

EARTHWORKS INDUSTRIES INC.
Management’s Discussion and Analysis – Annual and Fourth Quarter
Dated: March 27, 2020

The following discussion of the performance, financial condition and analysis of Earthworks Industries Inc. (the “Company”) for its fiscal year ended November 30, 2019 (“Fiscal Year”), its fiscal quarter ended November 30, 2019, (the “Quarter”) – and the period to March 27, 2020, (the “Subsequent Period”) - should be read in conjunction with the Company’s annual audited consolidated financial statements (the “Annual Financial Statements”) prepared to November 30, 2019 (the “Year End”) 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. They can 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 described in Clause 11.

2. Description of Business

(a) Cortina Landfill Project

Since March 29, 2019, the date of the Company’s last annual MD & A, no on-site work has been done with respect to the Cortina Landfill Project (“Project”) proposed to be developed on leased California land through the Company’s wholly owned California subsidiary Cortina Integrated Waste Management Inc. (“CIWM”) (the Company and CIWM being hereinafter together called “EWK/CIWM”). The efforts of Management since that date have been focused on the raising of additional funding for the Company – and reactivating licencing and other processes as part of the ongoing efforts to progress the Project.

Refer to Risk Clause 11(d) with respect to a Notice letter dated March 1, 2019 received by the Company purporting to terminate the Company’s lease of the California land.

(b) Agreement to settle Judgment against the Company

Previous MD & A’s have described the Judgment awarded by a California court against EWK/CIWM in an action brought by North Bay Corporation and its subsidiary, Cortina Landfill Company (together “North Bay/CLC”) arising out of earlier agreements between them.

In the Company’s annual MD & A dated March 31, 2014, a Compromise and Settlement Agreement was described. Subsequently, a number of amendments and extensions were agreed to. As a result of the

Amendment dated March 20, 2018, EWK/CIWM was required to pay NB/CLC, a payment of \$175,000 (which was paid) and issue 921,500 shares to North Bay. The balance of \$4,644,916 (the "Balance Amount") was to be payable over 9 years by 8 annual payments of \$US500,000 per year with a final payment in the 9th year plus accrued 7.0% pa interest compounded annually, which interest began to accrue on March 31, 2016. The first annual payment was to be made on March 31, 2019.

In a new Amendment Agreement with North Bay/CLC dated March 19, 2019 it was agreed in relation to the Balance Amount that:

- (a) annual installment payments of \$500,000 to retire the Balance Amount will now commence to be payable March 31, 2021;
- (b) North Bay settled \$20,000 of the Balance Amount by subscribing that amount for shares of Earthworks – thereby reducing the Balance Amount to \$4,624,916;
- (c) the Payout Option that Earthworks has to settle the Balance Amount is extended to March 31, 2021 but the amount payable to exercise the Payout Amount is increased to \$2,250,000;
- (d) in the event that EWK signs and closes an arms length agreement to sell 100% of the shares of CIWM, or CIWM signs and closes an arms length agreement to sell all or a portion of the Cortina landfill project:
 - (i) EWK or CIWM, whichever is the seller, shall forthwith after the closing pay to North Bay the whole of the Balance Amount and accrued interest then owing; and
 - (ii) EWK or CIWM, whichever is the seller, shall also forthwith after the closing of the sale agreement, pay to North Bay 10% of the amount of consideration received from the sale, less:
 - A. the amount paid pursuant to Sub-Clause (i); and
 - B. \$6,720,633 being a portion of EWK's investment in and costs of the Cortina landfill project.
- e) if EWK or CIWM execute a final sale agreement as anticipated by Sub-Clause (d), the Payout Option will be suspended and will become again an exercisable option only if the sale agreement is terminated and not closed;

All references to monies above are in U.S. dollars.

