



extractX Incorporated

Management's Discussion & Analysis

Annual and Quarterly Highlights

October 15, 2021

For the year ended June 30, 2021

Management’s Discussion & Analysis

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Introduction & Disclaimers

This management's discussion and analysis ("MD&A") of the financial condition and results of operations of extractX Incorporated and its subsidiaries (collectively, the "Company" or "EXI") is for the year ended June 30, 2021. EXI was incorporated under the Canada Business Corporations Act on June 25, 2018. This MD&A is supplemental to, and should be read in conjunction with, the audited consolidated financial statements of the Company for the year ended June 30, 2021, and the audited consolidated financial statements for the year ended June 30, 2020. The consolidated financial statements are prepared in accordance with the Accounting Standards for Private Enterprises in Canada.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102, Continuous Disclosure Obligations, of the Canadian Securities Administrators. Additional information regarding the Company is available on the Company's website at extractX.com or through the SEDAR website at sedar.com.

Certain information in this MD&A contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation. Forward-looking information, in general, can be identified by the use of forward-looking terminology such as "may", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans", "continue", "objective", or similar expressions suggesting future outcomes or events. They include, but are not limited to, statements with respect to expectations, projections or other characterizations of future events or circumstances; the Company's objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our plans and objectives; estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities; and statements regarding the Company's future economic performance, as well as statements with respect to:

- *the competitive and business strategies of the Company;*
- *the intention to grow the business, operations and potential activities of the Company, including entering into joint ventures and partnerships;*
- *the ongoing expansion of the Company, and the costs to complete such expansion and increase production and sales capacity;*
- *the expansion of business activities, including potential acquisitions;*
- *the expected production capacity of the Company;*
- *the competitive conditions of the industry, including the Company's ability to maintain or grow market share;*
- *the expansion of the Company's business, operations and potential activities outside of the Canadian market, including but not limited to the U.S., Europe and other international jurisdictions;*
- *whether the Company will have sufficient working capital and its ability to raise additional financing required in order to develop its business and continue operations;*
- *the applicable laws, regulations and any amendments thereof;*
- *the grant, renewal and impact of any licence or supplemental licence to conduct activities with cannabis or any amendments thereof;*
- *the filing of trademark and patent applications and the successful registration of same;*
- *the anticipated future gross margins of the Company's operations;*
- *the performance of the Company's business and operations;*
- *securities class action and other litigation to which the Company is subject;*
- *the Company's intention to be listed on the CSE and the impact of any actions it may be required to take to become listed; and*
- *the impact of the COVID-19 coronavirus pandemic on the operations of the Company.*



Such statements are not historical facts but instead represent management beliefs regarding future events, many of which, by their nature, are inherently uncertain and beyond management control. Management has based these forward-looking statements on the current expectations about future events and certain assumptions including, but not limited to:

- *the Company's ability to implement its growth strategies;*
- *the Company's competitive advantages;*
- *the Company's ability to obtain and maintain financing on acceptable terms;*
- *the impact of competition;*
- *the changes and trends in the hemp and cannabis industries;*
- *changes in laws, rules and regulations;*
- *the Company's ability to maintain and renew required licences;*
- *the Company's ability to maintain good business relationships with its customers, distributors and other strategic partners;*
- *the Company's ability to protect intellectual property;*
- *the Company's ability to manage and integrate acquisitions;*
- *the Company's ability to retain key personnel; and*
- *the absence of material adverse changes in the industry or global economy, including as a result of the COVID-19 pandemic.*

Although any forward-looking statements contained in this MD&A are based on what management believes are reasonable assumptions, these assumptions are subject to a number of risks beyond management control, and there can be no assurance that actual results will be consistent with these forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements and information include, but are not limited to, financial risks; industry competition; general economic conditions and global events; product development, facility and technological risks; changes to government laws, regulations or policies, including tax; agricultural risks; supply risks; product risks; dependence on senior management; sufficiency of insurance; and other risks and factors described from time to time in the documents filed by the Company with securities regulators. For more information on the risk factors that could cause actual results to differ from current expectations, see "Risk Factors". All forward-looking information is provided as of the date of this MD&A. The Company does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required by law.

