



**MANAGEMENT'S  
DISCUSSION AND ANALYSIS  
FOR THE  
THREE MONTHS ENDED JUNE 30, 2018**

Dated: August 27, 2018

(All amounts expressed in Canadian dollars unless otherwise indicated)

## **GENERAL**

Pacific Empire Minerals Corp. (the “Company” or “PEMC”) is a Vancouver-based mineral exploration company whose principal business is the acquisition and exploration of copper-gold porphyry, mineral exploration properties, with a focus on British Columbia, Canada. The Company is a reporting issuer in British Columbia, Alberta and Ontario, and trades on the TSX Venture Exchange (“TSX-V”) as a Tier 2 issuer under the symbol PEMC.

The following Management Discussion and Analysis (“MD&A”) of the Company’s financial condition and results of operations has been prepared by management in accordance with the requirements of National Instrument 51-102. The following information is prepared as at August 27, 2018 and unless otherwise stated, supplements, but does not form part of the unaudited condensed interim financial statements of the Company for the three months ended June 30, 2018. This MD&A should be read in conjunction with the unaudited condensed interim financial statements and related notes for the three months ended June 30, 2018, and the audited financial statements and related notes for the twelve months ended March 31, 2018.

Those condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). All dollar amounts included therein and in the following MD&A are in Canadian dollars except where noted. These documents and other information relevant to the Company’s activities are available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls to ensure that information used internally or disclosed externally, including the MD&A, is complete and reliable.

Additional information relevant to the Company’s activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company’s website at [pemcorp.ca](http://pemcorp.ca).

Rory Ritchie, P. Geo and Vice-President of Exploration for PEMC, is the Company’s Qualified Person as defined by National Instrument 43-101, and is responsible for the accuracy of the technical information in this MD&A and has approved its written disclosure.

## **FORWARD LOOKING STATEMENTS**

This MD&A may contain “forward-looking statements” that reflect the Company’s current expectations and projections about its future results. Forward-looking statements are statements that are not historical facts, and include, but are not limited to: a) estimates and their underlying assumptions; b) statements regarding plans, objectives and expectations with respect to the effectiveness of the Company’s business model, future operations, capital raising initiatives, the impact of regulatory initiatives on the Company’s operations, and market opportunities; c) general industry and macroeconomic performance and growth rates; d) expectations related to possible business opportunities, joint or strategic ventures; and e) statements regarding future performance.

Forward-looking statements used in this MD&A are subject to various risks, uncertainties and other factors, most of which are difficult to predict and are generally beyond the control of the Company. These

risks, uncertainties and other factors may include, but are not limited to: a) unavailability of financing; b) failure to identify commercially viable mineral reserves; c) fluctuations in the market valuation for commodities; d) difficulties in obtaining required approvals for the development of a mineral project; and e) other factors.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks, uncertainties and other factors, including the risks, uncertainties and other factors identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by securities law.

## **DESCRIPTION OF BUSINESS**

The Company is a mineral exploration company whose principal business is the acquisition and exploration of copper-gold porphyry, mineral exploration properties, with a focus in British Columbia, Canada.

The Company's material property is the Wildcat property, consisting of 10 mineral claims covering an area of approximately 5,826 hectares in the Omineca Mining Division of British Columbia (the "Wildcat Project" or "Wildcat Property"). In addition to its option to acquire a 100% interest in the Wildcat Project, the Company has interests in 13 other mineral properties in British Columbia and employs the prospect generator business model whereby it carries out grass-roots exploration on its mineral properties to advance them to a stage where it can attract the participation of a third party with the experience and financial capability to carry out diamond drilling on the properties.

To carry out exploration on its properties, the Company purchased a portable reverse circulation drill that it uses to advance its properties. This allows the Company to cost-effectively explore its properties on a timely basis.

To date, equity financings have provided the main source of financing. The recovery of the Company's investment in its mineral properties will be dependent upon the execution of earn-in agreements with incumbent partners, assuming there are monetary or equity payments issued, or the discovery of economically recoverable mineral reserves and the ability to raise sufficient capital to finance these operations. The ultimate outcome of these operations cannot presently be determined because they are contingent on future matters.

