extractX
MOBILE EXTRACTION SOLUTIONS

# extractX Incorporated
# CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2021

Jones & O'Connell LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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# Independent Auditor's Report

**To the Shareholders of extractX Incorporated**

**Opinion**

We have audited the consolidated financial statements of **extractX Incorporated** ("the company"), which comprise the consolidated statements of financial position as at June 30, 2021 and June 30, 2020 and the consolidated statements of operations and deficit and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **extractX Incorporated** as at June 30, 2021, and its results of operations and its cash flows for the years then ended in accordance with Canadian Accounting Standards for Private Enterprises.

**Basis for Opinion**

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Information Other than the Consolidated Financial Statements and Auditor's Report Thereon**

Management is responsible for other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions. Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Accounting Standards for Private Enterprises and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

# Independent Auditor's Report

**To the Shareholders of extractX Incorporated (Continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As a part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identity and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as a fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Wayne O'Connell.

Jones & O'Connell LLP

Jones & O'Connell LLP
Chartered Professional Accountants
Licensed Public Accountants
St. Catharines, Ontario
October 15, 2021

Jones & O'Connell LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

## extractX Incorporated

Consolidated Statement of Financial Position

As at June 30, 2021 and June 30, 2020

| | 2021 | 2020 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash | $ 1,077,898 | $ 721,095 |
| Accounts receivable (note 3) | 977,096 | 36,800 |
| Recoverable sales tax | 59,428 | 79,167 |
| Corporate income taxes receivable | 29,505 | - |
| Research and development tax credits receivable (note 4) | 420,479 | 438,112 |
| Prepaid expenses | 27,151 | 5,000 |
| | 2,591,557 | 1,280,174 |
| **Equipment** (note 5) | 4,342,686 | 3,932,676 |
| **Intangible Assets** (note 6) | 1,826 | 3,652 |
| | $ 6,936,069 | $ 5,216,502 |
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities (note 7) | $ 657,450 | $ 884,094 |
| Corporate income taxes payable | - | 25,245 |
| Deposits on contracts | 923,881 | - |
| Advances from shareholder (note 8) | - | 56,894 |
| Current portion of long term debt (note 9) | 1,483 | 50,000 |
| | 1,582,814 | 1,016,233 |
| **Long Term Debt** (note 9) | 33,285 | 40,000 |
| **Deferred Contributions** (note 10) | 987,176 | 514,077 |
| | 2,603,275 | 1,570,310 |
| **SHAREHOLDER'S EQUITY** | | |
| **Share Capital** (note 11) | 7,079,804 | 4,314,755 |
| **Stock Options Reserve** (note 11) | 118,726 | - |
| **Deficit** | (2,865,736) | (668,563) |
| | 4,332,794 | 3,646,192 |
| | $ 6,936,069 | $ 5,216,502 |

Lease Commitment (note 14)
World Economic Condition (note 17)
Subsequent Events (note 18)

Approved by: "Albert Iannantuono" Director "Collin Stone" Director

The accompanying notes are an integral part of these financial statements

**extractX Incorporated**

Consolidated Statement of Operations and Deficit

For the year ended ended June 30, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| **REVENUE** | | |
| Processing revenue | $ 241,323 | $ 1,409,237 |
| **EXPENSES** | | |
| Salary and benefits - corporate and operations | 590,528 | 408,567 |
| Salary and benefits - extraction processing | 180,170 | 247,096 |
| Director and service provider stock options | 118,726 | - |
| Management fees | - | 68,500 |
| Shop supplies | 6,069 | 48,962 |
| Extraction processing supplies | 38,473 | 158,335 |
| Rent and utilities - office and shop | 72,941 | 28,702 |
| Repairs and maintenance | 45,267 | 48,083 |
| Amortization - mobile extraction units | 381,511 | 345,503 |
| Amortization - research and development tax credit | (88,830) | (87,622) |
| Amortization - contributed material | (10,906) | - |
| Amortization - tools, equipment and computers | 12,324 | 15,160 |
| Accounting, auditing, payroll and bookkeeping fees | 59,681 | 87,777 |
| Legal fees | 33,161 | 48,918 |
| Contract staffing, advisors and consulting fees | 651,766 | 324,712 |
| Office expenses | 28,374 | 5,585 |
| Memberships | - | 1,344 |
| Insurance | 38,039 | 8,462 |
| Interest and bank charges | 6,663 | 6,067 |
| Interest on long term debt | 60 | - |
| Advertising and promotion | 59,084 | 3,285 |
| Internet, website hosting and technology licences | 5,131 | 10,904 |
| Amortization - website development | 1,825 | 1,825 |
| Marketing materials | 18,883 | 33,199 |
| Telephone | 5,744 | 2,751 |
| Travel and conferences | 45,877 | 83,884 |
| Vehicle and transportation | 14,868 | 18,757 |
| | 2,315,429 | 1,918,756 |
| **NET LOSS BEFORE OTHER INCOME (EXPENSE)** | (2,074,106) | (509,519) |
| **OTHER INCOME (EXPENSE)** | | |
| Other income (note 12) | 387,911 | 80,148 |
| Write-off of mobile extraction unit (note 12) | (532,086) | - |
| | (144,175) | 80,148 |
| **NET LOSS FOR THE YEAR BEFORE INCOME TAX (EXPENSE) RECOVERY** | (2,218,281) | (429,371) |
| **INCOME TAX (EXPENSE) RECOVERY** (note 13) | 21,108 | (25,030) |
| **NET LOSS FOR THE YEAR** | (2,197,173) | (454,401) |
| **DEFICIT AT BEGINNING OF THE YEAR** | (668,563) | (214,162) |
| **DEFICIT AT END OF YEAR** | $ (2,865,736) | $ (668,563) |

