



extractX Ltd.

Management's Discussion & Analysis Annual and Quarterly Highlights

January 10, 2022

For the nine months ended September 30, 2021

(extractX Incorporated for the three months ended September 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 Ltd. ("EXL", formerly Tri-Media Integrated Marketing Technologies Inc.; the "Company") for the nine months ended September 30, 2021 and extractX Incorporated ("EXI" or "extractX"), the subsidiary that was acquired by way of a reverse takeover on October 1, 2021 for the three months ended September 30, 2021 (collectively, the "Companies" or "EXLI"). EXL was incorporated on August 1, 2001 under the laws of the Province of Ontario and 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 EXL for the nine months ended September 30, 2021, and the audited consolidated financial statements of EXI for the three months ended September 30, 2021. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standard. On September 15, 2021 Articles of Amendment were filed with the Province of Ontario to change the name of Tri-Media Integrated Marketing Technologies Inc. to extractX Ltd. As a result of the reverse takeover on October 1, 2021 involving EXL and EXI the Companies have adopted September 30, 2021 as their year-end date.

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 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 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

extractX Inc.

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) within the partners' licenced facility, 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. 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.



extractX Ltd.

Cease Trade Rescinded

The Company is a Reporting Issuer with the Saskatchewan Financial and Consumer Affairs Authority - Securities Division (SFCAA-SD). On May 15, 2014 the SFCAA-SD placed a cease trade order against the Company for failure to file certain financial documents and declarations including the annual audited financial statements in a timely manner. Due to changes in the company's audit firm, the closing of significant operations in 2013 and 2014 and the resultant loss of financial liquidity, there were consequential delays. All documents and declarations were filed to the satisfaction of the SFCAA-SD and the cease trade order was lifted August 26, 2021.

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"). On October 1, 2021, extractX Ltd., its 100% wholly owned subsidiary 12491613 Ontario Inc. and extractX Incorporated, entered into an amalgamation agreement to constitute and complete the acquisition of extractX Incorporated by extractX Ltd. The filed Articles of Amalgamation name the new entity created upon the amalgamation of 12491613 Canada Inc. and extractX Incorporated, extractX Inc..

extractX Incorporated shareholders received one common share of extractX Ltd., in exchange for each common share of extractX Incorporated they owned. Through this exchange, extractX Ltd., through its 100% wholly owned subsidiary 12491613 Canada Inc., acquired 23,391,059 common shares of extractX Incorporated representing a 100% interest in the company.

With 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
- Increased security with additional cameras with remote viewing and communication capabilities
- Improved plug and play technology reducing install times and allowing for remote installation and commissioning for the global market

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 provide insight into the entire process from input biomass to distillate.

During the year ended June 30, 2020 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 September 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 \$407,549 of revenue (\$241,323 to June 30, 2021 and \$166,226 to September 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 and this mobile lab started to run the commissioning tests using small batches of biomass during the quarter ended December 31, 2021 generating \$14,704 of revenue.

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.

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

In October 2021, the Company issued a total of 30,000 common shares to the Board of Directors as their compensation for the quarter ended September 30, 2021; the Company is committed to issuing another 30,000 common shares for the quarter ended December 31, 2021. No other common shares have been issued.

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 the v2.0 lab. The Company is also currently designing a 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

extractX Incorporated

Selected audited financial highlights for the three months ended September 30, 2021, and the years ended June 30, 2021, and June 30, 2020 include the following:

