

# EARL RESOURCES LIMITED

## Management's Discussion and Analysis of Financial Condition and Results of Operations For the Year Ended December 31, 2019 (Prepared by Management)

Date: March 23, 2020

### General

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This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited financial statements of Earl Resources Limited (the "Company") for the year ended December 31, 2019. The audited 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 March 23, 2020.

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 was incorporated under the British Columbia "*Companies Act*" as a Specialty Limited Company on November 21, 1963. In July 1998, the Company continued to the Cayman Islands. In February 2018, the Company continued back to British Columbia. The Company is currently inactive with limited operations.

The Company's common shares are listed on the NEX Board of the TSX Venture Exchange (the "Exchange"). 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.

Management is 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

As at December 31,	2019	2018	2017
	\$	\$	\$
Total assets	95,840	188,386	332,638
Deficit	(2,135,632)	(2,043,062)	(1,910,808)
Working Capital (deficiency)	(44,464)	48,106	149,872
Net income (loss)	(92,570)	(132,254)	(105,280)
Per share – (basic and diluted)	(0.00)	(0.00)	(0.05)

During the year ended December 31, 2019, the Company recorded a net loss of \$92,570 and \$0.00 per share (2018 - net loss \$132,254 \$0.00 per share). The decrease in net loss is primarily due to decreased legal, filing and transfer agent fees. These fees were higher in 2018 due to the private placement financing, the continuation from the Caymans to BC and the share consolidation.

General and administrative expenses for the year ended December 31, 2019 were \$93,802 (2018 - \$133,573). The Company's expenses are comprised mainly of management, accounting, legal, 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. Other items were comprised of interest income of \$1,232 (2018 - \$1,319).

## 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			
	Dec 31/19	Sep 30/19	Jun 30/19	Mar 31/19
	\$	\$	\$	\$
Total Assets	95,840	113,526	137,120	166,761
Deficit	(2,135,632)	(2,117,752)	(2,096,758)	(2,075,384)
Working Capital (deficiency)	(44,464)	(26,584)	(5,590)	15,784
Net loss	(17,880)	(20,995)	(21,372)	(32,323)
Per share – (basic and diluted)	(0.00)	(0.00)	(0.00)	(0.00)

  

	For the three months ending			
	Dec 31/18	Sep 30/18	Jun 30/18	Mar 31/18
	\$	\$	\$	\$
Total Assets	188,386	205,650	225,878	277,108
Deficit	(2,043,062)	(2,025,796)	(2,006,968)	(1,966,906)
Working Capital (deficiency)	48,106	65,372	84,200	124,262
Net loss	(17,266)	(18,828)	(40,062)	(56,098)
Per share – (basic and diluted)	(0.00)	(0.00)	(0.00)	(0.01)

Net loss for the fourth quarter ended December 31, 2019 was \$17,880 (2018 - \$17,266) comprised mainly of general and administrative expenses of \$18,091 (2018 - \$17,784). The Company's expenses are comprised mainly of management, administration, filing and transfer agent fees. While the Company remains inactive, filing fees continue to be incurred for the Company's quarterly listing fees and the annual maintenance fees. Other items were comprised of interest income of \$211 (2018 - \$517) earned on a variable rated GIC. Expenses have remained relatively low as a result of minimal corporate and operational activity.

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

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The preparation of these audited financial statements for the year ended December 31, 2019 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 audited 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**

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(a) Authorized: Unlimited common shares without par value.

(b) Issued and Outstanding:

	Number of shares	Capital stock	Share-based Payments Reserve
Balance as at December 31, 2017	2,308,610	\$ 532,580	\$ 61,500
Private placement	30,000,000	1,500,000	-
Share issuance costs	-	(2,912)	-
Balance as at December 31, 2019 and 2018	32,308,610	\$ 2,029,668	\$ 61,500

All share and per share amounts have been retroactively restated to reflect the consolidation in March 2018 on a 3 to 1 basis.

(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.

At December 31, 2019, there were no stock options outstanding.

### **Contractual Obligations**

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The Company has no outstanding contractual obligations.

### **Related Party Transactions**

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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:

	<b>Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Management fees	\$ 31,500	\$ 31,500
Accounting fees	2,100	-
Administration fees	18,900	18,900
Rent	12,600	12,600
	<u>\$ 65,100</u>	<u>\$ 63,000</u>

  

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Related party payables</b>		
New Dawn Holdings Ltd.	\$ 140,110	\$ 140,110

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

## **Liquidity and Capital Resources**

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At December 31, 2019 the Company had a deficit of \$2,135,632. 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 an acquisition of, a participation in, or an investment of an interest. 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.

At December 31, 2019, the Company had cash and cash equivalents of \$94,590 and a working capital deficit of \$44,464.

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

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Management has reviewed and determined that the new accounting standards and interpretations mandatory after the December 31, 2019 reporting period are not relevant to the Company.

## **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.

## **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 – at March 23, 2020**

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	Number
Common shares, issued and outstanding	<u>32,308,610</u>

In March 2019, 30,000,000 share purchase warrants with an exercise price of \$0.10 expired unexercised.