



(Formerly BCGold Corp.)

(An Exploration Stage Company)

Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2018 and 2017

(Unaudited - Prepared by Management)

(Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Financial Position

(Unaudited - Expressed in Canadian Dollars)

Assets	August 31, 2018	February 28, 2018
Current Assets:		
Cash and cash equivalents	\$ 290,032	\$ 168,668
Sales tax and other receivables	8,904	16,578
Deposits	12,597	12,597
Prepaid expenses	14,392	11,397
	325,925	209,240
Non-Current Assets:		
Reclamation bonds (Note 4)	5,500	5,500
Exploration and evaluation assets (Note 6)	2,759,719	2,790,252
Total Assets	\$ 3,091,144	\$ 3,004,992
Liabilities and Equity		
Current Liabilities:		
Accounts payable and accrued liabilities (Note 5)	\$ 415,176	\$ 428,280
Flow-through premium liability (Note 6)	2,290	2,290
Total Liabilities	417,466	430,570
Shareholders' Equity:		
Share capital (Note 8)	17,218,237	17,037,537
Share to be issued (Note 8)	366,000	399,700
Reserves	5,556,571	5,104,571
Accumulated other comprehensive loss ("AOCL")	(213,523)	(213,523)
Deficit	(20,253,607)	(19,753,863)
Total Equity	2,673,678	2,574,422
Total Liabilities and Equity	\$ 3,091,144	\$ 3,004,992

Nature of Operations and Going Concern (Note 1)

Subsequent Events (Note 13)

Approved by the Board of Directors on October 30, 2018

"Spencer Sung Bum Huh", Director

"Gary Anderson", Director

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

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

	Note	Three Months Ended		Six Months Ended	
		2018	2017	2018	2017
Expenses					
Corporate listing and filing fees		\$ 5,678	\$ 15,960	\$ 19,567	\$ 18,481
Depreciation		-	554	-	1,108
Exploration and evaluation expenses	6	5,030	22,500	59,530	50,082
Investor relations		1,234	16,145	2,031	54,742
Office expenses		(134)	2,252	26,686	10,607
Stock based compensation	8c	-	-	143,000	-
Professional fees	9	41,557	28,303	72,870	49,130
Rent		12,361	15,694	28,831	29,085
Travel		17,897	1,271	26,726	8,361
Consulting fees	9	58,079	59,174	118,798	116,166
Loss from operations		141,702	161,853	498,039	337,762
Other (income) expense					
Interest (Income) and other expense		637	(627)	1,047	(52)
Loss on foreign exchange		580	-	6,858	-
Gain on debt settlement		-	-	(6,200)	-
Total other (income) expense		1,217	(627)	1,705	(52)
Net loss for the period		142,919	161,226	499,744	337,710
Other comprehensive loss					
Translation of subsidiaries to presentation currency		-	13,627	-	13,627
Comprehensive loss for the period		\$ 142,919	\$ 174,853	\$ 499,744	\$ 351,337
Loss per share					
Basic & diluted		\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.01
Weighted average number of common shares outstanding					
		44,336,552	27,397,662	43,009,645	27,790,551

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

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - Expressed in Canadian Dollars)

	Six Months Ended August 31,	
	2018	2017
Operating Activities:		
Net loss for the period	\$ (499,744)	\$ (337,710)
Adjustment for items which do not involve cash:		
Depreciation	-	1,108
Foreign exchange		(13,627)
Share-based compensation	143,000	-
Gain on debt settlement	(6,200)	-
Changes in non-cash working capital components:		
Accounts payable and accrued liabilities	(5,791)	112,771
Prepaid expenses	(2,995)	50,063
Sales tax and other receivables	7,674	2,846
	(364,056)	(184,549)
Investing Activities:		
Exploration and evaluation assets	(64,024)	-
Property option payments	(79,254)	-
Proceeds of disposal of mineral properties	172,698	(131,357)
	29,420	(131,857)
Financing Activities:		
Common shares subscribed	366,000	263,850
Share issued cost	-	(750)
Issuance of common shares and warrants, net	90,000	-
	456,000	263,100
Net changes in cash and cash equivalents	121,364	(53,306)
Cash and cash equivalents - beginning of the period	168,668	64,668
Cash and cash equivalents - end of the period	\$ 290,032	\$ 11,362
Non-cash Activities:		
Share for debt	\$ 197,000	\$ -

