



(FORMERLY BCGOLD CORP.)

**MANAGEMENT DISCUSSION AND
ANALYSIS**

For the Six Months Ended August 31, 2019

As at October 30, 2019

**PAN ANDEAN MINERALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Six Months Ended August 31, 2019**

INTRODUCTION

The following annual management's discussion and analysis (MD&A) of the Company has been prepared as of October 30, 2019. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of Pan Andean Minerals Ltd. ("Pan Andean" or the "Company") and the notes thereto for the six months ended August 31, 2019, which 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"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the financial statements and Management Discussion and Analysis ("MD&A"), is complete and reliable. Additional information on Pan Andean Corp is available by accessing the Company's profile on SEDAR at www.sedar.com and on the Company's website: www.panandeanminerals.com. Readers of this MD&A are cautioned that information and statements derived from the Company's financial statements do not necessarily reflect the future financial performance of the Company. Statements in this MD&A that are not historical based facts are forward looking statements which are made subject to cautionary language on page 14 and involve known and unknown risks and uncertainties. Actual results could vary considerably from these statements. Readers are again cautioned not to put undue reliance on forward looking statements.

CORPORATE HIGHLIGHTS

Highlights of the Company's activities during the six months ended August 31, 2019 and up to the date of this report:

- On March 5, 2019, the Company appointed Mr. Ki-Tae Lee (Robert) to its advisory board.
- On March 8, 2019, the Company's common shares were halted from trading due to the proposal of "LOI".
- On March 11, 2019, the Company entered into binding letter of intent (the "LOI") with North Star Holdings ("North Star"). North Star is a fully integrated producer, processor and distributor of medicinal and adult use cannabis with operations in various states in the U.S. including Colorado, California and Nevada. The LOI outlines the proposed terms and conditions pursuant to which the Company and North Star will effect a business combination that will result in a reverse takeover of the Company by the securityholders of North Star.
- On March 26, 2019, Ed Low resigned as the Chief Financial Officer and Nancy Zhao was appointed as the new Chief Financial Officer of the Company.
- On April 9, 2019, the Company entered the second amendment to the Minto/Carmacks Copper-Gold properties sale agreement with the purchaser. The Company agreed to extend the closing date to five business days after the date of admission of Pembridge start to be listing on and to be trading on the main market of London Stock Exchange PLC. The two parties also agreed that the final balance of payment was replaced with 100,000 Pembridge shares.
- On May 3, 2019, 300,000 warrants exercised for gross proceeds of \$30,000.
- On May 19, 2019, 322,800 warrants with an exercise price of \$1.00 per warrant expired.
- In May 2019, the Company received a total of \$1,100,000 from three investors. The investors wished to participate the Company's future private placements. Because the Company's common shares remain halted from trading in May 2019, the Company will hold the funds in the trust until the common shares of the Company resume the trading at which point

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common shares will be issued, subject to Exchange approval.

- On June 5, 2019, \$80,000 convertible debenture balance payable at February 28, 2019 was converted into 1,142,857 Company common shares.
- On June 25, 2019, the Company announced the termination of LOI with North Star.
- On June 25, 2019, the Company appointed Ryan Kim VP of Corporate Development for the Company.
- On June 25, 2019, a further \$100,000 of the convertible debenture balance payable at February 28, 2019 was converted into 1,428,571 commons shares.
- On July 10, 2019, \$200, 000 from trust returned to one investor.
- On August 8, 2019, the Company's common shares resumed trading.
- On August 21, 2019, \$900,000 investment from held in trust participated a private placement for 9,000,000 units at a price of \$0.10 per unit. 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 \$0.30 per common share within 24 months of the closing of the private placement.
- On August 29, 2019, the Company appointed Mr. Dongwha Cho as Vice-President of Corporate Finance, Korean Market.
- On October 13, 2019, 3,447,500 warrants with an exercise price of \$0.12 per warrant expired.
- On October 15, 2019, the Company appointed Mr. George Wohlleb and Dr. Kenneth Hughes to its advisory board.

SIGNIFICANT EXPLORATION PROPERTIES

Below is a table summarizing the Company's current interest held and any remaining required or optional commitments on each of its exploration properties. Please refer to Note 5 of the Company's interim consolidated financial statements for the period ended August 31, 2019 for further disclosure on the Company's properties.

