

# **PANORO MINERALS LTD.**

Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2019 and 2018

*(Expressed in Canadian dollars, unless otherwise stated)*

## **Notice of No Auditor Review**

These unaudited condensed interim financial statement have not been reviewed by the auditors of the Company. This notice is being provided in accordance with Section 4.3 (3) (a) of National Instrument 51-102 – Continuous Disclosure Obligations.

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The unaudited condensed consolidated interim financial statements of Panoro Minerals Ltd. ("the Company") are the responsibility of the Company's management. The unaudited condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and reflect management's best estimates and judgments based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls through its Audit Committee, which is comprised of non-management directors. The Audit Committee reviews the unaudited condensed interim consolidated financial statements prior to their submission to the Board of Directors for approval.

These unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

***"Luquman A. Shaheen"***

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Luquman A. Shaheen  
President and Chief Executive Officer  
Vancouver, British Columbia

***"Shannon M. Ross"***

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Shannon M. Ross  
Chief Financial Officer  
Vancouver, British Columbia

# PANORO MINERALS LTD.

Condensed Consolidated Interim Balance Sheets - unaudited  
Expressed in Canadian Dollars, unless otherwise stated

	Note	September 30, 2019	December 31, 2018
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 1,163,034	\$ 456,779
Short-term investments		-	1,732,530
Marketable securities	5	1,833	1,667
Accounts and advances receivable		18,746	112,768
Prepaid expenses		35,771	30,820
<b>Total current assets</b>		1,219,384	2,334,564
<b>Non-current assets</b>			
Exploration and evaluation assets	6	75,293,150	77,483,504
Property and equipment		109,333	12,220
<b>Total assets</b>		\$ 76,621,867	\$ 79,830,288
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 1,356,550	\$ 1,405,128
Current portion of lease obligations		69,718	-
Liabilities under Early Deposit Precious Metals Agreement	7	8,607,950	6,821,000
		10,034,218	8,226,128
Lease obligations	4	57,611	-
Liabilities under Early Deposit Precious Metals Agreement	7	2,648,600	2,728,400
<b>Total liabilities</b>		12,740,429	10,954,528
<b>Shareholders' equity</b>			
Share capital	8	94,000,125	94,000,125
Share-based expense reserve	8	12,180,753	11,946,673
Accumulated other comprehensive loss		(8,167)	(8,333)
Deficit		(42,291,273)	(37,062,705)
<b>Total shareholders' equity</b>		63,881,438	68,875,760
<b>Total liabilities and shareholders' equity</b>		\$ 76,621,867	\$ 79,830,288

Going concern (Note 3)  
Commitments (Note 10)  
Subsequent event (Note 8)

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

Approved on behalf of the Board:

"Luquman A. Shaheen"

"William J. Boden"

