ENVIROMETAL TECHNOLOGIES INC.

Management Discussion and Analysis

For the Years Ended December 31, 2021 and 2020

1. 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 EnviroMetal Technologies Inc. (EnviroMetal or the Company) (formerly EnviroLeach Technologies Inc).

The information provided herein should be read in conjunction with the Company's audited consolidated financial statements (Financial Statements) and the notes thereto for the years ended December 31, 2021 and 2020.

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

EnviroMetal 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 OTCQX 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 materials for use in the primary and secondary metals recovery industries.

Except as otherwise disclosed, all dollar figures in this report are stated in Canadian dollars. The effective date of this report is April 29, 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.EnviroMetal.com .

Corporate Overview

EnviroMetal develops and markets technologies for the extraction of precious and other valuable metals from printed circuit board assemblies ("PCBA") and mineral concentrates in a safe, environmentally friendly, and sustainable manner. The Company's technology is used in the electronic waste ("E-waste") processing industry to recover of gold and other valuable metals from printed circuit board assemblies; and the mining industry for the recovery of gold from of ores and concentrates. The Company operates a large pilot scale E-waste processing facility ("EnviroCircuit") located in Surrey, British Columbia and is seeking opportunities to license its technology to companies in the mining and E-waste processing industries.

The EnviroMetal leach process is similar to conventional methods for the recovery of gold, but the Company's proprietary lixiviant formula and unique process eliminates the use of toxic leaching agents such as sodium cyanide or acid-based solutions and significantly reduce water usage. EnviroMetal's metal recovery technology targets industry participants seeking an on site or domestic processing solution with low logistics and third-party costs and a reduced environmental impact.

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

2. OVERALL PERFORMANCE AND OPERATIONS

During the year ended December 31, 2021, the Company continued to develop commercial relationships in the primary and secondary metals industries for its patented metal recovery technology. In the primary metals industry, the Company is focussed on opportunities for the recovery of gold from concentrates and ores including in-situ recovery. In the secondary metals industry, the focus is the recovery of gold and other metals from electronic waste.

During the year, EnviroMetal continued to build and expand an E-waste supply network to provide feed for the EnviroCircuit facility. The Company's supply network consists of small-scale recyclers and larger, integrated companies within the North American market. The Company established supply relationships with a number of international suppliers during the first six months of the year, however dramatic increases in logistics costs during the year have rendered most feed from outside North America uneconomic.

Following the COVID related closure of EnviroCircuit in 2020, the processing of E-waste restarted in February 2021. During the period from February to June of 2021 the Company continued to identify and make process improvements to increase production, improve metal recoveries, and lower costs at EnviroCircuit. In July 2021 E-waste processing was suspended at EnviroCircuit in order to implement mechanical improvements which included upgraded grinding equipment, augmented non-ferrous recovery equipment, and enhanced mechanical separation. Despite delays in receiving some equipment, the planned improvements and upgrades were substantially completed by the end of October. The Company anticipates the improvements will result in higher metal recoveries, reduced operating costs, and increased process throughput and efficiency. Over 195 tonnes of E-waste were processed at EnviroCircuit during the year ended December 31, 2021.

In June 2021, the Company entered into an agreement with Ocean Partners USA Inc., an affiliate of Ocean Partners Holdings Limited. Pursuant to the agreement EnviroMetal will use its patented and eco friendly metal extraction process to recover gold from gold mine materials produced by Ocean Partner's clients. In September the Company received the first two shipments of material under this agreement. At December 31, 2021 material received from Ocean Partners clients was recognized in inventory at the lower of cost and net realizable value, $3,441,965.

The Company's laboratory and research facility continues research to expand the effectiveness of the EnviroMetal process to allow for the recovery of additional metals, including tin and copper, from PCBA. 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.

EnviroMetal 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;
- Pursue opportunities for technology licenses within the mining and E-waste industries; 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 EnviroMetal'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 PCBA continues to be severely impacted. Shortly after the EnviroCircuit pilot plant received R2/RIOS certification, which positioned the Company for commercial level operations and revenue, almost all E-waste supply within the Company's supply network was disrupted.

