silver Gold Copper Project

At the Alcatraz Silver Gold Copper project, Palamina Peru has secured application rights to 1,000 hectares. Palamina Peru staked the claims to cover an area of interest with the potential to host a copper gold porphyry and potential extensions to the Bethania silver mine.

Orco Gold Project

Palamina Peru elected not to make the renewal payments due on September 30, 2020 thereby dropping the 100 hectares that made up the Orco Gold Project.

Ica Iron Oxide Copper-Gold Project

Palamina Peru elected not to make the renewal payments due on September 30, 2020 thereby dropping the 100 hectares that made up the Ica iron oxide copper-gold (I.O.C.G.).

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Mexican Property

Palamina Corp. maintains a presence in Mexico but is focused on exploration in Peru. Palamina has one property in Mexico (“El Santuario”) with title rights to 1,372 hectares in the Cardonal district in Hidalgo State in central Mexico. Due to the focus on exploration in Peru, Palamina has not maintained the tax payments or annual minimum exploration expenditures in 2018 or 2019 that are required to keep El Santuario in good standing. In the event the Mexican mines department cancels the El Santuario claim, Palamina’s Mexican subsidiary will remain liable for any taxes owing.

WINSHEAR GOLD CORP. – EQUITY & ROYALTY PARTNER

On September 19, 2019 Palamina completed the sale of 100% of the mining and applications rights to the Gaban Gold (“Gaban”) and Tinka I.O.C.G. (“Tinka”) projects in Peru to Winshear Gold Corp. (“Winshear”), formerly Helio Resource Corporation. On August 13 and September 28, 2020, Palamina was issued 4,600,000 and 400,000 common shares respectively of Winshear Gold Corp. and now owns a total of 10,000,000 common shares, or 18.6% of Winshear completing the sale of the Gaban Gold and Tinka I.O.C.G. projects. (see Investment in Associate). On July 2, 2020, Dr. Mark V. Sander was appointed President of Winshear Gold replacing Richard Williams.

Winshear Gold Corp. - Gaban Gold Project

Winshear holds the application and title mining rights to 18,700 hectares. To date, five outcropping shear zones hosting quartz veins and veinlets have been located in the mountain ridges surrounding the Yanamayo river. Winshear is targeting the shear zones in the P.O.G.B as the hard rock potential source of alluvial gold mineralization found in the streams. In August of 2019, Winshear completed an NI 43-101 report on the Gaban Gold Project.

Winshear Gold Corp. - Tinka Iron Oxide Copper-Gold Project (I.O.C.G)

Winshear holds application rights covering 1,800 hectares at the Tinka I.O.C.G. Project. Tinka is located within the coastal I.O.C.G. belt of southern Peru.

Further information on the Gaban and Tinka properties, including the NI 43-101 report on Gaban can be found at www.winshear.com.

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OVERALL PERFORMANCE

	Three Months Ended September 30 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Exploration and evaluation expenditures	259,053	308,770	454,118	982,306
Administrative expenses	120,038	141,564	325,864	524,764
Share-based payments	244,000	-	244,000	-
Interest income	-	(1,302)	-	(2,701)
Other (income) expense	166,884	(518,000)	236,374	(518,000)
Net (income) loss	789,975	(68,968)	1,260,356	986,369
(Income) Loss per common share	0.02	(0.00)	0.03	0.03
– basic	0.02	(0.00)	0.03	0.03
– diluted				

Net loss for the three months ended September 30, 2020 was \$789,975 as compared to a net income of \$68,968 for the three month period ended September 30, 2019. The \$858,943 increase in net loss is primarily attributable to the following:

- Decrease of \$49,717 in exploration and evaluation expenditures for the three months ending September 30, 2020 compared to the same period in 2019. The quarterly fluctuation in exploration expenditures between quarters is the result of the timing of exploration activities conducted in Peru. The decrease during the current quarter was primarily the result of slowdown in exploration activity resulting from the sale of property to Winshear along with the development of COVID 19.
- Decrease of \$21,526 in administrative expenses for the three months ending September 30, 2020 compared to the same period in 2019. The decrease during the current quarter was primarily the result of the reduction of management fees, investor relations activities and legal costs due to the decreased activity in Peru.
- Increase of \$244,000 in share based payments for the three months ending September 30, 2020 compared to the same period in 2019 which relates to 945,000 options issued during the three months ending September 30, 2020 compared to nil options issued during the three months ending September 30, 2019.
- Decrease of \$684,884 in other income for the three month period ending September 30, 2020 compared to the same period in 2019. The difference relates primarily to a gain on the sale of property to Winshear of \$527,000 in the third quarter of 2019 compared to an Winshear equity accounting loss of \$200,000 in the third quarter of 2020. During the third quarter of 2020 the Company also recorded a gain on the sale of a vehicle of approximately \$32,000.

Net loss for the nine months ended September 30, 2020 was \$1,260,356 as compared to a net loss of \$986,369 for the nine month period ended September 30, 2019. The \$273,987 increase in net loss is primarily attributable to the following:

- Decrease of \$528,188 in exploration and evaluation expenditures for the nine months ending September 30, 2020 compared to the same period in 2019. The quarterly fluctuation in exploration expenditures between quarters is the result of the timing of exploration activities conducted in Peru.

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The decrease during the current quarter was primarily the result of slowdown in exploration activity resulting from the sale of property to Winshear along with the development of COVID 19.

- Decrease of \$198,900 in administrative expenses for the nine months ending September 30, 2020 compared to the same period in 2019. The decrease during the current quarter was primarily the result of the reduction of management fees, investor relations activities and legal costs due to the decreased activity in Peru.
- Increase of \$244,000 in share based payments for the nine months ending September 30, 2020 compared to the same period in 2019 which relates to 945,000 options issued during the nine months ending September 30, 2020 compared to nil options issued during the nine months ending September 30, 2019.
- Decrease of \$754,374 in other income for the nine month period ending September 30, 2020 compared to the same period in 2019. The difference relates primarily to a gain on the sale of property to Winshear of \$527,000 in the third quarter of 2019 compared to an Winshear equity accounting loss of \$269,000 in the nine months ending September 30, 2020. During the third quarter of 2020 the Company also recorded a gain on the sale of a vehicle of approximately \$32,000.

