

Earl Resources Limited

Condensed Interim Financial Statements
(Expressed in Canadian Dollars)
For the Three Months Ended March 31, 2020

**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 11, 2020

Earl Resources Limited

Condensed Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	As at March 31, 2020	As at December 31, 2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 76,453	\$ 94,590
Prepaid expenses	1,250	1,250
TOTAL ASSETS	\$ 77,703	\$ 95,840
LIABILITIES and EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 13,578	\$ 194
Due to related parties (Note 7)	140,110	140,110
TOTAL LIABILITIES	153,688	140,304
EQUITY		
Share capital (Note 4)	2,029,668	2,029,668
Share-based payments reserve	61,500	61,500
Deficit	(2,167,153)	(2,135,632)
TOTAL EQUITY	(75,985)	(44,464)
TOTAL LIABILITIES and EQUITY	\$ 77,703	\$ 95,840

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 the 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,	
	2020	2019
EXPENSES		
Accounting and audit	\$ 11,797	\$ 12,773
Filing fees	3,187	3,176
Management fees (Note 7)	7,875	7,875
Office administration and expenses (Note 7)	8,011	8,195
Transfer agent fees	773	664
	<u>(31,643)</u>	<u>(32,683)</u>
Other items		
Interest income	122	361
Loss and Comprehensive Loss for the Period	<u>\$ (31,521)</u>	<u>\$ (32,322)</u>
Basic And Diluted Loss Per Share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted Average Number Of Shares Outstanding, Basic and Diluted	<u>32,308,610</u>	<u>32,308,610</u>

See accompanying notes to the 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,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (31,521)	\$ (32,322)
Changes in non-cash working capital items:		
Increase in accounts payable and accrued liabilities	13,384	10,697
Cash used in operating activities	(18,137)	(21,625)
Decrease in cash and cash equivalents during the period	(18,137)	(21,625)
Cash and cash equivalents, beginning of the period	94,590	187,136
Cash and cash equivalents, end of the period	\$ 76,453	\$ 165,511
Supplementary cash flow information		
Interest received	\$ -	\$ 428

See accompanying notes to the 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-based Payments Reserve	Deficit	Total Equity (Deficiency)
Balance, December 31, 2018	32,308,610	\$ 2,029,668	\$ 61,500	\$ (2,043,062)	\$ 48,106
Net and comprehensive loss for the period	-	-	-	(32,322)	(32,322)
Balance, March 31, 2019	32,308,610	2,029,668	61,500	(2,075,384)	15,784
Net and comprehensive loss for the period	-	-	-	(60,248)	(60,248)
Balance, December 31, 2019	32,308,610	2,029,668	61,500	(2,135,632)	(44,464)
Net and comprehensive loss for the period	-	-	-	(31,521)	(31,521)
Balance, March 31, 2020	32,308,610	\$ 2,029,668	\$ 61,500	\$ (2,167,153)	\$ (75,985)

See accompanying notes to the financial statements.

Earl Resources Limited

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

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 615 – 800 West Pender Street, Vancouver, BC, Canada, V6C 2V6.

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.

At March 31, 2020, the Company has a cumulative deficit of \$2,167,153 (December 31, 2019 - \$2,135,632) and has incurred recurring losses. 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.

In March 2020, there was a global outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the regional economies in which the Company operates and could continue to result in negative impacts on the stock market, including trading prices of the Company’s shares, and the ability to raise capital and could impact the Company’s operations.

Earl Resources Limited

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

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, 2019, 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 11, 2020.

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.

Earl Resources Limited

Condensed Interim Statements of Changes in Equity
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2. Significant Accounting Policies (cont'd...)

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

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:

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, 2020. 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 operates. 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. At March 31, 2020, the Company held \$50,550 (December 31, 2019 - \$50,428) in a variable-rate guaranteed investment certificate at a major Canadian financial institution that is redeemable at any time.

Earl Resources Limited

Condensed Interim Statements of Changes in Equity
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2. Significant Accounting Policies (cont'd...)

f) Financial Instruments

Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

Subsequent to initial recognition, all financial assets are classified and subsequently measured at amortized cost. The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets measured at amortized cost are composed of cash and cash equivalents.

The Company reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The date the Company commits to purchasing a financial asset is considered the date of initial recognition for the purpose of applying the Company's accounting policies for impairment of financial assets.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Earl Resources Limited

Condensed Interim Statements of Changes in Equity
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2. Significant Accounting Policies (cont'd...)