	Current Interest Held	Remaining Required Commitments	Optional Commitments
Minto/Carmacks Copper-Gold Properties, Yukon (8 properties encompassing 471 mineral claims in total just under 10,000 hectares)	0%	None	The Company sold the claims to a Yukon subsidiary of Pembridge Resources plc.
Chanape Property Peru			
Minera Chanape S.A.C. holdings	100%	None	None

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Pucacorrall Property Peru			
Minera Chanape S.A.C. concessions	100%	None	None
Cima de Oro S.A.C. Silver MG concession	100%	US\$20,000	Paid in June 2018
Cima de Oro S.A.C. Fundido concession	100%	None	None
Cerro de Oro Tres S.M.R.L. holdings	29.92%	Option to acquire remaining 70.08% in 7 payments totaling \$US\$1.4 million over the next four years (see below for details)	See below for details

Cima executed the Tres Agreement option on August 12, 2016 with the Company 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%
June 20, 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%

The Chanape and Pucacorrall Properties, Peru

Pan Andean's Peru Properties consist of the adjoining Chanape and Pucacorrall mineral concessions and total 5,785 hectares. The Properties are situated central to the historical mining area in the San Mateo Mining District, which contains numerous narrow-vein, epithermal gold, copper, silver and base metal mines, including the Pacococha, Millotingo, Silveria, Germania, Veta Fulvia, Chanape and San Mateo mines. Several of these mines persisted as artisanal operations into the late 1990s. The concept (and discovery) for the existence of much larger poly-metallic epithermal breccia bodies related to a deeper, causative Cu-Au-Mo porphyry intrusion at Chanape, was the brainchild of Mr. Gary Anderson and Dr. Adam Szybinski, the 2007 management group of Vancouver-based High Ridge Resources Ltd., and former management group for Pan Andean. This concept was supported by ASX-listed Inca Minerals Ltd. (Inca) through a subsequent drill program targeting the High Ridge IP anomalies.

Inca reported some outstanding drilling results at the Inca Property that supported the presence of a deep-seated porphyry-style Cu-Mo system (220 metres averaging 0.13% Cu and 120 ppm Mo) beneath a shallower zone of high-grade epithermal breccia hosted Au-Ag mineralisation (108 metres averaging 2.0 g/t gold and 41 g/t silver from surface). These breccia bodies were mapped by the High Ridge I.P. survey and have been demonstrated to occur and extend onto the surrounding Minera Chanape property. The Inca discovery has significantly enhanced the prospectivity of the San Mateo district, demonstrating the discovery potential for giant porphyry copper deposits and associated, higher level epithermal breccia and vein-style gold-silver-base metal deposits, similar to the nearby Toromocho deposit. Additional details of the Peru Properties are provided in Pan Andean's website at www.panandeanminerals.com.

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On February 28, 2019, the Company decided to write down the value of property to \$1 because the Company no longer intends to pursue further exploration of the properties under the Tres Agreement.

Minto/Carmacks Copper-Gold Properties, Central Yukon

On July 18, 2018, the Company entered into a sale agreement (amended August 29, 2018) with a wholly owned subsidiary of Pembridge Resources Plc ("Pembridge"). In the past, the Company owned 100% of 10 out of the original 16 Minto/Carmacks Copper-Gold properties which are strategically situated in the Minto/Carmacks Copper-Gold Belt, a significant high-grade copper-gold district centered some 220 kilometres northwest of Whitehorse, Yukon. The Company agreed to sell its 100% interest in the remaining mineral claims in the Yukon (the "Minto Property") for \$210,000. The transaction had an original closing date of August 31, 2018 but was amended on April 9, 2019 to be five days after Pembridge obtains a listing on the standard segments of the official list of the Financial Conduct Authority to trade on the main market of the London Stock Exchange. On April 9, 2019, the Company entered the second amendment to the purchase agreement with Pembridge. The Company agreed to extend the closing date to five business days after the date of admission of Pembridge being listing on and trading on the main market of London Stock Exchange PLC. The two parties also agreed that the final balance of payment of \$27,463 is to be replaced with 100,000 Pembridge ordinary shares. During the year ended February 28, 2019, the Company had received a total of \$182,537 from the purchaser. On February 28, 2019, the Company decided to write-off the final balance of payment of \$27,463. In August 2019, the Company received the 100,000 Pembridge ordinary shares. There is no fair market value of the Pembridge shares as of August 31, 2019.

