

# **PANORO MINERALS LTD.**

## **Condensed Consolidated Interim Financial Statements**

For the three and nine-month periods ended September 30, 2018 and 2017

Expressed in Canadian dollars, unless otherwise stated  
(Unaudited – prepared by management)

## **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  
(Unaudited – prepared by management)

	Note	September 30, 2018	December 31, 2017
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 1,582,352	\$ 5,430,379
Short-term investments		2,588,995	1,505,396
Marketable securities	5	1,833	1,500
Accounts and advances receivable		113,902	105,852
Prepaid expenses		61,142	36,113
<b>Total current assets</b>		<b>4,348,224</b>	<b>7,079,240</b>
<b>Non-current assets</b>			
Exploration and evaluation assets	6	76,789,548	73,316,972
Property and equipment		15,288	50,990
<b>Total assets</b>		<b>\$ 81,153,060</b>	<b>\$ 80,447,202</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	10	\$ 2,074,247	\$ 2,250,023
Liabilities under Precious Metals Purchase Agreement	7	6,472,500	4,390,750
<b>Total current liabilities</b>		<b>8,546,747</b>	<b>6,640,773</b>
Liabilities under Precious Metals Purchase Agreement	7	2,589,000	2,509,000
<b>Total liabilities</b>		<b>11,135,747</b>	<b>9,149,773</b>
<b>Shareholders' equity</b>			
Share capital	8	94,000,125	93,008,107
Share-based expense reserve	8	11,946,673	10,817,594
Accumulated other comprehensive loss		(8,167)	(8,500)
Deficit		(35,921,318)	(32,519,772)
<b>Total shareholders' equity</b>		<b>70,017,313</b>	<b>71,297,429</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 81,153,060</b>	<b>\$ 80,447,202</b>

Going concern (Note 3)  
Commitments (Note 10)  
Supplementary cash flow information (Note 13)  
Subsequent event (Note 14)

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

Approved on behalf of the Board:

"Luguman A. Shaheen"

"William J. Boden"

## PANORO MINERALS LTD.

Condensed Consolidated Interim Statements of Comprehensive Loss  
Expressed in Canadian Dollars, unless otherwise stated  
(Unaudited – prepared by management)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
<b>Expenses</b>				
Amortization	\$ 671	\$ 434	\$ 16,397	\$ 3,657
Audit and tax	15,000	19,938	90,865	85,258
Communications	14,720	19,468	55,760	58,432
Consulting	-	79	12,982	12,180
Conferences	-	-	21,300	7,724
Directors' fees	49,079	49,202	146,521	137,731
Financial consulting	58,289	-	115,970	60,210
Corporate development and shareholder relations	159,825	88,338	577,451	220,447
Legal	106,933	19,568	160,332	105,240
Office	8,888	12,593	31,604	44,921
Professional dues and training	901	-	4,496	4,473
Property evaluation costs	-	-	-	89,066
Regulatory and transfer agent	35,151	17,509	96,945	96,735
Rent and insurance	50,912	47,603	137,344	148,165
Salaries and benefits	236,626	234,427	726,449	736,436
Share-based expense (Note 8(b))	-	-	974,410	42,504
Travel	31,151	19,983	67,813	98,351
	768,146	529,142	3,236,639	1,951,530
Write-down of mineral property interest	-	-	-	11,844
Interest income	2,527	(4,882)	(389)	(15,709)
Change in fair value of Early Deposit Precious Metals Agreement financial liability	(139,975)	-	231,325	-
Foreign exchange (gain)/loss	79,144	(79,100)	(66,029)	1,699
<b>Loss for the period</b>	<b>709,842</b>	<b>445,160</b>	<b>3,401,546</b>	<b>1,949,364</b>
Total other comprehensive (income)/loss	(333)	1,500	(333)	2,500
<b>Comprehensive loss for the period</b>	<b>\$ 709,509</b>	<b>\$ 446,660</b>	<b>\$ 3,401,213</b>	<b>\$ 1,951,864</b>
<b>Loss per share, basic and fully diluted</b>	<b>\$ 0.01</b>	<b>\$ 0.00</b>	<b>\$ 0.02</b>	<b>\$ 0.01</b>
<b>Weighted average number of common shares outstanding</b>	<b>263,190,991</b>	<b>258,148,765</b>	<b>262,660,588</b>	<b>258,148,765</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  
Expressed in Canadian dollars, unless otherwise stated  
(Unaudited)

