



(An Exploration Stage Company)

Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2020 and August 31, 2019

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

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

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

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

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

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Expressed in Canadian Dollars)

| Assets | August 31, 2020 | February 29, 2020 |
|---|----------------------------|------------------------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 1,014,162 | \$ 201,546 |
| Sales tax and other receivables (Note 4) | 8,996 | 13,145 |
| Prepaid expenses | 27,450 | 14,600 |
| Marketable securities (Note 3) | 5,932 | 17,730 |
| | 1,056,540 | 247,021 |
| Non-Current Assets: | | |
| Deposits | 12,597 | 12,597 |
| Right-of-use asset (Notes 9) | 99,618 | 129,504 |
| Exploration and evaluation assets (Note 5) | 1 | 1 |
| Total Assets | \$ 1,168,756 | \$ 389,123 |
| Liabilities and Equity | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities (Note 7) | \$ 150,760 | \$ 159,319 |
| Convertible debenture interest payable | 5,294 | 5,294 |
| Lease liability – current portion (9) | 65,279 | 58,755 |
| Short-term loan (Note 8) | 1,267,579 | - |
| | 1,488,912 | 223,368 |
| Lease liability – long-term (Notes 9) | 48,571 | 83,093 |
| Total Liabilities | 1,537,483 | 306,461 |
| Shareholders' Equity (Deficiency): | | |
| Share capital (Note 10) | 18,935,514 | 18,935,514 |
| Share subscriptions received (Note 10) | 75,000 | 25,000 |
| Reserves (Note 10) | 5,993,711 | 5,993,711 |
| Accumulated other comprehensive loss | (213,523) | (213,523) |
| Deficit | (25,159,429) | (24,658,040) |
| Total Equity (Deficiency) | (368,727) | 82,662 |
| Total Liabilities and Equity | \$ 1,168,756 | \$ 389,123 |

Nature of Operations and Going Concern (Note 1)

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

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

| | For Three Months Ended August 31 | | For Six Months Ended August 31, | |
|--|-------------------------------------|----------------|------------------------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Expenses | | | | |
| Amortization (Note 9) | \$ 14,942 | \$ 15,370 | \$ 29,885 | \$ 20,493 |
| Consulting and management fees (Note 11) | 113,126 | 119,700 | 227,835 | 224,380 |
| Corporate listing and filing fees | 3,797 | 10,235 | 4,717 | 29,425 |
| Investor relations | 925 | 1,285 | 1,750 | 4,729 |
| Office and general | 4,171 | 11,691 | 16,080 | 31,017 |
| Professional fees (Note 11) | 41,417 | 38,523 | 76,540 | 72,184 |
| Rent (none-lease portion) | 15,964 | 11,742 | 31,864 | 40,076 |
| Sublease income | (16,987) | (21,530) | (33,762) | (40,597) |
| Travel | 5,134 | 54,052 | 11,253 | 128,430 |
| Loss from operations | 182,489 | 241,068 | 366,162 | 510,137 |
| Other expense (income) | | | | |
| Accretion - convertible debentures | - | 1,454 | - | 4,519 |
| Finance cost - debt financing (Note 8) | - | - | 87,046 | - |
| Interest and miscellaneous expense (income) | 333 | (1,035) | 333 | (1,170) |
| Interest expense - convertible debenture | - | 3,348 | - | 10,395 |
| Interest expense – lease (Note 9) | 4,770 | 8,069 | 11,739 | 10,759 |
| Interest expense – short-term loan (Note 8) | 12,435 | - | 24,068 | - |
| Loss (gain) on foreign exchange | 162 | (1,087) | 243 | (706) |
| Unrealized (gain) loss marketable securities | (392) | - | 11,798 | - |
| Write-off receivables | - | 171 | - | 171 |
| Total other expense (income) | 17,308 | 10,920 | 135,227 | 23,968 |
| Net loss for the period | 199,797 | 251,988 | 501,389 | 534,105 |
| Comprehensive loss for the period | \$ 199,797 | 251,988 | \$ 501,389 | \$ 534,105 |
| Loss per share | | | | |
| Basic | \$ 0.00 | \$ 0.00 | \$ 0.01 | \$ 0.01 |
| Weighted average number of common shares outstanding | 70,233,980 | 61,859,757 | 70,233,980 | 59,029,089 |

