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, June 30, 2020 and July 1, 2019 and the consolidated statements of operations and comprehensive loss, consolidated statements of shareholders' equity and consolidated statements of cash flows for the years ended June 30, 2021 and June 30, 2020 and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **extractX Incorporated** as at June 30, 2021, June 30, 2020 and July 1, 2019 and its financial performance and its cash flows for the years ended June 30, 2021 and June 30, 2020 in accordance with International Financial Reporting Standards.

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 Consolidated Financial Statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audits of the consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated 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.

To the Shareholders of extractX Incorporated (Continued)

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 opinions. 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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
January 10, 2022

Jones & O'Connell LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

extractX Incorporated

Consolidated Statements of Financial Position

	June 30, 2021	June 30, 2020	July 1, 2019
ASSETS			
Current Assets			
Cash	$ 1,077,898	$ 721,095	$ 855,784
Accounts receivable (note 6)	977,096	36,800	-
Sales tax recoverable	59,428	79,167	136,712
Corporate income taxes recoverable	29,505	-	-
Research and development tax credits receivable (note 7)	420,479	438,112	622,707
Prepaid expenses	27,151	5,000	-
	2,591,557	1,280,174	1,615,203
Equipment (note 8)	4,342,686	3,932,676	2,103,045
Intangible Assets (note 9)	1,826	3,652	5,477
	$ 6,936,069	$ 5,216,502	$ 3,723,725
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities (note 10)	$ 657,450	$ 884,094	$ 498,144
Corporate income taxes payable	-	25,245	-
Deposits on contracts	923,881	-	653,800
Advances from shareholder (note 11)	-	56,894	56,894
Current portion of long term debt (note 12)	1,483	50,000	30,000
	1,582,814	1,016,233	1,238,838
Long Term Debt (note 12)	33,285	40,000	20,000
Deferred Contributions (note 13)	987,176	514,077	786,294
	2,603,275	1,570,310	2,045,132
SHAREHOLDERS' EQUITY			
Common shares (note 14)	7,079,804	4,314,755	1,892,755
Warrants reserve (note 14)	-	-	-
Share based payments reserve (note 14)	118,726	-	-
Accumulated other comprehensive income	5,122	700	-
Deficit	(2,870,858)	(669,263)	(214,162)
	4,332,794	3,646,192	1,678,593
	$ 6,936,069	$ 5,216,502	$ 3,723,725

Lease Commitments (note 17)
World Economic Condition (note 22)
Subsequent Events (note 23)

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

The accompanying notes are an integral part of these financial statements

extractX Incorporated

Consolidated Statements of Operations and Comprehensive Loss

For the years ended June 30, 2021 and 2020

	2021	2020
REVENUE		
Extraction processing revenue from contracts	$ 241,323	$ 1,409,237
DIRECT EXPENSES		
Salary and benefits - extraction processing	180,170	247,096
Extraction processing supplies	38,473	158,335
	218,643	405,431
CONTRIBUTION	22,680	1,003,806
EXPENSES		
Salary and benefits - corporate and operations	590,528	408,567
Director and service provider stock options	118,726	-
Management fees	-	68,500
Shop supplies	6,069	48,962
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	28,373	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	1,826	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
	2,096,786	1,513,325
NET LOSS BEFORE OTHER INCOME (EXPENSE)	(2,074,106)	(509,519)
OTHER INCOME (EXPENSE)		
Other income (note 15)	383,489	79,448
Write-off of mobile extraction unit (note 15)	(532,086)	-
	(148,597)	79,448
NET LOSS FOR THE YEAR BEFORE INCOME TAX (EXPENSE) RECOVERY	(2,222,703)	(430,071)
INCOME TAX (EXPENSE) RECOVERY (Note 16)	21,108	(25,030)
NET LOSS FOR THE YEAR	(2,201,595)	(455,101)
OTHER COMPREHENSIVE INCOME		
Foreign translation gain	4,422	700
COMPREHENSIVE LOSS FOR THE YEAR	$ (2,197,173)	$ (454,401)
Basic and diluted loss per common share	$ (0.10)	$ (0.02)
Weighted average number of common shares	22,633,485	21,256,339

The accompanying notes are an integral part of these financial statements

extractX Incorporated

Consolidated Statements of Shareholders' Equity

For the years ended June 30, 2021 and 2020

	Number of Shares	Common Shares	Warrants Reserve	Share-based Payments Reserve	Accumulated Other Comprehensive Income	Deficit	Total Shareholder's Equity
		$	$	$	$	$	$
Balance July 1, 2019	20,785,000	1,892,755	-	-	-	(214,162)	1,678,593
Issuance of units for cash	507,500	1,015,000	-	-	-	-	1,015,000
Issuance of common shares for cash	703,500	1,407,000	-	-	-	-	1,407,000
Comprehensive Gain (Loss)	-	-	-	-	700	(455,101)	(454,401)
Balance June 30, 2020	21,996,000	4,314,755	-	-	700	(669,263)	3,646,192
Issuance of units for cash	328,900	657,800	-	-	-	-	657,800
Issuance of common shares for cash	843,076	1,791,983	-	-	-	-	1,791,983
Issuance of common shares to settle accounts payable	95,425	190,850	-	-	-	-	190,850
Issuance of common shares to settle advances from shareholder	28,458	56,916	-	-	-	-	56,916
Share based compensation	30,000	67,500	-	118,726	-	-	186,226
Comprehensive Gain (Loss)	-	-	-	-	4,422	(2,201,595)	(2,197,173)
Balance June 30, 2021	23,321,859	7,079,804	-	118,726	5,122	(2,870,858)	4,332,794