Net Smelter Returns Royalty ("NSR") – at the closing, the purchaser granted 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.

OUTLOOK

The Company will need additional funding for its corporate and overhead expenses in near future through either equity or debt financing. Many factors influence the Company's ability to raise funds, including the health of the capital market and the Company's track record. There is no guarantee that the Company will be able to secure additional financings in the future at terms that are favorable. Pan Andean will continue its policy of minimizing operating costs and eliminate exploration expenditures to conserve cash and protect assets.

The Company is currently pursuing alternative business opportunities.

On March 11, 2019, the Company entered into binding letter of intent (the "LOI") with North Star Holdings ("North Star"). North Star is a fully integrated producer, processor and distributor of medicinal and adult use cannabis with operations in various states in the U.S. including Colorado, California and Nevada. The LOI outlines the proposed terms and conditions pursuant to which the Company and North Star will affect a business combination that will result in a reverse takeover of the Company by the security holders of North Star. On June 25, 2019, the Company announced the termination of LOI with North Star.

The Company continues to evaluate alternative assets and businesses with a view to completing a change of business or reverse take-over transaction as soon as practicable.

RESULTS OF OPERATIONS

For the three-month period ended August 31, 2019

The net loss for the three-month period ended August 31, 2019 was \$251,988 as compared to the net loss for the three-month period ended August 31, 2018 of \$142,919. Operating expenses for the 2nd quarter of fiscal 2020 are totaled \$241,068 compared to 2nd quarter of fiscal 2019 of \$141,702, an increase of \$99,366. Overall, the increases

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in this fiscal quarter are from increased consulting fees and travel incurred due to the due diligence related to the terminated RTO proposal with North Star and investigation of new potential projects as compared to the past quarter.

Some of items contributing to the net loss and comprehensive loss for the 2nd quarter in 2020 and the 2nd quarter in 2019 were as follows:

- Exploration and evaluation expenses of \$Nil (August 31, 2018 - \$5,030). The decrease is because the Company is currently pursuing alternative business opportunities and has decided to no longer spend capital on the current projects it holds.
- Professional fees of \$38,523 (August 31, 2018 - \$41,557). The professional fees in the 2nd quarter in 2020 are consistent with the comparable quarter in 2019.
- Travel costs of \$54,052 (August 31, 2018: \$17,898). These increased costs are associated with visits to Toronto, South Korea, USA, and Hong Kong for meetings with potential investors, funding agencies and current shareholders, and due diligence related to the potential new projects.
- Consulting & management fees of \$119,700 (August 31, 2018 - \$58,079). The significant increase is a result of more consulting work incurred related to the due diligence on North Star and investigating other new business opportunities.
- Corporate listing and filing fees of \$10,235 (August 31, 2018 - \$5,678). The increase in filing fees is associated with the North Star transaction and appointing new officer in this quarter.
- Office and general of \$1,903 (August 31, 2018 - \$12,227). The decrease in office and general is due to the company cutting back the expenditures.
- Depreciation of \$15,370 (August 31, 2018 - \$Nil). The depreciation of right-of-use asset was associated with the lease of the office property. There was no depreciation of the lease recorded in the comparable quarter.
- Lease interest of \$8,069 (August 31, 2018 - \$Nil). The interest expense on lease liability was recognized in the 2nd quarter of fiscal 2020. There was no such expense recorded in the comparable quarter.
- Finance cost – accretion of \$1,454 (August 31, 2018 - \$Nil). The accretion of the convertible debenture was recognized in the 2nd quarter of fiscal 2020. There was no such expense recorded in comparable quarter.
- Finance cost – convertible debenture interest of \$3,348 (August 31, 2018 - \$Nil). The interest expense was recognized in the 2nd quarter of fiscal 2020. There was no such expense recorded in the comparable quarter.

