extractX Ltd.

Management's Discussion & Analysis

2022Q1 Quarterly Highlights

February 28, 2022

For the three months ended December 31, 2021

(extractX Incorporated for the three months ended September 30, 2021, and December 31, 2020)

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 dated February 28, 2022, relates to the unaudited interim condensed consolidated financial statements for the three months ended December 31, 2021 (the "MD&A Financial Period") of extractX Ltd. ("EXL", formerly Tri-Media Integrated Marketing Technologies Inc.; the "Company"). This MD&A should be read together with the Company's unaudited interim condensed financial statements for the three months ended December 31, 2021, including the notes thereto (the "Interim Financial Statements") as well as the audited annual consolidated financial statements for the nine months ended September 30, 2021 and the year ended December 31, 2020 and the audited annual consolidated financial statements for 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 and the year ended June 30, 2021, including the notes thereto (collectively, the "Companies" or "EXLI").

The Interim Condensed Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the amount of revenue and expenses incurred during the reporting period. In the opinion of management, Interim Financial Statements reflect all adjustments necessary to present fairly the consolidated statements of financial position and the consolidated statements of operations and comprehensive loss in accordance with IFRS.

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. 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 30th as their year-end date effective with 2021.

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; litigation, 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; delay or failure to receive board, shareholder or regulatory approvals; sufficiency of insurance; the Corporation's ability to effectively deal with the restrictions, limitations and health issues presented by the COVID-19 pandemic; 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 Ltd.

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.

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, the company completed a transaction pursuant to the terms of an amalgamation agreement by its 100% wholly owned subsidiary 12491613 Canada Inc. ("Amalgamation Agreement") with ExtractX Incorporated. Pursuant to the Amalgamation Agreement, Extract Incorporated's common shares, warrants, stock options and deferred share commitments were exchanged on a 1:1 basis for the issuance of Extract Ltd.'s common shares, warrants, stock options and deferred share commitments. As a result of the Amalgamation Agreement, the shareholders of Extract Incorporated owned 23,391,059 outstanding common shares and all the outstanding warrants, stock options and deferred share commitments of ExtractX Ltd. The substance of the transaction is a reverse takeover of a non-operating company. The transaction does not constitute a business combination, as ExtractX Ltd. does not meet the definition of a business under IFRS 3, Business Combinations. As a result, the transaction is accounted for as a capital transaction with ExtractX Incorporated being identified as the acquirer of ExtractX Ltd. and the equity consideration accounted for in accordance with IFRS 2, Share-based Payments, measured at fair value. The fair value of the consideration paid of $1,336,803 has been allocated to the net assets of Extract Ltd. as follows:

Cash	$ 17,029
Refundable sales tax	8,460
Due from related party	7,124
Due to related party for services	(29,655)
Due to extractX Incorporated	(279,595)
Due from related party	(25,762)
Net asset deficiency acquired	(302,399)
Cost of reverse takeover	1,639,202
Consideration paid	$1,336,803

With the completion of the amalgamation EXL began the process to file an application 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, these contracts carried on during the quarter ended December 31, 2021.

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 has generated $617,765 of revenue ($210,176 to December 31, 2021, $166,266 to September 30, 2021, and $241,323 to June 30, 2021). Through the process, the extractX team identified and implemented additional productivity upgrades and operational changes as part of the Company's continuous improvement program.

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

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

At the Annual General Meeting held on February 17, 2022, the incumbent members were returned as Directors until the next Annual General Meeting and are as follows:

- **Albert Iannantuono, Co-Chief Executive Officer and Chief Marketing, Officer, extractX Inc.**
- **Collin Stone, Co-Chief Executive Officer and Chief Operating Officer, extractX Inc.**
- **Peter Manuel, Director, Sixth Wave Innovations Inc.**
- **Mitchell Osak, Chief Executive Officer, Quanta Consulting Inc.**
- **Andrew Bailey, Chief Executive Officer, North America, The&Partnership**

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. No other common shares have been issued since the quarter end.

Subsequent Events

On January 7, 2022, the Company issued term sheet #6 offering up to 4,000,000 common shares at $2.50 a share for a total investment of up to $10,000,000 with a minimum subscription of $100,000. The intended closing date is on or about March 31, 2022.

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.

At December 31, 2021, the Company had a mobile lab under construction in its Winnipeg manufacturing plant, it is approximately 75% complete.

