



extractX Ltd.

Management's Discussion & Analysis

2022Q2 Quarterly Highlights

May 26, 2022

For the three and six months ended March 31, 2022

(extractX Incorporated for the three months ended September 30, 2021, and three and six months ended March 31, 2021)

Management’s Discussion & Analysis

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Introduction & Disclaimers

This management's discussion and analysis ("MD&A") of the financial condition and results of operations dated May 26, 2022, relates to the unaudited condensed interim consolidated financial statements for the three and six months ended March 31, 2022 (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 condensed interim financial statements for the three and six months ended March 31, 2022, 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 Condensed Interim 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	<u>1,639,202</u>
Consideration paid	<u><u>\$1,336,803</u></u>

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 March 31, 2022.

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 \$614,748 of revenue (\$207,159 to March 31, 2022, \$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. Currently processing has halted for a few months to allow the client partner to reduce his surplus inventory.



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 six months ended March 31, 2022, generating \$28,109 of revenue while waiting to access larger quantities of biomass in early May 2022.

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, Vice President & CFO, Ucore Rare Metals 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 then.

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.

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 March 31, 2022, 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 four parties at draft contract stage - two in Africa, one in Europe and one in South America.

Selected Quarterly Financial Information

Selected unaudited financial highlights for the three and six months ended March 31, 2022, and the three and six months ended March 31, 2021, include the following:

<i>(in \$CDN)</i>	3 months Mar. 31 2022	3 months Mar. 31 2021	6 months Mar. 31 2022	6 months Mar. 31 2021
Contract revenue	\$10,388	\$37,171	\$235,268	\$37,171
Extraction wages and supplies	62,838	60,373	162,597	98,952
Gross profit	(52,450)	(23,202)	72,671	(61,781)
Expenses				
Corporate and operations salaries	138,492	178,411	308,838	307,721
Operating and administrative	416,037	269,184	935,057	477,704
Amortization of capital assets, net of credits	115,318	87,804	211,004	155,503
	669,847	535,399	1,454,899	940,928
Net loss before other income and expenses	(722,297)	(558,601)	(1,382,228)	(1,002,709)
Other income and expenses	140	200,396	1,287	311,985
Cost of reverse takeover acquisition	-	-	(1,637,202)	-
Net loss for the period	\$(722,157)	\$(358,205)	\$(3,020,143)	\$(690,724)
Net comprehensive loss per share	\$(0.029)	\$(0.016)	\$(0.122)	\$(0.031)



Selected Quarterly Financial Information (continued)

	Mar. 31 2022 \$	Sept. 30 2021 \$
Total assets		
Cash	201,595	1,141,761
Other current assets	405,818	746,434
Capital and other assets	4,419,047	4,523,097
	5,026,460	6,411,292
Total long-term liabilities		
Deposits on contracts	633,900	828,165
Other current liabilities	525,268	519,361
Deferred contributions	1,044,565	1,084,640
Long term debt	32,880	32,880
	2,236,613	2,465,046
Shareholders' Equity	2,789,847	3,946,246
% of equity in total assets	55.50%	61.55%

Results of Operations

EXL reported total contract processing revenue of \$235,268 for the six months ended March 31, 2022 (\$37,171 for the six months ended March 31, 2021). The contract in the Kentucky location generated \$207,159 but all in the first three months as the client partner with EXL agreement did not process any biomass from January 1, 2022, and on. Processing will resume when the client partner has satisfactorily reduced their inventory of CBD distillate and has secured more biomass to commence the extraction process again most likely in Q4. The mobile lab in Thailand became operational in October 2021 but a temporary shortage of acceptable hemp biomass meant only small test batches were run thus the contract only generated \$28,109 for the six months ended March 31, 2022 (\$nil – March 31, 2021). Early in May 2022 the client partner confirmed that they had secured a larger quantity of biomass, in order to assist the client partner in achieving a greater amount of output the Company sent two of its technical staff to work with and support the client partner's extraction processing staff.

Salary and benefits – extraction processing is for salaries 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 but were trained how to operate the processing equipment by the Company. For the three months ended March 31, 2021, the Kentucky salaries were \$62,674 and \$143,791 for the six months then ended (\$45,456 for the three months and \$79,807 for the six months ended March 31, 2021) or 38.50% of processing revenue. Staff in Kentucky were kept on the payroll during the interruptions in processing during the October 1st to February 28, 2022, but a reduction of staff began in March 2022 due to the shutdown of processing.



