# MANAGEMENT DISCUSSION AND ANALYSIS

**December 31, 2018**

## Introduction

This Management Discussion and Analysis has been prepared to provide material updates and analysis of the business operations, financial condition, financial performance, cash flows, liquidity, and capital resources of Enviroleach Technologies Inc. ("Enviroleach" or the "Company").

The information provided herein should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2018 and the Annual MD&A for the year ended December 31, 2017.

The statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Enviroleach technologies is listed on the Canadian Securities Exchange under the symbol "ETI" and began trading on March 30, 2017. In addition to the listing on the CSE the company also started trading on the OTC-QB as "EVLLF" and the Frankfurt Stock Exchange as "7N2" during the year.

The company has developed a unique, cyanide free, cost-effective and environmentally friendly alternative to the toxic methods currently used in the hydrometallurgical extraction of precious metals for the mining and Electronic Waste (E-Waste) sectors.

Except as otherwise disclosed, all dollar figures in this report are stated in Canadian dollars. The effective date of this report is April 16, 2019.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. See "Forward-Looking Information and Statements" herein.

Information related to the Company is available for view on SEDAR at www.sedar.com and more information is also available on the Company's website at www.enviroleach.com .

## Corporate Overview

Using the proprietary formula and process, Enviroleach extracts precious metals from the host material in a safe, environmentally friendly and sustainable fashion. The company's primary target industry sectors are the Mining Sector for the treatment of ores, concentrates, and tailings and the E-waste management sector for the treatment of electronic waste streams.

The EnviroLeach Process is similar to a cyanide circuit but non-toxic and simpler. It involves the dissolution of the precious metals into the aqueous solution followed by extraction using conventional methods such as electrowinning, carbon absorption or precipitation. The operation is simple and does not require complex process circuits, intensive gas monitoring or detoxification systems.

The product is aimed at industry participants seeking an effective and non-toxic alternative to cyanide and acid based solutions. The characteristics of the Enviroleach product creates very strong differentiation in the marketplace and provides unique positioning. The pending patents combined with the customization required for site optimization create significant barriers for competitors to overcome. The EnviroLeach Process is safe, eco-friendly, and provides comparable leach kinetics to that of cyanide or acid based lixiviants on most ores, concentrates, tailings and E-Waste.

In March 2017, the Company completed the transaction to purchase the technology rights. The rights to the technology for the concentration and extraction of valuable metals and minerals was acquired for a total purchase price of $7,889,909 in two separate agreements. to acquire the rights to technologies.

The first agreement was signed on December 13, 2016 in a transaction with Iberian, Mohave County Mining LLP ("Mohave"), and Steve Scott ("Scott"). Under this agreement, the Company is required to make payments to Mohave and Scott in order to affect the transfer of rights as required by an earlier agreement between them and Iberian. The total payments required to be made to Mohave and Scott are as follows:

| | | |
|---|---|---|
| 2,000,000 Enviroleach shares | $ 100,000 | (a) |
| Promissory note payable | $ 328,000 | (b) |
| Advance royalty payable | $1,101,909 | (c) |
| Total acquisition price | $1,529,909 | |

(a) Shares were issued in March 2017
(b) The balance represents $250,000 US.
(c) The balance represents the amortized cost of a non-interest bearing note of $1,000,000 US. The discount for interest is based on an annual interest rate of 5.0%, compounded monthly and a term of 39 months, based on projected cash flows.

The advance royalty payable is based on a payment of 10% of the "Net Profit Available for Distribution" paid quarterly to a maximum of 1,000,000 USD, with a minimum monthly payment of 5,000 USD. The minimum monthly amount is payable irrespective of whether profits are realized.

The full rights to the technology were acquired for another $6,360,000 in a separate agreement with Mineworx, signed December 19, 2016. The price paid was as follows:

a) The issue of 28,000,000 common shares valued at $4,760,000 or $0.17 per share, and

b) Promissory note of $1,600,000. The note, under which $600,000 is to be repaid within year and the balance of $1,000,000 within two years. The note bears interest of 5.0% per annum, compounded monthly payable.

This transaction was approved by the Mineworx shareholders on March 14, 2017 and the Court of Queens Bench on March 15, 2017. The transaction was finalized on March 21, 2017.

## Overall Performance

The primary activity of the company centered around the fabrication and commissioning of E-waste processing facilities both for its US customer and for the company to operate itself. Time and resources have been spent on optimizing and refining the process to be able to accept the large variability of source materials in the plants.

