PACIFIC EMPIRE
MINERALS CORP.

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED JUNE 30, 2017

Dated: October 23, 2017

(All amounts expressed in Canadian dollars unless otherwise indicated)

## GENERAL

Pacific Empire Minerals Corp. (the "Company" or "PEMC") is a private company with plans to list on the TSX Venture Exchange ("TSX-V") upon closing of its proposed initial public offering ("IPO"). Until a receipt is issued for a final prospectus in connection with the proposed IPO, the Company is not a reporting issuer. 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 on British Columbia, Canada.

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 October 23, 2017 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, 2017 and 2016. This MD&A should be read in conjunction with the June 30, 2017 and 2016 unaudited condensed interim financial statements and the related notes therein. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

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.

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 private company with plans to list on the TSX-V. 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 9 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 has commissioned the manufacture of a portable reverse circulation drill that it intends to use to advance its properties. This will allow 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 Wildcat Project, and obtaining a listing on the TSX-V. 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 3 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; (iii) raised sufficient funds to fund initial obligations under the Wildcat Project option agreement and the costs of going public; (iv) commissioned the technical report on the Wildcat Project; and (v) engaged Haywood Securities Inc. (the "Agent") to assist in the Company's application to the TSX-V for a listing of PEMC's shares and to assist in the IPO. As of the date of this MD&A, the Company has raised an aggregate of $1,787,385 in gross proceeds through the sale of its securities.

**KEY EVENTS FOR THE THREE MONTHS ENDED JUNE 30, 2017**

**EXPENDITURES:** During the three months ended June 30, 2017, the Company recorded a net loss of $205,206. This was comprised of net exploration expenditures of $132,067, $74,018 of general and administration expenditures, of which $7,735 related to stock-based compensation, and a gain of $879 in other items.

**INITIAL PUBLIC OFFERING:** The Company has signed an engagement letter dated March 3, 2017, as amended June 21, 2017, and August 21, 2017, with the Agent to act as lead agent and sole bookrunner in connection with the proposed IPO of securities of the Company and concurrent listing of the common shares of the Company on the TSX-V. The Company entered into an agency agreement with the Agent on October 23, 2017, pursuant to which the Agent has agreed to use commercially reasonable efforts to offer and sell the units on behalf of the Company in connection with the IPO. The Company filed a final prospectus in connection with the IPO on October 23, 2017. The IPO seeks aggregate gross proceeds of a minimum of $1,500,000 through the sale of 7,500,000 units at $0.20 per unit, and up to a maximum of $2,000,000 through the sale of 10,000,000 units at $0.20 per unit. Each unit will consist of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant will entitle the purchase, subject to adjustment in certain circumstances, of one common share of the Company at a price of $0.30 per share until the second anniversary of the completion of the IPO. The definitive size of the IPO will be determined by Haywood and the Company prior to closing of the IPO.

The Company estimates the costs of the IPO will be between $355,000 and $390,000. This includes a cash commission of 7% of gross proceeds to be paid to Haywood, a corporate finance fee of $25,000, and other costs estimated at $225,000. As at June 30, 2017, the Company has prepaid $20,000 to Haywood and $2,500 to TSX Venture Exchange as an advance against the corporate finance fees; and $37,561 to DuMoulin Black and Northwest Law Group for legal services and anticipated legal expenses.

**ISSUANCE OF COMMON SHARES:** During the three months ended June 30, 2017, the Company issued 765,000 common shares to two directors of the Company and one employee of Seabord Services Corp., a consultant to the Company, for proceeds of $76,500 at a price of $0.10 per common share. The Company paid $413 in share issue costs for filing fees and legal expenses in connection with the issuance.

**GRANT OF INCENTIVE STOCK OPTIONS:** During the three months ended June 30, 2017, the Company granted 1,100,000 incentive stock options to management, and directors and consultants to the Company pursuant to the Company's stock option plan. These options are exercisable at $0.20 per share for a period of 5 years expiring on June 23, 2022.

## EVENT SUBSEQUENT TO THE THREE MONTHS ENDED JUNE 30, 2017

Pursuant to an advisory agreement, the Company granted stock options to a consultant to purchase 150,000 common shares of the Company at $0.20 per share for 5 years, expiring on July 4, 2022.

### EXPLORATION REVIEW FOR THE THREE MONTHS ENDED JUNE 30, 2017

The only significant exploration programs that have taken place during the three months ended June 30, 2017 were the two geophysical surveys completed on the Wildcat property in April and May of 2017. The Induced Polarization surveys consisted of two separate surveys in one general area that totaled 27.8 line-kilometres. The combined surveys outlined a large area of anomalous chargeability.