	<b>Nine months ended September 30,</b>	
	<b>2018</b>	<b>2017</b>
Cash provided by (used for):		
<b>Operating activities:</b>		
Loss for the period	\$ (3,401,546)	\$ (1,949,364)
Items not involving the use of cash:		
Amortization	16,397	3,657
Share-based expense (Note 8(b))	974,410	42,504
Change in fair value of Early Deposit Precious Metals		
Agreement financial liability	231,325	-
Mineral property interest write-down	-	11,844
Change in foreign exchange	(66,029)	-
	(2,245,443)	(1,891,359)
Changes in non-cash operating working capital:		
Accounts and advances receivable	8,050	(20,596)
Prepaid expenses	25,029	18,872
Accounts payable	(109,113)	-
Cash used in operating activities	(2,321,477)	(1,489,497)
<b>Investing activities:</b>		
Exploration and evaluation expenditures	(3,472,576)	(4,030,360)
Recovery of taxes	58,779	106,226
Purchase of equipment	(5,252)	(4,064)
Redemption of short-term investments	(1,083,599)	624,004
Proceeds on sale of equipment	5,594	-
Accounts payable and accrued liabilities	(66,662)	605,202
Cash used in investing activities	(4,563,716)	(2,698,992)
<b>Financing activities:</b>		
Precious Metals Purchase Agreement	1,930,425	1,002,000
Exercise of warrants	992,018	-
Cash provided by financing activities	2,922,443	1,002,000
Effect of changes in exchange rate	114,723	(174,503)
Decrease in cash and cash equivalents	(3,848,027)	(3,764,578)
Cash and cash equivalents, beginning of period	5,430,379	4,538,826
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,582,352</b>	<b>\$ 774,248</b>

Supplementary cash flow information (Note 13)

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

**PANORO MINERALS LTD.**

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the nine-month periods ended September 30, 2018 and 2017

Expressed in Canadian Dollars, unless otherwise stated

(Unaudited)

	Number of Shares	Capital Stock	Share-Based Expense Reserve	Accumulated Comprehensive Loss	Deficit	Total
Balance at December 31, 2016	258,148,765	\$ 92,459,998	\$ 10,798,661	\$ (4,000)	\$ (32,014,711)	\$ 71,239,948
Loss for the period	-	-	-	-	(1,949,364)	(1,949,364)
Other comprehensive loss	-	-	-	(4,500)	-	(4,500)
Stock option grant	-	-	42,504	-	-	42,504
<b>Balance at September 30, 2017</b>	<b>258,148,765</b>	<b>\$ 92,459,998</b>	<b>\$ 10,841,165</b>	<b>\$ (8,500)</b>	<b>\$ (33,964,075)</b>	<b>\$ 69,328,588</b>
Balance at December 31, 2017	260,163,382	\$ 93,008,107	\$ 10,817,594	\$ (8,500)	\$ (32,519,772)	\$ 71,297,429
Loss for the period	-	-	-	-	(3,401,546)	(3,401,546)
Other comprehensive income	-	-	-	333	-	333
Stock option grant (Note 8(b))	-	-	1,129,079	-	-	1,129,079
Warrants exercised	3,674,140	992,018	-	-	-	992,018
<b>Balance at September 30, 2018</b>	<b>263,837,522</b>	<b>\$ 94,000,125</b>	<b>\$ 11,946,673</b>	<b>\$ (8,167)</b>	<b>\$ (35,921,318)</b>	<b>\$ 70,017,313</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, 2018 and 2017  
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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 22, 2018.