Salary and benefits – corporate and operations of \$138,492 for the three months ended March 31, 2022, was \$39,919 less than the same period in 2021 (\$178,411 – three months ended March 31, 2021) as members of management and the staff took a voluntary short term reduction in compensation until revenue reaches its expected level. The cost of salary and benefits of \$308,838 for the six months ended March 31, 2022, is consistent with the \$307,721 of salary and benefits for the six months ended March 31, 2021, as the cost of one additional full-time staff person in the 2022 numbers offset the savings through the six months that was achieved through the Q2 voluntary salary reduction. There were no new hires during the six months ended March 31, 2022.

Operating and administrative expenses for the three months ended March 31, 2022, were \$416,037 and includes the cost of granted stock options of \$167,405, the operating and administrative cost without the value of the stock option was \$248,632 or \$82,877 per month (\$269,184 for the three months ended March 31, 2021, or \$89,728 per month) which is an average monthly decrease of \$6,851 for Q2. The balance net of the \$444,027 of stock options value for the six months ended March 31, 2022, is \$491,030 which is \$13,326 higher than the six months ended March 31, 2021, total of \$477,704. The Condensed Interim Consolidated Financial Statements for the three and six months ended March 31, 2022, and March 31, 2021, provide individual expense account amounts. The net changes were mainly attributable to the following:

- (a) Payments to contract staff, advisors and management consulting fees continued as extractX engaged individuals and organizations to assist in the development of business, marketing and financing strategies and to outsource certain functions such as information technology, financial and investor administration. However as much of the initial core infrastructure work was done the cost decreased in the three months ended March 31, 2022, by \$49,889 from the three months ended March 31, 2021, and by \$96,979 comparing the six months ended March 31, 2022, to March 31, 2021.
- (b) The value of the stock options granted to directors, staff and service providers was \$167,405 for the three months ended March 31, 2022 (\$nil for the three months ended March 31, 2021) and \$444,027 for the six months ended March 31, 2022 (\$nil for the six months ended March 31, 2021).
- (c) Insurance increased as three mobile extraction labs were insured during the three months and six months ended March 31, 2022, where one lab was insured during the entire three and six months ended March 31, 2021, and a second lab was insured late in Q2 2021. A Directors and Officers Liability policy was only put in place in May 2021. The three month ended March 31, 2022, insurance cost was \$24,319 compared to \$5,985 for the three months ended March 31, 2021, and for the six months ended March 31, 2022 - \$49,387 compared to \$9,175 for the six months ended March 31, 2021.
- (d) Office expenses increased to \$14,819 for the three months ended March 31, 2022, from \$8,625 for the three months ended March 31, 2021 as the Company began an annual subscription to a wire service to expedite the posting of public company documents and news releases; the cost of holding the Annual General Meeting, a Board of Directors meeting and a three day Staff Business Strategy meeting in November 2021 is the additional reason for the increase of \$25,336 from the six months ended March 31, 2022 (\$40,136) compared to the six months ended March 31, 2021 (\$14,800)
- (e) Rent and utilities increased for the three months ended March 31, 2021, to \$22,024 from \$20,515 for the three months ended March 31, 2021, and \$5,953 for the six months ended March 31, 2022, compared to the six months ended March 31, 2021, 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 from the prior year.
- (f) Travel, conference, vehicle and transportation expense was \$9,751 for the three months ended March 31, 2022, compared to \$28,574 for the three months ended March 31, 2021; the decrease is due to limited business travel by staff as compared to staff travel to Kentucky, USA and Turkey in 2021. For the six months ended March 31, 2022 (2022 - \$28,209) and 2021 (2021 - \$32,732) the cost was more comparable as Q1 of



2022 included the cost for directors and advisors to attend the Annual General Meeting, the Board meeting and the Staff Business Strategy session and the cost of staff attending an industry conference and the payment of \$2,000 per month starting in January, 2021 of vehicle allowances for two members of the Executive (2022 - \$12,000; 2021 - \$6,000)

