



Management's Discussion and Analysis

**Glen Eagle Resources Inc.**

**Second quarter ended June 30, 2021**

(in Canadian dollars, unless otherwise stated)

**Glen Eagle Resources Inc.**  
**Management's Discussion and Analysis**  
**Quarter ended June 30, 2021**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This management's discussion and analysis ("MD&A") follows rule 51-102A of the Canadian Securities administrators regarding continuous disclosure for reporting issuers. It is a complement and supplement to Glen Eagle Resources Inc.'s (the "Corporation") consolidated financial statements and related notes for the quarter ended June 30, 2021 and should also be read in conjunction with both the consolidated audited financial statements for the year ended December 31, 2020 and the annual MD&A for the year ended December 31, 2020 to provide further information on historical and past performance. This MD&A represents the views of management on current activities and past and current financial results of the Corporation, as well as an outlook of the activities of the coming months. The Corporation's significant accounting policies are set out in Note 2 of the audited consolidated financial statements for the year ended December 31, 2020. This report should be read in conjunction with the Corporation's consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

### **1.1 RESPONSIBILITY OF FINANCIAL REPORTS**

This MD&A constitutes management's review of the factors that affected the Corporation's financial and operating performance for the quarter ended June 30, 2021. Management is responsible for the preparation of the Financial Statements and the MD&A. The Board of Directors (the "Board") has the responsibility to ensure that management assumes its responsibilities with regards to the preparation of the Financial Statements and the MD&A. To assist management, the Board has created an Audit Committee. The Audit Committee meets with management to discuss the operating results and the financial situation of the Corporation. It then makes its recommendations and submits the Financial Statements and the MD&A to the Board for their review and approval. Following the recommendation of the Audit Committee, the Board has approved the Financial Statements and the MD&A on August 27th, 2021.

Glen Eagle Resources is a publicly traded Corporation listed on the TSX Venture Exchange ("TSX-V") under the symbol "GER".

### **1.2 FORWARD LOOKING STATEMENTS**

This MD&A contains forward-looking statements that are based on the Corporation's expectations, estimates and projections regarding its business, the mining industry in general and the

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economic environment in which it operates as of the date of the MD&A. These statements are reasonable but involve a number of risks and uncertainties, and there can be no assurance that they will prove to be accurate. Therefore, actual outcome and results may differ materially from those expressed in or implied by these forward-looking statements. The estimates contained therein to date are preliminary in nature and are based on a number of assumptions, any one of which, if incorrect, could materially change the projected outcome. Factors that could affect the outcome include, among others: the actual results of current production and exploration, price of gold, silver and phosphate, competition, general business, economic, political and social uncertainties, pandemics, environmental issues, additional financial requirements and the Corporation's ability to meet such requirements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ from those anticipated.

### **1.3 NATURE OF ACTIVITIES**

The Corporation's current activities consist in the production of gold and silver from the purchasing and processing of material in Honduras. They also consist in owning mining concessions in Honduras such as "Piedra Dorada" since the first quarter of 2020 where it intends to proceed with an exploration and evaluation program. The Corporation plans to make other concession acquisitions and will develop these by exploration and evaluation program, or sell those as exploration assets. Finally, the activities consist in the exploration and evaluation of its phosphate property called "Moose Lake" located in Quebec (Canada).

The recovery of the exploration and evaluation assets is dependent upon: the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in the properties, the ability to generate cash flow or obtain the necessary financing to complete exploration, evaluation, development and construction of processing facilities, obtaining certain government approvals and proceeds from disposal of assets.

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**1.4 FINANCIAL HIGHLIGHTS**

**Highlights for the period ended June 30, 2021**

For the quarter ended June 30, 2021, Cobra Oro milling facility was put on care and maintenance for most of the quarter with the Corporation recording total sales of \$62,019 compared to \$284,892 during Q2-2020, an Operating loss of \$268,405 (\$221,819 in Q2-2020) and a consolidated net comprehensive loss of \$329,612 (\$381,001 in Q2-2020).

**Operational**

- During Q2-2021, the Corporation produced 22 ounces of gold and 167 ounces of silver (48 ounces of gold and 206 ounces of silver during Q2-2020).
- During Q2-2021, the plant processed 188 tons of material, compared to 726 tons of material during Q2-2020.
- During Q2-2021, the average material recovery rate was 63% compared to 49% during Q2-2020.
- On May 10<sup>th</sup>, 2021, the Corporation signed a licensing agreement with Cycladex Innovative Technology, to test their friendly technology delivering high yields and short extraction times.

**Financial**

- Negative EBITDA of \$335,886 in Q2-2021 compared to a negative of \$274,840 in Q2-2020.
- Negative cash flows of \$240,897 from operating activities before change in working capital in Q2-2021 compared to a negative cash flows of \$197,084 in Q2-2020.

**Strategy for 2021**

**Improvement of the production capacity usage and of the material recovery ratio**

- During Q2-2021 and 2020, consequences of the pandemic forced Cobra Oro to scale down production for several quarters due to spare parts shortages and mechanical problems. Meanwhile, local management was proceeding with daily review of the entire plant equipment to monitor an adequate spare parts inventory.
- During the three-month period ending June 30, management has worked with NSA, a business partner from Mexico, to improve the equipment maintenance procedures and spare parts to

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be inventoried and purchased. The spare parts were ordered in June from one supplier based in Korea and are expected to be in Honduras by late September based on the company latest data.

- Furthermore, the Corporation has revamped a lot of equipment with the onsite support from a Canadian mechanic which has resulted lately in little downtime.
- Gold recovery has been addressed with the result that two metallurgists are closely monitoring production throughput.
- The Corporation's difficulties to execute its 2021 business plan, will depend largely on the duration and severity of the current worldwide spare parts shortages and related restrictions.
- Management has signed a supply agreement with its Mexican partner (NSA) to increase daily ore supplies of 100 tons at 4 gr/t for the remainder of 2021. As NSA is still looking for ore to fulfill its contract, management is giving a constant priority of sourcing new suppliers.
- Management is also placing an emphasis in accessing its own mining concession in order to secure additional ore supply and be less dependant from outside suppliers.

- (1) EBITDA: "Earnings before interest, taxes and depreciation" is a non-IFRS financial performance measure with no standard definition under IFRS. It is therefore possible that this measure could not be comparable with a similar measure of another corporation. The Corporation uses this non-IFRS measure as an indicator of the cash generated by the operations and allows investor to compare the profitability of the Corporation with others by canceling effects of different assets bases, effects due to different tax structures as well as the effects of different capital structures. EBITDA is calculated on p.18 of this MD&A. See the "Non- IFRS Measures" section 1.18 of this MD&A.
- (2) Cash-flow per share is a non-IFRS financial performance measure with no standard definition under IFRS. It is therefore possible that this measure could not be comparable with a similar measure of another corporation. This measure is calculated on p.18 of this MD&A. See the "Non-IFRS Measures" section 1.18 of this MD&A. The Corporation uses this non-IFRS measure which can also be helpful to investors as it provides a result which can be compared with the Corporation market share price.

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**1.5 KEY ECONOMIC TRENDS**

During the first two quarters of 2021 and 2020, the outbreak of coronavirus (COVID-19) resulted in a major global health crisis which continues to have impacts on the global economy and the financial markets at the date of completion of the financial statements. These events may cause in the future significant changes on the Corporation's ability to complete planned exploration and evaluation activities, execute its 2021 business plan in the expected time frame, or its ability to obtain debt and equity financing.

Following these events, the Corporation has taken and will continue to take action to minimize the impact. However, it is impossible to determine the financial implications of these events for the moment.

