



**MANAGEMENT'S  
DISCUSSION AND ANALYSIS  
FOR THE  
SIX MONTHS ENDED SEPTEMBER 30, 2019**

Dated: November 26, 2019  
(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, and the OTCQB Venture Market Exchange under the symbol “PEMSF”.

The following Management Discussion and Analysis (“MD&A”) of the Company’s financial position 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 November 26, 2019 unless otherwise stated, supplements, but does not form part of the unaudited condensed interim financial statements of the Company for the six months ended September 30, 2019. This MD&A should be read in conjunction with the unaudited condensed interim financial statements and related notes for the six months ended September 30, 2019, and the audited financial statements and related notes for the twelve months ended March 31, 2019.

The Company reports its financial position, results of operations and cash flows 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 are expressed in Canadian dollars except where noted.

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 mineral exploration properties, with a focus in British Columbia, Canada.

The Company's material property is the 14,040 hectare Pinnacle Project located in the Omineca Mining Division of British Columbia. The Pinnacle Project consists of certain mineral claims owned 100% by the Company. In addition to the Pinnacle 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 ("RC") 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 in British Columbia. Since 2012, the Company has (i) entered into a total of 4 agreements (3 of which have since been terminated) as the property optionor in an attempt to advance through partner-funded exploration programs mineral properties with various mineral targets (ii) entered into option agreements for the right to acquire an interest in 6 properties (iii) acquired an equity interest in a royalty generating entity through the sale of royalty interests on 4 projects, (iv) obtained a listing on the TSX -V on March 20, 2018 and subsequently began trading under the symbol PEMC on March 22, 2018; and (v) obtained a listing on the OTCQB Venture Market in the United States under the symbol "PEMSF".

## **KEY EVENTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019 AND SUBSEQUENTLY**

**PINNACLE REEF AGREEMENT:** During Q2-2020, the Company received notice from ML Gold Corp. that it would be terminating the Option Agreement on the Pinnacle Reef property, returning the property to PEMC. Following this PEMC announced that further exploration activities during 2019 would be focused on the Pinnacle Reef and NWT properties.

**BATTERYONE ROYALTY AGREEMENT:** On August 9, 2019, pursuant to the royalty sale agreement entered into during the year ended March 31, 2019 with BatteryOne Royalty Corp. (“BatteryOne”), and the termination of the Pinnacle Reef agreement with ML Gold, the Company granted BatteryOne a 1.0% NSR royalty on all metals and minerals produced under the Pinnacle Reef project in exchange for 115,000 common shares of BatteryOne value at \$40,250 or \$0.35 per unit.

**MINERAL EXPLORATION TAX CREDITS:** In October 2019, the Company received \$100,462 related to the mineral exploration tax credit.

## **EXPLORATION REVIEW FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019**

During the three months ended September 30, 2019, the Company completed RC drilling activities on its Bulkley Initiative properties, which include the Bulkley and Sat properties. The Company drilled 3 RC drill holes on the Bulkley property, ranging in depth from 65 to 93 m, and 10 RC drill holes on the Sat Property, ranging in depth from 77 to 129 m. Geophysical targets, including Induced Polarization and magnetic anomalies, were the focus of the drilling on the Bulkley and Sat properties. Unfortunately, anomalous copper intervals were not encountered in drilling and the targets are under review.

In late August 2019, the Company completed a relatively small exploration program on its Nub East property located in the Toadoggone region of north-central British Columbia. Soil geochemical and passive seismic surveys were completed, along with property wide rock-chip sampling. Results are currently being compiled and interpreted to direct future exploration efforts.

Passive seismic and soil geochemical surveying was completed in on the Pinnacle Project in August and September of 2019, in an effort to guide subsequent planned RC drilling on the property. Company-funded RC drilling activities commenced in mid-November on the Pinnacle Project.