(c) Financing

In May, 2019, the Company sold 8,500,000 Units pursuant to private placements, for \$0.05 per Unit – from which the Company received proceeds of \$425,000. Each Unit consisted of 1 share and one-half of a share purchase warrant exercisable for \$0.10 until May 13, 2020:

In January, 2020 the Company sold 2,200,000 Units pursuant to private placements for \$0.10 per Unit – from which the Company received proceeds of \$220,000. Each Unit consisted of 1 share and one-half of a share purchase warrant exercisable for \$0.15 per Unit until January 17, 2021.

3. Overall Performance

Because the Company does not carry on any revenue generating operations it would not be meaningful to analyze the Company's financial performance in the manner that would be possible for a company with a developed operating business or regular income.

4. Results of Operations

For the Quarter, the Company had an operating loss, excluding non-cash items of \$224,309 (2018 – \$578,843). For the Fiscal Year the Company had an operating loss, excluding non-cash items, of \$907,872 (2018 - \$993,091) and a comprehensive loss of \$944,096 (2018 – \$1,039,029). The differences between the operating losses and the comprehensive losses are as a result of deemed non-cash gains due to currency exchange differences between US and Canadian dollars, a deemed share based compensation loss as a result of share purchase options granted and a deemed gain on some debt settlement.

5. Selected Annual Information

The following information is provided for each of the last three fiscal year ends of the Company:

	November 30, 2019	November 30, 2018	November 30, 2017
	\$	\$	\$
(a) Net sales or total revenues	Nil	Nil	Nil
(b) Net Income (Loss)			
- total	(936,425)	(1,150,197)	(1,560,196)
- per share undiluted*	(0.01)	(0.02)	(0.03)
(c) Comprehensive Income (Loss)			
- total	(944,096)	(1,039,029)	(1,729,323)
- per share undiluted*	(0.01)	(0.02)	(0.03)
(d) Total assets	11,023,433	10,984,488	11,435,326
(e) Total non-current financial liabilities	7,298,145	6,636,888	6,261,368
(f) Dividends	Nil	Nil	Nil

* As the effect of dilution is to reduce the reported loss per share, fully diluted loss per share information has not been shown.

6. Liquidity

At the close of business on November 30, 2019, the Company had cash on hand of \$7,524 (2018 - \$90,779) and a working capital deficiency of \$1,499,327 (2018 - \$1,693,719). The Company will continue to evaluate its funding requirements on an ongoing basis in an effort to meet its current and future development and growth initiatives. Management is presently seeking additional equity financing.

The Company is facing severe liquidity problems and risks. It does not have sufficient cash-on-hand to pay its ongoing general and administrative costs and pay the costs of ongoing work on the Cortina Project - or to pay the amounts which are payable to North Bay/CLC pursuant to the Compromise Agreement referred to in Clause 2(b). To carry on the Company will have to raise additional financing.

Management believes that the needs of central California for waste disposal and 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 of, and ultimately the construction of, the Cortina Project.

7. Summary of Quarterly Results

The following information is provided for each of the 8 most recently completed quarters of the Company:

	November 30, 2018	August 31, 2018	May 31, 2018	February 28, 2018	November 30, 2019	August 31, 2019	May 31, 2019	February 28, 2019
(a) Net sales or total Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(b) Income (Loss) - total - per share undiluted *	\$(579,188) (0.01)	\$(87,601) (0.00)	\$(217,871) (0.00)	\$(265,537) (0.00)	\$(248,212) (0.00)	\$(350,578) (0.00)	\$(246,576) (0.00)	\$(91,059) (0.00)
(c) Comprehensive Income (Loss) - total - per share undiluted *	\$(460,406) (0.01)	\$(80,363) (0.00)	\$(210,633) (0.00)	\$(287,627) (0.00)	\$(199,104) (0.00)	\$(345,109) (0.00)	\$(270,896) (0.00)	\$(128,987) (0.00)

* As the effect of dilution is to reduce the reported loss per share, fully diluted loss per share information has not been shown.