**Gold market**

During Q2-2021, the average market price of gold was \$1,817/oz, compared to \$1,798/oz in Q1-2021 an increase of 1.1%. In 2021, and contrary to 2020, the gold market price followed a decreasing trend up to mid- 2021. In 2021, the gold market price fluctuated between \$1,683/oz and \$1,943/oz. In 2020, except during the third week of March, the gold price increased all over the period.

The price of gold and exchange rates influenced the selling revenue of metals and the exchange rate between the US and Canadian dollars had an impact on transfers of funds between the entities.

*Exchange rates*

The quarter end and quarterly exchange rates for 2021 and 2020 were as follows:

|                            | \$US/\$CAD  |             | HNL/\$CAD   |             |
|----------------------------|-------------|-------------|-------------|-------------|
|                            | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| June 30 (closing rate)     | 1.239       | 1.363       | 0.0518      | 0.0549      |
| Q-2 (average rate)         | 1.229       | 1.234       | 0.0511      | 0.0558      |
| March 31 (closing rate)    | 1.262       | 1.419       | 0.0525      | 0.0571      |
| Q-1 (average rate)         | 1.267       | 1.341       | 0.0524      | 0.0542      |
| December 31 (closing rate) | -           | 1.275       | -           | 0.0530      |

The price of gold and exchange rates influenced the price per ounce sold and the exchange rate between the US and Lempiras, compared to Canadian dollar, had an impact on transfers of funds between the entities.

**Phosphate market**

The continued unstable political situation in the western Sahara, where a large portion of the world supply of phosphate is mined continues to put pressure on investors and fertilizer producers

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**1.5 KEY ECONOMIC TRENDS - CONTINUED**

(which are all highly integrated) to develop safer more stable sources. North America runs a deficit of roughly 4 million tonnes per year expected to increase to 8 million tonnes per year by 2021. Global demand for phosphate is increasing at approximately 3% per year due to global population growth and a shift in dietary habits towards more protein-rich foods.

These factors contribute to the accelerated development of projects in North America, and specifically in the province of Québec where several high phosphate concentrate deposits have been identified.

**1.6 DISCUSSION ON EXPLORATION AND EXPLOITATION ACTIVITIES**

**GOLD PROPERTIES**

**Cobra Oro de Honduras S.A. (100% wholly owned subsidiary)**

Production development

During the first half of 2021, the plant was partially in care and maintenance program due to the Covid 19 situation causing difficulty to bring repair parts at the plant. This resulted in production stops and the Corporation took advantage of this situation, and increased efforts in reviewing the procedure for maintenance of the production equipments. Management has signed a supply agreement with the Mexican partner (NSA), to increase daily ore supplies of 100 tons at 4 grams per ton. Although NSA is looking for fulfilling its contract, the Corporation is also looking for additional ore supply from other sources.

During the fourth quarter of 2020, the plant was placed on a care and maintenance program due to the rainy season causing mud slides making transportation impossible for suppliers. The Covid 19 situation created additional transportation problems for transportation of materials. This resulted in a lack of production and the Corporation took advantage of this situation, and increased efforts in reviewing the procedure for maintenance of the equipments. During the quarter, additional geological work was done on the Piedra Dorada property, concession 80% owned by Cobra Oro.

During the third quarter of 2020, the Corporation experienced a low material recovery ratio, due to problems with the thickener system equipment and due to an insufficient level of production supplies in its spare parts inventory. As the lead time to receive parts from the international suppliers is around two months, more funds will have to be allocated to increase the number of spare parts, equipment and production supplies in this inventory, in order to minimize the time needed to repair equipments.



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**1.6 DISCUSSION ON EXPLORATION AND EXPLOITATION ACTIVITIES- CONTINUED**

During the second quarter of 2020, the plant operations was not active as the government stopped the activity for all business in Honduras. Only by the end of May, the government allowed a special permit to reopen the plant. The Corporation has orders parts for equipment that should be arriving in the next couple of weeks, allowing better material recovery.

Material supply

After year end, on February 2, 2021, the Corporation announced the signing of a very important Ore supply agreement, with the Miners Cooperative representing approximately 250 artisanal miners. At the present time, this agreement is on hold until permits are obtained.

Since April 27th, 2020, the Corporation completed 80% of the acquisition of Piedra Dorada mining concession located in the rich mining district of El Corpus in Honduras. The concession is easily accessible all year long by the main road and covers 10 square kilometers of land located in the center of a 25 km wide corridor known to contain highly elevated gold values. A swap between property La Cobra and Piedra Dorada was engineered. The agreement for the acquisition of Piedra Dorada, was finalized by the parties and is subject to final approval by the Ministry of Mines.

Permits

On November 24, 2016, the Corporation announced that the most valuable permit (beneficiary permit) to meet mining compliance in Honduras has been renewed irrevocably in favor of Cobra Oro for the next fifteen years while its environmental permit was approved and validated. This confirmed that the Hondurian minister of mine reviewed Cobra Oro production facilities and approved the production process applied by the Corporation.

**PHOSPHATE PROPERTIES**

**Moose Lake, Lac St-Jean area (Quebec)**

On February 18, 2015, the Corporation announced the results of a very successful drilling program on Moose Lake located near highway 172, approximately 100 km North of Chicoutimi, Quebec. A total of 3,300 meters were drilled and designed with a two folds purpose which was to deepen 11 holes previously drilled in 2012 that did not cross at depth the entire phosphate bearing unit. The current drilling program successfully increased the phosphate intercepts at depth in every hole. This section of the drill program accounted for 585 meters. The main phosphate bearing body which was estimated to be 1.5 kilometer long by 250 meters wide can now be confirmed with a

**1.6 DISCUSSION ON EXPLORATION AND EXPLOITATION ACTIVITIES- CONTINUED**

greater degree of certainty. The program seems to have tested the outer limit of the deposit along strike to the East as grade and thickness of the mineralization decreased with drill holes LO-14-16 to LO-14-20 intercepting limited widths. Since 2017, no exploration work was done, as the focus is on the Honduras project and as market conditions for financing are difficult.

The Corporation plans an exploration program when phosphate market conditions are favorable.

**1.7 CHANGES IN ACCOUNTING POLICIES**

**Exploration and Evaluation Expenses**

On October 1<sup>st</sup>, 2019, the Corporation changed its accounting policy related to exploration and evaluation expenses, which previously consisted in capitalizing all such expenditures. The Corporation believes that expensing early stage exploration and evaluation costs as incurred provides more reliable and relevant financial information. Under the new policy, the cost of acquiring prospective properties and exploration rights continues to be capitalized and exploration and evaluation costs, subsequent to acquisition, are expensed until it has been established that a mineral property is commercially viable and a mine development decision has been made by the Corporation.

Thereafter, the Corporation will capitalize expenditures incurred to develop the mine, prior to the start of mining operations.

The audited consolidated financial statements as at and for the period ended December 31, 2018 have been adjusted retroactively to reflect adjustments made as a result of this change in accounting policy.

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**1.8 SELECTED FINANCIAL INFORMATION**

The Corporation prepared its consolidated financial statements in accordance with IFRS, as published by the International Accounting Standards Board. The Corporation's consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Corporation.