## 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, 2018 and 2017  
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## 3. Going concern (continued)

The Company has no operating revenue and incurred a loss of \$3,401,546 for the nine months ended September 30, 2018 (2017 – loss of \$1,949,364). As at September 30, 2018, the Company has an accumulated deficit of \$35,921,318 (December 31, 2017 - \$32,519,772), and a working capital deficiency of \$4,198,523 (December 31, 2017 – working capital of \$438,467), with the inclusion of the current portion of the Wheaton Metals Agreement (the “Agreement”), further described in Note 7. 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, 2018, the Company has received US\$7,000,000 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, 2017. 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) Changes in International Financial Reporting Standards (IFRS)

#### *IFRS 9, Financial Instruments ("IFRS 9")*

IFRS 9 was issued by the IASB on July 24, 2014, and will replace the guidance in IAS 39, Financial Instruments: Recognition and Measurement, and applies to classification and measurement of financial assets and financial liabilities, as defined in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change for liabilities is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income (loss) rather than in net income. IFRS 9 is effective for annual period beginning on or after January 1, 2018, with early adoption permitted. There has been no impact on the Company's financial statements under IFRS 9.

### (b) IFRS standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these condensed consolidated interim financial statements. The following pronouncements are those that the Company considers most significant and are not intended to be a complete list of new pronouncements that may affect the annual audited consolidated financial statements.

#### *IFRS 15, Revenue from Contracts with Customers ("IFRS 15")*

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018, and earlier application is permitted. Given the Company has no current sources of revenue, the adoption of this standard has not had any effect on the consolidated financial statements.

# PANORO MINERALS LTD.

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

### (b) IFRS standards issued but not yet effective (continued)

#### *IFRS 16, Leases ("IFRS 16")*

IFRS 16 eliminates the classification of leases as either operating or finance leases for a lessee. Under IFRS 16, all leases are considered finance leases and will be recorded on the balance sheet. The only exemptions to this classification will be for leases that are 12 months or less in duration or for leases of low-value assets. The requirement to record all leases as finance leases under IFRS 16 will increase assets and lease liabilities on an entity's financial statements. The standard requires lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. Respectively, rent expense is to be removed and replaced by the recording of depreciation and finance expenses. IFRS 16 is effective from January 1, 2019, and can be applied before that date if IFRS 15 – *Revenue from Contracts with Customers* is also applied.

The Company does not expect the adoption of IFRS 16 will have a material effect on its financial statements given the extent of its current use of leases in the ordinary course of business.

## 5. Marketable securities

As at September 30, 2018, the Company held 33,333 common shares of Montan Mining Corp. ("Montan"), at a cost of \$10,000, after a three old for one new share consolidation of Montan's common shares completed in the nine months ended September 30, 2018. At September 30, 2018, the fair value of the common shares was \$1,833 (December 31, 2017 - \$1,500).

## 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.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, Antilla and Cotabambas are two properties held in Panoro Apurimac, SA, in an advanced exploration stage. The additional seven properties are also held in newly created subsidiaries of the Company, after a restructuring completed in August 2018. The properties are Cochasayhuas, Checca, Promesa, Sancapampa, Humamantata, Anyo, and Morosayhuas, all at various stages of exploration. All property interests are 100% held by the Company and there are no royalties payable to any third parties. The Company also has the El Rosal property, held in Minera Panoro Perú, SAC.

# PANORO MINERALS LTD.

Notes to Condensed Interim Consolidated Financial Statements - unaudited  
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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, 2018 and December 31, 2017	\$ 7,319,722	\$ 4,925,035	\$ 1,136,413	\$13,381,170
<b>Exploration and evaluation expenditures incurred in period:</b>				
Amortization	(5,596)	24,554	-	18,958
Assays and sampling	2,091	164,607	-	166,698
Camp and site	21,465	360,052	2,528	384,045
Community relations	120,214	246,966	289	367,469
Drilling	-	507,334	-	507,334
Environmental	3,581	155,474	-	159,055
Geology	43,064	397,097	11,945	452,106
Metallurgy	160,307	92,500	-	252,807
Legal	32,548	2,369	-	34,917
Technical reports	165,212	99	-	165,311
Share-based expense	-	154,669	-	154,669
Recording and concession fees	155,353	226,529	444,517	826,399
Recovery of value-added tax	(1,007)	(57,772)	-	(58,779)
Travel	3,808	37,404	375	41,587
Incurred during the period	701,040	2,311,882	459,654	3,472,576
Capitalized exploration and evaluation expenditures at December 31, 2017	9,044,387	41,995,619	8,895,796	59,935,802
Capitalized exploration and evaluation expenditures at September 30, 2018	9,745,427	44,307,501	9,355,450	63,408,378
<b>Total exploration and evaluation assets at September 30, 2018</b>	<b>\$17,065,149</b>	<b>\$49,232,536</b>	<b>\$10,491,863</b>	<b>\$76,789,548</b>
Salaries and benefits included in the following categories of exploration and evaluation expenses above:				
Camp and site	\$111,996	\$32,952	\$ 171	\$145,119
Community relations	21,644	166,536	-	188,180
Environmental	59	18,774	-	18,833
Geology	43,064	397,162	11,881	452,107
Technical reports	52,664	99	-	52,763
	229,427	615,523	12,052	857,002

