

Condensed Interim Consolidated Financial Statements of

Pembroke Copper Corp.

For the three months ended March 31, 2018 and 2017

NOTICE TO READER

These condensed interim consolidated financial statements have been prepared by management.

The Company's external auditors have not reviewed these condensed interim consolidated financial statements.

Pembroke Copper Corp.

Condensed Interim Consolidated Statements of Financial Position

All amounts in Canadian dollars

	March 31, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,179,185	\$ 1,683,084
Other receivables	379,344	384,154
Prepaid expenses	51,118	147,590
	<u>1,609,647</u>	<u>2,214,828</u>
Property and Equipment (Note 3)	38,367	41,426
Mineral Properties (Notes 5 & 15)	33,982,482	31,592,595
Total Assets	<u>\$ 35,630,496</u>	<u>\$ 33,848,849</u>
LIABILITIES		
Current Liabilities		
Trade and other payables	\$ 465,100	\$ 511,297
Finance lease obligation – current portion (Note 3)	-	1,843
Total Liabilities	<u>465,100</u>	<u>513,140</u>
EQUITY		
Share Capital (Note 6)	130,123,303	128,108,516
Reserves	19,210,805	17,486,968
Deficit	(115,285,644)	(113,376,895)
Equity Attributable to the Equity Holders of the Company	<u>34,048,464</u>	<u>32,218,589</u>
Non-controlling Interest (Note 9)	1,116,932	1,117,120
Total Equity	<u>35,165,396</u>	<u>33,335,709</u>
Total Liabilities and Equity	<u>\$ 35,630,496</u>	<u>\$ 33,848,849</u>
Nature of Operations and Going Concern (Note 1)		
Commitments (Note 8)		

APPROVED BY THE BOARD OF DIRECTORS ON MAY 15, 2018:

_____, Director

_____, Director

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

Pembroke Copper Corp.

Condensed Interim Consolidated Statements of Loss/(Income) and Comprehensive Loss

All amounts in Canadian dollars

	Three months ended March 31,	
	2018	2017
Operating and Administrative Expenses		
General exploration	\$ 29,195	\$ 42,752
General and administration	<u>1,882,993</u>	486,571
Loss before other items	\$ <u>1,912,188</u>	\$ 529,323
Other Items		
Gain on disposal of available-for-sale investment	-	(117,730)
Loss on disposal of property and equipment	-	2,773
Gain on sale of net smelter royalties (Note 5)	-	(527,245)
Foreign exchange (gain)/loss	(1,316)	41,045
Finance income	(2,007)	(7,072)
Net Loss/(Income)	<u>\$ 1,908,865</u>	<u>\$ (78,906)</u>
Net Loss Attributable to :		
Equity holders of the Company	1,908,749	(78,906)
Non-controlling interest	116	-
	<u>1,908,865</u>	<u>(78,906)</u>
Basic and Diluted Loss Per Share (Note 6(e))	\$ 0.01	\$ 0.00
Weighted Average Shares Outstanding During the Year – Basic and Diluted	147,162,755	144,425,813
Other Comprehensive (Income)/Loss		
Items that may be reclassified subsequently to net (income)/loss:		
Mark-to-market loss on available-for-sale investments	-	117,731
Reclassification adjustment for disposal of available-for-sale investments	-	117,731
	<u>-</u>	<u>235,461</u>
Foreign currency translation differences (Note 2(b))	(230,063)	166,776
Other Comprehensive (Income)/Loss	<u>\$ (230,063)</u>	<u>\$ 402,237</u>
Other Comprehensive (Income)/Loss Attributable to:		
Equity holders of the Company	(230,135)	402,237
Non-controlling interest	72	-
	<u>(230,063)</u>	<u>402,237</u>
Total Comprehensive Loss	<u>1,678,802</u>	<u>323,331</u>
Total Comprehensive Loss Attributable to:		
Equity holders of the Company	1,678,614	323,331
Non-controlling interest	188	-
	<u>1,678,802</u>	<u>323,331</u>

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

Pembroke Copper Corp.