**A) STATEMENT OF CONSOLIDATED NET INCOME AND COMPREHENSIVE INCOME**

**Periods ended June 30, 2021, 2020 and 2019**

| <b>REVENUES AND EXPENSES</b>                   | <b>2021</b><br>\$ | <b>2020</b><br>\$ | <b>2019</b><br>\$ |
|------------------------------------------------|-------------------|-------------------|-------------------|
| <b>Sales</b>                                   |                   |                   |                   |
| Gold & silver                                  | 62,019            | 284,892           | 356,680           |
|                                                |                   |                   |                   |
| <b>Cost of sales</b>                           |                   |                   |                   |
| Stock pile ore                                 | (10,082)          | (36,908)          | (96,284)          |
| Consumables                                    | (3,630)           | (12,271)          | (41,134)          |
| Salaries, benefits and other employee expenses | (76,754)          | (70,040)          | (134,098)         |
| Electricity                                    | (9,839)           | (12,554)          | (54,141)          |
| Equipment repair and maintenance               | (20,167)          | (10,102)          | (43,420)          |
| Production supplies                            | (8,437)           | (32,589)          | (66,893)          |
| Depreciation of plant and equipment            | (38,663)          | (42,054)          | (41,202)          |
| Depreciation transportation                    | (6,189)           | (6,732)           | (6,596)           |
| Variation of finished goods                    | -                 | 26,474            | (153,786)         |
| Variation of work in process inventory         | -                 | (160,172)         | 17,782            |
|                                                |                   |                   |                   |
| <b>Total Cost of sales</b>                     | <b>(173,761)</b>  | <b>(356,948)</b>  | <b>(619,772)</b>  |
|                                                |                   |                   |                   |
| <b>Gross operating loss</b>                    | <b>(111,742)</b>  | <b>(72,056)</b>   | <b>(263,092)</b>  |
|                                                |                   |                   |                   |
| <b>General and administration charges</b>      |                   |                   |                   |
| Office expenses and rent                       | (18,321)          | (7,824)           | (30,908)          |
| Consulting and management fees                 | (51,312)          | (60,170)          | (60,518)          |
| Share based payments                           | -                 | -                 | (114,886)         |
| Professional fees                              | (51,186)          | (33,566)          | (22,360)          |
| Public company expenses                        | (9,340)           | (8,012)           | (11,353)          |
| Depreciation and amortization                  | (9,914)           | (10,786)          | (10,565)          |
| Business development                           | (2,471)           | (5,458)           | (16,087)          |
| <b>Total G&amp;A</b>                           | <b>(142,544)</b>  | <b>(125,816)</b>  | <b>(266,677)</b>  |

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|                                                                                             |                  |                  |                  |
|---------------------------------------------------------------------------------------------|------------------|------------------|------------------|
|                                                                                             |                  |                  |                  |
| Selling expenses                                                                            | (991)            | (23,947)         | (27,358)         |
| General exploration, net of tax credits                                                     | (13,128)         | -                | (400)            |
| <b>Operating loss</b>                                                                       | <b>(268,405)</b> | <b>(221,819)</b> | <b>(557,527)</b> |
| Interest income                                                                             | -                | -                | 83               |
| Interest expense and bank charges                                                           | (35,085)         | (46,589)         | (19,390)         |
| Foreign exchange loss                                                                       | (2,258)          | (356)            | (594)            |
| Unrealized gain (loss) on fair value of derivative                                          | 2,921            | -                | -                |
| <b>Net loss for the period</b>                                                              | <b>(302,827)</b> | <b>(268,764)</b> | <b>(577,428)</b> |
| <b>Other comprehensive income (loss) net of income tax: Currency translation adjustment</b> | <b>(26,785)</b>  | <b>(112,237)</b> | <b>(69,725)</b>  |
| <b>Net comprehensive loss for the period</b>                                                | <b>(329,612)</b> | <b>(381,001)</b> | <b>(647,153)</b> |
| <b>Basic and diluted Net loss per share</b>                                                 | <b>(0.00)</b>    | <b>(0.00)</b>    | <b>(0.01)</b>    |

No dividends were declared or paid in 2021, 2020 and 2019.

**OVERALL PERFORMANCE**

**SALES**

During the period ended June 30, 2021, the gold and silver sales amounted to \$62,019 representing 22% of the sales recorded during the period ended June 30, 2020, \$284,892. This situation is partly due to Covid-19 situation, increasing difficulties to obtain spare parts to repair equipment, reducing the plant % usage and recovery. And lack of material shipped to the plant. During the second quarter of 2021, the plant was still in care and maintenance program. This resulted in a lack of production and the Corporation took advantage of this situation to increase efforts in reviewing the procedure for maintenance of the equipments with the new Mexican partners.

**Two important factors to improve for increasing production level in 2021**

Material recovery rate

During the the second quarter of 2021, the plant was placed on a care and maintenance program due to the rainy season causing mud slides making transportation impossible for suppliers and to the Covid 19 situation creating additional transportation problems for the transport of raw materials. This resulted in a lack of production and the Corporation took advantage of this situation, and increased efforts in reviewing the procedures for maintenance of equipments.

Management is analysing all production processes to determine the reasons for the weak material recovery, as it considers that a minimum of 80% recovery is necessary.

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**1.8 SELECTED FINANCIAL INFORMATION - CONTINUED**

Usage of production capacity

The number of days in production during Q2-2021 was 4 days compared to 17 production days in Q2-2020.

During the second quarter, the Corporation processed 188 tons compared to 726 tons in Q2-2020.

Local management is focused on correcting the production problems with the assistance of partners in order to improve material recovery ratio and production usage capacity.

**COST OF SALES**

**Material supplies**

Material purchased - grade per ton

During the period ending June 30, 2021, the grade per ton of the material processed was 0.74 g/t compared to an average 4.2 g/t of material processed during Q2-2020. The Corporation processed tailings instead of rock material, to ensure recovery before processing costly rock materials.

The Corporation has tested materials from various suppliers and has concluded agreements to obtain sufficient material at a higher grade (3gr/t +), for ensuring full production capacity and to optimize grade per ton material processed. Management is meeting material suppliers with the objective of increasing the average grade processed at the plant to a minimum of 4 gr/t.

Local management is dedicated to find new material with higher grade, to improve the profitability of the plant.

Cost per ton

During the period ended June 30, 2021, material incurred amounted to \$10,082 on a production of gold of \$62,019 compared to Q2-2020 where the material cost was \$36,908 and work in process inventory of \$160,172, on net sales of \$284,892. During the first two quarters of 2021, the recovery ratio was 63% (61% during the first 2 quarters of 2020), the usage of production capacity was 9% (27% during Q2-2020) and grade processed during Q2-2021 was 0.74g/t (4.2 g/t during Q2-2020).

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**1.8 SELECTED FINANCIAL INFORMATION - CONTINUED**

| Table of statistics:                                       | <b>Tons per<br/>day average</b> | <b>% usage<br/>plant capacity (**)</b> | <b>% Material<br/>recovery rate (*)</b> | <b>Grade<br/>per ton</b> |
|------------------------------------------------------------|---------------------------------|----------------------------------------|-----------------------------------------|--------------------------|
| <b><u>YEAR 2020 - average</u></b>                          |                                 |                                        |                                         |                          |
| Period January 1 <sup>st</sup> – December 31 <sup>th</sup> | 17                              | 23%                                    | 57%                                     | 3.0                      |
| <b><u>Q1-2020</u></b>                                      |                                 |                                        |                                         |                          |
| January 1 <sup>st</sup> – March 31 <sup>th</sup>           | 32                              | 46%                                    | 67%                                     | 3.5                      |
| <b><u>Q2-2020</u></b>                                      |                                 |                                        |                                         |                          |
| April 1 <sup>st</sup> – June 30 <sup>th</sup>              | 19                              | 27%                                    | 49%                                     | 4.2                      |
| <b><u>Q3-2020</u></b>                                      |                                 |                                        |                                         |                          |
| Jul 1 <sup>st</sup> - September 30 <sup>th</sup>           | 16                              | 22%                                    | 58%                                     | 1.6                      |
| <b><u>Q4-2020</u></b>                                      |                                 |                                        |                                         |                          |
| October 1 <sup>st</sup> – November 30 <sup>th</sup>        | n/a                             | n/a                                    | n/a                                     | n/a                      |
| December 1 <sup>st</sup> -31 <sup>st</sup>                 | 11                              | 30%                                    | n/a                                     | n/a                      |
| <b><u>Q1-2021</u></b>                                      |                                 |                                        |                                         |                          |
| January 1 <sup>st</sup> – March 31 <sup>th</sup>           | 13                              | 19%                                    | 44%                                     | 3.0                      |
| <b><u>Q2-2021</u></b>                                      |                                 |                                        |                                         |                          |
| April 1 <sup>st</sup> – June 30 <sup>th</sup>              | 2                               | 9%                                     | 63%                                     | 0.74                     |

(\*) Excludes the silver ounces recovered as the Corporation is paying the material supplies received from locals, based on the gold grams determined to be in the material, after laboratory analysis.