Summary of Quarterly Results

	Sep 30 2020	Jun 30 2020	Mar 31 2020	Dec 31 2019
Statement of Loss	\$	\$	\$	\$
Exploration and evaluation expenditures	259,053	67,642	127,423	189,778
Administrative expenses	120,038	111,653	94,173	114,795
Share-based payments	244,000	-	-	269,000
Interest income	-	-	-	-
Other Income	166,884	44,725	24,765	38,000
Net (income) loss	789,975	224,020	246,361	611,573
(Income) Loss per common share –				
- basic	0.02	0.01	0.01	0.02
- diluted	0.02	0.01	0.01	0.02

	Sep 30 2019	Jun 30 2019	Mar 31 2019	Dec 31 2018
Statement of Loss	\$	\$	\$	\$
Exploration and evaluation Expenditures	308,770	439,523	234,013	673,274
Administrative expenses	141,564	168,144	215,056	110,918
Share-based payments	-	-	-	-
Interest income	(1,302)	(1,399)	-	(361)
Other Income	(518,000)	-	-	-
Net (income) loss	(68,968)	606,268	449,069	783,831
(Income) Loss per common share –				
- basic	(0.00)	0.02	0.01	0.02
- diluted	(0.00)	0.02	0.01	0.02

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- Over the past eight quarters exploration and evaluation expenditures ranged from a high of \$673,274 in the fourth quarter of 2018 to a low of \$67,642 in the second quarter of 2020. The significant increase in the quarter ending December 2018 relates to the cost of an airborne geophysical program conducted in Peru. The decrease during the first three quarters of 2020 was primarily the result of the slowdown in exploration activity resulting from the sale of property to Winshear and the development of COVID 19. The increase in the third quarter of 2020 is the result of the payment of property taxes during the period.
- Administrative expenses ranged from a low of \$94,173 in the first quarter of 2020 to a high of \$215,056 in the first quarter of 2019. Administrative expenses have fluctuated within a normal range per quarter and vary quarter to quarter based on the timing of investor relations programs and management bonuses. Administrative expenses were lower in the first three quarters of 2020 as a result of the reduction of management fees, investor relations activities and legal costs due to the development of COVID 19.
- Share-based payment expense, which is a non-cash item, has ranged between a low of nil to a high of \$269,000 in the fourth quarter of 2019. The fluctuations result from the timing associated with the granting and vesting of stock options and the recording of the associated share-based payment expense estimated pursuant to the Black-Scholes valuation model.
- Other Income has ranged from a low of nil to a high of \$518,000 in the third quarter of 2019. The fluctuation results from the sale of the Gaban and Tinka properties to Winshear in the third quarter on 2019 and the recording of equity losses during the most recent four quarters.

Financial Position

As at September 30, 2020 the Company had assets of \$300,408 (December 31, 2019 - \$596,187) and an equity position of \$121,425 (December 31, 2019 - \$43,017). Total assets as at September 30, 2020 consisted primarily of cash and cash equivalents of \$57,659 (December 31, 2019 - \$34,656), receivables of \$21,476 (December 31, 2019 - \$27,899) prepaid expenses of \$1,500 (December 31, 2019 - \$20,148), and investment in associate of \$210,235 (December 31, 2019 - \$480,000).

INVESTMENT IN ASSOCIATE

On September 19, 2019, the Company entered into an agreement with Winshear Resource Corp. ("Winshear"; HRC:TSX.V) whereby Palamina sold 100% of the application and mining rights to the Gaban Gold and Tinka I.O.C.G. projects in Peru to Winshear. In exchange Palamina was issued 5 million shares of Winshear and will receive an additional 5 million shares within two years through disinterested shareholder approval of Winshear shareholders or the issuance of shares by Winshear whereby Palamina will own no greater than 19.9% of the issued and outstanding shares of Winshear.

Palamina also retained a 2% Net Smelter Return ("NSR") royalty on each property. Winshear will have the right to purchase 50% of each royalty by making a cash payment of \$1,000,000 to Palamina at any time prior to the commencement of commercial production. Winshear will make an Advance Royalty Payment ("ARP") of \$25,000 to Palamina on September 19, 2020 and 2021. The ARP will double every two years, beginning September 19, 2022, until such time that Winshear has either completed a total of 5,000m of drilling or has abandoned the properties. Palamina will act as operator of the two projects for the first year and has appointed two directors to the Winshear board.

As a result of the issuance of 5 million shares, Palamina held 15.4% of the issued and outstanding shares of Winshear as at September 19, 2019. Due to these shareholdings and the two directors it has appointed to the board of Winshear, the Company has determined that it has significant influence over Winshear and has accounted for its investment as an Investment in Associate using the equity basis of accounting. The

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Company recorded a fair value of \$527,000 for its interest in the 5 million Winshear shares issued to Palamina on September 19, 2019 and, due to the certainty of issuance, 5 million shares to be issued within two years.

Fair value of the 10 million Winshear shares (\$527,000) was estimated using the specifics of a Winshear private placement completed on the same date Palamina entered into the agreement with Winshear (“Winshear Private Placement”). The Winshear Private Placement consisted of a unit priced at \$0.06 with each unit comprised of one common share and one half common share purchase warrant. The fair value calculation included a deduction for the one half common share purchase warrant using the Black-Scholes option pricing model.

On August 13 and September 13, 2020 Winshear issued 4,600,000 and 400,000 common shares respectively to Palamina satisfying the terms of the Winshear Sale. Palamina currently holds 10,000,000 common shares, or 18.6% of Winshear. The fair value of the 5,000,000 shares issued during the third quarter 2020 was recorded in the third quarter 2019 due to the certainty of issuance. Fair value of one Winshear share as at September 30, 2020 was \$0.085.

Changes in the investment in associate for the nine month period ended September 30, 2020 and period ended December 31, 2019 were as follows:

	\$
Acquisition September 19, 2019, at fair value	\$527,000
Proportionate share of net loss	(47,000)
Balance – December 31, 2019	\$480,000
Proportionate share of net loss	(269,765)
Balance – September 30, 2020	\$210,235

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN UNCERTAINTY

The Company is at an early stage of development and, as is common with many exploration companies, it relies on financings to fund its exploration and acquisition activities. The Company had a shortfall of current assets over current liabilities of \$98,348 at September 30, 2020; had not yet achieved profitable operations; had accumulated losses of \$9,054,186 at September 30, 2020; and expects to incur further losses in the development of its business. Palamina does not have adequate cash resources to fund its operations over the next twelve months and will require additional financing in order to conduct its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. There can be no certainty as to the ability of the Company to raise sufficient additional financing in order to continue to operate, and accordingly, there is a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

The Company does not have any long term debt or credit facilities with financial institutions. At this time the Company is not anticipating an operating profit from operations and will rely on the proceeds of the recent financing to fund its short term growth. There is no assurance that future financings will be available when required.