Mission and Vision

extractX is focused on doing what is right. The Company builds collaborative relationships that lead to prosperous and long-lasting partnerships with clients. The Company has a win-win philosophy, keeping its commitments and aligning its goals so its partners win, their customers win, and the Company wins. The Company is at the forefront of emerging technologies and has a unique, progressive, and passionate approach to delivering outstanding solutions to its partner clients. The Company's transparent approach delivers exceptional results in every manner of the business, providing partner clients with expected results, exceeding wherever and whenever possible.

Company Overview

Established in 2018, extractX is a biotechnology company that designs, builds, installs, and operates industrial scale self-contained mobile biomass extraction laboratories. The labs are turn-key, clean room labs that are equipped with the most effective and reliable equipment, allowing for efficient 24/7 operation, and



unlimited scalability to meet the demand of any size operation. Built to GPP, cGMP, and EU-GMP (pharmaceutical) standards, extractX purpose builds mobile extraction laboratories to service cultivators and producers of biomass (primarily hemp and cannabis) wherever and whenever the service is needed, on-site and on demand anywhere in the world.

Typically, cultivators and producers face operational challenges in finding extraction, managing growth and scalability, and finding qualified labour. The extractX solution addresses all of these challenges, with turn-key, scalable, fully staffed extraction labs. The Company's market-validated biotechnology solution helps cultivators and processors increase revenue and profitability through low capital expenditure and speed-to-market. The Company operates its labs through partnerships with its customers primarily through a Serviced Licensee model, and labs are available only under license, not sold outright. Typical contracts are three year license agreements, which have an option for a renewal upon contract completion.

Each lab is delivered into a partners' existing licensed facility with little to no disruption and comes fully equipped with the latest extraction and post-processing clean technology. The Company's highly-trained staff manage all ongoing operations, maintenance, and technology updates. Labs are commissioned and operational within weeks of arriving at a facility and can process up to 1890 lbs. (857 kg) of biomass daily into full plant extract for full and broad-spectrum distillate and other concentrates to then be used in partner products. The Company's proprietary software provides over 20 continuous data points to ensure efficiency, transparency, and consistency in processing.

The manufacturing group, located in Winnipeg, Manitoba, is responsible for the development of approved product design and construction, and the sourcing of component parts to meet or exceed product standards. Manufacturing is also responsible for planning and outfitting assembly space and staffing requirements to meet production timelines as outlined in the growth strategy. Manufacturing documents all product specifications and operating requirements and obtains all necessary certifications aligning to partner/end-user requirements and production design. Manufacturing provides written documentation to partners and field operations to support the proper development of SOPs and SOTs, and assists operations in providing partner support to ensure optimum performance and to capture changes for continuous improvement programs and optimization of future build and lab retrofits.

The Company's operations group ensures the delivery, commissioning, training and ongoing management and operation of mobile labs. Operations ensures that mobile labs, whether managed by extractX or an extractX client partner, run smoothly and that production processes are completed from start to finish with the desired outcome in quality and quantity, and are aligned with the goals and functions across the business. Operations also oversees quality assurance, lab solution improvements from field observations and continuous improvement.

Reverse Takeover Acquisition

extractX Ltd. (formerly Tri-Media Integrated Marketing Technologies Inc.) ("EXL"), 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"). EXL announced on October 1, 2021 that it completed its previously communicated business acquisition of extractX Incorporated ("EXI") by 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 at September 17, 2021 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").

Corporate Highlights and Developments

extractX designed, built and commissioned the first mobile extraction lab (v1.0) as a prototype and proof-of-concept lab that was installed and commissioned in the eastern United States. The proof-of concept was successful in processing over 60,000 pounds of biomass and turning that biomass into high quality distillate. Over the period the prototype was operational, \$1.4 million in revenue was earned by the Company.

Following the successful proof-of-concept, the prototype lab was returned to extractX and decommissioned after qualifying for substantial SR&ED credits for research and development. The net capital cost of \$532,086 (after amortization and application of applicable SR&ED credits) was expensed. Through the prototype phase, management identified opportunities to enhance the features of v1.0 and began building out the Company's manufacturing capabilities and started the process to design and build the next generation mobile lab, v2.0.