Condensed Interim Consolidated Statements of Changes in Equity

All amounts in Canadian dollars

	Share Capital Common Shares		Reserves				Deficit	Equity attributable to equity holders of the Company	Non-controlling Interest	Total
	Number	\$	Share- based Payment Reserve	Available- For-Sale Reserve	Foreign Currency Translation Reserve	Total Reserves				
			\$	\$	\$	\$				
Balance – December 31, 2016	142,739,987	123,364,201	15,853,463	235,461	2,555,530	18,644,454	(111,885,417)	30,123,238	-	30,123,238
Net loss for the period	-	-	-	-	-	-	78,906	78,906	-	78,906
Other comprehensive loss	-	-	-	(235,461)	(166,776)	(402,237)	-	(402,237)	-	(402,237)
Total comprehensive income (loss)	-	-	-	(235,461)	(166,776)	(402,237)	78,906	(323,331)	-	(323,331)
Private placement for cash	1,766,352	3,532,704	-	-	-	-	-	3,532,704	-	3,532,704
Share issuance costs	-	(4,469)	-	-	-	-	-	(4,469)	-	(4,469)
Issuance of shares on exercise of stock options	278,860	139,430	-	-	-	-	-	139,430	-	139,430
Transfer of contributed surplus on exercise of stock options	-	69,060	(69,060)	-	-	(69,060)	-	-	-	-
Balance – March 31, 2017	144,785,199	127,100,926	15,784,403	-	2,388,754	18,173,157	(111,806,511)	33,467,572	-	33,467,572
Net income for the period	-	-	-	-	-	-	(1,570,384)	(1,570,384)	(2,724)	(1,573,108)
Other comprehensive loss	-	-	-	-	(686,189)	(686,189)	-	(686,189)	657,439	(28,750)
Total comprehensive income (loss)	-	-	-	-	(686,189)	(686,189)	(1,570,384)	(2,256,573)	654,715	(1,601,858)
Private placement for cash	1,010,000	1,010,000	-	-	-	-	-	1,010,000	-	1,010,000
Share issuance costs	-	(2,410)	-	-	-	-	-	(2,410)	-	(2,410)
Acquisition of PSM (Note 4)	-	-	-	-	-	-	-	-	462,405	462,405
Balance – December 31, 2017	145,795,199	128,108,516	15,784,403	-	1,702,565	17,486,968	(113,376,895)	32,218,589	1,117,120	33,335,709
Net loss for the period	-	-	-	-	-	-	(1,908,749)	(1,908,749)	(116)	(1,908,865)
Other comprehensive income	-	-	-	-	230,135	230,135	-	230,135	(72)	230,063
Total comprehensive loss	-	-	-	-	230,135	230,135	(1,908,749)	(1,678,614)	(188)	(1,678,802)
Private placement for cash	2,015,000	2,015,000	-	-	-	-	-	2,015,000	-	2,015,000
Share issuance costs	-	(213)	-	-	-	-	-	(213)	-	(213)
Share-based payment	-	-	1,493,702	-	-	1,493,702	-	1,493,702	-	1,493,702
Balance – March 31, 2018	147,810,199	130,123,303	17,278,105	-	1,932,700	19,210,805	(115,285,644)	34,048,464	1,116,932	35,165,396

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

Pembroke Copper Corp.

Condensed Interim Consolidated Statements of Cash Flow

All amounts in Canadian dollars

	Three months ended March 31	
	2018	2017
Operating Activities		
Net (loss)/income	\$ (1,908,865)	\$ 78,906
Items not affecting cash:		
Gain on disposal of available for sale investment	-	(117,730)
Finance income	(2,007)	(7,072)
Loss on disposal of property and equipment	-	2,773
Depreciation expense	3,465	4,133
Gain on sale of net smelter royalties (Note 5)	-	(527,245)
Share-based payments	1,493,702	-
Unrealized foreign exchange loss	(1,316)	41,045
	<u>\$ (415,021)</u>	<u>\$ (525,190)</u>
Changes in non-cash working capital:		
Other receivables	4,897	(25,545)
Prepaid expenses	96,472	(21,427)
Trade and other payables	9,345	64,714
Net Cash Used in Operating Activities	<u>\$ (304,307)</u>	<u>\$ (507,448)</u>
Investing Activities		
Additions to mineral properties	\$ (2,221,271)	\$ (27,352)
Expenditures related to Pecoy mineral property (Note 4)	-	(3,598,814)
Purchase of property and equipment	-	(8,184)
Proceeds on sale of net smelter royalties (Note 5)	-	527,245
Proceeds received on sale of available-for-sale investment	-	307,910
Finance income	1,920	6,816
Net Cash Used in Investing Activities	<u>\$ (2,219,351)</u>	<u>\$ (2,792,379)</u>
Financing Activities		
Net proceeds on share issuances	2,014,787	3,528,235
Net proceeds on exercise of stock options	-	139,430
Payment on finance lease obligation	(1,843)	(1,754)
Net Cash Provided by Financing Activities	<u>\$ 2,012,944</u>	<u>\$ 3,665,911</u>
Effect of exchange rate on cash and cash equivalents	6,815	(48,560)
Change in cash and cash equivalents	(503,899)	317,524
Cash and cash equivalents – beginning of period	1,683,084	4,614,658
Cash and Cash Equivalents - end of period	<u>\$ 1,179,185</u>	<u>\$ 4,932,182</u>
Supplemental cash flow information (Note 10)		

