

Condensed Interim Consolidated Financial Statements of

**Pembroke Copper Corp.**

For the six months ended June 30, 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

	June 30, 2018	December 31, 2017
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 580,050	\$ 1,683,084
Other receivables	393,550	384,154
Prepaid expenses	55,646	147,590
	<u>1,029,246</u>	<u>2,214,828</u>
<b>Property and Equipment</b> (Note 3)	25,497	41,426
<b>Mineral Properties</b> (Notes 5 & 16)	34,887,279	31,592,595
<b>Total Assets</b>	<u>\$ 35,942,022</u>	<u>\$ 33,848,849</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	\$ 625,480	\$ 511,297
Finance lease obligation – current portion (Note 3)	-	1,843
<b>Total Liabilities</b>	<u>625,480</u>	<u>513,140</u>
<b>EQUITY</b>		
<b>Share Capital</b> (Note 6)	130,523,203	128,108,516
<b>Reserves</b>	19,399,412	17,486,968
<b>Deficit</b>	(115,718,486)	(113,376,895)
<b>Equity Attributable to the Equity Holders of the Company</b>	<u>34,204,129</u>	<u>32,218,589</u>
<b>Non-controlling Interest</b> (Note 10)	1,112,413	1,117,120
<b>Total Equity</b>	<u>35,316,542</u>	<u>33,335,709</u>
<b>Total Liabilities and Equity</b>	<u>\$ 35,942,022</u>	<u>\$ 33,848,849</u>
Nature of Operations and Going Concern (Note 1)		
Commitments (Note 9)		
Subsequent Events (Note 15)		

APPROVED BY THE BOARD OF DIRECTORS ON AUGUST 28, 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 and Comprehensive Loss

All amounts in Canadian dollar

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
<b>Operating and Administrative Expenses</b>				
General exploration	\$ 29,922	\$ 33,660	\$ 59,117	\$ 76,412
General and administration	387,773	447,998	2,270,766	934,569
Loss before other items	\$ 417,695	\$ 481,658	\$ 2,329,883	\$ 1,010,981
<b>Other Items</b>				
Gain on disposal of available-for-sale investment (Note 3)	-	-	-	(117,730)
Loss on disposal of property and equipment	8,800	-	8,800	2,773
Gain on sale of net smelter royalties (Note 5)	-	-	-	(527,245)
Foreign exchange loss	3,441	44,925	2,125	85,970
Finance income	(942)	(6,243)	(2,949)	(13,315)
Loss before income taxes	428,994	520,340	2,337,859	441,434
Current income tax (Note 8)	8,241	-	8,241	-
<b>Net Loss</b>	<b>\$ 437,235</b>	<b>\$ 520,340</b>	<b>\$ 2,346,100</b>	<b>\$ 441,434</b>
<b>Net Loss Attributable to :</b>				
Equity holders of the Company	432,842	518,034	2,341,591	439,128
Non-controlling interest	4,393	2,306	4,509	2,306
	437,235	520,340	2,346,100	441,434
<b>Basic and Diluted Loss Per Share (Note 6(e))</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.02</b>	<b>\$ 0.00</b>
<b>Weighted Average Shares Outstanding During the Period – Basic and Diluted</b>	<b>147,942,067</b>	<b>144,785,199</b>	<b>147,554,564</b>	<b>144,606,499</b>
<b>Other Comprehensive Loss</b>				
<b>Items that may be reclassified subsequently to net (income)/loss:</b>				
Mark-to-market loss on available-for-sale investments	-	-	-	117,731
Reclassification adjustment for disposal of available-for-sale investments	-	-	-	117,730
	-	-	-	235,461
Foreign currency translation differences (Note 2(b))	(164,881)	(197,981)	(394,944)	(31,205)
<b>Other Comprehensive (Income)/Loss</b>	<b>\$ (164,881)</b>	<b>\$ (197,981)</b>	<b>\$ (394,944)</b>	<b>\$ 204,256</b>
<b>Other Comprehensive Loss Attributable to:</b>				
Equity holders of the Company	(165,007)	459,382	(395,142)	861,619
Non-controlling interest	126	(657,363)	198	(657,363)
	(164,881)	(197,981)	(394,944)	204,256
<b>Total Comprehensive Loss</b>	<b>272,354</b>	<b>322,359</b>	<b>1,951,156</b>	<b>645,690</b>
<b>Total Comprehensive Loss Attributable to:</b>				
Equity holders of the Company	267,835	977,416	1,946,449	1,300,747
Non-controlling interest	4,519	(655,057)	4,707	(655,057)
	272,354	322,359	1,951,156	645,690

