Pembrook Copper Corp.
Management's Discussion and Analysis
For the six months ended June 30, 2018

Overview

The following Management's Discussion and Analysis ("MD&A"), reviews Pembrook Copper Corp.'s (the "Company" or "Pembrook") financial condition and results of operations for the six months ended June 30, 2018 prepared in accordance with International Financial Accounting Standards. This discussion provides management's analysis of the Company's historical financial and operating results and provides estimates of the Company's future financial and operating performance based on information that is currently available.

This MD&A contains forward-looking statements that involve certain risks and uncertainties. There can be no assurance that these statements will prove to be accurate and actual results and future events could differ materially. Please refer to the cautionary language regarding forward-looking statements at the end of this MD&A.

This MD&A is dated August 28, 2018 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the six months ended June 30, 2018 and its consolidated financial statements for the year ended December 31, 2017, together with the notes thereto, prepared by management in accordance with IFRS.

All dollar figures are in Canadian dollars, unless otherwise noted.

Company Background

Pembrook is a mineral exploration company engaged in the advancement of its Pecoy, Tororume and Hurricane properties in Peru. The Company's projects contain copper ("Cu"), molybdenum ("Mo"), gold ("Au"), silver ("Ag"), nickel ("Ni") and other metals including platinum group elements ("PGE"). 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 Company's strategy is to complete preliminary engineering studies to form the basis for completing a Preliminary Economic Assessment ("PEA") at the Pecoy Cu project. A special committee of the independent directors has been appointed to review strategic alternatives, including the sale of the Company.

The Company operates in Peru through its subsidiaries, Pembrook Copper S.A.C., Torion Mining S.A.C., Pecoy Sociedad Minera S.A.C. ("PSM") and Compaňia de Exploraciones Hurricane S.A.C.

Highlights

The following is a summary of key exploration results and activities by project for the six months ending June 30, 2018.

Peru

Pecoy (Cu-Mo-Au-Ag)

- Completed cash payment of US$1,500,000, being one of the requirements to earn an additional 29% in PSM to increase the Company's interest in PSM from 51% to 80%.

Other

- Closed private placements for 2,015,000 shares at $1.00 per share for total gross proceeds of $2,015,000.
- The Company appointed a special committee of independent board members to review strategic alternatives, including the sale of the Company.
- The special committee has retained an investment banker as an advisor to review strategic alternatives.

Outlook

- The Company's primary focus is to advance its Pecoy and Tororume copper porphyry projects within the Southern porphyry belt of Peru.

Pecoy (Cu-Mo-Au-Ag)

- The Preliminary Economic Assessment ("PEA") is expected to be completed in the 3rd quarter of 2018.

Tororume (Cu-Mo)

- The activation of the second drill permit to drill the West Potassic and North Phyllic zones was received in June 2018. Strategic options for this project are being considered.

Hurricane (Ni-Cu-PGE-Ag)

- Strategic options for this project are being considered.

Project Details: Peru

Pecoy (Cu-Mo-Au-Ag)

The Pecoy project is a large, early-stage porphyry copper exploration project located in southern Peru. It is located one hundred kilometres northwest of Arequipa and within the coastal Cretaceous Copper Porphyry Belt of Peru. The property consists of 2,000 hectares which are held as the sole asset of Pecoy Sociedad Minera S.A.C ("PSM"). Under an agreement signed on August 28, 2013, the Company has completed its obligations to earn a 51% interest in PSM and has the option to earn up to an 80% interest. One of the current shareholders of PSM has the right to purchase up to 50% of the product produced by the Pecoy project at fair market value.

The Pecoy project encompasses a large system (2 kilometres x 2 kilometres) with similarities to the Los Pelambres Cu porphyry located in Chile. Topographically, Pecoy rises from the valley floor at 1,600 MASL to 2,150 MASL in the coastal desert and is 85 kilometres from the coast by road. The Pecoy porphyry system is characterized by multiple porphyry centres and hydrothermal breccia events cutting a basement complex consisting mainly of granodiorite (Coastal Batholith) and gneissic rocks. The surface alteration consists dominantly of quartz-biotite-sericite-pyrite and silica with extensive leaching. Surface geochemistry returned copper values up to 0.72% but the majority of the surface exposures are leached to hematite, goethite and jarosite.

The main porphyry mineralization below the leached cap consists of an oxide zone (azurite, malachite and chalcanthite), followed by a chalcocite enrichment zone and then into a primary chalcopyrite, molybdenite and pyrite sulphide zone to depth. The centre of the main porphyry system is bounded by two large hydrothermal breccias along the margins of the porphyry. The South Breccia weathers recessively and is located in the valley bottom (1,000 metres length x 300 metres width x 600 metres depth) and is enriched in Cu, Au (Ag, Mo). The North Breccia which forms the northern half of the Pecoy mountain (1,000 metres length x >350 metres width x >600 metres depth) is Cu, Mo (Au, Ag) dominant.

