

Earthworks Industries Inc.
Management's Discussion and Analysis – Third Quarter
Dated: October 28, 2022

The following discussion of the performance, financial condition and analysis of Earthworks Industries Inc. (the "Company") for its fiscal quarter ended August 31, 2022, (the "Quarter") – and the period to October 28, 2022 (the "Subsequent Period") - should be read in conjunction with the Company's annual audited consolidated financial statements prepared to November 30, 2021, (the "Year End") the Company's condensed consolidated interim financial statements prepared to August 31, 2022, (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 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 in March, 2019. Refer to Risk Clause 5(d) with respect to a Notice letter dated March 1, 2019.

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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 the cooperation of the Kletsel Environmental Regulatory Authority (KERA) to obtain their 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 moved forward on the 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 Cortina 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. It currently has a working capital deficit of \$2,389,254 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\$4,094,916). 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. The remaining balance of US\$4,094,916 accrues interest at 7%.

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

In the Amendment Agreement dated February 4, 2022 the Company has agreed to, in lieu of the \$500,000 payment that was due March 31, 2022:

- (a) pay \$12,500 on the signing of the agreement and by paying \$12,500 by August 31, 2022; both of which have been paid,
- (b) the issuance to North Bay of 1,270,000 Units – which will be at a deemed value of \$US 0.197 or \$CDN 0.25 per Unit – total \$CDN 317,500; each Unit consisting of one fully paid voting common share in the capital of Earthworks Industries Inc. {"EWK"} and a one-half share purchase warrant – each full Warrant being exercisable until February 28, 2024 to purchase one fully paid voting common share of EWK for \$CDN 0.35. 1,270,000 shares and 635,000 warrants were issued on April 21, 2022 following necessary approval for filing of the Agreement by the TSX Venture Exchange on April 20, 2022.

The Compromise Agreement, as amended, also provides that:

- (a) the amount which Earthworks has to pay to exercise its Payout Option has been increased to \$2,500,000 and the deadline for the exercise of the Option has been extended to March 31, 2023.
- (b) the next \$500,000 annual payment will be due March 31, 2023. The amount of the principal balance due to North Bay \$4,094,916. All references to monies above are in U.S. dollars.

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.

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.

In December, 2020 the Company sold 2,612,500 Units for \$0.20 per Unit – for which the Company received \$522,500. Each Unit consisted of one share and one share purchase warrant exercisable until December 3, 2022 for \$0.30 per share.

In January 2021 previously issued share purchase Warrants were exercised to purchase 1,100,000 shares for \$0.15 per share and 100,000 options were exercised at \$0.10 per share providing proceeds to the Company of \$165,000.

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

On March 31, 2021, the Company issued \$1,575,000 units consisting of one share and one half of a share warrant. The warrants are exercisable until February 28, 2023 at an exercise price of \$0.30. The shares were issued pursuant to an amendment to the NB/CLC for payment of US\$250,000 of debt.

In June 2021 450,000 previously issued options were exercised at \$0.10 per share from which the Company received proceeds of \$45,000. These were in addition to 100,000 options exercised at \$0.10 on January 14, 2021 and 300,000 exercised at \$0.10 on March 29, 2021. The total proceeds to the Company from the exercise of options was \$85,000.

The Company granted options to acquire 600,000 shares with an exercise price of \$0.40 per share. These options will expire on November 30, 2023. The total options outstanding as at the date of this report is 6,850,000. These options have been repriced to \$0.15 and expire on July 31, 2027.

In June, 2021 the Company sold 1,250,000 Units pursuant a private placement for \$0.20 per Unit from which the Company received proceeds of \$250,000. Each Unit consisted of one share and a share purchase warrant exercisable for \$0.30 per share until June 16, 2023.

Outstanding share data at August 31, 2022, and as of the date of this MD&A:

- (i) The Company had 88,490,832 common shares issued as of November 30, 2021. 100,000 shares were issued in January, 2022 pursuant to the exercise of 100,000 options at \$0.10 per share for proceeds of \$10,000. There are 88,590,832 common shares issued and outstanding. The shares are all voting shares and rank equally with each other.
- (ii) The Company issued 1,270,000 shares on April 21, 2022 under the NB/CLC agreement.
- (iii) The Company has 5,379,500 share purchase warrants outstanding as of August 31, 2022, exercisable at \$0.30 per share which includes 635,000 share purchase warrants on April 21, 2022 under the CLC/NB agreement. In September 2022 an additional 2,571,400 warrants were issued pursuant to the private placement of 2,500,000 units. This includes 71,400 broker's warrants. This brings the total number of warrants outstanding as of the date of this report to 7,950,900.

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

- (iv) Prior to the expiry of 6,250,000 options on June 30, 2022 the Company received \$195,000 upon the exercise of 1,950,000 of those options. The Company issued the 1,950,000 shares in July 2022. An additional 5,250,000 options with an exercise price of \$0.15 and an expiry of July 31, 2027 were issued following the expiry of the June 30, 2022 options. 600,000 options with an exercise price of \$0.40 were repriced to \$0.15 and extended to expire on July 31, 2027. The total outstanding options at the date of this report is 5,850,000 at \$0.15 expiring July 31, 2027.
- (v) A non-brokered private placement was completed, consisting of 2,500,000 Units for a price of \$0.20 per Unit with net proceeds to the Company of \$485,720. Each Unit consisted of one common share and one share purchase warrant. Each warrant is exercisable to purchase one additional common share at a price of \$0.30 for a period of two years, expiring September 21, 2024.

The total number of shares outstanding at the date of this report is 94,310,832.

On October 21, 2021 the Company received US\$100,000 pursuant to the issuance of a short term note payable. These funds were used to further the engineering work outlined in the task order. This note remains outstanding at August 31, 2022. An additional US\$50,000 was received on May 24, 2022 under the same terms and has a due date of October 31, 2022.

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 cash payments totalling US\$25,000 to North Bay/CLC.

The issuance of 1,270,000 units valued at US\$250,000 received regulatory approval for the issuance of these shares on April 20, 2022.

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4. Major Operating Milestones (cont'd)

The Company is continuing to facilitate re-mobilization with respect to the Cortina Project and agreed to completing a re-design of the final cover for the landfill to meet the preference requested by KERA. SCS is also updating all technical requirements related to the Basis of Design and will complete the design as issued for construction.

Management is evaluating all of its options on the Cortina asset development and 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.

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.

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.
- (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 Wintun Nation ("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.

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

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.