- (g) Advertising, promotion and marketing increased for the three months ended March 31, 2022, to \$48,932 from \$37,773 for the three months ended March 31, 2021, due to the continuation of an organized comprehensive marketing and sales plan launched in Q1 2022 directed at the cannabis industry to secure more processing contracts, the cost for the six months ended March 31, 2022, is \$76,782 as compared to the six months ended March 31, 2021, of \$41,273. The campaign has generated a number of excellent sales leads of which two are in the contract negotiation stage.
- (h) Professional fees for the three months ended March 31, 2022 were \$59,800 which is up from the \$27,625 for the three months ended March 31, 2021 and for the six months ended March 31, 2022 were \$86,857 compared to \$67,110 for the six months ended March 31, 2021 due to increased fees from the auditors for the Company conversion to the International Financial Reporting Standard, auditing the reverse takeover transaction and the stub year-end at September 30, 2021 and their engagement to conduct a review of the quarterly financial statements and reporting to the Audit Committee.

Amortization of capital assets, net of credits was \$115,318 for the three months ended March 31, 2022, and \$87,804 for the three months ended March 31, 2021, the primarily reason for the \$27,514 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 for the full prior period and one other for a portion of the prior period. For the six months ended March 31, 2022, the increase over 2021 was \$55,501.

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 on October 1, 2021, 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 six quarters prior to the three months ended March 31, 2022. 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.

	Mar 31 2022	Dec 31 2021	Sep 30 2021	Jun 30 2021	Mar 31 2021	Dec 31 2020	Sep 30 2020
	\$	\$	\$	\$	\$	\$	\$
Total contract revenue	10	225	166	204	37	nil	nil
Net comprehensive loss	(723)	(2,295)	(954)	(1,173)	(358)	(333)	(333)
Net loss per share	(.0293)	(.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.

In the quarter ended March 31, 2022, EXL very little extraction processing was performed as both contracted locations had issues with inventory, in one case lack of biomass to process and the other a surplus of distillate inventory so no need to process more; the Company responded by starting a program of staff lay-offs and voluntary compensation reductions for remaining staff both employed and on contract.

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 six months ended March 31, 2022, and March 31, 2021.

The table below summarizes the Company's use of cash for the six months ended March 31, 2022, and the six months ended March 31, 2021.

	Six month period ended	Six month period ended
	Mar. 31, 2022	Mar. 31, 2021
	\$	\$
Cash Flows Provided by (Used in):		
Operating Activities	(871,938)	(76,906)
Investing Activities	(169,832)	(1,213,686)
Financing Activities	99,233	1,616,387
Other Activities	2,371	



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
 - Six months ended March 31, 2022 - \$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\$633,900 at March 31, 2022 (\$828,165 at September 30, 2021).

In addition, the EXL has had other significant sources of funding for its capital assets and operations 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 March 31, 2022, \$976,603 has been received.
- The issue of a convertible \$100,000 promissory note, 6 % interest payable on maturity with a due date for the note of March 31, 2023, unless converted by the holder into common shares at the rate of \$2.50 per common share.

During the six months ended March 31, 2022, cash flows used in operating activities was \$871,938 compared to \$76,906 for the six months ended March 31, 2021. The cash used to cover the net loss after accounting for items that don't affect cash was \$190,689 higher in 2022 over 2021 for the six month periods, with cash used of \$725,910 for the six months ended March 31, 2022, compared to \$535,221 of cash used in the six months ended March 31, 2021 because in 2021 the Company had received other income of \$311,985 which was mostly government grants and subsidies that weren't repeated in 2022 period. The biggest difference of \$795,032 in the overall cash used for operating activities in the two comparative six month periods was in the six months ended March 31, 2021, as \$599,346 of sales tax recoverable, research and development tax credits and deposits on contracts were received in cash whereas in the six months ended March 31, 2022, \$199,265 of deposits on contracts were applied against partner client billings.

During the six months ended March 31, 2022, cash flows used for investing activities was \$169,832 being \$22,804 for the acquisition of net assets through the reverse takeover transaction and the purchase of \$147,028 of equipment and computer software as compared to cash flows used for investing activities of \$1,213,686 for the six months ended March 31, 2021, being the purchase of equipment and engineering design documentation



less applicable deferred contributions received.