The results of the Company's 2014-2016 drill programs have been positive and have significantly advanced Pecoy resulting in an initial Inferred Resource estimate. Geologic and mineral modeling, utilizing guidelines outlined by the Canadian Institute of Mining, Metallurgy and Petroleum's "Standards of Disclosure for Mineral Projects (NI 43-101)", have resulted in the generation of an updated Inferred Resource of 644 million tonnes @ 0.33% Cu, 0.011% Mo, 0.050 g/t Au, 1.24 g/t Ag, using a cutoff grade of 0.25% Cu. With the final US$2,500,000 payment made in February 2017, the Company completed its obligations to earn a 51% interest in PSM and acquired control of PSM effective May 1, 2017. The Company provided notice to its partners of its intention to proceed with earning an additional 29% interest in PSM to bring its interest to 80%. The Company has completed engineering studies for the project's road, powerline, hydrology, tailings and waste dumps and expects to have completed the PEA in the third quarter.

Tororume (Cu-Mo)

This large 100% owned project consisting of 10,497 hectares containing a large area of copper porphyry occurrences was identified by the Company during reconnaissance work within the Pecoy copper district along the Southern Peru Copper Porphyry Belt. This belt hosts major deposits such as the Cuajone Cu porphyry (Southern Peru Copper Corp.), the Toquepala Cu porphyry (Southern Peru Copper Corp.), Cerro Verde Cu porphyry (Freeport-McMoRan Copper & Gold Inc.) and the Zafranal Cu porphyry (Teck Resources Limited and Mitsubishi Materials Corporation). Tororume had never been drill tested. Mapping, geochemical sampling and geophysics (airborne magnetics, ground IP/resistivity) have been completed. Mapping and sampling have resulted in the identification of a large copper system with +0.1% copper values found over an area of three kilometres by six kilometres, which also includes elevated gold and molybdenum values. Copper, molybdenum and gold mineralization are present within granodiorite, basement gneiss and several porphyry mineralized zones that exhibit strong porphyry-style alteration. Multiple "centres" are present on the property and the best target identified to date is a 250 metre by 400 metre potassic-altered zone in which 47 of 49 samples collected from this area returned >0.1% copper with the majority containing from 0.15% to 0.60% copper. This zone is covered by a thin, post-mineral, volcanic cap to the east and by debris to the south, and remains open in those directions and at depth. A second copper zone is located 500 metres north of the copper-bearing potassic zone and is characterized by quartz-sericite alteration (phyllic) and contains multiple +0.1% copper to a high value of 15.6% copper in an area measuring 800 metres by 1,000 metres. A third centre measuring 700 metres by 1,000 metres and with strong phyllic (quartz-sericite-pyrite) and potassic (magnetite-biotite) alteration has recently been recognized in the east central part of the system. The first drill permit for the Potassic East target has been received and the phase 1 drill program comprised of 2,533 meters in six holes was completed. The second drill permit activation for the Potassic West and North Phyllic zones was received in June 2018.

Hurricane (Ni-Cu-PGE-Ag)

At the Hurricane project in southeast Peru, work during the third quarter of 2011 consisted of two main activities: a helicopter-supported reconnaissance of anomalies generated by the integration of results from the 2010 airborne geophysical survey (electromagnetics and magnetics) with the regional geochemical data base, and the restart of the airborne geophysical survey to complete the remainder of the originally planned survey curtailed by bad weather in 2010.

Within the project area, the Company controls 96,845 hectares with 61,945 hectares titled, and the remaining 34,900 hectares subject to the "previous consultation" process managed by the government and requiring approval by the local communities prior to granting of title. The Company initiated an airborne geophysical survey of the Hurricane region to enhance the potential for discovery. A total of 3,996 line kilometres of a planned 6,640 line kilometres were flown. The survey identified twelve distinct EM anomaly clusters of which the Ocobamba AEM-magnetic anomalies coincided with a strong stream geochemical anomaly with elevated nickel-copper-cobalt-silver and platinum values. A total of four of the anomaly clusters were followed up with helicopter-supported reconnaissance. At Ocobamba, a small ultramafic stock measuring at least 300 metres by 400 metres was identified in close proximity to the AEM conductor and remains a priority target for drilling. Results of the follow-up work at the other anomalies were similar with discovery of ultramafic rock in highly-vegetated terrain also in proximity to AEM conductors.

