

Earl Resources Limited

Condensed Interim Financial Statements
(Expressed in Canadian Dollars)
For the Three Months Ended March 31, 2018

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3(a)), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Vancouver, B.C.
May 3, 2018

Earl Resources Limited

Condensed Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	As at March 31, 2018	As at December 31, 2017
ASSETS		
Current Assets		
Cash	\$ 275,858	\$ 332,638
Prepaid expenses	1,250	-
TOTAL ASSETS	\$ 277,108	\$ 332,638
LIABILITIES and EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 12,736	\$ 31,640
Due to related parties (Note 7)	140,110	151,126
TOTAL LIABILITIES	152,846	182,766
EQUITY		
Share capital (Note 4)	2,029,668	532,580
Share subscriptions received (Note 4)	-	1,466,600
Share-based payments reserve	61,500	61,500
Deficit	(1,966,906)	(1,910,808)
TOTAL EQUITY	124,262	149,872
TOTAL LIABILITIES and EQUITY	\$ 277,108	\$ 332,638

Nature of operations and going concern (Notes 1, 2(c))

Approved on behalf of the Board:

"Paul Larkin" Director

"Lyle Davis" Director

See accompanying notes to financial statements.

Earl Resources Limited

Condensed Interim Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	For the Three Months Ended	
	March 31,	
	2018	2017
EXPENSES		
Accounting and audit (Note 7)	\$ -	\$ 13,680
Filing fees	20,350	4,740
Foreign exchange loss (income)	-	(892)
Legal	9,825	-
Management fees (Note 7)	7,875	7,500
Office administration and expenses	8,176	550
Transfer agent fees	7,882	962
Travel and business development	1,990	-
Loss and Comprehensive Loss for the Period	\$ 56,098	\$ 26,540
Basic And Diluted Loss Per Share	\$ 0.00	\$ 0.01
Weighted Average Number Of Shares Outstanding, Basic and Diluted	11,975,277	2,308,610

See accompanying notes to condensed interim financial statements.

Earl Resources Limited

Condensed Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	For the Three Months Ended	
	March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (56,098)	\$ (26,540)
Adjustments for items not involving cash:		
Management fees	-	12,000
Changes in non-cash working capital items:		
Increase in prepaid expenses	(1,250)	(2,027)
Decrease in accounts payable and accrued liabilities	(18,904)	-
Cash used in operating activities	(76,252)	(16,567)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from (repayments to) related parties	(11,016)	908
Private placement financing, net of issuance costs	30,488	-
Cash provided by financing activities	19,472	908
Decrease in cash during the period	(56,780)	(15,659)
Cash, beginning of the period	332,638	23,587
Cash, end of the period	\$ 275,858	\$ 7,928

See accompanying notes to condensed interim financial statements.

Earl Resources Limited

Condensed Interim Statements of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Number of Shares	Share Capital	Share Subscriptions Received	Share-based Payments Reserve	Deficit	Total Equity (Deficiency)
Balance, December 31, 2016	2,308,610	532,580	-	61,500	(1,805,528)	(1,211,448)
Net and comprehensive loss for the period	-	-	-	-	(26,540)	(26,540)
Balance, March 31, 2017	2,308,610	\$ 532,580	\$ -	\$ 61,500	\$ (1,832,068)	\$ (1,237,988)
Share subscriptions received	-	-	1,466,600	-	-	1,466,600
Net and comprehensive loss for the period	-	-	-	-	(78,740)	(78,740)
Balance, December 31, 2017	2,308,610	\$ 532,580	\$ 1,466,600	\$ 61,500	\$ (1,910,808)	\$ 149,872
Private placement financing	30,000,000	1,500,000	(1,466,600)	-	-	33,400
Share issuance costs		(2,912)				(2,912)
Net and comprehensive loss for the period	-	-	-	-	(56,098)	(56,098)
Balance, March 31, 2018	32,308,610	\$ 2,029,668	\$ -	\$ 61,500	\$ (1,966,906)	\$ 124,262

See Note 1 on share consolidation

See accompanying notes to condensed interim financial statements.