The accompanying notes are an integral part of these financial statements

extractX Incorporated

Consolidated Statements of Cash Flow

For the years ended June 30, 2021 and 2020

	2021	2020
OPERATING ACTIVITIES		
Net loss for the year	$ (2,201,595)	$ (455,101)
Items not affecting cash		
Staff and service provider stock options	118,726	-
Amortization of equipment and intangible 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	-
	(1,197,359)	(180,235)
Changes in non-cash operating assets and liabilities		
Accounts receivable	(588,594)	(36,800)
Sales tax recoverable	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)
	(955,028)	(407,095)
INVESTING ACTIVITIES		
Equipment constructed or purchased	(1,769,079)	(2,190,294)
Research and development tax credits received	438,112	-
Deferred contributions received	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 and units issued for cash	2,449,783	2,422,000
	2,399,498	2,462,000
OTHER ACTIVITIES		
Foreign translation gain	4,422	700
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 registered head office is located at 1027 South Pelham Road, Unit 2, Welland, Ontario, Canada L3C 3E2.

2. BASIS OF PRESENTATION

Statement of Compliance

The Company's consolidated financial statements have been prepared in accordance with and using accounting policies in full compliance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”), effective for the Company’s reporting for the year ended June 30, 2021. This is the first time that the Company has prepared its financial statements in accordance with IFRS, having previously prepared its financial statements in accordance with Canadian Accounting Standards for Private Enterprises ("ASPE").
Details of how the transition from ASPE to IFRS has affected the financial position, financial performance and cash flows are disclosed in Note 3.

The consolidated financial statements as at June 30, 2021, June 30, 2020 and July 1, 2019 and for the years ended June 30, 2021 and June 30, 2020 were approved and authorized for issue by the Board of Directors on January 10, 2022.

Basis of Consolidation

Entities in which the Company has control in are consolidated. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity and expose itself to the variable returns from the entity’s activities. The consolidated financial statements include the results of controlled entities from the date that control commences until the date that control ceases.

The only entity the Company has control in and thus consolidated, is its wholly owned subsidiary extractX USA Inc.

The consolidated financial statements include the accounts of the Company and extractX USA Inc.
as at June 30, 2021, June 30, 2020 and July 1, 2019 and for the years ended June 30, 2021 and June 30, 2020.

All assets, liabilities, shareholder's equity, revenue and expense transactions between the Company and extractX USA Inc. have been eliminated on consolidation, including any unrealized gains and losses on such transactions.

Basis of Measurement

The consolidated financial statements have been prepared on an accrual and going concern basis, under the historical cost convention except for certain financial instruments which are measured at fair value, as described in the summary of significant accounting policies Note 4.

Presentation and Functional Currency

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.

Estimates and Judgments

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates.
It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

3. FIRST TIME ADOPTION OF IFRS

IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided under IFRS.
As a result, the first date at which the Company has applied IFRS was July 1, 2019 ("transition date"). IFRS 1 requires first time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company is June 30, 2021.

Therefore, the consolidated financial statements for the year ended June 30, 2021, the comparative information presented in these financial statements for the year ended June 30, 2020 and the opening IFRS Statement of Financial Position at July 1, 2019 are prepared in accordance with IFRS standards effective at June 30, 2021, the reporting date. However, IFRS also provides for certain optional exemptions and certain mandatory exceptions for first time adopters. In preparing its opening IFRS Statement of Financial Position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with ASPE. An explanation of how the transition from ASPE to IFRS has affected the Company is set out below.

IFRS 1 Exemptions and Exceptions

The Company is not applying any exemptions on first-time adoption of IFRS.

The Company has applied the following mandatory exception with respect to estimates. The estimates previously made by the Company under ASPE were not revised for the application of IFRS, except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result, the Company has not used hindsight to revise these estimates.

3. FIRST TIME ADOPTION OF IFRS (Continued)

Reconciliation of Previously Reported Figures

In preparing these consolidated financial statements, management has amended certain accounting policies previously applied in the ASPE consolidated financial statements to comply with IFRS. The comparative figures were restated to reflect these adjustments.

The following explanatory notes provide a description of the effect of the transition from ASPE to IFRS on net loss and comprehensive loss.

IFRS requires that unrealized foreign exchange gains or losses on the translation of foreign operations be recognized in other comprehensive loss as opposed to net loss. As such the following adjustments were made to amounts previously presented with respect to the foreign translation of the assets, liabilities, revenue and expenses of extractX USA Inc.

As at July 1, 2019, there was no cumulative foreign translation gain or loss on the translation of the assets, liabilities, revenue and expenses of extractX USA Inc. to the Canadian dollar presentation currency.