# PANORO MINERALS LTD.

Condensed Consolidated Interim Statements of Comprehensive Loss  
Expressed in Canadian Dollars, unless otherwise stated - unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
<b>Expenses</b>				
Amortization	\$ 27,984	\$ 671	\$ 83,954	\$ 16,397
Audit and tax	16,308	15,000	113,967	90,865
Communications	13,923	14,720	46,156	55,760
Consulting	5,094	-	19,732	12,982
Conferences	-	-	13,644	21,300
Directors' fees	49,969	49,079	149,438	146,521
Finance charges (Note 4(a))	7,641	-	17,013	-
Financial consulting	-	58,289	59,454	115,970
Corporate development and shareholders relations	19,919	159,825	150,660	577,451
Legal	38,021	106,933	108,939	160,332
Office	9,840	8,888	30,640	31,604
Professional dues and training	742	901	4,038	4,496
Regulatory and transfer agent	6,826	35,151	48,828	96,945
Rent and insurance	18,980	50,912	47,182	137,344
Salaries and benefits	231,730	236,626	733,814	726,449
Share-based expense	208,222	-	208,222	974,410
Travel	11,640	31,151	64,573	67,813
	666,839	768,146	1,900,254	3,236,639
Write-down of mineral property interest	-	-	4,217,668	-
Interest income	-	(2,527)	(9,777)	(389)
Change in fair value of Early Deposit Precious Metals Agreement financial liability	118,875	(139,975)	(279,000)	231,325
Gain on disposition of assets	-	-	(664,650)	-
Foreign exchange (gain)/loss	8,472	79,144	34,943	(66,029)
<b>Loss for the period</b>	<b>794,186</b>	<b>709,842</b>	<b>5,199,438</b>	<b>3,401,546</b>
Total other comprehensive income	166	(333)	166	(333)
<b>Comprehensive loss for the period</b>	<b>\$ 794,020</b>	<b>\$ 709,509</b>	<b>\$ 5,199,272</b>	<b>\$ 3,401,213</b>
<b>Loss per share, basic and fully diluted</b>	<b>\$ 0.00</b>	<b>\$ 0.01</b>	<b>\$ 0.02</b>	<b>\$ 0.02</b>
<b>Weighted average number of common shares outstanding</b>	<b>263,837,522</b>	<b>263,190,991</b>	<b>263,837,522</b>	<b>262,660,588</b>

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

# PANORO MINERALS LTD.

Condensed Consolidated Interim Statements of Cash Flows - unaudited  
Expressed in Canadian dollars, unless otherwise stated

	<b>Nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash provided by (used for):</b>		
<b>Operating activities:</b>		
Loss for the period	\$ (5,199,438)	\$ (3,401,546)
<b>Items not involving the use of cash:</b>		
Amortization	83,954	16,397
Share-based expense	208,222	974,410
Change in fair value of Early Deposit Precious Metals Agreement	(279,000)	231,325
Foreign exchange loss (gains)	34,943	(66,029)
Write-down of mineral property interest	4,217,668	-
Finance costs	17,013	-
Gain on disposition of assets	(664,650)	-
	<b>(1,581,288)</b>	<b>(2,245,443)</b>
<b>Changes in non-cash operating working capital:</b>		
Accounts and advances receivable	(94,022)	8,050
Prepaid expenses	4,951	25,029
Accounts payable	7,203	(109,113)
<b>Cash used in operating activities</b>	<b>(1,663,156)</b>	<b>(2,321,477)</b>
<b>Investing activities:</b>		
Exploration and evaluation expenditures	(2,738,718)	(3,472,576)
Equipment purchases	-	(5,252)
Change in short term investments	1,732,530	(1,083,599)
Proceeds on sale of equipment	-	5,594
Accounts payable and accrued liabilities	21,140	(66,662)
Recovery of value-added taxes	316,007	58,779
<b>Cash used in investing activities</b>	<b>(669,041)</b>	<b>(4,563,716)</b>
<b>Financing activities:</b>		
Proceeds on disposition of mineral property interest	664,650	-
Precious Metals Purchase Agreement	1,986,150	1,930,425
Funds received on JOGMEC earn-in agreement	369,539	-
Exercise of warrants	-	992,018
<b>Cash provided by financing activities</b>	<b>3,020,339</b>	<b>2,922,443</b>
<b>Effect of exchange rate changes on cash held</b>	<b>18,113</b>	<b>114,723</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>706,255</b>	<b>(3,848,027)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>456,779</b>	<b>5,430,379</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,163,034</b>	<b>\$ 1,582,352</b>

