



MANAGEMENT DISCUSSION AND ANALYSIS

March 31, 2020

Enviroleach Technologies Inc.

Management Discussion and Analysis Three months ending March 31, 2020

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 three months March 31, 2020 and the Annual MD&A for the three months ending December 31, 2019.

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 May 27, 2020.

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 gold 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 conventional process employing a cyanide circuit but is non-toxic and less complicated. 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.

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The Enviroleach Process 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 and awarded 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 lixivants on most ores, concentrates and E-Waste.

In March 2017, the Company completed a transaction to purchase the technology rights which are the basis of the Enviroleach intellectual property and Enviroleach Process. 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.

The first agreement was signed on December 13, 2016 in a transaction between Iberian Minerals Corp. (“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	<u>\$1,101,909 (c)</u>
Total acquisition price	\$1,529,909

- (a) Shares were issued in March 2017
- (b) The balance represents US \$250,000
- (c) The balance represents the amortized cost of a non-interest-bearing note of US \$1,000,000 and calculated based the timing of payments using an annual interest rate of 5.0%, compounded monthly and a term of 39 months.

The advance royalty payable is based on a payment of 10% of the “Net Profit Available for Distribution” paid quarterly to a maximum of US \$1,000,000, with a minimum monthly payment of US \$5,000. 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 Technologies Inc. (“Mineworx”) (formerly Iberian), signed December 19, 2016. The consideration was as follows:

- a) The issue of 28,000,000 of the Company’s common shares valued at \$4,760,000 or \$0.17 per share, and
- b) Promissory note of \$1,600,000, bearing interest of 5.0% per annum compounded monthly and fully repayable within 24 months of issuance.

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.

Per the terms of the promissory note, \$1,350,000 of the principal amount was repaid. As at the date of this MD&A there remains \$250,000 in principal payable under the promissory note.

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Overall Performance

During the three months ending March 31, 2020 the Company produced 19.4 tonnes of mineral rich concentrates during testing and commissioning of the facility. In addition, the Company performed comprehensive full-scale production testing of over 60,000 lbs of E-waste material provided by Jabil Inc. at the Vancouver facility.

The Company's lab and research facility was able to expand the effectiveness of the process to allow for the recovery of tin from printed circuit boards. A portion of the research was funded by the National Research Council of Canada under the Industrial Research Assistance Program (IRAP).

To further the corporate business strategy the Company signed two letters of intent to license the Enviroleach technology. One license relates to recovering Platinum Group Metals from Catalytic converters and the other is for in-situ gold recovery from underground deposits.

The Company received 2 patents related to its technology in the three months ending March 31, 2020.

During March 2020, the Company received \$2,508,001 and issued 3,344,001 common shares from a private placement. As part of the private placement the Company also issued 3,344,001 warrants that allow the holder to purchase a common share for \$1.00 and expire March 23, 2022.

Selected Annual Financial Information

	March 31, 2020	December 31, 2019	December 31, 2018
Revenues	\$213,427	\$370,753	\$ -
Loss attributed to shareholders	(1,501,384)	(8,723,922)	(5,178,341)
Loss per share - basic and diluted	(0.02)	(0.13)	(0.09)
Total assets	14,885,247	13,626,008	17,255,020
Total liabilities	1,723,607	2,244,558	5,210,300
Working capital (deficiency)	1,914,565	1,587,857	1,921,249

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Summary of Quarterly Results

The following financial data is selected information for the Company for the eight most recently completed financial quarters:

	Mar 31, 2020	Dec 31, 2019	Sept 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sept 30, 2018	Jun 30, 2018
Total revenue (\$,000)	213	Nil	89	150	131	Nil	Nil	Nil
loss for the period (\$,000)	(1,501)	(3,599)	(1,249)	(1,279)	(3,152)	(1,622)	(963)	(1,393)
Loss per share	(0.02)	(0.06)	(0.02)	(0.02)	(0.04)	(0.01)	(0.02)	(0.02)

Financial results

For the three months ending March 31, 2020, the Company incurred a loss attributed to shareholders of \$1,501,384 (\$0.02 loss per share) and \$3,151,679 (\$0.04 loss per share) in 2019.

The Company recognized revenue of \$213,427 in 2020 (2019 - \$130,791). The revenue consisted of \$126,959 (2019 - \$130,791) from the sale of metals created at the Vancouver facility and \$86,468 (2019 - \$nil) for pilot plant work for mining companies.

During the three months ending March 31, 2020, Cost of Sales were \$166,918 (2019 - \$321,600) comprised of \$30,858 (2019 - \$34,811) for fees related to the transportation and external processing of the materials shipping from the Vancouver facility, \$95,972 (2019 - \$121,790) of costs associated with the Vancouver facility overheads, and testing costs for the mining projects, and \$40,088 (2019 - \$164,999) for the cost of the E-Waste feedstock.

The Company had a gross margin of \$46,509 (2019 negative - \$190,809) on operations during the period. The increase in margins compared to 2019 are the result of increased research revenue at a higher margin and the reduction in feedstock costs.

Project development spending was \$300,725 (2019 - \$429,139). This spending related to development work improving the efficiency of the Vancouver E-Waste facility and costs related to testing for Jabil Inc.

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Research and development costs were \$131,566 (2019 - \$166,278) during the three months ending March 31, 2020. Costs included overheads, labour, materials, and supplies related to the research lab. The lab was able to reduce costs from 2019 due to efficiency gains in process testing. These costs were offset by government grants of \$3,231 the Company received which are reported in Other Income.