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COMMITMENTS AND CONTINGENCIES

Under the terms of the Company's mining concessions, the Company must make periodic tax payments and perform minimum levels of exploration to maintain these concessions in good standing. The failure of the Company to meet these requirements would lead to the forfeiture of the Company's rights to these properties.

OFF-STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

The Company has no off-statement of financial position arrangements.

RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly. Compensation awarded to key management includes the following:

Nine months ended September 30,	2020	2019
Short-term employee benefits	\$ 167,000	\$ 216,000
Share based payments – options	52,000	-
Total compensation to key management	\$ 219,000	\$ 216,000

At September 30, 2020, included in trade and other payables is \$15,000 (December 31, 2019 - \$212,000) due to these key management personnel. These amounts are due on demand, unsecured and non-interest bearing.

Directors and officers subscribed for 1,060,000 units in the May 25, 2020 private placement and 153,333 units in the March 1, 2019 private placement.

DIVIDENDS

The Company has neither declared nor paid any dividends on its Common Shares. The Company intends to retain its earnings, if any, to finance growth and expand its operation and does not anticipate paying any dividends on its Common Shares in the foreseeable future.

OUTSTANDING SHARE DATA

The following table sets forth information concerning the outstanding securities of the Company as at November 27, 2020:

Share Capital	Number of Shares
Balance – December 31, 2018	29,891,371
Issued pursuant to exercise of stock options ⁽ⁱ⁾	786,600
Issued pursuant to Private Placement ⁽ⁱⁱ⁾	5,118,332
Issued pursuant to Private Placement ⁽ⁱⁱⁱ⁾	507,333
Balance – December 31, 2019,	36,303,636
Issued pursuant to Private Placement ^(iv)	8,831,200
Issued pursuant to exercise of stock options	150,000
Balance – September 30, 2020 and November 27, 2020	45,284,836

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- (i) During 2019 786,600 stock options were exercised for total proceeds of \$115,302. The stock options exercised are as follows: 150,000 at an exercise price of \$0.06, 300,000 at an exercise price of \$0.13, 261,600 at an exercise price of \$0.22 and 75,000 at an exercise price of \$0.13.
- (ii) On March 1, 2019 the Company closed the first tranche of a private placement consisting of 5,118,332 units at the price of \$0.30 per unit for total proceeds of \$1,535,500. Each unit consists of one common share and one warrant. Each warrant is exercisable to acquire one common share at a price of \$0.50 for a period of 24 months from the closing date. The Company has the option to accelerate the expiry date of the warrant provided that if after four months and one day following the closing of the private placement, the closing price of the common shares on the TSX Venture Exchange is equal to or greater than \$0.90 for 10 consecutive trading days.
- (iii) On March 29, 2019 the Company closed the second tranche of a private placement consisting of 507,333 units at the price of \$0.30 per unit for total proceeds of \$152,200. Each unit consists of one common share and one warrant. Each warrant is exercisable to acquire one common share at a price of \$0.50 for a period of 24 months from the closing date. The Company has the option to accelerate the expiry date of the warrant provided that if after four months and one day following the closing of the private placement, the closing price of the common shares on the TSX Venture Exchange is equal to or greater than \$0.90 for 10 consecutive trading days.
- (iv) On May 25, 2020 the Company closed a non-brokered private placement offering of 8,800,000 units at a purchase price of \$0.125 per unit, for aggregate gross proceeds of \$1,100,000. Each unit consists of one common share and one half of one warrant. Each whole warrant is exercisable to acquire one common share at a price of \$0.35 until May 25, 2022. The Company has the option to accelerate the expiry date of the warrant provided that if after four months and one day following the closing of the Offering, the closing price of the Common Shares on the TSX Venture Exchange is equal to or greater than \$0.70 for 10 consecutive trading days.

The Company paid a cash finder's fee equal to 6% of the gross proceeds from the units placed by the finder and issued finder's warrants equal to 6% of the aggregate number of units sold attributable to the finder. Each finder warrant is exercisable to acquire one unit of the Company for a period of two years from the closing date at an exercise price of \$0.125 per Unit. The finder chose to use the cash finder's fee to subscribe for 31,200 units and also received 31,200 finder warrants.

Stock Options

On September 15, 2015 the Company adopted a stock option plan (the "Plan") that provides that the Board of Directors of the Company may grant options to directors, officers, employees and consultants of the Company the option to purchase common shares. The maximum number of common shares reserved for issue under the Plan at any point in time may not exceed 10% of the number of shares issued and outstanding. The purpose of the Plan is to attract, retain and motivate directors, officers, employees, and certain third party service providers by providing them with the opportunity to acquire a proprietary interest in the Company and benefit from its growth. Options granted under the Plan are non-assignable and vest over various terms from the date of grant.

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As at September 30, 2020, the Company had 758,484 (December 31, 2019 – 520,364) options available for issuance under the Plan.

The continuity of outstanding stock options for the nine month period ended September 30, 2020 and year ended December 31, 2019 is as follows:

	Number of stock options	Weighted average exercise price per share \$
Balance – December 31, 2018	2,805,000	0.25
Granted ⁽ⁱ⁾	1,330,000	0.25
Exercised	(786,600)	0.14
Expired	(238,400)	0.32
Balance – December 31, 2019	3,110,000	0.27
Expired	(135,000)	0.31
Exercised	(150,000)	0.13
Granted ⁽ⁱⁱ⁾	945,000	0.30
Balance –September 30, 2020	3,770,000	0.28

- (i) On December 19, 2019, the Company granted 1,330,000 options to certain officers, directors and consultants of the Company under its stock option plan. All options are exercisable at \$0.25 per common share. The options granted to officers and directors expire in 5 years and the options granted to consultants expire in 2 years. The resulting fair value of \$269,000 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 118-134%; a risk-free interest rate of 1.67-1.69%, and an expected average life of 2 - 5 years. The options vested immediately.
- (ii) On September 9, 2020, the Company granted 945,000 options to certain officers, directors and consultants of the Company under its stock option plan. All options are exercisable at \$0.30 per common share. The options expire in 5 years. The resulting fair value of \$244,000 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 132%; a risk-free interest rate of 0.37%, and an expected average life of 5 years. The options vested immediately.

