enviroleach

INTERIM QUARTERLY HIGHLIGHTS

September 30, 2019

Enviroleach Technologies Inc.

Interim Quarterly Highlights

Nine Months ended September 30, 2019

Introduction

This Interim Quarterly Highlights 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 Nine Months ended September 30, 2019 and the Annual MD&A for the year ended December 31, 2018.

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 November 25, 2019.

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 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 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 lixiviants 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.

The first agreement was signed on December 13, 2016 in a transaction with 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 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

In the Nine Months ended September 30, 2019 the Company shipped 75.1 tonnes of test concentrate produced by the Vancouver facility and recognized the revenue associated with the shipments. During the period the Company also worked on enhancements to the Dry Concentrate circuit to improve its operational efficiency.

Work continued on the fabrication of the wet process circuit that will be capable of processing the organic fraction produced by the Dry Concentrate circuit and recover the remaining precious metals contained in the feedstock.

Mining projects advanced to the pilot plant phase and included activities on customer sites, this activity resulted in the production of gold for the clients.

The lab facility provided testing services to potential mining customers to determine the feasibility of using the company's technology in their operations. The lab worked on modifications to the base chemistry to allow for the recovery of additional precious metals. A portion of the research was funded by the National Research Council of Canada under the Industrial Research Assistance Program (IRAP).

In the first quarter of the year the company had a warrant issue come due. The issue originally included 12,206,000 warrants for 1 share @ $0.50 per share. At the time of the warrant issue expiry 100% of the warrants were redeemed by the holders.

Summary of Quarterly Results

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

	Sept 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sept 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017
Total revenue - $,000	$ 89	$ 150	$ 131	$ Nil	$ Nil	$ Nil	$ Nil	$ Nil
loss for the period - $,000	(1,304)	(1,356)	(2,946)	(1,622)	(963)	(1,393)	(1,200)	(950)
Income (loss) per share	(0.02)	(0.02)	(0.04)	(0.01)	(0.02)	(0.02)	(0.10)	(0.01)

Financial results

For the Nine Months ended September 30, 2019, the Company incurred a net loss of $5,606,138 ($0.08 loss per share) and a loss of $3,502,025 ($0.065 loss per share) in 2018.

The Company recognized revenue of $370,316 (2018 - $nil) from the sale metals created from the preliminary runs of the dry concentrate circuit of the Vancouver facility and pilot plant work for mining companies.

Cost of Sales were $576,691 (2018 - $nil) comprised of $137,872 of fees and charges for the transportation on processing of the concentrate materials shipped from the Vancouver facility, $184,899 for the purchase of the E-waste feedstock, and $253,920 for the Vancouver facility overheads.

This creates a negative Gross Margin of $206,375. The facility costs were not covered by the revenues as the amount of material processed was lower than is required to cover the fixed facility costs. The initial feedstock was purchased at a premium in the spot market to secure the required test materials and no provision was made for value contained in the organic fraction that is awaiting processing in the wet circuit.

Project development spending was $818,266 (2018 - $764,754), spending related to development work improving the efficiency of the Dry Concentrate circuit and activities in the Memphis location.

Laboratory costs were $427,567 (2018 - $869,881) which includes the overheads, labour, materials, and supplies related to the lab. The increase from 2018 relates to increased activity and personnel.

General and administration costs were $1,817,671 (2018 - $1,622,785), the majority of the costs $893,859 (2018 - $680,028) are for Management and employees. The increase is from increased staffing levels required to support the growing business when compared to 2018. Public listing costs of $263,733 ($202,533 – 2018) increased due to increased payments for director fees. All the remaining costs were reduced from the same period in 2018. In 2018 the Company was spending on items to support a public offering which was not reoccurring in 2019.

In the Nine Months ended September 30, 2019 stock-based payments were $1,667,997 (2018 - $242,731), this is for 2,475,000 new options that were granted during the period at a weight average price of $0.78.

