



(FORMERLY BCGOLD CORP.)

(An Exploration Stage Company)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2017 and FEBRUARY 29, 2016

(Canadian Funds)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Pan Andean Minerals Ltd.

We have audited the accompanying consolidated financial statements of Pan Andean Minerals Ltd. which comprise the consolidated statements of financial position at February 28, 2017 and February 29, 2016 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's file preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pan Andean Minerals Ltd. as at February 28, 2017 and February 29, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Pan Andean Minerals Ltd. to continue as a going concern.



CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC
August 23, 2017

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Statement 1

Consolidated Statements of Financial Position

As at

(Canadian Funds)

Assets	February 28, 2017	February 29, 2016
Current Assets:		
Cash and cash equivalents	\$ 64,668	\$ 17,361
Marketable securities (Note 4)	1,000	1,000
Sales tax and other receivables	71,079	1,920
Deposits	12,597	12,597
Prepaid expenses	57,563	-
	206,907	32,878
Non-Current Assets:		
Property and equipment (Note 5)	9,860	262,756
Reclamation bonds (Note 6)	55,500	55,500
Exploration and evaluation assets (Note 7)	2,692,497	1,068,941
Total Assets	\$ 2,964,764	\$ 1,420,075
Liabilities and Equity		
Current Liabilities:		
Accounts payable and accrued liabilities (Note 11(b))	\$ 426,036	\$ 295,790
Promissory note (Note 8)	-	288,909
Flow-through premium liability (Note 9)	2,290	-
Total Liabilities	428,326	584,699
Shareholders' Equity:		
Share capital - (Statement 4) - (Note 10)	16,913,687	14,189,032
Share-based payments reserve (Statement 4)	5,021,571	4,540,606
Accumulated other comprehensive loss ("AOCL") - (Statement 4)	(237,523)	(237,523)
Deficit - (Statement 4)	(19,161,297)	(17,656,739)
Total Equity	2,536,438	835,376
Total Liabilities and Equity	\$ 2,964,764	\$ 1,420,075

Nature of Operations and Going Concern (Note 1)

Commitments (Notes 7 and 13)

Subsequent Events (Note 16)

Approved by the Board of Directors on August 23, 2017:

"Gary Anderson" _____, Director

"John Kowalchuk" _____, Director

The accompanying notes are an integral part of these consolidated financial statements

Pan Andean Minerals Ltd.*(An Exploration Stage Company)*

Statement 2

Consolidated Statements of Loss and Comprehensive Loss**For the years ended February 28, 2017 and February 29, 2016***(Canadian Funds)*

	2017	2016
Expenses		
Corporate listing and filing fees	\$ 42,337	\$ 15,584
Depreciation	2,896	3,805
Exploration and evaluation expenses (Note 7)	239,256	152,996
Investor relations	125,886	-
Office expenses	42,100	49,110
Bad debts	3,000	15,088
Professional fees	184,692	32,817
Rent	31,008	41,399
Travel	65,785	-
Wages and consulting fees	182,282	27,780
Loss from Operations	919,242	338,579
Other (Income) Expense:		
Interest and other expense (Note 8)	4,103	39,055
Loss (gain) on disposal of exploration and evaluation assets (Note 5, 7(a), 7(e) & 7(f))	581,213	(35,000)
Impairment of exploration and evaluation assets (Note 7(c))	-	50,000
Loss on debt settlement (Note 10(d))	-	22,050
Total Other (Income) Expense	585,316	76,105
Loss Before Income Taxes	1,504,558	414,684
Income tax recovery	-	(4,000)
Net Loss for the Year	1,504,558	410,684
Unrealized loss on marketable securities	-	12,575
Comprehensive Loss for the Year	\$ 1,504,558	\$ 423,259
Loss per share		
- Basic and diluted	\$ 0.04	\$ 0.05
Weighted average number of common shares outstanding	35,217,373	8,348,213

The accompanying notes are an integral part of these consolidated financial statements

Pan Andean Minerals Ltd.*(An Exploration Stage Company)*

Statement 3

Consolidated Statements of Cash Flows**For the years ended February 28, 2017 and February 29, 2016***(Canadian Funds)*

Cash Resources Provided By (Used In)	2017	2016
Operating Activities:		
Net loss for the year	\$ (1,504,558)	\$ (410,684)
Adjustment for items which do not involve cash:		
Depreciation	2,896	3,805
Interest accrued on promissory note	12,954	38,909
Loss on disposal of exploration and evaluation assets	581,213	-
Impairment of exploration and evaluation assets	-	50,000
Income tax recovery	-	(4,000)
Changes in non-cash working capital components:		
Accounts payable and accrued liabilities	207,955	169,958
Prepaid expenses	(57,563)	1,875
Sales tax and other receivables	(30,133)	9,173
Deposits	-	20,423
Cash used in Operating Activities	(787,236)	(120,541)
Investing Activities:		
Proceeds from disposition of exploration and evaluation assets	17,608	-
Acquisition of exploration and evaluation assets	(177,748)	-
Redemption of reclamation bonds <i>(Note 6)</i>	-	28,300
Cash (used in) provided by Investing Activities	(160,140)	28,300
Financing Activities:		
Issuance of common shares and warrants	1,078,400	-
Share issue costs	(83,717)	-
Cash provided by Financing Activities	994,683	-
Net Increase (Decrease) in Cash and Cash Equivalents	47,307	(92,241)
Cash and Cash Equivalents - beginning of the year	17,361	109,602
Cash and Cash Equivalents - End of the Year	\$ 64,668	\$ 17,361
Cash and Cash Equivalents Consist of the Following:		
Cash	\$ 36,768	\$ 17,361
Restricted Cash* <i>(Note 10(g))</i>	27,900	-
Total Cash and Cash Equivalents	\$ 64,668	\$ 17,361

* In conjunction with the flow through private placements during the year ended February 28, 2017 (See Note 9), the Company has \$27,900 in cash that is required to be spent on qualified mineral exploration expenditures.

The accompanying notes are an integral part of these consolidated financial statements

Pan Andean Minerals Ltd.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows (continued)
For the years ended February 28, 2017 and February 29, 2016
(Canadian Funds)

Statement 3 (continued)

	2017		2016
Supplemental Schedule of Non-cash Investing Activities:			
Fair value of shares issued – Peru – Share Purchase Agreement	\$ 2,100,000	\$	-
Fair value of shares issued – property option payment	\$ 25,000	\$	1,500
Fair value of warrants issued – property option payment	\$ -	\$	1,900
Fair value of warrants issued	\$ 546,401	\$	-
Flow through premium liability	\$ 2,290	\$	-
Shares issued for debt	\$ 88,227	\$	-

The accompanying notes are an integral part of these consolidated financial statements

Pan Andean Minerals Ltd.