For the six-month period ended August 31, 2019

The net loss for the six-month period ended August 31, 2019 was \$534,105 as compared to the net loss for the six-month period ended August 31, 2018 of \$499,744. Operating expenses for the current two quarters of fiscal 2020 are totaled \$510,137 compared to two quarters of fiscal 2019 of \$498,039, an increase of \$12,098.

Some of items contributing to the net loss and comprehensive loss for the two quarters in 2020 and 2019 were as follows:

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- Exploration and evaluation expenses of \$Nil (August 31, 2018 - \$59,530). The decrease is because the Company is currently pursuing alternative business opportunities and has decided to no longer spend capital on the current projects it holds.
- Professional fees of \$72,184 (August 31, 2018 - \$72,870). The professional fees in 2020 are consistent with the comparable quarters in 2019.
- Travel costs of \$128,430 (August 31, 2018: \$26,726). These increased costs are associated with visits to Toronto, South Korea, USA, and Hong Kong for meetings with potential investors, funding agencies and current shareholders, and due diligence related to the North Star transaction in these two quarters.
- Consulting & management fees of \$224,380 (August 31, 2018 - \$118,798). The significant increase is a result of more consulting work incurred related to due diligence on North Star and investigating other new business opportunities.
- Corporate listing and filing fees of \$29,425 (August 31, 2018 - \$19,567). The increase in filing fees is associated with the two private placements, the North Star transaction and appointing a new officer in these two quarters.
- Office and general of \$30,496 (August 31, 2018 - \$55,517). The decrease in office and general is due to the company cutting back the expenditures.
- Depreciation of \$20,493 (August 31, 2018 - \$Nil). The depreciation of right-of-use asset is associated with the lease of the office property. There was no depreciation of the lease recorded in the comparable quarters.
- Lease interest of \$10,759 (August 31, 2018 - \$Nil). The interest expenses on lease liability was recognized in the two quarters of fiscal 2020. There was no such expense recorded in the fiscal 2019.
- Finance cost – accretion of \$4,519 (August 31, 2018 - \$Nil). The accretion of the convertible debenture was recognized in the two quarters of fiscal 2020. There was no such expense recorded in past quarters.
- Finance cost – convertible debenture interest of \$10,395 (August 31, 2018 - \$Nil). The interest expense was recognized in the two quarters of fiscal 2020. There was no such expense recorded in the comparable quarters.
- Stock based compensation of \$Nil (August 31, 2018 - \$143,000). The stock-based compensation was \$143,000 incurred in comparable quarters, because the Company granted the 2.4 million stock options during 2019. There were no stock options grants in 2020.

LIQUIDITY AND CAPITAL RESOURCES

As at August 31, 2019, the cash balance was \$873,871, compared to \$292,578 at February 28, 2019. This amount is insufficient to fund the Company's ongoing operations for the current year.

As at August 31, 2019, there was a working capital of \$564,103 compared to a working capital deficit of \$224,919 as at February 28, 2019. In the opinion of management, should the Company wish to continue as a going concern and continue searching for new projects in 2019 and beyond, further financing will be required, and the Company will likely have to go to the market to achieve this.

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Given volatility in equity markets, global uncertainty in economic conditions, cost pressures and intensity in international business environment, management constantly reviews emerging technologies and equity markets such that the Company has enough liquidity to support its growth strategy.

Liquidity Outlook

The Company's cash position is highly dependent on the ability to raise cash through financings and debt. Capital expenditures are not expected to have any material impact on liquidity unless the company successfully acquires a new business opportunity. As other opportunities become available to the Company, management will be required to complete further external financing.

At present, the Company's operations do not generate cash inflows and its financial success is dependent on management's ability to develop new business opportunities. In order to finance the Company's future business opportunities and to cover administrative and overhead expenses, the Company will be required to raise funds through equity sales and the exercise of convertible securities.

Many factors influence the Company's ability to raise funds, including the health of the financial market, the Company's track record, and the experience and caliber of its management. Actual funding requirements may vary from those planned due to a few factors, including the sourcing of new projects. Management believes it will be able to raise equity capital and/or debt as required in the long term but recognizes that there will be risks involved which may be beyond its control.

This outlook is based on the Company's current financial position and is subject to change if opportunities become available based on development of the new opportunities.