As part of the investigation to optimize the process it was determined the raw e-waste input should be concentrated prior to being introduced to the leaching process. The revised concentrate plant was constructed at a corporate facility in Vancouver, BC. This work was completed in conjunction with the company's US customer and the joint venture partner Mineworx. The facility produced 21.3 tonnes of concentrate product that was shipped to a smelter in January 2019.

Work began in the fourth quarter to add a wet leaching process to complement the dry concentrate process at the facility in Vancouver. When the wet process is complete the Vancouver facility will be a fully integrated E-Waste process plant producing both concentrate and pure precious metals for sale in the marketplace.

The lab facility also provided testing services to various potential mining customers to determine the feasibility of using the company's technology in their operations.

In the first quarter of the year the company closed a private placement for $10,050,000 brokered by Roth Capital Partners and primarily subscribed to by European institutional investors.

### Selected Annual Financial Information

| | December 31, 2018 | December 31, 2017 | December 31, 2016 |
|---|---|---|---|
| Revenues from continuing operations | $ - | $ - | $ - |
| Loss and comprehensive loss | (5,178,341) | (4,071,921) | (141,415) |
| Loss per share - basic and diluted | (0.09) | (0.10) | (0.06) |
| Total assets | 17,255,020 | 11,097,584 | 1,964,538 |
| Total liabilities | 5,210,300 | 5,453,792 | 1,555,953 |
| Working capital (deficiency) | 1,921,249 | (975,070) | (61,293) |

**Summary of Quarterly Results**

The following financial data is selected information for the Company for the eight most recently completed financial quarters, prior to October 21, 2016 the Company had no operations:

| | Dec 31, 2018 | Sept 30, 2018 | Jun 30, 2018 | Mar 31, 2018 | Dec 31, 2017 | Sept 30, 2017 | Jun 30, 2017 | Mar 31, 2017 |
|---|---|---|---|---|---|---|---|---|
| Total revenue | $ Nil | $ Nil | $ Nil | $ Nil | $ Nil | $ Nil | $ Nil | $ Nil |
| loss for the period - $,000 | (1,622) | (963) | (1,393) | (1,200) | (950) | (785) | (766) | (1,570) |
| Income (loss) per share | (0.01) | (0.02) | (0.02) | (0.10) | (0.01) | (0.02) | (0.02) | (0.10) |

***Financial results***

The Company had no operating revenue for the year ended December 31, 2018 or 2017. For the year ended December 31, 2018, the Company incurred a net loss of $5,178,341 ($0.09 loss per share) and a loss of $4,071,921 in 2017.

The costs for the management and employees were $1,508,533 (2017 - $648,592) the company grew the organization both on the technical and administrative sides.

Costs related to the operation of the lab were $397,903 ($328,392 – 2017), this includes the facility overhead and the testing and supplies consumed during the refinement of the technology and testing of various materials.

Part of the lab and employee costs were offset through other income of $86,934 ($14,671 – 2017) paid by mining clients requesting their product be tested.

Project costs of $1,237,316 (2017 - $346,827) primarily are result of expenses for the commissioning E-Waste facilities at the US customer location and at the corporate location in Vancouver. The increase from 2017 is due to activities in two locations as compared to the single location. The increased travel, $336,801 ($136,780 – 2017) is also the result of increased time spent at the US customer Memphis location.

The company incurred public listing costs $130,713 ($437,962 – 2017) for regulatory fees, AGM costs, and director fees and insurance. 2017 costs were significantly higher due to costs associated with the initial listing of the company on the Canadian Securities Exchange, OTQCB, and Frankfurt Stock Exchange.

Professional fees of $216,321 (2017 - $142,516) relate to costs associated with legal and audit requirements, the increase is a result of work related to the private placement and patent filings.

The company spent $119,925 (2017 - $146,063) related to promotion and marketing by attending conferences and trade shows to inform the marketplace about capabilities of the company's technology and the go forward business development strategy.

Office and general of $207,336 ($80,550 – 2017) increased as a result of the increased activity and size of the organization including the addition of a second facility in Vancouver.

Consulting fees of $76,394 ($51,425 – 2017) relate to work the company was getting from outside sources that as the company grew was able to hire internally and replace the outside consultants.

Interest fees of $80,755 ($74,161 – 2017) includes $12,316 ($12,053 – 2017) regarding the amortization of the minimum monthly royalty payments, $56,074 ($54,928 – 2017) related to interest on the Mineworx note payable, and $11,160 ($5,631 – 2017) for Right-to-Use leased assets.

Interest income of $14,479 ($6,414 – 2017) increased due to the influx of cash from the private placement in March of 2018, this cash balance was invested in short term securities at a higher rate.

Stock based compensation was $388,361 ($1,220,477 – 2017) for 325,000 (5,100,000 – 2017) options issued during the year ended December 31, 2018.