## **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 September 30, 2019, the Company had a working capital of \$606,233 (March 31, 2019 - \$469,011). Working capital for the six months ended September 30, 2019 increased due to cash provided by financing activities of \$808,110 (2019 - \$186,250), which was comprised of an aggregate of \$846,100 (Q2-2019 - \$200,000) in proceeds from the sale of 10,672,857 (Q2-2019 – 1,000,000) common shares and 1,100,000 flow-through shares (Q2-2019 - Nil), offset with \$29,588 (Q2-2019 - \$13,750) in share issue costs and \$8,402 on repayment of lease liability (Q2-2019 - \$Nil). Working capital increases were offset from cash used in operating activities of \$ 632,160 (Q2-2019 - \$766,042) as well as cash used in investing activities of \$90,771 (Q2-2019 - \$255,221).

The Company has granted 3,370,000 incentive stock options, of which 1,845,000 are exercisable as at September 30, 2019 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 have been no changes in approach to managing capital during the six months ended September 30, 2019. Management will need to raise additional capital to fund its operations for the next twelve months.

The Company is not subject to externally imposed capital requirements.

As at September 30, 2019, the Company had cash of \$289,670. 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 \$632,160 for the six months ended September 30, 2019 (Q2-2019 - \$766,042) 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 six months ended was \$90,771 compared to cash used in investing activities of \$255,221 for the comparable six months in 2019. Cash used in investing activities during the six months ended September 30, 2019 included \$27,617 (Q2-2019 - \$19,495) related to the acquisition of exploration and evaluation assets, and \$30,500 (Q2-2019 - \$18,500) related to the purchase of reclamation deposits related to exploration permits. The Company also purchased \$33,537 (Q2-2019 - \$217,778) in field equipment.

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

Cash generated by financing activities for the six months ended September 30, 2019 was \$808,110 (Q2-2019 - \$186,250) and consisted of an aggregate amount of \$846,100 (Q2-2019 - \$200,000) received from the issuance of 10,672,857 (Q2-2019 - 1,000,000) common shares and 1,100,000 flow-through shares (Q2-2019 - Nil), less \$29,588 (Q2-2019 - \$13,750) in share issuance costs paid in the respective period.

## SELECTED QUARTERLY FINANCIAL INFORMATION AND FINANCIAL RESULTS

### Selected Quarterly Information

Quarter Ended	September 30,			December 31,	
	2019	June 30, 2019	March 31, 2019	2018	
<b>Financial results</b>					
Exploration expenditures (net)	\$ 237,497	\$ 115,478	\$ 58,857	\$ 47,616	
Share-based payments	2,439	2,162	5,474	6,241	
Net loss	(382,693)	(231,174)	(159,446)	(312,676)	
Net loss per share-basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)	
Quarter Ended	September 30,			December 31,	
	2018	June 30, 2018	March 31, 2018	2017	
<b>Financial results</b>					
Exploration expenditures (net)	\$ 142,926	\$ 112,564	\$ 39,060	\$ 10,388	
Share-based payments	5,461	14,052	29,803	53,383	
Net loss	(304,597)	(254,540)	(162,306)	(134,204)	
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, due diligence undertaken on new prospects, and the dissemination of project information to shareholders.

### Financial Results

#### *Three months ended September 30, 2019*

During the three months ended September 30, 2019, the Company recorded a net loss of \$382,693 compared to a net loss of \$304,597 for the three months ended September 30, 2018. This was comprised of net exploration expenditures of \$237,497 (Q2-2019 - \$142,926) after recoveries, including accruals for the BC Minerals Exploration Tax credit, \$168,652 (Q2-2019 - \$147,711) of general and administration expenditures, of which \$2,439 (Q2-2019 - \$5,461) related to share - based compensation, and income of \$23,456 (Q2-2019 – loss of \$13,960) in other items. Some items to note from period to period include the following:

During the three months ended September 30, 2019, the Company did not incur any expenditures on projects that were funded by partners. Net exploration expenditures of \$237,497 (Q2-2019 - \$142,926) included a recovery of \$25,678 (Q2-2019 -\$68,792) in mineral exploration tax credits accrued or received. For the three months ended September 30, 2019 work focused on the SAT, Bulkely and Pinnacle properties whereas the Kitimat project was the focus during the three months ended September 30, 2018.

