

extractX Ltd.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE AND SIX MONTH PERIODS ENDED MARCH 31, 2022 AND 2020
AND AS AT SEPTEMBER 30, 2021

extractX Ltd.

Condensed Interim Consolidated Statements of Financial Position

(unaudited)

	March 31, 2022	September 30, 2021
ASSETS		
Current Assets		
Cash	\$ 201,595	\$ 1,141,761
Accounts receivable (note 5)	307,103	684,864
Sales tax recoverable	19,276	11,843
Corporate income taxes recoverable	1,074	30,331
Prepaid expenses	78,365	19,396
	<u>607,413</u>	<u>1,888,195</u>
Equipment (note 6)	4,400,358	4,513,987
Intangible Assets (note 7)	18,689	9,110
	<u>\$ 5,026,460</u>	<u>\$ 6,411,292</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 437,544	\$ 517,827
Deposits on contracts	633,900	828,165
Convertible promissory note (note 9)	86,957	-
Current portion of long term debt (note 10)	767	1,534
	<u>1,159,168</u>	<u>1,347,526</u>
Long Term Debt (note 10)	32,880	32,880
Deferred Contributions (note 11)	1,044,565	1,084,640
	<u>2,236,613</u>	<u>2,465,046</u>
SHAREHOLDERS' EQUITY		
Common shares (note 12)	8,639,807	7,235,504
Equity component of convertible promissory note (note 9)	13,043	-
Warrants reserve (note 12)	-	-
Share based payments reserve (note 12)	974,561	530,534
Accumulated other comprehensive income (loss)	(1,069)	(3,440)
Deficit	<u>(6,836,495)</u>	<u>(3,816,352)</u>
	<u>\$ 5,026,460</u>	<u>\$ 6,411,292</u>

Lease Commitments (note 14)
World Economic Condition (note 19)
Subsequent Events (note 20)

Approved by: " Albert Iannantuono "
Director

"Peter Manuel"
Director

The accompanying notes are an integral part of these financial statements

extractX Ltd.**Condensed Interim Consolidated Statements of Operations and Comprehensive Loss**

(unaudited)

	Three months ended March 31,		Six months ended March 31,	
	2022	2021	2022	2021
REVENUE				
Extraction processing revenue from contracts	\$ 10,388	\$ 37,171	\$ 235,268	\$ 37,171
DIRECT EXPENSES				
Salary and benefits - extraction processing	62,674	45,456	143,791	79,807
Extraction processing supplies	164	14,917	18,806	19,145
	<u>62,838</u>	<u>60,373</u>	<u>162,597</u>	<u>98,952</u>
CONTRIBUTION	(52,450)	(23,202)	72,671	(61,781)
EXPENSES				
Salary and benefits - corporate and operations	138,492	178,411	308,838	307,721
Director, staff and service provider stock options	167,405	-	444,027	-
Shop supplies	-	988	-	1,568
Rent and utilities - office and shop	22,024	20,515	44,968	39,015
Repairs and maintenance	(882)	20,350	8,435	28,050
Amortization - mobile extraction units	128,787	109,774	238,785	196,149
Amortization - research and development tax credit	(11,858)	(25,655)	(23,716)	(47,561)
Amortization - contributed material	(8,180)	-	(16,359)	-
Amortization - tools, equipment, mobile office and computers	5,158	3,229	10,427	6,003
Accounting, auditing, payroll and bookkeeping fees	52,300	12,633	71,857	37,152
Legal fees	7,500	14,992	15,000	29,958
Contract staffing, advisors and consulting fees	63,736	113,625	139,007	235,986
Office expenses	14,819	8,625	40,136	14,800
Insurance	24,319	5,985	49,387	9,175
Interest and bank charges	1,307	1,870	3,912	2,546
Interest on long term debt	296	-	441	-
Advertising and promotion	44,373	33,063	64,414	33,063
Internet, website hosting and technology licences	3,301	1,753	8,452	2,538
Amortization - website development	457	456	913	913
Amortization - computer software	954	-	954	-
Marketing materials	4,559	4,710	12,368	8,210
Telephone	1,229	1,501	4,444	2,910
Travel and conferences	2,500	29,562	13,679	31,994
Vehicle and transportation	7,251	(988)	14,530	738
	<u>669,847</u>	<u>535,399</u>	<u>1,454,899</u>	<u>940,928</u>
NET LOSS BEFORE OTHER INCOME (EXPENSE)	(722,297)	(558,601)	(1,382,228)	(1,002,709)
OTHER INCOME (EXPENSE)				
Other income (expense) (note 13)	140	200,396	1,287	311,985
Cost of reverse takeover acquisition (note 13)	-	-	(1,639,202)	-
	<u>140</u>	<u>200,396</u>	<u>(1,637,915)</u>	<u>311,985</u>
NET LOSS FOR THE PERIOD BEFORE INCOME TAX (EXPENSE) RECOVERY	(722,157)	(358,205)	(3,020,143)	(690,724)
INCOME TAX (EXPENSE) RECOVERY	-	-	-	-
NET LOSS FOR THE PERIOD	(722,157)	(358,205)	(3,020,143)	(690,724)
OTHER COMPREHENSIVE INCOME				
Foreign translation gain (loss)	(781)	-	2,371	-
COMPREHENSIVE LOSS FOR THE PERIOD	<u>\$ (722,938)</u>	<u>\$ (358,205)</u>	<u>\$ (3,017,772)</u>	<u>\$ (690,724)</u>
Basic and diluted loss per common share	\$ (0.029)	\$ (0.016)	\$ (0.122)	\$ (0.031)
Weighted average number of common shares	24,679,468	22,834,073	24,716,219	22,629,861