The accompanying notes are an integral part of these financial statements

**extractX Incorporated**

Consolidated Statement of Cash Flow

For the year ended June 30, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net loss for the year | $ (2,197,173) | $ (454,401) |
| Items not affecting cash | | |
| Staff and service provider stock options | 118,726 | - |
| Amortization of capital and other assets - net of credits | 295,924 | 274,866 |
| Contract staffing, advisors and consulting fees paid through issuance of common shares | 67,500 | - |
| Forgivable portion of CEBA loan included in other income | (10,000) | - |
| Write-off of mobile extraction unit | 532,086 | - |
| | (1,192,937) | (179,535) |
| Changes in non-cash operating assets and liabilities | | |
| Accounts receivable | (588,594) | (36,800) |
| Recoverable sales tax | 19,739 | 57,545 |
| Corporate income taxes recoverable | (29,505) | - |
| Prepaid expenses | (22,151) | (5,000) |
| Accounts payable and accrued liabilities | (35,794) | 385,950 |
| Corporate income taxes payable | (25,245) | 25,245 |
| Deposits on contracts | 923,881 | (653,800) |
| | (950,606) | (406,395) |
| **INVESTING ACTIVITIES** | | |
| Capital assets constructed or purchased | (1,769,079) | (2,190,294) |
| Research and development tax credits received | 438,112 | - |
| Deferred contributions received during year | 238,878 | - |
| | (1,092,089) | (2,190,294) |
| **FINANCING ACTIVITIES** | | |
| Advances from shareholder | 22 | - |
| Receipt of long-term debt | - | 40,000 |
| Repayment of long-term debt | (50,307) | - |
| Common shares issued | 2,449,783 | 2,422,000 |
| | 2,399,498 | 2,462,000 |
| **INCREASE (DECREASE) IN CASH FOR THE YEAR** | 356,803 | (134,689) |
| **CASH BALANCE AT BEGINNING OF YEAR** | 721,095 | 855,784 |
| **CASH BALANCE AT END OF YEAR** | $ 1,077,898 | $ 721,095 |

| | | |
|---|---|---|
| Non-cash transactions | | |
| Purchase of computer equipment through assumption of long-term debt | $ 5,075 | $ - |
| Repayment of accounts payable through issuance of common shares | 190,850 | - |
| Repayment of advances from a shareholder through issuance of common shares | 56,916 | - |

The accompanying notes are an integral part of these financial statements

## 1. NATURE OF OPERATIONS

extractX Incorporated ('the Company") was incorporated under the Canada Business Corporations Act on June 25, 2018. The Company is primarily engaged in the design, build and operation of industrial scale mobile extraction laboratories built to GPP/GMP/EU-GMP standards; purpose built to service cultivators and producers at their facility anywhere around the world, through the Company and its wholly owned subsidiary extractX USA Inc., a company incorporated under the laws of the State of Delaware in the United States of America.

The Company maintains a leased manufacturing facility in Winnipeg, Manitoba, Canada and a shared office space in Welland, Ontario where the sales and administration activities take place.

The Company had previously expressed interest in being acquired by Tri-Media Integrated Marketing Technologies Inc. Subsequent to year end, the acquisition was completed, see note 18 for details.