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Pan Andean Minerals Ltd.
(An Exploration Stage Company)
Consolidated Statements of Changes in Equity
For the six months ended August 31, 2018 and 2017
(Unaudited - Expressed in Canadian Dollars)

		SHARE CAPITAL		SHARES TO BE	RESERVE	ACCUMULATED OTHER COMPREHENSIVE LOSS ("AOCL")	DEFICIT	TOTAL EQUITY
		SHARES	AMOUNT	ISSUED				
Balance – February 28, 2017	Note	31,095,052	16,913,687		5,021,571	(237,523)	(19,161,297)	2,536,438
Common shares subscribed		-	263,850	-	-	-	-	263,850
Share issued costs		-	(750)	-	-	-	-	(750)
Foreign currency translation		-	-	-	-	(13,627)	-	(13,627)
Net loss for the period		-	-	-	-	-	(337,710)	(337,710)
Balance – August 31, 2017		31,095,052	17,176,787	-	5,021,571	(251,150)	(19,499,007)	2,448,201
Balance – February 28, 2018		34,542,552	17,037,537	399,700	5,104,571	(213,523)	(19,753,863)	2,574,422
Shares issued in private placements	8(a)	6,700,000	335,000	(245,000)	-	-	-	90,000
Fair market value of warrants issued	8(b)	-	(309,000)	-	309,000	-	-	-
Debt settlement	8(a)	3,094,000	154,700	(154,700)	-	-	-	-
Share subscribed	8(a)	-	-	366,000	-	-	-	366,000
Share-based compensation	8(c)	-	-	-	143,000	-	-	143,000
Net loss for the period		-	-	-	-	-	(499,744)	(499,744)
Balance - August 31, 2018		44,336,552	17,218,237	366,000	5,556,571	(213,523)	(20,253,607)	2,673,678

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

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2018 and 2017

(Expressed in Canadian Dollars)

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 condensed consolidated interim 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 August 31, 2018, the Company has an accumulated deficit of \$20,253,607 (February 28, 2018 - \$19,753,863), a net loss for the period ended August 31, 2018 of \$499,744 (August 31, 2017 - \$337,710) and has working capital deficiency of \$91,541 (February 28, 2018 - \$221,330).

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.

On March 7, 2018, the Company’s common shares commence trading on a post 2 for 1 consolidation basis. The Company has 44,336,552 post-consolidation shares outstanding at August 31, 2018.

2. Basis of Preparation

Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended February 28, 2018.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on October 30, 2018.

These condensed consolidated interim 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.

The condensed consolidated interim financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise noted.

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2018 and 2017

(Expressed in Canadian Dollars)

2. Basis of Preparation - continued

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

Pronouncements Affecting Financial Statement Presentation or Disclosures

Certain new accounting standards and interpretations have been published that are not mandatory for the August 31, 2018, reporting period. Updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company is currently assessing the impact of these new standards, if any, on its consolidated financial statements.

- IFRS 16 – Leases; and
- IAS 12 – Income Taxes.

4. Reclamation Bonds

As of August 31, 2018, the Company has invested a total of \$5,500 (February 28, 2018 - \$5,500) in a GIC with a Canadian financial institution as part of various Safe-Keeping Agreements entered into by the Company for an exploration property that has been sold in fiscal 2017.

