# NAVY RESOURCES CORP.

MANAGEMENT DISCUSSION & ANALYSIS
For the six months ended June 30, 2020

**August 31, 2020**

This Management Discussion and Analysis ("MD&A") of Navy Resources Corp. ("Navy" or the "Company") has been prepared by management as of August 31, 2020.

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Issuer. The Issuer has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise. Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

**Over-all Performance**

The Company was incorporated in the Province of British Columbia on May 5, 2011.

The Company is domiciled in Canada and its office is at Suite 1740 – 1177 West Hastings Street, Vancouver, BC. The Company is an exploration stage company.

On September 18, 2019, the Company issued 7,350,000 common shares for proceeds of $735,000 and issued 2,480,080 common shares to settle promissory notes payable and interest in the amount of $248,080.

On April 20, 2020 the Company issued 100,000 common shares as an option payment on the Hot Springs Property.

*Hot Springs Property*

On April 20, 2020, the Company received regulatory approval to complete an option agreement under which the Company may earn a 100% interest in 168 unpatented mining claims covering approximately 1,375 hectares, located in Humboldt County, Nevada. Under the terms of the agreement, the Company has up to five years to make cumulative cash payments of USD $136,140 and cumulative share payments of 1,650,000 common shares in the capital of the Company, followed by a $1,500,000 payment payable in cash or common shares at the option of the Company. The vendor retains a net smelter royalty of 2% which the Company may purchase in 0.1% increments for USD$100,000 for each increment up to maximum of 1%.

Details of payments are as outlined below:

| Latest Payment Date | Cash | | Shares | | Balloon payment |
|---|---|---|---|---|---|
| Effective Date | $36,140 | (paid) | 100,000 | (issued) | |
| First Anniversary | $25,000 | | 150,000 | | |
| Second Anniversary | $25,000 | | 300,000 | | |
| Third Anniversary | $25,000 | | 300,000 | | |
| Fourth Anniversary | $25,000 | | 300,000 | | |
| Fifth Anniversary | nil | | 500,000 | | $1,500,000 |
| Total | $150,000 | | 1,650,000 | | $1,500,000 |

In addition, the Company staked an additional 111 claims totalling 927 hectares adjacent to the property subject to the option terms.

## Results of Operations

*Three Months Ended June 30, 2020*

For the three months ended June 30, 2020 and 2019, the Company reported net losses of $55,741 and $20,397, respectively.

The net loss before income taxes during the three months ended June 30, 2020 and 2019 are summarized below.

| | 2020 | 2019 |
|---|---|---|
| General and administrative | $ 1,546 | $ 6,121 |
| Interest | - | 2,592 |
| Professional fees | 13,852 | 2,098 |
| Consulting fees | 105,520 | 1,500 |
| Transfer agent and filing fees | 5,093 | 8,086 |
| Net and comprehensive loss | $ 125,741 | $ 20,397 |

Net and comprehensive loss increased by $35,344 primarily as a result of consulting fees increasing $104,020 and increase in professional fees of $11,754 offset by a decrease in general and administrative fees of $4,575, a decrease in interest of $2,592 and a decrease of transfer agent and filing fees of $2,993. The Company anticipates expenses to remain consistent with the quarter ended June 30, 2020 as the Company continues focusing efforts on the Hot Springs property and evaluating additional properties.

*Six Months Ended June 30, 2020*

For the six months ended June 30, 2020 and 2019, the Company reported net losses of $103,410 and $37,146, respectively.

The net loss before income taxes during the three months ended June 30, 2020 and 2019 are summarized below.

| | 2020 | 2019 |
|---|---|---|
| General and administrative | $ 4,119 | $ 17,010 |
| Exploration | 13,650 | - |
| Interest | - | 5,017 |
| Professional fees | 25,695 | 2,898 |
| Consulting fees | 120,250 | 3,000 |
| Transfer agent and filing fees | 9,696 | 9,221 |
| Net and comprehensive loss | $ 103,410 | $ 37,146 |

Net and comprehensive loss increased by $66,264 primarily as a result of consulting fees increasing $117,250, the Company incurring exploration expenditures of $13,650, an increase in transfer agent and filing fees of $475 and an increase in professional fees of $22,797 offset by a decrease in general and administrative fees of $12,891, a decrease in interest of $5,017. The Company anticipates expenses to remain consistent with the quarter ended June 30, 2020 as the Company continues focusing efforts on the Hot Springs property and evaluating additional properties.

## Summary of Quarterly Results

| | Q2 2020 | Q1 2020 | Q4 2019 | Q3 2019 | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 |
|---|---|---|---|---|---|---|---|---|
| Net Income (Loss) for the period | $(125,741) | $(47,669) | $(25,829) | $(19,033) | $(20,397) | $(16,749) | $(67,025) | $(15,052) |
| Income (Loss) per share | $ (0.00) | $ (0.00) | $ (0.00) | $ (0.00) | $ (0.00) | $ (0.00) | $ (0.00) | $ (0.00) |

### Liquidity and Capital Resources

The Company reported a working capital of $239,776 at June 30, 2020 compared to working capital of $676,048 as at December 31, 2019. At June 30, 2020, the Company had cash on hand of $488,984 (December 31, 2019 - $697,769).