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

## PANORO MINERALS LTD.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity - unaudited

For the nine months ended September 30, 2019 and 2018

Expressed in Canadian Dollars, unless otherwise stated

	Number of Shares	Capital Stock	Share-Based Expense Reserve	Accumulated Comprehen- sive Loss	Deficit	Total
Balance, December 31, 2017	260,163,382	\$ 93,008,107	\$ 10,817,594	\$ (8,500)	\$(32,519,772)	\$ 71,297,429
Other comprehensive income	-	-	-	500	-	500
Warrants exercised	2,592,670	700,021	-	-	-	700,021
Stock option grants	-	-	1,129,079	-	-	1,129,079
Loss for the period	-	-	-	-	(2,692,472)	(2,692,472)
<b>Balance, September 30, 2018</b>	<b>262,756,052</b>	<b>\$ 93,708,128</b>	<b>\$ 11,946,673</b>	<b>\$ (8,000)</b>	<b>\$(35,212,244)</b>	<b>\$ 70,434,557</b>
Balance, December 31, 2018	263,837,522	\$ 94,000,125	\$ 11,946,673	\$ (8,333)	\$(37,062,705)	\$ 68,875,760
Impact of adopting IFRS 16 on January 1, 2019 (see Note 4(a))	-	-	-	-	(29,130)	(29,130)
Balance, January 1, 2019 (restated)	263,837,522	94,000,125	11,946,673	(8,333)	(37,091,835)	68,846,630
Other comprehensive income	-	-	-	166	-	166
Stock option grants	-	-	234,080	-	-	234,080
Loss for the period	-	-	-	-	(5,199,438)	(5,199,438)
<b>Balance, September 30, 2019</b>	<b>263,837,522</b>	<b>\$ 94,000,125</b>	<b>\$ 12,180,753</b>	<b>\$ (8,167)</b>	<b>\$(42,291,273)</b>	<b>\$ 63,881,438</b>

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

# PANORO MINERALS LTD.

Notes to Condensed Interim Consolidated Financial Statements - unaudited  
For the three and nine months ended September 30, 2019 and 2018  
Expressed in Canadian dollars, unless otherwise stated

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## 1. Nature of operations

Panoro Minerals Ltd. is incorporated under the *Business Corporations Act* in the Province of British Columbia. The Company's principal place of business is located at Suite 1610 – 700 West Pender Street, Vancouver, BC, Canada V6C 1G8.

Panoro Minerals Ltd. and its subsidiaries are referred to as “Panoro” or the “Company.”

The Company is an exploration-stage company engaged principally in the acquisition, exploration and development of mineral properties in Perú and trades on the TSX Venture Exchange (the “Exchange”) as a Tier 2 mining issuer under the trading symbol “PML”. The Company also trades on the Bolsa de Valores de Lima under the same trading symbol.

The Company's investment in its exploration and evaluation assets comprises a significant portion of the Company's assets. Recovery of the carrying value of the investment in these assets and the Company's ability to continue operations are dependent upon the existence of economically recoverable reserves, confirming and maintaining legal ownership of the resource properties, the ability of the Company to obtain necessary financing to complete the exploration and development, and the attainment of future profitable production or the disposition of these assets for proceeds in excess of their carrying values.

## 2. Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on November 21, 2019.

## 3. Going concern

These condensed consolidated interim financial statements have been prepared on a going concern basis which contemplates 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 business.

# PANORO MINERALS LTD.

Notes to Condensed Interim Consolidated Financial Statements - unaudited  
For the three and nine months ended September 30, 2019 and 2018  
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## 3. Going concern (continued)

The Company has no operating revenue and incurred a loss of \$5,199,438 for the nine months ended September 30, 2019 (2018 – loss of \$2,692,472). As at September 30, 2019, the Company has an accumulated deficit of \$42,291,273 (December 31, 2018 - \$37,091,835 (restated)), and a working capital deficiency of \$8,814,834 (December 31, 2018 – working capital deficiency of \$5,891,564), with the inclusion of the current portion of the Wheaton Metals Agreement. Although the Company presently has sufficient financial resources to cover its existing obligations and operating costs and undertake its currently planned programs for the next year, the Company expects to require further funding in the longer term to fund ongoing exploration and evaluation activities and ultimately develop its properties. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company. These conditions create a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

At September 30, 2019, the Company has received US\$8.5 million pursuant to the Agreement, and will receive US\$750,000 on a semi-annual basis, if the Company meets the terms under which the funds will be advanced.