Going Concern

The 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 on enough funding will be available to develop the new 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, 2019, the Company had an accumulated deficit of \$24,100,902 (February 28, 2019 - \$23,566,797), incurred a net loss for the period ended August 31, 2019 of \$534,105 (August 31, 2018 - \$499,744) and has a working capital of \$564,103 (February 28, 2018 - \$233,927 deficit).

If the going concern assumption was not appropriate, then financial statement adjustments would 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.

Strategy and Risk Management

Further business activities are dependent on the Company obtaining financing to fund any new projects for 2019 and beyond. Management believes that it will be able to raise additional capital in order to fund new business opportunities and its administrative expenditures. Although management has been successful in the past when raising additional financing, there can be no assurance they will be successful in the future.

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SUMMARY OF QUARTERLY RESULTS

The following table summarizes selected financial data reported by the Company for the last eight quarters in Canadian dollars.

	31-Aug-19	31-May-19	28-Feb-19	30-Nov-18	31-Aug-18	31-May-18	28-Feb-18	30-Nov-17
	\$	\$	\$	\$	\$	\$	\$	\$
Net loss	251,988	282,117	3,157,666	155,524	142,919	356,825	172,364	82,492
Comprehensive loss	251,988	282,117	3,157,666	155,524	142,919	356,825	172,925	44,304
Basic and diluted loss per share	(0.00)	(0.01)	(0.06)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)
Total assets	1,083,587	1,607,692	317,328	2,878,703	3,091,144	2,878,469	3,004,992	2,992,204
Exploration and evaluation assets	1	1	1	2,750,125	2,759,719	2,755,252	2,790,252	2,830,691
Revenues	-	-	-	-	-	-	-	-
Equity (deficiency)	623,050	(164,438)	(212,321)	2,507,784	2,673,678	2,450,597	2,574,422	2,346,897

Basic and diluted loss per share above is the same, as the effect of potential shares issuances under stock options or warrant agreements would be anti-dilutive.

EXPLORATION STAGE COMPANY RISKS

The Company is currently engaged in the business of acquiring, exploring and developing mineral properties with the expectation of locating economic deposits of minerals. All of the properties are without proven ore deposits and there is no assurance that the Company's exploration programs will result in proven ore deposits, nor can there be any assurance that economic deposits can be commercially mined. Therefore, any forward-looking information is subject to known and unknown risks and uncertainties as follows, but not limited thereto:

- Exploration and development of mining properties is highly speculative in nature and involves a high degree of risk.
- Timing delays in exploration and development and delays in funding may result in delays and postponement of projects.
- Many competitors are in the business, some of which have greater financial, technical and other resources than the Company.
- Mining involves many hazards and risks in the field such as unexpected rock formations, seismic activity, cave-ins, adverse weather conditions, unstable political conditions and many other conditions.
- Lack of assurance that: the Company will be able to obtain all necessary permits and approvals to conduct its affairs or that future tax, environmental or other legislation will not cause additional expenses, delays or postponements.
- Operations of the Company are subject to environmental regulation, a breach of which may result in imposition of enforcement actions. Environmental hazards may exist on current properties which are presently unknown to the Company and regulations and laws change over time.

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- World prices for metals can be unstable and unpredictable and may materially affect the Company's operations, as well as economic conditions which may change the demand for minerals.
- The securities markets worldwide can experience high price and volume volatility.
- The Company is dependent on the services of several key individuals, the loss of which could significantly affect operations.
- There is potential for officers and directors of the Company to have conflicts of interest with other entities.
- Uncertainties as to the development and implementation of future technologies.
- Changes in accounting policies and methods may affect how the financial condition of the Company is reported.
- Breaches of contracts, such as property agreements, could result in significant loss.
- Currently the company is no longer pursuing the current properties it holds. The company is in the process of acquiring other properties and/or businesses.

RELATED PARTY TRANSACTIONS

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.

The following amounts of 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.