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2018 and 2017

(Expressed in Canadian Dollars)

5. Trade Payables and Accrued Liabilities

	August 31, 2018	February 28, 2018
Trade payables	\$ 286,876	\$ 303,980
Accrued liabilities	128,300	124,300
Total	\$ 415,176	\$ 428,280

6. Exploration and Evaluation Assets and Expenditures

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

	Minto/Carmacks (Yukon) (\$)	Other Properties (BC & Yukon) (\$)	Chanape & Cima (Peru) (\$)	Total (\$)
Balance – February 28, 2018	210,000	19,633	2,560,619	2,790,252
Proceeds of sales	(172,698)	-	-	(172,698)
Mining rights-yearly govt. validity fee	-	-	48,873	48,873
Exploration cost	-	-	14,038	14,038
Property option payment paid	-	-	79,254	79,254
Balance – August 31, 2018	37,302	19,633	2,702,784	2,759,719

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/Car macks Copper- Gold (Yukon) (\$)	Engineer (BC) (\$)	Gold Hill (BC) (\$)	Blind Creek (BC) (\$)	Voigtberg (BC) (\$)	Other Properties (BC & Yukon) (\$)	Chanape & Cima (Peru) (\$)	Total (\$)
Balance – February 28, 2017	3,999,659	3,738,558	315,424	9,570	912,811	1,411,786	124,542	10,512,350
E & E expenses	11,595	-	-	-	-	-	66,077	77,672
Balance – February 28, 2018	4,011,254	3,738,558	315,424	9,570	912,811	1,411,786	190,619	10,590,022
E & E expenses	59,530	-	-	-	-	-	-	59,530
Balance – August 31, 2018	4,070,784	3,738,558	315,424	9,570	912,811	1,411,786	190,619	10,649,552

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2018 and 2017

(Expressed in Canadian Dollars)

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

(a) 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 28, 2016, six properties with acquisition costs of \$200,534 were dropped and such costs were written off.

On July 18, 2018 and August 29, 2018, the Company (the “Seller”) entered into a purchase agreement and amendment to purchase agreement, respectively, with a Yukon company (the “Purchaser”) and agreed to sell a its 100% interest in each of mineral claims in Yukon (the “Property”). The purchase price payable by the purchaser to the seller for the property should be the sum of \$210,000 on the October 31, 2018, the closing date.

Net Smelter Returns Royalty (“NSR”) – at the closing, the purchaser shall grant to the Company the NSR and, effective as of the closing date, the parties shall enter into Royalty Agreement. The purchaser shall have the right to buy out the NSR at anytime for a purchase price of \$500,000. The purchaser shall make payment to the Company within 30 days after providing written notice to the Company that the purchaser wishes to buy out the NSR.

As at August 31, 2018, the Company received a total of \$172,698 from the purchaser.

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. The claim of \$33,600 was paid to the Government of Yukon during the six months ended August 31, 2018.

(b) Chanape and Cima, Peru

On August 2, 2016 the Company announced that it had completed agreements to acquire a 100% interest in the Chanape and Pucacorral 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 10,000,000 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 5,000,000 shares of Pan Andean and the payment of \$20,000 to a separate vendor.

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.

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2018 and 2017

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets and Expenditures – continued

(b) Chanape and Cima, Peru - continued

Of the 15,000,000 common shares issued by the Company, a total of 3,336,000 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, revised on June 26, 2018, 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>Cumulative Vested Interest</u>
At the onset of the option	US\$ 40,000 (Paid)	16.6%
February 12, 2017	US\$ 60,000 (Paid)	23.26%
August 12, 2017	US\$ 60,000 (Paid)	
February 12, 2018	US\$ 60,000 (Paid)	29.92%
February 12, 2019	US\$ 75,000	
August 12, 2019	US\$ 85,000	39.92%
February 12, 2020	US\$ 100,000	
August 12, 2020	US\$ 100,000	51.92%
August 12, 2021	US\$ 980,000	100%

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

A further 11,664,000 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. A total of 6,998,400 of such shares became tradeable as at August 31, 2018.