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 Quarterly Financial Information

Selected unaudited financial highlights for the three months ended December 31, 2021, and the three months ended December 31, 2020, include the following:

(in $CDN)	Dec. 31, 2021 $	Dec. 31, 2020 $
Contract revenue	224,880	-
Extraction wages and supplies	99,759	38,579
Gross profit	125,121	(38,579)
Expenses		
Corporate and operations salaries	446,968	129,310
Operating and administrative	242,398	208,519
Amortization of capital assets, net of credits	95,686	67,700
	785,052	405,529
Net loss before other income and expenses	(659,931)	(444,108)
Other income and expenses	1,147	111,589
Cost of reverse takeover acquisition	(1,639,202)	-
Net loss for the period	(2,297,986)	(332,519)
Net comprehensive loss per share	(0.093)	(0.015)

Selected Quarterly Financial Information (continued)

	Dec. 31, 2021 $	Sept. 30, 2021 $
Total assets		
Cash	463,733	1,141,761
Other current assets	506,617	746,434
Capital and other assets	4,511,238	4,523,097
	5,481,588	6,411,292
Total long-term liabilities		
Deposits on contracts	697,290	828,165
Other current liabilities	354,854	519,361
Deferred contributions	1,064,603	1,084,640
Long term debt	32,504	32,880
	2,149,251	2,465,046
Shareholders' Equity	3,332,337	3,946,246
% of equity in total assets	60.79%	61.55%

Results of Operations

EXL reported total contract processing revenue of $224,880 for the three months ended December 31, 2021 ($nil for the three months ended December 31, 2020). The contract in the Kentucky location generated $210,716 which was less than expected as there were a couple of work stoppages due to facility repairs and a supply issue with getting biomass. The mobile lab in Thailand became operational in October 2021 but a temporary shortage of acceptable biomass meant the contract only generated $14,704 from some minor test batches, the supply issue is expected to be resolved during the next quarter.

Salary and benefits – extraction processing is incurred at the Kentucky site as the technicians that operate the processing equipment in the mobile lab are employed by the Company where in Thailand the technicians operating the processing equipment are employees of the licensed producer of the distillate and were trained how to operate the processing equipment by the Company. For the three months ended December 31, 2021, the Kentucky salaries were $81,117 ($nil for the three months ended December 31, 2020) or 38.50% of processing revenue. The staff in Kentucky were kept on the payroll during the interruptions in processing during the three months ended December 31, 2021.

Salary and benefits – corporate and operations for the three months ended December 31, 2021, was $446,968 ($129,310 for the three months ended December 31, 2020). $276,622 of the $317,658 period over period increase is due to the expense for this period of stock options that have been granted; the balance of the increase is for the salary cost of staff hired earlier in 2021 that were not on the payroll for the three months ended December 31, 2020. There were no new hires during the three months ended December 31, 2021.

Operating and administrative expenses for the three months ended December 31, 2021, were $242,398 or

$80,799 per month ($208,519 for the three months ended December 31, 2020, or $69,506 per month) which is an average monthly increase of $11,293. The Interim Financial Statements for the three months ended December 31, 2021, and the three months ended December 31, 2020, provide individual expense account amounts. The net changes were mainly attributable to the following:

(a) Payments to contract staff, advisors and management consulting fees 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. However as much of the initial core infrastructure work was done the cost decreased in the three months ended December 31, 2021, by $47,090 from the three months ended December 31, 2020.
(b) Insurance increased as three mobile extraction labs were insured during the three months ended December 31, 2021, where only one lab was insured during the three months ended December 31, 2020, and a Directors and Officers Liability policy was put in place during 2021. The three month ended December 31, 2021, insurance cost was $25,068 compared to $3,190 for the three months ended December 31, 2020.
(c) Office expenses increased to $25,317 for the three months ended December 31, 2021, from $6,175 for the three months ended December 31, 2020, due to the cost of holding the Annual General Meeting, a Board of Directors meeting and a three day Staff Business Strategy meeting in November 2021.
(d) Rent and utilities increased for the three months ended December 31, 2021, to $22,944 from $18,500 for the three months ended December 31, 2020, primarily due to an increase of $500 in the monthly rent for the Winnipeg, Manitoba manufacturing facility and $300 per month for the office space in Welland, Ontario.
(e) Travel, conference, vehicle and transportation expense was $18,458 for the three months ended December 31, 2021, compared to $4,158 for the three months ended December 31, 2020; the increase of $14,300 was due to the travel cost for staff, directors and advisors to attend the Annual General Meeting, the Board meeting and the Staff Business Strategy session and the cost of attending an industry conference and the payment of $6,000 in vehicle allowances for two members of the Executive.
(f) Advertising, promotion and marketing increased for the three months ended December 31, 2021, to $27,850 from $3,500 for the three months ended December 31, 2020, due to the launch of an organized comprehensive marketing and sales plan directed at the cannabis industry to secure more processing contracts.
(g) Professional fees for the three months ended December 31, 2021, were $27,059 which is down from the $39,485 for the three months ended December 31, 2020, as billings from the Company's solicitor for special services was reduced and the CPA that was providing external accounting and financial advice became the contract Chief Financial Officer in 2021.

