

# EARL RESOURCES LIMITED

## Management's Discussion and Analysis of Financial Condition and Results of Operations for the third quarter ended September 30, 2017

(Prepared by Management)

Date: November 22, 2017

### General

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The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with Earl Resources Limited's (the "Company") unaudited condensed interim financial statements for the third quarter ending September 30, 2017 and audited financial statements for the year ended December 31, 2016, including the respective notes thereon. The unaudited condensed interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and include the operating results of the Company. The date of this Management Discussion and Analysis is November xx, 2017.

Additional information relating to the Company can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com)

All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

### Forward-Looking Statements

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This MD&A may contain forward-looking information and is subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ from those projected in the forward-looking statements. Readers can identify many of these statements by looking for words such as "believes", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof.

Forward-looking information is based on the opinions and estimates of management and its consultants at the date the information is given. It is subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information. The information is based on reasonable assumptions which include but are not limited to expectations with respect to new business opportunities and expectations regarding the ability to raise capital (see "Liquidity and Capital Resources" below).

Factors that could cause actual results to differ materially from those in forward-looking statements include competition, escalating costs and professional fees, stock market volatility, unanticipated operating events, liabilities inherent in industry and the lack of availability of necessary capital, which may not be available to the Company on terms acceptable to it or at all.

Forward-looking statements address future events and conditions and therefore involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated in such statements. There can be no assurance that the plan, intentions or expectations upon which these forward looking statements are based will occur. Forward looking statements are subject to risks, uncertainties and assumptions. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements should not be in any way construed as guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements.

Readers are cautioned not to put undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements that are contained herein, except in accordance with applicable securities laws.

## Overview

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Earl Resources Limited (the "Company") is an inactive company with limited operations. The Company was incorporated under the British Columbia "Companies Act" as a Specialty Limited Company on November 21, 1963 under the name Aspen Grove Copper Mines Ltd. (N.P.L), changed its name to Aspen Grove Mines Ltd (N.P.L.) on July 7, 1965, converted to Aspen Grove Mines Ltd, a limited company on February 7, 1984, changed its name to Legion Resources Ltd on March 25, 1986, and on July 17, 1998 changed its name to Earl Resources Limited and continued to the Cayman Islands. The Company had options to explore and develop five mineral properties in the People's Republic of China but in 2001, due to its inability to secure the necessary funding with which to finance the projects, the Company elected not to exercise its options with respect to the properties. In September 2002, the Company entered into two asset purchase agreements to acquire two Cambodian lottery licenses through a Reverse Takeover Transaction ("RTO"), however the RTO was not completed by December 31, 2003 and the transaction was terminated per the terms of the asset purchase agreements. The Company has had no substantive operations since.

The Company was subject to a Cease Trade Order issued by the British Columbia Securities Commission ("BCSC") on June 2, 2004 and subject to a Cease Trade Order issued by the Alberta Securities Commission ("ASC") on June 30, 2004 for failure to file financial statements (collectively, the "Orders"). The Order's were revoked by both the BCSC and ASC on August 13, 2010.

The Company has its common shares listed on the NEX Board of the TSX Venture Exchange (the "Exchange"). Arising from the issuance of the Orders, the Exchange suspended trading in the Company's common shares. With the revocation of the Orders on August 13, 2010, the Exchange reinstated the trading of the Company's common shares on the NEX Board effective September 16, 2010.

Management is also in the process of seeking business opportunities for the Company. The Company's ability to continue as a going concern is dependent upon its ability to identify new business opportunities, generate future profitable operations, obtaining the necessary financing to meet its obligations, receive the continued financial support from its officers and directors and repay any liabilities arising from normal business operations as they come due.

There can be no assurance that a viable business opportunity that can be adequately financed will be identified and available to the Company. Additional equity and/or debt financing is subject to the global financial markets and prevailing economic conditions, which have recently been volatile and distressed. These factors will likely make it more challenging to obtain financing for the company going forward.

In the opinion of management, all adjustments consisting of normal recurring adjustments, considered necessary for a fair presentation of the Company's financial position, results of operations and cash flows, have been included.

## Selected Annual Information and Results of Operations

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As at December 31,	2016 \$	2015 \$	2014 \$
Total assets	32,521	22,796	18,937
Deficit	(1,805,528)	(1,730,924)	(1,633,905)
Working Capital (deficiency)	(1,211,448)	(1,136,844)	(1,039,825)
Net income (loss)	(74,604)	(97,019)	(89,899)
Per share – (basic and diluted)	(0.01)	(0.01)	(0.01)

Total assets were \$7,647 at September 30, 2017 (December 31, 2016 - \$32,521).