- The accompanying notes are an integral part of these condensed interim consolidated financial statements –

Pembrook Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements
All amounts in Canadian dollars

1. Nature of Operations and Going Concern

Pembrook Copper Corp. (the “Company” or “Pembrook”) is incorporated under the laws of British Columbia. The Company’s head office, principal address and records office are located at 1030 West Georgia Street, Suite 1212, Vancouver, British Columbia, Canada, V6E 2Y3. Effective January 1, 2017, the Company changed its name from Pembrook Mining Corp. to Pembrook Copper Corp.

Pembrook is a minerals exploration company engaged in the identification, acquisition, evaluation and advancement of mineral properties in Peru. The Company is exploring for copper, gold, silver, nickel and other metals. At present, none of the Company’s mineral properties are at a commercial development or production stage. The Company’s objective is to discover mineral deposits and either sell, option, joint venture, or otherwise participate in their development.

The recoverability of the amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to advance the properties, and attaining future profitable production from the properties or proceeds from disposition.

The Company’s continuing operations are dependent upon its ability to secure additional equity capital, divest assets or generate cash flow from operations in the future, none of which are assured. Due to market conditions, there is no assurance that the Company will be successful in raising additional financing. The lack of sufficient committed funding for the next 12 months may cast significant doubt regarding the Company’s ability to continue as a going concern. The Company has no source of revenue and cash requirements to maintain its mineral interests, fund its administrative overhead and pay its liabilities.

The condensed interim consolidated financial statements have been prepared on a going concern basis and do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that may be necessary should the Company be unable to secure additional equity capital or generate sufficient cash to continue operations in the future. These adjustments could be material.

2. Significant Accounting Policies

(a) *Statement of compliance*

These unaudited condensed interim consolidated financial statements of the Company have been prepared in accordance with IAS 34 – *Interim Financial Reporting*. Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) have been condensed or omitted and these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2017.

The accounting policies applied in preparation of these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s consolidated financial statements for the year ended December 31, 2017 except for the adoption of accounting standards as described in note 2 (c).

Pembrook Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

All amounts in Canadian dollars

2. Significant Accounting Policies (continued)

(a) *Statement of Compliance (continued)*

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its unaudited condensed interim consolidated financial statements. In addition, the preparation of financial data requires that the Company's management make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of the Company's unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in note 2 to the Company's consolidated financial statements for the year ended December 31, 2017.

(b) *Foreign currency translation*

The functional currency is the currency of the primary economic environment in which the Company and each of its subsidiaries operates. The functional currency of each subsidiary has been determined through an analysis of the consideration factors specified in IAS 21 "The Effects of Changes in Foreign Exchange Rates". The Company operates in Peru where its functional currency is the US Dollar. The functional currency of the corporate headquarters is the Canadian dollar.

For the purpose of presenting consolidated financial statements, the assets and liabilities of entities with a functional currency other than Canadian dollars are converted from functional currency to presentation currency at the exchange rate in effect at the reporting date and revenue and expense items are translated at the average exchange rate for the period and exchange differences arising are recognized directly in equity.

(c) *Application of New and Revised Accounting Standards*

Accounting Standards issued and effective January 1, 2018

IFRS 9 Financial Instruments Classification and Measurement ("IFRS 9")

IFRS 9, *Financial Instruments*: IFRS 9 introduces the new requirements for the classification, measurement and de-recognition of financial assets and financial liabilities. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company adopted IFRS 9 effective January 1, 2018 with no impact on its condensed interim consolidated financial statements.

Pembrook Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements
All amounts in Canadian dollars

2. Significant Accounting Policies (continued)

(c) *Application of New and Revised Accounting Standards (continued)*

Accounting Standards issued and effective January 1, 2018 (continued)

IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) (Amendment)

The amendment to IFRS 9 *Financial Instruments* which includes the new hedge accounting requirements and some related amendments to IAS 39 *Financial Instruments; Recognition and Measurement* and IFRS 7 *Financial Instruments; Disclosures*. IFRS 9 (2013) also replicates the amendments in IAS 39 in respect of novations. The amendments allow for early adoption of the requirement to present fair value changes due to own credit on liabilities designated as at fair value through profit or loss to be presented in other comprehensive income. The Company adopted the amendment to IFRS 9 *Financial Instruments* including new hedge accounting requirements and the related amendments to IAS 39 and IFRS 7 effective January 1, 2018 with no impact on its condensed interim consolidated financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The IFRS Interpretations Committee of the International Accounting Standards Board has issued IFRIC 22 which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. IFRIC 22 is applicable for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company adopted IFRIC 22 effective January 1, 2018 which did not have an impact on its condensed interim consolidated financial statements.