## **OVERALL PERFORMANCE**

The Company was incorporated on July 13, 2012 and commenced business at that time. The Company is a mineral exploration company that employs the "prospect generator" business model currently focused on the acquisition, funding and exploration of the Company's portfolio of exploration projects. To those ends, the Company has (i) been exploring and acquiring mineral exploration properties in British Columbia since 2012; (ii) entered into a total of 4 agreements since 2012 (2 of which have since been terminated) as property optionor in an attempt to advance through partner-funded exploration various mineral properties while utilizing the "prospect generator" business model; and (iii) obtained a listing on the TSX -V on March 20, 2018 and subsequently began trading under the symbol PEMC on March 22, 2018.

## **KEY EVENTS FOR THE PERIOD ENDED JUNE 30, 2018 AND SUBSEQUENTLY**

**EXPENDITURES:** During the three months ended June 30, 2018, the Company recorded a net loss of \$254,540 (2017 - \$205,206). This was comprised of net exploration expenditures of \$112,564 (2017 - \$132,067) after recoveries, including accruals for the BC Minerals Exploration Tax credit, \$145,471 (2017 - \$74,018) of general and administration expenditures, and a gain of \$3,495 (2017 – loss of \$879) in other items.

**PRIVATE PLACEMENT:** The Company completed a non-brokered private placement of 1,000,000 units of the Company at a price of \$0.20 per unit with each unit comprised of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.30 per share for a period of 36 months until April 24, 2021. In consideration for arranging the private placement, the Company paid finder's fees of \$12,000 paid in cash and through the issuance of 60,000 finder's warrants valued at \$5,222. Each finder's warrant entitles the holder to purchase one common share in the capital of the Company at an exercise price of \$0.30 per share until April 24, 2021. The Company paid an additional \$2,493 in legal and regulatory costs related to the private placement.

**WILDCAT PROJECT:** On April 10, 2018, the Company issued 200,000 common shares to a private title holder as the first anniversary payment pursuant to the Wildcat option agreement.

**STARS PROJECT:** On June 5, the Company received 100,000 common shares of ML Gold Corp. ("ML Gold") pursuant to an option agreement entered into in November 2017 related to the STARS project.

**PINNACLE REEF PROJECT:** On August 1, 2018, the Company received 200,000 common shares of ML Gold pursuant to an option agreement entered into in July 2016 related to the PINNACLE REEF project.

**STOCK OPTION GRANT:** Pursuant to the Company's stock option plan, on July 24, 2018, the Company granted stock options to consultants to purchase 225,000 common shares of the Company at \$0.20 per share for 3 years, expiring on July 24, 2021.

**EQUIPMENT PURCHASE:** In July 2018, the Company purchased 2 new compressors, a compressor booster unit, and a trailer to carry the compressors totaling \$190,452. The new compressors are expected to increase the efficiency and speed of the Company's RC drill.

## **EXPLORATION REVIEW FOR THE THREE MONTHS ENDED JUNE 30, 2018**

During the three months ended June 30, 2018, the Company completed reverse circulation drill programs at the Wildcat and Red properties in addition to an airborne magnetic survey at the recently acquired Moffat property.

**RED PROJECT:** The Company completed a total of eight shallow reverse circulation drill holes totaling 403 metres at the Red JV Property in April 2018. Samples were screened using the Company's XRF analyzer. No samples were selected for laboratory analysis.

**WILDCAT PROJECT:** The Company completed a total of 11 reverse circulation drill holes totaling 530 metres at the Wildcat Property in June 2018. Samples were screened using the Company's XRF analyzer.

No samples were selected for laboratory analysis. Additional drill targets remain and the Company intends to complete a follow up drill program during 2018.

**MOFFAT AND BULKLEY PROJECT:** The Company staked four new properties totaling 9,160 hectares in April 2018. The 4,090 hectare Moffat Property is located approximately 56 kilometres east of Williams Lake and 35 kilometres northeast of the village of Lac La Hache in south-central British Columbia. The Bulkley Initiative consists of three properties totaling 5,070 hectares in central British Columbia. The three properties are within 50 kilometres of the past-producing Bell copper-gold mine and are accessible by vehicle via gravel logging roads. A 208 line-kilometre airborne magnetic survey was completed at the Moffat Property. Results from the survey will be used to prioritize drill targets for testing with the Company's reverse circulation drill in 2018. The survey was conducted by Peter E. Walcott & Associates Ltd. using a helicopter-mounted "stinger" magnetometer with lines spaced 200 metres apart.