7. 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 279,000 flow-through units priced at \$0.05 per unit for total proceeds of \$27,900. These funds are 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 August 31, 2018, the Company has yet to incur the \$27,900 in flow-through eligible expenditures.

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2018 and 2017

(Expressed in Canadian Dollars)

8. Share Capital

(a) Share Capital

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

Effective March 7, 2018, the Company's common shares commence trading on a post 2 for 1 consolidation basis. All common share and per common share amounts in these consolidated financial statements have been retroactively restated to reflect the share consolidation.

On August 31, 2018, 3,336,000 shares were held in escrow pursuant to an escrow agreement dated August 8, 2016. A further 11,664,000 shares are subject to pooling restrictions (See Note 6(b)).

Share for debt settlement

On February 15, 2018, pursuant to debt settlement agreements, the Company agreed to issue 5,100,000 common shares at a deemed price of \$0.05 to settle debts in the amount of \$289,163, subject to regulatory approval. The amount of indebtedness represents outstanding payments of consulting fees indebted to three directors of the Company. On May 23, 2018, the Company issued 3,094,000 of the 5,100,000 common shares at a deemed price of \$0.05, to two directors of the Company. Shareholder approval is still needed to issue the remaining 2,006,000 shares for settlement of debt.

Private Placements

On March 16, 2018, the Company closed a private placement of 6,700,000 units at a price of \$0.05 per unit for gross proceeds of \$335,000. Each unit consists of one common share and one common share warrant, each warrant entitling the holder to purchase one common share at a price of \$0.10 per common share within 24 months of the closing of the private placement.

On August 30, 2018, the Company announced a private placement of up to 10,000,000 units at a price of \$0.05 per unit for gross proceeds of \$500,000. Each unit consists of one common share and one-half common share warrant, each warrant entitling the holder to purchase one common share at a price of \$0.10 per common share within 24 months of the closing of the private placement. As at August 31, 2018, the Company received share subscriptions of \$366,000. (See Note 13(a))

(b) Share Purchase Warrants

On March 16, 2018, the Company issued 6,700,000 share purchase warrants as part of the \$335,000 private placement (Note 8(a)). The warrants expire two years from the date of issuance and are exercisable at \$0.10 per share. The fair market value of these warrants was calculated at \$309,000 and was determined on the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 1.78% risk free interest rate, expected life of 2 years, 188.00% annualized volatility and 0% dividend rate.

During the period ended August 31, 2018, 7,510,000 warrants exercisable at \$0.20 expired. As at August 31, 2018, warrant transactions are summarized as follows:

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2018 and 2017

(Expressed in Canadian Dollars)

8. Share Capital - continued

(b) Share Purchase Warrants - continued

	Number of Warrants	Weighted Average Exercise Price
Balance - February 29, 2017	13,160,050	\$0.28
Issued	3,447,500	\$0.12
Expired	(1,644,400)	\$0.58
Balance - February 28, 2018	14,963,150	\$0.22
Issued	6,700,000	\$0.10
Expired	(7,510,000)	\$0.20
Balance - August 31, 2018	14,153,150	\$0.16

As at August 31, 2018, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants	Remaining Years
September 20, 2018	\$0.20	2,795,000	0.05
October 21, 2018	\$0.50	20,000	0.14
December 16, 2018	\$0.50	643,600	0.29
May 19, 2019	\$1.00	322,800	0.72
July 2, 2019	\$1.00	204,250	0.84
October 13, 2019	\$0.12	3,447,500	1.12
November 30, 2019	\$0.50	20,000	1.25
March 16, 2020	\$0.10	6,700,000	1.54
Total warrants outstanding		14,153,150	
Weighted average price	\$0.16		
Average remaining years			1.06

(c) 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.

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2018 and 2017

(Expressed in Canadian Dollars)

8. Share Capital – continued

(c) Stock Options - continued

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.