	Three Mos. Ended	Year Ended	Year Ended
<i>(in \$CDN)</i>	Sep 30, 2021	June 30, 2021	June 30, 2020
	\$	\$	\$
Contract revenue	166,226	241,323	1,409,237
Extraction wages and supplies	42,490	218,643	405,431
Gross profit	123,736	22,680	1,003,806
Expenses			
Corporate and operations salaries	218,020	590,528	408,567
Operating and administrative	788,623	1,210,334	829,892
Amortization of capital assets, net of credits	54,554	295,924	274,866
	1,061,197	2,096,786	1,513,325
Net loss before other income and expenses	(937,461)	(2,074,106)	(509,519)
Other income and expenses	(8,033)	404,597	54,418
Write-off of mobile extraction lab	-	(532,086)	-
Net loss for the period	(954,494)	(2,201,595)	(455,101)
Net comprehensive loss per share	(0.04)	(0.10)	(0.02)
Total assets			
Cash	1,141,761	1,077,898	721,095
Other current assets	746,434	1,513,659	559,079
Capital and other assets	4,523,097	4,344,512	3,936,328
	6,411,292	6,936,069	5,216,502
Total long-term liabilities			
Deposits on contracts	828,165	923,881	-
Other current liabilities	519,361	658,933	1,016,233
Deferred contributions	1,084,640	987,176	514,077
Long term debt	32,880	33,285	40,000
	2,465,046	2,603,275	1,570,310
Shareholders' Equity	3,946,246	4,332,794	3,646,192
% of equity in total assets	61.55%	62.47%	69.90%



The Company previously reported using the Canadian Accounting Standard for Private Enterprise but adopted the International Financial Reporting Standard effective July 1, 2019 due to the reverse takeover acquisition on October 1, 2021 of extractX Ltd., a reporting issuer.

extractX Ltd.

All amounts unless specifically stated are reported in Canadian dollars.

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

<i>(in \$CDN)</i>	Nine Mos. Ended		Years Ended
	Sep 30, 2021	Dec 31, 2020	Dec 31, 2019
	\$	\$	\$
Revenue	13,400	12,000	-
Expenses	58,288	95,388	63,615
Loss before discontinued operations	(44,888)	(83,388)	(63,615)
Income from discontinued operations	-	45,639	92,569
Net operating income (loss)	(44,888)	(37,749)	28,954
Gain on sale of digital marketing business	-	34,236	-
Government grant	-	10,000	-
Gain on accounts payable settlement	-	3,405	44,119
Gain on distribution of investment in associate	3,178,837	-	-
Share of loss of associate	(11,611)	(19,969)	(11,164)
Net comprehensive income (loss)	3,122,338	(10,077)	61,909
Net operating income (loss) per share (basic)	3.32	(0.00)	(0.00)
Total assets	32,613	1,233,639	1,239,330
Total debt lease obligations	-	-	33,752
Due to extractX Incorporated	279,595	232,017	5,000
Due to related parties	55,417	321,681	350,306
Shareholders' equity (deficiency of assets)	(302,399)	562,941	573,018
Dividends declared per share	4.65	-	-

Results of Operations – extractX Incorporated

EXI reported total contract revenue of \$166,226 for the three months ended September 30, 2021 (\$241,323 for the year ended June 30, 2021), the contract in the Kentucky location only began operation in late March, 2021 and during the summer of 2021 was shut down to undergo various upgrades to the core processing unit and the automated data collection systems.

Salary and benefits – extraction processing for the three months ended September 30, 2021 was \$29,734 (\$180,170 for the year ended June 30, 2021) or 17.89% of processing revenue compared to 74.66% of the processing revenue for the year ended June 30, 2021. The increase of 56.77% as a % of processing revenue is due to two managers being kept on staff during the transition from the North Carolina location to the Kentucky location in February, 2021 this accounted for \$90,711 or 37.59% of the % increase, the balance (19.18%) was due



to several short term shutdowns during the start-up phase and again in the summer for system upgrades which reduced processing revenue but not the labour force that was on site.

Salary and benefits – corporate and operations for the three months ended September 30, 2021 was \$218,020 (\$590,528 for the year ended June 30, 2021). The majority of the \$23,462 increase in the average monthly salary cost of \$72,673 for the three months ended September 30, 2021 over the year ended June 30, 2021 average monthly salary cost of \$49,211 is due to the hiring of staff part way through the June 30, 2021 fiscal year. There were no new hires in the three months ended September 30, 2021.

