

# EARL RESOURCES LIMITED

## Management's Discussion and Analysis of Financial Condition and Results of Operations For the Three Months Ended March 31, 2021 (Prepared by Management)

Date: May 14, 2021

### 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 first quarter ending March 31, 2021 and audited financial statements for the year ended December 31, 2020, 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 May 14, 2021.

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”).

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.

Since March 2020, there has been 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.

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.

## Proposed Transaction

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In March 2021, the Company entered into an agreement with Kepis & Pobe Financial Group Inc. (“K & P”), a boutique private equity energy firm, to acquire an assignment and novation of earn-in rights to targeted properties in the USA. The parties to the assignment are at arm’s length. The agreement will allow the Company to acquire for consideration to be negotiated with the property vendors, a property or properties in Northwest Arizona for the purposes of developing bedded and domal salt cavern energy storage, to store compressed air/hydrogen for Long Term Energy Storage purposes (the “Acquisition”). The purchase price for the Acquisition will consist of an assignment of 10% of the earn in rights to K & P or it’s assigns, and the Company funding the developmental costs associated with the properties and other terms which will be more clearly defined by a comprehensive definitive agreement.

Tapping the storage potential of these formations will require wide-ranging expertise in well permitting, drilling, solution-mining technology, cavern operations and well servicing—all skill sets to be developed by the Company’s new management team supported by expertise from K & P. It is intended that the Transaction will result in the reactivation of the Company pursuant to the regulations of the TSX Venture Exchange (the “TSXV”), and the graduation of the Company from the NEX to a full listing of the post-acquisition common shares of Earl Resources Ltd on the TSX.V.

The Transaction remains subject to the receipt of all applicable regulatory and third-party approvals, including the approval of the TSXV, Shareholder approval and the satisfaction of other closing conditions.

## Summary of Quarterly Results

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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			
	Mar 31/21	Dec 31/20	Sep 30/20	Jun 30/20
	\$	\$	\$	\$
Total Assets	505,828	517,664	531,948	47,750
Deficit	(2,223,146)	(2,210,958)	(2,200,413)	(2,185,002)
Working Capital (deficiency)	365,141	377,329	387,874	(93,834)
Net loss	(12,188)	(10,545)	(15,411)	(17,850)
Per share – (basic and diluted)	(0.00)	(0.00)	(0.00)	(0.00)

  

	For the three months ending			
	Mar 31/20	Dec 31/19	Sep 30/19	Jun 30/19
	\$	\$	\$	\$
Total Assets	77,703	95,840	113,526	137,120
Deficit	(2,167,153)	(2,135,632)	(2,117,752)	(2,096,758)
Working Capital (deficiency)	(75,985)	(44,464)	(26,584)	(5,590)
Net loss	(31,521)	(17,880)	(20,995)	(21,372)
Per share – (basic and diluted)	(0.00)	(0.00)	(0.00)	(0.00)

## Results of Operations for the Three Months Ended March 31, 2021

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Net loss for the quarter ended March 31, 2021 was \$12,188 (2020 - \$31,521) comprised entirely of G&A expenses. The same period in 2020 included G&A expenses of \$31,643 and \$122 interest income. The decrease was mainly due to a reduction in management fees, administration fees and rent charged by New Dawn Holdings Ltd., a private company wholly-owned by Paul Larkin, President, CEO and a director of the Company, from \$5,250 per month to \$2,625 per month effective August 1, 2020. Audit fees also decreased to \$Nil (2020 - \$11,797) due to the timing of the billing for the annual audit. 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. 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 the condensed interim financial statements for the three months ended March 31, 2021 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, 2019	32,308,610	\$ 2,029,668	\$ 61,500
Private placement, net of issuance costs	6,181,790	497,119	-
Balance, as at December 31, 2020 and March 31, 2021	38,490,400	\$ 2,526,787	\$ 61,500

In September 2020, the Company closed a non-brokered private placement of 5,881,800 common shares in its capital (the "Common Shares") issued at a price of \$0.085 per common for gross proceeds of \$499,953.00 (the "Offering"). In addition, the Company issued an aggregate of 299,990 common shares with a fair value of \$25,499 (the "Finder's Shares") as a Finder's Fee payable to an eligible finder, Kepis & Pobe Financial Group Inc.

(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 March 31, 2021, 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>2020</b>	<b>2019</b>
Management fees	\$ 18,375	\$ 31,500
Accounting fees	-	2,100
Administration fees	24,150	18,900
Rent	7,350	12,600
	<u>\$ 49,875</u>	<u>\$ 65,100</u>

<b>Related party payables</b>	<b>March 31, 2021</b>	<b>December 31, 2020</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. The amount is non-interest bearing and unsecured.

### **Liquidity and Capital Resources**

At March 31, 2021, the Company had a deficit of \$2,223,146. 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 March 31, 2021, the Company had cash of \$502,632 and a working capital surplus of \$365,141.

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

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**

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 May 14, 2021**

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	<u>Number</u>
Common shares, issued and outstanding	<u>38,490,400</u>