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of $218,735 at June 30, 2017 compared to $89,244 at June 30, 2016. Working capital decreased due to cash used in operating activities of $168,454 compared to $79,696 in the comparative quarter, as well as cash used in financing activities of $14,000 compared to $774 in the comparable three months. Working capital decreases were offset from cash provided by financing activities of $36,026 (2016 - $145,113), which was comprised of $76,500 (2016 - $150,000) in proceeds from sale of common shares, offset with $413 (2016 - $4,887) in share issue costs, and $40,061 (2016 - $Nil) in legal and agent fees and advances related to the IPO. The Company expects that the IPO will raise aggregate gross proceeds of a minimum of $1,500,000 through the sale of 7,500,000 units at $0.20 per unit, and up to a maximum of $2,000,000 through the sale of 10,000,000 units at $0.20 per unit. Each unit will consist of one common share of the Company and one-half of one common share purchase warrant. PEMC also granted 1,100,000 incentive stock options to management, and directors and consultants to the Company during the three months ended June 30, 2017, and subsequently granted 150,000 options to an advisor of the Company pursuant to the Company's stock option plan which could generate additional cash if exercised. See "Risks and Uncertainties" in this MD&A for risks related to the Company's ability to obtain sources of funding. PEMC has no fixed cash payment obligations on any of it 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. Including the funds expected from the pending IPO and the Company's working capital, the Company believes it has sufficient capital to fund its administrative and exploration expenditures for the next twelve months.

## THREE MONTHS ENDED JUNE 30, 2017 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, 2017 and 2016, and should be read in conjunction with such statements and related notes, contained in this MD&A:

| As at | June 30, 2017 | March 31, 2017 |
|---|---|---|
| **Financial positions** | | |
| Working capital | $ 218,735 | $ 393,410 |
| Current assets | 313,671 | 456,558 |
| Exploration and evaluation assets | 73,902 | 73,902 |
| Total assets | 550,494 | 640,090 |
| Current liabilities | 94,936 | 63,148 |
| Share capital | 1,826,453 | 1,750,366 |
| Reserves | 27,861 | 20,126 |
| Deficit | (1,398,756) | (1,193,550) |
| Number of shares oustanding | 19,793,850 | 12,910,000 |

| Quarter Ended | | June 30, 2017 | | June 30, 2016 |
|---|---|---|---|---|
| **Financial results** | | | | |
| Exploration expenditures (net) | $ | 132,067 | $ | 15,227 |
| Net loss | | (205,206) | | (68,270) |
| Net loss per share - basic and diluted | | (0.01) | | (0.01) |

During the three months ended June 30, 2017, the Company incurred a net loss of $205,206 (2016 - $68,270). The loss for the three months ended was comprised of net exploration expenditures of $132,067 (2016 - $15,227), general and administration expenditures of $74,018 (2016 - $52,093), and a gain (loss) from other items of $879 (2016 - $950). Some items to note from year to year include the following:

During the three months ended June 30, 2017, the Company did not incur any expenditures on projects that were funded by partners and operations were focused on maintenance and prospectus work. Net exploration expenditures of $132,067 included a recovery of $7,962 in mineral exploration tax credits received. For the comparable period ended June 30, 2016, the Company incurred $15,227 in exploration expenditures. During this period, the Company was focused on maintenance and business development.

For the three months ended June 30, 2017, the Company incurred $9,529 compared to $1,370 in Investor relations and shareholder communications expenditures. The increase of $8,159 predominately relates to a full page advertisement placed in a prominent mining journal.

Professional fees consist of audit and legal fees. During the three months ended June 30, 2017 the Company incurred $15,512 in professional fees compared to $6,848 in the comparative year. The increase of $8,664 was mainly due to accruals for audit and legal fees in relation to the IPO.

During the three months ended June 30, 2017 the Company incurred $20,550 in compensation to consultants compared to $24,150 in the comparative year. The decrease of $3,600 is not considered significant and can vary with management splitting their time between exploration and business related functions.

As a non-reporting issuer, the Company has not prepared any interim or quarterly financial statements prior to the three months ended June 30, 2017 since its inception on July 13, 2012.

## FINANCIAL RISK MANAGEMENT

The Company’s financial instruments are exposed to certain financial risks, which include currency risk, credit risk, liquidity risk and interest rate 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, significant U.S. dollars are sometimes held by the Company. Therefore, a significant change in the currency exchange rates between the Canadian dollar relative to the U.S. dollar could have an effect on the Company’s results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

As at June 30, 2017 the Company held $7,335 in U.S. dollars. Based on this net exposure and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in an increase/decrease of approximately $700 in the Company's pre-tax loss based on a June 30, 2017 exchange rate of $1 U.S dollar to $1.29818 Canadian dollars.

**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, 2017, included $94,936 of accounts payable and accrued liabilities. 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, 2017 and 2016, the Company did not have any interest-bearing loans. Accordingly, the Company does not have significant interest rate risk.

**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 in the past twelve months. Including the funds expected from the IPO, the Company believes it has 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, 2017.

