



Management Discussion and Analysis

For the three and six month periods ended June 30, 2020

Enviroleach Technologies Inc.
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Introduction

This Management Discussion and Analysis has been prepared to provide material updates and analysis of the business operations, financial condition, financial performance, cash flows, liquidity, and capital resources of EnviroLeach Technologies Inc. (“EnviroLeach” or the “Company”).

The information provided herein should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto for the three and six months ended June 30, 2020 and the Annual MD&A for the twelve months ending December 31, 2019.

The statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

EnviroLeach Technologies Inc. is listed on the Canadian Securities Exchange (the “CSE”) under the symbol “ETI” and began trading on March 30, 2017. In addition to the listing on the CSE the company also trades on the OTCQB and Frankfurt Stock Exchange under the symbols “EVLLF” and “7N2” respectively.

The Company has developed a unique, cyanide free, cost-effective and environmentally friendly alternative to the toxic methods currently used in the hydrometallurgical extraction of precious metals for the mining and Electronic Waste (E-Waste) sectors.

Except as otherwise disclosed, all dollar figures in this report are stated in Canadian dollars. The effective date of this report is August 25, 2020.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. See “Forward-Looking Information and Statements” herein.

Information related to the Company is available for view on SEDAR at www.sedar.com and more information is also available on the Company’s website at www.EnviroLeach.com.

Corporate Overview

Using a proprietary formula and process, EnviroLeach extracts precious metals from printed circuit boards and mineral concentrates in a safe, environmentally friendly, and sustainable manner. The Company’s primary target industry sectors are the gold mining sector for the treatment of ores, concentrates and tailings as well as the E-waste management sector.

The EnviroLeach process is similar to the conventional cyanide process but is non-toxic and less complicated. The process involves the dissolution of precious metals into an aqueous solution followed by extraction using conventional methods such as electrowinning, carbon absorption or precipitation. The operation is simple and does not require complex process circuits, intensive gas monitoring or detoxification systems. Leach kinetics are comparable to cyanide or acid-based lixiviants resulting in similar metal recovery efficiencies.

The EnviroLeach process is aimed at industry participants seeking an effective and non-toxic alternative to cyanide and acid-based solutions. The EnviroLeach technology solution creates very strong differentiation in the marketplace and provides unique positioning. The pending and awarded patents combined with the customization required for site optimization create significant barriers for competitors to overcome. The EnviroLeach process is cost competitive, safe, sustainable, and holds potential for multiple revenue streams from various industry sectors.

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In December 2016, Enviroleach acquired the rights to the technology for the concentration and extraction of valuable metals and minerals for a total purchase price of \$7,889,909 in two separate agreements.

The first agreement was signed on December 13, 2016 in a transaction with Mineworx Technologies Inc. (“Mineworx”), Mohave County Mining LLP (“Mohave”), and Steve Scott (“Scott”). Under this agreement, the Company is required to make payments to Mohave and Scott in order to affect the transfer of rights as required by an earlier agreement between them and Mineworx. The total payments required to be made to Mohave and Scott are as follows:

2,000,000 Enviroleach shares	\$ 100,000 (i)
Promissory note payable	\$ 328,000 (ii)
Advance royalty payable	<u>\$1,101,909 (iii)</u>
Total acquisition price	\$1,529,909

(i) Shares were issued in March 2017.

(ii) USD 250,000 (CAD 328,000), repaid in fiscal 2017.

(iii) Presented as the amortized cost of a non-interest-bearing note of USD 1,000,000, discounted at a rate of 5.0% per annum, compounded monthly over a term of 39 months and based on projected cash flows.

The advance royalty payable is based on a payment of 10% of the “Net Profit Available for Distribution” paid quarterly to a maximum of 1,000,000 USD, with a minimum monthly payment of 5,000 USD. The amount is payable irrespective of whether profits are realized.

The remaining rights to the technology were acquired pursuant to an agreement with Mineworx dated December 19, 2016 and effected after shareholder approval on March 21, 2017. The consideration exchanged consisted of:

a) The issue of 28,000,000 common shares valued at \$4,760,000 or \$0.17 per share, and

b) Two promissory notes totalling \$1,600,000. The first note in the amount of \$600,000 was to be repaid within six months while the second note was to be paid within two years. Interest on the notes accrue at 5% per annum on principal, compounded monthly, starting when the notes are in default. After March 21, 2020, unpaid principal is convertible into common shares, using 20-day volume weighted average at time of conversion. As at June 30, 2020, \$185,100 remains unpaid (2019 - \$1,000,000).

On August 29, 2017 the Company entered into an agreement with Mineworx to jointly construct an E-waste processing facility to employ the Enviroleach Technology. The EnviroCircuit branded facility is located in Vancouver, BC, is operated by the Company and jointly owned by Enviroleach (80%) and Mineworx (20%). The EnviroCircuit facility was substantially completed during 2019.