Statement 4

Consolidated Statements of Changes in Equity

FOR THE YEARS FEBRUARY 28, 2017 and FEBRUARY 29, 2016

(Canadian Funds)

	NOTES	SHARE CAPITAL		SHARE-BASED	ACCUMULATED	DEFICIT	TOTAL EQUITY
		SHARES	AMOUNT	PAYMENTS RESERVE	OTHER COMPREHENSIVE LOSS ("AOCL")		
Balance – February 28, 2015		41,687,785	14,187,532	4,538,706	(224,948)	(17,246,055)	1,255,235
Shares issued for exploration and evaluation asset		100,000	1,500	-	-	-	1,500
Warrants issued for exploration and evaluation asset		-	-	1,900	-	-	1,900
Shares consolidation, February 29, 2016		(33,430,228)					
Unrealized loss on marketable securities		-	-	-	(12,575)	-	(12,575)
Net loss for the year		-	-	-	-	(410,684)	(410,684)
Balance – February 29, 2016		8,357,557	14,189,032	4,540,606	(237,523)	(17,656,739)	835,376
Shares issued in private placements	10(c)	21,568,000	1,076,110	-	-	-	1,076,110
Share issuance costs	10(c)	-	(75,023)	(65,436)	-	-	(140,459)
Shares issued for exploration and evaluation asset	10(b)	500,000	25,000	-	-	-	25,000
Shares issued for acquisition	10(b)	30,000,000	2,100,000	-	-	-	2,100,000
Share issued for debt settlement	10(d)	1,764,544	88,227	-	-	-	88,227
Fair market value of warrants issued	10(c)	-	(489,659)	489,659	-	-	-
Fair market value of finders warrants issued	10(c)	-	-	56,742	-	-	56,742
Net loss for the year		-	-	-	-	(1,504,558)	(1,504,558)
Balance – February 28, 2017		62,190,101	16,913,687	5,021,571	(237,523)	(19,161,297)	2,536,438

The accompanying notes are an integral part of these consolidated financial statements

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

FOR THE YEARS FEBRUARY 28, 2017 and FEBRUARY 29, 2016

(Canadian Funds)

1. Nature of Operations and Going Concern

Pan Andean Minerals Ltd. (the “Company” or “Pan Andean”) is an exploration stage enterprise focusing on the acquisition, exploration and development of economic gold and other precious and base metal properties. Currently, the Company’s principal mineral properties are the Minto/Carmacks Copper-Gold Properties located in the Yukon, and the Cima and Chanape properties in Peru. Pan Andean Minerals Ltd. is a publicly listed company incorporated under the Business Corporations Act of British Columbia on February 10, 2006 as 0748496 B.C. Ltd. On March 1, 2006, the Company changed its name to BCGold Corp, and again on March 16, 2017 to Pan Andean Minerals Ltd. The Company is listed on the TSX Venture Exchange (“TSX.V”) under the symbol “PAD”. The head office, principal address and records office of the Company are located at Suite 520 – 800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6. The Company’s registered address is Suite 1500 - 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company continues to incur operating losses, has limited financial resources, no source of operating cash flow, and no assurances that sufficient funding, including adequate financing, will be available to conduct further exploration and development of its exploration and evaluation assets projects. These material uncertainties may cast a significant doubt on the validity of this assumption. The Company’s ability to continue as a going concern is dependent upon its ability to obtain the financing necessary to continue operations. As at February 28, 2017, the Company has an accumulated deficit of \$19,161,297 (February 29, 2016 - \$17,656,739), a net loss for the year ended February 28, 2017 of \$1,504,558 (February 29, 2016 of \$410,684) and has working capital deficiency of \$221,419 (February 29, 2016 – working capital deficiency of \$551,821).

If the going concern assumption is not appropriate for these consolidated financial statements, adjustments could be necessary in the carrying values of assets, liabilities, reported income and expenses and the statement of financial position classifications used. Such adjustments could be material.

2. Basis of Preparation

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The significant accounting policies, as disclosed, have been applied consistently to all periods presented in these consolidated financial statements.

Basis of Presentation and Consolidation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements incorporate the financial statements of the Company and the entities controlled (directly or indirectly) by the Company (its subsidiaries) including Circum-Pacific Holdings Ltd., Canada, Minera Chanape SAC, Peru and Cima De Oro SAC, Peru. All significant intercompany transactions and balances have been eliminated.

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Notes to the Consolidated Financial Statements

FOR THE YEARS FEBRUARY 28, 2017 and FEBRUARY 29, 2016

(Canadian Funds)

2. Basis of Preparation - continued

Basis of Presentation and Consolidation - continued

Control is based on whether an investor has power over the investee and the ability to use its power over the investee to affect the amount of the returns.

Critical Accounting Estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position based on the planned exploration budgets and drill results of exploration programs.
- ii) The inputs used in accounting for share-based compensation expense included in profit or loss calculated using the Black-Scholes option pricing model.
- iii) The valuations of shares issued in non-cash transactions using the quoted share price as the fair value based measurement on the date the shares are issued for the transaction.
- iv) The recognition of deferred tax assets based on the change in unrecognized deductible temporary tax differences.

3. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these annual consolidated financial statements are as follows:

(a) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. It also includes cash specifically assigned to meet flow-through qualifying expenditures.

(b) Short-term Investments

The Company classifies all its investments with maturities greater than three months to one year as short-term investments.

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FOR THE YEARS FEBRUARY 28, 2017 and FEBRUARY 29, 2016

(Canadian Funds)

3. Summary of Significant Accounting Policies - *continued*

(c) Exploration and Evaluation Assets

Exploration and evaluation expenses are charged to earnings as they are incurred until the mineral property reaches the development stage. Significant costs related to property acquisitions are capitalized until the viability of the mineral interest is determined. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be depreciated against production following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned. From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Because the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation assets or recoveries when the payments are made or received.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge titles to all of its properties are in good standing.

(d) Restoration Provision

The Company records a liability based on the best estimate of costs for restoration activities that the Company is legally or constructively required to remediate and recognizes the liability when those obligations result from the acquisition, construction, development or normal operations of assets. Restoration provisions are measured at the present value of the expected expenditures required to settle the obligation using a pre-tax discount rate reflecting the time value of money and risks specific to the liability. The liability is increased for the passage of time and adjusted for changes to the current market-based risk-free discount rate, and the amount of or timing of the underlying cash flows needed to settle the obligation. The associated restoration costs are capitalized as part of the carrying amount of the related property, plant and equipment and amortized on a systematic basis over the expected useful life of the asset.