## 2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian accounting standards for private enterprises and include the following significant accounting policies:

**(a) Basis of Consolidation and Foreign Currency Translation**
These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary extractX USA Inc as at and for the years ended June 30, 2021 and June 30, 2020.

The consolidated financial statements and the accompanying notes are presented in Canadian dollars which is the functional currency of the primary economic environment in which the parent company, extractX Incorporated operates. extractX USA Inc.'s functional currency of the primary economic environment in which it operates, is the United States dollar.

Any transactions in a currency other than the respective entity's functional currency is translated to the functional currency on the day of the transaction at the related currency exchange rate on the date of the transaction. Monetary assets and liabilities held are translated to the functional currency at the currency exchange rate at the end of the reporting period. Non-monetary assets and liabilities held are maintained at their historical currency exchange rate on the date of the transaction.

The consolidation of extractX USA Inc. translates the subsidiary's amounts recorded in their US dollar functional currency to the presentation currency as follows: Monetary assets and liabilities are translated at the currency exchange rate at the end of the reporting period. Non-monetary assets and liabilities are translated at historical currency exchange rates. Revenue and expense items of a monetary nature are translated at the average currency exchange rate over the period being consolidated. Revenue and expense items of a non-monetary nature are translated at the historical currency exchange rate.

**(b) Revenue Recognition**
Revenue is recognized when customers utilize the company's mobile extraction laboratories for processing. The amount recognized is based on the quantity processed by the customer, measured in pounds or kilograms at the particular weight charge amount specified in the contract. Amounts received in advance of the processing service are recorded as deposits on contracts and are applied towards the monthly billing as specified in the contract.

**(c) Equipment**
Equipment is initially recorded at cost, as noted below, and subsequently measured at cost, less accumulated amortization and any accumulated impairment losses.

Purchased equipment is recorded at the acquisition cost, which is the vendor invoice cost plus any costs required to put the asset in use.
Constructed equipment is recorded at the cost of purchased materials, sub-contracting costs and labour costs, including employee benefits
Laboratory shell and components held as inventory is recorded at the net book value of the mobile extraction lab component portion of the c
mobile extraction lab from which it was removed, upon time of transfer to inventory, net of any impairment allowances provide for by manag
Engineering drawings and documentation is recorded at the acquisition cost, which is the vendor invoice cost.

Equipment is amortized into income, using the following basis and annual rates over the estimated useful life of the related assets:

| | | |
|---|---|---|
| Shop tools and equipment | 33.33% | straight-line basis |
| Computer equipment | 33.33% | straight-line basis |

The above rates are applied in the month of acquisition, but only if the asset is put into use.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**(c) Equipment**

| | |
|---|---|
| Mobile extraction laboratories | 20% straight-line basis |

The above rate is not applied until the first month that the unit commences processing of biomass for a customer.

Laboratory shell and components will be allocated to the cost of mobile extraction laboratories as such items are utilized in their manufactur and will not be amortized until such time they form part of the total cost of a mobile extraction laboratory that has been put in use.

The engineering drawings and documentation has been commissioned for the next production phase (Model 3.0) of the mobile extraction laboratories and will be allocated evenly to the cost of each of the first 15 mobile extraction laboratories under this model and will not be amortized until such time they form part of the total cost of a mobile extraction laboratory that has been put in use.

Amortization methods, useful lives and residual values are reviewed annually and adjusted if necessary.

Where circumstances warrant, the Company reviews the carrying amounts of its equipment to determine whether there is any indication that those assets have suffered and impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any)

**(d) Research and Development Tax Credits**

The Company has since its inception been very active in developing "state of the art" extraction equipment and the respective process to achieve a higher grade of extracted oils and components from a biomass. This technology has been documented and submissions made to the Government of Canada and the Province of Manitoba to claim refundable and non-refundable investment tax credits. The Company records these claims once they have been submitted and reasonable assurance is received that they will be processed as submitted. To date all expenditures that are the basis for the claims have been capitalized with a respective mobile extraction laboratory, the total of the investment tax credits is recognized as deferred contributions and amortized at the same rate as the respective mobile laboratory

**(e) Government of Canada Grant Program**

The Company was approved for a 50% grant of total expenditures by Agriculture and Agri-Food Canada
The funded project is to construct a mobile extraction laboratory to operate in Canada and develop a full set of engineering documents for the current mobile extraction laboratory model that is being constructed.
A portion of the eligible expenditures that gave rise to the grant are capital in nature. Thus the related portion of the grant is recognized as deferred contributions and amortized at the same rate as the respective mobile laboratory

**(f) Intangible Assets**

Website development is recorded at cost and is amortized on a straight line basis over three years
The intellectual property for the extraction process is recorded to recognize it as an asset at a nominal amount.
These assets are tested for impairment if events or changes in circumstances indicate that the carrying amount exceeds the fair value. When the carrying amount exceeds the fair value, an impairment loss is recognized in an amount equal to the excess.