Operating and administrative expenses for the three months ended September 30, 2021 were \$843,177 or \$281,059 per month (\$1,506,258 for the year ended June 30, 2021 or \$125,522 per month) which is an average monthly increase of \$155,537. The audited financial statements for the three months ended September 30, 2021 and the year ended June 30, 2021 provide individual expense account amounts. The net changes were mainly attributable to the following:

- (a) Payments to contract staff, advisors and management consulting fees continued as extractX 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. The average monthly cost was \$55,630 for the three months ended September 30, 2021 and \$54,314 for the year ended June 30, 2021.
- (b) Insurance increased as more mobile extraction labs were insured during 2021 and a Directors and Officers Liability policy was put in place late in the year ended June 30, 2021. The three month ended September 30, 2021 average monthly insurance cost was \$13,881 compared to \$3,170 for the year ended June 30, 2021.
- (c) The stock option plan that was put in place in January 2021 resulted in a reported expense of \$411,808 for the three months ended September 30, 2021 and \$118,726 for the year ended June 30, 2021 which accounts for \$127,375 of the \$155,537 increase in the average monthly operating and administrative expenses between the two periods.
- (d) Rent and utilities appears to be less between the two periods, but the year ended June 30, 2021 includes a catch-up utility billing by the landlord for the Winnipeg facility. The basic monthly rent for EXI's two facilities has not significantly changed.
- (e) Amortization of mobile extraction units, only one extraction unit was amortized during the three months ended September 30, 2021, while during the year ended June 30, 2021 two units were amortized at the same time for a few months which is way the average monthly cost is slightly less in the September 30, 2021 period compared to the year ended June 30, 2021.
- (f) Travel, conference, vehicle and transportation expense increased in the three months ended September 30, 2021 due to the shipping of a mobile unit to Thailand and the travel costs for staff assigned to the system upgrades of the mobile unit in Kentucky.

In April, 2021 it was decided to return the prototype mobile extraction unit 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, there was no further decommissioning in the three months ended September 30, 2021.

Summary of Quarterly Results

extractX Incorporated

The following tables set out selected unaudited consolidated financial information for the five quarters prior to the three months ended September 30, 2021. Consolidated quarterly financial information is not available for the



quarter ended June 30, 2020. All amounts are in thousands of dollars, except for basic loss per share which are shown in dollars.

	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020
	\$	\$	\$	\$	\$
Total revenue (contract and other)	166	204	37	nil	nil
Net comprehensive loss	(954)	(1,173)	(358)	(333)	(333)
Net loss per share	(.0408)	(.0503)	(.0157)	(.0146)	(.0152)

As with many companies around the world, the COVID-19 pandemic slowed down extractX'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 and then in the summer of 2021 the facility was shut down for a month for facility and system upgrades. These interruptions cost EXI processing revenue which was estimated to be \$600,000 to \$850,000.

In the quarter ended June 30, 2021 EXI 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.

In the quarter ended September 30, 2021 EXI recorded \$411,808 as the calculated cost of director, staff and service provider stock options this accounted for 43.93% of the operating loss for the quarter.

extractX Ltd.

The following tables set out selected unaudited consolidated financial information for the eight quarters prior to the three months ended September 30, 2021. All amounts are in dollars.

	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	June 30, 2020	Mar 31, 2020	Dec 31, 2019
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	4,470	4,474	4,456	4,100	50,183	52,776	29,925	55,001
Profit (Loss)	3,158,549	(22,381)	(13,830)	3,142	(6,490)	4,720	(11,449)	(1,451)
Profit (Loss)/share (basic and fully diluted)	3.36	(0.02)	(0.02)	0.000	(0.000)	0.000	(0.001)	(0.000)

Through the past four quarters EXL has maintained an office for itself and the proposed reverse takeover target, EXI. EXI provided sufficient cash advances to do so. In advance of the reverse takeover on October 1, 2021 EXL and as authorized by the EXL shareholders the Ihivive Inc. security interest was distributed to the existing EXL shareholders, the increase in value of \$4,361,187 over the cost base of \$1,182,350 was recorded in the last quarter as a \$3,178,837 gain.