For the year end June 30, 2020, a $700 foreign translation gain previously included in net loss as part of other income has been reclassified to other comprehensive income. which has also reduced cash flow from operations and increased other cash flow by $700
For the year end June 30, 2021, $4,422 foreign translation gain previously included in net loss as part of other income has been reclassified to other comprehensive income. which has also reduced cash flow from operations and increased other cash flow by $4,422

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign Currency Translation

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.
Any translation gains or losses are recognized in net loss under other income.

The consolidation of extractX USA Inc. translates the subsidiary's amounts recorded in their US dollar functional currency to the presentation currency as follows: Assets and liabilities are translated at the currency exchange rate at the end of the reporting
Revenue and expense items are translated at the average currency exchange rate over the period being consolidated.
Any translation gains or losses are recognized in other comprehensive income (loss).

(b) Revenue Recognition
Extraction processing revenue from contracts is recognized upon performance by the Company, being when customer's products are processed using the Company's mobile extraction laboratories. The revenue amount recognized is based on the quantity processed for the customer, measured in pounds or kilograms in its final form, charged at the amount per output specified in the contract. Amounts received in advance of the processing service are recorded as deposits on contracts and are applied towards the accounts receivable balances, as specified in the contract and agreed to by the customer. Given the fact the customer has control over the amount of product that can be processed throughout the duration of the contracts such deposits are not considered to be financing to the Company. Any amounts receivable after utilization of the amounts on deposit are due within 30 days of invoicing.

(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 original mobile extraction lab from which it was removed, upon time of transfer to inventory, net of any impairment allowances provide for by management
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.

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 or other assets as such items are utilized and will not be amortized until such time they form part of the total cost of a mobile extraction laboratory or other asset 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).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Equipment (Continued)
The company does not have any right of use leased assets as all of its leases are on a month to month basis and thus exempt through the short-term exemption provisions of IFRS 16. Such amounts continue to be recognized in expense.

(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. In the event of disposition or impairment of a mobile laboratory, the related unamortized portion of the deferred contribution amount is taken into income and offset against the related loss on disposal or impairment loss.

(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 general and administrative in nature and thus are recognized in income to the extent of the related expenses incurred. A portion of the eligible expenditures that gave rise to the grant have been capitalized to equipment Thus the related portion of the grant is recognized as deferred contributions and amortized at the same rate as the respective mobile laboratory or other equipment. In the event of disposition or impairment of a mobile laboratory, the related unamortized portion of the deferred contribution amount is taken into income and offset against the related loss on disposal or impairment loss.

(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
Financial instruments (other than trade accounts receivable and amounts due between related parties are initially recognized at their fair value on a trade date basis when the Company or its subsidiary becomes a party to the contractual provisions of the financial instrument or non-financial derivative contract, plus related transactions costs and/or associated revenues, for items not held at fair value through profit and loss. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Trade accounts receivable are initially recognized at the transaction amount as determined by the customer contract. Amounts due between related parties are recognized at the exchange amount agreed to between the related parties.

Subsequent measurement of financial instruments is as follows.

The Company classifies its financial assets into one of the categories discussed below, depending on the business purpose for which the asset was acquired and the contractual cash flow characteristics of the financial asset.

Financial assets recorded at fair value through profit and loss:
This category comprises cash, which is considered held for trading in the day to day operations of the company. These financial assets are carried at fair value with changes in fair value recognized in net loss. The cost of such financial assets agree to their fair value given their nature.

Financial assets recorded at amortized cost
This category comprises accounts receivable. The business objective is to hold these financial assets in order to collect contractual cash flows made solely of payments of principal and interest. These financial assets are carried at amortized cost using the effective interest rate method, less any provision for impairment. The fair value of such financial assets approximate their carrying value given their short term maturity.

Impairment provisions for financial assets recorded at amortized cost are recognized based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on lifetime expected credit losses model. The amount of the credit loss is measured as the difference between the carrying amount and the present value of the expected cash flows discounted at the ordinal effective interest rate. Such credit losses are recorded in a separate provision account with the loss being recognized in net income. Accounts receivable are written off as determined by management when it is reasonable to expect that the recovery of the amount is unlikely.

The Company classifies its financial liabilities into one of the categories discussed below, depending on the business purpose for which the liability was incurred and the contractual cash flow characteristics of the financial liability.

Financial liabilities recorded at amortized cost
This category comprises accounts payable and accrued liabilities, advances from shareholders and long-term debt. These financial liabilities are measured at amortized cost using the effective interest rate method, which ensures that interest expense is recognized over the period to repayment at a constant rate on the balance of the liability carried in the statement of financial position. The fair value of accounts payable and accrued liabilities and advances from shareholder approximate their carrying value given their short term maturity. The fair value of long-term debt is not materially different from its carrying value.

(h) Share Based compensation
The Company grants common shares and stock options to its employees, directors and advisors as compensation for services. Share-based compensation plans are accounted for based on the fair value of the equity item granted. The fair value of stock options is estimated on the date of grant, which is the measurement date, using the Black-Scholes option pricing model. The volatility used in the calculation is based on the historical common share price of the company based on third party isuances. The fair value calculated for each option is amortized into expense over the related vesting period and added to share based payments reserve. Common shares issued as compensation is recorded at the fair value of the common shares on the date of granting which generally is the date of issuance and amortized into expense over the related vesting period . The fair value is determined in relation to recent common share transactions with arm's length parties.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Share Based compensation (Continued)
Share-based payments reserves previously recognized for options exercised are transferred to common shares 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 share based payments reserve is transferred to deficit.