The differences in the operating loss, excluding non-cash items, figures between the various quarters is due mainly to the recognition of interest accruing on the Company's debt to NB/CLC, varying legal and regulatory maintenance requirement's costs, and the posting of some yearly expenses which were not accrued in the financial statements for the previous quarters. The differences in the comprehensive loss figures are also due to the varying \$US/CDN exchange rates.

8. Transactions with Related Parties

Details of the transactions with Related Parties during the Fiscal Year are contained in Note 10 of the Annual Financial Statements.

The Related Party transactions have been in the normal course of operations and have been valued at the exchange amount which is the amount of consideration established and agreed to by the related parties.

9. Other MD & A Requirements

(a) Additional information relating to the Company - principally the quarterly financial statements and the Management Discussion and Analysis (MD & A) prepared and issued by the Company for previous quarters, and the Annual Financial Statements with accompanying MD & A issued and filed by the Company for the year ended November 30, 2019, have been filed on SEDAR and are available at www.sedar.com.

(b) As the Company has not had any revenue from operations during the past two completed fiscal years, the following additional information is provided - being a breakdown of the Company's general and administrative expenses for the Fiscal Years ending November 30, 2018 and November 30, 2019:

	November 30, 2018 \$	November 30, 2019 \$
Bank charges and interest	30,065	31,721
Convertible loan interest and accretion	26,761	27,989
Directors' fees	18,000	29,250
Interest on advances from Cortina Landfill Company	427,799	426,162
Management salaries	131,771	133,355
Office and administration costs	26,284	27,015
Professional fees	182,131	133,650
Promotion	4,471	3,952
Rent and parking	22,111	27,951
Salaries and benefits	46,079	35,100
Stock exchange and filing fees	12,552	8,210
Telephone and internet	5,550	5,845
Transfer agent fees	8,006	12,894
Travel	21,511	3,278
Consulting fees	30,000	1,500
Total operating loss excluding non-cash items	993,091	907,872

Outstanding share data at November 30, 2019, and as of the date of this MD & A:

- (i) The Company had 75,303,332 common shares issued as of November 30, 2019. 2,200,000 shares were issued in January, 2020 so that as of March 27, 2020 there are 77,503,332 shares issued. The shares are all voting shares and rank equally with each other.
- (ii) The Company has share purchase options and share purchase warrants outstanding as of March 27, 2020, details of which are as follows:

	Number	Exercise Prices- \$	Expiry Dates
Options	6,350,000	0.10	June 30, 2022
Warrants			
	4,250,000	\$0.10	May 13, 2020
	1,100,000	\$0.15	January 17, 2021
Total	5,350,100		

10. Fourth Quarter

There were no events or items in the Company's fourth quarter which affected its financial condition, cash flow or results of operations.

11. Risks and Uncertainties

- (a) The ability of the Company to become a viable provider of waste management services is dependent upon many factors including the obtaining of required permits and the obtaining of required financing and the successful negotiation of contracts with waste stream providers.
- (b) The Company has no history of profitable operations as its only project - the Cortina Project - is at the development stage. The Company is subject to many risks common to comparable companies including under-capitalization, limitations with respect to personnel, financial and other resources as well as lack of revenues, and potential environmental problems at the Cortina Project site.
- (c) The Company is very dependent upon the personal efforts and commitments of its existing management. To the extent that the 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.
- (d) The Company has received a Notice letter dated March 1, 2019 from the U.S. Bureau of Indian Affairs ("BIA") advising that the Lease of the Cortina Lands held by CIWM from the Kletsel Dehe Ban of Wintun Indians ("Band") at the Cortina Rancheria in Colusa County, California, 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 will continue to move forward with processing of its SSFR application to the U.S. EPA and all other productive development efforts.

Notwithstanding the above comments, there is a risk the Company will not win its Appeal and the Lease may be cancelled.

- e. Since the Year End, 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.

12. Accounting Policy Changes

Notes 2(p) and 2(g) of the Annual Financial Statements for the Fiscal Year describe accounting policies which have been issued by the IASB and which the Company will have to adopt for subsequent fiscal years.