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, as EXI has been the primary source of funds for EXL only the liquidity and capital resources for EXI is detailed below.

The table below summarizes the EXI's use of cash for the three months ended September 30, 2021, and the year ended June 30, 2021.

	Three-month period ended	Twelve-month period ended
	Sep 30, 2021	June 30, 2021
	\$	\$
Cash Flows Provided by (Used in):		
Operating Activities	(300,225)	(955,028)
Investing Activities	284,804	(1,092,089)
Financing Activities	87,846	2,399,498
Other Activities	(8,562)	4,422

EXI 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 of 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, 2020 - \$2,422,000
 - Year ended June 30, 2021 - \$2,449,783
 - Three months ended September 30, 2021 - \$88,200
- Deposits from customers on signing an extraction processing contract. The standard deposit requested is US\$500,000. The Company was holding deposits of CDN\$828,165 at September 30, 2021 (\$923,881 at June 30, 2021).

In addition, the EXI 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 totaling \$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 extractX 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 September 30, 2021 \$819,470 has been received leaving a balance of \$157,133 which was received after the period end.

During the three months ended September 30, 2021, cash flows used in operating activities was \$300,225 compared to \$955,028 for the year ended June 30, 2021. The draw down during the three months ended September 30, 2021 of the deposits on contracts received before the end of June 30, 2021 was the main reason for the relative quarterly period change for cash flow used for operating activities (year ended June 30, 2021



average quarterly use of funds for operating activities is \$238,757).

During the year ended September 30, 2021, cash flows generated from investing activities was \$284,804 as compared to cash flows used for investing activities of \$1,092,089 for the year ended June 30, 2021. The decrease in cash used for investing activities was primarily due to reduced equipment purchases during the three month period ended September 30, 2021 of \$246,436 compared to the year ended June 30, 2021 of \$1,769,079 and receiving SR&ED credits applied against capital purchases of \$420,479 and receiving \$117,501 of deferred contributions applied against capital purchases.

During the three months ended September 30, 2021, cash provided from financing activities was \$87,846 which was primarily the \$88,200 generated from common shares issued compared to \$2,449,783 generated from common shares issued in the year ended June 30, 2021. EXI's closed its private placement program in September, 2021 in anticipation of the reverse takeover on October 1, 2021.

Capital Resources

The table below sets out EXI's current assets, short term liabilities and working capital as at September 30, 2021 and as at June 30, 2021. As at September 30, 2021, the Company had cash and short-term investments of \$1,141,761 compared to \$1,077,898 as at June 30, 2021.

	Sep 30, 2021	June 30, 2021
	\$	\$
Current Assets	1,888,195	2,591,557
Current Liabilities	1,347,526	1,582,814
Working Capital	540,669	1,008,743

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

The decrease in working capital from June 30, 2021 to September 30, 2021 of \$468,074 is primarily due to the receipt of the research and development tax credits of \$420,479 which was used to fund the cash operating loss of \$411,632.

Contractual Obligations

The Companies have 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	34,414	1,534	32,880		
Operating leases - facilities	81,600	81,600			
Operating lease - equipment	1,323	1,323			
Purchase obligations	nil				
Total contractual obligations	117,337	84,457	32,880		

EXI financed the purchase of two laptop computers in the past year that have a combined monthly payment of



\$174 with the final payments made in 2024.

EXI 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.

EXI and EXL lease office space for \$1,300 per month in Welland, Ontario, Canada and EXI leases manufacturing space for \$5,500 (previously \$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 table.