Mobile lab v2.0 contains several advancements and new features, including:

- Access hatches for easier servicing, maintenance, and cleaning
- Broad data collection capabilities
- Sampling valves for quality control testing
- Improved decarboxylation system, increasing the quality and consistency of distillate
- Flow meters that upload data to extractX information dashboards for traceability
- New high efficiency HVAC system with increased cooling capacity

extractX and partner operated labs provide a non-stop flow of important learnings and data back to the continuous improvement team, which will further facilitate improvements and enhancement of extractX mobile labs. over 26 key points throughout the system have been identified for collecting data, which will provide insight into the entire process from input biomass to distillate.

During the year ended June 30, 2021 and following the successful operation and proof-of-concept of the prototype mobile lab, the Company accelerated its sales and marketing efforts on a global scale. Targeted sales and marketing programs include digital media, discussion papers, webcasts, social media, and industry advertising that reach audiences globally.

As a result of these focused sales and marketing activities, during the year ended June 30, 2021, the Company entered into two commercial contracts for the provision of mobile extraction labs.

The first contract is for the provision and operation of a mobile extraction lab to a client partner in Franklin, Kentucky. The lab was successfully shipped in March 2021, and the extractX installation team completed the installation and commissioning of the lab within 4 weeks. The lab was operational shortly thereafter, and successfully processing biomass to distillate. During the initial phase of this three year contract the mobile lab generated \$241,323 of revenue to June 30, 2021. Through the process, the extractX team identified and implemented additional productivity upgrades and operational changes as part of the Company's continuous improvement program.



The second contract is for the provision of a mobile lab to a client partner in Chiang Mai, Thailand for a three year contract to process CBD from hemp. In mid-July 2021 the mobile lab was shipped from the manufacturing facility in Winnipeg and arrived in Chiang Mai on September 18, 2021. Using the Company's Installation & Commissioning Guide, as well as support from the extractX team, the team in Thailand were able to get the lab operational within the expected timeframe.

As part of the Company's ongoing training and development program, in June 2021, extractX leveraged the operational mobile lab in Kentucky to train two senior operations staff from our client partner in Thailand, which positioned them well for the mobile lab arrival in Chiang Mai. This process is part of the Company's Standard Operator Training and will support the Company's global expansion.

Subsequent Events

Reverse Takeover Acquisition

extractX Ltd. (formerly Tri-Media Integrated Marketing Technologies Inc.) ("EXL"), 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"). EXL announced on October 1, 2021 that it completed its previously communicated business acquisition of extractX Incorporated ("EXI") by 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 at September 17, 2021 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").

Appointment of Members to the Board of Directors for extractX Ltd.

Contemporaneous with the completion of the above-mentioned reverse takeover, the Company appointed additional members to serve as directors on the board of directors of the Company (the "Board"). Joining existing board members Albert Iannantuono, Co-Chief Executive Officer and Chief Marketing Officer, extractX, and Andrew Bailey, Chief Executive Officer, North America, The&Partnership, are the following:

- **Collin Stone, Co-Chief Executive Officer and Chief Operating Officer, extractX**

Mr. Stone is the founder and innovation force behind extractX. Over the last 25 years, Mr. Stone has built and operated successful businesses in North America and overseas. With a career focused on developing new and innovative technologies that deliver business efficiencies, Mr. Stone has now turned his attention to revolutionizing the cannabis and hemp industries. Built with Mr. Stone's expertise and leadership, extractX mobile labs are counted among the most advanced, automated, and cGMP compliant medical-grade facilities in the world.

- **Peter Manuel, Director, Sixth Wave Innovations Inc.**

Mr. Manuel is the Vice President and Chief Financial Officer of Ucore, a publicly traded mineral exploration and development company. Prior to that, he spent 17 years as a Chartered Accountant providing consulting services to companies, with a focus on the financial services and resource industries. Mr. Manuel's career includes 10 years in England and The Republic of Ireland providing, strategic planning, corporate finance, and other services to both public and private entities including



licensed banks, proprietary trading operations, and international corporate treasuries. He has served as director of Sixth Wave Innovations Inc. since February of 2020.

