

# PAN GLOBAL



# BAL

— RESOURCES INC —

**MANAGEMENT DISCUSSION AND ANALYSIS**

**YEAR ENDED JANUARY 31, 2018**

## **GENERAL**

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the consolidated financial statements of Pan Global Resources Inc. (the "Company" or "Pan Global" or "PGZ") for the year ended January 31, 2018. The following information, prepared as of May 28, 2018 should be read in conjunction with the consolidated financial statements for the year ended January 31, 2018 and the related notes therein. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in Canadian dollars unless otherwise indicated. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.panglobalresources.com](http://www.panglobalresources.com).

## **COMPANY OVERVIEW**

The Company was incorporated under the provisions of the Business Corporations Act (British Columbia) on February 1, 2006 and is classified as a Tier II mining company, effective June 8, 2009 and trades on the TSX Venture Exchange ("TSX-V"). On December 21, 2009, the Company changed its name from Mosam Capital Corp. to Pan Global Resources Inc.

The Company's principal business activities are the acquisition of rights to explore for minerals and the exploration of acquired rights. Pan Global is primarily focused on early stage exploration through to development of resources of copper and other metals in Spain. In April 2018 the Company exercised its option to acquire a 70% equity interest in Minera Aguila S.L.U. ("Minera Aguila" or "MASL") and its mineral rights and has an Option Agreement to acquire the remaining 30% of Minera Aguila. The Company also has a Letter of Intent ("LOI") with Evalam 2003 S.L. to acquire the Escacena Investigation Permit.

On September 13, 2016, the Company announced a shift in focus from lithium and borate exploration in Serbia to copper exploration in Spain and restructuring of its Board of Directors, including the resignation of Mr. Julian Bavin, Mr. Petr Palkovsky and Mr. Bill Pennell as directors of the Company, and the appointment of Mr. Brian Kerzner as President and CEO of the Company and Mr. Bob Parsons as a director of PGZ.

## **FORWARD LOOKING STATEMENTS**

This MD&A may contain "forward-looking statements" that reflect the Company's current expectations and projections about its future results. Forward-looking statements are statements that are not historical facts, and include but are not limited to:

- estimates and their underlying assumptions;
- statements regarding plans, objectives and expectations with respect to the effectiveness of the Company's business model, future operations, the impact of regulatory initiatives on the Company's operations, and market opportunities;
- general industry and macroeconomic growth rates;
- expectations related to possible joint or strategic ventures; and
- statements regarding future performance.

Forward-looking statements used in this MD&A are subject to various risks, uncertainties and other factors, most of which are difficult to predict and are generally beyond the control of the Company. These risks, uncertainties and other factors may include, but are not limited to: unavailability of financing, failure to identify commercially viable mineral reserves, fluctuations in the market valuation for commodities, difficulties in obtaining required approvals for the development of a mineral project, and other factors.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks, uncertainties and other factors, including the risks, uncertainties and other factors identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by securities law.

**HIGHLIGHTS FOR THE YEAR AND SUBSEQUENT PERIOD:**

During the year ended January 31, 2018 and subsequently, the Company:

- Announced in March 2017, the completion of a private placement of 21,230,000 units for gross proceeds of \$1,061,500, where each unit consists of one common share and one share purchase warrant entitling the holder of each full warrant to purchase one common share of the Company at a price of \$0.10 per share until March 6, 2020.
- Announced in September 2017, the acceleration of the exercise on the share purchase warrants issued in March 2017; of the 21,230,000 share purchase warrants issued, 19,270,000 (approximately 90%) were exercised at a price of \$0.10 per warrant for gross proceeds of \$1,927,000.
- Appointed in April 2017, Mr. Tim Moody as President and CEO. Mr. Moody is a highly respected geologist with a strong track record in the discovery and development of mineral resource properties, and business development. Mr. Moody spent 24 years with Rio Tinto Alcan Inc. ("Rio Tinto"), including roles as Exploration Director from 2005 to 2010, and Vice President and Director of Business Development from 2010 to 2015.
- Announced a new focus and direction for the Company, including a restructuring of the Board of Directors and an agreement to acquire Minera Aguila S.L.U, providing access to the Aguilas Project with several highly prospective exploration licenses in Spain.
- Announced in May 2017, the signing of a Letter of Intent with Evalam 2003 S.L., a private Spanish company, to purchase rights to 100% of the highly prospective Escacena Investigation permit in Spain. Consideration includes \$350,000 cash and \$1,000,000 in exploration work commitments over a 3-year period. The Vendor will retain a NSR of 0.5% on the first 12,500 tonnes of copper equivalent and 0.75% on any amount in excess of 12,500 tonnes of copper equivalent. The NSR has a lifetime cap of \$5,000,000. Massive sulphide copper mineralisation has been confirmed in wide spaced drilling (e.g. drill hole PR5 - 4.68 m @ 2.94% Cu) associated with a large gravity anomaly, anomaly and the property also includes a second large untested gravity target along-strike from the giant Aznalcollar and Los Frailes massive sulphide ore bodies. Exploration is pending granting of the mineral rights.
- Commenced exploration in the Aguilas Project in April 2017. Targets include Iron Oxide Copper Gold (IOCG) style mineralization along the major Northeast trending Torrubia copper structure and hydrothermal Pb-Zn-Ag breccia, vein and stockwork mineralization along the west-north-west trending Zumajo Pb-Zn-Ag structure. The Torrubia Trend extends over more than 10km strike with evidence of ancient mine workings and no previous drilling. The Zumajo Trend has several shafts to a maximum depth of approximately 110 m and a series of shallow mine workings extending along a >20km trend, with the last important exploration undertaken in the 1960's that included minor historical drilling on a 600m section of the trend (reported Pb and Cu intervals but provided no assay results).
- Reported high copper +/- Co, Ag, Au in rock grab samples and occasional outcropping mineralisation along the Torrubia IOCG copper trend including values up to 28% copper, 33% iron, 1.7g/t gold, 17.5g/t silver and 0.13% cobalt. Similar style mineralization was also identified over approximately 0.5 km of strike on the Los Lazos structure in the northwest of the Aguilas mineral rights.
- Completed detailed soil geochemistry on the Torrubia copper trend showing large Cu soil anomalies coincident with high grade Cu in rock grab samples. This includes a 2.7 x 0.3 km Cu-in-soil anomaly at Torrubia-Torrechuela with values up to 0.69% Cu in the North of the trend and a 0.5 x 0.3 km Cu in soil anomaly at Cerro del Aguila approximately 4 km to the SW with values up to 0.15% Cu in soil.
- Announced results for rock grab samples from mine dumps along a 6km section of the Zumajo lead-silver Trend from Mina San Juan to Mina San Cayetano with up to >20% Pb (above upper detection limit), 20.7% Zn, 12.75% Cu and 235ppm Ag.