Earl Resources Limited

Notes to Condensed Interim Financial Statements

For the three months ended March 31, 2018 and 2017

(Unaudited, prepared by management and expressed in Canadian Dollars)

1. Nature of Operations and Continuance of Operations

Earl Resources Limited (the “Company”) was incorporated under the British Columbia “Companies Act” as a Specialty Limited Company on November 21, 1963. In July 1998, it continued to the Cayman Islands. In February 2018, it continued back to British Columbia. The Company is currently inactive with limited operations and is in the process of seeking business opportunities. The head office and principal address of the Company is located at Suite 530 – 625 Howe Street, Vancouver, BC, Canada, V6C 2T6. In March 2018, the Company consolidated its share capital on a 3 to 1 basis. All share and per share amounts have been retroactively restated to reflect the consolidation.

The Company’s ability to continue as a going concern is dependent upon its ability to continue raising equity financing, to identify, evaluate and negotiate a participation in, or an investment of an interest in a fundamental acquisition. Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These financial statements do not reflect the adjustments to the carrying value of assets and liabilities, or the impact on the statement of operations and comprehensive loss and financial position classifications that would be necessary were the going concern assumption not appropriate.

The Company has a cumulative deficit of \$1,966,906 (December 31, 2017 - \$1,910,808) and a working capital surplus of \$124,262 (December 31, 2017 – \$149,872). 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. These matters and conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as going concern.

2. Significant Accounting Policies

a) Statement of Compliance

The unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, “Interim Financial Reporting”. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS as issued by the IASB, since they do not contain all disclosures required by IFRS for annual financial statements.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 3, 2018.

Earl Resources Limited

Notes to Condensed Interim Financial Statements

For the three months ended March 31, 2018 and 2017

(Unaudited, prepared by management and expressed in Canadian Dollars)

2. Significant Accounting Policies (cont'd...)

b) Basis of Preparation

These financial statements have been prepared on a going concern basis, under the historical cost convention and using the accrual basis of accounting, except for cash flow information.

c) Significant Accounting Judgments, Estimates and Assumptions

The preparation of these 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 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.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the financial statements is described below:

Share-based payment

The Company uses the Black-Scholes option pricing model to calculate the fair value of share purchase options at the date of grant. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. Changes in these assumptions can materially affect the fair value estimate.

Significant areas of critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the statements of financial position are:

Earl Resources Limited

Notes to Condensed Interim Financial Statements

For the three months ended March 31, 2018 and 2017

(Unaudited, prepared by management and expressed in Canadian Dollars)

2. Significant Accounting Policies (cont'd...)

c) Significant Accounting Judgments, Estimates and Assumptions (cont'd...)

Going concern

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the three months ended March 31, 2018. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, management concluded there is significant doubt as to the ability of the Company to meet its obligations as they fall due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

d) Foreign Currencies

The Company's functional and presentation currency is the Canadian dollar as this is the principal currency of the economic environment in which they operate. Transactions in foreign currencies (currencies other than Canadian dollars) are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid instruments which are readily convertible into cash with maturities of three months or less when purchased. There were no cash equivalents as at March 31, 2018 (December 31, 2017 - \$nil).

f) Financial Instruments

Financial assets:

Financial assets are classified into one of four categories:

- i. Fair value through profit or loss;
- ii. Held-to-maturity;
- iii. Available-for-sale; and
- iv. Loans and receivables.

Earl Resources Limited

Notes to Condensed Interim Financial Statements

For the three months ended March 31, 2018 and 2017

(Unaudited, prepared by management and expressed in Canadian Dollars)

2. Significant Accounting Policies (cont'd...)

f) Financial Instruments (cont'd...)

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. The Company has classified cash and cash equivalents as fair value through profit or loss.

i. Fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL, if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Attributable transaction costs are recognized in profit or loss when incurred. Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

ii. Held-to-maturity

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. Subsequent to initial recognition, these assets are measured at amortized costs using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statements of operations and comprehensive loss.

iii. Available-for-sale ("AFS")

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes therein, other than impairment losses, interest calculated using the effective interest method and foreign currency differences on AFS monetary items, recognized in other comprehensive income or loss. When an investment is derecognized or is determined to be impaired, the cumulative gain or loss previously recognized in equity is transferred to profit or loss for the period.

