



(Formerly BCGold Corp.)

(An Exploration Stage Company)

Audited Consolidated Financial Statements
For the Year Ended February 28, 2018 and 2017

(Expressed in Canadian Dollars)

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, 2018 and February 28, 2017 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, 2018 and February 28, 2017 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
June 28, 2018

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

Assets	February 28, 2018	February 28, 2017
Current Assets:		
Cash and cash equivalents	\$ 168,668	\$ 64,668
Marketable securities (Note 4)	-	1,000
Sales tax and other receivables	16,578	71,079
Deposits	12,597	12,597
Prepaid expenses	11,397	57,563
	209,240	206,907
Non-Current Assets:		
Property and equipment (Note 5)	-	9,860
Reclamation bonds (Note 6)	5,500	55,500
Exploration and evaluation assets (Note 7)	2,790,252	2,692,497
Total Assets	\$ 3,004,992	\$ 2,964,764
Liabilities and Equity		
Current Liabilities:		
Accounts payable and accrued liabilities (Note 10(b))	\$ 428,280	\$ 426,036
Flow-through premium liability (Note 8)	2,290	2,290
Total Liabilities	430,570	428,326
Shareholders' Equity:		
Share capital (Note 9)	17,037,537	16,913,687
Share to be issued (Note 9)	399,700	-
Share-based payments reserve	5,104,571	5,021,571
Accumulated other comprehensive loss ("AOCL")	(213,523)	(237,523)
Deficit	(19,753,863)	(19,161,297)
Total Equity	2,574,422	2,536,438
Total Liabilities and Equity	\$ 3,004,992	\$ 2,964,764

Nature of Operations and Going Concern (Note 1)

Subsequent Events (Note 15)

Approved by the Board of Directors on June 28, 2018

"Spencer Sunghum Huh" _____, Director

"Gary Anderson" _____, Director

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

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

		For the Year Ended	
	Note	February 28, 2018	February 28, 2017
Expenses			
Corporate listing and filing fees		\$ 25,792	\$ 42,337
Depreciation		1,662	2,896
Exploration and evaluation expenses	7, 10	77,672	239,256
Investor relations		56,232	125,886
Office expenses		15,918	42,100
Bad debts		-	3,000
Professional fees	10	123,475	184,692
Rent		53,250	31,008
Travel		16,471	65,785
Consulting & management fees	10	230,000	182,282
Loss from Operations		600,472	919,242
Other Income (Expense)			
Loss on foreign exchange		(11,544)	-
Interest income (expense)		195	(4,103)
Gain on debt settlement	9	34,292	-
Loss on disposal of mineral properties		-	(581,213)
Impairment of exploration and evaluation assets	7	(90,800)	-
Gain on disposal of marketable securities	4	83,961	-
Loss on disposal of equipment	5	(8,198)	-
Total Other Income (Expense)		7,906	(585,316)
Net Loss for the Year		(592,566)	(1,504,558)
Other Comprehensive Income			
Unrealized gain on marketable securities		24,000	-
Comprehensive Loss for the Year		\$ (568,566)	\$ (1,504,558)
Loss per share			
Basic and diluted		\$ (0.02)	\$ (0.09)
Weighted average number of common shares outstanding			
		30,254,427	17,608,686

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

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Cash Resources Provided By (Used In)	Year Ended February 28,	
	2018	2017
Operating Activities:		
Net loss for the year	\$ (592,566)	\$ (1,504,558)
Adjustment for items which do not involve cash:		
Depreciation	1,662	2,896
Interest accrued on promissory note	-	12,954
Loss on disposal of equipment	8,198	
Loss on disposal of exploration and evaluation assets	-	581,213
Impairment of exploration and evaluation assets	90,800	-
Gain on debt settlement	(34,292)	-
Gain on disposal of marketable securities	(83,961)	-
Changes in non-cash working capital components:		
Accounts payable and accrued liabilities	191,235	207,955
Prepaid expenses	46,166	(57,563)
Sales tax and other receivables	54,501	(30,133)
Cash used in operating activities	(318,257)	(787,236)
Investing Activities:		
Property payments	(188,555)	(177,748)
Proceeds of disposal of marketable securities	108,962	-
Redemption of reclamation bonds	50,000	17,608
Cash used in investing activities	(29,593)	(160,140)
Financing Activities:		
Shares issued for cash	206,850	-
Share issued cost	-	948,383
Shares subscriptions received	245,000	-
Cash provided by financing activities	451,850	948,383
Net increase in cash and cash equivalents	104,000	47,307
Cash and cash equivalents - beginning of the year	64,668	17,361
Cash and cash equivalents - end of the year	\$ 168,668	\$ 64,668

