

Earthworks Industries Inc.
Management's Discussion and Analysis – Third Quarter
Dated: October 23, 2017

The following discussion of the performance, financial condition and analysis of Earthworks Industries Inc. (the "Company") for its fiscal quarter ended August 31, 2017 (the "Quarter") – and the period to October 23, 2017, (the "Subsequent Period") - should be read in conjunction with the Company's annual audited consolidated financial statements prepared to November 30, 2016 (the "Year End"), the Company's condensed consolidated interim financial statements prepared to August 31, 2017. (the "Financial Statements") and Press Releases issued by the Company during the past year and the Subsequent Period, all of which may be viewed on the System for Electronic Data Analysis and Retrieval at www.sedar.com. Press Releases may also be read on the Company's website at www.earthworksinc.com. The financial statements and related Notes have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian Dollars unless otherwise indicated.

1. Forward-Looking Statements

Certain statements contained in this Management Discussion and Analysis ("MD & A") may be deemed forward-looking statements. All statements other than statements of historical facts and possible future financings are forward looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are also advised to consider such forward-looking statements while considering the risks set forth below.

2. General Discussion of Business Operations

The Company's sole project is the development of a proposed integrated waste management facility in California under a lease agreement with the Cortina Band of Indians.

The Company, through its wholly-owned subsidiary, Cortina Integrated Waste Management Inc. ("CIWM") received final approval of the lease in January 2007 from the United States Department of the Interior - Bureau of Indian Affairs ("BIA"). The Band's regulatory agency issued an Authority to Construct in October 2008. On August 19, 2013, the Company received a Notice of Termination of the lease from the BIA, however the Company succeeded in its Appeal to the Interior Board of Indian Affairs (IBIA) and on October 29, 2015, the Lease was re-instated.

In the time since re-instatement of the Lease the Company has negotiated a new Agreement for repayment of its debt with North Bay/CLC. We have met with the Cortina Band's Business Committee to discuss the development going forward and retained SCS Engineers on remobilization plans.

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2. General Discussion of Business Operations (cont.)

Management will undertake to provide a current budget once the various permits and applications that were in progress are complete and the Company's engineers have provided their scope of work moving forward.

3. Financial Condition, Financial Performance and Cash Flows

The Company relies on periodic private placement funding to finance its on going operations. It has no operating revenue to date. It currently has a working capital deficit of \$737,365, due primarily to the current portion of the amount due to North Bay/CLC and amounts payable directors and related parties in respect of unpaid fees and salaries and unsecured short term loans. While these are payable on demand, debt-holders have not chosen to make such demands. The details of these are disclosed in the notes to the Financial Statements.

The most significant factor in the Company's financial condition is the amount due to NB/CLC (US\$5,144,916). As disclosed in the Financial Statements Note 5, a new Agreement was reached whereby the loan would be payable by annual payments of US\$500,000 over 8 years commencing March 31, 2018. A payment of US\$200,000 has been made and the remaining balance of US\$4,944,916 accrues interest at 7%. The US\$200,000 payment made at signing of the Agreement will be applied to the US\$500,000 payment due March 31, 2018. However if the Company exercises its option to settle the entire principal and all accrued interest pursuant to a Payout Option (see Note 5) that payment will be reduced by \$200,000 and thus the required payment would be US\$2,050,000 on or before March 31, 2018.

The Company cannot guarantee it will be successful in continuing raise funds to finance operations going forward however is confident it will continue to do so now that the Lease has been re-instated.

Since the majority of the Company's assets are located in the United States, currency fluctuations can change the value of the assets significantly. Financing is raised in Canadian dollars and consequently currency risk as to the amounts needed in Canadian funds is significant. With the recent rise in the value of the U.S. dollar and the related increase in the carrying value of the U.S. assets, the Company has benefitted. However its debt obligation to NB/CLC is also denominated in U.S. dollars and therefore a higher amount of funding in Canadian dollars to meet this obligation will be required as a result should the current exchange rates continue. During the quarter ended August 31, 2017 the reversal of this trend and the rise in the CAD vs. the USD has resulted in an unrealized loss on translation of US denominated assets and liabilities.

4. Major Operating Milestones

Since succeeding in its Appeal in 2015, management has reached agreement with its major creditor North Bay/CLC and determined a repayment schedule. This is disclosed in Note 5 of the Financial Statements. Management has met with NB/CLC to secure

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their cooperation and assistance in working with the Cortina Indian Band to move the project forward.

Over these past several months the Company has not only been able to negotiate a successful amendment to its agreement with its largest creditor, North Bay Corporation, but also has raised in excess of \$2-million through private placements and exercise of share purchase warrants.

This has enabled the Company to facilitate re-mobilization with respect to the Cortina Project. This has included SCS, our project engineers updating the status of all Tribal Permits and Approvals that they were working on prior to the BIA appeal and develop a timeline for the flow of work required. In January 2017, after meeting with the U.S. EPA, we received our long awaited Seismic report confirming regulatory requirements had been met on design. This put us in a position to move forward.

Management is evaluating its options to to sell the Cortina asset or move forward to development and operation. That is why we are moving forward in an effort to deliver as ready – and technically current a project as possible.

Management is in contact with companies in the industry to consider how our Cortina project might best serve them and to consider potential pre-sale contracts.

The Company has undertaken to have its shares registered for trading in the U.S. The U.S. Financial Industry Regulatory Authority – FINRA - has accepted our filing. However, we are currently waiting on Depository Trust Company eligibility that requires a legal opinion on previous issuances of shares in the U.S. We expect this to be completed shortly.

5. Commitments, Unexpected Events or Uncertainties

There have been no unexpected events in the Quarter. There remains significant uncertainty in the Company's ability to raise sufficient capital to meet the terms of the Agreement with NB/CLC. The Company, in its Agreement with NB/CLC, has agreed that NB/CLC may, at his option, apply any or all of the accrued interest outstanding toward the purchase of securities of Earthworks, under the same terms as those offered to others, in the event the Company undertakes an equity placement.

6. Significant Changes from Previous Financing Use of Proceeds Disclosures

The funds raised have been used as previously disclosed.

7. Transactions with Related Parties

The outstanding principal component of a convertible loan held by an entity controlled by a director of the Company was paid. In addition, \$9,500 of accrued interest was paid. There were no other significant transactions with related parties other than the usual ones relating to interest accrued, exercise of options and provision of services. These are disclosed in Note 9 of the Financial Statements.