- In November 2017, announced the grant of an aggregate of 2,775,000 incentive stock options to directors, officers and consultants. The options are exercisable for a period of 10 years for \$0.20 per option share.
- Appointment of Mr. Jim Royall as Vice President – Exploration, effective January 1, 2018. Mr. Royall has worked in the mining industry for over 20 years on early stage and advanced exploration projects for a diverse range of commodities in Europe, Asia, Africa and South America. This includes 10 years with Rio Tinto and senior management positions for various junior mining companies.
- Announced new soil geochemistry results from the Torrubia Cu Trend, extending the Torrubia-Torrechuela soil Cu anomaly along strike to 3.1 x 0.32 km and expanding the Cerro del Aguilas Cu anomaly to 0.6 x 0.32 km.
- Completed first phase of soil sample geochemistry along a 6 km section of the Zumajo Pb-Zn-Ag Trend. The results show highly elevated Pb, Zn and Ag in soils with values up to 8.9 % Pb, 0.97 % Zn, 37.9 g/t Ag. This includes a 1.8 x 0.3 km Pb-Zn-Ag soil anomaly extending from the former San Juan and San Rafael mines and separate Pb-Ag ± Zn soil anomalies along-strike from the San Luis and San Cayetano mine workings. The highest Pb, Zn and Ag soil values are attributed mainly to dispersion from the historical mine workings and potential extensions of the mineralization.
- Identified massive barite mineralization cutting the Zumajo Trend approximately 2 km Northwest of the Aguilas Pb-Ag mine. A total of 6 rock chip samples were collected returning a maximum of 59% BaO (~90.6 % BaSO<sub>4</sub>), average 50.5 % BaO (~77.4 % BaSO<sub>4</sub>) and low levels of deleterious metals, including Cd, Hg and Pb. The results indicate the barite chemistry has potential to meet commercial requirements.
- Reconnaissance on the western extension of the Zumajo Trend has identified abundant coarse sphalerite, galena and copper mineralization on the dumps near the Pasqualin, La Chinchas and Tres Cruces mines. New results for selected dump samples include from 3.82% to >30% Zn (above upper detection), up to 4.94% Pb and 34.2g/t Ag. The mines were last operated in the 1950's extracting Pb and Ag. There is no record of zinc or copper being produced from the mines and no previous drilling. Further exploration is required.
- A new copper structure called Hierba Buena has been discovered approximately 1 km to the east of the Torrubia Copper Trend. Recent work has identified copper mineralization and associated cobalt and silver over 1.8 km of strike with assay results for 38 rock grab samples returning values up to 1.57% Cu, 749 ppm Co and 5.3 g/t Ag.
- Recently completed geophysics, including IP, AMT and ground magnetics, show a number of strong anomalies and enhancing the targets for drill testing on the Torrubia Cu Trend and Zumajo Pb-Zn-Ag trend.
- In April 2018, announced the exercise of the option to acquire an undivided 70% equity interest in Minera Aguila, S.L.U.

## **EXPLORATION OVERVIEW**

### **Aguilas Project**

On November 18, 2016, the Company entered into a share option agreement with Mr. Tim Moody (the "Vendor") to acquire 100% of the Vendor's Spanish exploration company Minera Aguila S.L.U. Minera Aguila has been granted two mineral exploration licenses covering an area of 9,946 hectares and has applied for the issuance of an additional seven mineral exploration licenses covering an area of 6,420 hectares in the Provinces of Cordoba and Ciudad Real, Kingdom of Spain, collectively referred to as the "Aguilas Project". In April 2018, the Company exercised its option to acquire an undivided 70% equity interest in Minera Aguila.

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The Company agreed to the aggregate consideration of 4,700,000 common shares of the Company, cash payment of \$450,000, and exploration expenditure commitments as follows:

	Cash payments	Common shares	Exploration expenditures <sup>(2)</sup>
6-month anniversary of final TSX-V approval <sup>(1)</sup>	\$ 50,000	2,200,000	\$ -
18-month anniversary of final TSX-V approval	150,000	2,500,000	-
36-month anniversary of final TSX-V approval	250,000	-	-
36-month anniversary of agreement closing date	-	-	1,000,000
	\$ 450,000	4,700,000	\$ 1,000,000

<sup>(1)</sup> Subject to confirmation of issuance of the exploration licenses (paid and issued subsequently)

<sup>(2)</sup> No less than \$250,000 shall be completed notwithstanding any decision by the Company not to proceed with further exploration.

Mineral exploration has continued to advance on the Aguilas Project. The Las Aguilas I and II Investigation Permits are granted and permitted with granting of the 7 Las Aguilas mineral rights applications expected to be granted during 2018.