While available supply remained constrained though 2021, the Company has maintained consistent communication with electronics recyclers and other potential suppliers to continue to build business partnerships and identify supply opportunities.

The COVID-19 pandemic has also negatively affected international shipping with freight costs, container availability and port access having been severely impacted. Higher shipping and port costs, and border, customs and port disruption have resulted in delays in receiving feedstock, increased downtime, higher operating costs and interruptions in shipping finished materials to customers.

3. SELECTED ANNUAL INFORMATION

The following table summarizes selected financial information for the Company for each of its most recently completed financial years. The information set forth below should be read in conjunction with the Financial Statements. All information was prepared in accordance with IFRS.

		December 31, 2021		December 31, 2020
Revenues	$	851,356	$	816,785
Loss and comprehensive loss attributable to:				
Shareholders		(11,486,774)		(6,120,035)
Non-controlling interest		(126,335)		(711,195)
	$	**(11,613,109)**	**$**	**(6,831,230)**
Loss per share - basic and diluted	$	(0.124)	$	(0.093)
Total assets	$	8,231,604	$	16,566,928
Total liabilities		6,106,533		2,132,625
Working capital	-	216,419		5,579,043

The Company had working capital of negative working capital of $216,419 as at December 31, 2021, a decrease of $5.8 million over December 31, 2020. The decrease in working capital reflects the Company has not yet reached achieved commercial production levels at EnviroCircuit or generated significant revenues related to mining clients or licensing its technology.

Operational Financial results – For the Years ended December 31, 2021 & 2020

	December 31, 2021	December 31, 2020
Revenues	$ 851,356	$ 816,785
Expenses		
Operating costs	(956,299)	(1,335,483)
Management and Employee costs	(1,528,974)	(1,234,899)
General and administration	(1,783,057)	(1,378,754)
Share-based payments	(104,571)	(1,029,580)
	$ (4,372,901)	**$ (4,978,716)**

Revenues - The Company recognized revenue of $851,356 during the year ended December 31, 2021 from metal sales and consulting work for clients as compared to $816,785 during the year ended December 31, 2020. During 2021, despite limited supplies of E-waste feed material and closures for plant upgrades, E-waste processing increased over 2020 when operations at EnviroCircuit were limited by E-waste supply and the effects of COVID-19. Revenues from E-waste processing during 2021 were $673,393 (2020 - $333,121) an increase of $340,272 year over year. During the year ended December 31, 2021, the Company generated $177,963 in revenues from mining related consulting work compared to the year ended December 31, 2020 when the Company recognized revenues of $483,664 from mining related licensing and consulting activities.

Operating Expenses – The operating expenses to sales ratio during the year ended December 31, 2021, was 1.12 as compared to 1.64 for the year ended December 31, 2020. The improvement of the ratio is primarily attributable to increased E-waste supply leading to operational efficiencies and consulting work performed for mining clients. During the year the Company recognized $128,648 in government rent subsidy income as a reduction in operating costs (2020 - $nil). Included in operating expenses are laboratory costs which were reduced by 48% during the year ended December 31, 2021, as compared to the year ended December 31, 2020, following efficiency gains in testing.

Management and Employee costs - Management and employee compensation costs during the year ended December 31, 2021 were partially offset by Canada Emergency Wage Subsidies of $332,777 (2020 - $484,944). The Company also benefited from wage subsidies of $98,235, respectively (2020 - $82,715) from IRAP associated with its research on copper and tin recoveries and participation in youth programs. The reduced wage subsidy as well as an increase in compensation related to increased staffing levels, resulting in a year-to-year increase of 23% in management and employee costs.