Overall Performance and Operations

During the six months period ending June 30, 2020 the Company performed comprehensive full-scale production testing of over 72 tons of E-waste material provided by Jabil Inc. at the Vancouver facility, resulting in the sale of 29 tonnes of mineral rich concentrates during the six month ended June 30, 2020. An additional 39 tons of concentrates produced prior to June 30, 2020 were shipped in July.

The Company continued to work with several mining clients conducting testing programs at the Company’s facilities.

The Company’s lab and research facility continues research to expand the effectiveness of the Enviroleach process to allow for the recovery of additional metals from printed circuit boards. A portion of the research was funded by the National Research Council of Canada under the Industrial Research Assistance Program (IRAP). Research and development for the recovery of additional metals

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and new applications for the Enviroleach Technology continued through June 30, 2020.

During the period ended June 30, 2020, the Company continued negotiations to advance two letters of intent towards definitive agreements to license the EnviroLeach technology for applications relating to recovering Platinum Group Metals from catalytic converters and the for in-situ gold recovery from underground deposits.

On January 15, 2020, 6,700,000, warrants exercisable at \$1.33 and set to expire on March 1, 2020 were repriced from \$2.50 to \$1.33 and expiry date extended from March 1, 2020 to September 30, 2020.

On March 26, 2020, the Company closed a non-brokered private placement of 3,244,001 units a \$0.75 per unit (“Units”) for gross proceeds of 2,358,001. Each Unit consists of one common share of the Company and one common share purchase warrant (each whole share purchase warrant, a “Warrant”). In connection with the private placement, the Company paid finder’s fees of \$37,125, issued 41,250 compensation warrants, valued at \$12,090 and incurred \$40,028 in other share issuance costs. Each “Warrant”, entitles the holder to purchase one common share in the capital of the Company until March 2022 at an exercise price of \$1.00.

COVID-19 Pandemic Impacts

The recent economic fallout resulting from the COVID-19 pandemic has impacted EnviroLeach’s business. Due to isolation and quarantine requirements for businesses and limits on travel and commercial shipments, the E-Waste supply chain and resulting supply of the Company’s target feedstock of printed circuit boards was severely curtailed. This impact occurred shortly after its EnviroCircuit pilot plant received R2 certification which positioned the company for commercial operations and revenue. During the three months ending June 30, 2020 EnviroLeach continued to expand a supply network consisting of small-scale recyclers and larger, integrated companies that operate multiple facilities across North American markets. While little supply was available during the period, the Company continued consistent communication with electronics recyclers and other potential suppliers to monitor potential business partnership and supply opportunities. Market intelligence indicates supply movement has slowly recommenced and the Company is pursuing commercial arrangements with multiple partners as recycling volumes increase. During this period of limited operational activity, EnviroLeach completed planned optimization of its processing facility. The optimization program is expected to result in lowered chemistry and operational costs, as well as increased metal recoveries. The optimization will allow the Company to be price competitive in the E-Waste market. We intend to continue to execute on our corporate strategy with prioritized objectives as follows:

- Identifying and securing feedstock to ensure our facility can operate continuously and efficiently;
- Executing on partnership opportunities for commercial agreements with integrated recycling companies;
- Continuing to progress research and development efforts on Platinum Group Metal recoveries with our partner;
- Advancing letters of intent toward definitive agreements for technology licenses;
- Pursuing opportunities with mining partners that offer near term revenue potential.

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Summary of Quarterly Results

The following financial data is selected information for the Company for the eight most recently completed financial quarters:

	2020-06-30	2020-03-31	2019-12-31	2019-09-30
Revenues	43,750	213,427	437	20,792
Loss and comprehensive loss attributable to:				
Shareholders	(1,644,921)	(1,501,385)	(3,117,783)	(1,383,740)
Non-controlling interest	(296,656)	(170,990)	(258,909)	(210,629)
Net loss per common share attributable to the shareholders of the Company, basic and diluted	(0.022)	(0.021)	(0.045)	(0.020)
	2019-06-30	2019-03-31	2018-12-31	2018-09-30
Revenues	218,733	130,791	-	-
Loss and comprehensive loss attributable to:				
Shareholders	(1,276,652)	(2,945,746)	(1,954,749)	(907,563)
Non-controlling interest	(100,810)	(205,933)	(276,883)	(87,516)
Net loss per common share attributable to the shareholders of the Company, basic and diluted	(0.018)	(0.047)	(0.030)	(0.010)

Financial results

The Company recognized revenue of \$43,750 and \$257,177 during the three and six month periods ended June 30, 2020, from the sale of recovered precious metals as compared to \$218,733 and \$349,524 during the three and six month periods ended June 30, 2019. The E-Waste supply chain and supply of the Company's target feedstock of printed circuit boards was severely curtailed by the recent economic fallout resulting from the COVID-19 pandemic.