Amortization costs of $972,547 ($889,059 – 2017) related primarily to the technology intangible asset $788,990 ($788,991) that is being amortized over a 10-year life the increase from 2017 is due to the increase of the corporate asset base.

There was a foreign exchange loss of $271,713 relating to USD transactions and revaluation of liabilities due in USD compared to a gain of $73,314 in 2017. The year end CDN/USD exchange rate was lower in 2018 than 2017 creating the loss.

The E-waste joint venture reported a loss of $3,324,320, the 20% Mineworx minority interest of $664,864 was recorded as a gain in the Enviroleach statements.

**Quarterly results**

In the quarter ending December 31, 2018 the Company incurred a loss of $1,621,622 (2017 - $950,326), $(0.03) per share. There was no revenue from operations in the quarter.

The general and administration expenses were $1,422,834 (2017 - $1,127,338) and included:

$724,818 (2017 - $208,363) for management and employees the increase is due to increased staffing required in the lab and Vancouver E-waste facility due to increased work load,

$367,435 (2017 - $346,827) for project costs associated with commissioning and start-up E-waste processing facilities,

$70,845 ($54,698 – 2017) for operating the laboratory facility including testing supplies and overheads, the increase is due to increased demand from mining clients,

The mining clients provided $14,585 ($ nil – 2017) in other income to offset the employee and operating costs of the lab,

$67,142 ($21,817 – 2017) for professional fees, audit and legal costs, increased due to spending regarding the patent application process,

$64,683 ($130,100 – 2017) for travel is reduced due to the decreased requirement for personnel at the US customer Memphis location,

$36,662 ($38,429 – 2017) for public listing costs primarily related to regulatory and director's costs,

$83,392 (2017 - $22,516) was spent on office and general and increased as a result of increased personnel and locations when compared to 2017,

$25,617 (2017 - $54,698) in interest expense included amounts related to the amortization of the minimum monthly royalty, interest accrued on the outstanding balance of the Mineworx note payable, and the costs for Right-to-Use lease assets.

The loss on foreign exchange was $220,779 (gain of $8,862 – 2017) relating to USD transactions and revaluation of USD liabilities in the three months ending December 31, 2018.

Amortization costs of $281,980 ($228,775 - 2017) related primarily to the technology intangible asset that is being amortized over a 10-year life, the increase is the result of the increased equipment asset base.

The E-waste joint venture reported a loss of $1,384,415 ($1,243,048 – 2017), the 20% Mineworx minority interest of $276,883 ($248,610 – 2017) was recorded as a gain in the Enviroleach statements.

**Liquidity and Capital Resources**

At December 31, 2018, the company's cash position was $3,917,244 and the working capital was $1,921,249.

The Company raised a net of $9,352,614 through a private placement of 6,700,000 common shares at $1.50. $1,125,500 was from the exercise of 2,251,000 warrants at $0.50, $60,000 from the exercise of 100,000 options at $0.60, and $7,500 from the exercise of 30,000 options at $0.25.

The Company owes Mineworx $244,295 ($429,194 – 2017) for expenses incurred for the joint venture, which is represented as due to related parties, and received $1,310,158 from Mineworx for the cash investment required by the joint venture.

The inventory account increased by $305,784 in 2018 to $1,688,191 ($1,382,407 – 2017). $207,348 of the increase is a result of purchasing E-Waste feedstock for the Vancouver facility. The remaining $98,436 and the 2017 balance are for the fabrication and assembly of the wet side of the E-Waste processing plant for the company's customer in Memphis.

The company made payments of $419,525 ($637,301 – 2017) for repayment of amounts due from the acquisition of the technology rights.

The Company is in the development phase and is not generating revenue as yet, it is expected that the working capital balance will follow a cycle of reduction and replenishment. Management currently follows a policy of raising only sufficient capital to carry out its near-term plans. This policy is meant to minimize dilution of shareholders' positions by raising capital when the stock price is at higher levels.

**Equipment**

The Company spent a total of $3,661,781 on property and equipment during the year ending December 31, 2018 ($1,569,449 – 2017). The total spend includes $367,939 ($126,997 – 2017) for Right-to-Use leased assets that are now being recognized as assets as per the adoption of the new IFRS 16 standard. $2,763,148 was for the dry concentrate plant at the Vancouver facility, $428,857 is for the construction of E-waste processing plants in Vancouver ($229,961) and Memphis ($198,896) that are not in use yet. $101,837 for small equipment, office furniture, and computers.