The initial prospecting on the Aguilas Project is aimed at identifying the extent and nature of the copper and polymetallic (copper, lead, zinc, silver) mineralization. Exploration has largely focused on IOCG style Cu mineralization along the >10 km long NE-SW Toribio Cu Trend and hydrothermal Pb-Zn-Ag breccia, vein and stockwork style mineralization along the NW trending Zumajo Trend. Results to-date have confirmed high grade copper mineralization with associated gold, silver and cobalt in grab samples on the Torrubia Copper Trend. The style of mineralization and metal association on the Torrubia Trend are typical of hematite-dominant iron-oxide associated copper gold deposits (IOCG), such as occur in the Olympic Dam and Cloncurry districts in Australia. There is no historical exploration drilling on the copper structures in the property and almost no modern exploration in the area. The Zumajo Trend includes a series of historical shafts and shallow mine workings that extend over a >20 km long trend and exploited Pb and Ag intermittently from the late 1800's to 1958.

Soil sampling has now been completed over sections of the Torrubia structure and highlights a large prominent copper anomaly (values up to 0.69% Cu in soil) over the north of the structure over 3.1 x 0.32 km at the Torrubia-Torrechuela target and a separate copper anomaly in the south of the trend over approximately 0.6 x 0.32 km at the Aguilas target. The soil geochemistry also indicates potential for parallel copper structures.

Prospecting and re-evaluation of the historic Zumajo lead-silver mine trend within the Aguilas project is also in progress. Rock grab samples have been collected from dumps and out crop along the >20 km long historical mine trend with values up to >30% Zn, 12.75% Cu and 235ppm Ag. Soil geochemistry results along a 6 km section of the Zumajo Trend has highlighted highly anomalous levels of Pb, Zn and Ag with values up to 8.9 % Pb, 0.97 % Zn, 37.9 g/t Ag. This includes a large Pb-Zn-Ag anomaly extending 1.8 x 0.3 km extending from the former San Juan and San Rafael mines and separate Pb-Ag ± Zn soil anomalies along-strike from the San Luis and San Cayetano mine workings. The highest Pb, Zn and Ag soil values indicate dispersion from the historical mine workings and potential extensions of the mineralized structures.

Geophysics has recently been completed and shows anomalies on the Torrubia Cu Trend and Zumajo Pb-Zn-Ag Trend. The results will be used to help define drill targets.

Ongoing exploration elsewhere in the Aguilas Project has identified several other parallel structures with similar styles of mineralisation to the Torrubia Cu Trend and Zumajo Pb-Zn-Ag Trend.

### Escacena Property

On May 23, 2017, the company entered into a Letter of Intent with Evalam 2003 S.L. (the "Vendor"), a private Spanish company, to purchase 100% of the Vendor's gold / copper / zinc mineral prospect in Spain, subject to a royalty as described below. The Vendor has applied for an exploration license in the provinces of Seville and Huelva, Kingdom of Spain, to conduct evaluation and mineral exploration on a mineral prospect known as the "Escacena Property".

The terms of the LOI provide for payment of \$350,000 to the Vendor and funding by the Company of \$1,000,000 in exploration expenditures under the following conditions (subject to TSX-V approval):

	Cash payments	Exploration expenditures <sup>(2)</sup>
The Issuance Date <sup>(1)</sup>	\$ 30,000	\$ -
12-month anniversary of the Issuance Date	50,000	200,000
24-month anniversary of the Issuance Date	100,000	300,000
36-month anniversary of the Issuance Date	170,000	500,000
	350,000	\$ 1,000,000

<sup>(1)</sup> The later of (a) receipt of final TSX-V approval and (b) granting of the Escacena mineral rights.

Upon commencement of commercial production, Pan Global shall pay to the Vendor a royalty in an amount equal to a percentage of net smelter returns. The amount will be calculated quarterly based on production from the Escacena Property for the most recently completed calendar quarter, and will be 0.5% on the first 12,500 tonnes of copper equivalent and 0.75% on any amount in excess of 12,500 tonnes of copper equivalent. The royalty is subject to an aggregate lifetime maximum cap of \$5,000,000.