For the six month periods ended June 30, 2020, the Company incurred a loss attributed to shareholders of \$3,146,406 (\$0.043 loss per share) as compared to 4,222,398 (\$0.064 loss per share) in 2019.

Adjustments to inventory during the 3 month period ended June 30, 2020 resulted in a cost recoveries during the period, with a total \$116,574 incurred year to date, as compared to \$560,172 in 2019.

Laboratory costs were considerably reduced in 2020 following efficiency gains in testing, at \$150,807 and \$282,373 during the three and six month periods ended June 30, 2020 as compared to \$261,289 and \$427,567 during the three and six month periods ended June 30, 2019.

During the three months and six months periods ending June 30, 2010, general and administration costs as follows:

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	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Consulting fees	(500)	(17,473)	(27,976)	(17,473)
Promotion	(4,589)	(55,948)	(21,634)	(78,238)
Management and Employee costs	(237,799)	(280,032)	(648,477)	(557,536)
Office and general	(88,236)	(32,654)	(121,092)	(74,084)
Professional fees	(111,389)	(28,324)	(156,030)	(72,575)
Public Listing Costs	(123,403)	(124,919)	(245,148)	(159,055)
Travel	(54,561)	(55,495)	(144,441)	(131,876)
	(620,477)	(594,845)	(1,364,798)	(1,090,837)

Compensation of management and employee during the three and six month periods ended June 30, 2020 were partially offset by Canada Emergency Wage Subsidies for the months of April, May and June 2020, resulting in lesser cost in 2020 as compared to 2019. The Company has temporarily laid off some staff until feed of E-Waste resumes to pre-COVID levels.

Professional fees during the three and six month periods ended June 30, 2020 were associated with:

- letter of intent with enCore Energy Corp and Golden Predator Mining Corp., to form a new jointly owned company for the purpose of utilizing EnviroLeach’s patented technology for the in-situ recovery (ISR) of gold from underground deposits.
- letter of intent with Mineworx Technologies Inc. to utilize EnviroLeach’s patented technology for recovery of platinum group metals (“PGM”) including platinum and palladium from waste catalytic converters.

Office and General costs decreased in 2020 as compared to 2019 following efficiency gains and reduction of expenses that are not instrumental to our operations.

The Company incurred additional public listing fees in 2020 as compared to 2019 mainly due to the addition of one board member.

Travel cost were considerably reduced in 2020 as compared to 2019 mostly due to the inability to travel during the COVID-19 lockdown. Similarly, consulting fees during the 3 months ended June 30, 2020 were reduced to nearly nil following the COVID-19 lockdown.

During the three and six months ended June 30, 2020, the Company incurred \$985,890 in share-based payments related to the granting of 2,200,000 incentive stock options. During the comparative periods in 2019, the Company incurred \$104,026 and \$1,667,987 associated with the grant of 2,200,000 and 2,450,000 options.

There was a foreign exchange loss of \$77,104 in 2020 (2019 – gain \$143,466) related to the translation to CAD of the Company’s advanced royalty liability, which is carried in USD.

Liquidity and Capital Resources

At June 30, 2020, the Company had \$1,216,724 in cash (December 31, 2019 - \$688,848) and working capital of \$2,518,725 (December 31, 2019 - \$1,587,857). The increase in cash balance is mainly the result of completing a private placement in March 2020. The Company used its cash to fund operations and for the acquisition of property, plant and equipment.

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	June 30, 2020	December 31, 2019
Total assets	13,485,957	13,626,008
Total liabilities	1,752,773	2,244,558
Working capital	2,518,725	1,587,857

The Company has begun generating cash flows but is still reliant on raising equity to fund working capital, research and development and any expansion or improvements to the E-Waste processing facility. Management currently follows a policy of raising only enough capital to carry out its near-term plans. This policy is meant to minimize dilution of shareholders' positions by raising capital when the stock price is at higher levels.

Technology, intellectual property, plant and equipment

During the three and six months ended June 30, 2010, The Company continued to make advance royalty payments pursuant to the technology rights agreement entered into in December 2016.

	June 30, 2020	December 31, 2020
Opening balance	\$ 849,017	\$ 960,514
Payments	(40,748)	(79,927)
Interest portion	6,525	12,799
Foreign exchange adjustment	41,722	(44,369)
Closing balance	856,516	849,017
Current	68,674	65,449
Long term	787,842	783,568
	856,516	849,017

The Company incurred \$746 and \$27,604 in patent costs during the three and six 6 month periods ended June 30, 2020. The patent costs represent the costs of applying for a patent on the Company's technology. In January 2020, the Company was issued two patents for its' technology which are being amortized over the 17-year life of the patents.