**(g) Financial Instruments**

The Company initially measures its financial assets and financial liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate

Financial assets measured at amortized cost on a straight-line basis include cash and accounts receivable.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and accrued liabilities, deposits on contracts, advances from shareholders and long term debt.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**(h) Stock-based compensation**
The Company grants common share stock options to its employees, directors and advisors under stock option plans. Stock-based compensation plans are accounted for based on the fair value of the options granted. The fair value of each option is estimated on the date of grant, which is the measurement date, using the Black-Scholes option pricing model. The fair value calculated for each option is amortized into expense over the related vesting period and added to stock options reserve.

Stock-based compensation costs previously recognized for options exercised and included in stock options reserve are transferred to common share capital along with any consideration paid by the option holder upon exercise. Where stock options are cancelled before vesting or left unexercised by the exercise date, any recognized portion of such stock options included in stock options reserve are transferred to retained earnings (deficit)

**(i) Share Capital**
Common shares issued in exchange for goods and services are recognized at the fair value of the common shares on the date of issue. Common shares issued in conjunction with common share purchase warrants are recognized using the residual method, whereby the total consideration received is allocated first to common shares at the fair value of the common shares at the time of issuance, with any amount of consideration received in excess of that amount recognized as the cost of the common share purchase warrants.

**(j) Income Taxes**
The company applies the taxes payable method of accounting for income taxes under which the company reports as an expense of the year only the cost of current taxes for that year determined in accordance with rules established by taxation authorities, or in case of tax losses, they are recorded when realized.

**(k) Use of Estimates**
The preparation of financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The main estimates relate to the impairment of financial assets and the useful life of capital and other assets. Actual results could differ from management's best estimates, as additional information becomes available in the future.

## 3. ACCOUNTS RECEIVABLE

| | 2021 | 2020 |
|---|---|---|
| Accounts receivable trade - extraction processing | $ 157,652 | $ - |
| Other receivables | 41,579 | |
| Government of Canada Agriculture Clean Technology program grant receivable | 502,432 | - |
| Government of Canada support of consulting fees | - | 31,800 |
| Advances to Tri-Media Integrated Marketing Technologies - see note 18 | 275,433 | 5,000 |
| | $ 977,096 | $ 36,800 |

The advances to Tri-Media Integrated Marketing Technologies are non-interest bearing, with no fixed terms of repayment, payable on demand and unsecured

## 4. RESEARCH AND DEVELOPMENT TAX CREDITS RECEIVABLE

| | 2021 | 2020 |
|---|---|---|
| Government of Canada - 2020 claim (2019 claim) | $ 338,093 | $ 349,901 |
| Government of the Province of Manitoba - 2020 claim (2019 claim) | 82,386 | 88,211 |
| | $ 420,479 | $ 438,112 |

## 5. CAPITAL ASSETS

| | 2021 | | | 2020 |
|---|---|---|---|---|
| | **Cost** | **Accumulated Depreciation** | **Net Book Value** | **Net Book Value** |
| Mobile extraction laboratories | | | | |
| Unit #1 - into service July, 2019; scrapped April, 2021 | $ - | $ - | $ - | $ 1,382,010 |
| Unit #2 - into service March, 2021 | 1,400,583 | 93,593 | 1,306,990 | 1,620,595 |
| Unit #3 - still under construction | 1,056,932 | - | 1,056,932 | 489,034 |
| Unit #4 - still under construction | 1,431,267 | - | 1,431,267 | 360,993 |
| Unit #5 - planning stage | 42,925 | - | 42,925 | 42,925 |
| Laboratory shell and components held as inventory | 163,159 | - | 163,159 | - |
| Engineering drawings and documentation | 310,552 | - | 310,552 | - |
| | 4,405,418 | 93,593 | 4,311,825 | 3,895,557 |
| Shop tools and equipment | 51,956 | 25,992 | 25,964 | 35,804 |
| Computer equipment | 6,390 | 1,493 | 4,897 | 1,315 |
| | $ 4,463,764 | $ 121,078 | $ 4,342,686 | $ 3,932,676 |