- **Mitchell Osak, Chief Executive Officer, Quanta Consulting Inc.**

Mr. Osak is CEO of Quanta Consulting Inc., a leading cannabis and psychedelics strategy and financial advisory consulting firm. Active in the cannabis sector since 2015, Mr. Osak has consulted over 100 LPs, extractors, governments and retailers in Canada, the EU, South America, and Africa. He is considered a global thought leader in the cannabis industry. Mr. Osak was a Partner & Cannabis Advisory lead at MNP and a Managing Director in Grant Thornton's Strategic Advisory Practices. Mr. Osak is a P&G-trained brand manager and has consulted to a variety of Fortune 500 clients including Amex, Maple Leaf Foods, and IBM.

Equity Issuances

Subsequent to the year ended June 30, 2021, the Company issued a total of 27,200 common shares as part of the ongoing capital raising activities of the Company. Additionally, the Company issued 148,000 stock options to a member of senior management and members of the Board and advisory group.

Outlook

With mobile lab v2.0 deployed and operational in two locations, the Company is now developing mobile lab v3.0, which is expected to provide a substantial increase in biomass throughput over the previous v1.0 and v2.0 mobile labs. This increase in throughput is expected to be accomplished using the same footprint as our v2.0 lab. The Company is also currently designing an approved v2.0 lab to meet EU GMP regulations and standards, which will enable extractX to provide pharmaceutical-grade mobile labs for the pharmaceutical sector. This will be the production model and standard as the Company moves forward. These initiatives were supported in part through a 50% cost sharing grant under the Agricultural Clean Technology Program of the Canadian Government.

In addition to the above, the Company is developing strategic relationships with other manufacturers to allow extractX to increase manufacturing capabilities in order to build labs faster and more efficiently and meet the expected upcoming demand for mobile lab services.

The Company's sales and marketing programs continue to generate qualified leads from around the globe and management is in various stages of discussion and contract negotiations with several parties.



Selected Annual Financial Information

Selected audited financial highlights for the years ended June 30, 2021, June 30, 2020, and June 30, 2019 (unaudited) include the following:

<i>(in \$CDN)</i>	Years Ended		
	Jun 30, 2021	Jun 30, 2020	Jun 30, 2019
	\$	\$	\$
Contract revenue	241,323	1,409,237	-
Extraction wages and supplies	218,643	405,431	-
Gross profit	22,680	1,003,806	-
Expenses			
Corporate and operations salaries	590,528	408,567	-
Operating and administrative	1,210,334	829,892	215,585
Amortization of capital assets, net of credits	295,924	274,866	-
	2,096,786	1,513,325	215,585
Net loss before other income and expenses	(2,074,106)	(509,519)	(215,585)
Other income and expenses	409,019	55,118	1,423
Write-off of mobile extraction lab	(532,086)	-	-
Net income (loss) before other income and expenses per share	(0.09)	(0.02)	(0.01)
Net income (loss)	(2,197,173)	(454,401)	(214,162)
Net income (loss) per share	(0.09)	(0.02)	(0.01)
Total assets			
Cash	1,077,898	721,095	855,784
Other current assets	1,513,659	559,079	759,419
Capital and other assets	4,344,512	3,936,328	2,108,522
	6,936,069	5,216,502	3,723,725
Total long-term liabilities			
Deposits on contracts	923,881	-	653,800
Other current liabilities	658,933	1,016,233	585,038
Deferred contributions	987,176	514,077	786,294
Long term debt	33,285	40,000	20,000
	2,603,275	1,570,310	2,045,132
Shareholders' Equity	4,332,794	3,646,192	1,678,593
% of equity in total assets	62.47	69.90	45.08

The Company has reported in the past using the Canadian Accounting Standard for Private Enterprise but intends to adopt the International Financial Reporting Standard effective July 1, 2021 due to the reverse takeover acquisition on October 1, 2021.

All amounts unless specifically stated are reported in Canadian dollars.



An analysis of the operating results follows under the "Results of Operations" section below.

Results of Operations

The Company reported total contract revenue of \$241,323 for the year ended June 30, 2021, this is a decrease of \$1,167,914 compared to \$1,409,237 for the year ended June 30, 2020. The decrease in contract revenue was the result of the contract in the North Carolina location which operated from August, 2019 to January, 2020 in the 2020 year-end compared to the contract in the Kentucky location only beginning operation in late March, 2021 and having several shutdowns before the end of June due to facility and equipment cooling issues.