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WARRANTS

Details of the warrants outstanding at September 30, 2020 are as follows:

Exercise price	Number and type of outstanding exercisable warrants	Expiry date	Remaining contractual life (years)
\$			
0.50	5,118,332 – Share Purchase Warrants	March 1, 2021	0.42
0.50	507,333 – Share Purchase Warrants	March 29, 2021	0.50
0.35	4,400,000 – Share Purchase Warrants	May 25, 2022	1.65
0.35	15,600 – Broker Warrants	May 25, 2022	1.65
0.125	31,200 – Broker Warrants	May 25, 2022	1.65
0.43	10,072,465		0.97

See notes 10, 11 and 12 to the unaudited interim consolidated financial statements for the three and nine month periods ended September 30, 2020 and 2019 for more detailed disclosure of outstanding shares, warrants and options.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the financial statements. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates and judgements relate to the calculation of share based payments and warrants, determination of functional currency, and the recoverability of value-added taxes receivable. Significant estimates and judgments made by management in the preparation of these financial statements are outlined below:

Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model. This estimate also requires determining the most appropriate inputs to the Black-Scholes valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

Functional Currency

The determination of the Company's functional currency requires analyzing facts that are considered primary factors, and if the result is not conclusive, the secondary factors. The analysis requires the Company to apply significant judgment since primary and secondary factors may be mixed. In determining its functional currency the Company analyzed both the primary and secondary factors, including the currency of the Company's operating costs in Canada, Peru, and Mexico, and sources of equity financing.

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Tax Provisions

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made. Value-added taxes receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. The determination of the appropriate allowance for doubtful accounts requires the application of significant judgment with respect to the collectability of the amounts outstanding and is based on historical experience.

Determination of Significant Influence and Impairment of Investment in Associate

Effective September 19, 2019, which is the date of acquisition, the Company has classified Winshear Gold Corp ("Winshear") as an associate based on management's judgment that the Company has significant influence through board representation and voting rights.

Impairment exists when the carrying value of the investment in associate exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The determination of impairment requires significant judgement and can be triggered by significant adverse changes in the market, economic or legal environment in which the associate operates.

CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- To maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and the industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, reserve accounts, accumulated deficit and reserve for foreign currency translation which at September 30, 2020 totaled \$829,190 (December 31, 2019 - \$43,017).

Palamina manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating and capital expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the nine month periods ended September 30, 2020 and 2019. The Company is not subject to any capital requirements imposed by lending institutions or regulatory body, other than the TSX Venture Exchange.

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FAIR VALUE AND FINANCIAL RISK FACTORS

Fair value of financial instruments

As at September 30, 2020 and December 31, 2019, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to their short term nature.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents. Cash and cash equivalents consist of cash on hand and on deposit with reputable financial institutions and management believe the risk of loss is minimal. The Company's maximum exposure to credit risk as at September 30, 2020 is the carrying value of cash and cash equivalents and receivables.

Liquidity risk

The Company's approach to managing liquidity risk is to endeavor it have sufficient liquidity to meet liabilities when due. As at September 30, 2020, the Company had current assets of \$80,635 (December 31, 2019 - \$82,703) including cash and cash equivalents of \$57,659 (December 31, 2019 - \$34,656) to settle current liabilities of \$178,983 (December 31, 2019 - \$553,170) resulting in working capital of \$98,348 (December 31, 2019 - \$470,467 working capital deficiency).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and the prices of commodities and equities.

Interest rate risk

The Company has cash and cash equivalents balances and no interest-bearing debt. The Company's current policy is to invest excess cash in short-term guaranteed investment certificates issued by banks. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its investments. As at September 30, 2020, the Company had cash and cash equivalents of \$57,659 (December 31, 2019 - \$34,656).

Foreign currency risk

The Company's exploration activities are conducted primarily in Peru. Major purchases and exploration expenditures are transacted in Peruvian nuevo soles and US dollars. Administrative expenditures and cash and cash equivalents balances are primarily transacted in Canadian dollars. The Company has exposure to foreign currency risk. The Company mitigates the risk of foreign currency fluctuations by converting Canadian currency to Peruvian nuevo soles and US dollars when required to fund expenditures in those currencies.

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to gold and silver to determine the appropriate course of action to be taken by the Company.

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Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the next 12-month period:

- (i) Interest rate risk is limited to cash and cash equivalents balances, primarily held in Canadian and US dollars in Canada.
- (ii) The Company's subsidiaries hold financial assets and liabilities in US dollars and Peruvian nuevo soles that give rise to foreign exchange risk. If the US dollar rose or fell in relation to the Canadian dollar by 5% with all other variables held constant, net loss for the nine month period ended September 30, 2020 would have been approximately \$1,000 higher/lower. If the Peruvian nuevo sole rose or fell in relation to the Canadian dollar by 5% with all other variables held constant, accumulated other comprehensive loss for the nine month period ended September 30, 2020 would have been approximately \$100 higher/lower.
- (ii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability from mineral exploration depends upon the world market price of valuable minerals. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even if commercial quantities of valuable minerals may be produced in the future, a profitable market will exist for them. As of September 30, 2020, the Company is not a producer of minerals. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

OTHER RISK FACTORS

There are a number of risks and uncertainties that may have a material and adverse impact on the future operating and financial performance of Palamina and could cause Palamina's proposed plans, prospects, strategies, events, operating and financial performance and results to differ materially from the estimates described in forward-looking statements and forward-looking information in this MD&A related to Palamina. These include widespread risks associated with any form of business and specific risks associated with Palamina's business and its involvement in the early-stage exploration and development industry. An investment in Palamina Shares, as well as Palamina's prospects, is highly speculative due to the high-risk nature of its business and the early stage of its exploration and development activities, as well as due to the limited assets and cash resources of Palamina. Shareholders of Palamina may lose their entire investment. The risks described below are not the only ones facing Palamina. Additional risks not currently known to Palamina, or that Palamina currently deems immaterial, may also impair Palamina's proposed plans, prospects, strategies, events, business, operations, financial performance and results. If any of the following risks actually occur, Palamina's plans, strategies, events, business, financial performance and condition, results and prospects could be adversely affected.