## 6. OTHER ASSETS

| | 2021 | | | 2020 |
|---|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | **Net Book Value** | |
| Website development cost | $ 5,476 | $ 3,651 | $ 1,825 | $ 3,651 |
| Intellectual property for extraction process | 1 | - | 1 | 1 |
| | $ 5,477 | $ 3,651 | $ 1,826 | $ 3,652 |

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2021 | 2020 |
|---|---|---|
| Trade payables | $ 294,868 | $ 608,017 |
| Legal fees payable | 93,210 | 62,289 |
| Accrued accounting and audit fees | 44,500 | 40,000 |
| Accrued consulting fees | 55,967 | 67,500 |
| Accrued salary | - | 42,700 |
| Accrued vacation pay | 39,210 | 20,213 |
| Accrued board of directors and advisors fees | 88,500 | - |
| State of Kentucky sales tax | 14,195 | - |
| Government payroll deductions payable | 1,158 | 144 |
| Accrued wage subsidy repayment | - | 43,231 |
| Accrued manufacturing cost capitalized | 25,842 | - |
| | $ 657,450 | $ 884,094 |

## 8. ADVANCES FROM SHAREHOLDERS

| | 2021 | 2020 |
|---|---|---|
| Advance from Prime Tri-Media Venture Capital Corp | $ - | $ 56,894 |

The advance was repaid by issuing 28,458 common shares at $2 per common share.

### 9. LONG TERM DEBT

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Promissory note - International Honey Products Ltd, non interest bearing, unsecured, principal payments of $5,000 for 10 months commencing on January 1, 2020 with the final payment due November 30, 2020. | $ | - | $ | 50,000 |
| BMO - CEBA Loan - see below | | 30,000 | | 40,000 |
| Loan payable, Dell Financial Services, with interest at 6.29%, repayable with monthly principal and interest payments of $74 for 36 months, the final payment in January, 2024 | | 2,100 | | - |
| Loan payable, Dell Financial Services, with interest at 21.00%, repayable with monthly principal and interest payments of $100 for 36 months, the final payment in June, 2024 | | 2,668 | | - |
| | | 34,768 | | 90,000 |
| Less: current portion due within next year | | 1,483 | | 50,000 |
| | $ | 33,285 | $ | 40,000 |

BMO lent $40,000 to the Company under the Canada Emergency Business Account which is guaranteed by the Government of Canada. This loan program was created to financially support eligible business with the impact of the COVID-19 pandemic on their business. The loan bears no interest and if 75% of the outstanding amount of the loan at is repaid by December 31, 2022 then the remaining 25% will be forgiven. If 75% of the loan isn't repaid by December 31, 2022 then the amount of the loan outstanding will convert to a non-revolving term loan that is due in full by December 31, 2025. Interest at the rate of 5% per annum on the amount outstanding after December 31, 2022 will be payable monthly until the loan is paid in full. The forgivable amount of $10,000 has been recognized as revenue

Principal repayments on debt for the next five years are:

| | | | |
|---|---|---|---|
| Fiscal years ending June 30, | 2022 | $ | 1,483 |
| | 2023 | | 31,699 |
| | 2024 | | 1,586 |
| | | $ | 34,768 |

### 10. DEFERRED CONTRIBUTIONS

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Research and development tax credits | | | | |
| Balance at beginning of the year | $ | 350,490 | $ | 622,706 |
| Adjustment to 2019 SR&ED refundable claim | | - | | (184,594) |
| 2020 SR&ED refundable claim submitted | | 420,479 | | - |
| Recognized against unit written off during year | | (401,826) | | - |
| Amortization for the year | | (125,228) | | (87,622) |
| Balance at end of the year | $ | 243,915 | $ | 350,490 |
| Contribution of material | | | | |
| Balance at beginning of the year | $ | 163,587 | $ | 163,587 |
| Amortization for the year | | (10,906) | | - |
| Balance at the end of the year | $ | 152,681 | $ | 163,587 |
| Government of Canada grant under the Agricultural Clean Technology program | | | | |
| Contribution during the year for development of engineering drawings and documents | $ | 108,802 | $ | - |
| Contribution during the year for development of a mobile extraction laboratory | | 481,778 | | - |
| Balance at the end of the year | $ | 590,580 | $ | - |
| Total deferred contributions | $ | 987,176 | $ | 514,077 |