For the three and nine months ended September 30, 2017, the Company recorded a net loss of \$14,599 and \$58,856 and \$0.002 and \$0.008 per share (September 30, 2016 - net loss \$18,678 and \$60,662 and

\$0.003 and \$0.009 per share), respectively. The decrease in net loss is primarily due to foreign exchange fluctuations.

General and administrative expenses for the three and nine months ended September 30, 2017 were \$14,599 and \$58,856 (September 30, 2016 - \$18,678 and \$60,662). The Company's expenses are comprised mainly of management, accounting, filing and transfer agent fees. While the Company remains inactive, filing fees continue to incur for the Company's quarterly listing fees and the annual maintenance fees. Expenses have remained relatively low as a result of minimal corporate and operational activity.

### **Summary of Quarterly Results**

The following table sets forth selected (unaudited) quarterly financial information for each of the last eight most recently completed quarters.

	For the three months ending			
	Sep 30/17	Jun 30/17	Mar 31/17	Dec 31/16
	\$	\$	\$	\$
Total Assets	7,647	12,546	18,889	32,521
Deficit	(1,864,384)	(1,849,785)	(1,832,068)	(1,805,528)
Working Capital (deficiency)	(1,270,304)	(1,255,705)	(1,237,988)	(1,211,448)
Net income (loss)	(14,599)	(17,717)	(26,540)	(13,942)
Per share – (basic and diluted)	(0.002)	(0.003)	(0.004)	(0.002)

  

	For the three months ending			
	Sep 30/16	Jun 30/16	Mar 31/16	Dec 31/15
	\$	\$	\$	\$
Total Assets	9,695	14,577	27,477	22,796
Deficit	(1,791,586)	(1,772,908)	(1,746,873)	(1,730,924)
Working Capital (deficiency)	(1,197,506)	(1,178,828)	(1,152,793)	(1,136,844)
Net income (loss)	(18,678)	(26,035)	(15,949)	(19,237)
Per share – (basic and diluted)	(0.003)	(0.004)	(0.002)	(0.003)

The decrease in expenses during the three months ended September 30, 2017 was primarily due to the foreign exchange fluctuations.

General and administrative expenses for the three months ended September 30, 2017 were \$14,599 (2016 - \$18,678). The Company's expenses are comprised mainly of management, accounting, filing and transfer agent fees. While the Company remains inactive, filing fees continue to incur for the Company's quarterly listing fees and the annual maintenance fees. Expenses have remained relatively low as a result of minimal corporate and operational activity. Some amounts due to the directors of the Company are denominated in United States Dollars and the fluctuation in net loss between the periods is partly due to fluctuations in the Canadian Dollar against United States Dollar foreign exchange rates.

### **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of these condensed interim financial statements in conformity of IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed interim financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

## Share Capital

(a) Authorized: 100,000,000 common shares without par value.

(b) Issued and Outstanding:

	No. of Shares	Amount
Balance, September 30, 2017 and December 31, 2016	6,925,823	\$ 532,580

(c) Stock Options

The Company has a Stock Option Plan (the "Plan") which was approved by shareholders on November 10, 2010 and accepted for filing by the Exchange that allows it to grant options, subject to regulatory terms and approval, to its officers, directors, employees, and service providers. The Plan is based on the maximum number of eligible shares equaling a rolling percentage of up to 10% of the Company's outstanding common shares, calculated from time to time.

Pursuant to the Plan, if outstanding options are exercised, or expire, and/or the number of issued and outstanding common shares of the Company increases, then the options available to grant under the plan increase proportionately. The exercise price of each option is set by the Board of Directors at the time of grant but cannot be less than the Discounted Market Price, as calculated pursuant to the policies of the Exchange, or such other minimum price as may be required by the Exchange.

Options can have a maximum term of ten (10) years and typically terminate 90 days following the termination of the optionee's employment or engagement, except in the case of retirement or death. Vesting of options is at the discretion of the Board of Directors at the time the options are granted.

The following stock options are outstanding as at September 30, 2017:

	Number of Options	Exercise Price	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
December 17, 2020	690,000	0.10	3.21 years	0.10

## Contractual Obligations

The Company has no outstanding contractual obligations.