**STARS PROJECT:** On November 20, 2017, the Company entered into an option agreement with ML Gold for the Stars project (formerly Copper Star), whereby ML Gold can earn up to a 30% interest in the 50% interest held by the Company. As consideration for the Option, ML Gold will make aggregate cash payments in the amount of \$80,000 and issue a total of 600,000 common shares (100,000 received) to the Company over a two-year period, and will incur a minimum of \$4,500,000 in exploration expenditures on the Stars project over a three-year period as follows:

- Making a cash payment of \$10,000 (paid) upon signing of the agreement and issuing to the Company 100,000 (received June 5, 2018) common shares of ML Gold within 10 days of receiving TSX-V approval;
- Making a cash payment of \$20,000, incurring \$500,000 (completed) in expenditures, and issuing to the Company 200,000 common shares by the first anniversary date;
- Making a cash payment of \$50,000, incurring \$1,000,000 in expenditures (\$1,500,000 cumulative), and issuing to the Company 300,000 common shares by the second anniversary date; and
- Incurring \$3,000,000 in expenditures (\$4,500,000 cumulative) by the third anniversary date;

PEMC will have a carried interest in the Project until completion of a Pre-Feasibility Study, after which point a Joint Venture will commence.

An initial four-hole (1,549 metre) diamond drill program was completed by ML Gold during January of 2018. This drill program was highlighted by hole 4 (DD18SS004) which intersected 0.45% Copper (0.50% CuEq) over 204 metres including 1.02% CuEq (0.93% Cu) over 40.2m from surface. Following the completion of this initial diamond drill program ML Gold completed an airborne magnetic survey over the property. In April, ML Gold recommenced diamond drilling and completed an additional four holes (1,686 metres) to test magnetic targets within the recently identified Central target area and expand the newly discovered Zone 4 where ML Gold's recent drill hole DD18SS004 intersected 204 meters at 0.5% copper equivalent.

## **FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

The Company considers items included in shareholders' equity as capital. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

As at June 30, 2018, the Company had a working capital of \$1,349,829 (March 31, 2018 - \$1,430,239). Working capital decreased due to cash used in operating activities of \$354,188 compared to \$168,454 for the three months ended June 2017, as well as cash used in investing activities of \$38,395 compared to \$14,000 in the comparable three months. Working capital decreases were offset from cash provided by financing activities of \$186,250 compared to \$36,026 in the three months ended June 2017, which was comprised of \$200,000 (June 2017 - \$Nil) in proceeds from private placement, offset with \$13,750 (June 2017 - \$413) in share issue costs, and \$Nil (June 2017- \$40,061) in legal and agent fees and advances related to the IPO.

The Company has granted 2,355,000 incentive stock options, of which 2,191,250 are exercisable as at June 30, 2018 to management, directors, consultants, and an advisor of the Company pursuant to the Company's stock option plan, and may receive option payments in cash related to property agreements. See "Risks and Uncertainties" and "Forward looking statements" in this MD&A for risks related to the Company's expectations and ability to obtain sources of funding. PEMC has no fixed cash payment obligations on any of its projects. In order to maintain its properties in good standing, the Company is required to make minimal maintenance payments; however, these can be terminated at any time without penalty once an option agreement is cancelled, or mineral title is dropped. There has been no change in approach to managing capital in the past twelve months and the Company believes it will have sufficient capital to fund its administrative and exploration expenditures for the next twelve months.

The Company is not subject to externally imposed capital requirements as at June 30, 2018.

As at June 30, 2018, the Company had cash of \$1,286,901. Management of cash balances is conducted in-house based on internal investment guidelines. Cash is deposited with major Canadian financial institutions. Cash required for immediate operations is held in a chequing account and excess funds may be invested in accordance with the Company's capital resource objectives.

#### **Cash Used in Operating Activities**

Cash used in operations was \$354,188 for the three months ended June 30, 2018 (2017 - \$168,454) and represents expenditures primarily on mineral property exploration and general and administrative expenses for both periods.

#### **Cash Used in Investing Activities**

Cash used in investing activities for the three months ended was \$38,395 compared to cash used in investing activities of \$14,000 for the comparable three months in 2017. Cash used in investing activities during the three months ended June 30, 2018 included \$16,030 (2017 - \$Nil) related to acquisition of exploration and evaluation assets, and \$16,000 (2017 - \$13,000) related to the purchase of reclamation deposits related to exploration permits.