Amortization of capital assets, net of credits was $95,686 for the three months ended December 31, 2021, and $67,700 for the three months ended December 31, 2020, the primarily reason for the $27,986 increase over the prior period is for that in the current year two mobile labs are being amortized where there was only one mobile lab being amortized in the prior period.

Cost of reverse takeover acquisition as this transaction is accounted for as a capital transaction with extractX Incorporated (name changed to extractX Inc. at the time of the amalgamation with the wholly owned subsidiary 12491613 Canada Inc.) being identified as the acquirer of extractX Ltd. and the equity consideration accounted for in accordance with IFRS 2, Share-based Payments, measured at fair value. The fair value of the consideration paid of $1,336,803 (1,336,803 common shares issued at a fair value of $1.00 being the issue price of common shares when the Letter of Intent to enter into the transaction was signed). The cost of the reverse takeover is $1,639,202 being the fair value of the common shares issued ($1,336,803) and the net asset deficiency acquired ($302,399).

Summary of Quarterly Results

The following tables set out selected unaudited consolidated financial information for the five quarters prior to the three months ended December 31, 2021. Consolidated quarterly financial information is not available for the quarter ended June 30, 2020, or prior. All amounts are in thousands of dollars, except for basic loss per share which are shown in dollars.

	Dec 31 2021	Sep 30 2021	Jun 30 2021	Mar 31 2021	Dec 31 2020	Sep 30 2020
	$	$	$	$	$	$
Total contract revenue	225	166	204	37	nil	nil
Net comprehensive loss	(2,295)	(954)	(1,173)	(358)	(333)	(333)
Net loss per share	(.0927)	(.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, EXL 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, EXL recorded $411,808 as the calculated cost of director, staff and service provider stock options this accounted for 43.16% of the comprehensive loss for the quarter.

In the quarter ended December 31, 2021, EXL recorded $276,622 as the calculated cost of director, staff and service provider stock options and the cost of the reverse takeover of $1,639,202 these two item accounted for 83.48% of the comprehensive loss for the quarter.

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 had been the primary source of funds for EXL prior to the reverse takeover on October 1, 2021, only the liquidity and capital resources for EXI is detailed below for the three months ended December 31, 2020.

The table below summarizes the Company's use of cash for the three months ended December 31, 2021, and the three months ended December 31, 2020.

	Three-month period ended Dec. 31, 2021 $	Three-month period ended Dec. 31, 2020 $
Cash Flows Provided by (Used in):		
Operating Activities	(554,136)	(1,025,955)
Investing Activities	(126,668)	438,112
Financing Activities	(376)	1,568,596
Other Activities	3,152	-

EXL 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
  - Three months ended December 31, 2021 - $nil
- Deposits from customers on signing an extraction processing contract. The standard deposit requested is US$500,000. The Company was holding deposits of CDN$697,290 at December 31, 2021 ($828,165 at December 30, 2020).

In addition, the EXL 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 December 31, 2021, $976,603 has been received.

During the three months ended December 31, 2021, cash flows used in operating activities was $554,136 compared to $1,025,955 for the three months ended December 30, 2020. The cash used to cover the net loss after accounting for items that don't affect cash was very similar in the two comparative quarters, with cash used of $286,476 for the three months ended December 31, 2021, compared to $264,819 of cash used in the three months ended December 31, 2020. The biggest difference in the overall cash used for operating activities in the two comparative quarters was in the three months ended December 31, 2020 $537,693 of cash was used to pay down accounts payable and accrued liabilities while in the three months ended December 31, 2021 only $97,007 of cash was used to pay down accounts payable and accrued liabilities, this change between the comparative quarters of $440,686 accounts for most of the $471,819 difference in cash flow used to fund operating activities between the quarters.

During the three months ended December 31, 2021, cash flows used for investing activities was $126,668 being $22,804 for the acquisition of net assets through the reverse takeover transaction and the purchase of $103,864 of equipment as compared to cash flows generated from investing activities of $438,112 for the three months ended December 31, 2020, being the receipt of SR&ED tax credits applied against capital asset purchases.

During the three months ended December 31, 2021, cash flows used and from financing activities was $376 used to repay the long debt incurred to finance the purchase of laptop computers compared to the three months ended December 31, 2020, where net cash of $1,568,596 was generated from the issuance of common shares for $1,588,596 and the final payment of $20,000 on the note payable to International Honey Products Ltd.