In June 2015, the Company signed an agreement with a multinational mining company whereby the multinational mining company has the option to earn up to a 60% interest in the Hurricane project by making cash payments and incurring minimum exploration expenditures over a five year period commencing on the date the multinational mining company is able to secure community access agreements and therefore commence exploration activities on the project. In July 2016, the multinational mining company successfully negotiated community agreements granting access to certain parts of the project. Under the terms of the option agreement, this access triggered the effective date that is used to determine the timing of cash payments, with a cash payment of US$200,000 ($254,784) paid to the Company in July 2017. On April 26, 2018, the multinational mining company terminated the option agreement. Strategic options are being considered for this project.

Corporate Transactions

On January 18, 2018, the Company closed a private placement for 15,000 shares at $1.00 per share for 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 gross proceeds of $2,000,000.

On February 6, 2018, the Company completed a cash payment of USD$1,500,000, being one of the requirements to earn an additional 29% in PSM to increase the Company's interest in PSM from 51% to 80%.

On March 13, 2018 and March 16, 2018, the Company's wholly-owned subsidiaries, Pembrook Peru Corp. Pembrook Offshore Corp. respectively, were voluntarily dissolved.

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

Additional Property Disclosure

The capitalized exploration expenditures of the Company by mineral property are provided in Notes 4, 5 and 16 to Pembrook's condensed interim consolidated financial statements for the six months ended June 30, 2018.

Information Concerning Financial Performance

The Company is an exploration stage company and engages principally in the acquisition, exploration and advancement of mineral properties. The Company's current properties are in the early stages of exploration, and none of the Company's properties are in production. Mineral exploration expenditures are capitalized and financial losses are incurred as a result of general exploration and administrative expenses relating to the operation of the Company's business. Consequently, the Company's net income is not a meaningful measure of its performance or potential.

Once the Company acquires title or right to title in a property, all acquisition and exploration costs are capitalized until the property to which those costs are related is placed into production, sold, abandoned or determined by management to be impaired. The decision to abandon a property is largely determined based on exploration results, the Company's view of future prospects, and whether the property may be of interest to other exploration or mining companies.

The key performance drivers for the Company include securing the best geological expertise it can, and acquiring and successfully exploring high potential mineral properties. By hiring highly qualified staff and acquiring and exploring projects of superior technical merit, the Company increases its chances of finding and advancing an economic deposit.

Selected Financial Information

Selected quarterly financial information for operations of the Company for the last eight quarters and last three years ending December 31, 2017 is presented below. Changes in income or expense items from period to period are not necessarily representative of trends or potential future changes.

Unaudited Quarterly and Annual Selected Financial Information (figures are in thousands of Canadian dollars, except per share information):

Quarter ended	Revenues	Loss before Other Items	Net Loss/(Gain)	Basic and Diluted Loss per Share	Total Assets	Total Current Liabilities
2nd Quarter ended June 30, 2018	Nil	$429	$437	$0.00	$35,942	$625
1st Quarter ended March 31, 2018	Nil	$1,912	$1,909	$0.01	$35,630	$465
4th Quarter ended December 31, 2017	Nil	$533	$498	$0.00	$33,849	$513
3rd Quarter ended September 30, 2017	Nil	$431	$555	$0.00	$33,352	$563
2nd Quarter ended June 30, 2017	Nil	$482	$520	$0.00	$34,109	$501
1st Quarter ended March 31, 2017	Nil	$529	$(79)	$0.00	$33,763	$295
4th Quarter ended December 31, 2016	Nil	$505	$470	$0.00	$30,362	$233
3rd Quarter ended September 30, 2016	Nil	$654	$458	$0.00	$28,645	$504

Year ended	Revenues	Loss before Other Items	Net Loss/(Gain)	Basic and Diluted Loss per Share	Total Assets	Total Non-Current Liabilities
December 31, 2017	Nil	$1,975	$1,494	$0.01	$33,849	-
December 31, 2016	Nil	$13,070	$13,020	$0.09	$30,362	$6
December 31, 2015	Nil	$10,873	$10,667	$0.08	$42,334	-

Results of Operations

For the six months ended June 30, 2018 compared with the six months ended June 30, 2017

The Company's net loss for the six months ended June 30, 2018 (the "current year-to-date period") was $2,346,100 or $0.02 per share compared with a net loss of $441,434 or $nil per share for the six months ended June 30, 2017 (the "comparable year-to-date period"). The main reasons for the increase in net loss are higher general and administrative expense in the current year-to-date period and a gain on sale of net smelter royalties in the comparable year-to-date period. Significant changes in expenditures were as follows:

- General and administration expenses were $2,270,766 in the six months ended June 30, 2018 compared with $387,773 in the comparable year-to-date period. The increase in the current year-to-date period reflects stock-based compensation expense of $1,517,302 for 2,242,500 stock options granted in the current year-to-date period, of which 1,840,000 vested upon the date of grant and 402,400 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.
- During the six months ended June 30, 2017, the Company closed an agreement to sell a portfolio of 10 NSRs on projects located in Canada, Mexico and Peru for $527,245 (US$400,000). As the NSRs had no book value, the amount of the proceeds was recognized as a gain on sale in the comparable year-to-date period. As part of the same agreement, the Company sold its shares in Millrock Resources Inc. ("Millrock") for $307,910, resulting in a gain on sale of $117,730. There was no equivalent transaction in the current year-to-date period.