**Intangible assets**

The 2018 value of $6,311,928 (2017 - $7,100,918) the reduction of $788,990 is for amortization, the asset is being depreciated over a ten-year life. The asset was reviewed for potential impairment at the end of 2018. The reviewed determined based on projected discounted cash flows that the value is not impaired and doesn't need to be adjusted

**Capital Commitments**

The Company had no commitments for property and equipment expenditures for fiscal 2018. The Company expects that any property and equipment expenditures incurred, based on future needs, will be funded from working capital and/or from operating or capital leases.

***Related party balances***

The amounts due to officers and directors of the Company are as follows:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Included in accounts payables and accrued liabilities(i) | $ 1,579 | $ 5,546 |
| | $ 1,579 | $ 5,546 |

(i) These amounts are for unpaid management fees and expenses. They are unsecured, non-interest bearing and have no fixed terms of repayment.

**Financial risk management**

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

*Credit risk*

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of chequing account at reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to $100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. At December 31, 2018, management considers the Company's exposure to credit risk is minimal.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, considering its anticipated cash flows from operations and its holdings of cash.

As at December 31, 2018, the Company had a cash balance of $3,917,244 (981,712 – 2017) to settle current liabilities of $4,074,237 ($3,502,355 – 2017). So far, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements and loans from related and other parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest and foreign exchange risk

The company has liabilities of $3,416,073 ($2,504,086 USD) due in USD. In 2017 this balance was $3,213,711 ($2,554,486 USD).

The Company is subject to normal risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. At December 31, 2018, the Company was not exposed to significant interest rate risk.

b) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**Proposed Transactions**

At the date of this MD&A, there are no disclosable transactions that the board of directors or senior management are aware of.

**Outstanding Share Data**

***Authorized share capital***

Unlimited number of common shares without par value.

**Common shares**

At December 31, 2018, there were 60,817,000 issued and fully paid common shares.

At April 16, 2019, there were 70,242,000 issued and fully paid common shares.

**Stock options**

At December 31, 2018, there were 5,295,000 stock options outstanding and 5,195,000 exercisable at a weighted average exercise price of $0.34.

At April 16, 2019, there were 7,545,000 stock options outstanding and exercisable at a weighted average exercise price of $0.47

**Warrants**

At December 31, 2018, there were 16,530,333 warrants outstanding and exercisable at a weighted average exercise price of $1.31.

At April 16, 2019, there were 7,105,333 warrants outstanding and exercisable at a weighted average exercise price of $2.44.

**Off-Balance Sheet Arrangements**

The Company has not entered into any off-balance sheet arrangements.

**Forward-Looking Information and Statements**

This MD&A contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking information is often, but not always, identified by the use of words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may", "projected", "sustain", "continues", "strategy", "potential", "projects", "grow", "take advantage", "estimate", "well positioned" or similar words suggesting future outcomes. In particular, this MD&A contains forward-looking statements relating to: the future opportunities for the Company; the business strategy of the Company; and the competitive advantage of the Company.

In addition, forward looking statements regarding the Company are based on certain key expectations and assumptions of the Company concerning anticipated financial performance, business prospects, strategies, the sufficiency of budgeted capital expenditures in carrying out planned activities, the availability and cost of services, the ability to obtain financing on acceptable terms, the actual results of exploration projects being equivalent to or better than estimated results in technical reports or prior exploration results, and future costs and expenses being based on historical costs and expenses, adjusted for inflation, all of which are subject to change based on market conditions and potential timing delays. Although management of the Company consider these assumptions to be reasonable based on information currently available to them, these assumptions may prove to be incorrect.

By their very nature, forward looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward looking statements will not be achieved. Undue reliance should not be placed on forward looking statements, as a number of important factors could cause the actual results to differ materially from the Company's beliefs, plans, objectives and expectations, including, among other things: general economic and market factors, including business competition, changes in government regulations or in tax laws; the early stage development of the Company and its projects; general political and social uncertainties; commodity prices; the actual results of current exploration and development or operational activities; changes in project parameters as plans continue to be refined; accidents and other risks inherent in the mining industry; lack of insurance; delay or failure to receive board or regulatory approvals; changes in legislation, including environmental legislation, affecting the Company; timing and availability of external financing on acceptable terms; conclusions of economic evaluations; and lack of qualified, skilled labour or loss of key individuals. These factors should not be considered exhaustive. Many of these risk factors are beyond the Company's control and each contributes to the possibility that the forward-looking statements will not occur or that actual results, performance or achievements may differ materially from those expressed or implied by such statements. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these risks, uncertainties and factors are interdependent and management's future course of action depends upon the Company's assessment of all information available at that time.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of this MD&A and the Company does not undertake and is not obligated to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.