enviroleach

Management Discussion and Analysis

For the three-month periods ended March 31, 2021 and 2020

Introduction

This Management Discussion and Analysis (MDA) 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 unaudited condensed consolidated interim financial statements (Interim Financial Statements) and the notes thereto for the three-month period ended March 31, 2021 and the audited consolidated financial statements for the year ended December 31, 2020.

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

EnviroLeach Technologies Inc. is listed on the Canadian Securities Exchange (the CSE) under the symbol ETI and began trading on March 30, 2017. In addition to the listing on the CSE, the Company also trades on the OTCQB and Frankfurt Stock Exchange under the symbols EVLL and 7N2, respectively.

The Company has developed a unique, cost-effective, cyanide free, and more environmentally friendly alternative to current broadly used methods for the hydrometallurgical extraction of precious metals from ores, concentrates and other host material for use in the primary and secondary metals recovery 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, 2021.

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 a proprietary lixiviant formula and unique processes, EnviroLeach extracts precious and other valuable metals from printed circuit boards and mineral concentrates in a safe, environmentally friendly, and sustainable manner. The Company's primary target industry sectors are the electronic waste (E-waste) management sector for the recovery of gold and other valuable metals from printed circuit board assemblies as well as the recovery of gold from of ores and concentrates in the mining sector.

The EnviroLeach leach process is similar to conventional leaching methods for the recovery of gold but it eliminates the use of toxic compounds such as sodium cyanide or acid-based solutions. EnviroLeach's treatment process targets industry participants seeking a domestic processing solution with lower logistics and third-party costs and a reduced environmental impact.

The EnviroLeach technology solution creates very strong differentiation in the marketplace and provides unique positioning. The pending and awarded patents combined with the process knowledge required for site optimization create significant barriers for competitors to overcome. The EnviroLeach process is cost competitive, safe, sustainable, and holds potential for multiple revenue streams.

Overall Performance and Operations

During the period, the Company continued to pursue and develop commercial relationships in the primary and secondary metals sectors for its patented metal recovery technology. In the primary metals sector, the Company is focussed on opportunities for the recovery of gold from concentrates and ores including In-Situ Recovery. In the secondary metals sector, the focus is the recovery of gold and other metals from electronic waste.

During the three-month period ended March 31, 2021, EnviroLeach continued to expand a supply network consisting of small-scale recyclers and larger, integrated companies operating multiple facilities within the North American market. In addition, the Company continued to pursue international suppliers with encouraging results as evidenced by the processing of 42.5 tonnes of PCBAs from a Middle Eastern E-waste supplier which were purchased during the last quarter of the fiscal year ended December 31, 2020. An additional 94 tonnes of feedstock acquired during the quarter was processed in April and May 2021.

The Company's laboratory and research facility continues research to expand the effectiveness of the EnviroLeach process to allow for the recovery of additional metals, including tin and copper, from printed circuit boards assemblies (PCBAs). The copper and tin recovery process targets copper/tin rich concentrates such as those produced at EnviroCircuit. The concentrates are treated with a hydrometallurgical process to dissolve copper and tin into solution under ambient temperature and pressure conditions. Following dissolution, the copper is recovered using conventional electrowinning technology as almost pure copper metal, and the tin is then removed from solution using proven physical separation methods to produce a marketable tin oxide product.

EnviroLeach has and will continue to focus on the following operational and corporate objectives:

- Identify and secure feedstock to ensure the EnviroCircuit facility can operate continuously and efficiently;
- Enter partnerships and commercial agreements with integrated recycling companies;
- Advance existing letters of intent toward definitive agreements for technology licenses; and
- Pursue opportunities with mining partners that offer near term revenue potential.

COVID-19 Pandemic Impacts

The COVID-19 pandemic has directly and dramatically impacted EnviroLeach's business. Due to isolation and quarantine requirements for businesses and limits on travel and commercial shipments, the E-waste supply chain and resulting supply of the Company's target feedstock of PCBAs was severely curtailed. Shortly after the EnviroCircuit pilot plant received R2/RIOS certification, which positioned the Company for commercial operations and revenue, almost all E-waste supply within the Company's supply network was disrupted.

