

# EARL RESOURCES LIMITED

## Management's Discussion and Analysis of Financial Condition and Results of Operations For the Three and Nine Months Ended September 30, 2021

Date: November 26, 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 third quarter ending September 30, 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.

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 and Going concern**

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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 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 unaudited condensed interim financial statements do not reflect the adjustments to the carrying amounts of assets and liabilities, or the impact on the statements of loss and comprehensive loss and financial position classifications that would be necessary were the going concern assumption not appropriate.

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.

## Subsequent Events

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a) On November 24, 2021, the Company terminated its previously announced agreement with Kepis & Pobe Financial Group Inc., to acquire an assignment of certain property rights in Northwest Arizona, which was intended to constitute Earl Resources' proposed "Change of Business" as such term is defined in TSX Venture Exchange ("TSXV") Policy 5.2 ("Policy 5.2");

b) The Company entered into: (i) a letter of intent with Pomeroy Trading (Holdings) Ltd. ("PTHL") and certain shareholders (that together hold the majority of the issued shares) dated November 24, 2021 to acquire a minimum 60% interest in PTHL (the "Guyana Transaction"); (ii) a letter of intent with Rewilding Maforki Ltd. ("RML") and its sole shareholder Aristeus Projects Limited ("APL") dated November 24, 2021, to acquire the assignment of a minimum 51% of RML's rights and interests to develop and market carbon credits with respect to certain areas in Sierra Leone (the "Sierra Leone Transaction"); and (iii) a definitive agreement with Compania Mexicana de Captacion de Carbono ("CMCC") dated November 24, 2021 to acquire an assignment of all of CMCC's rights and interests to develop and market carbon credits with respect to certain areas in the State of Yucatan in Mexico (the "Yucatan Transaction" and together with the Guyana Transaction and the Sierra Leone Transaction, the "Proposed Transactions"). It is intended that the Proposed Transactions will constitute Earl Resources' "reactivation" under the policies of the TSXV and that upon completion of the Proposed Transactions ("Closing") and satisfaction of all conditions of the TSXV, Earl Resources will have its listing transferred from the NEX board of the TSXV ("NEX") to the TSXV.

In connection with the Proposed Transactions, Earl Resources intends to complete a non-brokered private placement to be completed in conjunction with, or prior to the Closing (the "Concurrent Financing"). It is anticipated, subject to the policies of the TSXV, that the Concurrent Financing will consist of an offering of subscription receipts ("Subscription Receipts") at a price of \$0.45 per Subscription Receipt for minimum gross proceeds of \$6,100,000. Each Subscription Receipt will be automatically exchanged immediately prior to the completion of the Proposed Transactions (without any further action by the holder of such Subscription Receipt and for no further payment) for one Common Share upon satisfaction of certain escrow release conditions (the "Escrow Release Conditions"). The proceeds from the Concurrent Financing will be used to fund the Proposed Transactions and for working capital and general corporate purposes.

Upon Closing of the Proposed Transactions and completion of the Concurrent Financing, it is anticipated that Earl Resources will carry on the business of developing validated and verified carbon credits from afforestation and reforestation of degraded land areas for sale into international voluntary carbon markets (the "Business") and will meet the Tier 2 Initial Listing Requirements for an Industrial Issuer, such that Earl Resources will be graduated from the NEX to the TSXV. In connection with the Closing, it is anticipated that Earl Resources will change its name to "Carbon8 Ventures Inc." in order to more accurately reflect its operations and the Business.

Pursuant to Section 4.1 of Policy 5.2, Earl Resources will not be obtaining shareholder approval of the Proposed Transactions as: (i) the transactions are not a "Related Party Transaction" and do not involve any Non-Arm's Length Parties (as such terms are defined in the policies of the TSXV); (ii) Earl Resources is without active operations and is currently listed on the NEX; and (iii) Earl Resources is not subject to, and, to the best of its knowledge will not be subject to, a cease trade order on completion of the Proposed Transactions.

Completion of the Proposed Transactions is subject to a number of conditions, including but not limited to, closing conditions customary to transactions of the nature of the Proposed Transactions, approvals of all regulatory bodies having jurisdiction in connection with the Proposed Transactions and approval of the TSXV.

c) In November 2021, the Company granted 3,849,040 incentive stock options to officers, directors, and consultants to purchase common shares of the Company with an exercise price of \$0.445 per share that expire on November 26, 2026.

### Summary of Quarterly Results

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

	For the three months ending			
	Sep 30/21	Jun 30/21	Mar 31/21	Dec 31/20
	\$	\$	\$	\$
Total Assets	305,460	384,283	505,828	517,664
Accumulated Deficit	(2,423,378)	(2,371,697)	(2,223,146)	(2,210,958)
Working Capital (deficiency)	164,909	216,590	365,141	377,329
Net loss	(51,681)	(148,551)	(12,188)	(10,545)
Per share – (basic and diluted)	(0.00)	(0.00)	(0.00)	(0.00)

  

	For the three months ending			
	Sep 30/20	Jun 30/20	Mar 31/20	Dec 31/19
	\$	\$	\$	\$
Total Assets	531,948	47,750	77,703	95,840
Accumulated Deficit	(2,200,413)	(2,185,002)	(2,167,153)	(2,135,632)
Working Capital (deficiency)	387,874	(93,834)	(75,985)	(44,464)
Net loss	(15,411)	(17,850)	(31,521)	(17,880)
Per share – (basic and diluted)	(0.00)	(0.00)	(0.00)	(0.00)

### Results of Operations for the Three Months Ended September 30, 2021

Net loss for the quarter ended September 30, 2021 was \$51,681 (2020 - \$15,411). The increase was due to \$41,759 in consulting fees paid for due diligence on the now terminated agreement with Kepis & Pobe Financial Group Inc. This increase was offset by a decrease 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. 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 and Significant Accounting Policies**

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The preparation of the condensed interim financial statements for the three and nine months ended September 30, 2021 in conformity with IFRS applicable to the preparation of interim financial statements 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. Please refer to Note 2 - Significant Accounting Policies of the audited financial statements for the year ended December 31, 2020 for full details.

### **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 September 30, 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 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 September 30, 2021, there were no stock options outstanding.

In November 2021, the Company granted 3,849,040 incentive stock options to officers, directors, and consultants to purchase common shares of the Company with an exercise price of \$0.445 per share that expire on November 26, 2026.

### **Contractual Obligations**

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At September 30, 2021, 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>Nine Months Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
Management fees	\$ -	\$ 18,375
Administration fees	23,939	16,275
Rent	-	7,350
	<b>\$ 23,939</b>	<b>\$ 42,000</b>

	<b>September 30,</b>	<b>December 31,</b>
<b>Related party payable</b>	<b>2021</b>	<b>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

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At September 30, 2021, the Company had an accumulated deficit of \$2,423,378. 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 amount 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 September 30, 2021, the Company had cash of \$304,210 and a working capital surplus of \$164,909.

## 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 November 26, 2021

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	Number	Price	Weighted Average Remaining Life in Years
Common shares, issued and outstanding	38,490,400		
Stock Options	3,849,040	\$0.445	5
Fully Diluted	42,339,440		