



**INTERIM QUARTERLY HIGHLIGHTS**

**March 31, 2018**

# Enviroleach Technologies Inc.

Interim Quarterly Highlights  
Three Months ended March 31, 2018

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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 months ended March 31, 2018 and the Annual MD&A for the year ended December 31, 2017.

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

Enviroleach technologies is listed on the Canadian Securities Exchange under the symbol “ETI” and began trading on March 30, 2017. In addition to the listing on the CSE the company also started trading on the OTC-QB as “EVLLF” and the Frankfurt Stock Exchange as “7N2” during 2017.

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 May 29, 2018.

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](http://www.sedar.com) and more information is also available on the Company’s website at [www.enviroleach.com](http://www.enviroleach.com).

## Corporate Overview

Using the proprietary formula and process, Enviroleach extracts precious metals from the host material in a safe, environmentally friendly and sustainable fashion. The company’s primary target industry sectors are the Mining Sector for the treatment of ores, concentrates, and tailings and the E-waste management sector for the treatment of electronic waste streams.

The EnviroLeach Process is similar to a cyanide circuit but safer and simpler. It involves the dissolution of the precious metals into the 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.

The product is aimed at industry participants seeking an effective and safe alternative to cyanide and acid based solutions. The characteristics of the Enviroleach product creates very strong differentiation in the marketplace and provides unique positioning. The pending patents combined with the customization required for site

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optimization create significant barriers for competitors to overcome. The EnviroLeach Process is safe, eco-friendly, and provides comparable leach kinetics to that of cyanide or acid based lixivants on most ores, concentrates, tailings and E-Waste.

In March 2017, the Company completed the transaction to purchase the technology rights. The rights to the technology for the concentration and extraction of valuable metals and minerals was acquired for a total purchase price of \$7,889,909 in two separate agreements. to acquire the rights to technologies.

The first agreement was signed on December 13, 2016 in a transaction with Iberian, 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 Iberian. The total payments required to be made to Mohave and Scott are as follows:

2,000,000 Enviroleach shares	\$ 100,000	(a)
Promissory note payable	\$ 328,000	(b)
Advance royalty payable	\$1,101,909	(c)
Total acquisition price	\$1,529,909	

(a) Shares were issued in March 2017

(b) The balance represents \$250,000 US.

(c) The balance represents the amortized cost of a non-interest bearing note of \$1,000,000 US. The discount for interest is based on an annual interest rate of 5.0%, compounded monthly and a term of 39 months, 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 minimum monthly amount is payable irrespective of whether profits are realized.

The full rights to the technology were acquired for another \$6,360,000 in a separate agreement with Mineworx, signed December 19, 2016. The price paid was as follows:

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

b) Promissory note of \$1,600,000. The note, under which \$600,000 is to be repaid within year and the balance of \$1,000,000 within two years. The note bears interest of 5.0% per annum, compounded monthly payable.

This transaction was approved by the Mineworx shareholders on March 14, 2017 and the Court of Queens Bench on March 15, 2017. The transaction was finalized on March 21, 2017.

### Overall Performance

The primary activity of the company in the three months ended March 31, 2018 centered around the completion of the initial E-waste processing facility in Memphis for Jabil Inc. This included the installation and commissioning of the facility. Time and resources have been spent on optimizing and refining the process to be able to accept the large variability of source materials Jabil wants to be able to process in the plant. This work is being completed in conjunction the Jabil and the joint venture partner Mineworx.

The lab facility also provided testing services to large potential mining customers to determine the feasibility of using the company's technology in their operations.

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In the quarter the company closed a private placement for \$10,050,000 brokered by Roth Capital Partners and primarily subscribed to by European institutional investors. This private placement provides sufficient working capital to fund the current development plan of the company.

### Summary of Quarterly Results

The following financial data is selected information for the Company for the eight most recently completed financial quarters, prior to October 21, 2016 the Company had no operations:

	Mar 31, 2018	Dec 31, 2017	Sept 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sept 30, 2016	Jun 30, 2016
Total revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil
loss for the period	(1,200,047)	(770,368)	(785,061)	(766,380)	(1,570,154)	(139,618)	Nil	Nil
Income (loss) per share	(0.02)	(0.01)	(0.02)	(0.02)	(0.10)	(0.06)	Nil	Nil

### Financial results

The Company had no operating revenue for the three months ended March 31, 2018 or 2017. For the three months ended March 31, 2018, the Company incurred a net loss of \$1,200,047 (\$0.02 loss per share) and a loss of \$1,570,154 in 2017.