## FINANCIAL INSTRUMENTS

### Fair Values

The Company's financial instruments consist of cash, receivables, marketable securities, restricted cash, reclamation deposits and accounts payable and accrued liabilities. The Company recognizes cash at fair value with subsequent measurement depending on classification as described below. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments.

As at June 30, 2017 and March 31, 2017, the Company has made the following classifications for its financial instruments:

| **As at June 30, 2017** | Fair value through profit or loss | Other financial liabilities | Total |
|---|---|---|---|
| Cash | $ 279,050 | $ - | $ 279,050 |
| Restricted cash | 23,000 | - | 23,000 |
| Marketable securities | 2,955 | - | 2,955 |
| Accounts payable and acrrued liabilities | - | (94,936) | (94,936) |
| Total | $ 305,005 | $ (94,936) | $ 210,069 |

| **As at March 31, 2017** | Fair value through profit or loss | Other financial liabilities | Total |
|---|---|---|---|
| Cash | $ 425,478 | $ - | $ 425,478 |
| Restricted cash | 23,000 | - | 23,000 |
| Marketable securities | 2,333 | - | 2,333 |
| Accounts payable and acrrued liabilities | - | (63,148) | (63,148) |
| Total | $ 450,811 | $ (63,148) | $ 387,663 |

Reclamation deposits are classified as financial assets held-to-maturity.

Financial instruments measured at fair value on the statement of financial position are summarized into the following fair value hierarchy levels:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments which are measured using the fair value hierarchy include marketable securities and categorized as level 1.

The carrying values of receivables, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

## CASH

As at June 30, 2017, the Company had cash of $279,050. 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 $168,454 for the three months ended June 30, 2017 (2016 - $79,696) 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 June 30, 2017 was $14,000 compared to cash used in investing activities of $774 for the comparable period. Cash used in investing activities during the three months ended June 30, 2017 included $Nil (2016 - $774) related to acquisition of exploration and evaluation assets, $1,000 (2016 - $Nil) related to the purchase of equipment and deposits paid on pending equipment purchases, and $13,000 (2016 - $Nil) 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, 2017 was $36,026 (2016 - $145,113) and consisted of $76,500 (2016 - $150,000) received from the issuance of 765,000 common shares, less $413 (2016 - $4,887) in share issuance costs, and $40,061 (2016 - $Nil) paid towards the IPO for legal and agent costs.

**SIGNIFICANT ACCOUNTING ESTIMATES AND CRITICAL JUDGEMENTS**

The preparation of the financial statements for the three months ended June 30, 2017 and 2016 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:

<u>Estimated useful lives of equipment</u>

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.

**ACCOUNTING PRONOUNCEMENTS NOT YET EFFECTIVE**

The following standards and pronouncements have been issued by the IASB and have not yet been adopted by the Company. The Company is currently evaluating the impact the new and amended standards are expected to have on its financial statements.

IFRS 9, Financial Instruments ("IFRS 9"), addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. The new standard states that an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income or loss section of the entity's statement of comprehensive loss, rather than within profit or loss.

Additionally, IFRS 9 includes revised guidance related to derecognition of financial instruments. IFRS 9 applies to financial statements for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue - Barter Transactions involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 16 Leases ("IFRS 16") specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less, or the underlying asset has an insignificant value. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019.

**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:

| Three months ended | | June 30, 2017 | | June 30, 2016 |
|---|---|---|---|---|
| Consultant fees | | | | |
| Brad Peters, President | $ | 14,700 | $ | 13,650 |
| Rory Ritchie, Vice President, Exploration | | 5,850 | | 10,500 |
| Management fees | | | | |
| Seabord Services Corp.* | | 8,700 | | 8,700 |
| Share - based compensation | | | | |
| Brad Peters, President | | 1,434 | | 465 |
| Rory Ritchie, Vice President, Exploration | | 1,434 | | 464 |
| Larry Donaldson, Director | | 1,183 | | - |
| Keith Henderson, Director | | 1,183 | | - |
| Seabord Services Corp.* | | 692 | | 186 |
| | $ | 35,176 | $ | 33,965 |

Amounts due to related parties as of June 30, 2017 and March 31, 2017 are as follows:

| Related party liabilities | Items or services | | June 30, 2017 | | March 31, 2017 |
|---|---|---|---|---|---|
| Brad Peters, President | Management fees and reimbursable expenses | $ | - | $ | 7,245 |
| Rory Ritchie, Vice President, Exploration | Management fees and reimbursable expenses | | - | | 9,360 |
| Seabord Services Corp.* | Management fees and reimbursable expenses | | - | | - |
| | | $ | - | $ | 16,605 |

*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.

## 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 19,793,850 common shares issued and outstanding. There are also 1,655,000 stock options outstanding with expiry dates ranging from May 27, 2020 to July 4, 2022.