General and administrative – During the years ended December 31, 2021 and 2020, general and administration costs were as follows:

	December 31, 2021	December 31, 2020
Consulting fees	(164,489)	(244,631)
Office and general	(155,868)	(120,197)
Professional fees	(797,245)	(314,822)
Public company costs	(639,145)	(585,606)
Travel	(26,310)	(113,498)
	$ (1,783,057)	**$ (1,378,754)**

The Company suspended some non-essential activities starting the second quarter of 2020 to preserve cash resources in response to uncertainty resulting from the COVID-19 pandemic. During the year ended December 31, 2021, activity levels increased as operations approached pre-pandemic levels. During 2021 the Company incurred higher costs relating to investor relations and marketing to potential licensees for its technology.

Office and General costs of $155,868 (2020 - $120,197) for the year ended December 31, 2021, include $36,524 (2020 - $36,709) in federal CERS rent relief. Increased costs are attributable to increased activities during the year in support of consulting work for mining clients and pursuing potential licensing opportunities.

Professional fees include audit costs and legal fees. The Company incurred higher audit costs following the engagement of new auditors and significantly higher legal fees following the filing of a civil claim against Mineworx (refer to note 24 of the Company's audited financial statement for the year ended December 31, 2021, and to the section *Contingencies* herein).

Travel resumed during the year ended December 31, 2021, but overall travel costs remain considerably reduced in 2021 as compared to 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 US $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 US $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 a gain on settlement of advance royalty payable of $238,271. During the year ended December 31, 2021, the Company recorded an amortization expense of $1,849,023, recognized a loss on disposal of surplus assets of $10,523, recorded a loss of $1,134,216 related to the write-down of assets at EnviroCircuit, recognized impairment costs of $4,778,650 relating to property, plant and equipment and intangible assets, recorded an unrealized loss of $398,459 on its investment in Group 11, and recognized an expected credit loss of $123,418 relating to amounts owed by Mineworx and other parties.

Overall performance - For the year ended December 31, 2021, the Company incurred a loss and comprehensive loss of $11,613,109 as compared to and $6,831,230 in the 2020 comparative period. No portion of the loss for the year ended December 31, 2021 has been attributed to Mineworx following the termination of the joint venture agreement by the Company on April 5, 2021 (refer to note 24 of the Company's audited financial statement for the year ended December 31, 2021 and to the section *Contingencies* herein). Net loss per common share, basic and diluted for the year ended December 31, 2021 was $0.124 as compared to $0.093 in 2020.

4. DISCUSSION OF OPERATIONS

The Company plans to commercialize its novel metal recovery technology in both the E-waste and mining industries by first proving the applicability for use in the industry and ultimately licensing the technology to processors in both industries.

In order to adapt its technology for the unique demands of processing E-waste the Company operates EnviroCircuit to both refine the technology and generate revenues from processing E-waste. The Company believes EnviroCircuit will allow it to develop a licensable E-waste process for use by both the Company and other E-waste processors.

Within the primary metals industry, the EnviroMetal is working with established mining companies and companies such as Group 11 on a project basis to assess the applicability of Company's lixiviant and process for potential licensing. It is standard practice for mine operators and potential mine operators to extensively test any metal recovery process on their target material prior to making any decision regarding processing technology. As part of their process evaluation, potential licensees retain the Company and third parties, to conduct test work to evaluate the Company's technology.

In During the year ended December 31, 2021, the Company generated $673,393 (2020 - $333,121) in revenues from processing E-waste at EnviroCircuit and $177,963, (2020 - $483,664) from licensing and consulting work for mining clients.

5. 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 respective periods. All net loss figures in the table are presented in Canadian dollars, the Company's functional currency.

	December 30, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Revenues	$ 226,648	$ 19,540	$ 561,967	$ 43,201
Loss and comprehensive loss attributable to:				
Shareholders	6,841,935	2,268,709	1,483,680	892,450
Non-controlling interest	-	-	-	126,335
	$ 6,841,935	**$ 2,268,709**	**$ 1,483,680**	**$ 1,018,785**
Net loss per common share, basic and diluted	$ 0.073	$ 0.024	$ 0.016	$ 0.011

