



MANAGEMENT DISCUSSION AND ANALYSIS

THREE MONTHS ENDED APRIL 30, 2019

GENERAL

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the condensed interim consolidated financial statements of Pan Global Resources Inc. (the "Company" or "Pan Global" or "PGZ") for the three months ended April 30, 2019. The following information, prepared as of June 28, 2019 should be read in conjunction with the condensed interim consolidated financial statements for the three months ended April 30, 2019 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 and on the Company's website at 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 September 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 several directors of the Company, and the appointment of Mr. Bob Parsons as a director of PGZ, Mr. Tim Moody as President and CEO of the PGZ, and Mr. Jim Royall as VP - Exploration 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 PERIOD

During the three months ended April 30, 2019 and subsequently, the Company:

- appointed Patrick Evans as Chairman of the Board of Directors;
- completed its 2,944-metre program of exploration drilling at the Aguilas Project;
- reported positive drill results in the Aguilas Project
- secured access to the Torrubia copper target;
- were granted the Aguilas III mineral rights; and
- reported initial geophysics results from the Escacena Project;

EXPLORATION OVERVIEW

Aguilas Project

In November 2016, the Company entered into a share option agreement with Mr. Tim Moody (the "Vendor") to acquire up to 100% of a Spanish exploration company, Minera Aguila S.L.U ("Minera Aguila" or "MASL"). Minera Aguila has been granted two mineral exploration licenses covering an area of 9,946 hectares and has applied for 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"). 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 ⁽²⁾
6-month anniversary of final TSX-V approval ⁽¹⁾	\$ 50,000	2,200,000	\$ -
18-month anniversary of final TSX-V approval ⁽¹⁾	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

⁽¹⁾ Cash paid and common shares issued

⁽²⁾ No less than \$250,000 have been completed notwithstanding any decision by the Company not to proceed with further exploration.

Furthermore, the agreement to acquire MASL included an \$100,000 (or 1,000,000 common shares the Company, at the election of the Vendor) if the Company acquires additional exploration rights in the area of 10 kilometers surrounding the boundaries of the three exploration licenses. In November 2017, the Company paid \$50,000 to the Vendor to remove this term of the agreement.

For the duration of the agreement, MASL shall act as the operator of the exploration program and the related exploration expenditures shall be funded by the Company.

In April 2018, the Company exercised its first option to acquire a 70% equity interest in MASL. The Company paid \$50,000 and issued 2,200,000 common shares (valued at \$440,000) to the Vendor. In addition, the Company has incurred exploration expenditures in excess of \$250,000 on the license areas and reimbursed the optionor all costs incurred to acquire the mineral rights. In September 2018, the Company made its second cash and share payments.

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 seven 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 ("Cu") and polymetallic (copper, lead, zinc, and silver) mineralization. Exploration has largely focused on iron-oxide associated copper gold deposits ("IOCG") style Cu mineralization along the >10 kilometer ("km") long NE oriented Toribio Cu Trend and hydrothermal Lead-Zinc-Silver breccia, vein and stockwork style mineralization along the >20 km NW oriented 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. Numerous small ancient copper mine workings can be found along the Torrubia trend. The style of mineralization and metal association on the Torrubia Trend are typical of hematite-dominant IOCG deposits, 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 along the >20 km long trend that exploited lead ("Pb") and silver ("Ag") intermittently from the late 1800's to 1958, when the last mine ceased production.

Soil sampling completed over sections of the Torrubia trend highlighted a large prominent copper anomaly (values up to 0.69% Cu in soil) over the north of the fault structure over 3.1 by 0.32 km at the Torrubia-Torrechuela target and a separate copper anomaly in the south of the trend over approximately 0.6 by 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 has also been undertaken. Rock grab samples have been collected from dumps and out crop along the >20 km long historical mine trend with values up to >30% Zinc ("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, and 37.9 g/t Ag. This includes a large Pb-Zn-Ag anomaly extending 1.8 by 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.

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.

On-going prospecting identified a separate copper structure called Hierba Buena 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% copper, 749 ppm Cobalt and 5.3 g/t silver.

Geophysics completed in 2018, including induced polarization ("IP"), audio magneto tellurics ("AMT"), and ground magnetics, shows strong anomalies and helping to define targets for drill testing on the Torrubia Cu Trend and Zumajo Pb-Zn-Ag trend.