During the three months ending March 31, 2020, general and administration costs were \$744,320 (2019 - \$495,992). These costs included:

Compensation of management and employee of \$410,678 (2019 - \$277,504) was higher in 2020 due to the increased activity at the E-Waste facility requiring the support of additional management and administrative personnel;

Office and General costs were \$32,856 (2019 - \$41,430). Costs decreased from efficiency gains in how the company operates as the growth of additional staff and space slowed;

Public listing costs of \$121,745 (2019 - \$34,136), which increased as result of adding an additional director and increased director fees when compared to 2019;

Travel of \$89,880 (2019 - \$76,381) increased due to marketing activities related to closing the private placement by the Company in March 2020; and

Consulting costs of \$27,476 (2019 - \$nil) were higher as the Company engaged a management consultant to implement programs that allowed for the efficiency gains the Company achieved. The Vancouver facility also was required to complete engineering certification work.

For the three months ending March 31, 2020, stock-based payments were \$nil (2019 - \$1,563,971), no new options were granted in the period compared to 2,225,000 in 2019.

Interest fees of \$14,714 (2018 - \$23,612) relate to the interest associated to the promissory note and advance royalties incurred acquiring the technology and equipment lease payments. The decrease in fees is a result of the decreased value of the Note payable. Interest Income of \$1,514 (2019 - \$60,886) is from the cash balances held by the Company.

Amortization costs of \$453,194 (2019 - \$432,575) increased due to commencing depreciation of the entire Vancouver E-Waste processing facility.

The Company has placed some surplus assets for sale and recognized a gain of \$4,312 (2019 - \$1,627) on proceeds of \$49,752 when some of these assets were sold.

There was a foreign exchange loss of \$83,421 (2019 – gain \$76,651) relating to changes in the exchange rate for transactions and balances denominated in USD.

The E-waste joint venture reported a loss of \$854,950 and the 20% Mineworx minority interest of \$170,990 (2019 - \$205,933) was recorded as a gain in the Company statements.

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Liquidity and Capital Resources

At March 31, 2020, the Company's cash position was \$2,197,094 and the working capital was a positive \$1,914,565.

During the three months ending March 31, 2020, the Company received \$2,508,001 from a private placement at \$0.75 per share, less 65,652 in costs associated with issuing the shares.

During the three months ending March 31, 2020, Enviroleach received \$88,525 (2019 - \$384,662) from Mineworx for the cash investment required by the joint venture.

Working capital provided \$171,570 to the operation as an increase in Accounts Receivable of \$278,159 was offset by an increase in Accounts Payable of 373,685.

The Company made payments of \$19,906 (2019 - \$16,813) for payment of amounts due from the acquisition of the technology rights during the three months ending March 31, 2020.

The Company has begun generating revenue but is still reliant on raising equity to fund working capital, research and development and any expansion or improvements to the E-Waste processing facility. Management currently follows a policy of raising only enough 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 recorded a total of \$19,849 of additions for property and equipment during the three months ending March 31, 2020 (2019 - \$652,858).

Capital expenditures included, \$4,297 for the construction of pilot plants for the mining sector and \$15,551 for small equipment, office furniture, and computers.

Intangible assets

At March 31, 2020, the value of the technology asset was \$5,325,689 (2019 - \$5,522,937). The asset is being depreciated over a ten-year life and during the period an amortization expense of \$197,248 was recorded.

During the three months ending March 31, 2020, the Company received two patents relating to its technology. As a result of the granting of the patents, \$27,604 was added to Intangible assets with the valuation reflecting the costs incurred in having the patent issued by the US patent office. The patent asset is being amortized over 17 years, the life of the patent.

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Related party balances

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

	March 31, 2020	December 31, 2019
Included in due to related parties	\$ 102,785	\$ 49,479
	\$ 102,785	\$ 49,479

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

Capital Commitments

The Company had no commitments for property and equipment expenditures for fiscal 2020. 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.

Financial risk management

IFRS 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 March 31, 2020, 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

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funds to meet its short-term business requirements, considering its anticipated cash flows from operations and its holdings of cash.

As at March 31, 2020, the Company had a cash balance of \$2,197,094 (2019 - \$688,848) to settle current liabilities of \$1,723,607 (2019 - \$1,307,026). So far, the Company's primary source of funding has been the issuance of equity securities for cash, 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 net liabilities of \$521,112 (US \$367,317) due in USD. In 2019 this balance was \$991,775 (US \$894,915).

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 March 31, 2020, 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.

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Common shares

At March 31, 2020, there were 74,011,001 issued and fully paid common shares.

At May 27, 2020, there were 74,211,001 issued and fully paid common shares.

Stock options

At March 31, 2020, there were 8,720,000 stock options outstanding and exercisable at a weighted average exercise price of \$0.64.

At May 27, 2020, there were 10,420,000 stock options outstanding and exercisable at a weighted average exercise price of \$0.66

Warrants

At March 31, 2020, there were 6,700,000 warrants outstanding and exercisable at a weighted average exercise price of \$1.33.

At April 29, 2020, there were 10,084,776 warrants outstanding at a weighted average exercise price of \$1.22. and 6,700,000 exercisable at a weighted average exercise price of \$1.33.

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.

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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.