	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Revenues	$ (13,964)	$ 573,572	$ 43,750	$ 213,427
Loss and comprehensive loss attributable to:				
Shareholders	1,954,037	1,019,693	1,644,921	1,501,385
Non-controlling interest	31,389	212,160	296,656	170,990
	$ 1,985,426	**$ 1,231,853**	**$ 1,941,577**	**$ 1,672,375**
Net loss per common share, basic and diluted	$ 0.042	$ 0.024	$ 0.016	$ 0.011

While the Company continues to invest in building a consistent supply of E-waste to maintain robust monthly processing volumes the Company has yet to develop a consistent supply chain and therefore has un-predictable cashflows from the sale of processed materials. Similarly, licensing activities and speciality material processing activities have not reached a level where they provide consistent revenues. During the year ended December 31, 2021 the Company's marketing to potential mining clients resulted in increased consulting revenues and it is anticipated consulting revenues will increase and become consistent over time.

6. LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2021, the Company had $784,790 in cash (December 31, 2020 - $5,511,314) and a working capital deficit of $216,419 (December 31, 2020 - $5,579,043). The decrease in working capital is primarily attributable to the Company using cash to fund operations and the updates undertaken at EnviroCircuit during 2021 and limited financing activities during the year.

Liquidity Outlook

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. The Company raises money through the sale of equity and from the exercise of convertible securities. Many factors influence the Company's ability to raise funds, including the health of the capital markets, the Company's track record, and the experience and calibre of its management. Actual funding requirements may vary from those planned due to several factors, including the price and availability of PCBA, technology development costs, and revenues from consulting and licensing activities.

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. Management is encouraged by improving equity markets for innovative and green mining technologies and anticipates seeking additional sources of funding prior to the end of the fiscal year. Given volatility in equity markets, global economic uncertainty, and cost pressures there can be no certainty equity funding will be available to the Company or if available funding will be on acceptable terms. Management believes it will be able to raise equity capital as required but recognizes that there will be risks which may be beyond its control.

Capital Commitments

As at December 31, 2021 and December 31, 2020, the Company did not have contractual obligations other than those disclosed in its financial statements at December 31, 2021 and December 31, 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.

At December 31, 2021, the Company had $451,495 in lease obligations.

Capital Resources

The Company believes it has sufficient capital to cover its administrative overhead expenses for the next twelve months. To continue developing its technology, support operations at EnviroCircuit and pursue licensing opportunities, EnviroMetal may be required to raise additional capital, and if capital is not available the Company will have to delay some planned activities and expenditures. Subsequent to December 31, 2021, the Company announced, and on March 31, 2022, closed a private placement issuing a total of 14,232,465 common shares and warrants for gross proceeds of $3,558,114.

7. OFF - BALANCE SHEET ARRANGEMENTS

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

8. TRANSACTIONS BETWEEN RELATED PARTIES

The consolidated financial statements are prepared by consolidating the financial statements of EnviroMetal Technologies Inc. and the accounts of EnviroCircuit.

The Company had no additional transactions with related parties except for compensation of key management personnel and payment to its directors as disclosed in Note 19 to the Company's Consolidated Financial Statements for the years ended December 31, 2021 and 2020.

9. FOURTH QUARTER

In the fourth quarter of 2021 the Company recognized revenues of $226,649 (2020 - -$13,964) from the sale of metals and concentrates produced from E-waste and for consulting services provided to clients. These revenues partially offset expenses of $1,032,844 (2020 - $744,855). The Company's loss before other items for the quarter was $806,196 (2020 - $758,855.

The following table summarizes the Company's revenues and expenses for the quarters ended December 31, 2021 and December 31, 2020:

	3 months ended December 31, 2021	3 months ended December 31, 2020
Revenues	$ 226,648	$ (13,964)
Expenses		
Operating costs	(88,248)	163,798
Management and Employee costs	(432,563)	(355,966)
General and administrative	(447,755)	(509,033)
Share-based payments	(74,358)	(43,690)
	(1,042,924)	(744,891)
Loss before other items	**(816,276)**	**(758,855)**
Other items		
Interest income	386	92
Interest and financing costs	373,622	(113,587)
Amortization	(456,799)	(592,865)
Gain (Loss) on disposal of assets	58,361	(500)
Write-down of assets	(529,749)	(111,523)
Impairment loss on plant and equipment	(1,097,439)	-
Impairment loss on intangible assets	(3,681,211)	-
Unrealised loss on investment in associate	(315,781)	(49,876)
Gain on settlement of advance royalty payable	(391,579)	-
Expected credit loss	(6,314)	(350,292)
Foreign exchange	3,415	(8,019)
	(6,043,088)	(1,226,570)
Loss and comprehensive loss	**$ (6,859,364)**	**$ (1,985,425)**