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

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

| | For Six Months Ended | |
|--|----------------------|-------------------|
| | August 31, 2020 | August 31, 2019 |
| Operating Activities: | | |
| Net loss for the period | \$ (501,389) | \$ (534,105) |
| Adjustment for items which do not involve cash: | | |
| Amortization | 29,886 | 20,493 |
| Accretion – convertible debentures | - | 4,519 |
| Unrealized loss on marketable securities | 11,798 | - |
| Write-off accounts receivables | - | 171 |
| Changes in non-cash working capital components: | | |
| Accounts payable and accrued liabilities | (8,559) | (73,877) |
| Convertible debenture interest payable | - | 10,395 |
| Short-term loan interest payable | 12,435 | - |
| Prepaid expenses | (12,850) | (32,403) |
| Sales tax and other receivables | 4,149 | 6,086 |
| | (464,530) | (598,721) |
| Financing Activities: | | |
| Shares issuances – private placements | - | 1,165,000 |
| Shares issuance - warrants exercise | - | 30,000 |
| Share subscription received | 50,000 | - |
| Proceeds from short-term loan | 1,255,144 | - |
| Principal portion of lease liability repayments | (27,998) | (14,986) |
| | 1,277,146 | 1,180,014 |
| Net changes in cash and cash equivalents | 812,616 | 581,293 |
| Cash and cash equivalents - beginning of the period | 201,546 | 292,578 |
| Cash and cash equivalents - end of the period | \$ 1,014,162 | \$ 873,871 |

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

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Changes in Equity

For the six months ended August 31, 2020 and August 31, 2019

(Expressed in Canadian Dollars)

| | Notes | SHARE CAPITAL | | SHARES TO BE | RESERVES | ACCUMULATED OTHER COMPREHENSIVE LOSS ("AOCL") | DEFICIT | TOTAL EQUITY |
|---|-------|-------------------|-------------------|---------------|------------------|--|---------------------|------------------|
| | | SHARES | AMOUNT | ISSUED | | | | |
| Balance – February 28, 2019 | | 55,862,552 | 17,670,167 | - | 5,897,832 | (213,523) | (23,566,797) | (212,321) |
| Share issued – private placements | | 11,500,000 | 1,072,000 | - | 128,000 | - | - | 1,200,000 |
| Share issue cost | | - | (35,000) | - | - | - | - | (35,000) |
| Share issued – convertible debenture conversion | | 2,571,428 | 182,302 | - | (7,826) | - | - | 174,476 |
| Warrants exercised | | 300,000 | 42,000 | - | (12,000) | - | - | 30,000 |
| Net loss for the period | | - | - | - | - | - | (534,105) | (534,105) |
| Balance – August 31, 2019 | | 70,233,980 | 18,931,469 | - | 6,006,006 | (213,523) | (24,100,902) | 623,050 |
| Balance - February 29, 2020 | | 70,233,980 | 18,935,514 | 25,000 | 5,993,711 | (213,523) | (24,658,040) | 82,662 |
| Share subscription received | | - | - | 50,000 | - | - | - | 50,000 |
| Net loss for the period | | - | - | - | - | - | (501,389) | (501,389) |
| Balance - August 31, 2020 | | 70,233,980 | 18,935,514 | 75,000 | 5,993,711 | (213,523) | (25,159,429) | (368,727) |

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

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2020 and 2019

(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Pan Andean Minerals Ltd. (the “Company” or “Pan Andean”) is a publicly listed company incorporated under the Business Corporations Act of British Columbia on February 10, 2006 as 0748496 B.C. Ltd. On March 1, 2006, the Company changed its name to BCGold Corp, and again on March 16, 2017 to Pan Andean Minerals Ltd. The Company is listed on the TSX Venture Exchange (“TSX.V”) under the symbol “PAD”. The head office, principal address and records office of the Company are located at Suite 520 – 800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6. The Company’s registered address is Suite 1500 - 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company continues to incur operating losses, has limited financial resources, no source of operating cash flow, and no assurances that sufficient funding, including adequate financing, will be available to continue operations. 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, 2020, the Company has an accumulated deficit of \$25,159,429 (February 28, 2020 - \$24,658,040), a net loss for the period ended August 31, 2020 of \$501,389 (August 31, 2019 - \$534,105) and has working capital deficiency of \$432,372 (February 28, 2020 – \$23,653 working capital).