# PANORO MINERALS LTD.

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## 7. Early Deposit Precious Metals Agreement

<b>Liabilities under Precious Metals Purchase Agreement</b>	<b>Fair value balance, December 31, 2017</b>	<b>2018 Cash flows</b>	<b>Foreign exchange</b>	<b>Fair value balance, September 30, 2018</b>
Current liabilities	\$ 4,390,750	\$ 1,930,425	\$ 151,325	\$ 6,472,500
Long-term liabilities	2,509,000	-	80,000	2,589,000
	\$ 6,899,750	\$ 1,930,425	\$ 231,325	\$ 9,061,500

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 may 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 up to a maximum of US\$3.5 million for all such offerings, of which US\$2.0 million was received. Pursuant to 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.

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Notes to Condensed Interim Consolidated Financial Statements - unaudited  
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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, 2018, the Company had received a total of US\$7.0 million under the Early Deposit, including four 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, 2017 – 260,163,382 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 21, 2018. Options granted under the Plan vest immediately or over a period of time at the discretion of the Board of Directors.

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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, 2017, and for the nine months ended September 30, 2018, are as follows:

	Number of Options	Weighted average exercise price
Balance, December 31, 2017	11,897,800	\$ 0.24
Stock options granted during the period	7,300,000	\$ 0.34
Balance, September 30, 2018	19,197,800	\$ 0.28

During the nine months ended September 30, 2018, the Company granted 7,300,000 stock options to officers, directors and employees at an exercise price of \$0.34, which are exercisable for a period of five years. The total fair value of the options granted in the nine months ended September 30, 2018 was \$1,129,079, using the Black-Scholes method with the following assumptions- a volatility of 68%, an expected option life of 2.92 years, a risk free interest rate of 1.90%, and an expected dividend yield of 0%. Of the total granted, \$154,669 was capitalized to mineral property interests and the remaining \$974,410 was recognized as share based expense for the period.

The following summarizes information about stock options outstanding and exercisable at September 30, 2018:

Year of expiry	Number of options	Weighted average exercise price
2019	3,250,000	\$0.36
2021	8,047,800	\$0.20
2022	600,000	\$0.20
2023	7,300,000	\$0.34
	19,197,800	\$0.28

The weighted average life of exercisable options outstanding as at September 30, 2018, is 3.3 years (December 31, 2017 – 3.1 years).

### (c) Share purchase warrants

At September 30, 2018, there were no (December 31, 2017 – 16,621,488) share purchase warrants outstanding. During the period, 3,674,140 share purchase warrants were exercised at \$0.27, and the remaining 12,947,348 share purchase warrants, exercisable at \$0.27, expired unexercised.

# PANORO MINERALS LTD.

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## 9. Related party transactions

During the nine months ended September 30, 2018, the Company purchased \$14,926 (2017 - \$Nil) 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, 2018, there were no balances payable or receivable from (2017: \$942 payable to) an officer and director of the Company for expense advances received for expenses incurred on behalf of the Company. Expense reports were submitted for costs incurred in the period following the advance.

## 10. Commitments

### *Commitments*

The Company has the following commitments:

	2018	2019	2020	2021	2022	Total
Office lease (Vancouver)	\$ 17,216	\$ 67,307	\$ 68,814	\$ 34,407	\$ -	\$ 187,744
Office leases (Perú)	\$ 22,778	\$ 92,707	\$ 39,102	\$ -	\$ -	\$ 154,587
Warehouses (3)	\$ 10,825	\$ 9,060	\$ -	\$ -	\$ -	\$ 19,885
Accounts payable and accrued liabilities	\$1,198,435	\$ -	\$ -	\$ -	\$ -	\$1,198,435
Community agreement accrual	\$ 875,812	\$ -	\$ -	\$ -	\$ -	\$ 875,812

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 actual payment made in 2018 for the 2017 year was \$1,086,158 (2017 - \$861,597 relating to the 2016 year). 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, and will be adjusted annually. The penalties are reduced, based on exploration activity on the concessions, and the reduction is determined each year by the Peruvian government. The community commitment accrual was paid subsequent to September 30, 2018.