Following signing of the Letter of Intent with Evalam 2003 S.L., permitting of the Escacena Mineral Rights is being advanced. The Escacena project targets volcanic-hosted massive sulphide ("VMS") and stockwork copper, zinc and precious metal mineralization in the Iberian Pyrite Belt, considered the most prolific VMS district in the world. The project includes a large untested gravity anomaly at La Cañada and confirmed copper mineralization in drill holes associated with the La Romana gravity anomaly, including hole PR5 with 4.68 m @ 2.94% Cu in massive sulphide. The targets are along strike from the giant Aznalcollar and Los Frailes massive sulphide deposits and the Las Cruces mine.

A Letter of Intent on the Escacena project continues to be in place with Evalam 2003 S.L. and a definitive agreement is pending full granting and permitting of the mineral rights.

### CORPORATE UPDATES

In April 2017, the Company appointed Mr. Tim Moody as President and Chief Executive Officer. Mr. Moody has over 30 years of international experience in the mining industry, including 24 years with Rio Tinto, with expertise in mineral exploration worldwide, resource assessment, business development and strategy.

Mr. Moody has a Bachelor of Science with Honours in Geology and Geophysics from the University of New England. He is also a graduate of the Senior Leadership Program from the London Business School and Business Leadership Development Program from the Australian Graduate School of Management, and a Fellow of the Society of Economic Geologists.

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In December 2017, the Company announced the appointment of Mr. James Royall as Vice President Exploration, effective January 1, 2018. Mr. Royall has worked in the mining industry for over 20 years on early stage and advanced exploration projects for a diverse range of commodities in Europe, Asia, Africa and South America. This includes 10 years with Rio Tinto and senior management positions for various junior mining companies.

Mr. Royall has lived in Spain for many years and has extensive experience throughout the Iberian Peninsula where he has managed a number of important exploration and development projects.

Mr. Royall has a Bachelor of Science degree in Geology from Oxford Brookes University, is a Member of the Australian Institute of Geoscientists (AIG) and served as Qualified Person for several mineral exploration companies.

## **OUTLOOK**

The primary goal of the Company's exploration program is to discover and develop new mineral resources and to establish a pipeline of opportunities. The company has an active exploration underway on the Aguilas project where early stage results are very encouraging, indicating potential for Iron Oxide Copper Gold and Polymetallic (Cu, Pb, Zn, Ag) vein and breccia styles of mineralization. Additional geological mapping, surface sampling and geophysics are being used to define drill targets for testing in 2018. Exploration on the Escacena Project is anticipated to commence in 2018 following granting of the mineral rights.

The Company manages the Aguilas Project through its agreement to acquire Spanish company, Minera Aguila S.L.U. Minera Aguila holds the Las Aguilas I, II and III Investigation Permit applications, together referred to as the "Aguilas Project". The Company has recently expanded the Aguilas Project area with the addition of several new mineral rights applications, with the total area granted and under application totaling approximately 16,366 hectares. This includes 2 granted mineral exploration licenses (Investigation Permits) covering an area of 9,946 hectares, and an additional 7 mineral exploration license applications covering an area of 6,420 hectares.

The Company also has a Letter of Intent with Evalam 2003 S.L., providing the Company an Option to Acquire 100% of the Escacena Investigation Permit in Andalucia, in southern Spain.

The Company is continuing to review other exploration opportunities.

## **RESULTS OF OPERATIONS**

### **For the year ended January 31, 2018**

The net loss for the year ended January 31, 2018 was \$1,526,678 compared to a net income of \$432,034 in the prior year. The current year was the first year that the change in focus to exploration in Spain occurred. The loss for the year is primarily comprised of \$608,531 of exploration expenditures related to the Aguilas Project and \$899,693 of general and administrative expenses. Of the G&A expenses, \$611,220 was incurred as a non-cash share-based compensation expense on the granting of stock options to directors, management, employees and consultants. In the prior year, the net income was due to the gain from forgiveness of accounts payable and accrued liabilities and the reversal of amounts owed, including from certain officers and directors.