While available supply was limited during the period, the Company maintained consistent communication with electronics recyclers and other potential suppliers to continue to build business partnerships and identify supply opportunities. Market intelligence indicates supply movement is slowly restarting and the Company is pursuing commercial arrangements with multiple partners as recycling volumes increase.

Selected Annual Information

The Company had working capital of $4.8M as at March 31, 2021, an increase of $2M over March 31, 2020 *(restated)*. The increase in working capital is the net result of $7.4M in net proceeds raised in the March and December 2020 private placements of units, offset by operating and corporate expenditures incurred in 2020 and during the first quarter of 2021.

		March 31, 2021		March 31, 2020
Revenues	$	43,201	$	213,427
Loss and comprehensive loss attributable to:				
Shareholders		(892,450)		(1,501,385)
Non-controlling interest		(108,907)		(170,990)
	$	**(1,001,357)**	**$**	**(1,672,375)**
Loss per share - basic and diluted	$	(0.011)	$	(0.024)

		March 31, 2021		December 31, 2020		March 31, 2020
Total assets	$	15,074,830	$	16,566,928	$	14,885,247
Total liabilities		1,355,160		2,132,625		2,645,298
Working capital		4,843,935		5,579,043		2,836,256

Operational Financial results – For the three-month periods ended March 31, 2021 and 2020

		Three months ended March 31, 2021		2020
Revenues	$	43,201	$	213,427
Expenses				
Operating costs		(77,199)		(574,661)
Management and Employee costs		(364,686)		(407,447)
General and administration		(294,127)		(358,192)
		(736,012)		(1,340,300)

Revenues - The Company recognized revenue of $43,201 during the three-month period ended March 31, 2021 from the sale of recovered metals as compared to $213,427 during the three-month period ended March 31, 2020. The drop in year-to-year revenues is due to the disruptions in the supply chain as detailed above.

Operating Expenses – The operating expenses to sales ratio during the three-month period ended March 31, 2021 was 1.8, as compared to 2.7 for the three-month period ended March 31, 2020. The improvement of the ratio is due to changes to the plant process flow and reduction of expenses related to the commissioning of the EviroCircuit plant. During the three-month period ended March 31, 2021, the Company recognized $51,902 in government rent subsidy income as reductions of operating costs. Included in operating expenses are laboratory costs which were considerably reduced in 2021 following efficiency gains in testing, with expenses totalling $15,407 for the three-month period ended March 31, 2021 as compared to $131,565 during the 2020 comparative period *(restated)*, representing a decrease in costs of 88%. The savings in 2021 relate to reduced development costs and increased operating efficiencies.

Management and Employee costs - Management and employee compensation costs during the three-month period ended March 31, 2021 were partially offset by $109,148 in Canada Emergency Wage Subsidies (2020 - $nil). The Company also benefited from wage subsidies of $35,517 from IRAP associated with its research on copper and tin recoveries (2020 -$3,231). The wage subsidies have partially offset the increase in compensation related to new hires.

General and administrative – During the three-month periods ended March 31, 2021 and 2020, general and administration costs were as follows:

	Three months ended March 31,	
	2021	2020
Consulting fees	$ 37,201	$ 27,476
Office and general	41,243	57,405
Professional fees	93,601	44,641
Public Company Costs	119,842	138,790
Travel	2,240	89,880
	294,127	358,192

The Company suspended some non-essential activities starting the second quarter of 2020 in to preserve cash resources during these unprecedented times. These costs reductions were offset by costs related to efforts in communicating with investors, seeking agreements for the licensing of its technology and incurring higher audit costs following the engagement of new auditors.

Office and General costs decreased during the three-month period ended March 31, 2021 as compared to 2020 following efficiency gains and the reduction of expenses that are not instrumental to our operations, as well as $14,735 in CERS rent relief.

Travel costs remain considerably reduced in 2021 due to the Company suspending all travel during the second half of 2020.

Other items – On January 29, 2021, the Company settled the advance royalty payable in full by way of a cash payment in the amount of USD 150,000 and by issuing 250,000 common shares in the capital of the Company. The advanced royalty was presented at $532,392 as at December 31, 2020, which represented the unamortised cost of the non-interest-bearing note of USD 1,000,000, discounted at a rate of 22.0% per annum, compounded monthly over a term of 39 months and based on projected cash flows. The settlement resulting in the Company recognising an interest charge of $392,151 and a gain on settlement of debt of $629,850.