Operating expenses of $88,248 (2020 - $163,798) during the quarter reflects expenses incurred at EnviroCircuit for processing E-waste and expenses related to providing consulting services to clients. During the quarter ended December 31, 2020, EnviroCircuit was not in operation due a shortage of feed material and COVID-19 related restrictions.

During the final quarter of the year ended December 31, 2021, management and employee costs were higher, $432,563 (2020 - $355,966) due to increased staffing levels while general and administrative expenses, $447,755 (2020 - $509,033), were lower primarily due to reduced legal expenses.

In the fourth quarter the Company recognized a gain of $58,361 on the sale of surplus assets; reduced the carrying value of EnviroCircuit by $1,554,238 as a result of ongoing supply chain issues; recorded $315,781 as it attributable share of the loss related to its equity holdings in Group 11; recognize a loss of $401,660 to correct a prior overstatement of the gain on the settlement of the advance royalty payable; wrote-down assets $529,749; and recognized an impairment of $3,681,211 on intangible assets.

10. 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 MD&A, there are no proposed transactions currently under examination.

11. CRITICAL ACCOUNTING ESTIMATES

Critical Accounting Estimates

Determination of functional currency

Management has made determinations with respect to its functional currency in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates based on the primary economic environment in which the entities operate and has determined that the current functional and presentation currency is the Canadian dollar.

Impairment of non-financial assets

Assets are reviewed for an indication of impairment at each consolidated statement of financial position date and upon the occurrence of events or changes in circumstances which may result in the carrying value of the assets being greater than their recoverable value. This determination requires significant judgment. Factors that could trigger an impairment review of PP&E include, but are not limited to, significant negative industry or economic trends including the price of precious and base metals, decrease in market capitalization and/or deferral of capital investments.

The Company's measurement with respect to the carrying amount of non-financial assets is based on numerous assumptions and carrying amounts may differ significantly from actual recoverable amount. The recoverable amount is based, in part, on certain factors that may be partially or totally outside of the Company's control. The evaluation involves a comparison of the estimated recoverable amount of non-financial assets to their carrying values. The Company's recoverable amount estimates are based on assumptions such as, but not limited to, estimated realized metal prices, operating costs, metal recoveries, capital and site restoration expenditures, and estimated future foreign exchange rates, and may differ from actual values. These differences may be significant and could have a material impact on the Company's financial position and results of operation.

Management's estimates of future cash flows are subject to risk and uncertainties. Therefore, it is reasonably possible that changes could occur with evolving economic conditions, which may affect recoverability of the Company's non-financial assets.

Current income taxes

The Company's interpretations of underlying tax regulations may differ from those of the tax authorities. Judgment is required in order to determine the appropriate accounting and disclosure treatment based on the known facts. To the extent that a dispute arises, management must determine whether it is probable that a tax liability exists and whether the extent of the liability may be estimated and accrued in the financial statements in addition to determining the appropriate level of disclosure regarding the dispute.

Share-based compensation related to stock options

Management assesses the fair value of stock options using the Black-Scholes option pricing model. This model requires management to make estimates and assumptions with respect to inputs including the risk-free interest rate, share price volatility and expected life of the equity-settled instruments. In addition, management must make assumptions about anticipated forfeitures based on the historical actions of plan participants which may not be a true representation of future participant exercise behaviour.

The estimated useful life of equipment and technology

Management assesses the estimated useful life of equipment, technology and other long-lived assets based on best available information from markets, employees and other indicators.