Salary and benefits – extraction processing for the year ended June 30, 2021 was \$180,170 or 74.66% of processing revenue compared to \$247,096 or 17.53% of the processing revenue for the year ended June 30, 2020. The increase of 57.13% of the processing revenue is due to two managers being kept during the transition from the North Carolina location to the Kentucky location, this accounted for \$90,711 or 37.59% of the increase. The balance was due to several short term shutdowns which reduced processing revenue but not the labour force that was on site.

Salary and benefits – corporate and operations for the year ended June 30, 2021 was \$590,528 compared to \$408,567 for the year ended June 30, 2020. The majority of the increase of \$181,961 over 2020 is due to a full year of salaries in 2021 for staff that were employed part way through the 2020 fiscal year and for the hiring of some additional staff in Q4 of the 2021 fiscal year.

Operating and administrative expenses for the year ended June 30, 2021 were \$1,210,334 which is an increase of \$380,442 compared to \$829,892 for the year ended June 30, 2020. The audited financial statements for the year-ended June 30, 2021 and June 30, 2020 provide individual expense account amounts. The net changes were mainly attributable to the following:

- (a) Payments to contract staff, advisors and management consulting fees increased by \$258,554 as EXI engaged individuals and organizations to assist in the development of business, marketing and financing strategies and to outsource certain functions such as information technology, financial and investor administration.
- (b) Insurance increased by \$29,577 as more mobile extraction labs had to be insured and a Directors and Officers Liability policy was put in place part way through the year.
- (c) The stock option plan that was put in place in 2021 resulted in a reported expense of \$118,726 (\$nil for June 30, 2020).
- (d) Rent and utilities increased by \$44,239 in 2021 compared to 2020 as EXI had a full year of rent expense for the Winnipeg shop compared to only six months the previous year.
- (e) Professional fees decreased by \$43,853 as legal fees were reduced by \$15,757 and accounting and audit fees were reduced \$28,096 primarily due to replacing an outside accounting firm that assisted with the accounting work to hiring a Chief Financial Officer.
- (f) Travel and conferences decreased by \$38,007 in 2021 from 2020 due primarily to travel restrictions during the coronavirus (COVID-19) world-wide outbreak.

In April 2021, the prototype mobile extraction unit was returned to Winnipeg for decommissioning. The outside shell and some internal equipment was put into inventory for future repurposing and the fair value of those items (\$124,374) was credited to the remaining cost after amortization resulting in a loss on the write-off of the unit of \$532,086.

Summary of Quarterly Results

The following tables set out selected consolidated financial information for the four quarters prior to the year ended June 30, 2021, consolidated quarterly financial information is not available for the year ended June 30,



2020. All amounts are in thousands of dollars, except for basic loss per share which are shown in dollars.

	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020
	\$	\$	\$	\$
Total revenue (contract and other)	249	238	112	31
Net loss	(1,173)	(358)	(333)	(333)
Net loss per share	(.0503)	(.0157)	(.0146)	(.0152)

As with many companies around the world the COVID-19 pandemic slowed down EXI's ability to negotiate and complete extraction processing contracts, the contract in Kentucky which was originally planned to be operational in October, 2020 was delayed, due to the partner securing and getting the facility ready for operations until the latter part of March, 2021 this caused the Company almost six months of processing revenue which was estimated to be \$500,000 to \$750,000.

In Q4 2021 the Company recognized a \$532,086 write-off of the prototype mobile extraction unit and the cost of the director and service provider stock option plan of \$118,726; both of these items accounted for \$650,812 of the \$814,423 difference from Q3 to Q4 in 2021. The balance was primarily attributable to additional advisor and consulting fees and insurance premiums.

Liquidity and Capital Resources

Liquidity

Managing the Company's liquidity and capital resources requires maintaining sufficient cash to fund the Company's operating and strategic growth requirements.

The table below summarizes the Company's use of cash for the twelve-month periods ended June 30, 2021, and the comparable twelve-month periods ended June 30, 2020.