Overall performance - For the three-month period ended March 31, 2021, the Company incurred a loss attributed to shareholders of $892,450 as compared to $1,501,384 during the three-month period ended March 31, 2020. Net loss per common share, basic and diluted is $0.011 in 2021, as compared to $0.024 in 2020.

Summary of Quarterly Results

The following summarized financial data has been prepared in accordance with IFRS. This data should be read in conjunction with the Company's Interim Financial Statements, and it consolidated annual financial statements for the year ended December 31, 2020. All net loss figures in the table are presented in Canadian dollars, the Company's functional currency.

	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
Revenues	$ 43,201	$ (13,964)	$ 573,572	$ 43,750
Loss and comprehensive loss attributable to:				
Shareholders	892,450	1,954,037	1,019,693	1,644,921
Non-controlling interest	108,907	31,389	212,160	296,656
	$ 1,001,357	**$ 1,985,426**	**$ 1,231,853**	**$ 1,941,576**
Net loss per common share, basic and diluted	$ 0.011	$ 0.026	$ 0.017	$ 0.026

	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Revenues	$ 213,427	$ 437	$ 20,793	$ 218,733
Loss and comprehensive loss attributable to:				
Shareholders	1,501,385	4,379,643	1,383,741	1,276,654
Non-controlling interest	170,990	535,706	210,629	100,810
	$ 1,672,375	**$ 4,915,349**	**$ 1,594,371**	**$ 1,377,464**
Net loss per common share, basic and diluted	$ 0.024	$ 0.068	$ 0.023	$ 0.020

The Company has not yet fully developed a continuous supply chain and therefore still has un-predictable cashflows from the sale of processed materials. A significant endeavour during 2021 is to continue building the supply pipeline of E-waste to maintain robust monthly volumes. Variations in liabilities and working capital are the result of the timing of private equity placements and managements efforts over cash management while revenue is ramping up.

Liquidity and Capital Resources

AS at March 31, 2021, the Company had $4,069,556 in cash (December 31, 2020 - $5,511,314) and working capital of $4,843,935 (December 31, 2020 - $5,579,043). The significant decrease in working capital is mostly due to the Company using its cash to fund operations and for the acquisition of plant and equipment.

The Company has begun generating cash flows 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.

During the three-month period ended March 31, 2021, the Company the Company settled the advance royalty payable in full. Refer to Operational Financial Results section.

The Company incurred $3,763 in patent costs during the three-month period ended March 31, 2021. The patent costs represent the costs of applying for a patent on the Company's technology. In January 2020, the Company was issued two patents for its technology which are being amortized over the 20-year life of the patents (with 17 years remaining as at December 31, 2020).

During the three months ended March 31, 2021, the Company did not incur additional lease obligations.

Capital Commitments

As at March 31, 2021, the Company did not have contractual obligations other than those already disclosed in its Interim Financial Statements. 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.

Off-balance sheet arrangements

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

Transactions between Related Parties

The condensed consolidated interim financial statements are prepared by consolidating the financial statements of EnviroLeach Technologies Inc. and the accounts of the EnviroCircuit joint venture project with Mineworx Technologies Ltd. Transactions with Mineworx are considered transactions with a related party.

The Company had no additional transactions with related parties except for compensation of key management personnel and payment to its directors.

Financial risk management

The Company's existing business involve the operation on its plant and use of its proprietary technology for the extraction of precious metals for the mining and E-waste sectors, which exposes the Company to a variety of financial instrument related risks. These risks include foreign currency risk, credit risk, liquidity risk, market risk and other risks. The Company's board of directors provides oversight for the Company's risk management processes.

Foreign currency

The Company is exposed to currency risk due to business transactions in foreign countries. The Company mainly transacts in Canadian dollars and United States dollars. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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, 2021 and December 31, 2020, the Company was not exposed to significant interest rate risk.

At March 31, 2021, the Company has net liabilities of USD 210,048 due in USD (December 31, 2020 – USD 751,313). A 10% weakening against the US dollar of the currencies to which the Company had exposure would have had a $26,414 impact on net liabilities (December 31, 2020 - $95,660). A 10% strengthening against the US dollar would have had the opposite effect.