During the three months ended December 31, 2021, cash flows from financing activities was $3,152 which was from foreign currency translation gains ($nil for the three months ended December 31, 2020).

Capital Resources

The table below sets out the Company's current assets, short term liabilities and working capital as at December 31, 2021, September 30, 2021, and as at December 31, 2020. As at December 31, 2021, the Company had cash and short-term investments of $463,733 compared to $1,141,761 as at September 30, 2021, and $1,458,865 as at December 31, 2020.

	Dec. 31, 2021 $	Sep 30, 2021 $	Dec. 31, 2020 $
Current Assets	970,350	1,888,195	2,513,189
Current Liabilities	1,052,144	1,347,526	503,385
Working Capital (Deficiency)	(81,794)	540,669	2,009,804

The extractX cash management strategy is to maintain sufficient cash balances to meet its current and contemplated obligations.

The working capital at December 31, 2020, of $2,009,804 was this high due to the receipt of SR&ED credits of $438,112 and the issue of common shares for $1,588,596 in the quarter ended December 31, 2020. The decrease in working capital from December 31, 2020, to September 30, 2021, of $1,469,135 is primarily due to investment in capital assets of $2,014,515 less an additional receipt of SR&ED tax credits of $420,479. The decrease in working capital from September 30, 2021, to December 31, 2021, of $622,463 was as a result of funding the cash operating loss of $286,476, purchasing capital assets for $103,864, assuming a working capital deficiency of $22,804 and the conversion of the pre-October 1, 2021, advances of $279,595 from EXI to EXL to a permanent intercompany capital investment as part of the reverse takeover transaction.

Contractual Obligations

The Company has certain contractual financial obligations related to service agreements, purchase agreements, and rental agreements. These contracts have optional renewal terms that we may exercise at our option. The annual minimum payments payable under these contracts over the next five years are as follows:

Contractual Obligations	**Payments Due by Period**				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Long term debt	34,038	1,534	32,504		
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**		

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

EXL 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, 2023, due date.

EXL leases office space for $1,300 per month in Welland, Ontario, Canada and 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 September 2020. In the unlikelihood 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 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 February 28, 2022, December 31, 2021, and December 31, 2020. All of the outstanding warrants and options issued by EXI in the past were accepted and committed to by EXL as a condition of the reverse takeover on October 1, 2021.

	Feb. 28, 2022	Dec. 31, 2021	Dec. 31, 2020
Common shares	24,679,468	24,679,468	22,822,798
Warrants	836,400	836,400	836,400
Options	686,000	686,000	nil
Total	**26,201,868**	**26,201,868**	**23,659,198**

The only common shares issued after September 30, 2021, were 30,000 common shares to the Board of Directors on October 15, 2021, with no further commitment to the Board of Directors at December 31, 2021.

No stock options were issued after September 30, 2021, and there currently is no commitment to issue stock options to the Board of Directors, Board Advisory Group or Staff after 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

The Company 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 December 31, 2021 (with December 31, 2021, noted):

- Salaries and other short-term employee benefits - $115,830 (December 31, 2020 - $75,000)
- Board of Directors and Advisory Board fees - $nil (December 31, 2020- $nil)
- Board of Director and Advisory Board share based compensation - $nil (December 31, 2020 - $118,726)
- Included in accounts receivable as at December 31, 2021, is an amount owing from Iannantuono Investments Inc., a company owned by a major shareholder - $5,572 (September 30, 2021 - $7,124)
- Included in accounts payable and accrued liabilities as at December 31, 2021, are amounts owing to related parties of $3,284 (September 30, 2021 - $90,897)

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

There have been no changes to the accounting policies of the Company in the past three months ended December 31, 2021.

IFRS has issued several pronouncements that are not yet effective but are anticipated to be applicable to the Company. These are IAS 1 (Classification of Liabilities), IAS 1 (Disclosure of Accounting Policies), IAS 8 (Accounting Estimates) and IAS 16 (Property, Plant and Equipment). The Company has not yet assessed the impact of these changes on its financial statements.

Financial Instruments, Risk and Capital Management

Fair Value
Financial instruments included in the balance sheet consist of accounts receivable, other receivables, prepaid expenses, investments, accounts payable, accrued liabilities, other payables, due to related parties and

shareholders and long term debt. It is management's opinion that the Company is not exposed to any significant risk on the financial instruments as the fair value approximates the carrying value.

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

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

Interest Rate Risk
The Company would be exposed to changes in its interest rates if it had demand bank loan that bears interest at a rate that fluctuates with the prime rate. At December 31, 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 February 28, 2022.

Additional Information

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