(i) Shareholders' Equity Cost Allocation
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) Earnings (loss) per share
The Company presents basic and diluted earnings(loss) per share ("EPS") data for its common shares, calculated by dividing the profit or loss attributable to equity shareholders of the Company by the weighted average number of common shares issued and outstanding during the period. Diluted EPS is calculated by adjusting the profit or loss attributable to equity shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares. The calculation of diluted EPS assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. For the periods presented, the calculation proved to be anti-dilutive as the Company was in a loss position.

(k) Provisions
Provisions are recorded when a present legal, statutory or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, if the effect is material, its carrying amount is the present value of those cash flows.

(l) Income Taxes
Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in net loss. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

(m) Segmented information
An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Operating segment results are reviewed regularly by the Company's President and Chief Executive Officer ("CEO") to make decisions about resources to be allocated to the segment and assess performance, for which discrete financial information is available.

(n) Standards issued but not yet effective
The following pronouncements have been issued but are not yet effective and are anticipated to be applicable to the company in the future.
The company has not yet assessed the impact of these changes on its financial statements.

Accounting Standard	Effective Date for company	Effect
IAS 1 - Classification of Liabilities	July 1, 2022	Change in the definition of the company's ability to defer a liability and its impact on current versus non-current classification
IAS 1 - Disclosure of accounting polices	July 1, 2023	Change in requirement to disclose accounting policies from the concept of significant to that of material
IAS 8 - Accounting Estimates	July 1, 2023	Enhancing the definition of accounting estimates and providing guidance on disclosures surrounding
IAS 16 - Property, Plant and Equipment	July 1, 2022	Adding guidance that any components of items under construction sold must be recognized in net loss

5. SIGNIFICANT ESTIMATES AND JUDGEMENTS
The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the period. These estimates are, by their nature, uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Estimates
Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

Share-based payments and compensation

The Company measures the cost of equity-settled transactions with employees and advisors by reference to the fair value of the equity instruments at the date at which they are granted. Estimating the fair value for share-based payment transactions and the resulting share-based compensation expense is based on a variety of assumptions, including the expected life, risk-free interest rates, volatility, and forfeiture rates The calculated reserve amount may not necessarily be indicative of the true cost of the compensation and may vary by a material amount.

5. SIGNIFICANT ESTIMATES AND JUDGEMENTS (Continued)

a) Estimates (Continued)

Amortization rates

Amortization expense is calculated based on assumed capital and intangible asset lives. Should the capital or intangible asset life or amortization rates differ from the initial estimate, an adjustment would be made in the consolidated statement of loss and comprehensive loss.

(b) Critical judgements

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

Going Concern

Management has applied significant judgement in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the year ended June 30, 2021. Management prepares the consolidated financial statements on a going concern basis unless management intends to liquidate the entity.

Functional currency

The functional currency of the Company's subsidiary is the currency of the primary economic environment in which the entity operates. Determination of the functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

6. ACCOUNTS RECEIVABLE

	June 30, 2021	June 30, 2020	July 1, 2019
Accounts receivable trade - extraction processing contracts	$ 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 23	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

7. RESEARCH AND DEVELOPMENT TAX CREDITS RECEIVABLE

	June 30, 2021	June 30, 2020	July 1, 2019
Government of Canada	$ 338,093	$ 349,901	$ 504,955
	$ 420,479	$ 438,112	$ 622,707

8. EQUIPMENT

	Cost			
June 30, 2021	**Opening Balance at July 1, 2020**	**Additions (Reallocations) in the Year**	**Disposals in the Year**	**Closing Balance at June 30, 2021**
Mobile extraction laboratories				
Unit #1 - into service July, 2019; scrapped April, 2021	$ 1,727,513	$ 20,625	$ (1,748,138)	$ -
Unit #2 - into service March, 2021	1,620,595	(220,012)	-	1,400,583
Unit #3 - still under construction	489,034	567,898	-	1,056,932
Unit #4 - still under construction	360,993	1,070,274	-	1,431,267
Unit #5 - planning stage	42,925	-	-	42,925
Laboratory shell and components held as inventory	-	163,159	-	163,159
Engineering drawings and documentation	-	310,552	-	310,552
	4,241,060	1,912,496	(1,748,138)	4,405,418
Shop tools and equipment	50,964	992	-	51,956
Computer equipment	1,315	5,075	-	6,390
	$ 4,293,339	$ 1,918,563	$ (1,748,138)	$ 4,463,764