## Related Party Transactions

The following directors and/or senior officers transacted with the Company in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

Transactions	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Vincent Theng Gek Cheng - Management Fees <sup>(a)</sup>	\$ 7,500	\$ 7,500	\$ 22,500	\$ 22,500
Yi-Lin Wong – Accounting Fees <sup>(b)</sup>	4,500	4,500	13,500	13,500
Total	\$ 12,000	\$ 12,000	\$ 36,000	\$ 36,000

(a) Vincent Theng Gek Cheng, the CEO and CFO of the Company provided management services throughout the period.

(b) Yi-Lin Wong, a director of the Company provided accounting services throughout the period.

<b>Related party loans repayable</b>	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Vincent Theng Gek Cheng	\$ 765,970	\$ 746,647
Yi-Lin Wong	371,871	357,212
Total	\$ 1,137,841	\$ 1,103,859

The amounts payable to directors of the Company represent non-interest bearing loans the Company borrowed from the directors. The loans are uncollateralized and are repayable on demand.

### **Liquidity and Capital Resources**

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The Company has been financing its operations primarily from advances from the Company's directors and related parties and its ability to continue as a going concern and meet its working capital deficiency is dependent on obtaining additional financing. Based on the Company's existing working capital deficiency of \$1,270,304 at September 30, 2017, the Company does not have sufficient capital to meet its ongoing corporate obligations and initiate any business acquisition programs going forward. While the Company's cash consumption from operations is relatively low given the lack of operations, without the continued support of its directors and related parties, the Company will not have sufficient cash to pursue and fund future operations, including the operational and administrative expenses that will result. In the short term, the Company intends to raise additional funds through debt or equity financing as well as advances from the Company's directors and related parties to meet its working capital and expenditure requirements. The Company expects to continue to utilize these modes of financing until it develops cash flow from its future operations. No assurance can be given that additional financing will be available, or that it can be obtained on terms acceptable to the Company and its shareholders.

### **Future IFRS Standards and Interpretations Issued But Not Yet Effective**

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There are no new accounting pronouncements adopted during the period that are applicable to the Company and included in these financial statements. The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are not yet effective:

- IFRS 9 – Financial Instruments: Classification and Measurement, effective for periods beginning on or after January 1, 2018
- IFRS 15 — Revenue from Contracts with Customers, effective for periods beginning on or after January 1, 2018
- IFRS 16 — Leases, effective for periods beginning on or after January 1, 2019.

The Company is in the process of evaluating the effect of the proposed standards, if any.

### **Off-Balance Sheet Arrangements**

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The Company has not entered into any off balance sheet arrangements, other than previously disclosed, that have, or are reasonably likely to have, an impact on the current or future results of operations or the financial condition of our Company.

## **Subsequent Events**

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Subsequent to September 30, 2017:

a) the directors of the Company, Vincent Theng Gek Cheng, Eric Theng How Cheng, and Yi-Lin Wong, have stepped down to pursue other opportunities, and Lyle Davis, Satvir Dhillon, and Paul Larkin have been appointed directors in their stead, subject to TSX approval. Vincent Theng Gek Cheng has also stepped down as President, CEO and CFO of the Company. Paul Larkin and Jonathan Younie have been appointed CEO and CFO, respectively, of the Company.

b) the Board of Directors approved a consolidation ("Consolidation") of share capital on a 1:3 basis and a post-consolidated working capital private placement of 30,000,000 units ("Units") at \$0.05 per Unit for gross proceeds of \$1,500,000, each Unit consisting of a common share and a share purchase warrant ("Warrant"), each Warrant exercisable at \$0.10 into an additional common share for a term of one year, subject to TSX approval. The net proceeds of the private placement are for the payment of outstanding debts and for reactivation working capital. A Finder's fee may be payable in connection with the private placement, subject to TSX policies.

Pursuant to the Articles of the Issuer, the Consolidation is subject to shareholder approval and accordingly an extraordinary general meeting, to take place on January 9, 2018, has been called to approve the Consolidation and such other matters as management may propose in connection with the restructuring of the Issuer.

c) 690,000 outstanding stock options have been cancelled in connection with the resignation of the outgoing directors.

## **Risks and Uncertainties**

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Other than the working capital deficiency and the going concern risk, the Company's current activities do not present any other material risks such as political, environmental, foreign exchange or mining activities.

## **Outstanding Share Data**

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The Company has one class of common shares. As at September 30, 2017 and November 22, 2017, there were 6,925,823 common shares outstanding.

The Company has a stock option plan. As at November 22, 2017, there were no stock options outstanding.

The Company has no warrants outstanding as at November 22, 2017.