(\*\*) Since January 1<sup>st</sup> 2018, the tons per day achievable considering all equipments in place is 70 tons per day for 26 days per month.

**Salaries**

During the period ended June 30, 2021, labor costs amounted to \$76,754, compared to \$70,040 for Q2-2020. The Corporation did not lay-off employees because of regulation not allowing it, in the Covid19 pandemic period. However, it did reduced the hours worked.

**Electricity**

During the period ended Q2-2021, electricity cost amounted to \$9,839 compared to \$12,554 for Q2-2020. This situation is due to the stop in production for most of the quarter.

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**1.8 SELECTED FINANCIAL INFORMATION - CONTINUED**

**Equipment repair and maintenance**

During the period ended Q2-2021, the cost for repair and maintenance amounted to \$20,167, compared to \$10,102 for Q2-2020. This represents an increase in plant repairs during the quarter.

**Production supplies**

During Q2-2021, the cost for production supply amounted to \$8,437 , compared to \$32,589 for Q2-2020. The usage of supplies was for plant maintenance rather than production.

**Gross operating margin**

During the period ended June 30, 2021, a gross operating loss of \$111,742 was recorded compared to gross operating loss of \$72,056 during Q2-2020. The production fixe costs level is requiring an higher % of production usage.

**G&A**

The general and administration total expense were \$142,544 for Q2-2021 compared to \$125,816 for Q2-2020. Professional fees were higher than normal and composed of legal and audit fees incurred during the quarter.

**In summary:**

During the quarter ended June 30, 2021, the production capacity usage of 9% was due to a lack of spare parts for equipment repairs, and a lack of material supply from suppliers partly due to Covid19 and to plant care and maintenance program, which caused many production stops.

Since end of Q1-2021, the company is working with a business partner from Mexico and with a metallurgist :

- to improve the maintenance procedures to determine with more accuracy the spare parts to be inventoried in order to reduce the production stoppages and therefore increase plant efficiency.
- to improve the metallurgical review of material prior to processing , in order to obtain a better material recovery.

The Corporation is testing materials from various suppliers. It intends to finalize agreements in order to obtain sufficient quality material (4grams+) to be processed at the plant.

To reduce the material cost per ounce produced, local management is actively searching new concessions to ensure constant material availability and reduce the material cost.

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**1.8 SELECTED FINANCIAL INFORMATION - CONTINUED**

Managements expects that the overall operations will make a return to profitability, as material suppliers get their operations back on track and as the covid 19 pandemic slows down.

**RECONCILIATION OF NET LOSS AND COMPREHENSIVE LOSS TO EBITDA**

**EBITDA reconciliation**

|                                                 | <u>Q2- 2021</u>  | <u>Q2- 2020</u>  |
|-------------------------------------------------|------------------|------------------|
| <b>Reconciliation of net loss to EBITDA (1)</b> |                  |                  |
| Net loss and comprehensive loss                 | (425,737)        | (381,001)        |
| Financial expense                               | 35,085           | 46,589           |
| Depreciation                                    | 54,766           | 59,572           |
| <b>EBITDA <sup>(1)</sup></b>                    | <b>(335,886)</b> | <b>(274,840)</b> |

**Reconciliation of net cash flow from operating activities before change in working capital items per share <sup>(2)</sup>**

|                                                                                                  |                    |                   |
|--------------------------------------------------------------------------------------------------|--------------------|-------------------|
| Net cash flow used in operating activities before change in working capital items <sup>(2)</sup> | (240,897)          | (197,084)         |
| Basic weighted average number of common shares outstanding                                       | <u>111,294,883</u> | <u>82,868,108</u> |

(1) EBITDA: "Earnings before interest, taxes and depreciation" is a non-IFRS financial performance measure with no standard definition under IFRS. It is therefore possible that this measure could not be comparable with a similar measure of another Corporation. The Corporation uses this non-IFRS measure as an indicator of the cash generated by the operations and allows investor to compare the profitability of the Corporation with others by canceling effects of different assets bases, effects due to different tax structures as well as the effects of different capital structures. See the "Non-IFRS Measures" section 1.18 of this MD&A.

(2) Net cash-flow from operating activities before change in working capital per share is a non-IFRS financial performance measure with no standard definition under IFRS. It is therefore possible that this measure could not be comparable with a similar measure of another Corporation. See the "Non-IFRS Measures" section 1.18 of this MD&A. The Corporation uses this non-IFRS measure which can also be helpful to investors as it provides a result which can be compared with the Corporation market share price.



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**General exploration and evaluation expenditures for the period ended June 30, 2021 and 2020.**

The general exploration charge net of tax credits during the period ended June 30, 2021 of \$13,128 [nil during quarter ended June 30, 2020] represents exploration expenses incurred where the Corporation did not have the option to acquire the claims.

**B) CONSOLIDATED FINANCIAL POSITION FOR THE PERIOD ENDED JUNE 30, 2021 and DECEMBER 31, 2020**

As at June 30, 2021, the total assets amount to \$3,417,946 (\$3,331,725 on December 31, 2020). The property and equipment amounts to \$2,681,671 [\$2,846,493 on December 31, 2020] and the variation is for the most part, resulting from the depreciation and variation in foreign exchange. The exploration and evaluation assets amounts to \$217,005 as at June 30, 2021 [\$214,727 on December 31, 2020] capitalized as per the policy modification described in section 1.7. As at June 30, 2021, the current liabilities of \$1,426,172 [\$1,420,291 as at December 31, 2020] includes an amount of \$431,736 for tax and other non-compliance penalty for which no scheduled payment terms have been determined, an amount of interest due to insiders of \$220,401 and management fees due of \$87,000; a provision for asset retirement obligations for an amount of \$68,355 was recorded on June 30, 2021 (\$68,461 on December 31, 2020).

| <b>Financial Position</b>                | <b>June 30, 2021</b><br>\$ | <b>December 31, 2020</b><br>\$ |
|------------------------------------------|----------------------------|--------------------------------|
|                                          |                            |                                |
| <b>Current assets</b>                    | <b>519,270</b>             | <b>270,505</b>                 |
| <b>Property and equipment</b>            | <b>2,681,671</b>           | <b>2,846,493</b>               |
| <b>Exploration and evaluation assets</b> | <b>217,005</b>             | <b>214,727</b>                 |
| <b>Total Assets</b>                      | <b>3,417,946</b>           | <b>3,331,725</b>               |
| <b>Current liabilities</b>               | <b>1,426,172</b>           | <b>1,420,291</b>               |
| <b>Term loans</b>                        | <b>660,000</b>             | <b>660,000</b>                 |
| <b>Provision</b>                         | <b>68,355</b>              | <b>68,461</b>                  |
| <b>Convertible debentures</b>            | <b>94,794</b>              | <b>93,752</b>                  |
| <b>Shareholders' equity</b>              | <b>1,168,625</b>           | <b>1,089,221</b>               |
| <b>Total liabilities and Equity</b>      | <b>3,417,946</b>           | <b>3,331,725</b>               |