Application of the effective interest method

Interest is recognized in Interest income and Interest expense in the Consolidated Statements of Income generally for all interest-bearing financial instruments using the effective interest method. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial asset or liability to the net carrying amount upon initial recognition. Significant judgment is applied in determining the effective interest rate due to uncertainty in the timing and amounts of future cash flows.

Expected credit loss

Under IFRS 9, the Company initially recognizes expected credit losses arising from potential default over the next 12 months. The Company uses the probability of default based on the exposure at default, probability of default and loss given default to factor the expected loss.

Incremental borrowing rate

The Company cannot readily determine the interest rate implicit in leases where it is the lessee, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation as the Company does not have financing transactions with third parties.

The Company estimates the IBR using observable inputs (such as market interest rates) and groups leases into their constituent categories with similar characteristics. The other significant estimates used as an input is the relative increase or decrease in interest rates according to prevailing market adjustments for individual categories. The two main metrics use to adjust market interest rates for categories are whether a lease is for a short or long duration, and if the asset is fixed or mobile.

12. CHANGES IN ACCOUNTING POLICY

There were no changes in the Company's accounting policies during 2021.

13. FINANCIAL RISK MANAGEMENT

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

At December 31, 2021, the Company has net liabilities of $641,157 (US $507,485) due in USD (December 31, 2020 - $956,573 (US $751,313).

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 December 31, 2021, 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.

14. FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

(a) Financial instruments

On initial recognition, a financial asset is classified as: amortized cost, fair value through profit and loss ("FVTPL"), or fair value through other comprehensive income ("FVTOCI"). The classification of financial assets is made in accordance with their contractual cash flow characteristics and the business models under which they are held.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in profit and loss. Gains or losses on equity financial assets classified as FVTOCI remain within accumulated other comprehensive income.

The Company's financial assets are cash, trade and other receivables.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current or non-current based on their maturity dates.

Financial assets at FVTPL

Financial assets at FVTPL are initially recognized at fair value and transaction costs are expensed in profit and loss. Realized and unrealized gains and losses arising from changes in fair value of the financial asset held at FVTPL are included in profit and loss in the period in which they arise. Derivatives are also recognized as FVTPL unless they are designated as hedges.

Financial assets at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investment in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit and loss following the derecognition of the investment.

Financial Liabilities

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provision of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or they expire.

Financial liabilities are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to their initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

The Company's financial liabilities are its accounts payable and accrued liabilities, due to related parties, lease liabilities, advance royalty payable and loan payable. Financial liabilities are classified as current or non-current based on their maturity dates.

15. RISKS AND UNCERTAINTIES

The risks and uncertainties described in this section are not inclusive of all risks and uncertainties to which the Company may be subject.

Early Stage – Need for Additional Funds

The Company has no history of profitable operations, and its present business is at an early stage. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

Technology Risk

The Company's technology has yet to be proven beyond pilot scale. Although the technology has demonstrated the ability to scale without any degradation in performance, until such time as the technology is successfully deployed on a large commercial scale there remains the risk the technology may face limits to scalability. The Company's technology competes with other metal recovery technologies, some of which are more established.

Environmental Risk

Environmental laws and regulations may affect the operations of EnviroMetal. These laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. Furthermore, the permission to operate could be withdrawn temporarily where there is evidence of serious breaches of health and safety, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damages caused by previous owners of acquired properties or non-compliance with environmental laws or regulations. The Company intends to minimize these risks by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to international environmental standards.

Price Risk

The market price of precious metals and other minerals is volatile and cannot be controlled.

Dependence on Key Personnel

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

Competitive Risk

The extractive metals industry is intensely competitive in all its phases. The Company competes with many other metal recovery technology companies who have greater financial resources and technical capacity.

16. DISCLOSURE OF OUTSTANDING SHARE DATA

Authorized share capital - Unlimited number of common shares without par value. The table below presents the Company's common share data as of April 29, 2022.