-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				
			\$	\$	\$	\$				
<b>Balance – December 31, 2016</b>	<b>142,739,987</b>	<b>123,364,201</b>	<b>15,853,463</b>	<b>235,461</b>	<b>2,555,530</b>	<b>18,644,454</b>	<b>(111,885,417)</b>	<b>30,123,238</b>	<b>-</b>	<b>30,123,238</b>
Net loss for the period	-	-	-	-	-	-	(439,128)	(439,128)	(2,306)	(441,434)
Other comprehensive loss	-	-	-	(235,461)	(626,158)	(861,619)	-	(861,619)	657,363	(204,256)
Total comprehensive income (loss)	-	-	-	(235,461)	(626,158)	(861,619)	(439,128)	(1,300,747)	655,057	(645,690)
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)	-	-	-	-
Acquisition of PSM (Note 4)	-	-	-	-	-	-	-	-	462,405	462,405
<b>Balance – June 30, 2017</b>	<b>144,785,199</b>	<b>127,100,926</b>	<b>15,784,403</b>	<b>-</b>	<b>1,929,372</b>	<b>17,713,775</b>	<b>(112,324,545)</b>	<b>32,490,156</b>	<b>1,117,462</b>	<b>33,607,618</b>
Net income for the period	-	-	-	-	-	-	(1,052,350)	(1,052,350)	(418)	(1,052,768)
Other comprehensive income (loss)	-	-	-	-	(226,807)	(226,807)	-	(226,807)	76	(226,731)
Total comprehensive income	-	-	-	-	(226,807)	(226,807)	(1,052,350)	(1,279,157)	(342)	(1,279,499)
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)
<b>Balance – December 31, 2017</b>	<b>145,795,199</b>	<b>128,108,516</b>	<b>15,784,403</b>	<b>-</b>	<b>1,702,565</b>	<b>17,486,968</b>	<b>(113,376,895)</b>	<b>32,218,589</b>	<b>1,117,120</b>	<b>33,335,709</b>
Net loss for the period	-	-	-	-	-	-	(2,341,591)	(2,341,591)	(4,509)	(2,346,100)
Other comprehensive income (loss)	-	-	-	-	395,142	395,142	-	395,142	(198)	394,944
Total comprehensive income (loss)	-	-	-	-	395,142	395,142	(2,341,591)	(1,946,449)	(4,707)	(1,951,156)
Private placement for cash	2,415,000	2,415,000	-	-	-	-	-	2,415,000	-	2,415,000
Share issuance costs	-	(313)	-	-	-	-	-	(313)	-	(313)
Share-based payment	-	-	1,517,302	-	-	1,517,302	-	1,517,302	-	1,517,302
<b>Balance – June 30, 2018</b>	<b>148,210,199</b>	<b>130,523,203</b>	<b>17,301,705</b>	<b>-</b>	<b>2,097,707</b>	<b>19,399,412</b>	<b>(115,718,486)</b>	<b>34,204,129</b>	<b>1,112,413</b>	<b>35,316,542</b>

- 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

	Six months ended June 30	
	2018	2017
<b>Operating Activities</b>		
Net (loss)	\$ (2,346,100)	\$ (441,434)
Items not affecting cash:		
Gain on disposal of available for sale investment	-	(117,730)
Finance income	(2,949)	(13,315)
Loss on disposal of property and equipment	8,800	2,773
Depreciation expense	6,848	8,328
Gain on sale of net smelter royalties (Note 5)	-	(527,245)
Share-based payments	1,517,302	-
Unrealized foreign exchange loss	2,125	85,970
	<u>\$ (813,974)</u>	<u>\$ (1,002,653)</u>
Changes in non-cash working capital:		
Other receivables	(9,308)	(16,475)
Prepaid expenses	91,945	(14,036)
Trade and other payables	116,795	243,573
<b>Net Cash Used in Operating Activities</b>	<u>\$ (614,542)</u>	<u>\$ (789,591)</u>
<b>Investing Activities</b>		
Additions to mineral properties	\$ (2,905,985)	\$ (976,438)
Expenditures related to Pecoy mineral property (Note 4)	-	(3,416,270)
Purchase of property and equipment	-	(8,184)
Proceeds on sale of net smelter royalties (Note 5)	-	527,245
Proceeds received on sale of property and equipment	945	-
Proceeds received on sale of available-for-sale investment	-	307,910
Finance income	2,861	13,608
<b>Net Cash Used in Investing Activities</b>	<u>\$ (2,902,179)</u>	<u>\$ (3,552,129)</u>
<b>Financing Activities</b>		
Net proceeds on share issuances	2,414,687	3,528,235
Net proceeds on exercise of stock options	-	139,430
Payment on finance lease obligation	(1,843)	(3,529)
<b>Net Cash Provided by Financing Activities</b>	<u>\$ 2,412,844</u>	<u>\$ 3,664,136</u>
Effect of exchange rate on cash and cash equivalents	843	(287,013)
<b>Change in cash and cash equivalents</b>	<b>(1,103,034)</b>	<b>(964,597)</b>
Cash and cash equivalents – beginning of period	<b>1,683,084</b>	<b>4,614,658</b>
<b>Cash and Cash Equivalents - end of period</b>	<u><b>\$ 580,050</b></u>	<u><b>\$ 3,650,061</b></u>