As at February 28, 2017, the calculation of any possible asset retirement obligation is not considered determinable.

(e) Impairment of Non-Current Assets

Non-current assets are evaluated at each reporting period by management for indicators that the carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in income to the extent that the carrying amount exceeds the recoverable amount.

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(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

FOR THE YEARS FEBRUARY 28, 2017 and FEBRUARY 29, 2016

(Canadian Funds)

3. Summary of Significant Accounting Policies - *continued*

(e) Impairment of Non-Current Assets – *continued*

In calculating the recoverable amount, the Company uses discounted cash flow techniques to determine value in use when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social and legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognized immediately in the statement of loss and comprehensive loss.

Management estimates of mineral prices, recoverable reserves, and operating, capital and restoration costs are subject to certain risks and uncertainties that may affect the recoverability of mineral interests. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its projects.

The Company follows the guidance in *IFRS 6 – Exploration for and Evaluation of Mineral Resources* to determine whether exploration and evaluation assets are impaired. This determination requires significant judgment. Impairment indicators relevant for exploration and evaluation properties include whether the rights to explore the area of interest have expired during the period or will expire in the near future, and the rights are not expected to be renewed, substantive expenditure of further exploration and evaluation is not planned or budgeted, the activities have not lead to a discovery of commercial reserves and the Company has decided not to continue such activities in the area of interest or deteriorating local conditions such that it may become unsafe to continue operations. If an impairment indicator is identified, management will perform an impairment test. If the recoverable amount of the exploration and evaluation assets is less than the carrying amount, an impairment loss would be recorded in the consolidated financial statements.

(f) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders equity and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. Other comprehensive income (loss) includes the holding gains and losses from available-for-sale securities which are not included in net income (loss) until realized.

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Notes to the Consolidated Financial Statements

FOR THE YEARS FEBRUARY 28, 2017 and FEBRUARY 29, 2016

(Canadian Funds)

3. Summary of Significant Accounting Policies - *continued*

(g) Marketable Securities

Marketable securities consisting of common shares of public companies are classified as available-for-sale and are reported at market value. At the end of each reporting period, management determines if there has been a change in the market value of each individual security and records an adjustment to market value, with the offsetting debit or credit to other comprehensive income (loss).

(h) Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation and net accumulated impairment losses. The Company provides for depreciation using the declining balance method at rates designed to amortize the cost of the property and equipment over its estimated useful life. The annual depreciation rates are as follows:

Computer equipment	30 %
Computer software	100 %
Office furniture and equipment	20 %
Project field equipment	20 %

(i) Income Taxes

The Company uses the balance sheet method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) Share-based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Where awards are forfeited because non-market based vesting conditions are not satisfied, the expense previously recognized is proportionately reversed in the period the forfeiture occurs.

Pan Andean Minerals Ltd.

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Notes to the Consolidated Financial Statements

FOR THE YEARS FEBRUARY 28, 2017 and FEBRUARY 29, 2016

(Canadian Funds)

3. Summary of Significant Accounting Policies - *continued*

(k) Share Capital

The Company records in share capital proceeds from share issuances, net of issue costs and any tax effects. The fair value of common shares issued as consideration for mineral properties is based on the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of Directors. Stock options and other equity instruments issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value.

(l) Loss per Share

Loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Under this method, the weighted average number of common shares used to calculate the dilutive effect in the statement of loss and comprehensive loss assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the period. In periods where a net loss is incurred, basic and diluted loss per share is the same as the effect of outstanding stock options and warrants would be anti-dilutive.

(m) Flow-Through Shares

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. For accounting purposes, the proceeds from the issuance of these shares are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the existing shares and the amount the investor pays for the shares. A liability is recognized in other liabilities for this difference. The liability is reduced and the reduction of premium liability is recorded in deferred tax recovery when eligible expenditures are fully incurred.

(n) Mineral Exploration Tax Credits ("METC")

The Company recognizes METC amounts when the Company's METC application is approved by the relevant jurisdiction or when the amount to be received can be reasonably estimated and collection is reasonably assured.

(p) Financial Instruments

(i) Financial Assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through income.

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Notes to the Consolidated Financial Statements

FOR THE YEARS FEBRUARY 28, 2017 and FEBRUARY 29, 2016

(Canadian Funds)

3. Summary of Significant Accounting Policies - *continued*

(p) Financial Instruments - *continued*

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost less any impairment. Cash and cash equivalents, other receivables and reclamation bonds have been classified under this category.

Available-For-Sale

Available-for-sale ("AFS") financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income (loss) and classified as a component of equity. When the assets are sold or an impairment write-down is required, the accumulated fair value adjustments recognized in equity are included in the statement of loss. AFS assets include marketable securities which consist of investments in equities of other entities.

(ii) Financial Liabilities

The Company classifies its financial liabilities in the following categories: borrowings and other financial liabilities and derivative financial liabilities.

Borrowings and Other Financial Liabilities

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transactions costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of loss over the period to maturity using the effective interest method. Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Accounts payable and accrued liabilities have been classified under this category.

Derivative Financial Liabilities

Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit or loss. There are no financial liabilities classified under this category.

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Notes to the Consolidated Financial Statements

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3. Summary of Significant Accounting Policies - *continued*

(q) Impairment of Financial Assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss) is impaired.

The criteria used to determine if there is objective evidence of an impairment loss includes:

- significant financial difficulty of the obligor;
- delinquencies in interest or principal payments; and
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

If such evidence exists, the Company recognizes an impairment loss, as follows:

- (i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
- (ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the loss in accumulated other comprehensive income that is reclassified to net income.

Impairment losses on financial assets carried at amortized cost and available-for-sale debt instruments are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

(r) Foreign Currency Translation

The functional currency and, unless otherwise indicated, the presentation currency of the Company is the Canadian ("Cdn") Dollar. The Peruvian subsidiaries' transactions not in Cdn Dollars are translated into Cdn Dollars as follows:

- monetary assets and liabilities at the rates of exchange prevailing at the statement of financial position dates;
- non-monetary assets and liabilities at the applicable historical exchange rates; and
- revenues and expenses at the average rates of exchange for the period.

Exchange gains and losses arising from the conversion of foreign currency balances and transactions are reported in profit or loss as they occur.

(s) Pronouncements Affecting Financial Statement Presentation or Disclosures

The adoption of the following new and amended IFRS pronouncements resulted in enhanced financial statement disclosures in the Company's interim and annual consolidated financial statements.