For the three months ended June 30, 2018 compared with the three months ended June 30, 2017

The Company's net loss for the three months ended June 30, 2018 (the "current quarter") was $437,235 or $nil per share compared with a net loss of $520,340 or $nil per share for the three months ended June 30, 2017 (the "comparable quarter"). The main reasons for the decrease in net loss are lower general and administrative expense and lower foreign exchange loss in the current quarter. Significant changes in expenditures were as follows:

- General and administration expenses were $387,778 in the three months ended June 30, 2018 compared with $447,998 in the comparable quarter. The decrease in the current quarter reflects continuing measures to reduce corporate expenses.
- Foreign exchange loss was $3,441 in the three months ended June 30, 2018 compared with $44,925 in the comparable quarter, reflecting substantially higher U.S. dollar cash balances in the year-earlier period.

Liquidity and Capital Resources

Selected financial information pertaining to liquidity and capital resources for the six months ended June 30, 2018 is presented below:

On June 30, 2018, the Company had cash and cash equivalents of $580,050 and working capital of $402,766 compared with $1,683,084 and $1,701,688 respectively as at December 31, 2017.

Cash utilized in operating activities during the six months ended June 30, 2018 was $614,542 compared with $789,591 in the comparable year-to-date period. The decrease is primarily attributable to lower general and administration expenses due ongoing measures to reduce corporate costs and the reimbursements of deposits and advances related to the Tororume drilling program completed in late 2017.

Cash used in investing activities for the six months ended June 30, 2018 was $2,902,179 compared with $3,552,129 in the comparable year-to-date period. The decrease reflects a lower cash payment at Pecoy in the current year-to-date period partially offset by proceeds received on the sale of NSRs and Millrock shares in the year-earlier period. In February 2018, the Company made a USD$1,500,000 cash payment under the Pecoy agreement compared with a cash payment of USD$2,500,000 in February 2017. In the six months ended June 30, 2017, the Company closed an agreement to sell a portfolio of 10 NSRs on projects located in Canada, Mexico and Peru for $527,245 (USD$400,000). As the NSRs had no book value, the amount of the proceeds was recognized as a gain on sale in the year-earlier period. As part of the same agreement, the Company sold its shares in Millrock Resources Inc. ("Millrock") for $307,910, resulting in a gain on sale of $117,730. There was no equivalent transaction in the current year-to-date period.

Cash provided by financing activities was $2,412,844 for the six months ended June 30, 2018 compared with $3,664,136 for the comparable year-to-date period. During the current year-to-date period, the Company closed private placements totalling 2,415,000 shares at $1.00 per share for gross proceeds of $2,415,000. In the six months ended June 30, 2017, the Company closed private placements for 1,766,352 shares at $2.00 per share for gross proceeds of $3,552,704 and received $193,430 pursuant to the exercise of stock options.

At June 30, 2018, share capital was $130,523,203 comprising 148,210,199 shares reflecting private placements totalling 2,415,000 shares at $1.00 per share in the current year-to-date period. Share-based payment reserve, which arises from the recognition of the estimated fair value of stock options vesting during the period, increased by $1,517,302 to $17,301,705 at June 30, 2018, reflecting the vesting of 1,840,000 stock options granted during the current year-to-date period. Foreign currency translation reserve, which arises from the translation of subsidiaries from local currency to functional currency, was $2,097,707 at June 30, 2018 (December 31, 2017 - $1,702,565).

As a result of the net loss of $2,346,100 for the six months ended June 30, 2018 (June 30, 2017 - $441,434), the deficit increased to $115,718,486 at June 30, 2018 (December 31, 2017 - $113,376,895).

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.

Transactions with Related Parties

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

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

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

Condensed Interim Consolidated Statements of Financial Position

The following amount was due to a company that is a shareholder of PSM:

	June 30, 2018	December 31, 2017
	$	$
Included in trade and other payables	**245,817**	218,307

Proposed Transactions

There are no proposed transactions.

Other MD&A Requirements

Additional information relating to the Company may be found in the Company's condensed interim consolidated financial statements for the six months ended June 30, 2018 and consolidated financial statements for the year ended December 31, 2017 and related notes thereto.

Commitments

The following table is a summary of the commitments of the Company as 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
	19,691	623,562	643,253

(i) On October 28, 2015, the Company entered into a land surface access agreement for 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 the related capitalized costs will be written off.

Subsequent Events

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.

Change in Accounting Policies including Initial Adoption and Recent Pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its condensed interim consolidated financial statements.