Current assets excluding cash at June 30, 2020 consisted of receivables of $6,124 which consists of GST receivable (December 31, 2019 - $758) and prepaid expenses of $3,640 (December 31, 2019 - $Nil).

Current liabilities at June 30, 2020 consist of accounts payable and accrued liabilities of $258,972 (December 31, 2019 - $23,792).

There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

On November 22, 2016, the Company entered into an agreement for a promissory note in the amount of $50,000 which was received on November 23, 2016. The promissory note was unsecured and accrued interest at 5% per annum on the unpaid principal balance. The note was payable on or before November 22, 2017. On November 22, 2017, the loan was extended to November 22, 2018. On November 22, 2018, the loan was extended to November 22, 2019. On September 18, 2019, this promissory note and accrued interest related to it was settled for common shares.

On September 5, 2017, the Company entered into an agreement for a promissory note in the amount of $50,000 which was received on September 5, 2017. The promissory note was unsecured and accrued interest at 5% per annum on the unpaid principal balance. On September 5, 2018, the loan was extended to September 5, 2019. On September 18, 2019, this promissory note and accrued interest related to it was settled for common shares.

On August 27, 2018, the Company entered into an agreement for a promissory note in the amount of $15,000 which was received on August 27, 2018. The promissory note was unsecured and accrued interest at 5% per annum on the unpaid principal balance. On September 18, 2019, this promissory note and accrued interest related to it was settled for common shares.

On January 8, 2019, the Company entered into an agreement for a promissory note in the amount of $93,000 which was received on January 8, 2019. The promissory note was unsecured and accrued interest at 5% per annum on the unpaid principal balance. On September 18, 2019, this promissory note and accrued interest related to it was settled for common shares.

On May 5, 2019, the Company entered into an agreement for a promissory note in the amount of $25,000 which was received on May 5, 2019. The promissory note was unsecured and accrued interest at 10% per annum on the unpaid principal balance. On September 18, 2019, this promissory note and accrued interest related to it was settled for common shares.

### Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

### Transactions with Related Parties

During the three and six months ended June 30, 2020 the Company paid officers and directors $105,000 and $120,000 for consulting services (2019 - $1,500 and $3,000).

During the three and six months ended June 30, 2020 the Company paid officers and directors $2,250 and $4,500 for rent (2019 - $9,000 and $18,000).

Included in accounts payable is $98,738 owing to companies controlled by an officer and director (December 31, 2019 - $7,475).

**Proposed Transactions**

At the time of this report, the Company is not contemplating any proposed transactions.

**Critical Accounting Estimates**

Not applicable to Venture Issuers.

**Changes in Accounting Policies including Initial Adoption**

The Company has adopted the following new accounting standard and interpretation:

IFRS 16, Leases (effective January 1, 2019) introduced new requirements for the classification and measurement of leases. Under IFRS 16, a lessee no longer classifies leases as operating or financing and records all leases on the condensed consolidated statement of financial position, unless the lease term is 12 months or less or the underlying asset has a low value. The Company has applied a modified retrospective transition approach. The Company does not have any leases, and as a result, this standard had no impact on the Company's financial statements on adoption.

IFRIC 23, Uncertainty over Income Tax Treatments (effective January 1, 2019) provides guidance when there is uncertainty over income tax treatments including, but not limited to, whether uncertain tax treatments should be considered separately; assumptions made about the examination of tax treatments by tax authorities; the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates; and, the impact of changes in facts and circumstances. This interpretation did not have an impact on the Company's financial statements.

**Risk Factors**

Exploration-stage mineral exploration companies face a variety of risks and, while unable to eliminate all of them, Navy aims at managing and reducing such risks as much as possible. Few exploration projects successfully achieve development stage, due to factors that cannot be predicted or anticipated, and even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. Navy closely monitors its activities and those factors that could impact them, and employs experienced consultants to assist in its risk management and to make timely adequate decisions. Environmental laws and regulations could also impact the viability of a project. Navy has ensured that it has complied with these regulations, but there can be changes in legislation outside Navy's control that could also add a risk factor to a project.

**Financial Instruments and Other Instruments**

The carrying amounts of cash, receivables, and accounts payable approximate fair value because of the short-term maturity of these items.

**Other Requirements**

Summary of Outstanding Share Data as at August 31, 2020:

Authorized: Unlimited number of common shares without par value.

Issued and outstanding: 25,130,800 common shares.

Options and Warrants

The Company has no options or warrants outstanding.

Additional disclosures pertaining to the Company's technical report, management information circulars, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.