The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or achieve operating profitability and generate positive cash flows. The Company is in the business of exploring and developing mineral property interests, and as such, must continually seek sources of financing to further develop and explore its mineral exploration and evaluation assets and to support general and administrative expenses.

The recoverability of amounts shown for exploration and evaluation assets and property and equipment is dependent upon, among other things, the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary mining and environmental permits, and future profitable production or proceeds from the disposition of the exploration and evaluation assets.

The Company will continue to seek additional financing through the sale of mineral property interests, debt financing, and equity financing, and optioning its other mineral property interests. However, it is not certain that such financing will be available. The Company may be adversely impacted by a lack of normal available financing, inability to maintain mining licenses, and continued uncertainty in the exchange and commodity markets.

These financial statements do not reflect material adjustments to the carrying values of its assets and liabilities, which may be required should the Company be unable to continue as a going concern. These adjustments could be material.

# PANORO MINERALS LTD.

Notes to Condensed Interim Consolidated Financial Statements - unaudited  
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## 4. Significant accounting policies

The preparation of condensed interim consolidated financial statements in accordance and compliance with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a basis consistent with those followed for the Company's most recent annual consolidated financial statements for the year ended December 31, 2018. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Actual results may differ from these estimates.

The functional and reporting currency of the Company and its subsidiaries is the Canadian dollar.

### (a) IFRS standards, amendments and interpretations

At the date of authorization of these consolidated financial statements, the IASB has issued the following new standard which became effective for the reporting period.

#### *IFRS – Leases*

IFRS 16 replaces IAS 17, "Leases" and related interpretations effective for annual periods commencing on or after January 1, 2019. IFRS 16 follows a 'right-of-use' model which requires most leases to be reported on an entity's financial statements as assets and liabilities, eliminating the former dual accounting model for lessees, which distinguished between on-balance sheet finance leases and off-balance sheet operating leases.

#### *Implementation:*

The Company adopted IFRS 16 using the modified retrospective application method, where the 2018 comparative figures were not restated and a cumulative catch up adjustment was recorded on January 1, 2019 for any differences identified. In addition, the Company applied recognition exemptions in IFRS for "low value" leases and leases that end within twelve months of the date of initial application, and account for them as low value and short-term leases, respectively. On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases under the principles of the new standard measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or the Company's incremental borrowing rate as at January 1, 2019.

The Company analyzed its contracts to identify whether they are, or contain, lease arrangements for the application of IFRS 16. This analysis identified contracts that will have an equivalent increase to both the Company's right-of-use assets and lease liabilities. As a result, upon adoption, the Company recognized a lease liability and right-of-use assets of approximately \$233,000, with an impact on the Company's deficit at January 1, 2019, of \$29,130.

There are no other IFRSs or IFRIC interpretations that have been issued and not yet effective that are expected to have a material impact on the Company.

# PANORO MINERALS LTD.

Notes to Condensed Interim Consolidated Financial Statements - unaudited  
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## 5. Marketable securities

As at September 30, 2019, the Company held 33,333 common shares of Fidelity Mining Corp., at a cost of \$10,000. At September 30, 2019, the fair value of these common shares was \$1,833 (December 31, 2018 - \$1,667).

## 6. Exploration and evaluation assets

The investment in and expenditures on mineral interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the confirmation of legal ownership of the properties, the attainment of successful production from the properties or from the proceeds of their disposal. These procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Antilla and Cotabambas are two of the Company's properties that were held in Panoro Apurimac, S.A. in an advanced exploration stage. Antilla is now held in Antilla Copper, S.A. The Company's seven other properties that were held in Panoro Apurimac, S.A. are Cochasyhuas, Checca, Promesa, Sancapampa, Humamantata, Anyo, and Morosayhuas and are all in various stages of exploration and have been transferred to other wholly-owned direct and indirect subsidiaries of the Company that were created to hold the various mineral property interests during the year ended December 31, 2018. The Company also held the El Rosal property, which was held in Minera Panoro Perú, SAC, and was written down in June 2019. Minera Panoro Perú, SAC remains in good standing.

