PEPCAP RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Background

This discussion and analysis of financial position and results of operation is prepared as at August 21, 2019 for Pepcap Resources Inc. ("Pepcap" or the "Company") and should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2018. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Company Overview and Operations

The Company was incorporated under the laws of the Province of Alberta on January 31, 2012 and continued into the Province of British Columbia on May 14, 2015. The Company's head office is located at 101-1500 Howe Street, Vancouver, BC V6Z 2N1, Canada.

On November 23, 2012, the Company received final receipts for a prospectus and became a reporting issuer in the Provinces of Alberta, British Columbia, and Ontario. On February 20, 2013, the Company completed its initial public offering and listed its common shares on the TSX Venture Exchange (the "Exchange") as a capital pool company.

In May 2015 the Company closed the acquisition of 51% of the issued and outstanding common shares of Asia Mining Management B.V., a private company registered in the Netherlands ("Asia Mining") as the Qualifying Transaction of the Company. As a result of the completion of the Qualifying Transaction, the Company holds an indirect controlling interest in PT. Krida Darma Andika, a private company registered in Indonesia ("Andika"), a 99.6% owned subsidiary of Asia Mining that owns mining concessions in Sumatra, Indonesia divided into two coal blocks, including three coal concessions that are located in the Napal Putih and Putri Hijau districts of North Bengkulu Regency of Bengkulu Province, Indonesia (the "Properties").

On April 30, 2018, as the Company was not able to maintain the requirements for a TSX Venture Exchange Tier 2 company, the listing was transferred from the TSX Venture Exchange to NEX. As of that date, the Company has become subject to restrictions on share issuances and certain types of payments as set out in the NEX policies. The trading symbol for the Company changed from WAV to WAV.H. There is no change in the Company's name, no change in its Cusip number and no consolidation of capital.

Resource Properties

The Company, through Asia Mining and its 99.6% subsidiary Andika, hold mining properties in Sumatra, Indonesia. The properties are divided into two coal blocks located in the Napal Putih and Putri Hijau districts of the North Bengkulu Regency of Bengkulu Province, Indonesia. Andika holds a 100% undivided interest in the properties.

The costs incurred to September 30, 2018 were as follows:

Balance, September 30, 2016	$	1,790,760
Foreign translation adjustment		146
Claim maintenance fees		29,264
Impairment		(1,820,170)
Balance, September 30, 2017		-
Reversal of impairment based on potential sale		540,477
Balance, September 30, 2018	$	**540,477**

During the year ended September 30, 2017, management considered if there were changes in the facts and circumstances of the Indonesian exploration and evaluation assets that would suggest the carrying amount exceeded its recoverable amount. Due to the uncertainty in future planned expenditures on these assets, management performed an impairment test which resulted in an impairment of $1,820,170 being recorded in the consolidated statement of operations and comprehensive loss for the year ended September 30, 2017.

Asia Mining entered into a sale and purchase agreement dated August 31, 2018, with an arm's-length party for all of the shares of Andika. Pursuant to the terms of the purchase agreement, the purchaser has agreed to purchase all 14,940 ordinary shares of Andika held by Asia Mining for $414,000 USD ($540,477) (the “Consideration”), payable in tranches. Upon signing of the Letter of Intent, an amount of $104,000 USD (the “Deposit”), and on the date of the purchase agreement an amount of $20,000 (being the balance after deducting the Deposit from the first tranche of Consideration amounting to the sum of 124,000 USD, the purchaser advanced to the Company’s 51% owned subsidiary Asia Mining a total of $124,000 USD ($160,519). The deposit received from the purchaser was deposited in the bank account of a director acting as a trustee on behalf of Asia Mining. The net amount due from this director related to the deposit received (“Trust Funds”), as at September 31, 2018 was $120,329 after paying for exploration and evaluation maintenance fees.

Subsequent to the year-end, the purchaser paid a further $207,000 USD to Asia Mining in exchange for delivery of the outstanding IUP licences held by Andika which was also deposited into the bank account of a director - trustee.

The final payment of $83,000 USD remains outstanding and will be paid by the purchaser to the Company upon delivery of the remaining IUP licence, subject to the completion process stated below

Completion of the transaction is subject to a number of conditions including, but not limited to, shareholder closing conditions customary to transactions of the nature of the transaction, shareholder approval and approvals of all regulatory bodies having jurisdiction in connection with the transaction, and final acceptance from the TSX Venture Exchange. As at September 30, 2018 the sale process had not completed and the carrying value of the exploration and evaluation asset of Andika was presented in the consolidated statement of financial position as asset available for sale. The carrying value of the asset available for sale is $540,477 which represents the proceeds that the Company’s 51% owned subsidiary Asia Mining has and will receive on the closing of the transaction less estimated costs which are expected to be nominal. This represents a reversal of the previous years impairments which were recognized in the consolidated statements for operations and comprehensive income for the year ended September 30, 2018 as net income from discontinued operations. Total net income from discontinued operations for the year ended September 30, 2018 includes the reversal of the impairment loss and also includes an amount of $27,830 for asset maintenance fees incurred in the year.