#### **Cash Generated by Financing Activities**

Cash generated by financing activities for the three months ended June 30, 2018 was \$186,250 (2017 - \$36,026) and consisted of \$200,000 (2017 - \$76,500) received from the issuance of 1,000,000 (2017 - 765,000) common shares, less \$13,750 (2017 - \$413) in share issuance costs paid in the respective period.

## FINANCIAL RESULTS AND SELECTED QUARTERLY FINANCIAL INFORMATION

The following table summarizes selected financial data from the Company's unaudited condensed financial statements for the three months ended June 30, 2018 and 2017, and should be read in conjunction with such statements and related notes, contained in this MD&A:

As at	June 30, 2018	March 31, 2018
<b>Financial position</b>		
Working capital	\$ 1,349,829	\$ 1,430,239
Current assets	1,478,307	1,571,650
Exploration and evaluation assets	104,166	61,136
Equipment	164,957	166,558
Total assets	1,826,430	1,862,344
Current liabilities	128,478	141,411
Share capital	3,488,407	3,276,122
Reserves	311,714	292,440
Deficit	(2,102,169)	(1,847,629)
Number of share outstanding	30,993,850	29,793,850

### Selected Quarterly Information

Quarter Ended	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
<b>Financial results</b>				
Exploration expenditures (net)	\$ 112,564	\$ 39,060	\$ 10,388	\$ 4,281
Share-based payments	14,052	29,803	53,383	93,949
Net loss	(254,540)	(162,306)	(134,204)	(152,363)
Net loss per share-basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)
Quarter Ended	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
<b>Financial results</b>				
Exploration expenditures (net)	\$ 132,067	\$ 13,860	\$ 8,234	\$ 14,045
Share-based payments	7,735	3,794	1,416	2,605
Net loss	(205,206)	(125,524)	(52,014)	(52,456)
Net loss per share-basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)

The Company's net loss each quarter varies mainly due to varying levels of operations activities on its exploration projects and due diligence undertaken on new prospects and the dissemination of project information to shareholders.

#### Three months ended June 30, 2018

During the three months ended June 30, 2018, the Company incurred a net loss of \$254,540 (2017 - \$205,206). The loss for the three months ended was comprised of net exploration expenditures of \$112,564 (2017 - \$132,067), general and administration expenditures of \$145,471 (2017 - \$74,018), and a gain from other items of \$3,495 (2017 - \$879). Some items to note from year to year include the following:

During the three months ended June 30, 2018, the Company did not incur any expenditures on projects that were funded by partners. Net exploration expenditures of \$112,564 included a recovery of \$19,622 in mineral exploration tax credits accrued or received. For the comparable period ended June 30, 2017, the Company incurred \$132,067 in exploration expenditures, net of \$7,962 in exploration tax credits.

For the three months ended June 30, 2018, the Company incurred \$23,032 compared to \$9,529 in Investor relations and shareholder communications expenditures. The increase of \$13,503 relates to the Company's continued efforts with dissemination of information to the public and shareholders, as well as increased requirements as this is the first full period in which the Company was trading on the TSX-V.

During the three months ended June 30, 2018 the Company incurred \$30,000 in management fees paid to a related party compared to \$8,700 in the comparative period. The increase of \$21,300 was the result of an increase in monthly fees on completion of the Company's IPO in March 2018.

### **Financial Risk Management**

The Company's financial instruments are exposed to certain financial risks, which include currency risk, credit risk, liquidity risk, interest rate risk, and market risk.

#### **Currency Risk**

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. Although the Company operates only in Canada and all expenditures are incurred in Canadian dollars, U.S. dollars are sometimes held by the Company. As at June 30, 2018, the Company did not hold a significant balance of U.S. dollars. Therefore, a change in the currency exchange rates between the Canadian dollar relative to the U.S. dollar would have an immaterial effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

#### **Credit Risk**

Credit risk arises from cash as well as credit exposures to counterparties of outstanding receivables and committed transactions. There is no concentration of credit risk other than on cash deposits and receivables. The Company's cash deposits are primarily held with a Canadian chartered bank. Further, receivables comprise amounts due from the federal government. Therefore, credit risk is considered low.