Accounting Standards anticipated to be effective January 1, 2018

<u>IFRS 9 Financial Instruments Classification and Measurement ("IFRS 9")</u>
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.

<u>IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) (Amendment)</u>
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.

<u>IFRIC 22 Foreign Currency Transactions and Advance Consideration</u>
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

<u>IFRS 16 Leases ("IFRS 16")</u>
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.

Off-Balance Sheet Arrangements

Other than those commitments disclosed in Note 9 to the Company's June 30, 2018 condensed interim consolidated financial statements, the Company is not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial position, revenues, expenses, results of operations, liquidity, capital expenditures or future cash flows.

Financial Instruments

The Company's financial instruments are exposed to certain financial risks, the elements of which are discussed more fully in Note 12 to the Company's June 30, 2018 condensed interim consolidated financial statements. The fair values of the Company's trade and other receivables, deposits and trade and other payables approximate their carrying values due to their short-term nature. Obligations under capital lease are carried at amortized cost.

Critical Accounting Estimates

The June 30, 2018 condensed interim consolidated financial statements have been prepared on a going concern basis which assumes Pembrook will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company's ability to continue to operate for the foreseeable future is conditional upon its ability to secure additional financing, divest assets or generate cash flow from operations in the future, none of which is assured. The Company has incurred operating losses since inception and has no source of operating cash flow. Due to market fluctuations and the inherent risks in the exploration industry as well as uncertainty surrounding the political environment in Peru, there can be no assurance that management will be able to continue to successfully raise financing in the future.

An inability to raise financing may impact the future assessment of Pembrook as a going concern. If the going concern assumption becomes inappropriate for these financial statements, then adjustments would be necessary in the carrying values of assets, liabilities and expenses and the balance sheet classifications used. Such adjustments could be material.

The June 30, 2018 condensed interim consolidated financial statements have been prepared on an accrual basis of accounting, except for cash flow information.

The preparation of the June 30, 2018 condensed interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed interim consolidated financial statements are prepared in accordance with IFRS. The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding at August 28, 2018, the date the Board of Directors approved these condensed interim consolidated financial statements for issue.

The preparation of these condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive through the condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to the following:

- the inputs used in calculating the provisions for environmental rehabilitation that are included in the condensed interim consolidated statements of financial position;
- the provision for income taxes which is included in the consolidated statements of loss and comprehensive loss and composition of deferred income tax assets and liabilities included in the consolidated statements of financial position;
- the inputs used to determine fair values relating to business combination and asset acquisition accounting; and,
- the inputs used in accounting for share-based payment expense in the condensed interim consolidated statements of loss and comprehensive loss.

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations noted above, that have the most significant effect on the amounts recognized in the Company's condensed interim consolidated financial statements are related to the economic recoverability of the mineral properties, functional currency determination for the Company and its subsidiaries, accounting for business combinations and assumption of going concern.

The Company is in the exploration stage with respect to its investment in mineral properties and follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims and crediting all revenues received against the cost of the related claims. Such costs include, but are not limited to, staking and claims management, options payments, geological, geophysical studies, sampling and drilling. At such time that commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

- Exploration and evaluation ("E&E") assets are assessed for impairment when the facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount and when the Company has sufficient information to reach a conclusion about technical feasibility and commercial viability.

  Industry specific indicators of the existence of a potential impairment typically include the absence of plans to incur substantive expenditure on further exploration over a reasonable time horizon, conditions where title is compromised, adverse changes in the taxation, regulatory or political environment and adverse changes in currencies, commodity prices and markets.

  Once technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, E&E assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

  Recoverability of the carrying amount of any E&E asset is dependent on successful development and commercial exploration, or alternatively, sale of the respective areas of interest.

- Income taxes are recognized in the statement of loss, except where they relate to items recognized in other comprehensive income or directly in equity, in which case the related income taxes are recognized in other comprehensive income or equity. Current taxes receivable or payable are estimated on taxable income for the current year at the statutory tax rates enacted or substantively enacted.

Deferred income tax assets and liabilities are recognized based on the difference between the tax and accounting values of assets and liabilities and are calculated using substantively enacted tax rates for the periods in which the differences are expected to reverse. The effect of tax rate changes is recognized in earnings or equity, as the case may be, in the period of substantive enactment.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in joint ventures and associates. However, such deferred tax liabilities are not recognized where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. As an exception, deferred tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction (other than in a business combination) that affects neither accounting profit nor taxable profit.