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**1.8 SELECTED FINANCIAL INFORMATION - CONTINUED**

**Property and equipment (P&E)**

|                                 | <b>Land</b>    | <b>Building</b>  | <b>Plant</b>     | <b>Vehicle</b>  | <b>Machinery and</b> | <b>Total</b>     |
|---------------------------------|----------------|------------------|------------------|-----------------|----------------------|------------------|
|                                 | <b>\$</b>      | <b>\$</b>        | <b>equipment</b> | <b>\$</b>       | <b>Equipment</b>     | <b>\$</b>        |
| <b>Cost</b>                     |                |                  |                  |                 |                      |                  |
| <b>As at January 1, 2021</b>    | 523,732        | 394,775          | 2,146,858        | 18,297          | 524,961              | 3,608,623        |
| Additions                       | -              | -                | -                | -               | 9,403                | 9,403            |
| Foreign exchange                | (11,674)       | (8,798)          | (47,850)         | (409)           | (12,008)             | (80,739)         |
| <b>As at June 30, 2021</b>      | <b>512,058</b> | <b>385,977</b>   | <b>2,099,008</b> | <b>17,888</b>   | <b>522,356</b>       | <b>3,537,287</b> |
| <b>Accumulated depreciation</b> |                |                  |                  |                 |                      |                  |
| <b>As at January 1, 2021</b>    | -              | (121,984)        | (497,292)        | (13,586)        | (129,268)            | (762,130)        |
| Depreciation                    | -              | (21,327)         | (70,375)         | (1,768)         | (16,824)             | (110,294)        |
| Foreign exchange                | -              | 2,684            | 10,971           | 301             | 2,852                | 16,808           |
| <b>As at June 30, 2021</b>      | <b>-</b>       | <b>(140,627)</b> | <b>(556,696)</b> | <b>(15,053)</b> | <b>(143,240)</b>     | <b>(855,616)</b> |
| <b>Net book value</b>           |                |                  |                  |                 |                      |                  |
| <b>June 30, 2021</b>            | <b>512,058</b> | <b>245,350</b>   | <b>1,542,312</b> | <b>2,835</b>    | <b>379,116</b>       | <b>2,681,671</b> |
|                                 | <b>Land</b>    | <b>Building</b>  | <b>Plant</b>     | <b>Vehicle</b>  | <b>Machinery and</b> | <b>Total</b>     |
|                                 | <b>\$</b>      | <b>\$</b>        | <b>equipment</b> | <b>\$</b>       | <b>Equipment</b>     | <b>\$</b>        |
| <b>Cost</b>                     |                |                  |                  |                 |                      |                  |
| <b>As at January 1, 2020</b>    | 524,017        | 394,992          | 2,148,032        | 18,307          | 517,184              | 3,602,532        |
| Additions                       | -              | -                | -                | -               | 8,231                | 8,231            |
| Foreign exchange                | (285)          | (217)            | (1,174)          | (10)            | (454)                | (2,140)          |
| <b>As at December 31, 2020</b>  | <b>523,732</b> | <b>394,775</b>   | <b>2,146,858</b> | <b>18,297</b>   | <b>524,961</b>       | <b>3,608,623</b> |
| <b>Accumulated depreciation</b> |                |                  |                  |                 |                      |                  |
| <b>As at January 1, 2020</b>    | -              | (78,332)         | (353,293)        | (9,968)         | (94,850)             | (536,443)        |
| Depreciation                    | -              | (44,760)         | (147,706)        | (3,711)         | (35,312)             | (231,489)        |
| Foreign exchange                | -              | 1,108            | 3,707            | 93              | 894                  | 5,802            |
| <b>As at December 31, 2020</b>  | <b>-</b>       | <b>(121,984)</b> | <b>(497,292)</b> | <b>(13,586)</b> | <b>(129,268)</b>     | <b>(762,130)</b> |
| <b>Net book value</b>           |                |                  |                  |                 |                      |                  |
| <b>December 31, 2020</b>        | <b>523,732</b> | <b>272,791</b>   | <b>1,649,566</b> | <b>4,711</b>    | <b>395,693</b>       | <b>2,846,493</b> |

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**1.8 SELECTED FINANCIAL INFORMATION - CONTINUED**

**Exploration and evaluation assets (E&E)**

Capitalized exploration and evaluation assets are comprised of wholly owned mining rights, undivided interests in properties as described in the section 1.9:

**Costs of E&E assets at the end of the period:**

| <u>Mining properties</u>         | <b>Moose Lake<br/>Canada<br/>(phosphate)<br/>\$</b> | <b>La Cobra -<br/>Honduras<br/>(gold)<br/>\$</b> | <b>Piedra Dorada -<br/>Honduras<br/>(gold)</b> | <b>Total<br/>\$</b> |
|----------------------------------|-----------------------------------------------------|--------------------------------------------------|------------------------------------------------|---------------------|
| <b>Balance January 1, 2020</b>   | 214,726                                             | 1                                                | -                                              | 214,727             |
| Additions                        | -                                                   | (1)                                              | 1                                              | -                   |
| <b>Balance December 31, 2020</b> | 214,726                                             | -                                                | 1                                              | 214,727             |
| Additions                        | 2,278                                               | -                                                | -                                              | 2,278               |
| <b>Balance June 30, 2021</b>     | 217,004                                             | -                                                | 1                                              | 217,005             |

During the period, the Corporation has not spent on exploration and evaluation assets as funds were allocated to the Honduran processing plant.

**1.9 INVESTING ACTIVITIES**

**GOLD PROPERTIES**

**Piera Dorada – El Corpus – Honduras**

On November 24, 2016, Cobra Oro de Honduras obtained the renewal for a period of 15 years, of the "Beneficiary permit" which confirms that the Corporation meets mining compliance in Honduras; the environmental permit was approved and validated.

On May 17, 2017, the Corporation acquired through its wholly owned Honduran subsidiary, the property called "La Cobra", which was assigned to the Corporation by the Ministry of Mines of Honduras. The property covering approximately 775 hectares, is located in the Valle Department, Honduras. On March 6, 2020, the Corporation exchanged its La Cobra property for 80% of the Piedra Dorada property, located in the municipality of El Corpus, Choluteca, Honduras.

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**1.9 INVESTING ACTIVITIES - CONTINUED**

Concession

During the first quarter of 2020, the Corporation concluded a final agreement to obtain ownership of the Piedra Dorada concession in the municipality of El Corpus, Choluteca in Honduras. On March 6, 2020, the Corporation exchanged its La Cobra property for 80% of the Piedra Dorada property, located in the municipality of El Corpus, Choluteca, Honduras. The transfer is subject to the approval of the Ministry of Mines.

**PHOSPHATE PROPERTIES**

**Moose Lake – (Lac St-Jean Quebec).**

On October 12, 2011, the Corporation entered into an option agreement with a private company and two individuals, to acquire a 100% interest in a phosphate property ("Moose Lake") located in the St-Jean Lake area (Quebec), approximately 150 km south of Lisette Lake. As the obligations of the option agreement have been fully respected, the right to property was transferred to the Corporation in 2018. The Corporation assumes a 1% NSR payable to the vendor and redeemable by tranche of 0.5% for \$500,000 each.

**1.10 FINANCING ACTIVITIES**

The Corporation is pursuing its financing alternatives mainly through the issuance of new equity and with the collaboration of its financial advisors.