Earl Resources Limited

Notes to Condensed Interim Financial Statements

For the three months ended March 31, 2018 and 2017

(Unaudited, prepared by management and expressed in Canadian Dollars)

2. Significant Accounting Policies (cont'd...)

f) Financial Instruments (cont'd...)

iv. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

v. Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

vi. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as an objective evidence of impairment could include the following:

- Significant financial difficulty of the issue or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial reorganization.

For marketable securities classified as AFS, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Earl Resources Limited

Notes to Condensed Interim Financial Statements

For the three months ended March 31, 2018 and 2017

(Unaudited, prepared by management and expressed in Canadian Dollars)

2. Significant Accounting Policies (cont'd...)

f) Financial Instruments (cont'd...)

vi. *Impairment of financial assets (cont'd...)*

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss I recognized directly in equity.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

vii. *Derecognition of financial assets*

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities and equity:

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Earl Resources Limited

Notes to Condensed Interim Financial Statements

For the three months ended March 31, 2018 and 2017

(Unaudited, prepared by management and expressed in Canadian Dollars)

2. Significant Accounting Policies (cont'd...)

f) Financial Instruments (cont'd...)

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

i. Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

The Company has classified accounts payable and accrued liabilities and due to related parties as other financial liabilities.

ii. De-recognition of financial liabilities

The Company derecognizes financial liabilities when the obligations are discharged, cancelled or expire.

The Company does not have any derivative financial instruments as at March 31, 2018 or December 31, 2017.

g) Share-based Compensation

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to ten (10) years, with vesting periods determined at its sole discretion and at prices equal to the Discounted Market Price, as calculated pursuant to the policies of the TSX Venture Exchange (the "Exchange"), or such other minimum price as may be required by the Exchange.

The fair value is measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

Earl Resources Limited

Notes to Condensed Interim Financial Statements

For the three months ended March 31, 2018 and 2017

(Unaudited, prepared by management and expressed in Canadian Dollars)

2. Significant Accounting Policies (cont'd...)

g) Share-based Compensation (cont'd...)

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

h) Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, measured using enacted or substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. As the Company was located in the Cayman Islands until February 2018, it was exempt from corporate income tax.

i) Earnings (Loss) Per Share

The Company presents basic and diluted earnings/loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings/loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

j) Comprehensive Income (Loss)

Comprehensive income (loss) is the overall change in the net assets of the Company for a period, other than changes attributable to transactions with shareholders. It is made up of net income (loss) and other comprehensive income (loss). The historical make up of net income (loss) has not changed. Other comprehensive income (loss) includes gains or losses, which generally accepted accounting principles requires be recognizing in a period, but excluding from net income for that period.

k) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Earl Resources Limited

Notes to Condensed Interim Financial Statements

For the three months ended March 31, 2018 and 2017

(Unaudited, prepared by management and expressed in Canadian Dollars)

3. New Accounting Pronouncements Adopted During the Year and Future IFRS Standards and Interpretations Issued But Not Yet Effective

There are no new accounting pronouncements adopted during the current year 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 2 – Share-based Payment, effective for periods beginning on or after January 1, 2018
- 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 and does not anticipate any material changes upon adoption of these new accounting pronouncements.

4. Share Capital

(a) Authorized: Unlimited number of common shares without par value. In February 2018, the Company completed its continuation from Cayman Islands to British Columbia, Canada. Before the continuation to BC, the Company had authorized common shares of 100,000,000 without par value. After the continuation, the Company is authorized to have unlimited number of shares without par value.

(b) Issued Share Capital

As at March 31, 2018, the issued share capital was 32,308,610 common shares (December 31, 2017 – 2,308,610 common shares). In March 2018, following the 1:3 consolidation of its Common Shares, the Company completed a 30,000,000 Unit non-brokered private placement financing at \$0.05 per Unit for gross proceeds of \$1,500,000. Each Unit consisted of a Share and a whole Warrant, each Warrant entitling the holder to purchase an additional Share for an exercise price of \$0.10 per Share up to one year from issuance. The issued securities are subject to a prescribed four-month restricted trading period. The proceeds, after payment of outstanding liabilities, have been allocated to working capital.