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**For the three months ended January 31, 2018**

The net loss for the three months ended January 31, 2018 was \$692,736 compared to a net income of \$32,378 in the comparative period in the prior year. Expenses were primarily \$201,878 of exploration expenditures related to the Aguilas Project and \$473,903 for general and administrative expenses. Of the G&A expenses, \$380,873 relates to share-based compensation for stock options granted.

**SUMMARY OF QUARTERLY RESULTS**

	January 31 2018	October 31, 2017	July 31, 2017	April 30, 2017
Exploration expenditures	\$ 201,878	\$ 172,366	\$ 129,623	\$ 104,664
Net income (loss) for the period	(692,736)	(250,045)	(209,841)	(374,056)
Earnings (loss) per share - basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.01)

  

	January 31, 2017	October 31, 2016	July 31, 2016	April 30, 2016
Exploration expenditures	\$ 18,118	\$ -	\$ -	\$ -
Net income (loss) for the period	32,378	(16,689)	58,443	357,902
Earnings (loss) per share - basic and diluted	\$ 0.00	\$ (0.00)	\$ 0.00	\$ 0.01

The results for the quarters ended January 31, 2018, October 31, 2017, July 31, 2017 and April 30, 2017 are consistent with a return to exploration activity resulting from the Company's new focus and projects in Spain. The prior four quarters are consistent with minimal exploration activities as the Company sought a new project. Regulatory, legal, accounting and audit expenses were kept to a minimum. The net income in the quarters ended January 31, 2017, July 31, 2016 and April 30, 2016 were due to reversals of amounts owed, including forgiveness from certain officers and directors.

**LIQUIDITY AND CAPITAL RESOURCES**

**Operating Activities**

For the year ended January 31, 2018, the Company used \$1,084,439 in its operating activities, primarily related to its exploration expenditures on its Aguilas Project, net advance to the operator of the Aguilas Project, and reduction of its accounts payable and accrued liabilities.

**Investing Activities**

For the year ended January 31, 2018, the Company paid \$50,000 in connection with the share option agreement on the Aguilas Project.

**Financing Activities**

For the year ended January 31, 2018, the Company received \$2,902,434 from financing activities relating to proceeds of the completed non-brokered private placement of \$1,043,500 received, net of share issue costs of \$68,066 paid, and exercise of share purchase warrants for proceeds of \$1,927,000.

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**Requirement of Additional Equity Financing**

The Company has relied entirely on equity financings for all funds raised to date for its operations. Additional funds will be needed in the future to facilitate the Company's business plans and any future potential property acquisitions. Capital markets may not be receptive to offerings of new equity, whether by way of private placements or public offerings. This may be further complicated by the limited liquidity for the Company's shares, restricting access to some institutional investors. The Company's growth and success is dependent on external sources of financing which may not be available on acceptable terms.

**SELECTED ANNUAL INFORMATION**

	January 31, 2018	January 31, 2017	January 31, 2016
<b>Financial Positions</b>			
Working capital (deficit)	\$ 1,739,082	\$ (197,894)	\$ (647,928)
Total assets	1,947,422	36,931	34,809
Share capital	13,983,346	11,086,112	11,601,425
Deficit	(14,856,862)	(13,330,184)	(13,762,218)
<b>Financial Results</b>			
Loss from operations	1,508,224	113,756	229,808
Net income (loss)	(1,526,678)	432,034	(235,291)
Earnings (loss) per share - basic and diluted	\$ (0.02)	\$ 0.01	\$ (0.01)

For the year ended January 31, 2018, the Company undertook its new exploration activities in Spain including a private placement financing and exercise of share purchase warrants from the financing. The year ended January 31, 2017 had minimal activity while the Company searched for a new project and had recoveries due to forgiveness of accounts payable and accrued liabilities. For the year ended January 31, 2017, the Company had minimal activity as it had relinquished its licenses early in the year and focused on preserving the treasury while searching for a new opportunity.