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3. Summary of Significant Accounting Policies - *continued*

(s) Pronouncements Affecting Financial Statement Presentation or Disclosures - *continued*

IFRS 9 – Financial Instruments

The IASB has issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 will replace the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. The new standard also requires a single impairment method to be used, provides additional guidance on the classification and measurement of financial liabilities, and provides a new general hedge accounting standard.

The mandatory effective date has tentatively been set for January 1, 2018; however, early adoption of the new standard is permitted. The Company currently does not intend to early adopt IFRS 9. The adoption of IFRS 9 is currently not expected to have a material impact on the consolidated financial statements as the classification and measurement of the Company's consolidated financial instruments is not expected to change given the nature of the Company's operations and the types of financial instruments that it currently holds.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 "Leases". IFRS 16 will replace IAS 17 "Leases" and IFRIC 4 "Determining whether an arrangement contains a lease". IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the lessee and the lessor. The standard brings most leases in the lessee's statement of financial position under a single model, eliminating the previous classifications of operating and finance leases. The only exemptions to this treatment are for lease contracts with duration of less than one year and those with a low value of the underlying asset. This accounting treatment will result in the grossing up of the statement of financial position due to a right-of-use asset being recognized with an offsetting liability representing the obligation to make lease payments. Lessor accounting under the standard remains largely unchanged. IFRS 16 is to be applied retrospectively or on a modified retrospective basis and is effective for years beginning on or after January 1, 2019, with earlier application permitted. The potential impact of the adoption of this standard on consolidated statements of the Corporation has not yet been determined.

IFRS – Amendments to IAS 7 "Statement of Cash Flows"

Statement of cash flow In January 2016, the IASB issued amendments to IAS 7 "Statement of Cash Flows", which will require specific disclosures for movements in certain liabilities on the statement of cash flows. These amendments will be applicable for the annual period beginning on or after January 1, 2017, with earlier application permitted. The potential impact of the adoption of this standard on consolidated statements of the Corporation has not yet been determined.

4. Marketable Securities

Marketable securities have been classified as available-for-sale investments consisting of various common shares held by the Company of other public companies and are summarized as follows:

	February 28, 2017		February 29, 2016	
	Market Value	Cost	Market Value	Cost
Common shares of public companies, not subject to significant influence	\$ 1,000	\$ 238,523	\$ 1,000	\$ 238,523

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5. Property and Equipment

	Computer Equipment	Computer Software	Office Furniture and Equipment	Project Field Equipment	Total
Cost					
Balance at February 28, 2015	\$ 44,478	\$ 82,138	\$ 34,464	\$ 17,422	\$ 178,502
Additions	-	-	-	250,000	250,000
Balance at February 29, 2016	\$ 44,478	\$ 82,138	\$ 34,464	\$ 267,422	\$ 428,502
Disposals	-	-	-	(250,000)	(250,000)
Balance at February 28, 2017	\$ 44,478	\$ 82,138	\$ 34,464	\$ 17,422	\$ 178,502
Amortization					
Balance at February 28, 2015	\$ (39,553)	\$ (82,138)	\$ (27,407)	\$ (12,843)	\$ (161,941)
Additions	(1,478)	-	(1,411)	(916)	(3,805)
Balance at February 29, 2016	\$ (41,031)	\$ (82,138)	\$ (28,818)	\$ (13,759)	\$ (165,746)
Additions	(1,034)	-	(1,129)	(733)	(2,896)
Balance at February 28, 2017	\$ (42,065)	\$ (82,138)	\$ (29,947)	\$ (14,492)	\$ (168,642)
Carrying amounts - NBV					
At February 28, 2015	\$ 4,925	\$ -	\$ 7,057	\$ 4,579	\$ 16,561
At February 28, 2016	\$ 3,447	\$ -	\$ 5,645	\$ 253,663	\$ 262,756
At February 28, 2017	\$ 2,413	\$ -	\$ 4,517	\$ 2,931	\$ 9,860

During the year ended February 28, 2017, project field equipment totaling \$250,000 was disposed of as part of the sale of Engineer Mine.

See note 7(a).

6. Reclamation Bonds

As of February 28, 2017, the Company has invested a total of \$55,500 (February 29, 2016 - \$55,500) into various GIC's with a Canadian financial institution as part of various Safe-Keeping Agreements entered into by the Company for its various properties. These funds are being held to the order of the Ministry of Energy, Mines and Petroleum Resources and are yielding interest at rates ranging from 0.60% to 0.70%.

These reclamation bonds relate to the Engineer Mine Property and Voigtberg Property, both of which were disposed of during the current year. Accordingly, the Company is in the process of recovering these bonds.

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7. Exploration and Evaluation Assets and Expenditures

Details of the Company's exploration and evaluation acquisition costs are as follows:

	Minto/ Carmacks Copper- Gold Properties (Yukon) (\$)	Engineer (B.C.) (\$)	Gold Hill (B.C.) (\$)	Blind Creek (B.C.) (\$)	Voigtberg (B.C.) (\$)	Other Properties (B.C. & Yukon) (\$)	Chanape & Cima (Peru) (\$)	Total (\$)
Balance – February 28, 2015	300,800	662,059	84,549	-	50,000	18,133	-	1,115,541
Property extension payment	-	-	1,900	-	-	1,500	-	3,400
Impairment of the Voigtberg property	-	-	-	-	(50,000)	-	-	(50,000)
Balance – February 29, 2016	300,800	662,059	86,449	-	-	19,633	-	1,068,941
Property option payment paid – cash (Note 7(e) & 7(g))	-	-	-	-	20,000	-	97,748	117,748
Property option payment paid – shares (Note 7(c)&(e))	-	-	-	5,000	20,000	-	-	25,000
Share purchase agreement (Note 7(g))	-	-	-	-	-	-	2,274,316	2,274,316
Disposals	-	(662,059)	(86,449)	(5,000)	(40,000)	-	-	(793,508)
Balance – February 28, 2017	300,800	-	-	-	-	19,633	2,372,064	2,692,497

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7. Exploration and Evaluation Assets and Expenditures – continued

Details of the Company's exploration and evaluation expenses, which have been cumulatively expensed in the Statements of Loss and Comprehensive Loss and Deficit, are as follows:

	Minto/ Carmacks Copper- Gold Properties (Yukon) (\$)	Engineer (B.C.) (\$)	Gold Hill (B.C.) (\$)	Blind Creek (B.C.) (\$)	Voigtberg (B.C.) (\$)	Other Properties (B.C. & Yukon) (\$)	Chanape & Cima (Peru) (\$)	Total (\$)
Balance – February 28, 2015	3,977,616	3,554,665	313,711	-	891,180	1,382,926	-	10,120,098
Exploration and evaluation expenses	848	143,803	1,713	-	5,882	750	-	152,966
Balance – February 29, 2016	3,978,464	3,698,468	315,424	-	897,062	1,383,676	-	10,273,094
Exploration and evaluation expenses	21,195	40,090	-	9,570	15,749	28,110	124,542	239,256
Balance – February 28, 2017	3,999,659	3,738,558	315,424	9,570	912,811	1,411,786	124,542	10,512,350

(a) Engineer Mine Property, B.C.