The accompanying notes are an integral part of these financial statements

extractX Ltd.Condensed Interim Consolidated Statements of Shareholders' Equity
(unaudited)

	Number of Shares	Common Shares	Equity component of convertible promissory note	Warrants Reserve	Share-based Payments Reserve	Accumulated Other Comprehensive Income	Deficit	Total Shareholder's Equity
		\$		\$	\$	\$	\$	\$
Balance October 1, 2020	22,028,500	4,379,755	-	-	-	-	(1,002,384)	3,377,371
Issuance of common shares for cash	816,848	1,636,509	-	-	-	-	-	1,636,509
Comprehensive gain (loss)	-	-	-	-	-	-	(690,724)	(690,724)
Balance March 31, 2021	22,845,348	6,016,264	-	-	-	-	(1,693,108)	4,323,156
Balance October 1, 2021	23,391,059	7,235,504	-	-	530,534	(3,440)	(3,816,352)	3,946,246
Issuance of common shares to complete the reverse takeover	1,336,803	1,336,803	-	-	-	-	-	1,336,803
Common shares held by company cancelled	(78,394)	-	-	-	-	-	-	-
Share based compensation	30,000	67,500	-	-	444,027	-	-	511,527
Equity component of convertible promissory note	-	-	13,043	-	-	-	-	13,043
Comprehensive gain (loss)	-	-	-	-	-	2,371	(3,020,143)	(3,017,772)
Balance March 31, 2022	24,679,468	8,639,807	13,043	-	974,561	(1,069)	(6,836,495)	2,789,847

The accompanying notes are an integral part of these financial statements

extractX Ltd.Condensed Interim Consolidated Statements of Cash Flow
(unaudited)

	Six months ended	
	March 31, 2022	March 31, 2021
OPERATING ACTIVITIES		
Net loss for the period	\$ (3,020,143)	\$ (690,724)
Items not affecting cash		
Staff and service provider stock options	444,027	-
Amortization of equipment and intangible assets - net of credits	211,004	155,503
Cost of reverse takeover acquisition	1,639,202	-
	<u>(725,910)</u>	<u>(535,221)</u>
Changes in non-cash operating assets and liabilities		
Accounts receivable	98,166	(728,995)
Sales tax recoverable	(7,433)	43,124
Research and development tax credits received	-	438,112
Corporate income taxes recoverable	29,257	-
Prepaid expenses	(58,969)	(56,295)
Accounts payable and accrued liabilities	(12,784)	673,225
Corporate income tax payable	-	(28,966)
Deposits on contracts	(194,265)	118,110
	<u>(871,938)</u>	<u>(76,906)</u>
INVESTING ACTIVITIES		
Acquisition of net assets through reverse takeover	(22,804)	-
Equipment constructed or purchased	(135,582)	(1,081,470)
Computer software purchased	(11,446)	-
Deferred contributions received	-	178,336
Engineering design documentation	-	(310,552)
	<u>(169,832)</u>	<u>(1,213,686)</u>
FINANCING ACTIVITIES		
Promissory note issued for cash received	100,000	-
Repayment of long-term debt	(767)	(20,122)
Common shares and units issued for cash	-	1,636,509
	<u>99,233</u>	<u>1,616,387</u>
OTHER ACTIVITIES		
Foreign currency translation gain (loss)	2,371	-
INCREASE (DECREASE) IN CASH FOR THE PERIOD	(940,166)	325,795
CASH BALANCE AT BEGINNING OF PERIOD	1,141,761	478,112
CASH BALANCE AT END OF PERIOD	\$ 201,595	\$ 803,907
Non-cash transactions		
Repayment of accounts payable through issuance of common shares	\$ 67,500	\$ -
Purchase of computer equipment through the assumption of debt	-	5,075

The accompanying notes are an integral part of these financial statements

extractX Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended March 31, 2022, March 31, 2021 and as at September 30, 2021.
(unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

extractX Ltd. ("EXL" or the "Company"), which was incorporated on August 1, 2001 under the laws of the Province of Ontario as Andromeda Media Capital Corporation Limited, changed its name to Tri-Media Integrated Marketing Technologies Inc. on May 6, 2005 by filing Articles of Amendment and then changed its name again to extractX Ltd. on September 15, 2021 by filing Articles of Amendment.

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

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 subsidiaries extractX Inc. and 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 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.

The Corporation's continued existence as a going concern is dependent upon, amongst other things, its ability to continue to obtain adequate ongoing debt and/or equity financing with creditors, officers, directors, and stakeholders. In addition, the Corporation must also ultimately become profitable. These condensed interim consolidated financial statements have been prepared on the basis that the Corporation is a going concern and do not include adjustments that would be necessary should the Corporation be unable to continue as a going concern. Such adjustments may be material. During the six months ended March 31, 2022, the Corporation incurred a net loss of \$3,020,143 (March 31, 2021 – net loss of \$690,724), and, as at March 31, 2022, had an accumulated deficit of \$6,836,495 (September 30, 2021 – \$3,816,352) and a working capital deficiency of \$551,755 (September 30, 2021 working capital of \$540,669).