**RELATED PARTY TRANSACTIONS**

Key management positions are filled by directors and officers of the Company. The terms of conditions of the transactions with key management personnel were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions with non-related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to directors and key management personnel, including the President & Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and Corporate Secretary and entities over which they have control or significant influence were as follows:

<b>For the year ended January 31, 2018</b>	<b>Fees or salaries</b>	<b>Share-based compensation</b>	<b>Total</b>
President & CEO	\$ 188,667	\$ 96,206	\$ 284,873
Corporate Secretary	43,397	19,093	62,490
CFO	18,000	19,093	37,093
Directors	-	397,257	397,257
	\$ 250,064	\$ 531,649	\$ 781,713

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<b>For the year ended January 31, 2017</b>	<b>Fees or salaries</b>	<b>Share-based compensation</b>	<b>Total</b>
Corporate Secretary	\$ 55,000	\$ -	\$ 55,000
CFO	4,500	-	4,500
	<b>\$ 59,500</b>	<b>\$ -</b>	<b>\$ 59,500</b>

As at January 31, 2018, included in accounts payable and accrued liabilities is \$106,333 (2017 - \$164,000) owing to the related parties as follows: \$94,333 (2017 - \$Nil) to the CEO, \$Nil (2017 - \$100,000) to the Corporate Secretary and \$12,000 (2017 - \$64,000) to the CFO of the Company.

In November 2016, the Company entered into a share option agreement with the President and CEO of the Company for an option to acquire a 100% interest of MASL, who holds two mineral exploration licenses and has applied for additional mineral exploration licenses in the Kingdom of Spain. The Company has agreed to pay the aggregate consideration of \$450,000 and 4,700,000 common shares of the Company over the term of the agreement. The terms are in the normal course of business, which are negotiated in good faith by both parties and fall within normal market ranges.

**EVENT AFTER THE REPORTING DATE**

Subsequent to January 31, 2018, the Company exercised its option to acquire an undivided 70% equity interest in Minera Aguila, S.L.U. The Company paid the vendor, CEO Tim Moody, the sum of \$50,000 and issued 2,200,000 common shares to exercise the option. The Company also incurred exploration expenditures in excess of \$250,000 on the license areas and reimbursed the vendor all costs incurred and paid by the vendor to acquire the mineral rights.

**FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT**

The Company classified its financial instruments as follows:

<b>As at January 31, 2018</b>	<b>Financial instruments at FVTPL</b>	<b>Other financial liabilities</b>
Cash	\$ 1,800,082	\$ -
Accounts payable and accrued liabilities	-	158,340
	<b>\$ 1,800,082</b>	<b>\$ 158,340</b>

**Fair Value**

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

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As at January 31, 2018, the Company's financial instruments measured at fair value are as follows:

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<b>Financial instruments</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Cash</b>	\$ 1,800,082	\$ -	\$ -

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

### **Financial Instrument Risk Exposure and Risk Management**

The Company's capital includes share capital and the cumulative deficit. The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may issue new shares in order to meet its financial obligations. There was no change in the Company's approach to managing capital during the year ended January 31, 2018. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's activities expose it to a variety of financial risks, market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. This note presents information about the Company's exposure to each of these risks, the Company's objectives and processes for measuring and managing risk, and the Company's management of capital.

#### **Credit Risk**

Credit risk arises from cash and deposits with banks, as well as credit exposure on outstanding receivables and committed transactions. There is no significant concentration of credit risk. The Company's cash deposits are primarily held with a Canadian chartered bank. The Company has minimal accounts receivable exposure as it relates to amounts due from the Government of Canada pursuant to goods and services tax credits.

#### **Currency Risk**

The Company has identified its functional currency as the Canadian dollar. Certain of the Company's exploration expenditures have been denominated in Euros and United States dollars ("USD"). The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar and those currencies. The Company has not entered into any derivative instruments to manage foreign exchange fluctuations. Management believes the foreign exchange risk related to currency conversions is minimal.