Selected Annual Information

The following selected financial data is derived from the audited consolidated financial statements of the Company prepared in accordance with IFRS.

		2018		2017		2016
Selected operations data						
(Income) Loss for the year	$	(736,810)	$	2,166,363	$	2,980,330
Weighted number of shares outstanding		39,555,781		36,811,334		36,811,334
(Income) Loss per share	$	(0.018)	$	0.058	$	0.00
Selected balance sheet data						
Net working capital (deficiency)	$	104,757	$	(820,261)	$	40,594
Total assets	$	671,290	$	38,453	$	2,049,422
Net shareholder's equity (deficiency)	$	104,757	$	(820,261)	$	1,344,755

Results of Operations

The Company had net income of $736,810 or $0.018 per share for the year ended September 30, 2018, compared with a loss of $2,166,363 or loss of $0.058 per share for the year ended September 30, 2017. Details of the Company's operations for the periods are as follows:

		September 30, 2018		September 30, 2017
Financing and interest	$	99,910	$	151,702
Gain on settlement of debentures		(504,684)		-
General and administrative expenses		114,909		138,159
Impairment on exploration and evaluation assets		-		1,820,170
Legal fees		43,079		14,782
Net income from discontinued operations		(512,647)		-
Share-based compensation		-		11,350
Transfer agent and regulatory fees		22,263		19,516
Travel		360		10,684
Net (income) loss	$	(736,810)	$	2,166,363

Financing and interest costs were incurred in relation to the Convertible Debentures discussed under Financial Condition / Capital Resources below. General and administrative expenses decreased from 2017 primarily as a result of a reduction in management fees, insurance and accounting fees. Legal fees increased during this year as a result of reorganization activities. Stock based compensation decreased in 2018 as no options were granted in 2018. Travel expenses also decreased in 2018 due to the Company focusing efforts on re-organization.

The Company realized a gain of $504,684 (2017 - $nil) on the settlement of the debentures.

The Company recorded net income from discontinued operations of $512,647 (2017 - $nil) during the year ended September 31, 2018 which includes the reversal of the impairment loss and also includes an amount of $27,830 for asset maintenance fees incurred in the year.

Basic and diluted income for the year ended September 30, 2018 was $736,810 ($0.018 income per share) compared to a loss of $2,166,363 ($0.058 loss per share) for the same period in 2017.

Summary of Quarterly Results

Quarter ended	Net income (loss)	(Income) Loss per share
September 30, 2016	(2,708,558)	0.00
December 31, 2016	(105,317)	0.01
March 31, 2017	(71,663)	0.00
June 30, 2017	(84,624)	0.00
September 30, 2017	(1,904,759)	0.00
December 31, 2017	(96,566)	0.00
March 31, 2018	(142,939)	0.00
June 30, 2018	577,794	0.01
September 30, 2018	398,521	(0.03)

The quarter ended September 30, 2016 includes an impairment charge against resource assets of $2,627,000. The quarter ended September 30, 2017 includes an impairment charge against resource assets of $1,820,170.

The Company reported no revenues during the period from inception to date.

Financial Condition / Capital Resources

Since inception, the Company's capital resources have been limited to amounts raised from the sale of common shares in the Company and borrowings. From inception to June 30, 2015, the Company had raised $414,000 gross proceeds from the sale of its common shares.

Prior to the closing of the Qualifying Transaction, Pepcap completed a brokered private placement on April 29, 2015 of 6,500 subscription receipts of the Company for gross proceeds of $650,000. Each subscription receipt was automatically exchanged immediately prior to the completion of the Qualifying Transaction for one 8% convertible secured debenture with a par value of $100 per Convertible Debenture and a 36 month maturity period, convertible at the election of the debenture holder at any time into common shares of the Company at a conversion price of $0.15 per share, subject to conventional anti-dilution adjustments and to certain escrow release conditions. The Company did not pay interest since June 2017 and was in default under the terms of the debenture.

On May 14, 2018, the Company announced that holders of the 8% convertible debentures (the "Debentures") had accepted an offer to purchase, from the Company, all of the issued and outstanding Debentures, plus accrued and unpaid interest up to May 11, 2018 (the "Purchase Date"). The Debenture of $650,000, plus accrued and unpaid interest to the Purchase Date were converted into common shares of the Company ("Common Shares") at a price of $0.10 per Common Share (or approximately 1,000 Common Shares for each $100 of the principal amount of the Debentures). As a result of the conversion, 7,206,642 common shares of were issued to the Debenture holders which resulted in the Company having 44,017,976 Common Shares issued and outstanding.

In order to continue operations into the future, the Company will have to seek additional financing. To date the Company has relied entirely upon the sale of common shares and loan financing to provide working capital to fund the administration of the Company. The Company is actively seeking financing opportunities but there is no certainty that it will be able to raise future capital when required.