During the six months ended March 31, 2022, cash flows from financing activities was \$99,233 being the issue of a convertible promissory note for \$100,000 less \$767 used to repay the long debt incurred to finance the purchase of laptop computers compared to the six months ended March 31, 2021, where net cash of \$1,616,387 was generated from the issuance of common shares for \$1,636,509 less the final payment of \$20,000 on the note payable to International Honey Products Ltd. and \$122 used to repay the long debt incurred to finance the purchase of laptop computers

During the six months ended March 31, 2022, cash flows from other activities was \$2,371 which was from foreign currency translation gains (\$nil for the six months ended March 31, 2021).

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.

	Mar. 31, 2022	Sep 30, 2021	Mar. 31, 2021
	\$	\$	\$
Current Assets	607,413	1,888,195	2,348,330
Current Liabilities	1,159,168	1,347,526	1,775,229
Working Capital (Deficiency)	(551,755)	540,669	573,101

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

The working capital at March 31, 2021, of \$573,101 was 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, and then the purchase of equipment and engineering design documentation of \$1,392,022 in the quarter ended March 31, 2021. The small reduction in working capital from March 31, 2021, to September 30, 2021, is a result of very minor equipment purchases and the receipt of revenue and deposits on contracts sufficient to offset the operating losses realized between these periods. The decrease in working capital from September 30, 2021 to March 31, 2022 of \$1,092,424 was as a result of funding the cash operating loss of \$725,910, purchasing capital assets for \$147,028, 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
Convertible promissory note	86,957	86,957			
Long term debt	33,647	1,534	32,113		
Operating leases - facilities	81,600	81,600			
Operating lease - equipment	1,323	1,323			
Purchase obligations	nil				
Total contractual obligations	203,527	171,414	32,113		

EXL issued a convertible promissory note for \$100,000 on March 31, 2022, with a maturity date of March 31, 2023, if not converted prior to maturity at the rate of \$2.50 per common share issued. \$13,043 residual value was attributed to the equity component of the note and is presented in equity.

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 unlikely event that Iannantuono Investments Inc. should default on payment of the lease then the responsibility would fall back on EXL. The payments due until the end of the lease are 2022 - \$10,787 and 2023 - \$5,393

Outstanding Share Capital

The 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 May 26, 2022, March 31, 2022, and September 30, 2021. All of the outstanding warrants and options issued by EXL in the past were accepted and committed to by EXL as a condition of the reverse takeover on October 1, 2021.

	May 26, 2022	Mar. 31, 2022	Sept. 30, 2021
Common shares	24,679,468	24,679,468	23,391,059
Warrants	836,400	836,400	836,400
Options	686,000	686,000	686,000
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, and 1,336,803 common shares to complete the reverse takeover transaction and the subsequent cancellation of 78,394 common shares held by the Company.

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 six months ended March 31, 2021 (with March 31, 2021, and September 30, 2021, noted):

- Salaries and other short-term employee benefits - \$220,985 (March 31, 2021 - \$176,974)
- Board of Directors and Advisory Board fees - \$nil (March 31, 2021- \$21,000)
- Board of Director and Advisory Board share based compensation - \$nil (March 31, 2021 - \$67,500)
- Included in accounts receivable as at March 31, 2022, is an amount owing from Iannantuono Investments Inc., a company owned by a major shareholder - \$4,738 (September 30, 2021 - \$7,124)
- Included in accounts payable and accrued liabilities as at March 31, 2022, 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 six months ended March 31, 2022.

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, convertible promissory note 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 March 31, 2022, the Company has a demand bank loan that is non-interest bearing and a convertible promissory note that has 6% interest due on maturity.

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.

Loss of Key Personnel Risk



The Company as with most organizations relies on several key personnel to operate the business. To mitigate the loss of any of the key personnel in the functional areas the Company has embarked on a program to build within the organization secondary back-ups at the key areas, develop detailed documentation such as standard operating procedures, engineering drawings, finance working papers and sales and marketing details maintained digitally in a centrally accessed and backed-up corporate storage site. The Company has also developed a working team approach in each functional area so that if one team member should exit the team can carry on with completing functional tasks. The Company works with and maintains close relationship with outside professionals in the various functional areas who can be engaged to support the organization at the time of a loss of a key team member.

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 affect 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. The Company is monitoring the developments in the Ukraine-Russia Conflict to determine if this situation has any impact on its business.

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 May 26, 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.