Accounting Standards issued and effective January 1, 2019

IFRS 16 Leases

Under IFRS 16 *Leases*, the current dual accounting model for leases which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases for lessees, is replaced with a single, on-balance sheet accounting model. The new standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted. The Company plans to adopt IFRS 16 on the date at which it becomes effective and has not yet quantified the impact of this standard on its consolidated financial statements.

Pembrook Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

All amounts in Canadian dollars

3. Property and Equipment

	Field & Computer Equipment \$	Furniture & fixtures \$	Software \$	Equipment Under Finance lease \$	Total \$
Cost					
As at December 31, 2017	53,250	37,359	10,124	14,121	114,854
Foreign exchange movement	825	-	-	-	825
As at March 31, 2018	54,075	37,359	10,124	14,121	115,679
Accumulated depreciation					
As at December 31, 2017	(33,156)	(26,349)	(3,039)	(10,884)	(73,428)
Charges for the period	(1,275)	(275)	(296)	(1,619)	(3,465)
Foreign exchange movement	(419)	-	-	-	(419)
As at March 31, 2018	(34,850)	(26,624)	(3,335)	(12,503)	(77,312)
Carrying amount					
As at March 31, 2018	19,225	10,735	6,789	1,618	38,367

	Leasehold Improvement \$	Field & Computer Equipment \$	Furniture & fixtures \$	Software \$	Vehicles \$	Equipment Under Finance lease \$	Total \$
Cost							
As at December 31, 2016	39,393	137,859	37,359	95,663	11,362	14,121	335,757
Additions	-	1,527	-	6,657	-	-	8,184
Disposals	(39,393)	(84,021)	-	(92,196)	(11,362)	-	(226,972)
Foreign exchange movement	-	(2,115)	-	-	-	-	(2,115)
As at December 31, 2017	-	53,250	37,359	10,124	-	14,121	114,854
Accumulated depreciation							
As at December 31, 2016	(39,393)	(113,751)	(25,125)	(93,486)	(8,853)	(3,823)	(284,431)
Charges for the year	-	(6,803)	(1,224)	(1,485)	-	(7,061)	(16,573)
Eliminated on disposition	39,393	84,021	-	91,932	8,853	-	224,199
Foreign exchange movement	-	3,377	-	-	-	-	3,377
As at December 31, 2017	-	(33,156)	(26,349)	(3,039)	-	(10,884)	(73,428)
Carrying amount							
As at December 31, 2017	-	20,094	11,010	7,085	-	3,237	41,426

Depreciation expense included in General and Administration in the Condensed Interim Consolidated Statement of Loss/(Income)

	Three months ended March 31,	
	2018	2017
	\$	\$
General and administration	2,552	2,923
General exploration	913	1,210

Pembroke Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

All amounts in Canadian dollars

4. Pecoy Mineral Property

On August 28, 2013, the Company signed an agreement to earn an interest in Pecoy Sociedad Minera S.A.C. (“PSM”), a company which owns a 100% interest in the Pecoy mineral property located in Peru.

In February 2017, the Company met its obligations under the agreement and exercised its option to acquire a 51% interest in PSM (the “First Option”) by completing cash payments totaling US\$4,000,000, completing 30,000 metres of drilling and incurring US\$12,000,000 in exploration expenditures.

In addition, the Company provided notice under the agreement of its intention to earn an additional 29% interest in PSM, which will bring the Company’s total interest in PSM to 80%, by completing the following:

- Completing a payment of US\$1,500,000 on February 16, 2018; (paid)
- Either completing a feasibility study or completing a minimum additional expenditure of US\$25,000,000; and,
- Completing a payment of US\$15,000,000 on February 16, 2021.

On May 1, 2017, the Company acquired ownership of 51% of the outstanding shares of PSM, thereby acquiring control of PSM. As a result of the Company exercising the First Option, the amount capitalized as the financial instrument “Pecoy Mineral Property” was reclassified on May 1, 2017 to “Mineral Properties” (see *Note 15*).