#### **Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to pay obligations as they fall due. Financial liabilities, at June 30, 2018, included \$108,738 of accounts payable and accrued liabilities, and \$19,740 in amounts due to related parties. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

#### **Interest Rate Risk**

When the Company has sufficient cash, it will invest in term deposits which can be reinvested without penalty after thirty days should interest rates rise. As at June 30, 2018 and March 31, 2018, the Company did not have any interest-bearing loans. Accordingly, the Company does not have significant interest rate risk.



## **Market risk**

The Company is exposed to market risk because of the fluctuating values of its publicly traded marketable securities. The Company has no control over these fluctuations and does not hedge its investments. Based on the June 30, 2018 value of marketable securities every 10% increase or decrease in the share prices of these companies would have an immaterial impact on income (loss) for the period before income taxes.

## **Management of Capital**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties. The Company relies mainly on equity issuances to raise new capital and on entering into joint venture agreements on certain properties which enables it to conserve capital and to reduce risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash. The Company prepares annual estimates of exploration and administrative expenditures and monitors actual expenditures compared to the estimates. The Company's investment policy is to invest its cash in savings accounts or highly liquid short-term deposits with terms of one year or less and which can be liquidated after thirty days without interest penalty. There has been no change in approach to managing capital during the period ended June 30, 2018 and the Company believes with its current plans in place, it will have sufficient capital to fund its administrative and exploration expenditures for the next twelve months. The Company is not subject to externally imposed capital requirements.

## **FINANCIAL INSTRUMENTS**

Please refer to the unaudited interim condensed financial statements for the period ended June 30, 2018 on [www.sedar.com](http://www.sedar.com).

## **SIGNIFICANT ACCOUNTING ESTIMATES AND CRITICAL JUDGEMENTS**

The preparation of the financial statements for the period ended June 30, 2018 and June 30, 2017 in conformance with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

### *Significant Accounting Estimates*

Significant accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

#### Estimated useful lives of equipment

The estimated useful lives of equipment, which is included in the statements of financial position, will impact the amount and timing of the related amortization included in profit or loss.

### Share-based compensation

The fair value of stock options issued are subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices and option life, changes in subjective input assumptions can materially affect the fair value estimate.

### Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

### *Critical Accounting Judgments*

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:  
Exploration and evaluation assets

Management is required to make judgments on the status of each mineral property and the future plans with respect to finding commercial reserves. The nature of exploration and evaluation activity is such that only a few projects are ultimately successful, and some assets are likely to become impaired in future periods.

### **CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

Please refer to the unaudited interim condensed financial statements for the period ended June 30, 2018 on [www.sedar.com](http://www.sedar.com).

### **OFF BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

## TRANSACTIONS WITH RELATED PARTIES

The Company entered into certain transactions with key management personnel, which the Company has defined as Officers and Directors of the Company. The aggregate value of these transactions and outstanding balances are as follows:

Period ended	June 30, 2018	June 30, 2017
<u>Exploration expenditures</u>		
BJP Consulting*	\$ 2,400	\$ 3,900
Rory Ritchie Geolgoical Consulting*	23,800	13,350
<u>General and Administration expenditures</u>		
BJP Consulting*	23,200	14,700
Rory Ritchie Geolgoical Consulting*	5,800	5,850
Seabord Services Corp.**	30,000	8,700
<u>Share - based compensation</u>		
Brad Peters, President	2,806	1,434
Rory Ritchie, Vice President, Exploration	2,806	1,434
Larry Donaldson, Director	1,712	1,183
Keith Henderson, Director	1,712	1,183
Seabord Services Corp.**	1,806	692
	\$ 96,042	\$ 52,426

Amounts due to related parties as of June 30, 2018 and March 31, 2018 are as follows:

Related party liabilities	Items or services	June 30, 2018	March 31, 2018
BJP Consulting*	Management fees and reimbursable expenses	\$ 8,820	\$ 9,240
Rory Ritchie Geolgoical Consulting*	Management fees and reimbursable expenses	10,920	12,996
		\$ 19,740	\$ 22,236

\*BJP Consulting and Rory Ritchie Geological Consulting are controlled by Brad Peters, President and CEO, and Rory Ritchie, Vice-President, Exploration respectively.