Supplemental cash flow information (Note 11)

- 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 1066 West Hastings Street, Suite 2300, Vancouver, British Columbia, Canada, V6E 3X2.

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).

# Pembroke 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.

# Pembroke 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 \$
<b>Cost</b>					
As at December 31, 2017	53,250	37,359	10,124	14,121	114,854
Disposals	(7,222)	(13,662)	-	(14,121)	(35,005)
Foreign exchange movement	1,393	-	-	-	1,393
<b>As at June 30, 2018</b>	<b>47,421</b>	<b>23,697</b>	<b>10,124</b>	<b>-</b>	<b>81,242</b>
<b>Accumulated depreciation</b>					
As at December 31, 2017	(33,156)	(26,349)	(3,039)	(10,884)	(73,428)
Charges for the period	(2,545)	(473)	(593)	(3,237)	(6,848)
Eliminated on disposition	6,352	4,787	-	14,121	25,260
Foreign exchange movement	(729)	-	-	-	(729)
<b>As at June 30, 2018</b>	<b>(30,078)</b>	<b>(22,035)</b>	<b>(3,632)</b>	<b>-</b>	<b>(55,745)</b>
<b>Carrying amount</b>					
<b>As at June 30, 2018</b>	<b>17,343</b>	<b>1,662</b>	<b>6,492</b>	<b>-</b>	<b>25,497</b>

	Leasehold Improvement \$	Field & Computer Equipment \$	Furniture & fixtures \$	Software \$	Vehicles \$	Equipment Under Finance lease \$	Total \$
<b>Cost</b>							
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)
<b>As at December 31, 2017</b>	<b>-</b>	<b>53,250</b>	<b>37,359</b>	<b>10,124</b>	<b>-</b>	<b>14,121</b>	<b>114,854</b>
<b>Accumulated depreciation</b>							
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
<b>As at December 31, 2017</b>	<b>-</b>	<b>(33,156)</b>	<b>(26,349)</b>	<b>(3,039)</b>	<b>-</b>	<b>(10,884)</b>	<b>(73,428)</b>
<b>Carrying amount</b>							
<b>As at December 31, 2017</b>	<b>-</b>	<b>20,094</b>	<b>11,010</b>	<b>7,085</b>	<b>-</b>	<b>3,237</b>	<b>41,426</b>

### Depreciation expense included in General and Administration in the Condensed Interim Consolidated Statement of Loss

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
General and administration	2,457	2,923	5,009	5,846
General exploration	926	1,272	1,839	2,482

# Pembrook 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 16*).

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 16</i> )		22,249,565
Accounts payable		(237,328)
Non-controlling interest ( <i>Note 10</i> )		(462,405)
	\$	<u>21,570,770</u>

# Pembrook Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

All amounts in Canadian dollars

## 5. Mineral properties

As of June 30, 2018, the Company held a portfolio of properties in Peru.

Note 16 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.

# Pembroke Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

All amounts in Canadian dollars

## 6. Share Capital (continued)

### (a) Authorized and Issued (continued)

On May 31, 2018, the Company closed a private placement for 400,000 shares at \$1.00 per share for total gross proceeds of \$400,000.

On July 19, 2018, the Company closed a private placement for 500,000 shares at \$1.00 per share for total gross proceeds of \$500,000.