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 January 10, 2020, the company announce a proposed change of business (the “Proposed COB”) from mineral exploration to a Canadian cannabis enterprise. The Company intends to apply to the TSX Venture Exchange (the “TSXV”) to have its common shares delisted from the TSXV and relist onto the Canadian Securities Exchange (the “CSE”) upon completion of the Proposed COB. The Company’s common shares were halted from trading due to proposed COB. As at October 20, 2020, the Company’s common shares remain halted.

2. Basis of Preparation

Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended February 28, 2020.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on October 20, 2020.

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2020 and 2019

(Expressed in Canadian Dollars)

2. Basis of Preparation - continued

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

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

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 incremental rate of borrowing used in the measurement of the lease liability was based on estimated interest rate the Company would borrow at from arm's-length third parties as at the dates of adopting IFRS 16 and entering into its current long-term office lease.
- iii) The inputs used in accounting for share-based compensation expense included in profit or loss calculated using the Black-Scholes option pricing model.
- iv) 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.
- v) The recognition of deferred tax assets based on the change in unrecognized deductible temporary tax differences.

Accounting standards and interpretations issued but not yet effective

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.

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(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2020 and 2019

(Expressed in Canadian Dollars)

3. Marketable Securities

| | August 31, 2020 | February 29, 2020 |
|------------------------------------|-----------------|-------------------|
| Marketable securities – fair value | \$ 5,932 | \$ 17,730 |

The securities owned by the Company represent minor ownership in all of the public companies in the above.

4. Other Receivables

| | August 31, 2020 | February 29, 2020 |
|-----------------|-----------------|-------------------|
| Sales tax (GST) | \$ 8,996 | \$ 13,145 |

5. Exploration and Evaluation Assets and Expenditures

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

| | Minto/Carmacks (Yukon) \$ | Other Properties (BC & Yukon) \$ | Chanape & Cima (Peru) \$ | Total \$ |
|--|---------------------------------|--|--------------------------------|-------------|
| Balance - February 28, 2018 | 210,000 | 19,633 | 2,560,619 | 2,790,252 |
| Sale of property | (210,000) | - | - | (210,000) |
| Mining rights-yearly govt. validity fee | - | - | 37,905 | 37,905 |
| Other exploration expenditures | - | - | 39,467 | 39,467 |
| Property option payment paid | - | - | 79,014 | 79,014 |
| Impairment of mining property | - | (19,633) | (2,717,004) | (2,736,637) |
| Balance – August 31, 2020 and February 29, 2020 | - | - | 1 | 1 |

The Company retains various ownership interests in various exploration and evaluation assets even though the subject assets have been written off for accounting purposes.

6. Financial Risk and Capital Management

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

Credit risk

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

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(An Exploration Stage Company)

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(Expressed in Canadian Dollars)

6. Financial Risk and Capital Management - continued

Liquidity risk

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

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. As at August 31, 2020, the Company had negligible financial assets or liabilities denominated in a foreign currency.

Interest rate risk

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

Capital management

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

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

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

Fair value measurement

Cash and marketable securities are measured at fair value using Level 1 inputs.

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy:

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Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2020 and 2019

(Expressed in Canadian Dollars)

6. Financial Risk and Capital Management - continued

| | Level 1 | Level 2 | Level 3 | Total August 31, 2020 |
|-----------------------|--------------------|-------------|-------------|--------------------------|
| Cash | \$1,014,162 | \$ - | \$ - | \$ 1,014,162 |
| Marketable securities | 5,932 | - | - | 5,932 |
| Total | \$1,020,094 | \$ - | \$ - | \$ 1,020,094 |

| | Level 1 | Level 2 | Level 3 | Total February 29, 2020 |
|-----------------------|-------------------|-------------|-------------|----------------------------|
| Cash | \$ 201,546 | \$ - | \$ - | \$ 201,546 |
| Marketable securities | 17,730 | - | - | 17,730 |
| Total | \$ 219,276 | \$ - | \$ - | \$ 219,276 |

7. Accounts Payable and Accrued Liabilities

| | August 31, 2020 | February 28, 2020 |
|---------------------|-------------------|-------------------|
| Trade payables | \$ 142,760 | \$ 145,319 |
| Accrued liabilities | 8,000 | 14,000 |
| Total | \$ 150,760 | \$ 159,319 |

8. Short-term Loan

On March 9, 2020, the Company received a \$100,000 unsecured loan bearing interest, payable semi-annually, at a rate of 4% per annum, with outstanding principal due and payable on March 6, 2021. The Company paid \$7,000 in cash finder's fee pursuant to this loan financing.