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Pan Andean Minerals Ltd.
(An Exploration Stage Company)
Consolidated Statements of Changes in Equity
For the year ended February 28, 2018 and 2017
(Expressed in Canadian Dollars)

	Note	SHARE CAPITAL		SHARES TO BE ISSUED	SHARE-BASED	ACCUMULATED	DEFICIT	TOTAL EQUITY
		SHARES	AMOUNT		PAYMENTS	OTHER		
					RESERVE	LOSS ("AOCL")		
Balance – February 29, 2016	Note	4,178,779	14,189,032		4,540,606	(237,523)	(17,656,739)	835,376
Shares issued in private placements		10,784,000	1,076,110	-	-	-	-	1,030,500
Share issue costs		-	(75,023)	-	(65,436)	-	-	(130,317)
Shares issued for exploration and evaluation asset		250,000	25,000	-	-	-	-	25,000
Shares issued for acquisition		15,000,000	2,100,000	-	-	-	-	2,100,000
Shares issued for debt settlement		882,272	88,227	-	-	-	-	88,227
Fair market value of warrants issued		-	(489,659)	-	489,659	-	-	-
Fair market value of finder's warrants issued		-	-	-	56,742	-	-	56,742
Net loss for the period		-	-	-	-	-	(1,504,558)	(1,504,558)
Balance – February 28, 2017		31,095,052	16,913,687	-	5,021,571	(237,523)	(19,161,297)	2,536,438
Shares issued in private placements	9 (a)	3,447,500	206,850	-	-	-	-	206,850
Fair market value of warrants issued	9 (a)	-	(83,000)	-	83,000	-	-	-
Debt settlement	9 (a)	-	-	154,700	-	-	-	154,700
Share subscriptions received	9 (a)	-	-	245,000	-	-	-	245,000
Unrealized gain on disposal of marketable securities		-	-	-	-	24,000	-	24,000
Net loss for the period		-	-	-	-	-	(592,566)	(592,566)
Balance February 28, 2018		34,542,552	17,037,537	399,700	5,104,571	(213,523)	(19,753,863)	2,574,422

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

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended February 28, 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 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, 2018, the Company has an accumulated deficit of \$19,753,863 (February 28, 2017 - \$19,161,297), a net loss for the year ended February 28, 2018 of \$592,566 (February 28, 2017 of \$1,504,558) and has working capital deficiency of \$221,330 (February 28, 2017 – working capital deficiency of \$221,419).

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 34,542,552 post-consolidation shares outstanding.

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.

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2018 and 2017

(Expressed in Canadian Dollars)

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 of \$27,900, 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.

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2018 and 2017

(Expressed in Canadian Dollars)

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, 2018, 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.

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2018 and 2017

(Expressed in Canadian Dollars)

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.

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2018 and 2017

(Expressed in Canadian Dollars)

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.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2018 and 2017

(Expressed in Canadian Dollars)

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.

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2018 and 2017

(Expressed in Canadian Dollars)

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.

(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.

Pan Andean Minerals Ltd.

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Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies - *continued*

(q) Impairment of Financial Assets

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.

(p) 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

Certain new accounting standards and interpretations have been published that are not mandatory for the February 28, 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.

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Notes to Consolidated Financial Statements

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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, 2018		February 28, 2017	
	Market Value	Cost	Market Value	Cost
Common shares of public companies, not subject to significant influence	\$ -	\$ 213,523	\$ 1,000	\$ 238,523

During year ended February 28, 2018, the Company sold securities and realized a gain of \$83,961.

5. Property and Equipment

	Computer Equipment	Computer Software	Office Furniture and Equipment	Project Field Equipment	Total
Cost					
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
Disposals	(44,478)	-	(34,464)	(17,422)	(96,364)
Balance at February 28, 2018	\$ -	\$ 82,138	\$ -	\$ -	\$ 82,138
Amortization					
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)
Additions	(543)	-	(678)	(441)	(1,662)
Disposals	42,608	-	30,625	14,933	88,166
Balance at February 28, 2018	\$ -	\$ (82,138)	\$ -	\$ -	\$ (82,138)
Carrying amounts - NBV					
At February 29, 2016	\$ 3,447	\$ -	\$ 5,645	\$ 253,663	\$ 267,756
At February 28, 2017	\$ 2,413	\$ -	\$ 4,517	\$ 2,931	\$ 9,860
At February 28, 2018	\$ -	\$ -	\$ -	\$ -	\$ -

During the year ended February 28, 2018, the office equipment was disposed and incurred a loss of \$8,198 (February 28, 2017 - \$nil).