8. EQUIPMENT (Continued)

June 30, 2021	Accumulated Amortization			
	Opening Balance at July 1, 2020	**Amortization for the Year**	**Disposals in the Year**	**Closing Balance at June 30, 2021**
Mobile extraction laboratories				
Unit #1 - into service July, 2019; scrapped April, 2021	$ 345,503	$ 287,917	$ (633,420)	$ -
Unit #2 - into service March, 2021	-	93,593	-	93,593
Unit #3 - still under construction	-	-	-	-
Unit #4 - still under construction	-	-	-	-
Unit #5 - planning stage	-	-	-	-
Laboratory shell and components held as inventory	-	-	-	-
Engineering drawings and documentation	-	-	-	-
	345,503	381,510	(633,420)	93,593
Shop tools and equipment	15,160	10,832	-	25,992
Computer equipment	-	1,493	-	1,493
	$ 360,663	$ 393,835	$ (633,420)	$ 121,078

June 30, 2020	Cost			
	Opening Balance at July 1, 2019	**Additions (Reallocations) in the Year**	**Disposals in the Year**	**Closing Balance at June 30, 2020**
Mobile extraction laboratories				
Unit #1 - into service July, 2019; scrapped April, 2021	$ 1,872,227	$ (144,714)	$ -	$ 1,727,513
Unit #2 - into service March, 2021	190,819	1,429,776	-	1,620,595
Unit #3 - still under construction	-	489,034	-	489,034
Unit #4 - still under construction	-	360,993	-	360,993
Unit #5 - planning stage	-	42,925	-	42,925
	2,063,046	2,178,014	-	4,241,060
Shop tools and equipment	39,999	10,965	-	50,964
Computer equipment	-	1,315	-	1,315
	$ 2,103,045	$ 2,190,294	$ -	$ 4,293,339

June 30, 2020	Accumulated Amortization			
	Opening Balance at July 1, 2019	**Amortization for the Year**	**Disposals in the Year**	**Closing Balance at June 30, 2020**
Mobile extraction laboratories				
Unit #1 - into service July, 2019; scrapped April, 2021	$ -	$ 345,503	$ -	$ 345,503
Unit #2 - into service March, 2021	-	-	-	-
Unit #3 - still under construction	-	-	-	-
Unit #4 - still under construction	-	-	-	-
Unit #5 - planning stage	-	-	-	-
Laboratory shell and components held as inventory	-	-	-	-
Engineering drawings and documentation	-	-	-	-
	-	345,503	-	345,503
Shop tools and equipment	-	15,160	-	15,160
Computer equipment	-	-	-	-
	$ -	$ 360,663	$ -	$ 360,663

	Net Book Value		
	June 30, 2021	June 30, 2020	July 1, 2019
Unit #1 - into service July, 2019; scrapped April, 2021	$ -	$ 1,382,010	$ 1,872,227
Unit #2 - into service March, 2021	1,306,990	1,620,595	190,819
Unit #3 - still under construction	1,056,932	489,034	-
Unit #4 - still under construction	1,431,267	360,993	-
Unit #5 - planning stage	42,925	42,925	-
Laboratory shell and components held as inventory	163,159	-	-
Engineering drawings and documentation	310,552	-	-
	4,311,825	3,895,557	2,063,046
Shop tools and equipment	25,964	35,804	39,999
Computer equipment	4,897	1,315	-
	$ 4,342,686	$ 3,932,676	2,103,045

9. INTANGIBLE ASSETS

June 30, 2021	Cost			
	Opening Balance at July 1, 2020	**Additions (Reallocations) in the Year**	**Disposals in the Year**	**Closing Balance at June 30, 2021**
Website development cost	$ 5,476	$ -	$ -	$ 5,476
Intellectual property for extraction process	1	-	-	1
	$ 5,477	$ -	$ -	$ 5,477

June 30, 2021	Accumulated Amortization			
	Opening Balance at July 1, 2020	**Amortization for the Year**	**Disposals in the Year**	**Closing Balance at June 30, 2021**
Website development cost	$ 1,825	$ 1,826	$ -	$ 3,651
Intellectual property for extraction process	-	-	-	-
	$ 1,825	$ 1,826	$ -	$ 3,651

June 30, 2020	Cost			
	Opening Balance at July 1, 2019	**Additions (Reallocations) in the Year**	**Disposals in the Year**	**Closing Balance at June 30, 2020**
Website development cost	$ 5,476	-	-	5,476
Intellectual property for extraction process	1	-	-	1
	$ 5,477	$ -	$ -	$ 5,477

June 30, 2020	Accumulated Amortization			
	Opening Balance at July 1, 2019	**Amortization for the Year**	**Disposals in the Year**	**Closing Balance at June 30, 2020**
Website development cost	$ -	1,825	-	1,825
Intellectual property for extraction process	-	-	-	-
	$ -	$ 1,825	$ -	$ 1,825

	Net Book Value		
	June 30, 2021	June 30, 2020	July 1, 2019
Website development cost	$ 1,825	$ 3,651	$ 5,476
Intellectual property for extraction process	1	1	1
	$ 1,826	$ 3,652	$ 5,477

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2021	June 30, 2020	July 1, 2019
Trade payables	$ 294,868	$ 607,743	$ 76,782
Legal fees payable	93,210	62,289	23,561
Accrued accounting and audit fees	44,500	40,000	-
Accrued consulting fees	55,967	67,500	-
Accrued salary	-	42,700	-
Accrued board of directors and advisors fees	88,500	-	-
Accrued wage subsidy repayment	-	43,231	-
Accrued vacation pay	39,210	20,213	-
State of Kentucky sales tax	14,195	-	-
Government payroll deductions payable	1,158	418	-
Accrued manufacturing cost capitalized	25,842	-	397,801
	$ 657,450	$ 884,094	$ 498,144