The ability of the Corporation to carry out its business plan rests with its ability to secure additional equity and other financing. Although the Corporation has been successful in obtaining financing from related parties and private placements in the past, the Corporation will likely require continued support. These material uncertainties cast significant doubt about the Corporation's ability to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed interim consolidated financial statements of extractX Ltd. as at March 31, 2022 and September 30, 2021 and for the three and six months ended March 31, 2022 and March 31, 2021, have been prepared in accordance with IAS 34, Interim Financial Reporting. These condensed interim consolidated financial statements do not include all notes of the type normally included within the annual financial statements and should be read in conjunction with the audited financial statements of extractX Incorporated for three months ended September 30, 2021, which has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The same accounting policies and methods of computation are followed in the condensed interim consolidated financial statements as compared with the above noted annual financial statements.

The condensed interim consolidated financial statements as at March 31, 2022 and for the three and six months then ended were approved and authorized for issue by the Board of Directors on May 26, 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 condensed interim 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 Inc. and its wholly owned subsidiary, extractX USA Inc.

The condensed interim consolidated financial statements include the accounts of the Company, extractX Inc. and extractX USA Inc.

As at March 31, 2022 and September 30, 2021 and the three and six months ended March 31, 2022 and March 31, 2021, except for the results of ExtractX Ltd. which are only included from the date of the reverse takeover of October 1, 2021 as described in Note 12.

Basis of Measurement

The condensed interim 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 3.

Presentation and Functional Currency

The condensed interim 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 Ltd. and the subsidiary, extractX Inc. 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 condensed interim 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 4.

extractX Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended March 31, 2022, March 31, 2021 and as at September 30, 2021.
(unaudited)

3. 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 provided for by management. The cost of a mobile extraction lab in use includes amounts accrued related to the expected costs to reclaim the unit from the customer's location upon completion of the contract.

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
Mobile office unit	20.00% declining balance 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).

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.

extractX Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended March 31, 2022, March 31, 2021 and as at September 30, 2021.
(unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 and purchased computer software are recorded at cost and are 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. The installation manual is recorded at cost and will be amortized once the next generation of mobile extraction labs are put in place. 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. Amounts due between related parties are recognized at the exchange amount agreed to between the related parties. 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, convertible promissory note 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 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 approximate their carrying value given their short term maturity. The fair value of convertible promissory note is equal to its carrying value as the note was issued on March 31, 2022. The fair value of long-term debt is not materially different from its carrying value.

extractX Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended March 31, 2022, March 31, 2021 and as at September 30, 2021.
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 issuances. 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.

Share-based payments reserves previously recognized for options exercised or common shares issued 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.

(l) 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.

The equity component of convertible promissory notes is recognized using the residual method, whereby the total consideration received is allocated first to the convertible promissory note at the fair value of the convertible promissory note at the time of issuance, with any amount of consideration received in excess of that amount recognized as the cost of the equity component of convertible promissory notes.

(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. A provision has been added to the cost of a mobile extraction lab in use for the expected costs to reclaim the unit from the customer's location upon completion of the contract.

(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 policies	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

extractX Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended March 31, 2022, March 31, 2021 and as at September 30, 2021.
(unaudited)

4. SIGNIFICANT ESTIMATES AND JUDGEMENTS

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions the reported amounts of assets and liabilities at the date of the condensed interim 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 condensed interim 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.

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 condensed interim consolidated statement of operations and comprehensive loss.

(b) Critical judgements

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim 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 condensed interim consolidated financial statements for the three months ended December 31, 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.

5. ACCOUNTS RECEIVABLE

	March 31, 2022	September 30, 2021
Accounts receivable trade - extraction processing contracts	\$ 281,593	\$ 184,696
Other receivables	20,772	63,440
Government of Canada Agriculture Clean Technology program grant receivable	-	157,133
Advances to Iannantuono Investments Inc.	4,738	-
Advances to extractX Ltd.	-	279,595
	<u>\$ 307,103</u>	<u>\$ 684,864</u>

The advances to extractX Ltd. are non-interest bearing, with no fixed terms of repayment, payable on demand and unsecured.

extractX Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended March 31, 2022, March 31, 2021 and as at September 30, 2021.
(unaudited)