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

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6. Reclamation Bonds

As of February 28, 2018, the Company has invested a total of \$5,500 (February 28, 2017 - \$55,500) 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. During the year ended February 28, 2018, \$50,000 was returned to the Company. The Company is seeking a return of the balance of these funds.

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, 2017	300,800	-	-	-	-	19,633	2,372,064	2,692,497
Impairment of Minto/Carmacks property (Note 15(g))	(90,800)	-	-	-	-	-	-	(90,800)
Property option payment paid - cash	-	-	-	-	-	-	129,892	129,892
Concession	-	-	-	-	-	-	16,605	16,605
Rights	-	-	-	-	-	-	1,724	1,724
Other exploration assets	-	-	-	-	-	-	40,334	40,334
Increases - 2018	-	-	-	-	-	-	188,555	188,555
Balance - February 28, 2018	210,000	-	-	-	-	19,633	2,560,619	2,790,252

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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 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
Exploration and evaluation 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

(a) Voigtberg, British Columbia

Pursuant to an agreement dated February 21, 2017, the Company 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.

(b) 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

(b) 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 (Note 15).

(c) 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.

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 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\$ 50,000 (Paid)	
February 12, 2018	US\$ 50,000 (Paid June 2018)	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 reaches 51.92%.

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7. Exploration and Evaluation Assets and Expenditures – continued

(c) Chanape and Cima, Peru - continued

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 5,248,800 of such shares became tradeable as at February 28, 2018.

8. 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 February 28, 2018, the Company has yet to incur the \$27,900 in flow-through eligible expenditures.

9. 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. The Company has 34,542,552 post consolidation shares outstanding. All common share and per common share amounts in these consolidated financial statements have been retroactively restated to reflect the share consolidation.

On February 28, 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 7(c)).

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. The Company has realized a gain of \$34,292 in respect to these debt settlement agreements (see Note 15(d)).

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9. Share Capital - continued

Private Placements

On October 13, 2017, the Company received gross proceeds of \$206,850 from the issuance of 3,447,500 units at price of \$0.06 per unit. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share of the company at a price of \$0.12 per share for a period of two years from date of closing of the financing. The warrants attached to this private placement have been determined at fair value of \$83,000 based upon the Black Scholes method using the following assumptions noted below.

Risk-free interest rate	1.51%
Expected stock price volatility	227%
Expected dividend yield	0.00%
Expected life of warrants	2 years

On January 30, 2018, the Company announced to undertake a non-brokered private placement of up to 6,000,000 units at \$0.05 per unit for proceeds up to \$300,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the warrant holder to acquire one additional common share at a price of \$0.10 for a period of two years. On February 8, 2018, the Company announced to increase its proposed private placement of up to 7,000,000 units for proceeds up to \$350,000. As at February 28, 2018, the Company has received \$245,000 in share subscriptions (Note 15(a)).

(b) Share Purchase Warrants

Details of outstanding warrants are as follows at post consolidation basis:

	Number of Warrants	Weighted Average Exercise Price
Balance – February 29, 2016	2,113,450	\$0.80
Issued	11,196,600	\$0.20
Expired	(150,000)	\$0.50
Balance – February 28, 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

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9. Share Capital – continued

(b) Share Purchase Warrants – continued

Expiry Date	Exercise Price (Prior- consolidation)	Number of Warrants (Prior- consolidation)	Exercise Price (Posted- consolidation)	Number of Warrants (Post- consolidation)
April 27, 2018	\$0.10	5,720,000	\$0.20	2,860,000
August 3, 2018	\$0.10	9,300,000	\$0.20	4,650,000
September 20, 2018	\$0.10	5,590,000	\$0.20	2,795,000
October 21, 2018	\$0.25	40,000	\$0.50	20,000
December 16, 2018	\$0.25	1,287,200	\$0.50	643,600
May 19, 2019	\$0.50	645,600	\$1.00	322,800
July 2, 2019	\$0.50	408,500	\$1.00	204,250
October 13, 2019	\$0.06	6,895,000	\$0.12	3,447,500
November 30, 2019	\$0.25	40,000	\$0.50	20,000
Total warrants outstanding		29,926,300		14,963,150
Weighted average	\$0.11		\$0.22	\$0.22

See Note 15(c).