11. ADVANCES FROM SHAREHOLDER

	June 30, 2021	June 30, 2020	July 1, 2019
Advance from Prime Tri-Media Venture Capital Corp	$ -	$ 56,894	$ 56,894

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

12. LONG TERM DEBT

	June 30, 2021	June 30, 2020	July 1, 2019
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	$ 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	50,000
Less: current portion due within next year	1,483	50,000	30,000
	$ 33,285	$ 40,000	$ 20,000

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 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 other income
Principal repayments on debt for the next five years are:

Fiscal years ending June 30,	2022	$ 1,483
	2023	31,699
	2024	1,586

13. DEFERRED CONTRIBUTIONS

	June 30, 2021	June 30, 2020	July 1, 2019
Research and development tax credits			
Balance at beginning of the year	$ 350,490	$ 622,707	$ -
2019 SR&ED refundable claim submitted	-	-	622,707
Adjustment to 2019 SR&ED refundable claim	-	(184,595)	-
2020 SR&ED refundable claim submitted	420,479	-	-
Recognized against unit written off during year	(438,224)	-	-
Amortization for the year	(88,830)	(87,622)	-
Balance at end of the year	$ 243,915	$ 350,490	$ 622,707
Contribution of material			
Balance at beginning of the year	$ 163,587	$ 163,587	$ -
Received during the year	-	-	163,587
Amortization for the year	(10,906)	-	-
Balance at the end of the year	$ 152,681	$ 163,587	$ 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	$ 786,294

14. COMMON SHARES, WARRANTS RESERVE AND SHARE BASED PAYMENTS RESERVE

Common shares

Authorized
Unlimited common shares

Units Issuance (Common Shares and Warrants):
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). Total proceeds from the issuances were allocated to the common shares based on their fair value at time of issuance. No amounts were allocated to the warrants. The warrants are set to expire between April 6, 2022 and November 20, 2022.

14. COMMON SHARES, WARRANTS RESERVE AND SHARE BASED PAYMENTS RESERVE (Continued)

Common Share Issuances:
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. Included in accounts payable and accrued liabilities is $67,500 (2020 - $nil) (July 1, 2019 - $nil) related to the value of 30,000 common shares to be issued for services provided during the year ended June 30, 2021, that were only issued in July 2021.

Warrants Reserve

	June 30, 2021		June 30, 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	$ -

There were no warrants outstanding at July 1, 2019.

Share Based Payments 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	2.00	4.88
Board Member Options	60,000	53,971	2.25	4.91
Balance at end of the year	156,000	$ 118,726	$ 2.10	4.89
The 156,000 stock options have exercise prices ranging from $2 to $2.25				
Exceriseable at end of the year	102,000		$ 2.15	4.90

There were no stock options outstanding at July 1, 2019 or June 30, 2020

Stock Options Issuances:
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.

15. 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 (Note 12)	10,000	-
Government of Canada Agriculture Clean Technology - program expense grant	237,231	-
Interest earned	7,928	-
Gain (loss) on foreign currency conversion	(3,679)	(16,809)
	$ 383,489	$ 79,448

Amounts received from the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy programs could be repayable if it is found the company did not meet the required criteria.

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 and other assets in the future.

16. INCOME TAXES

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

		2021	2020
Net loss before income taxes for the year per the financial statements		$ (2,222,703)	$ (430,071)
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	-
Non-deductible expenses		1,324	-
SR&ED ITCs recaptured		338,093	-
SR&ED expenditures previously expensed but recovered and repurposed		124,374	-
		1,619,066	362,488
Deductions			
SR&ED expenditures capitalized but expensed for tax purposes		-	503,006
Engineering documents capitalized, expensed for tax purposes		310,552	-
Amortization of deferred contributions re SR&ED tax credits		176,452	-
Capital cost allowance		341,089	154,545
		828,093	657,551
Net loss for income tax purposes		$ (1,431,730)	$ (725,134)
Net income (loss) for income tax purposes	Canada	$ (1,038,404)	$ (828,979)
	United States	(393,326)	103,845
		$ (1,431,730)	$ (725,134)
Current income tax at approximate rate of 11.5%	Canada	$ -	$ -
Current income tax at approximate rate of 21% (exchanged in Canadian equivalent)	United States	-	(25,030)
Effect of loss carryback (exchanged in Canadian equivalent)		21,108	-
		$ 21,108	$ (25,030)

Deferred Tax Assets (Liabilities)

June 30, 2021	Opening Balance at July 1, 2020	Recognized in Net Loss the Year	Recognized in Other Comprehensive Income the Year	Closing Balance at June 30, 2021
Non-capital losses	$ 261,303	$ 179,213		$ 440,516
Depreciable equipment	(185,810)	76,621		(109,189)
Non-refundable tax credits	170,597	-		170,597
Net deferred tax asset	246,090	255,834	-	501,924
Valuation Allowance	(246,090)	(255,834)	-	(501,924)
Deferred tax asset	$ -	$ -	$ -	$ -