6. EQUIPMENT

	Cost			
	Opening Balance at October 1, 2021	Additions (Reallocations) in the Period	Disposals in the Period	Closing Balance at March 31, 2022
March 31, 2022				
Mobile extraction laboratories				
Unit #2 - into service March, 2021	\$ 1,434,133	\$ 33,500	\$ -	\$ 1,467,633
Unit #3 - into service October, 2021	1,095,841	43,976	-	1,139,817
Unit #4 - still under construction	1,596,935	49,188	-	1,646,123
Unit #5 - planning stage	42,925	-	-	42,925
Laboratory shell and components held as inventory	111,674	-	-	111,674
Engineering drawings and documentation	312,381	-	-	312,381
	4,593,889	126,664	-	4,720,553
Mobile office unit	55,899	8,918	-	64,817
Shop tools and equipment	53,022	-	-	53,022
Computer equipment	6,390	-	-	6,390
	\$ 4,709,200	\$ 135,582	\$ -	\$ 4,844,782
	Accumulated Amortization			
	Opening Balance at October 1, 2021	Amortization for the Period	Disposals in the Period	Closing Balance at March 31, 2022
March 31, 2022				
Mobile extraction laboratories				
Unit #2 - into service March, 2021	\$ 165,072	\$ 144,804	\$ -	\$ 309,876
Unit #3 - into service October, 2021	-	93,980	-	93,980
Unit #4 - still under construction	-	-	-	-
Unit #5 - planning stage	-	-	-	-
Laboratory shell and components held as inventory	-	-	-	-
Engineering drawings and documentation	-	-	-	-
	165,072	238,784	-	403,856
Mobile office unit	-	6,036	-	6,036
Shop tools and equipment	28,254	3,715	-	31,969
Computer equipment	1,887	676	-	2,563
	\$ 195,213	\$ 249,211	\$ -	\$ 444,424
	Cost			
	Opening Balance at July 1, 2021	Additions (Reallocations) in the Year	Disposals in the Year	Closing Balance at September 30, 2021
September 30, 2021				
Mobile extraction laboratories				
Unit #2 - into service March, 2021	\$ 1,400,583	\$ 33,550	\$ -	\$ 1,434,133
Unit #3 - in transit to processing site	1,056,932	38,909	-	1,095,841
Unit #4 - still under construction	1,431,267	165,668	-	1,596,935
Unit #5 - planning stage	42,925	-	-	42,925
Laboratory shell and components held as inventory	163,159	(51,485)	-	111,674
Engineering drawings and documentation	310,552	1,829	-	312,381
	4,405,418	188,471	-	4,593,889
Mobile office unit	-	55,899	-	55,899
Shop tools and equipment	51,956	1,066	-	53,022
Computer equipment	6,390	-	-	6,390
	\$ 4,463,764	\$ 245,436	\$ -	\$ 4,709,200

extractX Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended March 31, 2022, March 31, 2021 and as at September 30, 2021.
(unaudited)

6. EQUIPMENT (Continued)

	Accumulated Amortization			
	Opening Balance at July 1, 2021	Amortization for the Year	Disposals in the Year	Closing Balance at September 30, 2021
September 30, 2021				
Mobile extraction laboratories				
Unit #2 - into service March, 2021	\$ 93,593	\$ 71,479	\$ -	\$ 165,072
Unit #3 - in transit to processing site	-	-	-	-
Unit #4 - still under construction	-	-	-	-
Unit #5 - planning stage	-	-	-	-
Laboratory shell and components held as inventory	-	-	-	-
Engineering drawings and documentation	-	-	-	-
	93,593	71,479	-	165,072
Mobile office unit	-	-	-	-
Shop tools and equipment	25,992	2,262	-	28,254
Computer equipment	1,493.00	394	-	1,887
	\$ 121,078	\$ 74,135	\$ -	\$ 195,213

	Net Book Value	
	March 31, 2022	September 30, 2021
Unit #2 - into service March, 2021	\$ 1,157,757	\$ 1,269,061
Unit #3 - into service October, 2021	1,045,837	1,095,841
Unit #4 - still under construction	1,646,123	1,596,935
Unit #5 - planning stage	42,925	42,925
Laboratory shell and components held as inventory	111,674	111,674
Engineering drawings and documentation	312,381	312,381
	4,316,697	4,428,817
Mobile office units	58,781	55,899
Shop tools and equipment	21,053	24,768
Computer equipment	3,827	4,503
	\$ 4,400,358	\$ 4,513,987

7. INTANGIBLE ASSETS

	Cost			
	Opening Balance at October 1, 2021	Additions (Reallocations) in the Period	Disposals in the Period	Closing Balance at March 31, 2022
March 31, 2022				
Website development cost	\$ 5,476	\$ -	\$ -	\$ 5,476
Installation manual	7,740	-	-	7,740
Computer software	-	11,446	-	11,446
Intellectual property for extraction process	1	-	-	1
	\$ 13,217	\$ 11,446	\$ -	\$ 24,663

	Accumulated Amortization			
	Opening Balance at October 1, 2021	Amortization for the Period	Disposals in the Period	Closing Balance at March 31, 2022
March 31, 2022				
Website development cost	\$ 4,107	\$ 913	\$ -	\$ 5,020
Installation manual	-	-	-	-
Computer software	-	954	-	954
Intellectual property for extraction process	-	-	-	-
	\$ 4,107	\$ 1,867	\$ -	\$ 5,974

	Cost			
	Opening Balance at July 1, 2021	Additions (Reallocations) in the Year	Disposals in the Year	Closing Balance at September 30, 2021
September 30, 2021				
Website development cost	\$ 5,476	\$ -	\$ -	\$ 5,476
Installation manual	-	7,740	-	7,740
Computer software	-	-	-	-
Intellectual property for extraction process	1	-	-	1
	\$ 5,477	\$ 7,740	\$ -	\$ 13,217

	Accumulated Amortization			
	Opening Balance at July 1, 2021	Amortization for the Year	Disposals in the Year	Closing Balance at September 30, 2021
September 30, 2021				
Website development cost	\$ 3,651	\$ 456	\$ -	\$ 4,107
Installation manual	-	-	-	-
Computer software	-	-	-	-
Intellectual property for extraction process	-	-	-	-
	\$ 3,651	\$ 456	\$ -	\$ 4,107

extractX Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended March 31, 2022, March 31, 2021 and as at September 30, 2021.