On February 22, 2017, the Company entered into a Letter Agreement (the 'Engineer Property Agreement') with Blind Creek Resources Ltd. ('Blind Creek') to sell its 100% interest in the Engineer Mine and adjoining Gold Hill properties, situated approximately 32 kilometres southwest of Atlin, British Columbia, inclusive of certain items of field equipment.

The sales price was \$350,000, of which approximately \$332,500 was applied to assuming certain outstanding obligations of the Company, including the discharge of its promissory note (see Note 8). As part of this transaction, Blind Creek also agreed to assume certain liabilities owed by the Company to its former CEO. In addition, Blind Creek granted to the Company a 1.0% Net Smelter Return ('NSR') royalty (the 'Royalty') on the Engineer Mine, Gold Hill and Blind Creek properties (the latter of which borders the west and south sides of the Engineer Mine property and Gold Hill properties). Blind Creek retains the right to buy back all of the Royalty for \$2,000,000.

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7. Exploration and Evaluation Assets and Expenditures – continued

(b) Gold Hill Property, B.C.

On September 3, 2015 the Company amended its option agreement with Guardsmen Resources Inc. (“Guardsmen”), resulting in the following amendments:

- A one-year extension to fulfill certain option terms requiring the Company to make a \$25,000 property payment and incur \$133,333 in eligible exploration expenditures by September 30, 2016 to earn a 75% interest (extended from September 30, 2015, as amended October 7, 2014).
- A one-year extension to fulfill certain option terms requiring the Company to make a final option payment of \$25,000 and incur an additional \$133,334 in eligible exploration expenditures to earn a 100% interest by September 30, 2016 (extended from September 30, 2015, as amended October 7, 2014).

In consideration for the amendment, the Company paid \$900 in legal fees and issued 40,000 warrants entitling the holder to purchase one Company common share at a price of \$0.25 for up to four years expiring on November 30, 2019. The warrants have been valued at \$1,900 based upon the Black-Scholes Method, using a risk-free yield of 0.79%, expected stock price volatility of 225.47%, nil dividend yield, and an expected warrant life of four years.

During the current year, the Company sold the Gold Hill Property as part of the Engineering Property Agreement with Blind Creek.

See Note 7 (a).

(c) Blind Creek Property

On July 13, 2016, the Company amended its existing option agreement to acquire a 100% interest in this property. As amended, the Company extended the time for payments and assessment work as provided for in the option agreement by a period of one year in consideration for 100,000 common shares valued at \$5,000.

The property was subsequently sold as part of the Engineering Property Agreement with Blind Creek.

See Note 7 (a).

(d) Minto/Carmacks Copper-Gold Properties, Yukon

On November 1, 2006, the Company entered into an option agreement and has subsequently acquired a 100% interest in 16 mineral properties by making \$300,000 in cash payments, incurring \$900,000 in exploration expenditures and issuing 100,000 units between April 2007 and October 2010. An NSR of 1.75% applies to these properties, of which 1.25% can be purchased by the Company for \$1,500,000. During the year ended February 29, 2016, six properties with acquisition costs of \$200,534 were dropped and such costs were written off.

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7. Exploration and Evaluation Assets and Expenditures – *continued*

(d) Minto/Carmacks Copper-Gold Properties, Yukon - *continued*

Toe Property

In August 2012, the Company entered into a letter agreement with Kaiyue International Inc. ('Kaiyue') whereby Kaiyue could earn up to a 70% interest in the Company's 100% controlled Toe Property, one of Pan Andean's ten remaining claims situated in the Minto/Carmacks Copper-Gold Belt in the Yukon.

Kaiyue has since defaulted on its obligations pursuant to the letter agreement and the Company has notified Kaiyue that the Toe Property option has expired. The Company retains ownership of this property.

(e) Voigtberg, British Columbia

In November 2015, certain claims comprising the property lapsed, resulting in the write-off of the \$50,000 carrying value of the interest which remained at that time. The majority of these claims were subsequently re-staked by the Company.

On August 4, 2016 the Company and Bernie Kreft entered into an agreement whereby the Company acquired a 100% interest in the VOIGH claims, located proximal the Company's residual Voigtberg claims in the Golden Triangle district of northwest British Columbia. Consideration consisted of \$20,000 in cash and 400,000 Pan Andean common shares valued at \$20,000.

Pursuant to an agreement dated February 21, 2017, the Company then sold its entire interest in the property to Kaminak Gold Corp., a wholly-owned subsidiary of Gold Corp Inc., for consideration of \$34,282 in cash (received subsequent to year-end).

(f) Other Properties - Rainbow Property, B.C.

On July 10, 2015, the Company sold its 100%-owned 926-hectare Rainbow Property, situated three kilometres south of the Mt. Milligan copper-gold mine, to Terrane Metals Corp. ("TMC") for \$35,000.

The Company retains a 2.5% NSR on the Rainbow Property, which may be purchased by TMC at any time for \$250,000.

(g) Chanape and Cima, Peru – Share Purchase Agreement

On August 2, 2016 the Company announced that it had completed agreements to acquire a 100% interest in the Chanape and Pucacorrall properties located in Peru. The acquisition of this interest was effected partially by way of an agreement whereby the Company acquired all the issued and outstanding shares of a closely-held British Columbia company, Circum-Pacific Holdings Ltd., ('Circum Pacific'), which holds 66.67% interests in two private Peruvian subsidiaries, by issuing 20,000,000 shares of the Company, and by paying cash of \$40,000, to the vendors.

The Company also acquired all minority interests in the two Peruvian subsidiary companies, not already held by Circum Pacific, through the issuance of 10,000,000 shares of Pan Andean and the payment of \$20,000 to a separate vendor.

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7. Exploration and Evaluation Assets and Expenditures – continued

(g) Peru – Share purchase agreement – continued

One of the Peruvian subsidiaries acquired, Cima de Oro S.A.C. ('Cima'), has an option agreement (the 'Tres Agreement') to purchase all the issued and outstanding shares of another private Peruvian company, SMRL Cerro de Oro Tres ('Tres'), which in turn holds nine additional mineral concessions. Included in this acquisition is the Company's assumption of Cima's obligations pursuant to this option.