Public Health Crises such as the COVID-19

Pandemic In late December 2019, a novel coronavirus (COVID-19) originated, subsequently spread worldwide and on March 11, 2020, the World Health Organization declared it was a pandemic. The risks of public health crises such as the COVID-19 pandemic to our business include without limitation, the ability to raise funds, employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, potential breaches of material contracts, disruption of the Company's supply chains and other factors that will depend on future developments beyond the Company's control. In

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particular, the continued spread of the coronavirus globally, prolonged restrictive measures put in place in order to control an outbreak of COVID-19 or other adverse public health developments could materially and adversely impact the Company's business and exploration programs. There can be no assurance that the Company's personnel will not ultimately see its workforce productivity reduced or that the Company will not incur increased medical costs or insurance premiums as a result of these health risks. In addition, the coronavirus pandemic or the fear thereof could adversely affect global economies and financial markets resulting in volatility or an economic downturn that could have an adverse effect on the demand for metals and our future prospects.

Exploration, Development and Operating Risks

Mining operations generally involve a high degree of risk. Palamina's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, precious metals and other minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. The financing, exploration, development and mining of any of Palamina's exploration properties is furthermore subject to a number of macroeconomic, legal and social factors, including the price of gold, silver and copper, laws and regulations, political conditions, currency fluctuations, the ability to hire and retain qualified people, the inability to obtain suitable adequate machinery, equipment or labour and obtaining necessary services in jurisdictions in which Palamina operates. Unfavourable changes to these and other factors have the potential to negatively affect Palamina's business, plans, prospects, strategies, financial performance and condition and results.

The exploration for and development of mineral deposits is a speculative venture involving significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate or even mitigate. While the discovery of a commercially viable ore body may result in an increase in value for shareholders, few mineral properties which are explored are ultimately developed into producing mines. At present, none of the Company's properties have a known body of bankable commercial ore and the proposed exploration programs are exploratory. There is no certainty that the expenditures made by Palamina towards the exploration and evaluation of mineral deposits on its properties will result in discoveries or production of commercial quantities of gold or other minerals.

Substantial expenditures may be required to locate, evaluate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site, and substantial additional financing will be required. It is impossible to ensure that Palamina will be able to secure the necessary financing needed to pursue the exploration or development activities planned by Palamina or that its activities will result in an economically viable or profitable commercial mining operation. The decision as to whether a particular property contains a commercial mineral deposit and should or could be brought into production will depend on the results of exploration programs and/or geological and other studies, and the recommendations of duly qualified engineers and geologists. Several significant factors will be considered, including, but not limited to: (i) the particular attributes of the deposit, such as size, grade, metallurgical characteristics, and proximity to infrastructure; (ii) mineral prices, which are highly cyclical; (iii) government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, permitting, importing and exporting of minerals and environmental protection; (iv) available working capital and ongoing costs of exploration and development; (v) availability, terms and cost of additional funding; and (vi) local community and landowner opposition to

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access mineral rights. The exact effect of these factors cannot be accurately predicted, but one or any combination of these factors may result in Palamina not being able to pursue its business plans or strategy or its shareholders not receiving an adequate return on invested capital.

Early Stage Status and Nature of Exploration

The terms “Resource(s)” or “Reserve(s)” cannot be used to describe any of the Palamina’s exploration properties due to the early stage of exploration at this time. Any reference to potential quantities and/or grade is conceptual in nature, as there has been insufficient exploration to define any mineral resource and it is uncertain if further exploration will result in the determination of any mineral resource. Any information, including quantities and/or grade, described in this MD&A should not be interpreted as assurances of a potential resource or reserve, or of potential future mine life or of the viability or profitability of future operations.

Few properties that are explored are ultimately developed into producing mines. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining.

The economics of exploring and developing mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, costs of mining and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current planned exploration and development programs of Palamina will result in economically viable or profitable commercial mining operations. The profitability of Palamina’s operations will be, in part, directly related to the costs and success of its exploration and development programs, which may be affected by a number of factors. Substantial expenditures are required to establish mineral reserves that are sufficient to support commercial mining operations and to construct, complete and install mining and processing facilities on those properties that are actually developed.

No assurance can be given that any particular level of recovery of minerals will be realized or that any potential quantities and/or grade will ever qualify as a resource, or that any such mineral resource will ever qualify as a commercially viable (or mineable) deposit which can be legally and economically exploited. Where expenditures on a property have not led to the discovery of mineral reserves, incurred expenditures will generally not be recoverable.

Additional Capital

Palamina plans to focus on evaluating its properties and exploring for minerals and will use its working capital to carry out such activities. However, the exploration and development of Palamina’s exploration properties is expected to require substantial additional financing. The ability of Palamina to arrange such additional financing in the future will depend, in part, on the prevailing capital market conditions as well as the business and performance of Palamina. Failure to obtain additional financing could result in delaying or indefinite postponement of exploration, development or production on any or all of Palamina’s exploration properties or a loss of a property interest. 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 financing will be favourable to Palamina. If additional financing is raised by Palamina through the issuance of securities from treasury, control of Palamina may change and security holders may suffer potentially significant dilution.

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Joint Ventures and Subsidiaries

Palamina may, in the future, operate some of its activities and properties through joint ventures, subsidiaries, options, earn-ins or similar arrangements in order to fully exploit the exploration and production potential of its exploration assets. There can be no assurance that Palamina will be able to identify and successfully negotiate joint venture or similar arrangements with third parties on terms that are favourable to Palamina, or at all. Palamina may, in the future, be unable to meet its share of costs incurred under such arrangements and may have its property interests subject to such arrangements reduced as a result or even face termination of such arrangements.

Palamina is also subject to the typical risks associated with joint ventures and similar arrangements, including disagreement on how to develop, operate or finance the properties and activities and contractual and legal remedies of Palamina's partners in the event of such disagreements. In addition, any limitation on the transfer of cash or other assets between Palamina and such entities, or among such entities, could restrict Palamina's ability to fund its activities efficiently. Any such limitations or the perception that such limitations may exist now or in the future, could have an adverse impact on Palamina's business, plans, prospects, value and stock price.