## 11. SHARE CAPITAL, COMMON SHARE PURCHASE WARRANTS AND STOCK OPTIONS RESERVE

Share Capital
Authorized

Unlimited common shares

| | 2021 | | 2020 | |
|---|---|---|---|---|
| Issued | Number of Shares | $ | Number of Shares | $ |
| Balance at beginning of the year | 21,996,000 | $ 4,314,755 | 20,785,000 | $ 1,892,755 |
| Shares issued during the year | 1,325,859 | 2,765,049 | 1,211,000 | 2,422,000 |
| Balance at end of the year | 23,321,859 | $ 7,079,804 | 21,996,000 | $ 4,314,755 |

Common Share Purchase Warrants

| | 2021 | | 2020 | |
|---|---|---|---|---|
| Issued | Number of Warrants | $ | Number of Warrants | $ |
| Balance at beginning of the year | 507,500 | $ - | - | $ - |
| Warrants issued during the year | 328,900 | | 507,500 | - |
| Balance at end of the year | 836,400 | $ - | 507,500 | $ - |

Stock Options Reserve

| June 30, 2021 | Number of Options | $ | Weighted Average Exercise Price | Weighted Average Remaining Life |
|---|---|---|---|---|
| Balance at beginning of the year | - | $ - | $ - | - |
| Stock Options issued during the year: | | | | |
| Board Advisory Options | 96,000 | 64,755 | 2.25 | 4.91 |
| Board Member Options | 60,000 | 53,971 | 2.00 | 4.88 |
| Balance at end of the year | 156,000 | $ 118,726 | $ 2.15 | 4.90 |

| June 30, 2020 | Number of Options | $ | Weighted Average Exercise Price | Weighted Average Remaining Life |
|---|---|---|---|---|
| Balance at beginning of the year | - | $ - | $ - | - |
| Stock Options issued during the year | - | - | - | - |
| Balance at end of the year | - | $ - | $ - | - |

The Company as part of its ongoing capital raise on April 1, 2020 revised the term sheet to offer a unit for $2.00 comprised of one common share of the Company and one warrant. Each warrant has a term of two years with the right to acquire one share at $2.00 up to two years from the original date of issue of the unit. This offer was valid for any subscriptions up to and including August 31, 2020. A total of 328,900 units was issued during the year ended June 30, 2021 (2020 - 507,500) for total consideration of $657,800 (2020 - $1,015,000). The warrants are set to expire between April 6, 2022 and November 20, 2022.

The Company issued 419,773 common shares during the year ended June 30, 2021 (2020 - 703,500) at $2 per common share for total consideration of $839,546 (2020 - $1,407,000)

The Company issued 95,425 common shares during the year ended June 30, 2021 (2020 - nil) at a fair value of $2 per common share in satisfaction of $190,850 (2020 - $nil) of accounts payable.

The Company issued 28,458 common shares during the year ended June 30, 2021 (2020 - nil) at a fair value of $2 per common share in satisfaction of $56,916 (2020 - $nil) of advances from shareholder

The Company issued a revised term sheet #5 on December 1, 2020 to offer one common share of the Company for $2.25
The Company issued 423,303 common shares (2020 - nil) as part of term sheet #5 to June 30, 2021 for $952,437 (2020 - $nil)

The Company issued 30,000 common shares during the year ended June 30, 2021 (2020 - nil) at a fair value of $2.25 per common share for $67,500 (2020 - $nil) as compensation to directors

The Company is further committed to issue 90,000 common shares to board members as compensation in the future.

### 11. SHARE CAPITAL, COMMON SHARE PURCHASE WARRANTS AND STOCK OPTIONS RESERVE (Continued)

The Company issued 96,000 stock options to board advisors in February/March 2021 exercisable at a price of $2 per common share, vesting as follows:24,000 upon issuance and 18,000 every 3 months thereafter, expiry date 5 years from date of vesting. As of June 30, 2021 the fair value of these options was calculated to be $91,313 using the Black Scholes Model and the following assumptions: risk free interest rate ranging from 0.8% to 1.01%; expected volatility ranging from 39.19% to 46.81%; expected life of 5 years from date of vesting and dividend yield of 0%. The amount recognized in expense for the year ended June 30, 2021 was $64,755 (2020 - $nil). As of June 30, 2021, 42,000 (2020 - nil) stock options have vested.