The acquisition has been accounted for as an acquisition of assets under IFRS. The net assets acquired were as follows:

<u>Accumulated Consideration for First Option</u>	\$	21,570,770
<u>Fair Value of Assets Acquired</u>		
Cash	\$	15,991
Accounts receivable		4,947
Mineral property (<i>Note 17</i>)		22,249,565
Accounts payable		(237,328)
Non-controlling interest (<i>Note 11</i>)		(462,405)
	\$	<u>21,570,770</u>

Pembroke Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

All amounts in Canadian dollars

5. Mineral properties

As of March 31, 2018, the Company held a portfolio of properties in Peru.

Note 15 of these condensed interim consolidated financial statements summarizes the amounts capitalized to the Company's mineral properties.

On March 23, 2017, the Company sold 10 net smelter royalties in Canada, Mexico and Peru for a cash payment of US\$400,000 (\$527,245).

In June 2015, the Company signed an agreement with a multinational mining company whereby the multinational mining company has an option to acquire up to a 60% interest in the Hurricane nickel project by making cash payments and incurring exploration expenditures over a five year period commencing on the date that the multinational mining company is able to commence exploration activities at the project, which occurred on July 14, 2016. Under the terms of the agreement, the Company received a cash payment of US\$200,000 (\$254,784) on July 14, 2017. On April 16, 2018, the multinational mining company provided notice of termination of the Hurricane agreement.

6. Share Capital

(a) Authorized and Issued

Unlimited number of common shares without par value authorized.

On January 11, 2017, the Company closed a private placement for 500,000 shares at \$2.00 per share for total gross proceeds of \$1,000,000.

On January 18, 2017, the Company closed a private placement for 1,250,000 shares at \$2.00 per share for total gross proceeds of \$2,500,000.

In January 2017, the Company issued 278,860 shares pursuant to the exercise of stock options for gross proceeds of \$139,430.

On February 23, 2017, the Company closed a private placement for 16,352 shares at \$2.00 per share for total gross proceeds of \$32,704.

On November 21, 2017, the Company closed a private placement for 1,000,000 shares at \$1.00 per share for total gross proceeds of \$1,000,000.

On December 26, 2017, the Company closed a private placement for 10,000 shares at \$1.00 per share for total gross proceeds of \$10,000.

On January 18, 2018, the Company closed a private placement for 15,000 shares at \$1.00 per share for total gross proceeds of \$15,000.

On January 29, 2018, the Company closed a private placement for 2,000,000 shares at \$1.00 per share for total gross proceeds of \$2,000,000.

Pembrook Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

All amounts in Canadian dollars

6. Share Capital (continued)

(b) Stock option plan

Under the Company's Stock Option Plan (the "Plan"), a maximum of 10% of the Company's issued and outstanding common shares (or 14,781,019 shares as at March 31, 2018) can be issued. A total of 6,573,500 options to purchase common shares are currently outstanding under the Plan.

In addition, the number of shares which may be reserved for issuance to any one individual may not exceed 10% of the issued shares on a yearly basis or 2% if the optionee is engaged in investor relations activities or is a consultant.

(c) Stock options

A summary of the Company's outstanding stock options is as follows:

	Number of options	Weighted average exercise price
Balance, December 31, 2016	8,106,500	\$ 1.78
Forfeitures	(732,000)	\$ 1.99
Expired	(1,431,640)	\$ 0.57
Exercised	(278,860)	\$ 0.50
Balance, March 31, 2017	5,664,000	\$ 2.12
Forfeitures	(875,000)	\$ 2.06
Expired	(58,000)	\$ 0.75
Balance, December 31, 2017	4,731,000	\$ 2.15
Granted	2,242,500	\$ 1.25
Expired	(400,000)	\$ 1.25
Balance, March 31, 2018	6,573,500	\$ 1.90
Number of options exercisable at March 31, 2018	6,171,000	\$ 1.94

Exercise price	Number of options outstanding	Weighted average remaining life of outstanding options (years)	Number of options exercisable	Weighted average remaining life of exercisable options (years)
\$ 1.25	2,242,500	8.5	1,840,000	10.2
1.75	598,000	0.6	598,000	0.6
1.80	648,000	1.6	648,000	1.6
2.00	500,000	2.5	500,000	2.5
2.50	2,585,000	4.1	2,585,000	4.1
	6,573,500	4.9	6,171,000	5.2

During the three months ended March 31, 2018, 2,242,500 stock options (three months ended March 31, 2017 – Nil) were granted with an exercise price of \$1.25, of which 1,840,000 stock options were granted with 10 year and 4 month lives, vesting on the date of grant, and 402,500 stock options vest immediately prior to the consummation of a liquidity event and expire concurrently with the consummation of a liquidity event if not exercised.