	Price	Expiry date	April 29, 2022
Common shares issued and outstanding			**107,928,458**
Securities convertible into common shares:			
Stock Options	$0.50	June 30, 2022	100,000
	$1.65	April 12, 2023	100,000
	$1.20	July 18, 2023	25,000
	$0.76	March 1, 2024	1,275,000
	$0.96	June 14, 2024	250,000
	$1.45	December 11, 2024	725,000
	$1.00	April 9, 2022	400,000
	$0.76	April 24, 2022	1,250,000
	$0.46	October 15, 2025	400,000
	$0.70	February 2, 2026	200,000
	$0.38	August 20, 2026	85,000
Total Options			**4,810,000**
Warrants	$0.50	December 30, 2022	17,825,001
	$0.50	February 18, 2024	13,198,230
	$0.50	March 31, 2024	1,271,956
Total Warrants			**32,295,187**
Total options & warrants outstanding			**37,105,187**

17. NATURE OF SECURITIES

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

18. COMMITMENTS

Other than obligations disclosed in the Financial Statements and elsewhere this MD&A the Company does not have any commitments.

19. ADDITIONAL DISCLOSURE

Additional disclosure concerning Midnight Sun's general and administrative expenses and exploration and evaluation assets expenditures is provided in the Company's Financial Statements. These Financial Statements are available on SEDAR at www.sedar.com .

20. CONTINGENCIES

The Company commenced a civil action against Mineworx Technologies Ltd. and related parties (jointly, the Mineworx Defendants) in the Supreme Court of British Columbia in June 2021.

The claims against the Mineworx Defendants include, among other things, the following:

- The Mineworx Defendants, through various agreements with EnviroMetal, gained access to certain of EnviroMetal's intellectual property relating to the development and commercialization of environmentally friendly chemical formulas and technologies for use in the treatment of materials in the primary and secondary metals sectors. EnviroMetal has since terminated those access agreements.
- Because access to EnviroMetal's IP has been terminated and without a license from EnviroMetal, the Mineworx Defendants are not entitled to use or otherwise exploit any of EnviroMetal's IP.
- The Mineworx Defendants have failed to comply with EnviroMetal's notices to cease and desist using EnviroMetal's IP and they continue to make public statements in relation to their purported ability to develop and commercialize "proprietary, environmentally friendly processing technologies for the recovery of precious metals."
- Absent the prior access to EnviroMetal's IP, the Mineworx Defendants lacked the scientific or technical resources and capabilities to develop and commercialize "proprietary, environmentally friendly processing technologies for the recovery of precious metals."

The Mineworx Defendants are purporting to be competing with EnviroMetal in the recovery of platinum group metals from spent catalysts using a chemical formula and process based on EnviroMetal's IP without a license to do so from EnviroMetal. These actions by the Mineworx Defendants are in breach of access agreements and confidentiality agreements, as well as the asset purchase agreement between Mineworx and EnviroMetal dated December 19, 2016. These actions also constitute breach of confidence.

EnviroMetal is seeking, among other relief from the court, general, aggravated, and punitive damages against the Mineworx Defendants, an injunction prohibiting the Mineworx Defendants from using any confidential information or intellectual property belonging to EnviroMetal, and disgorgement of profit arising from such unauthorized use.

In January 2022, the court granted Enviroleach's application for an injunction that, amongst other things, prohibits the Mineworx Defendants from disclosing any confidential information or intellectual property belonging to EnviroMetal until further court order.

Mineworx disputes EnviroMetal's claims and has commenced a counterclaim against EnviroMetal for, amongst other things, alleged breaches of various agreements between the parties. Some of Mineworx's claims are subject to arbitration clauses. As a result, Mineworx has served EnviroMetal with a notice to arbitrate those claims.

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 year ended December 31, 2021. During the course of the legal proceedings the Company provided the Mineworx Defendants with notices of breach and provided the required amount of time to remedy. The Joint Venture was terminated, and no further non-controlling interest was recorded as of June 30, 2021.

21. APPROVAL

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of EnviroMetal Technologies Inc. has approved the financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

22. FORWARD LOOKING INFORMATION

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. 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 MD&A 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 MD&A, 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 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.