Interest fees of $63,679 (2018 - $60,483) relate to the interest associated to the notes and royalties payable incurred acquiring the technology and lease payments. Interest Income of $91,149 (2018 - $1,976) is from the cash balances held by the company.

Amortization costs of $1,273,323 (2018 - $720,147) related primarily to the technology intangible asset and the Vancouver Dry Concentrate circuit that are being amortized over a 10-year life.

Other income of 94,818 (2018 - $72,348) includes payments and government grants associated to work performed by the lab.

There was a foreign exchange gain of $109,626 (2018 – loss $50,934) relating to USD transactions.

The E-waste joint venture reported a loss of $2,586,860, the 20% Mineworx minority interest of $517,372 (2018 - $387,981) was recorded as a gain in the Company statements.

Financial Results for the Quarter

In the three months ending September 30, 2018 the company had a net loss of $1,304,075 (2018 - $845,906). A Gross Margin of $40,457 (2018 - $nil) was recorded on revenues of $88,960 (2018 - $nil).

Expenses were 1,148,283 (2018 - $729,410), the increase came from increased spending on project development $258,094 (2018 - $105,127) and general and administration $726,834 (2018 - $319,043), offset by reductions in laboratory costs $145,883 ($171,306 – 2018) and share based payments $nil (2018 - $116,636). The increase in project development is a result of the increased activity at the Vancouver facility. The management and employee costs are increased as a result of increased staffing levels to support the increased size of the business. The remaining variance is due to timing of costs occurring a different periods from last year.

Amortization of $420,792 (2018 - $242,484) increased as the fixed asset base increased and began depreciating.

Changes in the CDN/USD exchange rate created a loss of $33,840 (2018 – gain of $387)

The company recognized $210,629 (2018 - $87,516) of recoveries associated with the Mineworx 20% Joint Venture minority interest.

Liquidity and Capital Resources

At September 30, 2019, the company's cash position was $2,343,993 and the working capital surplus was $1,581,908.

The Company raised $4,712,500 from the exercise of 9,425,000 warrants at $0.50 per share.

Operations used $3,874,434 of cash (2018 - $3,393,654) comprised primarily of $818,266 for the operation and development of the Vancouver facility, $573,449 for operation of the lab, and $1,806,191 spending on corporate general and administration.

The Company owes Mineworx $197,303 for expenses incurred for the joint venture, which is represented as due to related parties.

Mineworx contributed $930,433 ($846,022 – 2018) of cash to cover the 20% equity portion of the spending incurred by the E-waste joint venture.

$500,000 ($548,890 – 2018) of Notes Payables were repaid during the period.

The company made payments of $60,060 ($47,837 – 2018) for repayment of amounts due from the acquisition of the technology rights.

The company made payments of $139,985 ($54,314 – 2018) for facilities and equipment acquired on leases.

Equipment

The Company spent a total of $2,619,752 on property and equipment during the Nine Months ended September 30, 2019. $2,531,126 for components related to the Vancouver facility and $88,627 for the shop and office equipment. The terms of a sub-lease were modified creating a net non-cash adjustment increasing the Right-to-Use asset NBV by $2,569.

Intangible assets

The intangible asset of $5,720,184 is comprised of the technology asset acquired at an original total price of $7,889,909 less accumulated amortization of $2,169,725.

Capital Commitments

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

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 September 30, 2019, there were 70,342,000 issued and fully paid common shares.

At November 25, 2019, there were 70,667,000 issued and fully paid common shares.

Stock options

At September 30, 2019, there were 7,680,000 stock options outstanding at a weighted average exercise price of $0.48 and 7,430,000 stock options exercisable at a weighted average exercise price of $0.47.

At November 25, 2019, there were 7,330,000 stock options outstanding at a weighted average exercise price of $0.48 and 7,080,000 stock options exercisable at a weighted average exercise price of $0.46.

Warrants

At September 30, 2019, there were 7,105,333 warrants outstanding and exercisable at a weighted average exercise price of $2.44.

At November 25, 2019, there were 7,105,333 warrants outstanding and exercisable at a weighted average exercise price of $2.44.

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 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.