- The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of the options granted is recognized as a share-based payment expense with a corresponding increase in equity. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over a period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

- The presentation currency of the Company and each of its subsidiaries is the Canadian dollar. The functional currency of Pembrook Copper Corp. is the Canadian dollar. The functional currency of its Peruvian wholly-owned subsidiaries Pembrook Copper S.A.C., Compaňia de Exploraciones Hurricane S.A.C., Torion Mining S.A.C., Pecoy Sociedad Minera S.A.C. and Compaňia Minera Tororume S.A.C. is the United States dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21-*The Effects of Changes in Foreign Currency Rates* ("IAS 21").

  These condensed interim consolidated financial statements have been translated to the Canadian dollar in accordance with IAS 21. This standard requires that 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 balance sheet 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.

  Transactions in currencies other than the functional currency are recorded at the exchange rates prevailing on the dates of the transactions. At each financial position reporting date, the monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary assets and liabilities are translated at historical exchange rates, unless such items are carried at market, in which case they are translated at the exchange rate in effect at the balance sheet date. Revenue and expense items are translated at the average exchange rate in effect in the period in which they occur.

Disclosure of Outstanding Share Data

The table below provides information concerning the designation and number of each class of equity securities for which there are securities outstanding as of the dates noted below:

Type of Security	August 28, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Common shares	148,710,199	148,210,199	147,810,199	145,795,199	144,785,199	144,785,199
Options	6,250,500	6,573,500	6,573,500	4,731,000	5,206,000	5,664,000
Total	154,960,699	154,783,699	154,383,699	150,526,199	149,991,199	150,449,199

Risk Factors

Exploration Stage Company

Pembrook is engaged in the business of acquiring and developing mineral properties to locate economic deposits of minerals. All of it properties are in the early stages of exploration and are without defined mineral bodies. Advancement of Pembrook's properties will only occur after obtaining satisfactory exploration results. There can be no assurance that Pembrook's existing or future exploration programs will result in the discovery of economically recoverable mineral deposits. Further, there can be no assurance that even if an economic deposit of minerals is identified, it can be commercially mined.

No Source of Operating Revenue

At present, the Company's operations do not generate cash inflows and the Company's continued existence depends on management's ability to raise additional equity financing, discover recoverable mineral deposits and sell or otherwise participate in the development of those projects. Many factors influence the Company's ability to raise funds, including the health of the commodity resource market, the climate for mineral exploration investment, the Company's track record, and the experience and calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities. Management believes it will be able to raise equity capital as required over time, but recognizes there are risks involved that may be beyond its control. If those risks fully materialize, the Company may not be able to raise adequate funds to continue its operations.

Minerals Exploration and Advancement

The exploration and development of minerals is highly speculative in nature and involves a high degree of financial and other risks over a significant period of time which may not be eliminated by a combination of careful evaluation, experience and knowledge. While discovery of a mineral deposit or ore body may result in significant rewards, few properties which are explored are ultimately advanced into producing mines. Substantial expenses are required to establish ore reserves by drilling, sampling and other techniques and to design and construct mining and processing facilities. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (e.g. size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of minerals and environmental protection). The effect of these factors, or a combination thereof, cannot be accurately predicted but could have a significant adverse impact on the Company.

Minerals Exploration Activities

Mineral exploration activities generally involve a high degree of risk. Pembrook's operations are subject to all of the hazards and risks normally encountered in mineral exploration and advancement. Such risks include unusual and unexpected geological formations, seismic activity, rock bursts, flowing and other conditions involved in the drilling and removal of material, drilling or transportation accidents, environmental issues including chemical spills or environmental degradation, industrial accidents, periodic interruptions due to adverse weather conditions, labour disputes, community relationship issues and political, community or interest group unrest. The occurrence of any of the foregoing could result in damage to, or destruction of, mineral properties or interests, personal injury, damage to life or property, environmental damage, delays or interruption of operations, increases in costs, monetary losses, legal liability, adverse government action, and a loss in the value of Pembrook's properties. Pembrook does not currently carry insurance against all these risks and there is no assurance that such insurance will be available in the future, or if available, at economically feasible premiums or acceptable terms. The potential costs associated with liabilities not covered by insurance or excess insurance coverage may cause substantial delays and require significant capital outlays. Such damages, if uninsured, could under certain circumstances, be greater than the financial capacity of the Company to pay for them.

No Operating History and Financial Resources

Pembrook has a short operating history and no operating revenue, and is unlikely to generate revenues from operating activities sufficient to fund operations in the near future. If the Company's exploration program is successful, additional funds will be required for further exploration to prove economic deposits and to bring such deposits to production. Additional funds may also be required for Pembrook to acquire and explore other mineral interests. Pembrook has limited financial resources and there is no assurance that sufficient additional funding will be available to fulfill its obligations or to further explore and advance its properties on acceptable terms or on any terms at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and property advancement activities and could cause Pembrook to forfeit its interests in some or all of its properties, or to reduce or terminate its operations.