# PANORO MINERALS LTD.

Notes to Condensed Interim Consolidated Financial Statements - unaudited  
For the three and nine months ended September 30, 2019 and 2018  
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## 6. Exploration and evaluation assets (continued)

Exploration and evaluation expenditures during the periods presented are as follows:

	Antilla	Cotabambas	Other	Total
<b>Acquisition costs:</b>				
Balance, September 30, 2019 and December 31, 2018	\$ 7,319,722	\$ 4,925,035	\$ 1,136,413	\$13,381,170
<b>Exploration and evaluation expenditures incurred in period:</b>				
Amortization	-	454	-	454
Assays and sampling	-	17,205	366	17,571
Camp and site	26,243	309,437	149,593	485,273
Community relations	2,877	248,452	4,508	255,837
Drilling	-	294,323	-	294,323
Environmental	727	111,549	63,286	175,562
Geology	4,561	274,079	-	278,640
Geophysics	-	47,448	28,434	75,882
Legal	5,986	13,579	1,321	20,886
Technical reports	1,480	8,917	-	10,397
Recording and concession fees	205,360	295,444	540,180	1,040,984
Share-based compensation	-	25,858	-	25,858
Travel	829	22,350	8,014	31,193
Recovery of value-added tax	-	(316,007)	-	(316,007)
Incurred during the period	248,063	1,353,088	795,702	2,396,853
Capitalized exploration and evaluation expenditures at December 31, 2018	9,849,848	44,767,626	9,484,860	64,102,334
Write-down of El Rosal Project	-	-	(4,217,668)	(4,217,668)
Funds received on JOGMEC earn-in agreement	-	-	(369,539)	(369,539)
Capitalized exploration and evaluation expenditures at September 30, 2019	10,097,911	46,120,714	5,693,355	61,911,980
<b>Total exploration and evaluation assets at September 30, 2019</b>	<b>\$17,417,633</b>	<b>\$51,045,749</b>	<b>\$6,829,768</b>	<b>\$75,293,150</b>
<b>Salaries and benefits allocation:</b>				
Camp and site	\$ 24,079	\$ 105,191	\$ 131,587	\$ 260,857
Community relations	-	195,640	-	195,640
Environmental	-	21,636	-	21,636
Assays and sampling	-	132	-	132
Geology	4,561	274,079	-	278,640
Technical reports	1,480	8,917	-	10,397
	30,120	605,595	131,587	767,302

## PANORO MINERALS LTD.

Notes to Condensed Interim Consolidated Financial Statements - unaudited  
For the three and nine months ended September 30, 2019 and 2018  
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### 7. Early Deposit Precious Metals Agreement

<b>Liabilities under Precious Metals Purchase Agreement</b>	<b>Fair value balance, December 31, 2018</b>	<b>2019 Cash flow</b>	<b>Foreign exchange</b>	<b>Fair value balance, September 30, 2019</b>
Current liabilities	\$ 6,821,000	\$ 1,986,150	\$ (199,200)	\$ 8,607,950
Long-term liabilities	2,728,400	-	(79,800)	2,648,600
	<b>\$ 9,549,400</b>	<b>\$ 1,986,150</b>	<b>\$ (279,000)</b>	<b>\$ 11,256,550</b>

On March 21, 2016, the Company entered into a precious metals purchase agreement (the “PMPA” or the “Agreement”) with Wheaton Precious Metals International Ltd. (“Wheaton Metals”), (formerly Silver Wheaton (Caymans) Ltd.), in respect of the Cotabambas project located in Perú. The term of the Agreement continues in effect for 20 years and automatically renews for successive ten-year periods until Wheaton Metals terminates the Agreement.