On March 24, 2020, the Company received a \$1,143,511 (1 billion South Korean Won) unsecured loan bearing interest, payable semi-annually, at a rate of 4% per annum, with outstanding principal due and payable on March 31, 2021. The Company paid \$80,046 in cash of finder's fees pursuant to this loan financing.

For the six months ended August 31, 2020, the interest was calculated as \$24,068 (2019 - \$Nil). As at August 31, 2020, the short-term loan balance is \$1,267,579 (February 29, 2020 - \$Nil).

9. Right-Of-Use Assets & Lease Liabilities

As at March 1, 2019, the Company had a remaining lease commitment of \$6,296 of basic rent per month plus operating costs for two months pursuant to a lease agreement expiring April 30, 2019.

The Company extended its lease agreement for office space effective May 1, 2019 until April 30, 2022. Minimum annual commitments for basic rent, excluding additional operating costs, at May 1, 2019 were as follows:

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2020 and 2019

(Expressed in Canadian Dollars)

9. Right-Of-Use Assets & Lease Liabilities - continued

| Year | Amount |
|------|-------------------|
| 2020 | \$ 64,362 |
| 2021 | 80,032 |
| 2022 | 83,390 |
| 2023 | 13,992 |
| | <u>\$ 241,776</u> |

a) Right-of-use assets

As at August 31, 2020, the right-of-use asset recorded for the Company's office premises was as follows:

| | August 31, 2020 | February 29, 2020 |
|--|-----------------|-------------------|
| | \$ | \$ |
| Opening balance | 129,504 | - |
| IFRS 16 adoption – May 2016 to April 2019 lease | - | 9,079 |
| Amortization | - | (9,079) |
| May 2019 to April 2022 lease – initial recognition | - | 179,313 |
| Amortization | (29,886) | (49,809) |
| Ending balance | <u>99,618</u> | <u>129,504</u> |

b) Lease liabilities

Minimum lease payments in respect of lease liabilities and the effect of discounting as at August 31, 2020 are as follows:

| | August 31, 2020 | February 29, 2020 |
|---|-----------------|-------------------|
| | \$ | \$ |
| Undiscounted minimum lease payments: | | |
| Less than one year | 81,711 | 80,032 |
| More than one year | 55,967 | 97,382 |
| Total undiscounted minimum lease payments | <u>137,678</u> | <u>177,414</u> |
| Effect of discounting | (23,828) | (35,566) |
| Present value of minimum lease payments | <u>113,850</u> | <u>141,848</u> |
| Less: current portion | 65,279 | (58,755) |
| Long-term portion | <u>48,571</u> | <u>83,093</u> |

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Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2020 and 2019

(Expressed in Canadian Dollars)

9. Right-Of-Use Assets & Lease Liabilities - *continued*

c) Lease liabilities continuity

The net change in the Company's lease liability during the period ended August 31, 2020 was as follows:

| | August 31, 2020 | February 29, 2020 |
|--|-----------------|-------------------|
| | \$ | \$ |
| Beginning balance | 141,848 | - |
| IFRS 16 adoption – May 2016 to April 2019 lease | - | 10,950 |
| Principal payments | - | (10,950) |
| May 2019 to April 2022 lease – initial recognition | - | 179,313 |
| Principal payments | (27,998) | (37,465) |
| Ending balance | 113,850 | 141,848 |

The Company incurred interest expense of \$11,739 on its lease liabilities for the six months ended August 31, 2020 (2019 – \$10,759), and received sublease income of \$33,762 (2019 - \$40,597) as a result of subleasing a portion of its office space.

10. Share Capital

(a) Share Capital

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

Private Placements

Year Ended February 29, 2020

On May 22, 2019, the Company closed a private placement of 2,500,000 common shares at a price of \$0.12 per share for gross proceeds of \$300,000.

On August 21, 2019, the Company closed a private placement of 9,000,000 units at a price of \$0.10 per unit for gross proceeds of \$900,000. Each unit consists of one common share and one-half common share warrant, with 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. The fair value of the 4,500,000 warrants was calculated at \$116,000 and was determined on the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 1.40% risk free interest rate, expected life of 2 years, 165.56% annualized volatility and 0% dividend rate. \$43,250 in cash share issue costs were paid in conjunction with the private placement.