#### **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 has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on the issuance of common shares and share purchase warrants to fund exploration programs and will require doing so again in the future.

### **Interest Rate Risk**

As the Company does not have significant interest-bearing assets, the Company's income and operating cash flows are not significantly affected by changes in market interest rates.

### **OFF BALANCE SHEET ARRANGEMENTS**

There are no off-balance sheet arrangements or obligations that are not disclosed in the consolidated financial statements.

### **CHANGE IN ACCOUNTING POLICIES**

#### **Accounting Pronouncements Not Yet Effective**

The following standards and pronouncements have been issued by the IASB and have not yet been adopted by the Company.

IFRS 9 Financial Instruments ("IFRS 9") addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 Financial Instruments: Recognition and Measurement requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings, unless this creates an accounting mismatch. IFRS 9 is effective for periods beginning on or after January 1, 2018. The Company has analyzed the impact of adoption of this standard and does not anticipate that there will be any material impact on the consolidated financial statements.

IFRS 16 Leases was issued in January 2016 (effective January 1, 2019) and provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company is currently evaluating the impact this standard is expected to have on its consolidated financial statements.

### **RISKS AND UNCERTAINTIES**

In addition to the usual risks associated with an investment in an exploration-stage company, management and the directors of the Company believe that, in particular, the following risk factors should be considered. It should be noted that the list is not exhaustive and that other risk factors may apply. An investment in the Company may not be suitable for all investors.

#### **No Assurance of Titles or Borders**

The acquisition of the right to exploit mineral properties is a very detailed and time-consuming process. There can be no guarantee that the Company has acquired title to any such surface or mineral rights or that such rights will be obtained in the future. To the extent they are obtained, titles to the Company's surface or mineral properties may be challenged or impugned and title insurance is generally not available. The Company's surface or mineral properties may be subject to prior unregistered agreements, transfers or claims and title may be affected by, among other things, undetected defects. Such third-party claims could have a material adverse impact on the Company's operations.

### **Mineral Property Exploration and Mining Risks**

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. The main operating risks include: ensuring ownership of and access to mineral properties by confirmation that option agreements, claims and leases are in good standing and obtaining permits for drilling and other exploration activities. The Company may earn an interest in certain properties through option agreements and acquisition of title to the properties is only completed when the option conditions have been met. These conditions generally include making property payments, incurring exploration expenditures on the properties and can include the satisfactory completion of prefeasibility studies. If the Company does not satisfactorily complete these option conditions in the time frame laid out in the option agreements, the Company's title to the related property will not vest and the Company will have to write-off the previously capitalized costs related to that property.

The market prices for silver, gold and other metals can be volatile and there is no assurance that a profitable market will exist for a production decision to be made or for the ultimate sale of the metals even if commercial quantities of precious and other metals are discovered.

### **Financing and Share Price Fluctuation Risks**

The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects. The Company's ability to secure a new project is dependent upon the Company's ability to obtain financing through equity or debt financing or other means.

The securities markets can experience a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration stage companies such as the Company, may experience wide fluctuations in share prices which will not necessarily be related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on the Company's ability to raise additional funds through equity issues.

### **Insured and Uninsured Risks**

In the course of exploration, development and production of mineral properties, the Company is subject to a number of risks and hazards in general, including adverse environmental conditions, operational accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in the damage to the Company's property or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability. Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company. Some work is carried out through

independent consultants and the Company requires that all consultants carry their own insurance to cover any potential liabilities as a result of their work on a project.

### **Environmental Risks and Hazards**

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present.

### **Competition**

The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company for the acquisition and development of its projects as well as for the recruitment and retention of qualified employees.

### **Conflicts of Interest**

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with the laws of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

### **OUTSTANDING SHARE DATA**

As at the date of this MD&A, the Company had 81,755,387 common shares issued and outstanding. There were also 5,400,000 options and 640,200 share purchase warrants outstanding with expiry dates ranging from March 6, 2020 to December 1, 2027.