The Company issued 30,000 stock options to board members effective March 31, 2021 exercisable at a price of $2.25 per common share, vesting upon issuance. As of March 31, 2021, the fair value of these options was calculated to be $27,401 using the Black Scholes Model and the following assumptions: risk free interest rate of 0.94%; expected volatility of 45.82% expected life of 5 years and dividend yield of 0%. The amount recognized in expense for the year ended June 30, 2021 was $27,401 (2020 - $nil). As of June 30, 2021, 30,000 (2020 - nil) stock options have vested.

The Company issued 30,000 stock options to board members effective June 30, 2021 exercisable at a price of $2.25 per common share, vesting upon issuance. As of June 30, 2021, the fair value of these options was calculated to be $26,570 using the Black Scholes Model and the following assumptions: risk free interest rate of 1.01%; expected volatility of 44.07% expected life of 5 years and dividend yield of 0%. The amount recognized in expense for the year ended June 30, 2021 was $26,570 (2020 - $nil). As of June 30, 2021, 30,000 (2020 - nil) stock options have vested.

The Company is further committed to issue 60,000 stock options to board members, issuable 30,000 on September 30, 2021 and 30,000 on December 31, 2021.

### 12. OTHER INCOME (EXPENSE)

| | 2021 | 2020 |
|---|---|---|
| Government assistance for consulting fees and training | $ 42,500 | $ 93,750 |
| Canada Emergency Wage Subsidy | 68,311 | 2,507 |
| Canada Emergency Rent Subsidy | 21,198 | - |
| Canada Emergency Business Account forgivable portion of loan | 10,000 | - |
| Government of Canada Agriculture Clean Technology - program expense grant | 237,231 | - |
| Interest earned | 7,928 | - |
| Gain (loss) on foreign currency conversion | 743 | (16,109) |
| | $ 387,911 | $ 80,148 |

Upon completion of the service contract for mobile extraction laboratory unit #1, the Company determined that technological advancement expenditures would be required to the unit for future use. It was determined that these expenditures would not be economical in relation to the anticipated future benefits associated with the unit. As such a decision was made in April 2021 to decommission the unit and salvage any spare parts for usage in other mobile extraction laboratories in the future.

## 13. INCOME TAXES

The differences between the company's accounting loss and the loss for Canadian income tax purposes is summarized as:

| | 2021 | 2020 |
|---|---|---|
| Net loss before income taxes for the year per the financial statements | $ (2,218,281) | $ (429,371) |
| **Additions** | | |
| Amortization of capital and other assets | 395,661 | 362,488 |
| Write-off of mobile extraction unit | 532,086 | - |
| Director and service provider stock options | 118,726 | - |
| Federal grant for engineering documents expensed | 108,802 | - |
| SR&ED expenditures previously expensed but recovered and repurposed | 124,374 | - |
| | 1,279,649 | 362,488 |
| **Deductions** | | |
| Net income reported wholly owned subsidiary, extractX USA Inc. | - | 107,210 |
| SR&ED expenditures capitalized but expensed for tax purposes | - | 503,006 |
| Engineering documents capitalized, expensed for tax purposes | 310,552 | - |
| Capital cost allowance | 1,664,990 | 154,545 |
| | 1,975,542 | 764,761 |
| Net loss for income tax purposes | $ (2,914,174) | $ (831,644) |

The Company has a loss carry forward of $4,796,144 to apply against future taxable income in Canada. The losses carry forward for 20 years from the year realized and expire as - $1,250,442 in 2039; $1,021,756 in 2040 and $2,523,946 in 2041

The Company has a loss carry forward of $283,018 to apply against future taxable income in the United States of America.

The Company has non-refundable Manitoba research and development tax credits that can be used to reduce future income taxes payable in the amount of 2019 - $88,211 and 2020 - $82,386

## 14. LEASE COMMITMENT

The Company is leasing space on a month by month net, net lease agreement for a 6,000 square foot manufacturing space located in Winnipeg, Manitoba, Canada. The basic monthly rent is $5,500 ($66,000 per annum). The Company must also pay 3.82% of the building's operating costs including insurance, property taxes, depreciation on maintenance and cleaning equipment, the roof and asphalt paving and of any supervision and management fees charged. The Company's share of these operating costs for 2022 is estimated to be $17,100.

The Company has also agreed to pay Tri-Media Integrated Marketing Technologies Inc. for shared office space at the monthly rate of $1,300.