Related Party Transactions

The following amounts were paid to officers of the Company for the year:

	Year ended September 30, 2018	Year ended September 30, 2017
Paid or accrued management fees	$ 39,000	$ 97,227
Paid or accrued director fees	22,500	-
Share-based payments (1)	-	11,350
	$ 61,500	$ 108,577

(1) Comprising the value of stock options granted.

Minority shareholders in Asia Mining were owed $69,954 at September 30, 2018 (2017- $71,753) and included in accounts payable and accrued liabilities is $130,292 payable to related parties for management and consulting fees (2017 - $94,304). As at September 30, 2018, due from director - trustee of $120,329 (2017 - $nil) is related to Trust Funds received by a director - trustee on behalf the Company's 51% owned subsidiary Asia Mining on sale of Andika net of expenditures paid on behalf the Company's subsidiary Asia Mining.

Outstanding Share Data

The authorized capital of the Company consists of an unlimited number of common voting shares without par value and an unlimited number of preferred shares without par value.

As a result of the Company's initial public offering and Qualifying Transaction, 31,776,000 common shares were deposited into escrow under escrow and value security requirements of the Exchange and were released from escrow over a period of up to three years from the date of closing of the Qualifying Transaction. All of the escrow shares have been released from escrow leaving a balance at September 30, 2018 of nil shares.

As at September 30, 2018, there were 44,017,976 common shares issued and outstanding. As of the date of the MD&A, there are 44,017,976 common shares issued and outstanding.

The following table summarizes information about stock options granted to directors and officers outstanding and exercisable at September 30, 2018:

Number of stock options	Exercise Price	Expiry date	Vested
130,455	$0.10	Feb 20, 2023	130,455
300,000	$0.10	June 19, 2023	300,000
450,000	$0.11	May 19, 2025	450,000
880,455	$0.11		880,455

On June 19, 2017, the Company granted 300,000 stock options to a director of the Company at an exercise price of $0.10 per common share for a period of five years. The share-based compensation expense of $11,350 was recognized, being the fair value determined using the Black-Scholes Option Pricing model with following assumptions: Risk free interest rate of 1.032%; Expected life of 5 years; Expected volatility of 120% and dividend yield of nil. The options vested immediately.

Subsequent to September 30, 2018, all stock options were forfeited.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements which may affect its current or future operations or conditions.

Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions about future events that affect amounts reported in the consolidated financial statements. Actual results could differ from these estimates. Details of the Company's significant accounting policies can be found in Note 2 of the audited consolidated financial statements for the year ended September 30, 2018.

Recent accounting pronouncements not yet adopted

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement" IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company has determined that adoption of IFRS 9 will not have material impact on the consolidated financial statements.

IFRS 15 "Revenue from Contracts with Customers"

In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company has determined that adoption of IFRS 15 will not have material impact on the consolidated financial statements.

IFRS 16, "Leases"

In January 2016, the IASB issued IFRS 16, Leases. The objective of IFRS 16 is to bring all leases on-balance sheet for lessees. IFRS 16 requires lessees to recognize a "right of use" asset and a lease liability calculated using a prescribed methodology. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. Early adoption is permitted provided that IFRS 15, Revenue from Contracts with Customers, is also adopted. The Company has determined that adoption of IFRS 16 will not have material impact on the consolidated financial statements.

Investor Relations

The Company does not have any investor relations arrangements.

Financial instruments

The Company, as part of its operations, carries financial instruments consisting of cash, accounts receivable and accounts payable and accrued liabilities and convertible debentures. It is management's opinion that the Company is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash is determined using level 1 inputs. The carrying amount of cash, accounts receivables and accounts payable and accruals approximates their fair value due to the short-term maturities of these items.

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2018, the Company had a cash balance of $240 (September 30, 2017 - $33,416) to meet current liabilities of $566,533 (September 30, 2017 - $858,714). All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(i) Interest rate risk

The Company has cash balances that bear no significant interest. There is no interest rate risk on the convertible debt as interest if charged at a fixed rate.

(ii) Foreign currency risk

The Company has certain financial instruments that are impacted by exchange rate fluctuations of the US dollar and Euro. A 5% change in the exchange rate at September 30, 2018 of the US dollar or Euro is estimated to have a negligible effect on the net loss for the period.

(iii) Commodity price risk

The Company has not yet entered into the production phase and therefore the impact of commodity price fluctuations is limited to the Company’s ability to raise funds to continue to explore and develop its coal concessions.

Risk Factors

Exploration-stage mineral exploration companies face a variety of risks and, while unable to eliminate all of them, the Company aims at managing and reducing such risks as much as possible. Few exploration projects successfully achieve development stage, due to factors that cannot be predicted or anticipated, and even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. The Company closely monitors its activities and those factors that could impact them, and employs experienced consultants to assist in its risk management and to make timely adequate decisions.

Environmental laws and regulations could also impact the viability of a project. The Company has ensured that it has complied with these regulations, but there can be changes in legislation outside the Company’s control that could also add a risk factor to a project.

Approval

This management discussion and analysis was authorized for issue by the Board of Directors on August 21, 2019.