Of the 30,000,000 common shares issued by the Company, a total of 6,672,000 shares will be held in escrow and released concurrent with certain payments or other ownership milestones being met under the Tres Agreement.

Cima executed the Tres Agreement option on August 12, 2016 with the Company now being required to complete the following schedule of option payments to earn a 100% interest in Tres:

	<u>Payment</u>	<u>Vested Interest</u>
At the onset of the option	US\$ 40,000 (paid)	16.6%
February 12, 2017	US\$ 60,000 (paid June 2017)	23.26%
August 12, 2017	US\$ 50,000	
February 12, 2018	US\$ 50,000	29.92%
August 12, 2018	US\$ 75,000	
February 12, 2019	US\$ 75,000	39.92%
August 12, 2019	US\$ 90,000	
February 12, 2020	US\$ 90,000	51.92%
August 12, 2021	US\$ 970,000	100%

All remaining escrowed shares will be released once the ownership interest reached 51.92%.

A further 20,995,200 Pan Andean issued shares shall bear legends which restrict 15% of such shares from resale for a period of 6 months from August 11, 2016, being the closing date of the acquisition and which restrict further increments of 15% of such shares from resale for periods of 12, 18, 24, 30 and 36 months. 3,499,200 of such shares have become tradeable at February 28, 2017.

The acquisition of Circum-Pacific was accounted for as an asset acquisition recorded at the fair value of the consideration paid, determined as follows:

	\$
Cash	60,000
Common shares (at \$0.07 per share)	<u>2,100,000</u>
Aggregate fair value	<u>2,160,000</u>

The identifiable assets acquired and liabilities assumed were allocated as follows:

	\$
Receivables	4,744
Mineral properties	2,274,316
Payables	<u>(119,060)</u>
	<u>2,160,000</u>

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8. Promissory Note

On February 23, 2016, the Company issued a promissory note with principal of \$250,000 to Engineer Mining Corp. ("EMC") to obtain title to assets that were to be purchased under a September 20, 2012 letter agreement with EMC. This note accrues interest of 5% per annum, calculated and compounded monthly retroactive to May 15, 2013, the date of default of the original letter agreement, and is payable on demand with one day's notice at any time on or after February 23, 2017. Interest expense of \$12,954 pursuant to the note was accrued for the year ended February 28, 2017 (Year ended February 29, 2016: \$38,909).

The Company granted EMC a security interest in all property and assets in respect of or related to the Engineer Mine to secure repayment of the promissory note in full. Upon repayment of the promissory note, title to these assets will transfer from escrow to the Company.

The promissory note including principal and interest totaling \$301,863 was discharged as part of the Engineering Property Agreement entered into with Blind Creek on February 22, 2017 (see Note 7(a)).

9. Flow-through Premium Liability

The Company periodically issues flow-through shares with any resulting flow-through premium recorded as a flow-through share premium liability. The liability is subsequently reduced when the required exploration expenditures are made, and accordingly, a recovery of the flow-through premium is recorded as other income.

During the fiscal year period ended February 28, 2017, the Company issued 558,000 flow-through units priced at \$0.05 per unit for total proceeds of \$27,900. These funds were to be used for qualifying exploration expenditures and were renounced to the flow-through shareholders effective December 31, 2016. A \$2,290 flow-through share premium liability was recorded during the year ended February 28, 2017.

As at February 28, 2017, the Company has yet to incur the \$27,900 in flow-through eligible expenditures.

10. Share Capital

(a) Share Capital

The Company's authorized share capital consists of an unlimited number of common voting shares without par value.

The Company received the approval from TSX Venture Exchange for the consolidation of issued and outstanding common shares on the basis of one new common share for every five common shares, with the share consolidation effective on February 28, 2017. All shares referenced within these consolidated financial statements are reflective on this consolidation effect.

(b) Other Share Capital Transaction

On August 18, 2015, the Company issued 20,000 common shares to Blind Creek for a total fair value recorded of \$1,500 in consideration for the Company's amended annual option commitments (Note 7(c)).

On July 13, 2016, the Company issued 100,000 common shares pursuant to an option agreement on the Blind Creek property valued at \$5,000 (See Note 7(c)).

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10. Share Capital and Contributed Surplus - *continued*

(b) Other Share Capital Transaction - *continued*

On August 4, 2016 the Company issued 400,000 common shares valued at \$20,000 to Bernie Kreft as part of the consideration for the acquisition of a 100% interest in the Voigh claims (See Note 7(e)).

On August 11, 2016, the Company issued 30,000,000 common shares for acquisition of Circum-Pacific, Chanape and Cima. The Company valued the shares at \$2,100,000 (See Note 7(g)).

At February 28, 2017, 6,672,000 shares were held in escrow pursuant to an escrow agreement dated August 8, 2016. A further 17,496,000 shares are subject to pooling restrictions (See Note 7(g)).

(c) Private Placements

On April 27, 2016, the Company closed the first tranche of its private placement. The Company received proceeds of \$286,000 from the issuance of 5,720,000 units at a price of \$0.05 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.10 per share for two years expiring on April 27, 2018. The value attributed to these warrants was \$131,805, based upon the Black Scholes Method using the following assumptions noted below:

Risk-free interest rate	0.67%
Expected stock price volatility	229.27%
Expected dividend yield	0.00%
Expected life of warrants	2 years

The Company paid finders' fees of \$18,400 and issued 368,000 finder warrants, each warrants entitles the holder to purchase one common share at a price of \$0.05 per share for up to one year expiring April 27, 2017.

The finder warrants attached to this private placement have been valued at \$16,416 based upon the Black Scholes Method using the following assumptions noted below:

Risk-free interest rate	0.66%
Expected stock price volatility	321.36
Expected dividend yield	0.00%
Expected life of warrants	1 year

On August 3, 2016, the Company closed the second tranche of its private placement. The Company received proceeds of \$465,000 from the issuance of 9,300,000 units at a price of \$0.05 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.10 per share for two years expiring on August 3, 2018. The value attributed to these warrants was \$217,238, based upon the Black Scholes Method using the following assumptions noted below:

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10. Share Capital and Contributed Surplus - *continued*

(c) Private Placements - *continued*

Risk-free interest rate	0.55%
Expected stock price volatility	240.65%
Expected dividend yield	0.00%
Expected life of warrants	2 years

The Company paid finders' fees of \$30,000 and issued 600,000 finder warrants, each warrants entitles the holder to purchase one common share at a price of \$0.05 per share for up to one year expiring August 3, 2017.