Credit risk

The Company's credit risk is primarily attributable to cash and trade and other 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, 2021 and December 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 funds to meet its short-term business requirements, considering its anticipated cash flows from operations and its holdings of cash.

As at March 31, 2021, the Company had a cash balance of $4,069,556 (December 31, 2020 $5,511,314) to settle current liabilities of $1,264,210 (December 31, 2020 - $1,584,828).

Proposed Transactions

The Company continually reviews potential merger, acquisition, investment, and other joint agreement and strategic transactions that could enhance shareholder value. However, as of the date of this MDA, there are no proposed transactions currently under examination.

Outstanding Share Data

Authorized share capital - Unlimited number of common shares without par value.

	May 27, 2021	March 31, 2021	December 31, 2020
Common shares, issued	93,696,002	93,596,002	93,046,002
Stock options, outstanding	7,525,000	7,650,000	9,150,000
Warrants, outstanding	21,828,352	21,828,352	21,828,352
Fully Diluted	123,049,354	123,074,354	124,024,354

Contingencies

The Company has made demands against Mineworx Technologies Ltd. (and its wholly-owned subsidiary, Mineworx Technologies Inc.) in connection with a joint venture agreement (JVA) with Mineworx dated August 29, 2017, and amended on February 14, 2020, an asset purchase agreement (APA) with Mineworx dated December 19, 2016, and the Company's intellectual property rights (IP Rights) in and to its technology and processes used in the extraction of precious and non-precious metals in the mining and E-waste sectors.

The Company has given Mineworx several notices of various breaches committed by Mineworx of certain provisions of the JVA and the APA as well as Mineworx's infringements of the Company's IP Rights. On April 5, 2021, the Company formally notified Mineworx that the JVA was terminated and that the Company, as the JV manager, was entitled to commence to wind-up of the operations of the joint venture. Mineworx has disputed that it is in breach of the JVA and alleged that the Company has breached certain provisions of the JVA. Mineworx has also disputed the Company's entitlement to wind-up of the JVA.

In addition, and further to the APA and the Company's IP Rights, the Company has demanded that Mineworx cease using the Company's IP Rights, failing which, the Company has advised Mineworx that it may initiate civil claims against Mineworx for, among other things, breach of provisions of the APA and infringement of the Company's IP Rights. The potential value of such claims is indeterminable as of the date the Board of Directors approved these Financial Statements.

In accordance with IFRS 9, the Company recorded an expected credit loss of $350,292 related to amounts due to the Company from Mineworx during the year ended December 31, 2020, and $117,104 during the three-month period ended March 31, 2021 (2020 - $nil).

Forward-Looking Information and Statements

This MDA 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. MDA. These forward-looking statements include, without limitation, statements about our market opportunity, our strategies, ability to improve and expand our capabilities, competition, expected activities and expenditures as we pursue our business plan, the adequacy of our available cash resources, regulatory compliance, plans for future growth and future operations, the size of our addressable market, market trends, and the effectiveness of the Company's internal control over financial reporting. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

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 research and development or operational activities; changes in project parameters as plans continue to be refined; accidents and other risks inherent in the technology and resource industries; 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; commercialization of our technology and products, our status of relationship with partners; development and protection of our intellectual property and products; industry competition; building and maintaining our manufacturing facility; our ability to sell our products and services in order to generate revenues; our proposed business model and our ability to execute thereon; adverse effects on the Company's business and operations as a result of increased regulatory, media or financial reporting issues and practices; rumors or otherwise disease epidemics and health related concerns, such as the current outbreak of a novel strain of coronavirus (COVID-19), which could result in (and, in the case of the COVID-19 outbreak, has resulted in some of the following) reduced access to capital markets, supply chain disruptions and scrutiny or embargoing of goods produced in affected areas, government-imposed mandatory business closures and resulting furloughs of our employees, travel restrictions or the like to prevent the spread of disease; and market or other changes that could result in noncash impairments of our intangible assets, and property, plant and equipment. 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.

Management has included projections and estimates in this MDA which are based primarily on management's experience in the industry, assessments of our results of operations, discussions and negotiations with third parties and a review of information filed by our competitors with securities regulators or otherwise publicly available.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as at the date of this MDA, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely upon these statements.

We caution readers not to place undue reliance on any such forward-looking statements, which speak only as at the date made. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MDA are made as of the date of this MDA 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.