Pembrook Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

All amounts in Canadian dollars

6. Share Capital (continued)

(d) Share-based payments

	<u>Three months ended</u> <u>March 31, 2018</u>
Risk-free interest rate	2.1%
Expected dividend yield	-
Expected stock price volatility	81%
Expected forfeiture rate	6.0%
Expected option life (years)	<u>8.7 years</u>

The fair value of option grants are estimated on the date of grant using the Black-Scholes option pricing model. Changes in the input assumptions used in the Black-Scholes option pricing model can materially affect the fair value estimate.

Option pricing models require the input of highly subjective assumptions, including expected price volatility. As Pembrook is a privately-owned company, no observable market exists for its shares or options, and management estimates the price volatility of Pembrook options using the average volatility of five similar mineral exploration company stocks listed on the TSX and the TSX Venture Exchange. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' life.

Total share-based payments have been included in the condensed interim consolidated Statements of Loss as follows:

	<u>Three months ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
General and administrative	\$ 1,493,702	\$ -

(e) Loss per share

In periods where the Company has incurred a loss, exercise or contingent issue of securities has not been included in the calculation of diluted loss per share as increasing the number of shares outstanding would be anti-dilutive.

7. Related Party Transactions

Condensed interim consolidated Statements of Financial Position

The following amounts were due to a company that is a shareholder of PSM:

	<u>March 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Included in trade and other payables	\$ 224,379	\$ 218,307

Pembroke Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

All amounts in Canadian dollars

7. Related Party Transactions (continued)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Transactions with related parties in the normal course of operations have been measured at the fair value, which is the consideration agreed to by the parties.

Transaction	Nature of Relationship	Three months ended March 31,	
		2018	2017
		\$	\$
<u>Expenses included in general and administration on the Condensed Interim Consolidated Statements of Loss</u>			
Management and consultants	Director and management in common	28,446	29,781
<u>Expenses included in general exploration on the Condensed Interim Consolidated Statements of Loss</u>			
Management and consultants	Director and management in common	-	10,800

Compensation of Key Management Personnel

	Three months ended March 31,	
	2017	2017
	\$	\$
Short-term employee benefits	169,106	556,694
Share-based payments	1,490,330	-

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. Short-term employee benefits include salaries, fees, employee benefits and stock-based compensation.

Employee benefit expenses (salaries and employee benefits excluding stock-based compensation) are included in the Condensed Interim Consolidated Statements of Loss as follows:

	Three months ended March 31,	
	2018	2017
	\$	\$
General and administrative	268,207	241,979

Pembrook Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

All amounts in Canadian dollars

8. Commitments

The following table is a summary of the commitments of the Company at March 31, 2018:

	Office and Warehouse	Drilling	Pecoy Surface Rights (i)	Total
	\$	\$	\$	\$
Within one year	8,028	19,338	-	27,366
One to two years	-	-	306,192	306,192
Two to three years	-	-	-	-
Three to five years	-	-	-	-
Over five years	-	-	306,192	306,192
	<u>8,028</u>	<u>19,338</u>	<u>612,384</u>	<u>639,750</u>

(i) On October 28, 2015, the Company entered into a land surface access agreement to an area over the Pecoy mineral property. The agreement has a term of 30 years and can be extended for an additional 30 years. The Company has a First Right of Refusal to purchase the land if it is held for sale by the land owners. There are two remaining lease payments under the agreement of US\$237,500 each.

The table does not include cash payments or exploration expenditures required to maintain property option agreements in good standing with vendors, as those payments and expenditures are conditional on the Company electing to continue with the individual option agreements. If the Company chooses to terminate an option agreement, no further payments or exploration expenditures are required and related capitalized costs are written off.

9. Non-controlling Interest

	\$
Balance, December 31, 2016 and March 31, 2017	-
Non-controlling interest recognized upon asset acquisition, May 1, 2017 (Note 5)	462,405
Share of net loss, May 1, 2017 – December 31, 2017	(2,724)
Share of foreign currency translation reserve in other comprehensive loss, May 1, 2017 – Dec 31, 2017	657,439
Balance, December 31, 2017	<u>1,117,120</u>
Share of net loss, January 1, 2018 – March 31, 2018	(116)
Share of foreign currency translation reserve in other comprehensive loss, January 1, 2018 – March 31, 2018	(72)
Balance, March 31, 2018	<u>1,116,932</u>

At December 31, 2017 and March 31, 2018, the non-controlling interest in PSM was 49%.