Political or economic instability in countries where Pembrook operates

Certain of our properties are located in countries, provinces and states which may be subject to political and economic instability, or unexpected legislative change which may delay or prevent exploration of our properties. Exploration of our properties could be adversely affected by:

- political instability and violence;
- war and civil disturbance;
- labour unrest;
- community relations issues;
- permitting issues
- expropriation or nationalization;
- changing fiscal regimes and uncertain regulatory environments;
- changes to royalty and tax regimes;
- underdeveloped industrial and economic infrastructure; and
- the unenforceability of contractual rights and judgments.

Competition

The mineral exploration and mining business is competitive in all of its phases. Pembrook competes with numerous other companies in the search for and the acquisition of attractive mineral properties and individuals, including competitors with greater financial, technical and other resources. Pembrook's ability to acquire properties in the future will depend not only on its ability to advance its present properties, but also on its ability to select and acquire suitable prospects for mineral exploration or advancement. There is no assurance that Pembrook will be able to compete successfully with others in acquiring such prospects. In addition, there is a limited supply of good geological talent and drilling crews and equipment. There is no assurance that Pembrook will be able to acquire the supply of geological talent or drillers, executives or other employees or contractors that are required to complete its exploration work in planned time frames.

Title to Property

Pembrook has taken precautions to ensure that legal titles to its property interests are properly recorded. There can be no assurance that Pembrook will be able to secure the grant or the renewal of exploration permits or other tenures on terms satisfactory to it, or that governments in the jurisdictions in which the properties are situated will not revoke or significantly alter such permits or other tenures or that such permits and tenures will not be challenged or impugned. In addition, some of Pembrook's properties are held in the names of others. Third parties may have valid claims underlying portions of Pembrook's interests and the permits or tenures may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. If a title defect exists, it is possible that Pembrook may lose all or part of its interest in the properties to which such defects relate. In addition, Pembrook may fail, due to error, omission, or technological issues to renew its claims in a timely manner, potentially resulting in the loss of valuable claims to property.

Reliance on Third Parties for Critical Services

Pembrook contracts certain activities critical to its operations to third parties. These include drilling owners/operators, expediters, helicopter and other transport providers, surveyors, experts for 43-101 reports and assay providers. Any failure to secure such contractors, or errors on their part, could result in significant disruption to Pembrook's operations, or in accidents which could cause safety issues, environmental damage or liabilities to them and to Pembrook. Pembrook cannot currently insure against all these risks.

Environmental Risks and Hazards

All phases of Pembrook's operations are subject to environmental regulation in the jurisdictions in which the property is located. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation, provide for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain exploration activities and operations. They also set forth limitations on the generation, transportation, storage and disposal of hazardous waste. A breach of such regulation may result in the imposition of fines and penalties. In addition, certain types of mining operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, 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. The cost of compliance with changes in governmental regulations has a potential to reduce the viability or profitability of operations. Environmental hazards may exist on the properties in which Pembrook holds interests or on properties that will be acquired which are unknown to Pembrook at present and which have been caused by previous or existing owners or operators of the properties.

Commodity Prices

The price of Pembrook's securities, its financial results, and exploration, advancement and mining activities may in the future be significantly adversely affected by declines in the price of precious or base minerals. Precious or base minerals prices fluctuate widely and are affected by numerous factors beyond Pembrook's control such as the sale or purchase of precious or base metal by various dealers, central banks and financial institutions, interest rates, exchange rates, inflation or deflation, currency exchange fluctuation, global and regional supply and demand; production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, environmental protection and international political and economic trends, conditions and events and specific demand from emerging countries. The price of precious or base metals has fluctuated widely in recent years, and price declines could cause continued advancement of Pembrook's properties to be impracticable.

In addition to adversely affecting reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Price Volatility and Lack of Active Market

Since 2008, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market price of securities of many public companies have experienced significant fluctuations. Some of these fluctuations may not necessarily have been related to the operating performance, underlying asset values or prospects of such companies. Any future market for Pembrook's securities may be subject to such market trends, and the value of such securities may be affected accordingly. There is currently no market through which the securities of Pembrook can be sold and there can be no assurance that one will develop or be sustained. If an active market does not develop, the liquidity of the investment may be limited and the market price of such securities may decline below the subscription price.

Risk Associated with Joint Venture Agreements

Pembrook may, in the future, enter into joint venture arrangements whereby it agrees to co-develop a property with another mining or mineral exploration company. Such agreements may require significant up-front payments or investments over time by Pembrook. These agreements may also be difficult to enforce, could result in significant differences of interpretation with the joint venture partner or could result in the joint venture partner failing to carry out its responsibilities under the contract. This could cause delays, significant diversion of management time and attention, excess costs, litigation, and the eventual dissolution of the joint venture with unsatisfactory results. All of these could delay or hinder ongoing Pembrook projects, or could result in significant financial damage to Pembrook and its shareholders.