The finder warrants attached to this private placement have been valued at \$26,448 based upon the Black Scholes Method using the following assumptions noted below:

Risk-free interest rate	0.55%
Expected stock price volatility	311.94%
Expected dividend yield	0.00%
Expected life of warrants	1 year

On September 20, 2016, the Company closed the third tranche of its private placement. The Company received proceeds of \$279,500 from the issuance of 5,590,000 units at a price of \$0.05 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.10 per share for two years expiring on September 20, 2018. The value attributed to these warrants was \$136,093, based upon the Black Scholes Method using the following assumptions noted below:

Risk-free interest rate	0.57%
Expected stock price volatility	196.52%
Expected dividend yield	0.00%
Expected life of warrants	2 years

The Company paid finder's fees of \$18,760 and issued 375,200 finder warrants, each warrants entitles the holder to purchase one common share at a price of \$0.05 per share for up to one year expiring September 20, 2017.

The finder warrants attached to this private placement have been valued at \$12,937 based upon the Black Scholes Method using the following assumptions noted below:

Risk-free interest rate	0.57%
Expected stock price volatility	144.87%
Expected dividend yield	0.00%
Expected life of warrants	1 year

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10. Share Capital and Contributed Surplus - *continued*

(c) Private Placements - *continued*

On December 30, 2016, the Company closed the fourth tranche of its private placement. The Company received proceeds of \$25,000 from the issuance of 400,000 units and 100,000 flow-through shares, all of which were issued at a price of \$0.05 per unit. Each non-flow through unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.10 per share for one year expiring on December 30, 2017. The value attributed to these warrants was \$4,523, based upon the Black Scholes Method using the following assumptions noted below:

Risk-free interest rate	0.73%
Expected stock price volatility	125.14%
Expected dividend yield	0.00%
Expected life of warrants	1 year

The Company paid finders' fees of \$1,600 and issued 40,000 finder warrants, each warrants entitles the holder to purchase one common share at a price of \$0.05 per share for up to one year expiring December 30, 2017.

The finder warrants attached to this private placement have been valued at \$941 based upon the Black Scholes Method using the following assumptions noted below:

Risk-free interest rate	0.73%
Expected stock price volatility	125.14%
Expected dividend yield	0.00%
Expected life of warrants	1 year

On February 14, 2017, the Company closed the final tranche of its private placement. The Company received proceeds of \$22,900 from the issuance of 458,000 flow-through shares at a price of \$0.05 per unit.

There were no private placements during the year ended February 29, 2016.

(d) Shares for Debt Transaction

On August 9, 2016, the Company settled \$88,227 of debt, through the issuance of 1,764,544 common shares with a fair value of \$88,227.

During fiscal 2016, the Company did not complete cash payments required to settle a portion of unforgiven debt pursuant to the debt settlement agreement from fiscal 2015. As a result, previously forgiven debt of \$22,050 was once again considered payable to the Company's former CFO and a reversal of that portion of the gain on debt settlement originally recognized during the year ended February 28, 2015 was recognized during the year ended February 29, 2016.

There was no debt settled with shares during the year ended February 29, 2016.

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10. Share Capital and Contributed Surplus - continued

(e) Share Purchase Warrants

On November 30, 2015, the Company issued 40,000 warrants to Guardsmen in connection with an amendment of the Gold Hill Property Option Agreement. These warrants entitle the holder to purchase one Company common share at a price of \$0.25 for up to four years expiring on November 30, 2019. The warrants have been valued at \$1,900 based upon the Black-Scholes Method using a risk-free interest rate of 0.79%, an expected stock price volatility of 225.47%, Nil dividend yield, and an expected life of four years.

Please refer to Note 10(c) above for details of the share purchase warrants issued during the year-ended February 28, 2017.

Details of outstanding warrants are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance – February 28, 2015	4,551,300	\$0.40
Expired	(364,400)	\$0.50
Balance – February 29, 2016	4,226,900	\$0.40
Issued	22,393,200	\$0.10
Expired	(300,000)	\$0.25
Balance, February 28, 2017	26,320,100	\$0.14

Expiry Date	Exercise Price	Number of Warrants	Warrant Valuation
September 18, 2017	\$0.275	20,000	\$ 7,343
September 10, 2017	\$0.50	1,070,000	151,635
November 1, 2017	\$0.50	215,600	25,544
May 13, 2017	\$0.50	200,000	39,670
May 19, 2019	\$0.50	645,600	53,991
July 2, 2019	\$0.50	408,500	31,754
October 21, 2018	\$0.25	40,000	5,206
December 16, 2018	\$0.25	1,287,200	46,033
November 30, 2019	\$0.25	40,000	1,900
April 27, 2018	\$0.10	5,720,000	115,602
April 27, 2017	\$0.05	368,000	15,915
August 3, 2018	\$0.10	9,300,000	188,826
August 3, 2017	\$0.05	600,000	22,936
September 20, 2018	\$0.10	5,590,000	121,269
September 20, 2017	\$0.05	375,200	11,528
December 30, 2017	\$0.10	400,000	4,047
December 30, 2017	\$0.05	40,000	842
Total warrants outstanding		26,320,100	\$ 844,041
Weighted average	\$0.14		

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10. Share Capital and Contributed Surplus - *continued*

(f) Stock Options

The Company has established a stock option plan (the "Plan") for directors, employees, and consultants of the Company. From time to time, shares may be reserved by the Board, in its discretion, for options under the Plan, provided that at the time of the grant, the total number of shares so reserved for issuance by the Board shall not exceed the greater of 10% of the issued and outstanding listed shares (on a non-diluted basis) as at the date of grant. No options shall be granted, without regulatory approval, entitling any single individual to purchase in excess of 5% of the then outstanding shares in the Company in any 12 month period and no more than 2% of the optioned shares may be issued to any one individual in any 12 month period. If the option rights granted under the plan shall expire or terminate for any reason without having been exercised, such optioned shares may be made available for other options to be granted under the plan. The shares so reserved by the Board under the Plan shall be authorized but unissued shares.

The options are non-transferable and will expire, if not exercised, immediately upon dismissal by the Company with cause or 90 days following the date the optionee otherwise ceases to be a director, officer, manager, consultant or employee of the Company for reasons other than death. In the case of death, the expiry becomes one year after the death of an optionee. Pursuant to the policies of the TSX.V, options granted pursuant to the Plan in excess of 10% of the issued and outstanding common shares at the time of the grant must be subject to vesting.

There were no stock options granted during the fiscal years ended February 28, 2017 and February 29, 2016.