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

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. Financial liabilities consist of accounts payable and accrued liabilities and due to related parties. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Interest

Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets.

The 'amortized cost' of a financial asset or financial liability is the amount at which the instrument is measured on initial recognition minus principal repayments, plus or minus any cumulative amortization using the effective interest method of any difference between the initial amount and maturity amount and adjusted for any expected credit loss allowance. The 'gross carrying amount' of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit losses.

Earl Resources Limited

Condensed Interim Statements of Changes in Equity
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2. Significant Accounting Policies (cont'd...)

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

Financial liabilities (cont'd...)

Interest (cont'd...)

Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortized cost of the financial liability.

Where a financial asset has become credit-impaired subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest method to the amortized cost of the financial asset. If the asset subsequently ceases to be credit-impaired, calculation of interest income reverts to the gross basis.

g) Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

h) 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.

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

h) 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.

i) Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, differences relating to investments in subsidiaries and associates to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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

j) 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.

k) 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.

l) 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.

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3. Newly Adopted Accounting Standards and Future IFRS Standards and Interpretations Issued But Not Yet Effective

Newly Adopted Accounting Standards

IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16 Leases. IFRS 16 standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The new standard is effective for annual periods beginning on or after January 1, 2019. The Company elected to account for its Vancouver office lease as short-term and has thus not recognized a right-of-use asset and corresponding lease liability for this arrangement. There is no impact from the adoption of IFRS 16 on the Company's financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

In June 2017, the International Accounting Standards Board (IASB) issued a new International Financial Reporting Interpretations Committee (IFRIC) interpretation, incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in September 2017, to specify how to reflect the effects of uncertainty in accounting for income taxes. IAS 12 Income Taxes provides requirements on the recognition and measurement of current or deferred income tax liabilities and assets. However, it does not provide a specific requirement for the accounting for income tax when the application of tax law to a particular transaction or circumstance is uncertain. As a result, the interpretation aims to reduce the diversity in how entities recognise and measure a tax liability or tax asset when there is uncertainty over income tax treatments. The new interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. Management has concluded that there is no impact on the adoption of this guidance because there is no significant uncertainty in accounting for income taxes of the Company.

Future IFRS Standards and Interpretations Issued But Not Yet Effective

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.

Earl Resources Limited

Condensed Interim Statements of Changes in Equity
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4. Share Capital

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

(b) Issued Share Capital

At March 31, 2020, the issued share capital of the Company was 32,308,610 common shares (December 31, 2019 – 32,308,610 common shares). In March 2018, following the 3 to 1 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 proceeds, after payment of outstanding liabilities, were allocated to working capital.

(c) Warrants

Share purchase warrant transactions are summarized as follows:

	Number	Weighted Average Exercise Price
Outstanding, December 31, 2018	30,000,000	0.10
Expired	(30,000,000)	0.10
Outstanding, March 31, 2020 and December 31, 2019	-	\$ -

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 expired, 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.

Earl Resources Limited

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5. Share-Based Payments (cont'd...)

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 March 31, 2020 and December 31, 2019, there were no stock options outstanding. During the three months ended March 31, 2020 and the year ended December 31, 2019, the Company did not grant any stock options.

6. Basic and Diluted Earnings (Loss) Per Share

The calculation of basic and diluted loss per share for the three months ended March 31, 2020 was \$0.00 (March 31, 2019 – \$0.00) based on the loss attributable to common shareholders of \$31,521 (March 31, 2019 – \$32,322) and a weighted average number of common shares outstanding of 32,308,610 (March 31, 2019 – 32,308,610).

7. Related Party Transactions

The 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	
	2020	2019
Management fees	\$ 7,875	\$ 7,875
Administration fees	4,725	4,725
Rent	3,150	3,150
	<u>\$ 15,750</u>	<u>\$ 15,750</u>

	March 31,	December 31,
Related party payables	2020	2019
New Dawn Holdings Ltd.	\$ 140,110	\$ 140,110

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

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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, 2020 and the year ended December 31, 2019.

9. Financial Instruments and Risk Factors

a) Fair Value

The fair value of cash and cash equivalents, 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 equivalent 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.

Earl Resources Limited

Condensed Interim Statements of Changes in Equity

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

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.

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, 2020, the Company had a cash and cash equivalent balance of \$76,453 (December 31, 2019 - \$94,590) to settle current liabilities of \$153,688 (December 31, 2019 - \$140,304). 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.