(unaudited)

7. INTANGIBLE ASSETS (Continued)

	Net Book Value	
	March 31, 2022	September 30, 2021
Website development cost	\$ 456	\$ 1,369
Installation manual	7,740	7,740
Computer software	10,492	-
Intellectual property for extraction process	1	1
	<u>\$ 18,689</u>	<u>\$ 9,110</u>

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2022	September 30, 2021
Trade payables	\$ 194,676	\$ 224,030
Overpayment of customer billing	4,532	-
Legal fees payable	93,210	93,210
Accrued accounting and audit fees	7,500	32,000
Accrued consulting fees	-	824
Accrued board of directors and advisors fees	-	88,500
Accrued legal fees	27,500	12,500
Accrued mobile laboratory reclamation costs	31,718	-
Canada emergency wage subsidy repayable	16,940	16,940
Accrued vacation pay	47,404	37,421
State of Kentucky sales tax	12,430	10,085
Government payroll deductions payable	1,634	2,317
	<u>\$ 437,544</u>	<u>\$ 517,827</u>

9. CONVERTIBLE PROMISSORY NOTE

Convertible \$100,000 promissory note, 6% interest only payable on maturity, note due in full March 31, 2023, the note is convertible at the discretion of the holder any time before maturity at the rate of \$2.50 per whole common share to be issued. If the Company is unable to repay the entirety of the principal balance and the unpaid interest on the maturity date then the note continues on the same terms and conditions as the original note save and except the interest rate becomes 12% and after default the note is to be repaid 15% of the cash collected from monthly operating revenue until the outstanding principal balance and unpaid interest is paid in full. In addition if the note is extended then at the discretion of the note holder while the note is in default the note can be secured by the issue and registration of a General Security Agreement over certain unencumbered assets selected by the Company that singularly or in total have a combined value that would cover the outstanding principal balance and unpaid interest on the maturity date. To estimate the fair value, the debt component was estimated first at \$86,957 using an effective rate of 15% corresponding to a rate that the Company would have obtained for similar financing without the conversion option. The \$13,043 residual value was attributed to the equity component of the convertible promissory note and is presented in equity.

\$	86,957	\$	-
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This issued convertible promissory note is part of a series of convertible promissory notes to be issued based on a Convertible Promissory Note Purchase Agreement offered on March 31, 2022 which established a potential credit facility agreement up to \$500,000 at the same terms as noted above.

extractX Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended March 31, 2022, March 31, 2021 and as at September 30, 2021.

(unaudited)

10. LONG TERM DEBT

	March 31, 2022	September 30, 2021
BMO - CEBA Loan - see below	\$ 30,000	\$ 30,000
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	1,525	1,911
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	2,122	2,503
	33,647	34,414
Less: current portion due within next year	767	1,534
	<u>\$ 32,880</u>	<u>\$ 32,880</u>

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, 2023 then the remaining 25% will be forgiven. If 75% of the loan isn't repaid by December 31, 2023 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, 2023 will be payable monthly until the loan is paid in full. The forgivable amount of \$10,000 has been previously recognized as other income.

Principal repayments on debt for the next five years are:

Fiscal years ending September 30, 2022
2023
2024

\$	767
	2,088
	<u>30,792</u>
<u>\$</u>	<u>33,647</u>

11. DEFERRED CONTRIBUTIONS

	March 31, 2022	September 30, 2021
Research and development tax credits		
Balance at beginning of the period	\$ 232,057	\$ 243,915
Amortization for the period	(23,716)	(11,858)
Balance at end of the period	<u>\$ 208,341</u>	<u>\$ 232,057</u>
Contribution of material		
Balance at beginning of the period	\$ 144,502	\$ 152,681
Amortization for the period	(16,359)	(8,179)
Balance at the end of the period	<u>\$ 128,143</u>	<u>\$ 144,502</u>
Government of Canada grant under the Agricultural Clean Technology program		
Balance at beginning of the period	\$ 708,081	\$ 590,580
Contribution during the period for development of a mobile extraction laboratory	-	117,501
Balance at the end of the period	<u>\$ 708,081</u>	<u>\$ 708,081</u>
Total deferred contributions	<u>\$ 1,044,565</u>	<u>\$ 1,084,640</u>

extractX Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended March 31, 2022, March 31, 2021 and as at September 30, 2021.
(unaudited)

12. 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 for total consideration of \$657,800. Total proceeds from the issuance was 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.

Common Share Issuances:

The Company issued 816,848 common shares during the three months ended March 31, 2021 at \$2 per common share for total consideration of \$1,636,509.

The Company issued 1,336,803 common shares on October 1, 2021 at a fair value of \$1.00 per common share to complete a transaction pursuant to the terms of an amalgamation agreement (see note 12 - Reverse Takeover Transaction).

The Company issued 30,000 common shares during the three months ended December 31, 2021 at a fair value of \$2.25 per common share for \$67,500 as compensation to

The Company cancelled 78,394 common shares during the three months ended December 31, 2021 that it held in its own name.

The Company has no further commitment to issue common shares to board members as compensation in the future. Included in accounts payable and accrued liabilities is \$nil (September 30, 2021 - \$67,500 related to the value of 30,000 common shares to be issued for services provided during the three months ended September 30, 2021).