At February 28, 2017, the following options were outstanding and exercisable:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Years	Number of Options Exercisable
June 6, 2018	\$0.50	206,000	1.27	206,000
	\$0.50	206,000	1.27	206,000

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11. Related Party Transactions

(a) Related Parties

The Company's related parties consist of its directors and officers and/or companies owned/controlled by its directors and officers. The nature of the Company's relationships with its related parties is as follows:

	Nature of Relationship
Former President and CEO	Geological consulting
Gary Anderson	Chairman of Board
Dr. Adam Szybinski	Management
Dra. Jenny Egúsqüiza	Management
Lan Shangguan (former CFO)	Management
Sheri Rempel (former CFO)	Management
JCollins Consulting Corp.	Management

(b) Related Party Transactions

The following amounts due to related parties are included in trade payables and accrued liabilities. These amounts are unsecured, non-interest bearing and have no fixed terms of payments. All related party amounts are to key management personnel.

	February 28, 2017	February 29, 2016
Management & geological consulting fees	\$ 119,456	\$ 120,213

The remuneration of directors and other members of key management personnel during the year periods ended February 28, 2017 and February 29, 2016 were as follows:

	2017	2016
Management & geological consulting fees	\$ 315,001	\$ 146,671
Share purchase agreement (Note 7 (g))	60,000	-
	\$ 375,001	\$ 146,671

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the years ended February 28, 2017 and February 29, 2016.

12. Segmented Information

The Company has one business segment, the exploration of mineral properties. The Company's mineral properties are distributed by geographic locations as follows:

	February 28, 2017	February 29, 2016
Peru	\$ 2,372,064	\$ -
Canada	320,433	1,068,941
	\$ 2,692,497	\$ 1,068,941

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13. Commitments

On March 2, 2016, the Company entered into a lease agreement for office space at approximately \$11,000 per month (\$132,000 annually), which amount includes the basic rent plus operating costs. The lease has an expiry date of April 30, 2019.

The Company concurrently subleases a portion of the office space to three other companies. The three companies have the right to terminate their sublease agreement after the initial term completed. A termination notice is required with at least two months before the effective date of the notice.

14. Fair Value Measurement

Certain of the Company's financial assets and liabilities are measured at fair value on a recurring basis and classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company does not have any non-financial assets and liabilities measured at fair value on a non-recurring basis. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and the valuation techniques used to value our financial assets and liabilities are described below:

Level 1 – Quoted Prices in Active Markets for Identical Assets or Liabilities

Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. Short-term investments and marketable securities are valued using quoted market prices in active markets. Accordingly, these items are included in Level 1 of the fair value hierarchy.

Level 2 – Significant Other Observable Inputs

Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability. The Company does not have any financial assets or liabilities included in Level 2 of the fair value hierarchy.

Level 3 – Significant Unobservable Inputs

Unobservable (supported by little or no market activity) prices. The Company does not have any financial assets or liabilities included in Level 3 of the fair value hierarchy.

The fair values of the Company's financial assets and liabilities measured at fair value on a recurring basis as at February 28, 2017 and February 29, 2016 are summarized in the following table:

	Level		February 28, 2017		February 29, 2016
Marketable securities	1	\$	1,000	\$	1,000

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15. Income Taxes

- (a) The income tax provision for the year differs from the amount obtained by applying the statutory Canadian federal and provincial income tax rates as follows:

	February 28, 2017	February 29, 2016
Loss before income taxes	\$ (1,504,558)	\$ (414,684)
Statutory Canadian federal and provincial tax rates	26.04%	26.00%
Expected tax recovery	(391,858)	(107,818)
Adjustments:		
Other temporary and permanent differences	189,185	37,339
Unrecognized benefit of loss carry-forwards	202,673	70,479
Flow-through share premium recognized in income	-	(4,000)
Income tax recovery	\$ -	\$ (4,000)

- (b) The components of the Company's deferred income tax asset balances were follows:

	February 28, 2017	February 29, 2016
Non-capital loss carry-forwards	\$ 1,915,125	\$ 1,700,339
Share issuance costs	18,511	4,485
Other	109,433	43,679
Exploration and evaluation assets - (tax basis in excess of book value)	1,142,842	974,167
Unrecognized deferred tax asset	(3,185,911)	(2,722,670)
Deferred income tax asset (liability)	\$ -	\$ -

The effective income tax rate is the rate that is estimated to be applicable when timing differences reverse. As at February 28, 2017, the future enacted rate in Canada is estimated to be 26% (February 29, 2016 - 26%).

- (c) Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets/(liabilities) have been recognized are attributable to the following:

	February 28, 2017	February 29, 2016
Non-capital losses	\$ 7,352,000	\$ 6,539,764
Property and equipment	302,633	49,736
Exploration and evaluation expenditures	4,395,548	3,746,796
Share issue costs	71,195	17,252
Marketable securities	118,262	118,262
	\$ 12,239,638	\$ 10,471,810

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15. Income Taxes – *continued*

- (d) The Company has Canadian non-capital losses which may be applied to reduce future years' taxable income in Canada. As at February 28, 2017, these non-capital losses amounted to approximately \$7,352,000 (February 29, 2016 – \$6,540,000). Of these non-capital losses, \$14,000 will expire in 2026, \$438,000 will expire in 2027, \$1,085,000 will expire in 2028, \$744,000 will expire in 2029, \$654,000 will expire in 2030, \$797,000 will expire in 2031, \$972,000 will expire in 2032, \$769,000 will expire in 2033, \$545,000 will expire in 2034, \$250,000 will expire in 2035, \$272,000 will expire in 2036, and the remaining \$710,000 will expire in 2037. The Company also has approximately \$103,000 in non-capital losses in their Peruvian subsidiaries which may be applied to reduce future years' taxable income in Peru.

16. Subsequent Events

- (a) On June 23rd, 2017, Pan Andean announced that it is undertaking a non-brokered private placement of up to 45.33 million units at a price of \$0.03 per unit for proceeds of up to \$1,360,000. Each unit will consist of one common share of the Company and one share purchase warrant. Each warrant entitles the registered holder to acquire one additional share of the Company at a price of \$0.06 for a period of two years. In the event that the Company's shares trade at a closing price of \$0.15 per share for a period of 10 consecutive days at any time after the closing of the Offering, the Company may at its discretion accelerate the expiry date of the warrants by providing notice to shareholders thereof and in such case the warrants will expire on the 30th day after the date on which such notice is given by the Company.

To date, the Company has received a total of \$206,850 in share subscriptions.

- (b) On June 30, 2017, the Company paid US\$60,000 in option payments pursuant to the Tres Agreement. The payment was originally due on February 12, 2017 (see Note 7(g)).