No History of Operations

Palamina is an early-stage exploration and development company and has no history of mining or refining mineral products. As such, Palamina is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that Palamina will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

No History of Earnings

Palamina has not yet commenced operations and therefore has no history of earnings or of a return on investment, and there is no assurance that certain of its property interests or other assets will be economically viable or will be advanced to generate earnings, operate profitably or provide a return on investment in the future. No operating revenues are anticipated until one of Palamina's projects comes into production, which may or may not occur. Palamina will continue to experience losses unless and until it can successfully develop and begin profitable commercial production at one of its mining properties. There can be no assurance that Palamina will be able to do so.

No History of Profitability

Palamina is an early exploration and development stage company with no history of revenues or profitability. There can be no assurance that the activities of Palamina will be economically viable or profitable in the future. Palamina will require additional financing to further explore, develop, acquire, and achieve commercial production on its property interests and, if financing is unavailable for any reason, Palamina may become unable to acquire and retain its property interests and carry out its business plan.

Market Price and Trading of Palamina's Shares

Securities of micro-cap and small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. The price of the Palamina Shares is also likely to be significantly affected by its financial condition and results.

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As a result of any of these factors, the market price of the Palamina Shares at any given point in time may not accurately reflect Palamina's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. Palamina may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Industry and Economic Factors Affecting Palamina

Palamina is a junior resource company focused primarily on the evaluation, exploration and development of mineral properties and potential acquisition of mineral properties in the future. Palamina's future performance is largely tied to the financial markets related to junior resource companies, which is often cyclical. Palamina will continuously monitor several economic factors including the uncertainty regarding the price of gold, silver and copper and the availability of equity financing for the purposes of mineral exploration and development. Palamina's future performance is largely tied to its ability to raise additional financing needed to fund its ongoing exploration and operating activities and to pursue the exploration and the development of its mineral property interests and the overall financial markets. Financial markets in the mining sector are likely to continue to be volatile reflecting ongoing concerns about the global economy, and the general pessimistic outlook in the mining sector. Companies worldwide have been affected negatively by these trends. As a result, Palamina may have difficulties raising equity financing needed for the purposes of mineral exploration and development, particularly without excessively diluting the interests of its current shareholders. With continued market volatility expected, Palamina's current strategy is to continue a modest exploration program on its properties using existing cash and funds generated through equity financings if and when available and to seek out other prospective business opportunities, including entering into option arrangements and/or joint ventures. Palamina believes that this focused strategy will enable it to pursue its business strategy and plans in the near term. These trends may limit Palamina's ability to develop and/or further explore its properties, and/or acquire other property interests that could be acquired in the future. Management will monitor economic conditions and estimate their impact on Palamina's plans, strategies and activities and incorporate these estimates in short-term operating and longer-term strategic decisions.

Reliance on a Limited Number of Properties

The only material property interests of Palamina are its interests in Peru where the Coasa property is a material property for purposes of NI 43-101. While Palamina may seek to acquire additional mineral properties that are consistent with its business objectives, there can be no assurance that Palamina will be able to identify suitable additional mineral properties or, if it does identify suitable properties, that it will have sufficient financial resources to acquire such properties or that such properties will be available on terms acceptable to Palamina or at all.

Commodity Prices

The price of Palamina's securities, its financial condition and results, and its access to the capital required to finance its exploration activities may in the future be adversely affected by declines in the price of precious and base metals and, in particular, the price of gold and silver. Base and precious metal prices fluctuate widely and are affected by numerous factors beyond Palamina's control such as the sale or purchase of base and precious metals by various dealers, central banks and financial institutions, interest rates, exchange rates, inflation or deflation, currency exchange fluctuation, global and regional supply and demand, production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, environmental protection, and international political and economic trends, conditions and events. If these or other factors continue to adversely affect the price of base and precious metals, the market price of Palamina's securities may decline. A severe

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decline in the price of a mineral being explored or produced or expected to be explored or produced by Palamina would have a material adverse effect on Palamina, and could result in the suspension of exploration or development of properties by Palamina.

Insurance and Uninsured Risks

Palamina's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment, natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties, personal injury or death, environmental damage to Palamina's exploration properties or the properties of others, delays in the ability to undertake exploration, monetary losses and possible legal liability.

Palamina does not currently maintain insurance in respect of such risks. Although Palamina may in the future maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, such insurance even if obtained will not cover all the potential risks associated with a mining company's operations. Palamina may also be unable to obtain and maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration, development and production is not generally available to Palamina or to other companies in the resource industry on acceptable terms. Palamina might also become subject to liability for pollution or other hazards which it may not be insured against or which Palamina may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Palamina to incur significant costs that could have a material adverse effect upon its business, plans, prospects, financial performance and condition and results. The payment of such liabilities could reduce or eliminate Palamina's available funds or could exceed the funds available to Palamina to pay such liabilities and result in bankruptcy.

Environmental Risks and Hazards

The mining and mineral processing industries are subject to extensive environmental regulation for the protection of the environment. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. These regulations may adversely affect Palamina or require it to expend significant funds. There is also a risk that environmental and other laws and regulations may become more onerous, making it more costly for Palamina to remain in compliance with such laws and regulations.

There is no assurance that future changes in environmental regulation, if any, will not adversely affect Palamina's operations. Environmental hazards may exist on the properties on which Palamina holds interests which are unknown to Palamina at present and which have been caused by previous or existing owners or operators of the properties or by current or previous surface rights owners.

Palamina cannot give any assurances that breaches of environmental laws (whether inadvertent or not) or environmental pollution will not materially and adversely affect its business, plans and financial condition. There is no assurance that any future changes to environmental regulation, if any, will not adversely affect Palamina.

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Permitting

Palamina's current and anticipated future activities will require approvals and permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, exploration, development, mining, production, taxes, labour standards, health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There is no assurance that delays will not occur in connection with obtaining all such necessary approvals and permits for the existing activities or additional approvals or permits for any possible future changes to operations. Prior to any development on any of its properties, Palamina must receive permits from appropriate governmental authorities. There can be no assurance that Palamina will obtain or continue to hold all permits necessary to develop or continue its activities at any particular property. Delays in obtaining or a failure to obtain any licenses or permits or extensions thereto, challenges to the issuance of such licenses or permits, whether successful or unsuccessful, changes to the terms of such licenses or permits or a failure to comply with the terms of any such licenses or permits that Palamina has obtained, could have a material adverse effect on Palamina by delaying or preventing or making more expensive exploration and/or development.