Six Months Ended August 31, 2020

There were no common shares issued during the six months ended August 31, 2020.

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For the Six Months Ended August 31, 2020 and 2019

(Expressed in Canadian Dollars)

10. Share Capital – continued

Convertible Debenture Conversion

Year Ended February 29, 2020

In June 2019, \$180,000 of convertible debenture principal outstanding was converted to 2,571,428 common shares of the Company at \$0.07 per share. The \$174,476 accreted carrying value and \$7,826 equity portion of the convertible debenture principal was transferred to share capital on conversion

Warrants Exercise

Year Ended February 29, 2020

In May 2019, 300,000 share purchase warrants exercisable at \$0.10 per share were exercised for gross proceeds of \$30,000. The \$12,295 value of these warrants was reclassified from reserves to share capital upon exercise.

(b) Share Purchase Warrants

As at August 31, 2020, the following warrants were outstanding:

| Expiry Date | Exercise Price | Number of Warrants | Remaining Years |
|-----------------------------------|----------------|--------------------|-----------------|
| September 17, 2020 | \$0.10 | 3,360,000 | 0.01 |
| December 20, 2020 | \$0.10 | 2,200,000 | 0.07 |
| August 21, 2021 | \$0.30 | 4,500,000 | 0.43 |
| Total warrants outstanding | | 10,060,000 | |
| Weighted average price | \$0.19 | | |
| Average remaining years | | | 0.51 |

See Note 13

(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.

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Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2020 and 2019

(Expressed in Canadian Dollars)

10. Share Capital – continued

(c) Stock Options - continued

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

The Board has previously established a rolling Stock Option Plan which reserves for issuance up to 10% of the Company's outstanding common shares. The policies of the TSX Venture exchange require such stock option plans to be approved annually by the Company's shareholders by way of an ordinary resolution. Shareholder approval shall be sought at the next AGM for the Stock Option Plan, as such, any options issued prior to such approval shall not be exercisable until such approval is granted by shareholders.

There were no options granted during the six months ended August 31, 2020.

At August 31, 2020, the following options were outstanding and exercisable:

| Expiry Date | Weighted Average Exercise Price | Number of Options Outstanding | Weighted Average Remaining Years | Number of Options Exercisable |
|-------------------|---------------------------------|-------------------------------|----------------------------------|-------------------------------|
| March 20, 2023 | \$0.06 | 2,400,000 | 2.55 | 2,400,000 |
| February 28, 2024 | \$0.06 | 3,100,000 | 3.50 | 3,100,000 |

(d) Shares Subscribed

In February and June 2020, the Company received an aggregate amount of \$75,000 pursuant to the subscription for 937,500 units at \$0.08 per unit, with each unit consisting of one Company common share and one-half of one share purchase warrant, where a full share purchase warrant is exercisable at \$0.30 per share for 24 months after closing, subject to accelerated expiry with 30 days' notice if the Company's common shares close at a market price of \$0.50 or greater for ten consecutive trading days. The Company holds the funds in the trust until the common shares are issued to the investors, subject to Exchange approval.

11. 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 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.

Pan Andean Minerals Ltd.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2020 and 2019

(Expressed in Canadian Dollars)

11. Related Party Transactions - continued

| | August 31, 2020 | February 29, 2020 |
|------------------------|-----------------|-------------------|
| Due to related parties | \$ - | \$ - |

The remuneration of directors and other members of key management personnel during the period ended August 31, 2020 and August 31, 2019 were as follows:

| | August 31, 2020 | August 31, 2019 |
|-------------------|-----------------|-----------------|
| Management fees | \$ 160,500 | \$ 116,200 |
| Professional fees | 27,952 | 19,000 |
| | \$ 188,452 | \$ 135,200 |

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

12. Contingency

On July 13, 2020, a former director of the Company filed a small claims action against the Company for an aggregate amount of \$35,176. The Company disputes the allegations in the Notice of Claim, believes the complaint to be wholly without merit, and intends to vigorously defend itself against the action. The Company does not anticipate the matter will have a material adverse impact on the financial operations of the Company.

13. Subsequent Event

(a) On September 17, 2020, 3,360,000 warrants expired.