Warrants Reserve

	March 31, 2022		September 30, 2021	
	Number of Warrants	\$	Number of Warrants	\$
Issued				
Balance at beginning of the period	836,400	\$ -	836,400	\$ -
Warrants issued during the period	-	-	-	-
Balance at end of the period	836,400	\$ -	836,400	\$ -

Share Based Payments Reserve

		Number of Options	\$	Weighted Average Exercise Price	Weighted Average Remaining Life
March 31, 2022					
Balance at beginning of the period		686,000	\$ 530,534	\$ 0.94	7.69
Previously issued stock options vested	Staff Options		327,651		
Previously issued deferred shares vested	Staff Deferred Shares		116,376		
Balance at end of the period		686,000	\$ 974,561	\$ 0.94	7.19

The 686,000 stock options have exercise prices ranging from \$0.50 to \$2.25

Exercisable at end of the period	386,000	\$ 1.28	6.36
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		Number of Options	\$	Weighted Average Exercise Price	Weighted Average Remaining Life
September 30, 2021					
Balance at beginning of the year		156,000	\$ 118,726	\$ 2.10	4.89
Previously issued stock options vested	Board Advisory Options		16,647		
Stock Options issued during the period:					
Board Member Options		30,000	25,575	2.25	4.75
Staff Options		500,000	330,794	0.50	8.75
Deferred shares issued during the period			38,792		
Balance at end of the year		686,000	\$ 530,534	\$ 0.94	7.69

The 686,000 stock options have exercise prices ranging from \$.50 to \$2.25

Exercisable at end of the period	250,000	\$ 1.49	6.33
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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 until February 28, 2022, 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 three months ended March 31, 2022 was \$nil (\$nil - March 31, 2021). As of March 31, 2022 - 96,000 stock options have vested (September 30, 2021 - 60,000).

extractX Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended March 31, 2022, March 31, 2021 and as at September 30, 2021.
(unaudited)

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

The Company issued 30,000 stock options to board members effective September 30, 2021 exercisable at a price of \$2.25 per common share, vesting upon issuance. As of September 30, 2021, the fair value of these options was calculated to be \$25,575 using the Black Scholes Model and the following assumptions: risk free interest rate of 1.07%; expected volatility of 42.05% expected life of 5 years and dividend yield of 0%. The amount recognized in expense for the three and six months ended March 31, 2022 was \$nil (three months ended September 30, 2021 was \$25,575). As of March 31, 2022, 30,000 stock options have vested.

The Company issued 500,000 stock options to a staff member on July 5, 2021 exercisable at a price of \$0.50 per common share, vesting as follows: 100,000 on August 5, 2021, 100,000 December 31, 2021 and then 6 months thereafter until June 30, 2023.

The fair value of these options was calculated to be \$925,855 using the Black Scholes Model and the following assumptions: risk free interest rate of 1.17%; expected volatility of 42.05% expected life of 8.91 years and dividend yield of 0%.

The amount recognized in expense for the three months ended March 31, 2022 was \$109,217 and for the six months ended March 31, 2022 was \$327,651 (\$330,794 - September 30, 2021). As of March 31, 2022, 200,000 stock options have vested.

The Company issued stock based compensation to employees and certain contract staff on July 30, 2021 which requires the continued employment by those involved at varying anniversary dates.

The potential total number of issued common shares is 154,500 and is vests on the following dates:

June 30, 2022	49,000
June 30, 2023	77,250
June 30, 2024	28,250

The fair value of this stock based compensation was calculated to be \$347,625 based on the fair market value of the common shares of \$2.25.

The amount recognized in expense for the three months ended March 31, 2022 was \$58,188 and for the six months ended March 31, 2022 was \$116,376 (\$38,792 - September 30, 2021). As of March 31, 2022, nil common shares have vested.

13. OTHER INCOME (EXPENSE)

	Three months ended	
	March 31, 2022	March 31, 2021
Other income (expense)		
Government assistance for consulting fees and training	\$ -	\$ (39,250)
Canada Emergency Wage Subsidy	-	15,000
Canada Emergency Rent Subsidy	-	8,777
Government of Canada Agriculture Clean Technology - program expense grant	-	217,965
Gain (loss) on foreign currency conversion	140	(2,096)
	<u>\$ 140</u>	<u>\$ 200,396</u>
	Six months ended	
	March 31, 2022	March 31, 2021
Other income (expense)		
Employment training grant	\$ -	\$ 7,500
Canada Emergency Wage Subsidy	-	60,000
Canada Emergency Rent Subsidy	-	22,477
Government of Canada Agriculture Clean Technology - program expense grant	-	217,965
Interest earned	63	7,926
Gain (loss) on foreign currency conversion	1,224	(3,883)
	<u>\$ 1,287</u>	<u>\$ 311,985</u>

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

Reverse Takeover Transaction

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	<u>1,639,202</u>
Consideration paid	<u>\$ 1,336,803</u>

extractX Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended March 31, 2022, March 31, 2021 and as at September 30, 2021.

(unaudited)

14. LEASE COMMITMENTS

The Company is also obligated to a lease for a photocopier for 16 quarterly payments of \$441 commencing in October, 2018 and terminating in July, 2022; as this lease has no buy-out option and is for a low value asset it is accounted for as a short term operating lease and the monthly lease payments expensed.

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 leases office space in Pelham, Ontario on a month to month basis at \$1,100 per month; as there is no long-term commitment this lease is accounted for as a short term operating lease and the monthly lease payments expensed.

On September 30, 2020 Iannantuono Investments Inc. as part of it's purchase of the digital marketing business from the Company assumed the responsibility for the loans payable to Dell Financial Services of \$2,880 (monthly payment of \$183) and the right-of-use vehicle (2019 Lexus RX350) lease payable of \$22,940 for the loans payable to Dell Financial Services of \$2,880 (monthly payment of \$183) and the right-of-use vehicle (2019 Lexus RX350) lease payable of \$22,940 (monthly payment \$795) by signing an undertaking to make all of the remaining payments. If Iannantuono Investments Inc. fails to meet this obligation the lender and the vehicle lessor would have recourse against the Company.