The principal terms of the Agreement are such that Wheaton Metals will pay the Company upfront cash payments totaling US\$140.0 million (the “Deposit”) for 25% of the payable gold production and 100% of the payable silver production (decreasing to 16.67% of the payable gold production and 66.67% of the payable silver production after a certain production volume has been delivered to Wheaton Metals from the Company’s Cotabambas Project in Perú). In addition, Wheaton Metals will make production payments to the Company of the lesser of the market price and US\$450 per payable ounce of gold and US\$5.90 per payable ounce of silver delivered to Wheaton Metals, increasing annually by 1%, four years after commencement of commercial production, over the life of the Company’s Cotabambas Project. Any excess of the market price and the fixed payments will be credited against the Deposit until the Deposit is nil. If, by the expiry of the term of the Agreement, the Company has not delivered enough production to reduce the Deposit to nil, the uncredited balance will be repaid to Wheaton Metals.

The Agreement provides for the Company to receive US\$14.0 million of the Deposit (the “Early Deposit”) prior to the Company completing a feasibility study on the Cotabambas project. Payments under the Early Deposit total US\$2.0 million in the first year and instalments of US\$750,000 semi-annually thereafter until the full US\$14.0 million has been advanced. The Early Deposit also includes provisions to accelerate a portion of the remaining payments, whereby Wheaton Metals will accelerate payment of an amount equal to the amount of funds raised in any offering of equity securities for the purpose of exploration of the Cotabambas project during the period January 27, 2016, to March 21, 2018, up to a maximum of US\$3.5 million for all such offerings. Under the Early Deposit provisions the Company must meet certain minimum working capital requirements.

The balance of US\$126.0 million is payable in instalments during construction of the Cotabambas Project, should Wheaton Metals elect to proceed with the Agreement.

# PANORO MINERALS LTD.

Notes to Condensed Interim Consolidated Financial Statements - unaudited  
For the three and nine months ended September 30, 2019 and 2018  
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## 7. Early Deposit Precious Metals Agreement (continued)

Wheaton Metals may terminate the Agreement at any point up to 90 days following delivery of a feasibility study on the Cotabambas project upon giving the Company three months' notice, in which case all Early Deposit amounts advanced less US\$2.0 million will become repayable. Wheaton Metals can elect to be repaid in cash or shares, with the deferral of cash payments under certain conditions for up to two years. If Wheaton Metals elects to terminate the Agreement and be repaid with cash, interest will accrue at prime plus 8% per annum if repayment has not been made within two years of notice of termination. Wheaton Metals may also terminate the Agreement at different points during the term of the Agreement if certain production delays occur, in which case the uncredited deposit will be repayable to Wheaton Metals.

Following a change of control, subject to certain conditions, the Company has a one-time option to repurchase 50% of the precious metals stream with a payout based on the greater of: (i) a minimum fixed return (ii) a return based on appreciation of precious metals prices over the term of the Agreement and (iii) a return based on appreciation of the share price of the Company over the term of the agreement.

At September 30, 2019, the Company had received a total of US\$8.5 million under the Early Deposit, including six scheduled payments and an accelerated payment of US\$2.0 million after the successful completion of a private placement in August 2016.

## 8. Share capital

- (a) Authorized – unlimited common shares without par value.

Issued and outstanding:

263,837,522 common shares (December 31, 2018 – 263,837,522 common shares)

- (b) Stock options

Stock options to purchase common shares have been granted to directors, employees, contractors and consultants at exercise prices determined by reference to the market value on the date of the grant. The number of shares available for options to be granted under the Company's rolling stock option plan is 10% of the number of shares outstanding (the "Plan") as amended, at the Annual General Meeting held on June 20, 2019. Options granted under the Plan vest immediately, or over a period of time, at the discretion of the Board of Directors.