(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.

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 period ended February 28, 2018.

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9. Share Capital – continued

(c) Stock Options – continued

At February 28, 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
June 6, 2018	\$1.00	103,000	0.27	103,000

See Note 15(e).

10. 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	
Former President and CEO	Geological consulting	
Executive Chairman and Acting CEO	Management	
VP Exploration and Director	Geological consulting and management	
A director based in Peru	Project G&A and management	
A company controlled by the President	Management and consulting	
A company controlled by its CFO	Management and consulting	
A company controlled by its former CFO	Management and consulting	
A company controlled by its Corporate Secretary	Management and consulting	
	February 28, 2018	February 28, 2017
Project G&A, consulting fees and professional fees	\$ 45,702	\$ 119,456

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10. Related Party Transactions - *continued*

(b) Related Party Transactions - *continued*

The remuneration of directors and other members of key management personnel during the year ended February 28, 2018 and 2017 were as follows:

	February 28, 2018	February 28, 2017
Project G&A, consulting fees and professional fees	\$ 316,991	\$ 101,575

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the year ended February 28, 2018 and 2017.

On February 15, 2018, pursuant to the debt settlement agreements, the Company agreed to issue 5,100,000 common shares at deemed price of \$0.05 to settle debts in the amount of \$289,163. The amount represents outstanding payments for consulting fees indebted to three directors of the Company. See Note 9(a) and Note 15(d).

11. 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, 2018	February 28, 2017
Peru	\$ 2,560,619	\$ 2,372,064
Canada	229,633	320,433
	\$ 2,790,252	\$ 2,692,497

12. 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.

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13. 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, 2018 and February 28, 2017 are summarized in the following table:

	Level	February 28, 2018	February 28, 2017
Marketable securities	1	\$ -	\$ 1,000

14. Income Taxes

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

	February 28, 2018	February 29, 2017
Loss before income taxes	\$ (592,566)	\$ (1,504,558)
Statutory tax rates	26.14%	26.04%
Expected tax recovery	(154,905)	(391,858)
Adjustments:		
Other temporary and permanent differences	16,507	189,185
Unrecognized benefit of loss carry-forwards	138,398	202,673
Income tax recovery	\$ -	\$ -

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14. Income Taxes – continued

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

	February 28, 2018	February 29, 2017
Non-capital loss carry-forwards	\$ 2,046,463	\$ 1,915,125
Share issuance costs	13,141	18,511
Other	44,280	109,433
Exploration and evaluation assets - (tax basis in excess of book value)	1,176,736	1,142,842
Unrecognized deferred tax asset	(3,280,620)	(3,185,911)
Deferred income tax asset (liability)	\$ -	\$ -

The effective income tax rate is the rate that is estimated to be applicable when timing differences reverse.

(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, 2018	February 29, 2017
Non-capital losses	\$ 7,810,000	\$ 7,352,000
Property and equipment	62,493	302,633
Exploration and evaluation expenditures	4,497,943	4,395,548
Share issue costs	50,231	71,195
Marketable securities	106,762	118,262
	\$ 12,527,428	\$ 12,239,638

(d) The Company has Canadian non-capital losses which may be applied to reduce future years' taxable income in Canada. As at February 28, 2018, these non-capital losses amounted to approximately \$7,810,000 (February 28, 2017 – \$7,352,000). Of these non-capital losses, \$14,000 will expire in 2026, \$437,000 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, \$710,000 will expire in 2037, and the remaining \$464,000 will expire in 2038. The Company also has approximately \$97,000 in non-capital losses in their Peruvian subsidiaries which may be applied to reduce future years' taxable income in Peru.

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15. Subsequent Events

- a) On March 16, 2018, the Company closed the February 8, 2018 (Note 9) 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.
- b) 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.
- c) On April 27, 2018, 2,860,000 warrants exercisable at \$0.20 expired.
- d) On May 23, 2018, pursuant to the debt settlement of February 15, 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.
- e) On June 6, 2018, 103,000 stock options expired.
- f) On June 18, 2018, the Company made the February 12, 2018 payment of US\$50,000 under the Tres agreement (Note 7(c)).
- g) In June 2018, the Company entered into a sales and purchase agreement, where the Company will receive \$210,000 for transferring the Minto/Carmacks copper-gold property claims to a 3rd party. As at June 28, 2018, a total of \$170,000 has been received as partial payment for the sale.