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

Massive barite mineralization was found cutting the Zumajo Trend approximately 2 km northwest of the Aguilas Pb-Ag mine. A total of six rock chip samples were collected returning a maximum of 59% BaO (approx. 90.6 % BaSO₄), average 50.5 % BaO (approx. 77.4 % BaSO₄) and low levels of deleterious metals, including cadmium, mercury, and lead. The results indicate the barite chemistry has potential to meet commercial requirements.

In April 2019, the Company completed its 2,944-metre program of exploration drilling at the Aguilas Project. This included a total of 20 drill holes ranging from approximately 100 to 230 meters depth. Approximately half of the drilling was on targets on the Torrubia Cu trend and half along a 4.1-km segment of the Zumajo Pb-Zn-Ag trend. This program included wide-spaced drill holes testing for IOCG style mineralization associated geophysics and soil Cu geochemistry targets on the Torrubia Cu trend. On the Zumajo trend, the program included drill holes testing beneath the peak Pb-Zn-Ag soil geochemistry anomalies, IP resistivity geophysics targets, and testing down-dip or along strike from historical mine workings at San Juan, San Rafael, San Luis, and San Cayetano.

On the Zumajo trend, significant drill results are reported along approximately 1.5 km of strike extending from the San Juan, San Rafael and Dos Centimos mine workings, open down dip and along strike. This includes high grade polymetallic mineralization (Pb, Zn, Ag $\pm$ Cu, Au) within an 8 to 20m wide, steeply dipping zone of multi-stage breccia and veins. High grade intervals include up to 16.85% Pb, 1.9% Zn, 85 g/t Ag (22.15% PbEq or 815 g/t AgEq) over 0.6 m (drill hole VAC-006). The drilling also indicates Pb and Ag mineralization at the San Luis and San Cayetano mine workings is open along strike and at depth.

The drill holes on the Torrubia trend include 40 to 90-meter-wide intervals of intense multi-stage breccia and hematite-quartz-carbonate alteration. The breccia is anomalous in Cu in each drill hole. The best grades include 2.65% Cu, 125ppm Co and 3 g/t Ag (2.76% CuEq) over 0.8m and 1.65% Cu, 240ppm Co and 2.1 g/t Ag (2.05% CuEq) over 0.7m in the northernmost drill hole, TOR-001. Copper appears to increase to the North where approximately 1.9 kilometres of strike with the widest and strongest part copper soil geochemistry remains untested. In May 2019, access was granted to drill the highest priority copper targets in the North of the trend. Recent exploration also extended the Torrubia trend a further 4 km to the south, giving a total strike length of 16 km.

Drilling highlights include:

- VAC-002: 17.5m @ 1.66% Pb and 8.5 g/t Ag, including 8.5m @ 3.38% Pb, 0.11% Zn, 0.02% Cu, 17.3 g/t Ag (includes 0.9m @ 5.14% Pb, 0.12% Zn, 0.02% Cu, 34.8 g/t Ag and 1.3m @ 14.85% Pb, 0.11% Zn, 0.04% Cu, 67.1g/t Ag)
- VAC-005: 15.3m @ 0.88% Pb, 0.27% Zn, 6.2 g/t Ag, including 7.85m @ 1.68%Pb, 0.48% Zn, 10.2 g/t Ag (includes 0.85m @ 0.93% Pb, 3.22% Zn, 16.5 g/t Ag and 1.9m @ 6.05% Pb, 29.8 g/t Ag)
- VAC-006: 17.7m @ 0.84% Pb, 0.48% Zn, 5.1 g/t Ag, including 8.6m @ 1.72% Pb, 0.94% Zn, 0.15% Cu, 10.2 g/t Ag, (includes 0.6m @ 16.85% Pb, 1.9% Zn, 0.08% Cu, 85.1 g/t Ag, 0.02 g/t Au and 1.6m @ 1.18% Pb, 1.9% Zn, 0.07% Cu, 7.3 g/t Ag, 0.03 g/t Au)
- ZUM-003: 9.2m @ 2.4% Pb and 9.4 g/t Ag, including 3.4m @ 5.55% Pb, 16.4 g/t Ag
- TOR-001: 16m @ 0.30% Cu, 30.5ppm Co, 0.6 g/t Ag, 0.05 g/t Au , including 0.8m @ 2.65% Cu, 125ppm Co, 3 g/t Ag, 0.004 g/t Au and 0.7m @ 1.85% Cu, 240ppm Co, 2.1 g/t Ag, 0.02 g/t Au; 0.7m @ 0.55 g/t Au

The next round of drilling on the Zumajo trend will focus on further testing the continuity, grade and extent of the polymetallic mineralization. The drilling on the Torrubia trend shows the breccia is anomalous in copper over several kilometers of strike and provides an indication of a potentially strong mineralized system, with drill hole TOR-001 demonstrating potential for high copper grades. Access was granted in May 2019 to drill test the northern extension of the Torrubia trend where the highest priority copper targets are located.