**CONVERTIBLE DEBENTURE**

**(a) Convertible debenture of \$100,000 – July 18, 2020**

On July 18, 2020, the Corporation completed the financing of a \$100,000 convertible debenture bearing interest at a rate of 12% per annum and maturing on July 18, 2023. The principal amount of the debenture will be payable at the maturity date and accrued interest is payable on December 31 of each year until the maturity date.

The debenture is convertible into common shares of the Corporation at the option of the holder at any time prior to the maturity date, at a conversion price equal to \$0.12 per common share. On conversion date, the holder will receive accrued interest on the debenture from the last payment date of interest before the conversion date.

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**1.10 FINANCING ACTIVITIES - CONTINUED**

(b) Convertible debenture of \$150,000 – December 13<sup>th</sup>, 2018

On December 13th, 2018, the Corporation completed the financing of a \$150,000 convertible debenture bearing interest at a rate of 12% per annum and maturing on December 12, 2021. The principal amount of the debenture will be payable at the maturity date and accrued interest will be

paid on June 30 and December 31 of each year until maturity date. The debenture is convertible at \$0.20 into units, composed of one common share and one common share purchase warrant. The unit is to be converted at \$0.20 a share until maturity date for a total of 750,000 shares and 750,000 common share purchase warrants to be exercised at \$0.30 for two years after conversion of the debenture.

**TERM LOANS**

A first loan of \$100,000 by an insider, is a non-guaranteed loan due on June 30th, 2022, that was closed on October 20, 2018, bears interest at an annual rate of 15%. The interest are payable twice a year on June 30 and December 31st. An Officer of the Corporation has guaranteed this loan.

A second loan of \$150,000 by an insider, is a non-guaranteed long term loan due on June 30th, 2022, that was closed on October 20, 2018, bears interest at an annual rate of 15%. The interest are payable twice a year on June 30 and December 31. The two loans were contracted with an insider of the Corporation.

A third loan of \$410,000 by an insider, is a non-guaranteed loan due on May 29, 2023, that was closed on May 30, 2019, bears interest at an annual rate of 12%. The interest are payable monthly.

**SHARE ISSUANCE**

i) On September 1, 2020, the Corporation completed the final closing of a private placement for 3,587,500 units at a price of \$0.08 per unit for a cash consideration of \$287,000.

- On July 21, 2020, a first closing for 1,250,000 units was completed. Each unit consists of one common share and one warrant common share which entitles its holder to purchase one common share at a price of \$0.12 per share for 24 months. The fair value of \$18,228 was assigned to the warrant account and the total share issue cost amounted to \$761. The fair value of the warrants was determined using the Black-Scholes model with the following assumptions: share price of \$0.08, expected dividend yield of 0%, expected volatility of 72.5%, risk free rate of 0.27% and expected life of 2 years.

- On September 1, 2020, a second closing for 2,337,500 units was completed. Each unit consists of one common share and one warrant common share which entitles its holder to purchase one common share at a price of \$0.12 per share for 24 months. The fair value of \$34,913 was assigned

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to the warrant account and the total share issue cost amounted to \$3,363. The fair value of the warrants was determined using the Black-Scholes model with the following assumptions: share price of \$0.08, expected dividend yield of 0%, expected volatility of 73.9%, risk free rate of 0.27% and expected life of 2 years.

ii) On September 1, 2020, the Corporation completed the final closing of a private placement for 7,500,000 units at a price of \$0.08 per unit for a cash consideration of \$600,000. Each unit consists of one common share and one warrant common share which entitles its holder to purchase one common share at a price of \$0.12 per share for 36 months. The fair value of \$139,689 was assigned to the warrant account and the total share issue cost amounted to \$52,089 reduced by a value of \$12,000 attributable to the warrants. The fair value of the warrants was determined using the Black-Scholes model with the following assumptions: share price of \$0.08, expected dividend yield of 0%, expected volatility of 73.1%, risk free rate of 0.28% and expected life of 3 years.

-On September 1, 2020, the Corporation issued 600,000 broker warrants exercisable at \$0.12 for 36 months. The fair value of \$11,175 was assigned to the warrant account. The fair value of the warrants was determined using the Black-Scholes model with the following assumptions: share price of \$0.08, expected dividend yield of 0%, expected volatility of 73.1%, risk free rate of 0.28% and expected life of 3 years.

iii) On October 13, 2020, the Corporation issued 500,000 common shares at a deemed price of \$0.08 per share, for the settlement of amounts due to the CEO.

iv) On March 11, 2021, the Corporation made a first closing of a private placement for the issuance of 4,839,275 shares at a price of \$0.05 per share for a cash consideration of \$241,963. No warrants or commission were issued for this placement.

v) On June 2, 2021, the Corporation completed the final closing of a private placement for 12,000,000 units at a price of \$0.05 per unit for a cash consideration of \$600,000. Each unit consists of one common share and one warrant which entitles its holder to purchase one common share at a price of \$0.08 per share for 24 months. The fair value of \$112,052 was assigned to the warrant account and the total share issue cost amounted to \$5,250. The fair value of the warrants was determined using the Black-Scholes model with the following assumptions: share price of \$0.05, expected dividend yield of 0%, expected volatility of 76.7%, risk free rate of 0.32% and expected life of 2 years.

**EXERCISE OF WARRANTS**

There was no exercise of warrants during the quarter.

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**1.11 SUMMARY OF QUARTER RESULTS**

The following table contains a summary of quarterly results of the last eight quarter-ends.

| <u>Quarter ended</u> | <u>Net<br/>loss</u> | <u>Comprehensive<br/>loss</u> | <u>Net loss<br/>per share</u> |
|----------------------|---------------------|-------------------------------|-------------------------------|
| June 30, 2021        | (302,827)           | (329,612)                     | (0.00)                        |
| March 31, 2021       | (397,998)           | (425,737)                     | (0.00)                        |
| December 31, 2020    | (509,738)           | (583,898)                     | (0.01)                        |
| September 30, 2020   | (636,601)           | (658,831)                     | (0.00)                        |
| June 30, 2020        | (268,764)           | (381,001)                     | (0.00)                        |
| March 31, 2020       | (235,163)           | (18,117)                      | (0.00)                        |
| December 31, 2019    | (130,578)           | (171,819)                     | (0.00)                        |
| September 30, 2019   | (52,184)            | (10,801)                      | (0.00)                        |

During the quarter ended June 30, 2021, a net loss of \$302,827 was recorded compared to a net loss of \$268,764 for the same period in 2020. The variation is explained by the low level of production during the second quarter as the plant was in care maintenance.

During the quarter ended March 31, 2021, a net loss of \$397,998 was recorded compared to a net loss of \$235,163 for the same period in 2020. The variation is explained by the low level of production during the first quarter as the plant was in care maintenance.

During the quarter ended December 31, 2020, a net loss of \$509,738 was recorded compared to a net loss of \$130,578 for the same period in 2019. The variation is explained by the low level of production during the fourth quarter as the plant was in care maintenance.

During the quarter ended September 30, 2020, a net loss of of \$636,601 was recorded compared to a net loss of \$52,184 for the same period in 2019 for a variation of \$584,417; the variation is mainly due to the variation in gross margin for \$365,224, the G&A where share base payments amounted to \$101,481 and to the general exploration expenses which amounted to \$94,688.

During the quarter ended June 30, 2020, a net loss of of \$268,764 was recorded compared to a net loss of \$577,428 for the same period in 2019; the variation is mainly due to the variation in gross margin for \$191,036 and in the G&A where share base payments for \$114,886 in 2019 can explain the variance.