Title to Mining Concessions

The acquisition of the right to explore and/or exploit mineral properties is a detailed and time-consuming process. Although Palamina has either obtained title opinions or reviewed title for its properties, there is no guarantee that title to such property interests will not be challenged or impugned. Palamina's mineral properties may be subject to prior registered or unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects and land claims. A successful challenge to the validity of, or the precise area and location of, these claims could result in Palamina being unable to operate on its properties as permitted or being unable to enforce its rights with respect to its properties.

Further, in order to maintain the mining concessions, Palamina must incur certain minimum exploration expenditures annually or risk forfeiture of the mining concessions and any such expenditure made to such time. In light of Palamina's cash resources anticipated following the completion of the Arrangement, and in the absence of Palamina obtaining additional sources of funding, it is possible that Palamina may not be able to continue to commit the required minimum exploration expenditures required for its properties beyond the near-term.

Infrastructure

Development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, and government or other interference in the maintenance or provision of such infrastructure could adversely affect Palamina's business, plans, prospects, financial condition and results.

Competition

The resource and mining exploration industry is intensely competitive in all of its phases. As a result of this competition, some of which is with significantly larger, established mining companies with substantial capabilities and greater financial and technical resources than Palamina, Palamina may be unable to continue to explore and develop its existing properties, or to acquire additional mineral properties in the future. Palamina may also encounter increasing competition from other resource and mining companies, many of which are significantly larger with significantly greater resources, in its efforts to hire experienced mining professionals.

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Government Regulation

The mineral exploration activities (as well as the potential for eventual mining, processing and development activities) of Palamina will be subject to extensive laws and regulations governing prospecting, exploration, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, waste disposal, water use, land claims of local people, protection of historic and archaeological sites, mine development, protection of endangered and protected species and other matters.

Government approvals, approval of the local population and permits are currently, and may in the future be required in connection with Palamina's proposed activities. To the extent such approvals are required and not obtained, Palamina may be curtailed or prohibited from continuing its exploration or development activities or from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing activities to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in the exploration or development of mineral properties or mining operations may be required to compensate those suffering loss or damage by reason of their activities and may have civil or criminal fines or penalties imposed for violations of applicable laws. Regulators in Peru have broad authority to shut down and/or levy fines against facilities that do not comply with regulations or standards.

Palamina's mineral exploration and development activities may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase royalties payable or the costs related to Palamina's activities or maintaining its properties. Operations may also be affected in varying degrees by government regulations with respect to restrictions on exploration, development, production, price controls, government imposed royalties, claim fees, export controls, income taxes, and expropriation of property, environmental legislation and mine safety. The effect of these factors cannot be accurately predicted. Although Palamina's exploration and development activities are expected to be carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration or development.

Furthermore, any shift in political attitudes, or amendments to current laws and regulations governing activities of exploration, development, mining or milling or more stringent implementation thereof are beyond the control of Palamina and could have a substantial adverse impact on Palamina.

Foreign Operations

Palamina's material exploration property is located in Peru and are subject to those jurisdiction's laws. As such, Palamina's activities will be and may increasingly be exposed to various levels of political, economic and other risks and uncertainties. Palamina believes the present attitude of Peru to foreign investment and resource exploration to be favourable, but investors should assess the political risks of investing in a foreign country. These risks and uncertainties vary from country to country and include, but are not limited to: terrorism; hostage taking; military repression; fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; and changing political conditions and governmental regulations, including changing environmental legislation.

Peru is working to develop greater political and economic stability. However, Peru continues to experience heightened levels of political and economic instability due to regional geopolitical instability.

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These conditions may be exacerbated by current global economic conditions. This instability may cause changes to existing governmental regulations affecting mineral exploration and mining activities, and exposes Palamina to various risks associated with emerging markets, and/or may have a material adverse effect on Palamina's plans, properties, business, financial condition and results. While Palamina intends to implement various controls relative to its operations, including controls ensuring compliance with the *Corruption of Foreign Public Officials Act*, there is no assurance that such controls will eliminate such risks. These controls in conjunction with future periodic site visits are anticipated to provide management with the necessary internal controls relative to the operations in Peru. Palamina will also monitor the business and regulatory environment of Peru in order to minimize the potential impact on costs and operations.

Variations from the current regulatory, economic and political climate could have an adverse effect on the affairs of Palamina. Changes, if any, in resource exploration or investment policies or shifts in political attitudes in Peru may adversely affect its activities or viability. Activities may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on operations, income taxes, expropriation of property, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the plans, properties, business, financial condition or results of Palamina.

In addition, in the event of a dispute arising from foreign operations, Palamina may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. It is not possible for Palamina to accurately predict such developments or changes in laws or the extent to which any such developments or changes may have a material adverse effect on Palamina's business.

Influence of Third Party Stakeholders

Some of the lands in which Palamina holds an interest, or the exploration equipment and roads or other means of access which Palamina intends to utilize in carrying out its work programs or general business activities, may be subject to interests or claims by third party individuals, groups or companies. In the event that such third parties assert any claims or do not consent to Palamina carrying on activities on lands subject to their interests or claims, Palamina's work programs may be delayed or prevented, even if such claims are not meritorious. Such claims or delays may result in significant financial loss and loss of opportunity for Palamina.

Palamina may need to enter into negotiations with landowners and other groups in local communities in Peru in order to conduct further exploration and development work on its properties. There is no assurance that future discussions and negotiations will result in agreements with landowners and other local community groups in Peru or if such agreements will be on terms acceptable to Palamina so that Palamina may continue to conduct exploration and development activities on these properties.

Share Price Fluctuations

In recent years, securities markets have experienced a high level of price and volume volatility. The securities of many companies, particularly those considered exploration-stage companies such as Palamina, have experienced wide fluctuations in market prices which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no

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assurance that the price of the Palamina Shares will be unaffected by any such volatility. The market price of the shares of mineral resource companies is also significantly affected by short-term changes in commodity prices, precious and base metal prices or other mineral prices.