## PANORO MINERALS LTD.

Notes to Condensed Interim Consolidated Financial Statements - unaudited  
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### 8. Share capital (continued)

#### (b) Stock options (continued)

A summary of the status of the Company's stock options as at December 31, 2018, and for the nine months ended September 30, 2019, are as follows:

	Number of Options	Weighted average exercise price
Balance, December 31, 2018	19,197,800	\$ 0.28
Stock options granted during the period	4,300,000	\$ 0.15
Stock options expired, unexercised, during the period	(3,250,000)	\$ 0.35
Balance, September, 2019	20,247,800	\$ 0.24

The following summarizes information about stock options outstanding and exercisable at September 30, 2019:

Year of expiry	Number of options	Weighted average exercise price
2021	8,047,800	\$0.20
2022	600,000	\$0.20
2023	7,300,000	\$0.34
2024	4,300,000	\$0.15
	20,247,800	\$0.24

The weighted average life of exercisable stock options outstanding as at September 30, 2019, is 3.2 years (December 31, 2018 – 3.0 years). During the nine months ended September 30, 2019, the Company granted 4,300,000 stock options at a price of \$0.15, exercisable until August 16, 2024.

#### (c) Share purchase warrants

At September 30, 2019, there were no share purchase warrants exercisable.

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## 9. Related party transactions

During the nine months ended September 30, 2019, the Company purchased \$Nil (2018 - \$14,926) in geological supplies from a private company controlled by a director of the subsidiary of the Company. The Company had no other transactions between directors and officers and/or companies controlled by directors or officers in common with the Company. At September 30, 2019, there was \$2,463 payable to an officer of the Company for expenses incurred on behalf of the Company (2018: \$27,809 receivable from an officer).

## 10. Commitments

### *Commitments*

The Company has the following commitments:

	2019	2020	2021	2022	2023	Total
Office lease (Vancouver) <sup>(1)</sup>	\$ 27,610	\$ 68,518	\$ 34,429	\$ -	\$ -	\$ 130,557
Office lease (Perú) <sup>(1)</sup>	\$ 31,411	\$ 73,292	\$ -	\$ -	\$ -	\$ 104,703
Warehouses (2)	\$ 3,889	\$ 2,592	\$ -	\$ -	\$ -	\$ 6,481
Accounts payable and accrued liabilities	\$1,341,983	\$ -	\$ -	\$ -	\$ -	\$1,341,983
Community agreement accrual	\$ 14,567	\$ -	\$ -	\$ -	\$ -	\$ 14,537

(1) Office leases are recorded as lease obligations on the balance sheet. The lease payments are the total payments during the periods noted above and are not in addition to the liability. The related assets are amortized over the term of the leases.

Vigencias (or recording fees) of US\$3 per hectare are not commitments, but rather the annual payments required to maintain mineral concessions in good standing with the Peruvian government. The ultimate amount to be paid is based on a formula relating to exploration costs incurred, offset against the basic fee and penalty. After the 6th year, an annual penalty must be paid per hectare, starting at US\$6 per hectare, until after 12 years, the additional fee increases to US\$20 per hectare, increasing thereafter based on an annual tax unit by the number of hectares at 2%, then 5%, and then 10%, every five years. The penalties are reduced, based on exploration activity on the concessions, and the reduction is determined based on filings each year by the Peruvian government. At September 30, 2019, the Company has paid concession payments of \$1,264,307 for the fiscal 2018 year, for all properties held by the Company at December 31, 2018, other than the El Rosal property, which the Company has written off. Included in accounts payable and accrued liabilities is \$1,048,141 of accrued vigencias for the 2019 year which are due on or before June 30, 2020.

The Company has an office lease in Lima and two warehouses in Cusco, and an office lease in Vancouver, Canada.

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## 11. Financial instruments and capital management

The Company manages its credit risk through its counterparty ratings and credit limits. The Company is mainly exposed to credit risk on its bank accounts and short-term investments, and accounts and advances receivable. Bank accounts and short-term investments are primarily with Canadian Schedule 1 banks and Banco de Credito in Perú. The Company has accounts and advances receivable primarily related to IGV receivable from the Peruvian government.