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**1.12 RELATED PARTY TRANSACTIONS**

**Remuneration of key management**

Key management includes directors and senior executives of the parent company and its subsidiary. The compensation recognized as an expense and paid to key management for services is presented below:

| <b>Related party transactions</b> | <b>June 30<br/>2021<br/>\$</b> | <b>June 30<br/>2020<br/>\$</b> |
|-----------------------------------|--------------------------------|--------------------------------|
| Consulting and management fees    | 48,600                         | 52,500                         |
| Share based payments              | -                              | 27,833                         |
|                                   | <u>48,600</u>                  | <u>80,333</u>                  |

During the period, companies controlled by officers and directors charged an amount of \$3,600 (\$3,600 – Q2-2020) for office expenses and rent. An amount of \$87,000 is due to Officers of the Corporation at the end of the period.

**1.13 LIQUIDITY AND CAPITAL RESOURCES**

As at June 30, 2021, the Corporation has a negative working capital of \$906,902 (negative of \$1,149,786 as at December 31, 2020). In the event that cash flows from its operations in Honduras would be insufficient, management is of the opinion that additional financings would be necessary to maintain the status of its current and future obligations.

The Corporation's principal source of financing is equity financing, the success of which depends on capital markets, the attractiveness of exploration companies to investors, and metal prices. To continue its future exploration activities and be able to support its ongoing operations, the Corporation will need to maintain and expand its relationships with the financial community in order to obtain further equity financing which is often necessary to support exploration programs.

Management estimates that current funds will not be sufficient to meet the Corporation's obligations and budgeted expenses through December 31, 2021. Any additional funding may be met in the future in a number of ways including but not limited to, increase in production, the issuance of new equity instruments and debt financing.

**1.14 OFF-BALANCE SHEETS ARRANGEMENTS**

The Corporation has not entered into any off-balance sheet arrangements including, without limitation, in respect of guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or in respect to any obligation under a variable interest equity arrangement.



## **1.15 CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. There is a full disclosure and description of the Corporation's significant accounting policies, critical policies estimates, judgments and assumptions in notes 2, 3 and 4 of the audited financial statements for the year ended December 31, 2020. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

## **1.16 RECENT ACCOUNTING STANDARDS**

### **New standards and interpretations adopted**

Refer to note 5 of the audited financial statements for the year ended December 31, 2020.

## **1.17 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the consolidated statement of income or comprehensive income. Those categories are: fair value through profit or loss; loans and receivables; available for sale financial assets; and, for liabilities, amortized cost. The table reproduced in the consolidated financial statements as at December 31, 2020, shows the carrying values and fair values of assets and liabilities for each of these categories as at December 31st, 2020 and December 31st, 2019. Furthermore, financial risks factors are well described in these financial statements.

## **1.18 NON-IFRS MEASURES**

Throughout this document, the Corporation has provided measures prepared according to IFRS as well as some non-IFRS financial performance measures. Because the non-IFRS performance measures do not have any standardized definition prescribed by IFRS, they may not be comparable to similar measures presented by other companies. The Corporation provides these non-IFRS financial performance measures as they may be used by some investors to evaluate our financial performance. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These non-IFRS financial performance measures were reconciled to reported IFRS measures within the document. (Refer to section 1.8 for description and reconciliation of those non-IFRS measures).

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**1.19 RISKS AND UNCERTAINTIES**

An investment in the common shares of the Corporation should be considered highly speculative for a variety of reasons. The following is a general description of certain significant risk factors which should be considered:

a) Mining industry and mining projects

Exploration and development projects have no operating history upon which to base estimates of future operating costs and capital requirements. Mining projects frequently require a number of years and significant expenditures during the mine development phase before production is possible. Development projects are subject to the completion of successful feasibility studies, obtaining the necessary governmental permits and securing necessary financing. The economic feasibility of such development projects is based on many factors such as estimation of reserves, metallurgical recoveries, future metal prices, and capital and operating costs of such projects. Exploration and development of mineral deposits thus involve significant financial risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. In fact, a mine must generate sufficient revenues to offset operating and development costs such as the costs required to establish reserves by drilling, to develop metallurgical processes, to construct facilities and to extract and process metals from the ore. Once in production, it is impossible to determine whether current exploration and development programs at any given mine will result in the replacement of current reserves with new reserves. The Corporation is subject to risks and hazards inherent to the mining industry, including fluctuations in metal prices, costs of constructing and operating a mine as well as processing and refining facilities in a specific environment, availability of economic sources of energy and adequacy of water supply, adequate access to the site, unanticipated transportation costs, delays and repair costs resulting from equipment failure, changes in the regulatory environment (including regulations relating to prices, royalties, duties, taxes, restrictions on production, quotas on exportation of minerals, as well as the costs of protection of the environment and agricultural lands), and industrial accidents and labor actions or unrest. The occurrence of any of these factors could materially and adversely affect the development of a project and as a result materially and adversely affect the Corporation's business, financial condition, results of operations and cash flow.

b) Licence and permits

Should the exploration activities be conducted by the Corporation and be successful, it may not be able to obtain the necessary licenses or permits to conduct or pursue its exploration and mining operations on its properties, and thus would realize no benefit from its exploration activities on its properties. Furthermore, as part of its ore processing activities, the Corporation is required to obtain several permits. Although the Corporation believes it will obtain the required permits, it may face administrative delays in doing so, which could impact its operations.

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**1.19 RISKS AND UNCERTAINTIES - CONTINUED**

c) Political and country risk

The principal interest of the Corporation is located in Honduras. The Corporation believes that government of Honduras supports the development of its natural resources by foreign companies. However, there is no assurance that future political and economic conditions in Honduras will not result in the government adopting different policies regarding foreign ownership of mineral resources, taxation, exchanges rates, environmental protection, labor relations, and the repatriation of funds. The possibility that a future government may adopt substantially different policies, which might extend to the expropriation of assets, cannot be ruled out. The Corporation's current and future mineral exploration and mining activities could be impacted by widespread civil unrest and rebellion. Country risk refers to the risk of investing in a country, dependent on changes in the business environment that may adversely affect operating profits or the value of assets in a specific country. For example, financial factors such as currency controls, devaluation or regulatory changes, or stability factors such as mass riots, civil war and other potential events contribute to companies' operational risks. Currently and since its operation began in Honduras, the Corporation has not suffered any of these risks.

d) Supply and quality of feedstock

The Corporation's operations involve the purchase of mineral ore from local producers which is then converted to supply the production of its plant. The increase in production and revenues of the Corporation will depend on the availability of the mineral ore being supplied by the local producers. To mitigate this risk, the Corporation is increasing the number of suppliers of mineral ore.