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

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## 11. Financial instruments and capital management

### Fair value of financial instruments

As at September 30, 2018, the carrying values of the Company's financial instruments by category are as follows:

	Loans and receivables	Available for sale	At fair value through profit or loss	At amortized cost	Carrying value
<b>Financial assets:</b>					
Cash and cash equivalents	\$1,582,352	\$ -	\$ -	\$ -	\$ 1,582,352
Short-term investments	2,588,995	-	-	-	2,588,995
Marketable securities	-	1,833	-	-	1,833
Accounts and advances receivable	113,902	-	-	-	113,902
Total financial assets	4,285,249	1,833	-	-	4,287,082
<b>Financial liabilities:</b>					
Accounts payable and accrued liabilities	-	-	-	2,074,247	2,074,247
Precious Metals Purchase Agreement	-	-	9,061,500	-	9,061,500
Total financial liabilities	\$ -	\$ -	\$9,061,500	\$2,074,205	\$11,135,747

### *Credit risk*

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 \$4,285,249 (December 31, 2017 - \$7,041,627) represent the maximum credit exposure.



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

### 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. At September 30, 2018, the Company had redeemable GICs and short-term investments, with initial terms over 90 days.

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.

As at September 30, 2018 the Company's significant exposures to foreign currency risk, based on balance sheet carrying values, were to the Peruvian Nuevo Sol and the US Dollar, as follows:

	September 30, 2018		December 31, 2017	
	PEN	US\$	PEN	US\$
Cash	S/. 27,600	\$3,121,284	S/. 25,938	\$5,497,870
Accounts and advances receivable	192,561	9,653	191,145	-
Accounts payable and accrued liabilities	(273,183)	(1,384,665)	(286,915)	(1,577,160)
Precious Metals Purchase Agreement	-	(7,000,000)	-	(5,500,000)
Net exposure	S/. (53,022)	\$(5,253,728)	S/. (69,832)	\$(1,579,290)
Canadian dollars	\$ (20,795)	\$(6,800,951)	\$ (27,039)	\$(1,981,219)

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

### 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 \$2,080 (December 31, 2017 - \$2,704) 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 \$680,095 (December 31, 2017 - \$198,122) 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.

## 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, 2018 and 2017, are as follows:

	2018	2017
Salary, fees and benefits	\$ 630,821	\$ 589,850
Share-based expense	989,881	42,504
Total	\$ 1,620,702	\$ 632,354

# PANORO MINERALS LTD.

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## 13. Supplementary cash flow information

	2018	2017
Non-cash activities:		
Share-based expense capitalized to exploration and evaluation assets	\$ 154,669	\$ -
Amortization capitalized to exploration and evaluation assets	18,958	5,683
	\$ 173,627	\$ 5,683

## 14. Subsequent event

Subsequent to September 30, 2018, the Company announced that it has entered into a joint venture agreement with Japan Oil, Gas and Metals National Corporation ("JOGMEC") on its Humamantata Property ("Humamantata"), located in Peru. JOGMEC will have an option to earn up to 60% indirect beneficial interest with the investment of US\$8.0 million. Pursuant to the agreement, JOGMEC will contribute US\$1.0 million each year for the first three years to earn a 49% interest in Humamantata, and has an option to earn a further 11% participating interest; for a total participating interest of 60%, by making a further capital contribution to Humamantata of US\$5.0 million. Subsequent to the completion of the funding obligation, investment in the Property will be on a pro-rata basis.

If any party's participating Interest is diluted to less than ten percent, its participating interest shall be converted to a two percent Net Smelter Return Royalty ("NSR") interest from the properties. The other party may purchase one-half of the NSR with a cash payment in an amount of US\$2.0 million following the creation of the royalty.