16. INCOME TAXES (Continued)

Deferred Tax Assets (Liabilities) (Continued)

June 30, 2020	Opening Balance at July 1, 2019	Recognized in Net Loss the Year	Recognized in Other Comprehensive Income the Year	Closing Balance at June 30, 2020
Non-capital losses	$ 143,801	$ 117,502		$ 261,303
Depreciable equipment	(114,255)	(71,555)		(185,810)
Non-refundable tax credits	88,210	82,387		170,597
Net deferred tax asset	117,756	128,334	-	246,090
Valuation Allowance	(117,756)	(128,334)	-	(246,090)
Deferred tax asset	$ -	$ -	$ -	$ -

The Company has a loss carry forward of $3,310,602 to apply against future taxable income in Canada. The losses carry forward for 20 years from the year realized and expire as follows - $1,250,442 in 2039; $1,021,756 in 2040 and $1,038,404 in 2041

The Company has a loss carry forward of $229,751 US to apply against future taxable income in the United States of America. The losses carryforward for 20 years from the year realized and expire as follows: $229,751 US in 2041

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

17. LEASE COMMITMENTS

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 for shared office space at the monthly rate of $1,300.

18. RELATED PARTY TRANSACTIONS

The Company entered into 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.

Compensation:	2021	2020
Salaries and other short-term employee benefits	$ 343,802	$ 202,194
Board of Director and Advisory Board Fees	177,000	-
Board of Director and Advisory Board Stock Options	118,726	-
	$ 639,528	$ 202,194

Included in accounts payable and accrued liabilities at June 30, 2021 are amounts owing to related parties of $91,597 (2020 - $nil) (July 1, 2019 - $nil)

19. FINANCIAL INSTRUMENTS

Fair Value Hierarchy
A fair value hierarchy establishes three levels to classify valuation techniques used to measure fair value. Level 1 items are quoted prices in active markets for identical assets or liabilities. Level 2 items are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets or quoted prices that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable and supported by little or no market activity. The fair value hierarchy gives the highest priority to Level 1 items and the lowest priority to Level 3 items.

Cash is the only item recorded at fair value and is considered to be in Level 1 of the fair value hierarchy.

Liquidity risk
Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to capital is hindered, whether as a result of a downturn in market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at June 30, 2021, the Company had working capital of $1,008,743 (2020 - $263,491) (July 1, 2019 - $376,365)
All of the Company's financial liabilities as at June 30, 2021 are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.
The anticipated payment dates required on accounts payable and accrued liabilities and long-term debt is as follows:

	3 Months or Less	More than 3 Months	Total
Accounts payable and accrued liabilities	$ 521,976	$ 135,474	$ 657,450
Long-term debt	494	34,274	34,768
	$ 522,470	$ 169,748	$ 692,218

19. FINANCIAL INSTRUMENTS (Continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the entity. The Company is exposed to credit risk on cash and accounts receivable. Cash is held with an established financial institutions in Canada and the US. The Company's accounts receivable trade - extraction processing have deposits on contract that could be used to offset any amounts owing in the event of non-performance of the counterparty. The government of Canada Agriculture Clean Technology program grant receivable are from a Canadian government entity and management believes the risk of loss to be remote. Other receivables are due from a Canadian insurance company and from employees and management believes the risk of loss to be remote. Advances to Tri-Media Integrated Marketing Inc. are in anticipation of the reverse takeover that took place October 1, 2021 as described in Note 23 and management believes the risk of loss to be remoted. The Company does not have any derivatives that mitigate the exposure to credit risk. The carrying amount of financial assets recorded in the financial statements in the amount of $2,054,994 (2020 - $757,895) represents the maximum exposure to credit risk at the reporting date.

Interest rate risk

The Company is not exposed to material interest rate risk due to the nature of its long-term debt, which are the only financial instruments that are interest bearing.

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 risk. The Company does not have any derivatives that mitigate the exposure to currency risk.

The following are the US $ based assets and liabilities (before conversion to Canadian equivalent).

	June 30, 2021	June 30, 2020
Cash	$ 171,567	$ 1,033
Accounts receivable	127,200	-
Corporate income taxes recoverable	23,806	-
Prepaid expenses	10,662	-
Accounts payable and accrued liabilities	(100,757)	
Corporate income taxes payable	-	(18,524)
Deposits on contracts	(749,935)	-
Net exposure	$ (517,457)	$ (17,491)

A $0.01 change in foreign exchange rates would lead to an impact on net loss of $5,175 (2020 - $175).

20. SEGMENT DISCLOSURES

The Company's operations comprise two reporting segments, Canadian parent company (extractX Incorporated) and its US subsidiary (extractX USA Inc.).
The following are the key items requiring disclosure on a segmented basis, expressed in Canadian equivalent dollars.