	August 31, 2019	February 28, 2019
Consulting fees and professional fees	\$ 3,595	\$ 10,525

The remuneration of directors and other members of key management personnel during the six months ended August 31, 2019 and 2018 were as follows:

	August 31, 2019	August 31, 2018
Consulting fee - CEO	\$ 55,000	\$ 45,000
Consulting fees - Director and officers	61,200	-
Consulting fees - Former Directors and officers	-	46,844
Professional fees - CFO	16,500	-
Professional fees - Former CFO	2,500	29,000
	\$ 135,200	\$ 120,844

All amounts paid to related parties have been recorded at fair value for the services received by the Company.

OUTSTANDING SHARE DATA

Pan Andean's authorized capital is unlimited common shares without par value.

As at the date of this MD&A, the Company had an unlimited number of common shares authorized for issuance, with 70,233,980 issued and outstanding. The Company also had 16,780,000 warrants and 5,500,000 stock options outstanding convertible into one common share.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical judgements and estimates that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the in the unaudited condensed interim financial statements for the six months ended August 31, 2019 are consistent with those applied in the preparation of the Company's annual audited consolidated financial statements for the year ended February 28, 2019.

PRONCEMENTS AFFECTING FINANCIAL STATEMENTS PRESENTATION OR DISCLOSURE

The Company has reviewed the accounting standards or amendments to existing accounting standards that have been issued but have future effective dates and determined that these are either not applicable or are not expected to have a significant impact on the Company's financial statements.

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk and market price risk.

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. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, short-term investments and other receivables. Pan Andean deposits its cash and cash equivalents with high credit quality major Canadian financial institutions as determined by ratings agencies. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash outflows to ensure that there is sufficient capital in order to meet short-term obligations. As of August 31, 2019, the Company had a cash balance of \$873,871 (February 28, 2019 - \$292,578), to settle current liabilities of \$348,066 (February 28, 2019 - \$529,649) consequently the company feels there is minimal liquidity risk currently. Further information relating to liquidity risk is disclosed in Note 1 of the Company's condensed consolidated interim financial statements for the six months ended August 31, 2019.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash and cash equivalents, short-term investments and reclamation bonds include deposits which are at variable interest rates.

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As at August 31, 2019, a plus or minus 0.5% change in market interest rates would affect the Company's interest earned on cash and cash equivalents and short-term investments by approximately \$4,369.

Market Price Risks

The only significant market price risks to which the Company is exposed to is interest rate risk and price volatility on its marketable securities. The Company's bank account earns interest at variable rates. The fair value of its cash and cash equivalents are relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to changes in short-term rates.

MANAGEMENT OF CAPITAL

In the management of capital, the Company considers shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support exploration and development of mineral properties and investigating other business opportunities. The Board of Directors has not established quantitative capital structure criteria management, but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital by maintaining a sufficient level of funds, to support continued evaluation and maintenance at the Company's existing properties, and to acquire, explore, and develop other precious and base metal deposits and investigate new business opportunities.
- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk and loss of principal.
- The properties in which the Company currently holds an interest in are in the exploration stage and the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.
- Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.
- The Company may issue new equity, incur additional debt, for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends.
- The Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.
- There were no changes in the Company's approach to capital management during the six months ended August 31, 2019 compared to the years ended February 28, 2019. The Company is not subject to externally imposed capital requirements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the financial statements, is the responsibility of management.

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

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

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning Pan Andean's general and administrative expenses and mineral property costs is provided in the Company's six months ended August 31, 2019, statement of operations contained in its condensed consolidated interim financial statements for the six months ended August 31, 2019. These statements are available on its SEDAR Page Site accessed through www.sedar.com.

DIVIDENDS

The Company has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for mineral exploration and development. Any future determination to pay dividends will be at the discretion of the Board of Directors of the Company and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors of the Company deem relevant.

NATURE OF THE SECURITIES

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

PROPOSED TRANSACTIONS

At the present time, there are no other proposed transactions that are required to be disclosed.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

APPROVAL

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the audited consolidated financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

FORWARD LOOKING INFORMATION

Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, permitting risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labor disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual financial statements which are filed and available for review on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements

ADDITIONAL INFORMATION

Additional Information relating to Pan Andean can be found on the Company website www.panandeanminerals.com and on SEDAR at www.sedar.com or by contacting the Company at Suite 520 – 800 West Pender Street, Vancouver, BC Canada, V6C 2V6, Tel: (604) 697-2408.