\*\*Seabord Services Corp. ("Seabord") provides the following services: a Chief Financial Officer ("CFO"), a Corporate Secretary, accounting and administration staff, and office space to the Company. The CFO and Corporate Secretary are employees of Seabord and are not paid directly by the Company.

There were no changes to the Company's board of directors or management during, or subsequent to the period ended June 30, 2018.

## **RISKS AND UNCERTAINTIES**

### **Mineral Property Exploration and Mining Risks**

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that option agreements, claims and leases are in good standing; and obtaining permits for drilling and other exploration activities. There can be additional risks involved in some countries where pending applications for claims or licenses can be affected by government changes to application procedures.

Some of the Company's mineral properties are located within or near local communities. In these areas, it may be necessary as a practical matter to negotiate surface access with these local communities. There can be no guarantee that, despite having the legal right to access a particular mineral property and carry on exploration activities, the Company will be able to negotiate a satisfactory agreement with any such existing land owners or communities for this access. Therefore, the Company or one of its joint venture partners may be unable to carry out exploration activities on a property. In those circumstances where access has been denied by a local community or land owner, the Company may need to rely on the assistance of local officials or the courts to gain access or it may be forced to abandon the property.

### **No Assurance of Titles or Borders**

The acquisition of the right to exploit mineral properties is a very detailed and time consuming process. There can be no guarantee that the Company has acquired title to any such surface or mineral rights or that these rights will be obtained in the future. To the extent they are obtained, titles to the Company's surface rights or mineral properties may be challenged or impugned and title insurance is generally not available. The Company's mineral properties may be subject to prior unregistered agreements, transfers or claims and title may be affected by, among other things, undetected defects. Such third party claims could have a material adverse impact on the Company's operations.

### **Joint Venture Funding Risk**

The Company's strategy includes seeking partners through joint ventures to fund exploration and project development. The main risk of this strategy is that funding partners may not be able to raise sufficient capital in order to satisfy exploration and other expenditure terms in a particular joint venture agreement. As a result, exploration and development of one or more of the Company's property interests may be delayed depending on whether the Company can find another partner or has enough capital resources to fund the exploration and development on its own.

### **Commodity Price Risk**

The Company is exposed to commodity price risk. Declines in the market price of gold, base metals and other minerals may adversely affect the Company's ability to raise capital or attract joint venture partners in order to fund its on-going operations. Commodity price declines could also reduce the amount the Company would receive on the disposition of one of its mineral properties to a third party.

## **Financing and Share Price Fluctuation Risks**

The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects. Further exploration and development of one or more of the Company's projects may be dependent upon the Company's ability to obtain financing through equity or debt financing or other means. Failure to obtain this financing could result in delay or indefinite postponement of further exploration and development of its projects which could result in the loss of one or more of its properties.

Securities markets can have periods of high price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration stage companies such as PEMC, have experienced wide fluctuations in share prices which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on the Company's ability to raise additional funds through equity issues.

## **Political, Regulatory and Currency Risks**

The Company is currently operating in a country that has a relatively stable political and regulatory environment. However, changing political initiatives may affect the regulatory environment in which the Company operates. The Company's equity financings are sourced in Canadian dollars.

## **Insured and Uninsured Risks**

In the course of exploration, development and eventually metal production from mineral properties, the Company is subject to a number of hazards and risks in general, including adverse environmental conditions, operational accidents, labour disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in damage to the Company's properties or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results and result in a decline in the value of the securities of the Company.

## **Environmental and Social Risks**

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company

at present. Social risks are generally low in the principal country of operation of the Company, but changing social expectations could add new layers of risk to the viability of exploration and development properties.

### **Conflicts of Interest**

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with the laws of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

### **Key Personnel Risk**

PEMC's success is dependent upon the performance of key personnel working in management and administrative capacities or as consultants. The loss of the services of senior management or key personnel could have a material and adverse effect on the Company, its business and results of operations.

### **Competition**

The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company does for the acquisition and development of its projects as well as for the recruitment and retention of qualified employees.

### **OUTSTANDING SHARE DATA**

The Company's authorized share capital consists of an unlimited number of common shares and preferred shares without par value. As at the date of this MD&A, the Company has 30,993,850 common shares issued and outstanding. There are also 2,580,000 stock options and 11,060,000 warrants outstanding with expiry dates ranging from May 27, 2020 to July 4, 2022.