Project costs of \$347,003 (2017- \$nil) and travel \$93,098 (2017 - \$26,816) were higher resulting from the activities related to commissioning the E-waste facility in Memphis.

Management and employee costs \$222,202 (2017 - \$91,316), and office and general costs \$95,066 (2017 - \$18,359) are higher to due the expansion in lab and administration personnel during 2017.

Lab operating costs \$44,371 (2017 - \$106,464) were less as in 2017 the lab was being opened and incurred additional costs during start-up.

Part of the lab and employee costs were recouped through other income \$22,600 (2017 - \$nil) paid by clients requesting their product be tested.

The company spent \$71,995 (2017 - \$9,127) related to promotion and marketing by attending conferences and trade shows to inform the marketplace about capabilities of the company's technology and the go forward business development strategy.

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A total of \$203,240 (2017 - \$263,737) was spent on consulting, \$22,701 (2017 - \$70,960), public listing, \$103,414 (2017 - \$57,591), and professionals \$77,125 (2017 - \$135,186). These costs primarily relate to costs associated with the private placement in 2018 and the spinout transaction in 2017.

In the three months ended March 31, 2018 stock-based payments were \$9,181 (2017 - \$887,593), no new options were issued during the period and the cost relate in the vesting of previously granted options. In 2017 the costs are associated with the granting of 4,800,000 options.

Interest fees of \$20,040 (2017 - \$3,457) relate to the interest associated to the notes and royalties payable incurred acquiring the technology.

Stock based compensation was \$1,220,477 for 5,306,000 options issued during the year ended December 31, 2017.

Amortization costs of \$229,453 (2017 - \$253,248) related primarily to the technology intangible asset that is being amortized over a 10-year life.

There was a foreign exchange loss of \$22,124 (2017 – gain \$1,466) relating to USD transactions.

The E-waste joint venture reported a loss of \$674,830, the 20% Mineworx minority interest of \$134,966 (2017 - \$nil) was recorded as a gain in the Enviroleach statements.

### **Liquidity and Capital Resources**

At March 31, 2018, the company's cash position was \$9,608,518 and the working capital surplus was \$6,488,130.

The Company raised a net of \$9,449,125 through a private placement of 6,700,000 common shares at \$1.50. \$907,500 was also received from the exercise of 1,815,000 warrants at \$0.50.

Operations used \$967,637 of cash relating to the spending on corporate general and administration.

The Company owes Mineworx \$651,647 for expenses incurred for the joint venture, which is represented as due to related parties.

Mineworx contributed \$144,237 of cash to cover the 20% equity portion of the spending incurred by the E-waste joint venture.

The company made payments of \$143,502 for repayment of amounts due from the acquisition of the technology rights.

The Company is in the development phase and is not generating revenue as yet, it is expected that the working capital balance will follow a cycle of reduction and replenishment. Management currently follows a policy of raising only sufficient 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.

### **Equipment**

The Company spent a total of \$985,370 on property and equipment during the three months ended March 31, 2018. \$964,329 was for components related the E-waste processing plant.

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### **Intangible assets**

The intangible asset of \$6,903,670 is comprised of the technology asset acquired at a original total price of \$7,889,909 less accumulated amortization of \$986,239.

### **Capital Commitments**

The Company had no commitments for property and equipment expenditures for fiscal 2018. 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.

### **Proposed Transactions**

At the date of this report, 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.

#### **Common shares**

At March 31, 2018, there were 60,251,000 issued and fully paid common shares.

At May 29, 2018, there were 60,471,000 issued and fully paid common shares.

#### **Stock options**

At March 31, 2018, there were 5,100,000 stock options outstanding and exercisable at a weighted average exercise price of \$0.27.

At May 29, 2018, there were 5,180,000 stock options outstanding and exercisable at a weighted average exercise price of \$0.32

#### **Warrants**

At March 31, 2018, there were 16,966,333 warrants outstanding at a weighted average exercise price of \$1.31 and 10,266,333 exercisable at a weighted average exercise price of \$0.55.

At May 29, 2018, there were 16,866,333 warrants outstanding at a weighted average exercise price of \$1.31 and 10,166,333 exercisable at a weighted average exercise price of \$0.55.

#### **Off-Balance Sheet Arrangements**

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

#### **Forward-Looking Information and Statements**

This report 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

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particular, this report 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 exploration and development or operational activities; changes in project parameters as plans continue to be refined; accidents and other risks inherent in the mining industry; lack of insurance; delay or 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 report are made as of the date of this report 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.