

NAVY RESOURCES CORP.
MANAGEMENT DISCUSSION & ANALYSIS
For the nine months ended September 30, 2020

November 30, 2020

This Management Discussion and Analysis (“MD&A”) of Navy Resources Corp. (“Navy” or the “Company”) has been prepared by management as of November 30, 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.

On September 17, 2020, the Company issued 11,000,080 common shares for proceeds of \$2,200,016. The Company incurred share issuance costs of \$53,329 related to these share issuances.

On September 17, 2020, the Company issued 2,200,000 stock options with an exercise price of \$0.25 and a term of 5 years.

On October 26, 2020, the Company issued 100,000 stock option with an exercise price of \$0.45 and a term of 5 years.

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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 September 30, 2020

For the three months ended September 30, 2020 and 2019, the Company reported net losses of \$947,138 and \$19,033, respectively.

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

	2020	2019
General and administrative	\$ 3,645	\$ 4,654
Exploration	39,822	-
Interest	-	1,243
Professional fees	3,151	3,953
Consulting fees	110,850	1,500
Stock based compensation	787,500	-
Transfer agent and filing fees	2,170	7,683
Net and comprehensive loss	\$ 947,138	\$ 19,033

Net and comprehensive loss increased by \$928,105 primarily as a result of consulting fees increasing \$109,350 and increase in exploration expense of \$39,822 offset by a decrease in general and administrative fees of \$1,009, a decrease in interest of \$1,243 and a decrease of transfer agent and filing fees of \$5,513. In addition, the Company incurred \$787,500 in stock based compensation during the three months ended September 30, 2020. 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.

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Nine Months Ended September 30, 2020

For the nine months ended September 30, 2020 and 2019, the Company reported net losses of \$1,120,548 and \$56,179, respectively.

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

	2020	2019
General and administrative	\$ 7,764	\$ 21,664
Exploration	53,472	-
Interest	-	6,260
Professional fees	28,846	6,851
Consulting fees	231,100	4,500
Stock based compensation	787,500	-
Transfer agent and filing fees	11,866	16,904
Net and comprehensive loss	\$ 1,120,548	\$ 56,179

Net and comprehensive loss increased by \$1,064,369 primarily as a result of consulting fees increasing \$226,600, the Company incurring exploration expenditures of \$53,472, an increase in professional fees of \$21,995 and a one-time charge of stock based compensation of \$787,500 offset by a decrease in general and administrative fees of \$13,900, a decrease of transfer agent and filing fees of 5,038 and a decrease in interest of \$6,260. 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

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Net Income (Loss) for the period	\$(947,138)	\$(125,741)	\$(47,669)	\$(25,829)	\$(19,033)	\$(20,397)	\$(16,749)	\$(67,025)
Income (Loss) per share	\$ (0.04)	\$ (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 \$2,027,002 at September 30, 2020 compared to working capital of \$676,048 as at December 31, 2019. At September 30, 2020, the Company had cash on hand of \$2,071,404 (December 31, 2019 - \$697,769).

Current assets excluding cash at September 30, 2020 consisted of receivables of \$16,912 which consists of GST receivable (December 31, 2019 - \$758) and prepaid expenses of \$50,119 (December 31, 2019 - \$Nil).

Current liabilities at September 30, 2020 consist of accounts payable and accrued liabilities of \$111,433 (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

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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 nine months ended September 30, 2020 the Company paid officers and directors \$97,500 and \$217,500 for consulting services (2019 - \$1,500 and \$4,500).

During the three and nine months ended September 30, 2020 the Company paid officers and directors \$2,250 and \$6,750 for rent (2019 - \$13,500 and \$22,500).

During the three and nine months ended September 30, 2020 the Company incurred stock based compensation to officers and directors in the amount of \$429,545 and \$429,545 (2019 - \$Nil and \$Nil).

Included in accounts payable is \$46,235 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

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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 November 30, 2020:

Authorized: Unlimited number of common shares without par value.

Issued and outstanding: 26,130,880 common shares.

Options

<u>Expiry date</u>	<u>Options outstanding</u>	<u>Exercise price</u>
September 17, 2025	2,200,000	\$ 0.25
October 26, 2025	100,000	\$ 0.45

Warrants

The Company has no 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.