

Earthworks Industries Inc.
Management's Discussion and Analysis – Third Quarter
Dated: October 26, 2021

The following discussion of the performance, financial condition and analysis of Earthworks Industries Inc. (the "Company") for its fiscal quarter ended August 31, 2021, (the "Quarter") – and the period to October 26, 2021, (the "Subsequent Period") - should be read in conjunction with the Company's annual audited consolidated financial statements prepared to November 30, 2020, (the "Year End") the Company's condensed consolidated interim financial statements prepared to August 31, 2021, (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 (the "Project") in California under a Lease agreement with the Kletsel Dehe Wintun Nation ("Tribe").

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 Tribe'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 termination was reversed.

The Company received a second Notice of Termination dated March 1, 2019. Refer to Clause 5(d) with respect to the Company's Appeal of the purported termination.

2. General Discussion of Business Operations (cont.)

The efforts of Management have been focused on the raising of additional funding for the Company – and reactivating other permitting and processes as part of the ongoing efforts to progress the Project.

Management has also focused on seeking cooperation of the Tribe's regulatory authority, Kletsel Environmental Regulatory Authority (KERA) to obtain its full support of the final SSFRs. Management is confident that such agreement has been reached and that the renewed and continued cooperation will move the Project forward to its fruition.

Management has now received a task order from its engineers to move the Project forward.

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 now that 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 Project.

3. Financial Condition, Financial Performance and Cash Flows

The Company relies on periodic private placement funding to finance its ongoing operations. It has no operating revenue to date. As of August 31, 2021, it had a working capital deficit of \$1,598,203 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 currently due to North Bay/CLC (US\$4,369,916). 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 eight years commencing March 31, 2022. The remaining balance of US\$4,369,916 accrues interest at 7%.

The Company cannot guarantee it will be successful in continuing to raise funds to finance operations going forward. However Company Management is confident it will continue to do so.

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

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 decline in the value of the U.S. dollar and the related decrease in the carrying value of the U.S. assets, the Company has seen a decline in asset value in Canadian dollars. However, its debt obligation to North Bay/CLC is also denominated in U.S. dollars and therefore a lower amount of funding in Canadian dollars to meet this obligation will be required as a result should the current direction of exchange rates continue.

Outstanding share data at November 30, 2020, and as of the date of this MD&A:

- (i) The Company had 81,103,332 common shares issued as of November 30, 2020. 2,612,500 shares were issued in December, 2020, and 1,200,000 shares were issued in January, 2021. 1,875,000 shares were issued in April, 2021, and 450,000 shares were issued in July on the options exercised and an additional 1,250,000 shares were issued on closing of a private placement so as of July 26, 2021, there are 88,490,832 common shares issued and outstanding. The shares are all voting shares and rank equally with each other.
- (ii) The Company has 6,350,000 share purchase options outstanding as of July 26, 2021, exercisable at \$0.10 per share. The Company has 3,494,500 share purchase warrants outstanding, each of which is exercisable to purchase one share for \$0.30.

In December, 2020, the Company closed a private placement for 2,612,500 shares (\$522,500). In January, 2021, a total of 1,100,000 warrants were exercised (\$165,000) and 100,000 options were exercised at \$0.10 (\$10,000).

In March, 2021, pursuant to the Amendment Agreement with NB/CLC the Company issued 1,575,000 units at \$0.20 consisting of one share and one-half share purchase warrant exercisable at \$0.30 until February 2023. The principal owing to NB/CLC was reduced by US\$250,000 as a result.

300,000 options were exercised at \$0.10 (\$30,000). A further 450,000 options at \$0.10 (\$45,000) were exercised June 24, 2021. The balance of outstanding options is 6,350,000.

In June, 2021 the Company closed a private placement for 1,250,000 units (\$250,000). On October 21, 2021 the Company received \$US100,000 pursuant to the issuance of a short term note payable. These funds will be used to further the engineering work outlined in the task order.

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 Tribe 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\$262,500 payment to North Bay/CLC in the form of cash (US\$25,000) and the issuance of 1,575,000 shares valued at US\$250,000. The Company received regulatory approval for the issuance of the shares.

The Company will continue to facilitate re-mobilization with respect to the 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 have been submitted to EPA as part of the process and procedures previously outlined to complete the federal requirements for the Project.

Subsequent to the quarter end, at the request of both KERA and EPA, The Company has agreed to update the SSFR submission to meet the preference requested by KERA. SCS has since prepared a task order for the scope of work required, and been authorized to proceed.

5. Commitments, Unexpected Events or 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.

5. Commitments, Unexpected Events or Uncertainties (cont.)

- (d) The Company has received a Notice letter dated March 1, 2019, from the BIA advising that the Lease of the Cortina Lands held by CIWM from the Tribe 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 Tribe 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 then 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) The outbreak of a new strain of corona virus, 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 of 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.

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 9 of the Financial Statements.