	Twelve-month periods ended	
	June 30, 2021	June 30, 2020
	\$	\$
Cash Flows Provided by (Used in):		
Operating Activities	(950,606)	(406,395)
Investing Activities	(1,092,089)	(2,190,294)
Financing Activities	2,399,498	2,462,000

The Company has relied on two main sources for liquidity:

- Private investment capital to provide sufficient funds to develop the initial prototype laboratory, to hire senior management, to launch a sales and marketing program and to pay professional fees and related costs with becoming a reporting issuer through a reverse takeover acquisition of an existing public company. The amounts raised by year are as follows:
 - Year ended June 30, 2019 - \$1,892,755
 - Year ended June 30, 2020 - \$2,422,000
 - Year ended June 30, 2021 - \$2,449,783
- Deposits from customers on signing an extraction processing contract, the standard deposit requested is \$500,000USD. The Company was holding deposits of \$923,881CAN at June 30, 2021 (\$nil at June 30, 2020)



In addition, the Company has had two other significant sources of funding for its capital assets as follows:

- By application for research and development funding through the Scientific Research and Experimental Development Program offered by the Canadian and Manitoba Governments. Two successful claims totalling \$1,029,188 have been made to date with most of the claim refundable and a portion held as a non-refundable tax credit against future income taxes owing in Manitoba, the amounts are:
 - June 30, 2019 Claim - \$438,112 refunded and \$88,211 held as a future tax credit
 - June 30, 2020 Claim - \$420,479 to be refunded and \$82,386 held as a future tax credit
- In 2020 EXI made an application under the Agricultural Clean Technology Program to receive funding to expedite the development of engineering drawings and documentation for the V3.0 laboratory and development of a new V2.0 mobile extraction laboratory that through its revolutionary process of using ethanol and nitrogen reduces the carbon emissions from competitors' models. The Program refunds 50% of eligible costs to an approved project maximum of \$1,953,206 (\$976,603 refundable). As at June 30, 2021 two claims for refunds have been made totalling \$859,100 with the final claim of \$117,503 being made in September, 2021.

During the year ended June 30, 2021, cash flows used in operating activities was \$950,606 compared to \$406,395 for the year ended June 30, 2020. The increase of \$544,211 was primarily due to increased salary and benefits of \$272,672 and increased payments to contract staff and advisors of \$258,554.

During the year ended June 30, 2021, cash flows used for investing activities was \$1,092,089 compared to cash flows used for investing activities of \$2,190,294 for the year ended June 30, 2020. The decrease in cash used for investing activities of \$1,098,205 was primarily due to reducing equipment purchases by \$421,215 and receiving SR&ED credits applied against capital purchases of \$438,112 and receiving \$238,878 of deferred contributions applied against capital purchases.

During the year ended June 30, 2021, cash provided from financing activities was \$2,399,498 compared to cash provided from financing activities of \$2,462,000. The decrease of \$62,502 was primarily due to the retirement of long-term debt of \$50,307.

Capital Resources

The table below sets out the Company's current assets, short term liabilities and working capital as at June 30, 2021 and as at June 30, 2020. As at June 30, 2021, the Company had cash and short-term investments of \$1,077,898 compared to \$721,095 as at June 30, 2020.

	June 30, 2021	June 30, 2020
	\$	\$
Current Assets	2,591,557	1,280,174
Current Liabilities	1,582,814	1,016,233
Working Capital	978,743	223,941

The EXI cash management strategy is to not only maintain sufficient cash balances to meet its current and contemplated obligations but to try and maintain a \$1.0M total cash fund.

Contractual Obligations

The Company has certain contractual financial obligations related to service agreements, purchase agreements,



and rental agreements. These contracts have optional renewal terms that we may exercise at our option. The annual minimum payments payable under these contracts over the next five years are as follows:

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Long term debt	34,768	1,483	33,285		
Operating leases	80,100	80,100			
Purchase obligations	nil				
Total contractual obligations					

The Company financed the purchase of two laptop computers that have a combined monthly payment of \$174 with the final payments made in 2024.

The Company borrowed \$40,000 under the Canada Emergency Business Account loan program and intends to repay \$30,000 (the amount after deduction of the \$10,000 forgivable portion) before the December 31, 2022 due date.

The Company leases office space for \$1,300 per month in Welland, Ontario, Canada and shop space for \$5,500 (was \$5,000 a month until October, 2021) in Winnipeg, Manitoba, Canada both lease arrangements are on a month to month basis. Only the next year is included in the above chart.

Outstanding Share Capital

The Company's share capital is comprised of an unlimited number of common shares. The table below outlines the number of issued and outstanding common shares, warrants and options as at June 30, 2021 and June 30, 2020.