### (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 14,821,019 shares as at June 30, 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	(1,481,640)	\$ 0.58
Exercised	(278,860)	\$ 0.50
<b>Balance, June 30, 2017</b>	<b>5,614,000</b>	<b>\$ 2.14</b>
Forfeitures	(875,000)	\$ 2.06
Expired	(8,000)	\$ 0.75
<b>Balance, December 31, 2017</b>	<b>4,731,000</b>	<b>\$ 2.15</b>
Granted	2,242,500	\$ 1.25
Expired	(400,000)	\$ 1.25
<b>Balance, June 30, 2018</b>	<b>6,573,500</b>	<b>\$ 1.90</b>
Number of options exercisable at June 30, 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	8.2	1,840,000	9.9
1.75	598,000	0.4	598,000	0.4
1.80	648,000	1.4	648,000	1.4
2.00	500,000	2.3	500,000	2.3
2.50	2,585,000	3.8	2,585,000	3.8
	<u>6,573,500</u>	<u>4.6</u>	<u>6,171,000</u>	<u>4.9</u>

# Pembrook Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

All amounts in Canadian dollars

## 6. Share Capital (continued)

### (c) Stock options (continued)

During the six months ended June 30, 2018, 2,242,500 stock options (six months ended June 30, 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.

### (d) Share-based payments

	<u>Six months ended June 30, 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 June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General & administrative	\$ 23,600	\$ -	\$ 1,517,302	\$ -

### (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.

# Pembrook Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

All amounts in Canadian dollars

## 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>June 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
	\$	\$
Included in trade and other payables	<b>245,817</b>	218,307

### 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.

<u>Transaction</u>	<u>Nature of Relationship</u>	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
		\$	\$	\$	\$
<u>Expenses included in general and administration on the Statement of Loss</u>					
Management and consultants	Director and management in common	41,839	30,260	70,285	60,041
<u>Expenses included in general exploration on the Statement of Loss</u>					
Management and consultants	Director and management in common	-	-	-	10,800

### Compensation of Key Management Personnel

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	\$	\$	\$	\$
Short-term employee benefits	148,114	166,129	317,220	722,823
Share-based payments	20,229	-	1,510,559	-

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:

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	\$	\$	\$	\$
General and administrative	240,062	240,954	508,269	482,933

# Pembrook Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

All amounts in Canadian dollars

## 8. Income Taxes

For the six months ended June 30, 2018, the Company incurred \$8,241 in current income tax expense (six months ended June 30, 2017 - \$nil). The current income tax expense was incurred by the Company's Peruvian subsidiary, Pecoy Sociedad Minera S.A.C. upon receipt of certain mineral claims that were donated by a third party.

## 9. Commitments

The following table is a summary of the commitments of the Company at June 30, 2018:

	Drilling	Pecoy Surface Rights (i)	Total
	\$	\$	\$
Within one year	19,691	-	19,691
One to two years	-	311,781	311,781
Two to three years	-	-	-
Three to five years	-	-	-
Over five years	-	311,781	311,781
	<u>19,691</u>	<u>623,562</u>	<u>643,253</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.

## 10. 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
<b>Balance, December 31, 2017</b>	<u><b>1,117,120</b></u>
Share of net loss, January 1, 2018 – June 30, 2018	(4,509)
Share of foreign currency translation reserve in other comprehensive loss, January 1, 2018 – June 30, 2018	(198)
<b>Balance, June 30, 2018</b>	<u><u><b>1,112,413</b></u></u>

At December 31, 2017 and June 30, 2018, the non-controlling interest in PSM was 49%.



# Pembroke Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

All amounts in Canadian dollars

## 11. Supplemental Cash Flow Information

	As at June 30,	
	2018	2017
	\$	\$
<b>Composition of cash and cash equivalents:</b>		
Cash	530,600	3,600,611
Guaranteed investment certificates	49,450	49,450
	<u>580,050</u>	<u>3,650,061</u>

## 12. 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	June 30, 2018		December 31, 2017		
	Carrying amount	Fair value	Carrying amount	Fair value	
	\$	\$	\$	\$	
<b>Financial Assets</b>					
<i>Loans and Receivables</i>					
Cash and cash equivalents	580,050	580,050	1,683,084	1,683,084	n/a
Other receivables	393,550	393,550	384,154	384,154	n/a
	<u>973,600</u>	<u>973,600</u>	<u>2,067,238</u>	<u>2,067,238</u>	
<b>Financial Liabilities</b>					
<i>Other financial liabilities</i>					
Trade and other payables	625,480	625,480	511,297	511,297	n/a
	<u>625,480</u>	<u>625,480</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 six months ended June 30, 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

## 12. 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 June 30, 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	274,348
Trade and other receivables	382,534
Trade and other payables	(433,171)

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 \$2,240.

### 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 \$973,600. As at June 30, 2018, the Company had \$580,050 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 \$2,415,000 raised to date in 2018 and \$4,542,704 raised in 2017, respectively.