Escacena Property

In May 2017, the Company entered into a Letter of Intent ("LOI") with Evalam 2003 S.L. ("Evalam"), a private Spanish company, to purchase 100% interest of Evalam's Au/Cu/Zn mineral prospect in Spain, subject to a net smelter returns ("NSR") royalty as described below. Evalam 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".

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The terms of the LOI provide for payment of \$350,000 to Evalam 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 ⁽²⁾
The Issuance Date ⁽¹⁾	\$ 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

⁽¹⁾ 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 Evalam a NSR royalty in an amount as follow: (a) 0.50% on the first 12,500 tonnes of Cu equivalent, and (b) 0.75% on any amount in excess of 12,500 tonnes of Cu equivalent, which will be calculated quarterly based on production from the Escacena Property for the most recently completed calendar quarter. This NSR royalty is subject to an aggregate lifetime maximum cap of \$5,000,000.

Following the signing of the LOI, 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, which is considered to be the most prolific VMS district in the world.

This 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 of 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.

In December 2018, Evalam received formal notice that the Escacena Investigation Permit was granted, and exploration on the Escacena property has commenced. The target is volcanic-hosted massive sulphide copper and zinc in the Iberian Pyrite Belt on-strike from the Aznalcollar, Los Frailes and Las Cruces mines. The company recently announced completion of initial IP and gravity survey profiles at the La Romana and Cañada Honda targets and confirmed strong anomalies. Drilling and additional geophysics is planned in 2019.

CORPORATE OVERVIEW

The Company appointed Mr. Patrick Evans as Chairman of the Board of Directors. Mr. Evans is a senior mining executive with more than 20 years of experience across a range of commodities, including platinum, diamonds, copper and nickel. He has served as CEO of Dominion Diamond Mines, Mountain Province Diamonds, Kennady Diamonds, Norsemont Mining (acquired by HudBay Minerals), Weda Bay Mineral (acquired by Eramat S.A.), Southern Platinum (acquired by Lonmin PLC), Messina Platinum and Southern Era Resources. Mr. Evans is currently a director of Mirasol Resources Ltd.

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 IOCG and polymetallic (Cu, Pb, Zn, Ag) vein and breccia styles of mineralization. Drilling is expected to resume in the Aguilas Project in the second half of 2019 testing several high priority copper targets North of the Torrubia trend and following up the positive drill results on the Zumajo polymetallic trend. Exploration on the Escacena Property has commenced with additional geophysics and drilling planned for 2019.

The Company manages the Aguilas Project through its 70%-owned Spanish subsidiary, Minera Aguila S.L.U., with a total area covering approximately 16,366 hectares, including granted mineral rights and mineral rights under application. The Company will replace the LOI with Evalam with a definitive agreement, which will provide Pan Global an option to acquire 100% of the Escacena Investigation Permit in Spain.

The Company is continuing to review other exploration opportunities.

SUMMARY OF QUARTERLY RESULTS

The results for the quarters shown below are consistent with a return to exploration activity resulting from the Company's new focus and projects in Spain. Prior quarters were consistent with minimal exploration activities as the Company sought a new project. Regulatory, legal, accounting and audit expenses were kept to a minimum.

	April 30, 2019	January 31, 2019	October 31, 2018	July 31, 2018
Exploration expenditures	\$ 589,758	\$ 580,833	\$ 339,638	\$ 226,533
Net income (loss) for the period ⁽¹⁾	(724,167)	(583,990)	(367,434)	(357,524)
Earnings (loss) per share - basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.00)

	April 30, 2018	January 31, 2018	October 31, 2017	July 31, 2017
Exploration expenditures	\$ 261,307	\$ 201,878	\$ 172,366	\$ 129,623
Net income (loss) for the period ⁽¹⁾	(369,261)	(692,736)	(250,045)	(209,841)
Earnings (loss) per share - basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.00)

⁽¹⁾ Attributable to equity holders of the Company

RESULTS OF OPERATIONS

For the three months ended April 30, 2019

The net loss for the three months ended April 30, 2019 was \$863,831 compared to \$369,261 for the same quarter in the prior year. The loss for the period is primarily comprised of \$589,758 of exploration expenditures related to the Aguilas and Escacena Projects and \$273,046 of general and administrative expenses, which included \$156,338 of share-based compensation for stock options granted in April 2019. During the same period in the prior year, net loss was primarily due to \$261,307 of exploration expenditures related to the Aguilas Project and \$84,327 of general and administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

For the three months ended April 30, 2019, the Company used \$549,887 in its operating activities, primarily related to its exploration expenditures on its Aguilas and Escacena Projects and changes in non-cash working capital items of \$152,436.