One item that is not included in the Contractual Obligations table is a vehicle lease that EXL had signed but was assumed by Iannantuono Investments Inc. as part of their purchase of the digital marketing business from EXL. In the unlikely event that Iannantuono Investments Inc. should default on payment of the lease then the responsibility would fall back on EXL. The payments due until the end of the lease are 2022 - \$10,787 and 2023 - \$5,393.

Outstanding Share Capital

The EXI'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 September 30, 2021 and June 30, 2021.

	Sep 30, 2021	June 30, 2021
Common shares	23,391,059	23,321,859
Warrants	836,400	836,400
Options	686,000	156,000
Total	24,913,459	24,314,259

The EXL'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 January 10, 2022, September 30, 2021 and December 31, 2020. All of the outstanding warrants and options issued by EXI were accepted and committed to by EXL as a condition of the reverse takeover on October 1, 2021.

	Jan 10, 2022	Sep 30, 2021	December 31, 2020
Common shares	24,757,863	1,336,804	17,813,134
Warrants	836,400	nil	nil
Options	716,000	nil	nil
Total	26,328,263	1,336,804	17,813,134



The only common shares issued after September 30, 2021, were 30,000 common shares to the Board of Directors on October 15, 2021, with a further commitment of 30,000 common shares to the Board of Directors at December 31, 2021.

The only stock options issued after September 30, 2021 was a commitment by EXL to issue 30,000 stock options to the Board of Directors at December 31, 2021.

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

EXI had the following transactions with key management personnel, which are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and senior management in the three months ended September 30, 2021 (with June 30, 2021 noted):

- Salaries and other short-term employee benefits - \$104,060 (June 30, 2021 - \$343,802)
- Board of Directors and Advisory Board fees - \$88,500 (June 30, 2021 - \$177,000)
- Board of Director and Advisory Board share based compensation - \$57,643 (June 30, 2021 - \$118,726)
- Included in accounts payable and accrued liabilities as at September 30, 2021 are amounts owing to related parties of \$90,897 (June 30, 2021 - \$91,597)

EXL had the following transactions with key management personnel, which are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and senior management in the nine months ended September 30, 2021 (with December 31, 2020 noted):

- Advances to Iannantuono Investments Inc., a company owned by a major shareholder - \$7,124 (December 31, 2020 - \$nil)
- Payable to an individual shareholder for legal services - \$29,655 (December 31, 2020 - \$nil)
- Total compensation to key management personnel who are also related parties - \$nil (December 31, 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 had no changes in accounting policies for the period ended September 30, 2021.

EXI previously reported using the Canadian Accounting Standard for Private Enterprise but adopted the International Financial Reporting Standard effective July 1, 2019 due to the reverse takeover acquisition on October 1, 2021 of extractX Ltd., a reporting issuer. The EXI consolidated financial statements have been prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board effective as at January 1, 2021.



EXL had no changes in accounting policies for the period ended September 30, 2021. The EXL consolidated financial statements have been prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board effective as at January 1, 2021.

Financial Instruments, Risk and Capital Management – extractX Incorporated

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 September 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 extractX 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 an ongoing consistent 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 the extractX team to earn a sufficient return on the provision of the processing service then contracts will not be entered into.



Agricultural Supply Risk

extractX is reliant on its contract partners to supply biomass for processing so if there was an interruption in the growing and production of the various crops it could impair the Company's ability to earn processing revenue.

World Health Risk

Since March 2020, the outbreak of a new coronavirus strain (COVID-19) caused a major health crisis worldwide that effected and continues to effect the global economy and financial markets, and has impacted the way that people and business function. The Company is not alone combating the current strain but also must 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 extractX's ability to supply equipment in a timely fashion.

Political Risk

extractX 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

extractX operates in an emerging market. To exploit the market extraction processing companies 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. extractX is committed to a continuous improvement plan for its equipment.

Approval

This MD&A has been approved by the board of directors of extractX Ltd. on January 10, 2022.

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.