Segment Schedule of Operations and Comprehensive Loss and Total Assets and Liabilities

For the Year Ended June 30, 2021	extractX Incorporated	extractX USA Inc.	Eliminations	Total
REVENUE				
Extraction processing revenue from contracts	$ -	$ 241,323	$ -	$ 241,323
Management service fees	321,319	-	(321,319)	-
Extraction lab lease fees	48,265	-	(48,265)	-
Technology license fees	4,826	-	(4,826)	-
	374,410	241,323	(374,410)	241,323
DIRECT EXPENSES				
Salary and benefits - extraction processing	-	180,170	-	180,170
Extraction processing supplies	-	38,473	-	38,473
	-	218,643	-	218,643
CONTRIBUTION	374,410	22,680	(374,410)	22,680
EXPENSES				
Salary and benefits - corporate and operations	590,528	-	-	590,528
Director and service provider stock options	118,726	-	-	118,726
Management fees	-	321,319	(321,319)	-
Extraction lab lease fees	-	48,265	(48,265)	-
Technology license fees	-	4,826	(4,826)	-
Shop supplies	6,069	-	-	6,069
Rent and utilities - office and shop	72,941	-	-	72,941
Repairs and maintenance	1,178	44,089	-	45,267
Amortization - mobile extraction units	381,511	-	-	381,511
Amortization - research and development tax credit	(88,830)	-	-	(88,830)
Amortization - contributed material	(10,906)	-	-	(10,906)
Amortization - tools, equipment and computers	12,324	-	-	12,324
Accounting, auditing, payroll and bookkeeping fees	54,241	5,440	-	59,681
Legal fees	32,479	682	-	33,161
Contract staffing, advisors and consulting fees	651,766	-	-	651,766
Office expenses	17,671	10,702	-	28,373
Insurance	19,204	18,835	-	38,039
Interest and bank charges	4,628	2,035	-	6,663
Interest on long term debt	60	-	-	60
Advertising and promotion	58,462	622	-	59,084
Internet, website hosting and technology licences	5,131	-	-	5,131
Amortization - website development	1,826	-	-	1,826
Marketing materials	18,883	-	-	18,883
Telephone	5,744	-	-	5,744
Travel and conferences	36,091	9,786	-	45,877
Vehicle and transportation	14,868	-	-	14,868
	2,004,595	466,601	(374,410)	2,096,786
NET LOSS BEFORE OTHER INCOME (EXPENSE)	(1,630,185)	(443,921)	-	(2,074,106)
OTHER INCOME (EXPENSE)				
Other income	326,775	56,714	-	383,489
Write-off of mobile extraction unit	(532,086)	-	-	(532,086)
	(205,311)	56,714	-	(148,597)
NET LOSS FOR THE YEAR BEFORE INCOME TAX (EXPENSE) RECOVERY	(1,835,496)	(387,207)	-	(2,222,703)
INCOME TAX (EXPENSE) RECOVERY	-	21,108	-	21,108
NET LOSS FOR THE YEAR	(1,835,496)	(366,099)	-	(2,201,595)
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign translation gain (loss)	-		4,422	4,422
COMPREHENSIVE LOSS FOR THE YEAR	$ (1,835,496)	$ (366,099)	$ 4,422	$ (2,197,173)
TOTAL ASSETS	$ 6,742,580	$ 193,489	$ -	$ 6,936,069
TOTAL LIABILITIES	$ 2,002,959	$ 600,316	$ -	$ 2,603,275

Discrete financial information by segment for the year ended June 30, 2020 is not readily obtainable.

Management service fees, extraction lab lease fees and technology license fees from extractX Incorporated to extractX USA Inc. are measured at the exchange amount determined by the company at the equivalent Canadian dollar amount.

21. CAPITAL DISCLOSURES

The Company's capital management objective is to obtain sufficient capital to further its business plans for the benefit of its stakeholders.
To meet the objectives, management monitors the Company's ongoing capital requirements against unrestricted net working capital and assesses additional capital requirements as needed. The Company is not subject to externally imposed capital requirements.
Management is of the opinion that the amounts and changes in the Company's capital is readily determinable from the Statement of Shareholders' Equity

22. 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.

23. SUBSEQUENT EVENTS

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, expiring June 30, 2030, 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 30,000 stock options to board members as per the commitment requirement disclosed in Note 14.

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 company will issue to such employees 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 of $67,500.

The Company issued, subsequent to year end, 39,200 common shares at a price of $2.25 for total proceeds of $88,200

Reverse Takeover Transaction

On October 1, 2021, extractX Incorporated entered into an amalgamation agreement with extractX Ltd. and its 100% wholly owned subsidiary 12491613 Ontario Inc. 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 Incorporated.

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 Ontario Inc., acquired 23,391,059 common shares of extractX Incorporated representing a 100% interest in the company.

In addition to the common share purchases noted above, extractX Ltd. issued the following to holders of extractX Incorporated securities:

a) Common Share Purchase Warrants
836,400 common share purchase warrants to the holders of 836,400 extractX Incorporated common share purchase warrants described in Note 14.

b) Stock Options
686,000 stock options to holders of 686,000 extractX Incorporated stock options, described in Note 14 and above in Note 23

c) Commitments to Issue Shares and Stock Options
A commitment to issue 60,000 common shares in exchange for extractX Incorporated's commitment to issue 60,000 common shares to board members as described in Note 14.

A commitment to issue 30,000 stock options in exchange for extractX Incorporated's commitment to issue 30,000 stock options as described in Note 14.

A commitment to issue 154,500 common shares of the company, in exchange for extractX Incorporated's commitment to issue common shares as described above in Note 23.