	June 30, 2021	June 30, 2020
Common shares	23,321,859	21,996,000
Warrants	836,400	507,500
Options	156,000	-
Total	24,314,259	22,503,500

Off-Balance Sheet Arrangements

As of the date of this MD&A, there are no off-balance sheet arrangements to which the Company is committed.

Related Party Transactions

The Company had the following related party transactions in the year ended June 30, 2021 (none in June 30, 2020):

- The issue of 28,458 common shares during the year to a shareholder to retire a \$56,916 loan payable.

- The issue of 30,000 common shares during the year at a fair value of \$67,500 as compensation to directors. The Company is further committed to issue 90,000 common shares to the directors at the prevailing fair value, issuable 30,000 on each of July 15, 2021, October 15, 2021 and January 15, 2022.
- The vested issue of 60,000 common share options during the year to directors at an exercisable price of \$2.25. The fair value of the options was calculated to be \$53,971 using the Black Scholes Model. The Company is further committed to issue 60,000 common share options to the directors, issuable 30,000 on September 30, 2021 and 30,000 on December 31, 2021.
- Included in accounts payable and accrued liabilities at June 30, 2021 are amounts owing to related parties of \$91,597 (2020 - \$nil)

Proposed Transactions

As of the date of this MD&A, there are no proposed transactions to which the Company is committed.

Changes in Accounting Policies Including Initial Adoption

EXI has reported in the past in accordance with the Canadian Accounting Standards for Private Enterprises but intends to adopt the International Financial Reporting Standard effective July 1, 2021 and will report its September 30, 2021 results in accordance with that Standard. This change is necessitated by the October 1, 2021 reverse takeover acquisition of extractX Ltd., a reporting issuer with the Saskatchewan Financial and Consumer Affairs Authority - Securities Division.

Financial Instruments, Risk and Capital Management

Fair Value

Financial instruments included in the balance sheet consist of accounts receivable, other receivables, prepaid expenses, investments, accounts payable, accrued liabilities, other payables, due to related parties and shareholders and long term debt. 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, lease obligations 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 the Company has a demand bank loan that is non-interest bearing.



Foreign 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 bank accounts. It is management's opinion that the Company is not exposed to significant currency risks from the financial instruments.

Commodity Pricing Risk

As the EXI extraction process utilizes ethanol and nitrogen, if those commodities should come into short or controlled supply or are subject to excessive pricing it could affect the completion and profitability of processing contracts. The Company is exploring alternative ways to secure the constant supply of these commodities.

If government regulations in certain worldwide jurisdictions place restrictions on the production and sale of the distillate that is produced from the customers' biomass it would impair the ability to provide extraction services in those particular places. Likewise if the eventual market commodity price for the distillate isn't sufficient to allow EXI to earn a sufficient return on the provision of the processing service then contracts will not be entered into.

World Health Risk

Since March, 2020, the outbreak of a new coronavirus strain (COVID-19) caused a major health crisis worldwide that affected the global economy and financial markets and continues to today to have an effect on the way that people and business can function. The Company is not alone combating the current strain but also has to be aware of potential future global health issues in the conduct of its business.

Shipping Risk

The Company relies on highway, rail, water and air transportation to be able to re-locate the 40 foot mobile extraction labs. Any disruption in any of these transportation modes could impair EXI's ability to supply equipment in a timely fashion.

Political Risk

EXI is a global firm that can potentially deliver its very valuable piece of equipment to a customer's location anywhere in the world. The Company remains vigilant of the political environment in the countries and regions where its customers and potential customers operate so as to minimize the risk of political issues.

Technology Risk

EXI operates in an emerging market. To exploit the market an extraction processing company will have to utilize the latest technology to remain competitive in terms of extracting the highest quantity and quality of distillate from a customer's biomass. To remain competitive a company needs to be committed to conducting ongoing research and development and the search for the latest and most improved components to install in the mobile extraction laboratory. EXI is committed to a continuous improvement plan for its equipment.

Approval

This MD&A has been approved by the board of directors of extractX Incorporated on October 15, 2021.

Additional Information

Additional information relating to the Company may be found on the Company's website at www.extractx.com, the SEDAR website at www.sedar.com.