Earl Resources Limited

Notes to Condensed Interim Financial Statements

For the three months ended March 31, 2018 and 2017

(Unaudited, prepared by management and expressed in Canadian Dollars)

4. Share Capital (cont'd...)

(c) Share subscriptions received

As at March 31, 2018, the Company had received \$Nil (December 31, 2017 - \$1,466,600) in share subscriptions for a private placement financing that closed in March 2018. The previously received subscription receipts were converted to units upon closing of the private placement financing in March 2018. (See Note 4(b))

5. Share-Based Payments

The Company has a share option plan approved by the shareholders on November 10, 2010 that allows it to grant options, subject to regulatory terms and approval, to its officers, directors, employees, and service providers. The share option plan (the "2010 Rolling Option 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 2010 Rolling Option 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 is a summary of option transactions under the Company's stock option plan for the relevant periods:

	Number	Weighted Average Exercise Price
Balance, at December 31, 2016	230,000	\$ 0.30
Cancelled	(230,000)	0.30
Balance, at March 31, 2018 and December 31, 2017	-	\$ -

230,000 outstanding stock options were cancelled in connection with the resignation of the former directors.

During the three months ended March 31, 2018, the Company did not grant any stock options.

Earl Resources Limited

Notes to Condensed Interim Financial Statements

For the three months ended March 31, 2018 and 2017

(Unaudited, prepared by management and expressed in Canadian Dollars)

6. Basic and Diluted Earnings (Loss) Per Share

The calculation of basic and diluted loss per share for the three months ended March 31, 2018 was \$0.00 (March 31, 2017 – \$0.01) based on the loss attributable to common shareholders of \$56,098 (March 31, 2017 – \$26,540) and a weighted average number of common shares outstanding of 11,975,277 (March 31, 2017 – 2,308,610).

7. 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:

	Three Months Ended March 31	
	2018	2017
Management fees	\$ 7,875	\$ 7,500
Accounting fees	-	4,500
Administration fees	4,725	-
Rent	3,150	-
	<u>\$ 15,750</u>	<u>\$ 12,000</u>

	March 31, 2018	December 31, 2017
Related party payables		
New Dawn Holdings Ltd.	\$ 140,110	\$ 151,126

New Dawn Holdings Ltd. is a private company wholly-owned by Paul Larkin, the President, CEO and a Director of the Company.

Earl Resources Limited

Notes to Condensed Interim Financial Statements

For the three months ended March 31, 2018 and 2017

(Unaudited, prepared by management and expressed in Canadian Dollars)

8. Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of any identified business opportunities and to maintain a flexible capital structure for the benefit of its stakeholders.

The Company includes equity, comprised of issued share capital, reserves and deficit, in the definition of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture arrangements, acquire or dispose of assets or adjust the amount of cash.

The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable growth. The Company is not subject to externally imposed capital requirements. There has been no change with respect to the overall capital risk management strategy during the three months ended March 31, 2018.

9. Financial Instruments and Risk Factors

a) Fair Value

The fair value of cash, accounts payable and accrued liabilities and due to related parties approximate their carrying values due to the short-term nature of these instruments.

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 7 – Financial Instruments – Disclosures:

- Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets. The Company's cash and cash equivalents are measured as level 1 inputs.
- Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Significant unobservable inputs which are supported by little or no market activity.

b) Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents which are held in large Canadian financial institutions. The Company believes this credit risk is insignificant.

Earl Resources Limited

Notes to Condensed Interim Financial Statements

For the three months ended March 31, 2018 and 2017

(Unaudited, prepared by management and expressed in Canadian Dollars)

9. Financial Instruments and Risk Factors (cont'd...)

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At March 31, 2018, the Company had a cash balance of \$275,858 (December 31, 2017 - \$332,638) to settle current liabilities of \$152,846 (December 31, 2017 - \$182,766). In general, the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

d) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances and no interest-bearing debt. The Company believes it has no significant interest rate risk.