As the Corporation does not mine its own ore, it does not have entire control over the ore grade supplied from its suppliers. Therefore this situation can have an impact over the volume of gold produced and gold sales. The Corporation mitigates this risk by working with a minimum cut-off purchase grade when possible to ensure best efficiency and profitability of its plant operations.

e) Competition

The Corporation is in competition with other processing companies in Honduras. Although the Corporation has been able in the past, to maintain and even increase its market share and build a good reputation with its suppliers, in that field of operation, there can be no assurance that it will indefinitely retain its position in this market. The Corporation is increasing efforts on the ground to develop the growth of its processing business. The Corporation is also in competition with other mining companies for the acquisition of interests in precious and base metal mining exploration properties. In the pursuit of such acquisition opportunities, the Corporation competes with several

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**1.19 RISKS AND UNCERTAINTIES - CONTINUED**

Canadian and foreign companies that may have substantially greater financial and other resources. Although the Corporation has acquired many such assets in the past, there can be no assurance that its acquisition efforts will succeed in the future.

f) Dependence on management

The success of the operations and activities of the Corporation is dependent to a significant extent on the efforts and abilities of its management team. See "Directors and Officers" for details of the Corporation's current management. Investors must be willing to rely to a significant extent on their discretion and judgment. The Corporation does not maintain key employee insurance on any of its employees. The Corporation depends on key personnel and cannot provide assurance that it will be able to retain such personnel. Failure to retain such key personnel could have a material adverse effect on the Corporation's business and financial condition.

g) Regulation and Environmental Requirements

The activities of the Corporation require permits from various governmental authorities and are governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, environmental protection and other matters. Increased costs and delays may result of the need to comply with applicable laws and regulations. If the Corporation is unable to obtain or renew licenses, approvals and permits, it may be curtailed or prohibited from proceeding with exploration or development activities.

h) Capital Needs

The exploration and evaluation, development, mining and processing of the Corporation's properties may require substantial additional financing. The only current source of future funds available to the Corporation is the sale of additional equity capital and the borrowings of funds. There is no assurance that such funding will be available to the Corporation or that it will be obtained on terms favourable to the Corporation or will provide the Corporation with sufficient funds to meet its objectives, which may adversely affect the Corporation's business and financial position.

In addition, any future equity financings by the Corporation may result in a substantial dilution of the existing shareholders. Failure to obtain sufficient financing may result in delaying or indefinite postponement of further exploration and evaluation, development or production on any or all of the Corporation's properties or even a loss of property interest.

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**1.19 RISKS AND UNCERTAINTIES - CONTINUED**

i) Commodity Prices

The market price of the Corporation's common shares, its financial results and its exploration and evaluation, development and mining activities have previously been, or may in the future be, significantly adversely affected by the volatility in the price of precious or base minerals, including gold, and phosphate.

j) Uninsured Risks

The Corporation's business is subject to a number of risks and hazards, including environmental conditions adverse, environmental regulations, political uncertainties, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Corporation's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

k) Going Concern

The future of the Corporation depends on its ability to finance its activities and to develop its assets. Failure to obtain sufficient financing may result in the Corporation not being able to continue its operations, realize its assets and discharge its liabilities in the normal course of business in the foreseeable future.

l) Uncertainty due to COVID-19

The duration and full financial effect of the COVID-19 pandemic is unknown at this time, as are the measures taken by governments, companies and others to attempt to reduce the spread of COVID-19. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 may materially and adversely affect the Corporation's operations, financial results and condition in future periods are also subject to significant uncertainty. Glen Eagle Resources 's operating counterparties have announced temporary operational restrictions due to the ongoing COVID-19 pandemic, including reduced activities and operations placed on care and maintenance. In the current environment, the assumptions and judgements made by the Corporation are subject to greater variability than normal, which could in the future significantly affect judgments, estimates and assumptions made by management as they relate to potential impact of the COVID-19 and could lead to a material adjustment to the carrying value of the assets or liabilities affected. The impact of current uncertainty on judgments, estimates and assumptions extends, but is not limited to, the Corporation's valuation

### **1.19 RISKS AND UNCERTAINTIES - CONTINUED**

of its long-term assets, including the assessment for impairment and impairment reversal. Actual results may differ materially from these estimates.

### **1.20 SUBSEQUENT EVENTS**

On July 28<sup>th</sup>, 2021, the Corporation nominated a new board member and Chief Operating Officer (COO). The Company has also granted 400,000 options to the COO, as part of a management package and another 400,000 options to a outside consultant working in the media networking and business development for the Corporation. Each option shall entitle to subscribe for one common share of the Corporation at a price of \$0.07 cents per common share for a period of five years from the issuance date. These options were granted in accordance with the terms of the current stock option plan of the Corporation.

### **1.21 QUALIFIED PERSON**

Gilles Laverdière P.Geo., is the Qualified Person under National Instrument 43-101 who has reviewed the scientific and technical information in this document.

### **1.22 OUTLOOK**

The availability of funds is a function of the capital markets. The Corporation is searching for financing in a difficult market, impacted by the COVID-19 . It is confident to be in a position to finance itself and to find new mining properties.

The Corporation's ability to continue as a going concern is dependent upon raising additional fund. The outcome of these matters cannot be predicted at this time.

### **1.23 CONTINGENCIES**

In February 2021, the Corporation received a notice of arbitration and claim from a potential investor for failure to issue warrants as provided in an equity line of credit agreement, claiming an amount of approximately \$1.3 million. On July 28, 2020, the TSX Venture reviewed the terms of the agreement and came to the conclusion that the transaction could not take place in its current form and further discussions with the investor stalled. No provision has been recorded in these consolidated financial statements on this matter as management believes that the amounts claimed are unfounded. The Corporation intends to vigorously defend its position.

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**1.24 DISCLOSURE OF OUTSTANDING SHARE, OPTIONS AND WARRANT DATA**

Disclosure of outstanding securities as at August 27, 2021

Common shares outstanding: 111,294,883

Options outstanding: 7,155,000

| Number of options | Exercise Price | Expiry Date        |
|-------------------|----------------|--------------------|
| 1,335,000         | \$0.105        | July 13, 2021      |
| 70,000            | \$0.12         | February 13, 2022  |
| 850,000           | \$0.20         | April 26, 2022     |
| 175,000           | \$0.225        | January 25, 2023   |
| 350,000           | \$0.13         | January 24, 2024   |
| 1,450,000         | \$0.105        | June 25, 2024      |
| 425,000           | \$0.10         | February 13, 2025  |
| 1,700,000         | \$0.10         | September 18, 2025 |
| 800,000           | \$0.07         | July 28, 2026      |

Warrants outstanding: 23,687,500

| Number of warrants | Exercise Price | Expiry Date     |
|--------------------|----------------|-----------------|
| 1,250,000          | \$0.12         | July 20, 2022   |
| 2,337,500          | \$0.12         | August 31, 2022 |
| 7,500,000          | \$0.12         | August 31, 2023 |
| 600,000            | \$0.12         | August 31, 2023 |
| 12,000,000         | \$0.08         | June 2, 2023    |

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**1.25 ADDITIONNAL INFORMATION AND CONTINUOUS DISCLOSURE**

Additional information on the Corporation is available through regular filings of quarterly and annual financial statements and press releases on SEDAR ([www.sedar.com](http://www.sedar.com)) or on our web site [www.gleneagleresources.com](http://www.gleneagleresources.com)

**(s) Jean Labrecque**  
**Jean Labrecque**  
**President & Chief Executive Officer**

**(s) Daniel Bélisle**  
**Daniel Bélisle**  
**Chief Financial Officer & Corporate Secretary**

**CORPORATE INFORMATION**

**Directors**

**Jean Labrecque**  
**Gilles Laverdière (1)**  
**Charles Taschereau (1)**  
**Guy Chamard (1)**  
**Karl Trudeau**  
**(1) Audit Committee member**

**Transfer Agents**

**Computershare Canada**  
**1500 University, Suite 700**  
**Montreal, Quebec H3A 3S8**

**Officers**

**Jean Labrecque**  
**President & Chief Executive Officer**

**Daniel Bélisle**  
**Chief Financial Officer**

**Solicitors**

**DS Welch Bussièrès**  
**1080 Côte du Beaver Hall**  
**Montreal, Quebec H2Z 1S8**

**Exchange Listing**

**TSX-V**  
**Ticker symbol: GER**  
**Cussip: 87973L103**  
**ISIN: CA87973L1031**

**Auditors**

**Raymond Chabot Grant Thornton LLP**  
**600 De La Gauchetière O Bureau 2000**  
**Montreal, Quebec H3B 4L8**

**Head Office**

**2075 Victoria**  
**St-Lambert, Quebec J4S 1H1**