The total of cash and cash equivalents, short-term investments and accounts and advances receivable of \$1,181,780 (December 31, 2018 - \$2,302,077) represents the maximum credit exposure.

### Fair value of financial instruments

#### *Liquidity risk*

The Company manages its liquidity risk by ensuring that there is sufficient liquidity in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash and cash equivalents are primarily invested in bank accounts, bankers' acceptances, and Guaranteed Investment Certificates ("GIC"). The Company's cash is not invested in any asset backed commercial paper.

Accounts payable and accrued liabilities require payment within one year.

#### *Market risk*

The significant market risks to which the Company is exposed are foreign currency risk and interest rate risk.

#### *Foreign currency risk*

The Company maintains its financial statements in Canadian dollars. The Company is exposed to foreign currency fluctuations to the extent mineral interests, exploration expenditures and operating expenses incurred by the Company are not denominated in Canadian dollars.

The Company does not use derivatives or other instruments to manage the foreign currency risk. The Company's operations in Perú make it subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company's operating results and cash flows are affected to varying degrees by changes in the Canadian dollar exchange rate vis-a-vis the Peruvian Nuevo Sol and the US Dollar. The Company purchases foreign currencies as the need arises in order to fund its exploration activities. Corporate expenditures are primarily incurred in Canadian and US dollars.

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## 11. Financial Instruments and capital management (continued)

### *Foreign currency risk (continued)*

As at September 30, 2019 the Company's significant exposures to foreign currency risk, based on balance sheet carrying values, were to the Peruvian Nuevo Sol ("PEN") and the US Dollar ("US\$"), as follows:

	September 30, 2019		December 31, 2018	
	PEN	US\$	PEN	US\$
Cash	S/. 26,926	\$ 862,630	S/. 20,648	\$1,581,737
Accounts and advances receivable	174,648	9,653	175,192	9,653
Accounts payable and accrued liabilities	(176,775)	(856,811)	(156,130)	(897,384)
Precious Metals Purchase Agreement	-	(8,500,000)	-	(7,000,000)
Net exposure	S/. (24,799)	\$(8,484,528)	S/. (39,710)	\$(6,305,994)
Canadian dollars	\$ (9,719)	\$(11,236,060)	\$ (16,051)	\$(8,602,637)

### Fair value of financial instruments

The following sensitivity analysis assumes all other variables remain constant and are based on the above net exposures. A 10% appreciation or depreciation of the Peruvian Nuevo Sol vis-a-vis the Canadian Dollar would result in a \$972 (December 31, 2018 - \$16,051) increase or decrease, respectively, in net loss and shareholders' equity. A 10% appreciation or depreciation of the US Dollar vis-a-vis the Canadian Dollar would result in a \$1,123,606 (December 31, 2018 - \$860,264) increase or decrease, respectively, in loss and shareholders' equity.

### *Interest rate risk*

The Company's cash and cash equivalents and short-term investments earn interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to changes in short-term rates.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders. The Company is not subject to any externally imposed capital requirements.

The carrying amounts of cash and cash equivalents, short-term investments, marketable securities, accounts and advances receivable, and accounts payable approximate their fair values due to their short-term nature.

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## 12. Key management personnel compensation

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management includes the Company's directors and members of the senior management group.

Details of key management personnel compensation for the nine months ended September 30, 2019 and 2018, are as follows:

	2019	2018
Salary, fees and benefits	\$ 587,280	\$ 566,683
Share-based expense	174,199	989,881
Total	761,479	1,556,564

## 13. Supplementary cash flow information

	2019	2018
Non-cash activities:		
Share-based expense capitalized to exploration and evaluation assets	\$ 25,858	\$ 154,669
Amortization capitalized to exploration and evaluation assets	454	16,656