Financing Activities

For the three months ended April 30, 2019, the Company paid \$4,758 towards its lease liabilities.

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.

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:

For the three months ended April 30, 2019	Fees or salaries	Share-based compensation	Total
President & CEO	\$ 60,000	26,878	\$ 86,878
Corporate Secretary	13,504	4,480	17,984
CFO	6,000	4,480	10,480
Directors	1,622	98,551	100,173
	\$ 81,126	\$ 134,389	\$ 215,515

As at April 30, 2019, included in accounts payable and accrued liabilities is \$142,000 (January 31, 2019 - \$103,500) owing to the related parties as follows: \$130,000 (January 31, 2019 - \$90,000) to the CEO, \$12,000 (January 31, 2019 - \$6,000) to the CFO, and \$Nil (January 31, 2019 - \$7,500) to the Corporate Secretary of the Company.

FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT

The Company classified its financial instruments as follows:

As at April 30, 2019	Amortized cost
Financial assets	
Cash	\$ 930,796
Financial liabilities	
Accounts payable and accrued liabilities	\$ 538,607
Lease liabilities	\$ 48,037

Fair Value

Financial instruments recorded at fair value on the consolidated 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:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- 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. The carrying value of cash and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments. The carrying value of lease liabilities approximated its fair value as the interest rate is comparable to current interest rates.

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 three months ended April 30, 2019. 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 governments of Canada and Spain 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. 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 condensed interim consolidated financial statements.

CHANGE IN ACCOUNTING POLICIES

Adoption of IFRS 16 Leases

Effective February 1, 2019, the Company has adopted IFRS 16 Leases ("IFRS 16") using the modified retrospective application method, where the 2018 comparatives are not restated and the cumulative effect of initially applying IFRS 16 has been recorded on February 1, 2019 for any differences identified, including adjustments to opening retained earnings balance.

IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset ("ROU asset") and a lease liability at the lease commencement for all leases, except for short-term leases (lease terms of 12 months or less) and leases of low value assets.

In applying IFRS 16 for all leases, except as noted above, the Company (a) recognizes the ROU asset and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments; (b) recognizes the amortization of ROU assets and interest on lease liabilities in the consolidated statement of income; and (c) separates the total amount of cash paid into principal and interest portions in the consolidated statement of cash flows. The Company has made use of the following practical expedients available on transition to IFRS 16:

- Measure the ROU assets equal to the lease liability calculated for each lease;
- Apply the recognition exemptions for low value leases and leases that end within 12 months of the date of initial application, and account for them as low value and short-term leases, respectively;
- Accounting for non-lease components and lease components as a single lease component.

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In transitioning to IFRS 16, the Company analyzed its contracts to identify whether they are or contain a lease arrangement. As a result, the Company, as a lessee, has recognized \$52,034 within lease liabilities representing its obligation to make lease payments. ROU assets of the same amount were recognized, representing its right to use the underlying assets. The weighted average incremental borrowing rate applied to the lease liabilities on February 1, 2019 was 6%. The following table summarizes the lease liabilities recognized on the consolidated statement of financial position at the date of initial application:

	February 1 2019
Leases identified as a result of IFRS 16 implementation	\$ 57,304
Effect from discounting at the incremental borrowing rate	(5,270)
Lease liabilities due to initial application of IFRS 16 as at February 1, 2019	\$ 52,034

New accounting policy for leases under IFRS 16

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a ROU asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions: (a) the Company has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or (b) for leases of low value. The payments for such leases are recognized in the consolidated statement of loss and comprehensive loss on a straight-line basis over the lease term.

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is amortized over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in the consolidated statement of loss and comprehensive loss.

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 94,293,387 common shares issued and outstanding. There were also 7,070,000 options and 5,926,290 share purchase warrants outstanding with expiry dates ranging from March 6, 2020 to April 16, 2029.