Acquisitions and Integration

From time to time, Palamina may examine opportunities to acquire additional exploration and/or mining assets and businesses. Any acquisition that Palamina may choose to complete may be of a significant size relative to the size of Palamina, may change the nature or scale of Palamina's business and activities, and may expose Palamina to new geographic, political, operating, financial and geological risks. Palamina's success in its acquisition activities, if any, depends upon its ability to obtain additional sources of financing, identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate any acquired operations successfully with those of Palamina. Any acquisitions would be accompanied by risks. In the event that Palamina chooses to raise debt capital to finance any such acquisitions, Palamina's leverage will be increased. If Palamina chooses to use equity as consideration for such acquisitions, existing shareholders may suffer significant dilution. There can be no assurance that Palamina would be successful in obtaining additional sources of financing or in overcoming these risks or any other problems encountered in connection with such acquisitions.

Management of Growth

Palamina may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Palamina to manage growth effectively will require it to continue to implement and improve its operations and financial systems and to expand, train and manage its employee base. The inability of Palamina to deal with this growth could have a material adverse impact on its business, plans, operations and prospects.

Dilution

Financing the development of a mineral property through to production, should feasibility studies show it is recommended, would be expensive and Palamina would require additional monies to fund development and exploration programs and potential acquisitions. Palamina cannot predict the size of future issuances of Palamina Common Shares or the issuance of debt instruments or other securities convertible into Palamina Common Shares. Likewise, Palamina cannot predict the effect, if any, that future issuances and sales of Palamina's securities will have on the market and market price of the Palamina Shares. If Palamina raises additional funds by issuing additional equity securities, such financing may substantially dilute the interests of existing shareholders. Sales of substantial numbers of Palamina securities, or the availability of such Palamina securities for sale, could adversely affect the market, liquidity and any prevailing market prices for Palamina's securities.

Dividend Policy

No dividends on the Palamina Common Shares have been paid by Palamina to date. Payment of any future dividends will be at the discretion of Palamina's board of directors after taking into account many factors, including Palamina's operating results, financial condition and current and anticipated cash needs. At this time, Palamina has no source of cash flow and anticipates using all available cash resources towards its stated business objectives and retaining all earnings, if any, to finance its business activities.

Key Personnel

Palamina's development will be dependent on the efforts of key management and potentially other key personnel. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. The loss of any of these people, particularly to competitors, could have a material adverse effect on Palamina's business. Further, with respect to the

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future development of Palamina's exploration properties, it may become necessary to attract both international and local personnel for such development. The marketplace for key skilled personnel is highly competitive, which means the cost of hiring, training and retaining such personnel may increase. Factors outside Palamina's control, including competition for human capital and the high level of technical expertise and experience required to execute this development, will affect Palamina's ability to identify and retain the specific personnel required.

Due to the relatively small size of Palamina, the loss of key personnel or Palamina's inability to attract and retain additional highly skilled employees or consultants may adversely affect its business, activities and future plans. Palamina does anticipate carrying any "key person" life insurance in respect of any of its directors, officers or other employees.

Risk of Litigation

Palamina may become involved in disputes with other parties in the future which may result in litigation or other legal proceedings. The results of legal proceedings cannot be predicted with certainty. If Palamina is unable to resolve these disputes favourably, it may have a material adverse impact on the ability of Palamina to carry out its business plan.

Internal Controls

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

Conflicts of Interest

Certain of the directors and officers of Palamina also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving Palamina will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of Palamina and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the OBCA and other applicable laws.

DISCLOSURE AND INTERNAL CONTROLS

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (Form 52-109FV2), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

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- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's IFRS.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

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

The Corporation's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for the design and effectiveness of disclosure controls and procedures ("DC&P") and the design of international control over financial reporting ("ICFR") to provide reasonable assurance that material information related to the Corporation is made known to the Corporation's certifying officers. The Corporation's controls are based on the Committee of Sponsoring Organizations ("COSO") 2013 framework. The Corporation's CEO and the CFO have evaluated the design and effectiveness of the Corporation's DC&P as of September 30, 2020 and have concluded that these controls and procedures are effective in providing reasonable assurance that material information relating to the Corporation is made known to them by others within the Corporation. The CEO and CFO have also evaluated the design and effectiveness of the Corporation's ICFR as of September 30, 2020 and concluded that these controls and procedures are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

During the current period there have been no changes in the Corporation's DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Cautionary Note Regarding Forward-Looking Information

Except for statements of historical fact relating to Palamina, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's properties; the future price of precious and/or base metals; success of exploration activities; cost and timing of future exploration and development; requirements for additional capital and other statements relating to the financial and business prospects of the Company. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during permitting; the possibility that future exploration results will not be consistent with the

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Company's expectations; timing and availability of external financing on acceptable terms and in light of the current decline in global liquidity and credit availability; the uncertainty of conducting activities within a joint venture structure; currency exchange rates; government regulation of mining operations; failure of equipment or processes to operate as anticipated; risks inherent in mineral exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations; and uncertain political and economic environments. Although management of Palamina has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Caution Regarding Adjacent or Similar Mineral Properties

This MD&A contains information with respect to adjacent or similar mineral properties in respect of which the Company has no interest or rights to explore or mine. The Company advises US investors that the mining guidelines of the US Securities and Exchange Commission (the "SEC") set forth in the SEC's Industry Guide 7 ("SEC Industry Guide 7") strictly prohibit information of this type in documents filed with the SEC. Readers are cautioned that the Company has no interest in or right to acquire any interest in any such properties, and that mineral deposits on adjacent or similar properties, and any production therefore or economics with respect thereto, are not indicative of mineral deposits on the Company's properties or the potential production from, or cost or economics of, any future mining of any of the Company's mineral properties.

Management's Responsibility for Financial Information

The unaudited interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Palamina Corp.

Management Discussion & Analysis Nine Month Period Ended September 30, 2020

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

External auditors, appointed by the shareholders, have not audited or reviewed the unaudited interim consolidated financial statements for the nine month period ended September 30, 2020, and did not perform the tests deemed necessary to enable them to express an opinion on these unaudited interim consolidated financial statements.

November 27, 2020

(Signed) "*Andrew Thomson*"
Andrew Thomson
President and Chief Executive Officer

(Signed) "*Brian Jennings*"
Brian Jennings
Chief Financial Officer