15. 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.

	Three months ended	
	March 31, 2022	March 31, 2021
Compensation:		
Salaries and other short-term employee benefits	\$ 105,155	\$ 101,974
Board of Director and Advisory Board Fees	-	-
Board of Director and Advisory Board Share based Compensation	-	-
	<u>\$ 105,155</u>	<u>\$ 101,974</u>

	Six months ended	
	March 31, 2022	March 31, 2021
Compensation:		
Salaries and other short-term employee benefits	\$ 220,985	\$ 176,974
Board of Director and Advisory Board Fees	-	-
Board of Director and Advisory Board Share based Compensation	-	-
	<u>\$ 220,985</u>	<u>\$ 176,974</u>

Included in accounts payable and accrued liabilities at March 31, 2022 are amounts owing to related parties of \$3,284 (September 30, 2021 - \$90,897).

extractX Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended March 31, 2022, March 31, 2021 and as at September 30, 2021.

(unaudited)

16. 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 March 31, 2022, the Company had working capital deficiency of \$551,755 (September 30, 2021 working capital - \$540,669).

All of the Company's financial liabilities as at March 31, 2022 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	\$	437,544	\$	-	\$ 437,544
Convertible promissory note		-		86,957	86,957
Long-term debt		384		33,263	33,647
	\$	437,928	\$	120,220	\$ 558,148

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. Other receivables are due from a customer for which deposits on contracts are held and from employees and management believes the risk of loss to be remote.

Advances to Iannantuono Investments Inc. who is a shareholder and are being repaid monthly and management believes the risk of loss to be remote. 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 \$508,698 (September 30, 2021 - \$1,826,625) 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 convertible promissory note and 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).

	March 31, 2022	September 30, 2021
Cash	\$ 11,070	\$ 3,347
Accounts receivable	278,118	138,111
Insurance premium refund	-	-
Corporate income taxes recoverable	-	23,806
Prepaid expenses	27,016	7,946
Accounts payable and accrued liabilities	(48,700)	(29,383)
Deposits on contracts	(500,000)	(650,000)
Net exposure	\$ (232,496)	\$ (506,173)

A \$0.01 change in foreign exchange rates would lead to an impact on net loss of \$2,325 (September 30, 2021 - \$5,062).

extractX Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended March 31, 2022, March 31, 2021 and as at September 30, 2021.

(unaudited)

17. SEGMENT DISCLOSURES

The Company's operations comprise two reporting segments, Canadian subsidiary company (extractX Inc.) 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 Six Months Ended March 31, 2022	extractX Inc.	extractX USA Inc.	Eliminations	Total
REVENUE				
Extraction processing revenue from contracts	\$ 28,109	\$ 207,159	\$ -	\$ 235,268
Management service fees	155,164	-	(155,164)	-
Extraction lab lease fees	41,432	-	(41,432)	-
Technology license fees	4,144	-	(4,144)	-
	<u>228,849</u>	<u>207,159</u>	<u>(200,740)</u>	<u>235,268</u>
DIRECT EXPENSES				
Salary and benefits - extraction processing	-	143,791	-	143,791
Extraction processing supplies	5,022	13,784	-	18,806
	<u>5,022</u>	<u>157,575</u>	<u>-</u>	<u>162,597</u>
CONTRIBUTION				
	223,827	49,584	(200,740)	72,671
EXPENSES				
Salary and benefits - corporate and operations	308,838	-	-	308,838
Director and service provider stock options	444,027	-	-	444,027
Management fees	-	155,164	(155,164)	-
Extraction lab lease fees	-	41,432	(41,432)	-
Technology license fees	-	4,144	(4,144)	-
Shop supplies	-	-	-	-
Rent and utilities - office and shop	44,968	-	-	44,968
Repairs and maintenance	409	8,026	-	8,435
Amortization - mobile extraction units	238,785	-	-	238,785
Amortization - research and development tax credit	(23,716)	-	-	(23,716)
Amortization - contributed material	(16,359)	-	-	(16,359)
Amortization - tools, equipment and computers	10,427	-	-	10,427
Accounting, auditing, payroll and bookkeeping fees	67,858	3,999	-	71,857
Legal fees	15,000	-	-	15,000
Contract staffing, advisors and consulting fees	139,007	-	-	139,007
Office expenses	35,863	4,273	-	40,136
Insurance	36,555	12,832	-	49,387
Interest and bank charges	2,529	1,383	-	3,912
Interest on long term debt	441	-	-	441
Advertising and promotion	64,414	-	-	64,414
Internet, website hosting and technology licences	8,452	-	-	8,452
Amortization - website development	913	-	-	913
Amortization - computer software	954	-	-	954
Marketing materials	12,368	-	-	12,368
Telephone	4,444	-	-	4,444
Travel and conferences	13,335	344	-	13,679
Vehicle and transportation	14,530	-	-	14,530
	<u>1,424,042</u>	<u>231,597</u>	<u>(200,740)</u>	<u>1,454,899</u>
NET LOSS BEFORE OTHER INCOME (EXPENSE)	(1,200,215)	(182,013)	-	(1,382,228)
OTHER INCOME (EXPENSE)				
Other income	1,225	62	-	1,287
Cost of reverse Takeover acquisition	(1,639,202)	-	-	(1,639,202)
	<u>(1,637,977)</u>	<u>62</u>	<u>-</u>	<u>(1,637,915)</u>
NET LOSS FOR THE PERIOD BEFORE INCOME TAX (EXPENSE) RECOVERY	(2,838,192)	(181,951)	-	(3,020,143)
INCOME TAX (EXPENSE) RECOVERY	-	-	-	-
NET LOSS FOR THE PERIOD	(2,838,192)	(181,951)	-	(3,020,143)
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign translation gain (loss)	-	-	2,371	2,371
COMPREHENSIVE LOSS FOR THE PERIOD	<u>\$ (2,838,192)</u>	<u>\$ (181,951)</u>	<u>\$ 2,371</u>	<u>\$ (3,017,772)</u>
TOTAL ASSETS	<u>\$ 5,535,759</u>	<u>\$ 306,325</u>	<u>\$ (815,624)</u>	<u>\$ 5,026,460</u>
TOTAL LIABILITIES	<u>\$ 2,203,360</u>	<u>\$ 848,877</u>	<u>\$ (815,624)</u>	<u>\$ 2,236,613</u>