During the period, the Company entered into a new lease agreement for its office facilities and acquired additional equipment at a cost of \$68,650.

Transactions with Related Parties

The consolidated financial statements are prepared by consolidating the financial statements of Enviroleach Technologies Inc. and the accounts of the joint venture project with Mineworx Technologies Ltd. Transactions with Mineworx are considered transactions with a related party.

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The Company had no additional transactions with related parties except for compensation of key management personnel and payment to its directors.

Capital Commitments

As at June 30, 2020 and December 31, 2019, the Company did not have contractual obligations other than those already disclosed in its financial statements at June 30, 2020 and December 31, 2019. The Company expects that any property and equipment expenditures incurred, based on future needs, will be funded from working capital and/or from operating or capital leases.

Financial risk management

The Company's existing business involve the operation on its plant and use of its proprietary technology for the extraction of precious metals for the mining and Electronic Waste (E-Waste) sectors, which exposes the Company to a variety of financial instrument related risks. These risks include foreign currency risk, credit risk, liquidity risk, market risk and other risks. The Company's board of directors provides oversight for the Company's risk management processes.

Foreign currency and interest risk

The Company is exposed to currency risk due to business transactions in foreign countries. The Company mainly transacts in Canadian dollars and United States dollars. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is subject to normal risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. At June 30, 2020, the Company was not exposed to significant interest rate risk.

The Company has net liabilities of \$853,633 (USD 626,432) due in USD (December 31, 2019 - \$994,210 (USD 849,017)).

Credit risk

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of chequing account at reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to \$100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. At June 30, 2020, management considers the Company's exposure to credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, considering its anticipated cash flows from operations and its holdings of cash.

As at June 30, 2020, the Company had a cash balance of \$1,216,724 (2019 - \$688,848) to settle current liabilities of \$893,286 (2019 - \$1,307,026). To date, the Company is not profitable and has had to rely on the issuance of equity securities for cash, primarily through private placements and loans from related and other parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

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Proposed Transactions

At the date of this MD&A, there are no disclosable transactions that the board of directors or senior management are aware of.

Outstanding Share Data

Authorized share capital - Unlimited number of common shares without par value.

	30-Jun-20	25-Aug-20
Common shares, issued	74,211,001	74,211,001
Stock options, outstanding	10,595,000	10,345,000
Warrants, outstanding	10,085,251	10,085,251

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements.

Forward-Looking Information and Statements

This MD&A contains certain forward-looking statements and forward-looking information (collectively referred to herein as “forward-looking statements”) within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking information is often, but not always, identified by the use of words such as “could”, “should”, “can”, “anticipate”, “expect”, “believe”, “will”, “may”, “projected”, “sustain”, “continues”, “strategy”, “potential”, “projects”, “grow”, “take advantage”, “estimate”, “well positioned” or similar words suggesting future outcomes. In particular, this MD&A contains forward-looking statements relating to the future opportunities for the Company, the business strategy of the Company and the competitive advantage of the Company.

In addition, forward looking statements regarding the Company are based on certain key expectations and assumptions of the Company concerning anticipated financial performance, business prospects, strategies, the sufficiency of budgeted capital expenditures in carrying out planned activities, the availability and cost of services, the ability to obtain financing on acceptable terms, the actual results of exploration projects being equivalent to or better than estimated results in technical reports or prior exploration results, and future costs and expenses being based on historical costs and expenses, adjusted for inflation, all of which are subject to change based on market conditions and potential timing delays. Although management of the Company consider these assumptions to be reasonable based on information currently available to them, these assumptions may prove to be incorrect.

By their very nature, forward looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. Undue reliance should not be placed on forward looking statements, as a number of important factors could cause the actual results to differ materially from the Company’s beliefs, plans, objectives and expectations, including, among other things: general economic and market factors, including business competition, changes in government regulations or in tax laws; the early stage development of the Company and its projects; general political and social uncertainties; commodity prices; the actual results of current research and development or operational activities; changes in project parameters as plans continue to be refined; accidents and other risks inherent in the technology and resource industries; lack of insurance; delay or

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failure to receive board or regulatory approvals; changes in legislation, including environmental legislation, affecting the Company; timing and availability of external financing on acceptable terms; conclusions of economic evaluations; and lack of qualified, skilled labour or loss of key individuals. These factors should not be considered exhaustive. Many of these risk factors are beyond the Company's control and each contributes to the possibility that the forward-looking statements will not occur or that actual results, performance or achievements may differ materially from those expressed or implied by such statements. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these risks, uncertainties and factors are interdependent and management's future course of action depends upon the Company's assessment of all information available at that time.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of this MD&A and the Company does not undertake and is not obligated to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.