For the three months ended September 30, 2019, the Company incurred \$63,938 compared to \$38,590 in Investor relations and shareholder communications expenditures. The increase of \$25,348 relates to the Company's continued efforts with dissemination of information to the public and shareholders, as well as increased requirements for listing on the TSX-V and OTCQB.

Included in other items for Q2-2020 was \$27,834 in option income and sale of royalty interest compared to \$Nil for Q2-2019. During the three months ended September 30, 2019 the Company received 115,000 common shares valued at \$40,250 or \$0.35 per share from BatteryOne pursuant to the agreement

entered into during the year ended March 31, 2019. Also included in other income was \$16,500 related to the reversal of the flow-through share premium liability related to the flow-through shares issued as part of a private placement closed in May 2019.

#### *Six months ended September 30, 2019*

During the six months ended September 30, 2019, the Company incurred a net loss of \$613,867 (2018 - \$559,137). The loss for the six months ended was comprised of net exploration expenditures of \$352,975 (2018 - \$255,490), general and administration expenditures of \$327,317 (2018 - \$293,182), and a gain from other items of \$66,425 (2018 – loss of \$10,465). The significant components resulting in the increase from the comparative six months includes increased exploration activity and increased Investor relations and shareholder communications expenditures. The significant items to note for the current period compared to the prior period are consistent with the significant items for the Q2-2020 and Q2-2019 discussion.

#### **OFF BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

#### **NEW ACCOUNTING PRONOUNCEMENTS**

##### **Accounting standards and new accounting policies adopted during the period**

Please refer to the Company's unaudited condensed interim financial statements for the six months ended September 30, 2019 on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.pemcorp.ca](http://www.pemcorp.ca).

##### **Accounting pronouncements not yet effective**

Please refer to the Company's unaudited condensed interim financial statements for the six months ended September 30, 2019 on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.pemcorp.ca](http://www.pemcorp.ca).

#### **RISK AND CAPITAL MANAGEMENT: FINANCIAL INSTRUMENTS**

Please refer to the Company's unaudited condensed interim financial statements for the six months ended September 30, 2019 on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.pemcorp.ca](http://www.pemcorp.ca).

##### **Critical Accounting Judgments and Significant Estimates and Uncertainties**

Please refer to the Company's unaudited condensed interim financial statements for the six months ended September 30, 2019 on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.pemcorp.ca](http://www.pemcorp.ca).

## 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		Six Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<b>Exploration expenditures</b>				
BJP Consulting*	\$ 6,000	\$ -	\$ 6,000	\$ 2,400
Rory Ritchie Geological Consulting*	25,000	24,800	43,000	48,600
<b>Management and consulting fees</b>				
BJP Consulting*	24,400	32,000	51,600	55,200
Rory Ritchie Geological Consulting*	4,400	5,600	14,600	11,400
Seabord Services Corp.**	30,000	30,000	60,000	60,000
<b>Share - based compensation</b>				
Brad Peters, President	280	479	577	3,285
Rory Ritchie, Vice President, Exploration	280	479	577	3,285
Larry Donaldson, Director	280	-	280	1,712
Keith Henderson, Director	280	-	280	1,712
Seabord Services Corp.**	164	192	283	1,998
	\$ 91,084	\$ 93,550	\$ 177,197	\$ 189,592

Amounts due to related parties as of September 30, 2019 and March 31, 2019 are as follows:

Related party liabilities	Items or services	September 30, 2019	March 31, 2019
BJP Consulting*	Management fees and reimbursable expenses	\$ 12,761	\$ 9,650
Rory Ritchie Geological Consulting*	Management fees and reimbursable expenses	9,660	-
		\$ 22,421	\$ 9,650

\*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 September 30, 2019.

## **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 42,916,707 common shares issued and outstanding. There are also 4,070,000 stock options (including 700,000 Brokers options) with expiry dates ranging from May 27, 2020 to September 23, 2022, and 22,072,757 warrants outstanding with expiry dates ranging from March 20, 2021 to May 22, 2022.