extractX Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended March 31, 2022, March 31, 2021 and as at September 30, 2021.
(unaudited)

17. SEGMENT DISCLOSURES (Continued)**Segment Schedule of Operations and Comprehensive Loss and Total Assets and Liabilities**

For the Six Months Ended March 31, 2021	extractX Incorporated	extractX USA Inc.	Eliminations	Total
REVENUE				
Extraction processing revenue from contracts	\$ -	\$ 37,171	\$ -	\$ 37,171
Management service fees	182,895	-	(182,895)	-
	<u>182,895</u>	<u>37,171</u>	<u>(182,895)</u>	<u>37,171</u>
DIRECT EXPENSES				
Salary and benefits - extraction processing	-	79,807	-	79,807
Extraction processing supplies	1,823	17,322	-	19,145
	<u>1,823</u>	<u>97,129</u>	<u>-</u>	<u>98,952</u>
CONTRIBUTION	181,072	(59,958)	(182,895)	(61,781)
EXPENSES				
Salary and benefits - corporate and operations	307,721	-	-	307,721
Management fees	-	182,895	(182,895)	-
Shop supplies	1,568	-	-	1,568
Rent and utilities - office and shop	39,015	-	-	39,015
Repairs and maintenance	177	27,873	-	28,050
Amortization - mobile extraction units	196,149	-	-	196,149
Amortization - research and development tax credit	(47,561)	-	-	(47,561)
Amortization - tools, equipment and computers	6,003	-	-	6,003
Accounting, auditing, payroll and bookkeeping fees	37,152	-	-	37,152
Legal fees	29,958	-	-	29,958
Contract staffing, advisors and consulting fees	235,986	-	-	235,986
Office expenses	3,783	11,017	-	14,800
Insurance	4,024	5,151	-	9,175
Interest and bank charges	2,081	465	-	2,546
Advertising and promotion	33,063	-	-	33,063
Internet, website hosting and technology licences	2,538	-	-	2,538
Amortization - website development	913	-	-	913
Marketing materials	8,210	-	-	8,210
Telephone	2,910	-	-	2,910
Travel and conferences	27,625	4,369	-	31,994
Vehicle and transportation	738	-	-	738
	<u>892,053</u>	<u>231,770</u>	<u>(182,895)</u>	<u>940,928</u>
NET LOSS BEFORE OTHER INCOME (EXPENSE)	(710,981)	(291,728)	-	(1,002,709)
OTHER INCOME (EXPENSE)				
Other income	249,956	62,029	-	311,985
	<u>249,956</u>	<u>62,029</u>	<u>-</u>	<u>311,985</u>
NET LOSS FOR THE YEAR BEFORE INCOME TAX (EXPENSE) RECOVERY	(461,025)	(229,699)	-	(690,724)
INCOME TAX (EXPENSE) RECOVERY	-	-	-	-
NET LOSS FOR THE YEAR	(461,025)	(229,699)	-	(690,724)
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign translation gain (loss)	-	-	-	-
COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (461,025)</u>	<u>\$ (229,699)</u>	<u>\$ -</u>	<u>\$ (690,724)</u>
TOTAL ASSETS	<u>\$ 7,399,934</u>	<u>\$ 103,301</u>	<u>\$ (114,280)</u>	<u>\$ 7,388,955</u>
TOTAL LIABILITIES	<u>\$ 2,769,270</u>	<u>\$ 410,809</u>	<u>\$ (114,280)</u>	<u>\$ 3,065,799</u>

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.

extractX Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended March 31, 2022, March 31, 2021 and as at September 30, 2021.

(unaudited)

18. 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.

19. WORLD ECONOMIC CONDITIONS

COVID 19

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.

Ukraine - Russia Conflict

The geopolitical situation in Eastern Europe intensified on February 24, 2022, with Russia's invasion of Ukraine. The war between the two countries continues to evolve as military activity proceeds and additional sanctions are imposed. In addition to the human toll and impact of the events on entities that have operations in Russia, Ukraine, or neighboring countries (e.g., Belarus) or that conduct business with their counterparties, the war is increasingly affecting economic and global financial markets and exacerbating ongoing economic challenges, including issues such as rising inflation and global supply-chain disruption. The Company is monitoring the situation and though there is no direct impact at the present time any future impact is not determinable.

20. 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 original closing date was on or about March 31, 2022 but this has been extended to June 30, 2022.