Pembrook Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

All amounts in Canadian dollars

10. Supplemental Cash Flow Information

	As at March 31,	
	2018	2017
	\$	\$
Composition of cash and cash equivalents:		
Cash	1,129,735	4,882,732
Guaranteed investment certificates	49,450	49,450
	<u>1,179,185</u>	<u>4,932,182</u>

11. Financial Instruments

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value as described as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Fair values are determined directly by reference to published price quotation in an active market, when available. Investments in equity instruments that do not have an active quoted market price are measured at cost.

The following table summarizes the Company's financial instruments:

Classifications	March 31, 2018		December 31, 2017		
	Carrying amount	Fair value	Carrying amount	Fair value	
	\$	\$	\$	\$	
Financial Assets					
<i>Loans and Receivables</i>					
Cash and cash equivalents	1,179,185	1,179,185	1,683,084	1,683,084	n/a
Other receivables	379,344	379,344	384,154	384,154	n/a
<i>Available-for-sale</i>					
Investments	-	-	-	-	Level 1
	<u>1,558,529</u>	<u>1,558,529</u>	<u>2,067,238</u>	<u>2,067,238</u>	
Financial Liabilities					
<i>Other financial liabilities</i>					
Trade and other payables	465,100	465,100	511,297	511,297	n/a
	<u>465,100</u>	<u>465,100</u>	<u>511,297</u>	<u>511,297</u>	

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between levels during the three months ended March 31, 2018 and 2017.

The fair values of the Company's cash and cash equivalents, other receivables and trade and other payables approximate their carrying values due to their short term nature. The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk with respect to currency risk and interest risk.

Pembrook Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

All amounts in Canadian dollars

11. Financial Instruments (continued)

a) Currency risk

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company operates in Peru where its functional currency is the US Dollar. The functional currency of the corporate headquarters is the Canadian dollar.

As many expenses in Peru are incurred in US Dollars with smaller exposure to Peruvian soles, a significant change in the currency exchange rates between the Canadian Dollar and these currencies could have a material effect on the Company's financial performance, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. The Company does, from time to time, convert Canadian Dollars to US Dollars in anticipation of upcoming cash needs in Peru.

As of March 31, 2018, the Company is exposed to currency risk through the following foreign currency denominated assets and liabilities:

Amounts in Canadian dollar equivalents	Canadian Dollars
Cash and cash equivalents	389,684
Trade and other receivables	374,992
Trade and other payables	(361,874)

Assuming that all other variables remain constant, a 1% depreciation or appreciation of the Canadian Dollar against US Dollar would result in an increase/decrease in the total value of the financial instruments of approximately of \$4,028.

b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit risk, defined as the sum of its cash and cash equivalents, other receivables and investments, is \$1,558,529. As at March 31, 2018, the Company had \$1,179,185 in cash and cash equivalents. The Company's cash and cash equivalents is invested in highly liquid short-term interest-bearing investments and in savings accounts with major Canadian financial institutions, which are rated among the strongest financial institutions in the world.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through a planning, budgeting and cash forecasting process through which future cash needs are planned and anticipated. The Company's goal is to ensure that cash balances are sufficient to cover in excess of one year of expenditures. The Company has funded all of its activities through private placements, including \$2,015,000 raised to date in 2018 and \$4,542,704 raised in 2017, respectively.

Cash and cash equivalents and working capital total \$1,179,185 and \$1,144,547 respectively at March 31, 2018 (December 31, 2017 - \$1,683,084 and \$1,701,688).

Pembroke Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

All amounts in Canadian dollars

11. Financial Instruments (continued)

c) Liquidity risk (continued)

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the Company's significant liabilities and corresponding maturities.

At March 31, 2018	<u>Total</u>	<u>< 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>> 5 years</u>
	\$	\$	\$	\$	\$
Trade and other payables	465,100	465,100	-	-	-
Commitments	639,750	27,366	306,192	-	306,192
At December 31, 2017	<u>Total</u>	<u>< 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>> 5 years</u>
	\$	\$	\$	\$	\$
Trade and other payables	511,297	511,297	-	-	-
Commitments	632,773	36,619	298,077	-	298,077

d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss due to fluctuations in interest rates is mitigated due to surplus funds being held as cash or short-term interest bearing deposits. Assuming that all other variables remain constant, a 1% increase or decrease in interest rates would result in an increase/decrease in the annual interest income of the Company of approximately \$3,200.

12. Management of Capital

The capital structure of the Company consists of equity attributable to common shareholders, comprising issued capital, share-based payments reserve, available-for-sale reserve, deficit and foreign currency translation reserve. The Company's objectives are to pursue the advancement of its mineral properties. In order to do so, it endeavours to safeguard its ability to continue as a going concern, while maintaining a flexible capital structure. As the Company has no cash inflow from operations, the Company may attempt to issue new shares, pursue option agreements and/or joint ventures on properties, or sell assets in order to raise funds in the future. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including capital deployment, results from the exploration of its properties and general industry conditions.

