

Earthworks Industries Inc.
Management's Discussion and Analysis – Third Quarter
Dated: October 28, 2019

The following discussion of the performance, financial condition and analysis of Earthworks Industries Inc. (the "Company") for its fiscal quarter ended August 31, 2019 (the "Quarter") – and the period to October 28, 2019, (the "Subsequent Period") - should be read in conjunction with the Company's annual audited consolidated financial statements prepared to November 30, 2018 (the "Year End"), the Company's interim financial statements prepared to August 31, 2019 (together the "Financial Statements") and Press Releases issued by the Company during the past year, all of which may be viewed on SEDAR 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. 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 no 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 Colusa County, California under a lease agreement ("Lease") with the Kletsel Dehe Nation.

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 March 1, 2019, the BIA issued a Notice of Termination of the Lease. Management believes the basis for termination is unfounded and has filed an appeal. By doing so, the termination is suspended and the Lease remains in effect and good standing until disposition of the appeal.

Notwithstanding the Termination Notice, the Company has continued to diligently move the development of the Project forward. This includes completing a formal review and update of Site-Specific Flexibility requests (SSFR's) for the Cortina facility by SCS Engineers (SCS), the Company's project engineers. The review concluded that there were no insurmountable issues identified by the Tribal regulatory agency or it's

consultant in their review of the SSFR's that cannot be resolved. SCS is currently in the process of finalizing the submission for forwarding to the U.S EPA for approval.

The SSFR's are federal clearances for certain technical requirements for the development of the Cortina facility.

Management is confident Cortina will offer tremendous opportunity moving forward due to the changing landscape of the waste industry in the U.S, particularly California, as a consequence of the on-going collapse in worldwide recycling markets and reduced landfill space due to recent wildfires in California.

3. Financial Condition, Financial Performance and Cash Flows

The Company relies on periodic private placement funding to finance its on going operations. It has had no operating revenue to date. It currently has a working capital deficit of \$1,229,754 due primarily to 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 North Bay Corporation and its subsidiary Cortina Landfill Company ("NB/CLC") of US\$4,624,916. As disclosed in the Financial Statements Note 6, a new Agreement was reached whereby the loan is payable by annual payments of US\$500,000 over 9 years commencing March 31, 2021. The amount unpaid from time-to-time accrues interest at 7% per annum.

Under the new agreement, terms the Company has obtained relief from repayment requirements in the short term and the debt holders will participate in future share appreciation if the Company is successful in executing its business plan. The terms of the revised agreement are as follows:

Principal amount was US\$4,644,916;

Installments payable annually of US\$500,000 commencing March 31, 2021;

The payout option is increased to \$2,250,000 with an exercise deadline of March 31, 2021;

In the event that the Company concludes an arms-length sale of 100% of the shares of CIWM for a price which exceeds the balance owing, the Company will

- a) Pay NB/CLC the whole amount of the balance owing;
- b) Pay NB/CLC 10% of the amount received, less the amount paid pursuant to sub-clause (a) and after recouping (deducting) a portion of the Company's investment and costs of the project of US\$6,720,633

The Company issued \$20,000 in shares in reduction of the Principal amount in May 2019;

The Company also repaid US\$50,000 with respect to a short-term loan it took from NB/CLC to settle a trade account payable at a significant discount in May 2019.

The Company cannot guarantee it will be successful in continuing to raise funds to finance operations going forward. However it is confident it will continue to do so now that the project has moved closer to final approvals and commercial viability.

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.

Effective July 5, 2019, the Company granted share purchase options to Directors, Officers and various service providers to the Company totalling 1,510,000 shares. The options will be exercisable at \$0.10 per share until June 30, 2022. Option agreements previously granted, exercisable at prices between \$0.15 - \$0.25 per share on or before various dates have been amended so that all option exercise dates are June 30, 2022 and are all exercisable at \$0.10 – but the reduction in the exercise prices is subject to disinterested shareholder approval which has not yet been requested. The total options outstanding are now 5,950,000.

4. Major Operating Milestones

Management has significantly cleared the technical requirements to bring the Cortina project into the construction and operating phases.

Management has successfully concluded the new agreement with its primary lender – disclosed in Clause 3 - which is forward looking and gives as the Company the room it needs to move forward and recognises the lender's interest in participating in the future benefits that it believes can be realized.

The Company completed a financing in May 2019 to meet its on-going obligations. This financing consisted of a private placement of 8,500,000 units at \$.05 per unit with a half warrant exercisable at \$.10 per share for a period of one year. A forced exercise component has been included in the event that the Company's share price closes at or above \$0.20 for 20 consecutive trading days.

Management is evaluating all of its options on the Cortina project in moving forward to development and considering how it can best serve the region and industry at this time. That is why we are moving forward in an effort to deliver as ready – and technically current a project as possible. SCS is completing the Site-Specific Flexibility Requests as required by the EPA, which is a key step in the permit process.

5. Commitments, Unexpected Events or Uncertainties

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 its 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

There have been no significant changes in the use of proceeds from previous financing or other material changes.

7. Transactions with Related Parties

There were no significant transactions with related parties other than the usual ones relating to interest accrued, revision of options and provision of services. These are disclosed in Note 10 of the August 31, 2019, Financial Statements.

8. Other Matters

Richard (Rick) Powell, General Manager of the Ratto Group in the US has been appointed as a Director of the Company. Mr. Powell brings invaluable experience in waste markets with extensive experience in solid waste and recycling businesses.