Key Executives

Pembrook is and will be dependent on the services of key executives and a small number of highly skilled and experienced geologists, consultants and personnel, whose contributions to the immediate future operations of Pembrook are likely to be of great importance. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. Advancing those projects via joint exploration agreement and operating an organization of increasing scale also require certain specialized skills which are in high demand and difficult to acquire. Due to the relatively small size of Pembrook's staff, the loss of key personnel or Pembrook's inability to attract and retain additional highly skilled employees and consultants may adversely affect its business and future operations. In addition, some officers of Pembrook may be hired on a part-time or consultant basis and may therefore not devote all their time solely to Pembrook's affairs. This could slow or hinder corporate development.

Potential Conflicts of Interest

Certain directors and officers of the Company are and may continue to be involved in the mining and minerals exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are or could become potential competitors of the Company. Situations may arise in connection with potential acquisitions or investments where the other interests of these directors and officers may conflict with the interests of the Company. Directors and officers of the Company with conflicts of interest are subject to the procedures set out in applicable corporate and securities legislation, regulation, rules, policies and Pembrook's Code of Business Conduct and Ethics.

Litigation

Pembrook does not currently have any claims against it, nor does it have any outstanding claims against others. However, in its normal course of business or due to issues which may arise, Pembrook could face legal action in the future. Such actions could result in significant costs of defense, absorption of management time and focus away from the main activities of the business, and potentially significant settlements or payments by the Company. Such settlements or payments may, under certain circumstances, result in losses greater than the Company's ability to pay.

Objectives May Not Be Fulfilled

As a result of the foregoing factors, as well as other factors, Pembrook's objective of discovering mineral deposits and economic ore-grade mineral bodies may never be realized. If this occurs, the value of the Company's shares may fall.

Dilution

As the Company does not generate operating cash flow and has no current plans to do so, it will need to raise additional funds over a period of time to continue its operations. As a result, shareholders may incur dilution of their percentage holding in the Company.

Nature of the Securities

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possible loss of their entire investment.

Investment Risk

The Company currently holds its cash and investments with a major Canadian banks and financial institutions. Canadian banks have recently been ranked among the safest in the world by the World Economic Forum. Due to volatility in credit markets and to several international bank failures, the possibility of bank failures in Canada cannot be entirely ruled out. If a bank with which the Company holds deposits or investments fails, and if the Canadian government does not step in to protect the bank, its depositors or creditors, the Company could lose that portion of its cash and investments. Due to the nature of interest-bearing investments, changes in interest rates can significantly affect the return on the investment, if the investment is redeemed before maturity.

Forward-Looking Statements

Some of the statements in this MD&A constitute "forward-looking statements" within the meaning of Canadian securities legislation. These forward-looking statements are made as of the date of this MD&A, or in the case of documents incorporated by reference herein, as of the date of such documents and the Company does not intend and does not assume any obligation to update these forward-looking statements. These forward-looking statements represent management's best judgment based on facts and assumptions that management considers reasonable, including that exploration plans could be disrupted by issues such as weather, community relations issues, disruptions in access to exploration properties, labour disturbances, delayed or refused permits, environmental issues, political issues, mechanical failures of equipment and availability of financing when needed. Management currently is not aware of any material events that may disrupt exploration plans or budgets. The Company makes no representation that reasonable business people in possession of the same information would reach the same conclusions.

Forward-looking statements include, but are not limited to, statements with respect to the future price of minerals, the timing of exploration plans, timing of drill results, success of exploration activities, permitting time lines, currency fluctuations, government regulation of exploration operations, environmental risks, unanticipated reclamation expenses, prospects for equity financing activities, title or claims disputes and completion of acquisitions and their potential impact on the Company.

In certain cases, forward-looking statements can be identified by the use of words such as "plans," "expects" or "does not expect," "is expected," "budget," "scheduled," "estimates," "forecasts," "intends," "anticipates" or "does not anticipate," or "believes," or variations of such words and phrases or statements that certain actions, events or results "may," "could," "would," "might" or "will" be taken, "occur" or "be achieved".

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to: the inherent uncertainties in minerals exploration and development activities; fluctuations in the price of minerals or in currency markets; the uncertainty of mineral resource and reserve estimates; the uncertainty of financing being available when needed; the uncertainty of mining licences or governmental approvals being granted in a timely manner; changes in regulatory requirements; hiring and retaining personnel with the necessary expertise; the failure of equipment or processes to operate as anticipated; material unanticipated variations in budgeted costs; contractors not completing projects according to schedule; accidents, labour disputes and other risks of the mineral exploration industry; as well as other factors discussed in the section entitled "Risk Factors" in this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Accordingly, readers should not place undue reliance on forward-looking statements.

Additional Information

Additional information relating to Pembrook is available by contacting:

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