Cash and cash equivalents and working capital total \$580,050 and \$403,766 respectively at June 30, 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

## 12. 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 June 30, 2018	<u>Total</u>	<u>&lt; 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>&gt; 5 years</u>
	\$	\$	\$	\$	\$
Trade and other payables	625,480	625,480	-	-	-
Commitments	643,253	19,691	311,781	-	311,781

  

At December 31, 2017	<u>Total</u>	<u>&lt; 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>&gt; 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 \$1,200.

## 13. 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.

# Pembroke Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

All amounts in Canadian dollars

## 14. 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:

June 30, 2018	Assets by Geographical Segment		
	Canada	Peru	Total
	\$	\$	\$
Property and equipment	11,143	14,354	25,497
Mineral properties	-	34,887,279	34,887,279
<b>Total assets</b>	<b>406,855</b>	<b>35,535,167</b>	<b>35,942,022</b>
<b>Total liabilities</b>	<b>190,503</b>	<b>434,977</b>	<b>625,480</b>

  

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

	Operating Loss by Geographical Segment			
	Canada	Peru	British Virgin Islands	Total
	\$	\$	\$	\$
<b>Three months ended June 30, 2018</b>				
Finance (income)	(942)	-	-	(942)
Depreciation	2,457	926	-	3,383
<b>Net loss</b>	<b>310,828</b>	<b>126,407</b>	<b>-</b>	<b>437,235</b>
<b>Attributed to:</b>				
Equity holders of the Company	310,828	122,014	-	432,842
Non-controlling interest	-	4,393	-	4,393
<b>Net Loss</b>	<b>310,828</b>	<b>126,407</b>	<b>-</b>	<b>437,235</b>
<b>Six months ended June 30, 2018</b>				
Finance (income)	(2,949)	-	-	(2,949)
Depreciation	5,009	1,839	-	6,848
<b>Net loss</b>	<b>2,105,888</b>	<b>240,212</b>	<b>-</b>	<b>2,346,100</b>
<b>Attributed to:</b>				
Equity holders of the Company	2,105,888	235,703	-	2,341,591
Non-controlling interest	-	4,509	-	4,509
<b>Net Loss</b>	<b>2,105,888</b>	<b>240,212</b>	<b>-</b>	<b>2,346,100</b>

# Pembrook Copper Corp.

Notes to the Condensed Interim Consolidated Financial Statements

All amounts in Canadian dollars

## 14. Segmented Information (continued)

	Operating Loss by Geographical Segment			
	Canada	Peru	British Virgin Islands	Total
	\$	\$	\$	\$
<u>Three months ended June 30, 2017</u>				
Finance (income)	(6,242)	-	-	(6,243)
Depreciation	2,923	1,272	-	4,195
Net loss	342,049	176,072	2,219	520,340
Attributed to:				
Equity holders of the Company	342,049	173,766	2,219	518,034
Non-controlling interest	-	2,306	-	2,306
Net Loss	342,049	176,072	2,219	520,340
<u>Six months ended June 30, 2017</u>				
Finance (income)	(13,315)	-	-	(13,315)
Depreciation	5,846	2,482	-	8,328
Gain on disposal of available for sale investment	(117,730)	-	-	(117,730)
Gain on sale of mineral properties	(333,305)	(193,940)	-	(527,245)
Net loss	292,883	136,005	12,546	441,434
Attributed to:				
Equity holders of the Company	292,883	133,699	12,546	439,128
Non-controlling interest	-	2,306	-	2,306
Net Loss	292,883	136,005	12,546	441,434

## 15. Subsequent Event

On July 19, 2018, the Company closed a private placement of 500,000 shares at \$1.00 per share for gross proceeds of \$500,000.

**Pembroke Copper Corp.**

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2018

Note 16 - 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	-	276,404	-	1,899,757	2,176,161
Assays and sample storage	-	4,631	-	-	4,631
Camp costs, supplies and other	531	52,695	-	78,595	131,821
Drilling	-	-	-	22,253	22,253
Engineering Studies and Reports	-	-	-	86,898	86,898
Geological consulting fees and salaries	-	223,947	-	181,762	405,709
Transportation	-	44,500	-	31,400	75,900
Total	2,360,142	6,833,715	-	25,302,111	34,495,968
Foreign exchange movement	96,698	245,603	-	49,010	391,311
<b>Balance, June 30, 2018</b>	<b>2,456,840</b>	<b>7,079,318</b>	<b>-</b>	<b>25,351,121</b>	<b>34,887,279</b>

	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