On March 21, 2018, the Company granted 2,400,000 stock options to its directors, officers and consultants at an exercise price of \$0.06 per option. The options are exercisable on and before March 21, 2023. The fair market value of these options was calculated at \$143,000 and was determined on the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 2.11% risk free interest rate, expected life of 5 years, 239.00% annualized volatility and 0% dividend rate.

On June 6, 2018, 102,000 stock options exercisable at \$1.00 expired. At August 31, 2018, the following options were outstanding and exercisable at post-consolidation basis.

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Years	Number of Options Exercisable
March 20, 2023	\$0.06	2,400,000	4.56	2,400,000

9. Related Party Transactions

(a) Related Parties

Key management personnel include those persons having authority and responsibility for planning, directing and controlling activities of the Company as a whole. The Company has determined that its key management personnel consist of the Company's Board of Directors and corporate officers, and/or companies controlled by its key management personnel.

(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.

	Nature of Relationship
Executive Chairman	Management and consulting
VP Exploration and Director	Management and consulting
A director based in Peru	Management and consulting
A company controlled by the President	Management and consulting
A company controlled by its CFO	Professional fees
A company controlled by its former CFO	Professional fees

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2018 and 2017

(Expressed in Canadian Dollars)

9. Related Party Transactions – continued

(b) Related Party Transactions - continued

	August 31, 2018	February 28, 2018
Consulting fees and professional fees	\$ 22,723	\$ 45,702

The remuneration of directors and other members of key management personnel during the six months ended August 31, 2018 and 2017 were as follows:

	August 31, 2018	August 31, 2017
Consulting fees and professional fees	\$ 120,844	\$ 175,573

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the six months ended August 31, 2018 and 2017.

On February 15, 2018, pursuant to debt settlement agreements, the Company agreed to issue 5,100,000 common shares at a deemed price of \$0.05 to settle debts in the amount of \$289,163, subject to regulatory approval. The amount of indebtedness represents outstanding payments of consulting fees indebted to three directors of the Company. On May 23, 2018, the Company issued 3,094,000 of 5,100,000 common shares at a deemed price of \$0.05, to two directors of the Company. Shareholder approval is still needed to issue the remaining 2,006,000 shares for settlement of debt.

10. 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:

	August 31, 2018	February 28, 2018
Peru	\$ 2,702,784	\$ 2,560,619
Canada	56,935	229,663
	\$ 2,759,719	\$ 2,790,252

11. 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.

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2018 and 2017

(Expressed in Canadian Dollars)

12. Financial Risk and Capital Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is summarized as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts at a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk is assessed as low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to necessary levels of equity funding. Liquidity risk is assessed as high.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. As at August 31, 2018, the Company had no financial assets or liabilities denominated in a foreign currency and foreign exchange risk is assessed as low.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risks.

Capital Management

The Company's policy is, if permitted by market conditions, to maintain a strong capital base so as to support investor and creditor confidence and support future development of the business. The capital structure of the Company consists of equity, comprising share capital and reserves net of accumulated deficit. The Company is not subject to any externally imposed capital requirements.

Fair value

The Company's financial instruments consist of cash, trade payables and amounts due to related parties. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these investments. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- **Level 1** – Unadjusted quoted prices in active markets for identical assets or liabilities;
- **Level 2** – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- **Level 3** – Inputs that are not based on observable market data. Cash is measured at fair value using Level 1 inputs.

Cash is measured at fair value using Level 1 inputs.

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2018 and 2017

(Expressed in Canadian Dollars)

13. Subsequent Events

- a) On September 14, 2018, the Company closed a private placement of 7,320,000 units at a price of \$0.05 per unit for gross proceeds of \$366,000. Each unit consists of one common share and one-half common share warrant, each warrant entitling the holder to purchase one common share at a price of \$0.10 per common share within 24 months of the closing of the private placement.
- b) On September 20, 2018, 2,795,000 warrants expired.
- c) On October 21, 2018, 20,000 warrants expired.