

Earthworks Industries Inc.
Management's Discussion and Analysis – Third Quarter
Dated: October 26, 2020

The following discussion of the performance, financial condition and analysis of Earthworks Industries Inc. (the "Company") for its fiscal quarter ended August 31, 2020, (the "Quarter") – and the period to October 26, 2020, (the "Subsequent Period") - should be read in conjunction with the Company's annual audited consolidated financial statements prepared to November 30, 2019, (the "Year End") the Company's condensed consolidated interim financial statements prepared to August 31, 2020, (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 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 California under a Lease agreement with the Cortina Band of Indians ("Band").

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.

The Company received a second Notice of Termination in March, 2019, from the BIA advising that the Lease had once again been terminated. The allegations that purportedly justify this termination are, in the opinion of Company Management, as unfounded as those which were offered by the BIA and the Band in support of their previous failed attempt to terminate the Lease. The Company believes the latest BIA action similarly lacks merit and will also be reversed. The Company has filed an Appeal, automatically suspending the purported termination of the Lease, which will remain in good standing, pending disposition of the Appeal.

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2. General Discussion of Business Operations (cont.)

In the time since the first re-instatement of the Lease the Company has negotiated a new Agreement for repayment of its debt with North Bay/CLC and retained SCS Engineers ("SCS") to complete all necessary filings in anticipation of remobilization.

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.

Management believes that the needs of central California for waste disposal, treatment facilities and capacity is continuing to grow and that existing sites are going to become full and unavailable. Management believes that this trend will help to bring political and economic pressure in support of the ongoing approval, and ultimately the construction of, the Cortina Project.

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 \$1,572,651 due primarily to the current portion of the amount due to North Bay/CLC and amounts payable to directors and related parties in respect of unpaid fees, salaries and unsecured short-term loans. While these are payable on demand, debt-holders have chosen not 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/CLC (US\$4,616,331). 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 nine years commencing March 31, 2021. The remaining balance of US\$4,616,331 accrues interest at 7%. The US\$300,000 payment made at signing of the Agreement will be applied to the US\$500,000 payment due March 31, 2021. However, if the Company exercises its option to settle the entire principal and all accrued interest pursuant to a Payout Option that payment will be reduced by \$300,000.

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 North Bay/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.

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3. Financial Condition, Financial Performance and Cash Flows (cont'd)

In January, 2020, the Company sold 2,200,000 Units pursuant to private placements for \$0.10 per Unit – from which the Company received net proceeds of \$216,500. Each Unit consisted of one share and one-half of a share purchase warrant exercisable for \$0.15 per share until January 17, 2021.

In May, 2020, 3,600,000 share purchase warrants were exercised at \$0.10 per share which provided the Company with proceeds of \$360,000.

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 North Bay/CLC to secure their cooperation and assistance in working with the Cortina Indian Band to move the project forward.

Over the current fiscal year to date 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 made a US\$300,000 payment to North Bay/CLC in the form of cash (US\$175,000) and the issuance of 921,500 shares valued at US\$125,000. The Company has received regulatory approval for the issuance of these shares.

The Company will continue 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 and EPA comments, putting the Company in a position to move forward.

Management is evaluating all of its options on the Cortina asset 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 has completed the updated Site-Specific Flexibility Requests (SSFR's) technical documents as requested by the EPA. These documents are in the process of being reviewed and submitted which is a key step in the permit process. The Tribal Regulatory Agency is in receipt of these updated documents and are reviewing them. The Band has engaged an engineering firm to review and evaluate the SSFR's as part of the process and procedures previously outlined by the EPA to complete the federal requirements for the Cortina Project.

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.

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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 North Bay/CLC. The Company, in its Agreement with North Bay/CLC, has agreed that North Bay/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.

The Company has received a second Notice letter dated March, 2019, from the U.S. Bureau of Indian Affairs ("BIA") advising that the Lease of the Cortina Lands has been terminated. The Lease covers the site of CIWM's proposed integrated waste management project.

The allegations that purportedly justify this termination are, in the opinion of Company Management, as unfounded as those which were offered by the BIA and the Band in support of their previous failed attempt to terminate the Lease. Those allegations were rejected by the Interior Board of Indian Appeals in its 2015 decision, which expressly found that "the lease and administrative records do not support the Regional Director's grounds for cancellation". The Company believes this latest BIA action similarly lacks merit and will also be reversed. The Company has filed an Appeal. This automatically suspended the purported termination of the Lease, which will remain in good standing, pending disposition of the Appeal.

In spite of the new purported termination of the Lease, the Company has continued to move forward with processing of its SSFR application to the U.S. EPA and all other productive development efforts.

In the time since the first re-instatement of the Lease the Company has negotiated a new Agreement for repayment of its debt with North Bay/CLC and retained SCS Engineers to complete all necessary filings in anticipation of remobilization.

The outbreak of a new strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its subsidiary in future periods. As a result of these problems the Company may not be able to raise the additional funding it will require to carry on its activities.

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6. Significant Changes from Previous Financing Use of Proceeds Disclosures

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

7. Transactions with Related Parties

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

8. Other Matters

In April, 2020, the Company entered into a one year agreement for investor relations services. Under this agreement the provider will be paid \$5,000 per month in the first 3 months and \$7,000 per month for the balance of the 12 months – subject to the Company's right to terminate the Agreement after 3 months. In addition, the Company has granted the service provider options to purchase 750,000 shares of the Company at a price of \$0.10 per share. The options will vest in 5 tranches of 150,000 each over a period of one year. As of the date of this report, 450,000 of these options have vested, none of which have been exercised.

The Company is undertaking a non-brokered private placement of 2,500,000 Units at \$0.20 per Unit for gross proceeds of \$500,000. Each Unit consists of one share and one share purchase warrant exercisable at \$0.30 per share for two years; with a forced exercise if the Company's share price closes at or above \$0.45 for 20 consecutive trading days.