The Company's current investment practice is to invest its cash surplus in savings accounts with major Canadian financial institutions and in highly liquid short-term interest-bearing investments, generally with maturities of 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry its exploration plans and operations beyond its current fiscal year.

Pembrook Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

All amounts in Canadian dollars

13. Segmented Information

The Company's operations involve the acquisition, exploration, and advancement of mineral resource properties.

The Company's reportable operating segments are as follows:

March 31, 2018	Assets by Geographical Segment		
	Canada	Peru	Total
	\$	\$	\$
Property and equipment	23,346	15,021	38,367
Mineral properties	-	33,982,482	33,982,482
Total assets	1,130,196	34,500,300	35,630,496
Total liabilities	107,905	357,195	465,100

December 31, 2017	Canada	Peru	Total
	\$	\$	\$
Property and equipment	25,898	15,528	41,426
Mineral properties	-	31,592,595	31,592,595
Total assets	1,721,986	32,126,863	33,848,849
Total liabilities	139,881	373,259	513,140

Three months ended March 31, 2018	Operating Loss by Geographical Segment			
	Canada	Peru	British Virgin Islands	Total
	\$	\$	\$	\$
Finance (income)	(2,007)	-	-	(2,007)
Depreciation	2,552	913	-	3,465
Net (income)/loss	1,795,060	113,805	-	1,908,865
Attributed to:				
Equity holders of the Company	1,795,060	113,689	-	1,908,749
Non-controlling interest	-	116	-	116
Net (income)/loss	1,795,060	113,805	-	1,908,865
Three months ended March 31, 2017				
Finance (income)	(7,072)	-	-	(7,072)
Depreciation	2,293	1,210	-	4,113
Gain on sale of net smelter royalties	(333,305)	(193,940)	-	(527,245)
Gain on disposal of available for sale investment	(117,730)	-	-	(117,730)
Net (income)/loss	(49,166)	(40,067)	10,327	(78,906)

14. Subsequent Event

On April 16, 2018, the multinational mining company provided notice of termination of the agreement to earn up to a 60% interest in the Hurricane project. (Note 5)

Pembroke Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2018

Note 15 - Mineral properties

	Peru				
	Hurricane	Tororume	La Yesera	Pecoy	Total Peru
	\$	\$	\$	\$	\$
Balance, December 31, 2017	2,359,611	6,231,538	-	23,001,446	31,592,595
Acquisition and mineral licenses	-	-	-	1,844,534	1,844,534
Assays and sample storage	-	1,406	-	-	1,406
Camp costs, supplies and other	-	18,947	-	38,972	57,919
Drilling	-	-	-	22,253	22,253
Engineering Studies and Reports	-	105,345	-	6,824	112,169
Geological consulting fees and salaries	-	-	-	91,191	91,191
Transportation	-	20,771	-	15,486	36,257
Total	2,359,611	6,378,007	-	25,020,706	33,758,324
Foreign exchange movement	57,257	140,366	-	26,535	224,158
Balance, March 31, 2018	2,416,868	6,518,373	-	25,047,241	33,982,482

	Peru				
	Hurricane	Tororume	La Yesera	Pecoy	Total Peru
	\$	\$	\$	\$	\$
Balance, December 31, 2016	2,749,806	4,355,274	24,471	-	7,129,551
Reclassification upon asset acquisition (Note 5)	-	-	-	22,249,565	22,249,565
Acquisition and mineral licenses	-	253,340	-	109,483	362,823
Assays and sample storage	-	27,901	-	-	27,901
Camp costs, supplies and other	1,194	126,319	-	215,213	342,726
Drilling	-	1,118,600	-	69,539	1,188,139
Engineering Studies and Reports	-	-	-	107,924	107,924
Geological consulting fees and salaries	-	612,362	-	245,634	857,996
Transportation	-	18,973	-	16,283	35,256
Total	2,751,000	6,512,769	24,471	23,013,641	32,301,881
Recovery of mineral property costs	(254,784)	-	-	-	(254,784)
Property transfer	-	-	(23,057)	23,057	-
Sale of mineral property	-	(17,033)	-	-	(17,033)
Foreign exchange movement	(136,605)	(264,198)	(1,414)	(35,252)	(437,469)
Balance, December 31, 2017	2,359,611	6,231,538	-	23,001,446	31,592,595