## 15. RELATED PARTY TRANSACTIONS

Related parties include the board of directors. Amounts are transacted at the exchange amount agreed to between the related parties. Included in expenses for the year are the following:

| | 2021 | 2020 |
|---|---|---|
| Director and service provider stock options | $ 53,971 | $ - |

Included in accounts payable and accrued liabilities at June 30, 2021 are amounts owing to related parties of $91,597 (2020 - $nil).

## 16. FINANCIAL INSTRUMENTS

*Fair value*
It is management's opinion that the company is not exposed to any significant risk on the financial instruments as the fair value approximates the carrying value.

*Liquidity risk*
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is, therefore, exposed to liquidity risk with respect to its accounts payable and accrued liabilities and long term debt. The Company reduces its exposure to liquidity risk by ensuring that it documents when authorized payments are due and maintaining adequate cash reserves to meet its obligations as they come due.

*Credit risk*
The Company does not have a significant exposure to any individual customer. The Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for impairment is established based upon factors surrounding the credit risk of specific customers, historical trends and other information.

*Interest rate risk*
The Company would be exposed to changes in its interest rates if it had demand bank loan that bears interest at a rate that fluctuates with the prime rate. At June 30, 2021 does not have any interest rate risk exposure

*Currency risk*
The majority of revenue to date is paid in United States dollars while expenditures are in both Canadian and United States dollars, the Company therefore maintains bank accounts with sufficient balances in both currencies to be able to meet ongoing expenditure obligations in each respective currency. The Company also attempts to minimize any exchange loss on currency transfers between the bank accounts. It is management's opinion that the Company is not exposed to significant currency risks from the financial instruments.

## 17. WORLD ECONOMIC CONDITION

Since March, 2020, the outbreak of a new coronavirus strain (COVID-19) caused a major health crisis worldwide that continues to affect the global economy and financial markets as at the date of completion of the financial statements. These events had impacts that are reflected in these financial statements primarily in the slowdown in global sales, but management believes that the decision to cut back on staffing and the application for rental and wage subsidies from the Federal Government will help to limit any potential future losses due to the pandemic. The ongoing development of this situation may have significant effects on the future operations of the Company but at the present time any impact is not determinable.

## 18. SUBSEQUENT EVENTS

*Reverse Takeover Acquisition*

extractX Ltd. (formerly Tri-Media Integrated Marketing Technologies Inc.) (“EXL”), is a company incorporated under the laws of the Province of Ontario and a reporting issuer with the Saskatchewan Financial and Consumer Affairs Authority - Securities Division ("SFCAA-SD") whose shares are not presently listed on any Stock Exchange and in the past any share transfers have been done as Over the Counter trades (“OTC”), announced On October 1, 2021 that it has completed its previously communicated business acquisition of extractX Incorporated (“EXI”) through its wholly owned subsidiary, 12491613 Canada Inc. and the subsequent amalgamation of EXI and 12491613 Canada Inc. The filed Articles of Amalgamation name the new entity, extractX Incorporated (“new EXI”).

The consideration given by 12491613 Canada Inc. for the acquisition was an exchange of one EXL common share for one common share outstanding of EXI. As stated in the Amalgamation Agreement, EXI had 23,379,059 common shares outstanding and EXL had 937,533 common shares outstanding at September 17, 2021.

After the completion of the amalgamation EXL intends to apply to be listed on the Canada Securities Exchange ("CSE").

## 18. SUBSEQUENT EVENTS (Continued)

*Stock Options Granted*

On July 5, 2021 the Company entered into an employment contract with a senior member of management that included a stock option provision that granted 500,000 common shares at an exercise price of $.50 with vesting on the following schedule of dates:

| | |
|---|---|
| August 5, 2021 | 100,000 options |
| December 31, 2021 | 100,000 options |
| June 30, 2022 | 100,000 options |
| December 31, 2022 | 100,000 options |
| June 30, 2023 | 100,000 options |

The Company issued stock based compensation to employees and certain contract staff employed at June 30, 2021. at an exercise price of $nil, which required the acceptance by those involved and the continued employment by those involved at varying anniversary dates ended June 30, 2022, 2023 and 2024 at which time the stock options will be converted into issued common shares. The potential total number of issued common shares is 154,500 and is limited by year as follows:

| | |
|---|---|
| 2022 | 49,000 |
| 2023 | 77,250 |
| 2024 | 28,250 |

*Shares Issued*
The Company issued 30,000 common shares at a fair value of $2.25 to directors in July 2021 as compensation for services.

The Company issued, subsequent to year end, 27,200 common shares at a price of $2.25 for total proceeds of $61,200.