



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2022

Date of Report: April 12, 2023



CORPORATE INFORMATION

DXI Capital Corp. (the “Company”) is a public company trading on NEX under the symbol of “DXI.H”, operated by the TSX Venture Exchange in Canada. On September 11, 2020, the Company changed its name from DXI Energy Inc. to DXI Capital Corp. and effected a one hundred-to-one share consolidation of its common shares.

The head office of DXI Capital is located at 404 – 999 Canada Place, Vancouver, British Columbia, V6C 3E2, and its registered and records office is located at 3200, 650 West Georgia Street, Vancouver, British Columbia, V6B 4P7.

As of December 31, 2022, the Company has no active operations. Previously, the Company has been engaged in the business of exploring and developing oil and gas properties in North America. The management and board of directors are currently forging a new direction for the Company’s shareholders.

The following management’s discussion and analysis (“MD&A”) is dated April 12, 2023 and should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto for the year ended December 31, 2022 and 2021. Additional information relating to DXI Capital can be found on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This document contains expectations, beliefs, plans, goals, objectives, assumptions, information, and statements about future events, conditions, results of operations or performance that constitute “forward-looking information” or “forward-looking statements” (collectively, “forward-looking statements”) under applicable securities laws. Undue reliance should not be placed on forward-looking statements. Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking statements. We caution that the foregoing list of risks and uncertainties is not exhaustive. Events or circumstances could cause actual dates to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The forward-looking statements contained in this document are made as of the date hereof and the Company does not intend, and does not assume any obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise unless expressly required by applicable securities laws.

The information set out herein with respect to forecasted 2022 results is “financial outlook” within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding DXI Capital’s reasonable expectations as to the anticipated results of its proposed business activities for 2023. Readers are cautioned that this financial outlook may not be appropriate for other purposes.



CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with IFRS requires management to make estimates and judgments that affect reported assets, liabilities, revenues, expenses, gains, and losses. These estimates and judgments are subject to change based on experience and new information. The financial statement areas that require significant estimates and judgments are as follows:

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Management uses judgment to determine the most appropriate valuation model to estimate the fair value for share-based payment transactions. The inputs to the valuation model, including the expected life of the share option, volatility and dividend yield, require judgment for determination.

Financial instruments

When estimating the fair value of financial instruments, the Company uses valuation methodologies that utilize observable market data where available. In addition to market information, the Company incorporates transaction specific details that market participants would utilize in a fair value measurement, including the impact of non-performance risk.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company has designed disclosure controls and procedures ("DCP") to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. During the financial year end of the Company, the appropriate officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's disclosure controls and procedures and have concluded that the Company's disclosure controls and procedures are effective as of December 31, 2022.

The Company has designed internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. During the financial year end of the Company, the appropriate officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal controls over financial reporting and concluded that the Company's internal controls over financial reporting are effective as of December 31, 2022. The Company is required to disclose herein any change in the Company's ICFR that occurred during the recent fiscal period that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.



No material changes in the Company's DCP and its ICFR were identified during the three months ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

WHISTLEBLOWER POLICY

Effective December 28, 2007, the Company's Audit Committee adopted resolutions that authorized the establishment of procedures for complaints received regarding accounting, internal controls or auditing matters, and for a confidential, anonymous submission procedure for employees and consultants who have concerns regarding questionable accounting or auditing matters. The implementation of the whistleblower policy is in accordance with the new requirements pursuant to Multilateral Instrument 52-110 Audit Committees, national Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

RESULTS OF OPERATIONS

Year ended December 31, 2022 and 2021

During the year ended December 31, 2022 ("fiscal 2022"), the Company incurred a net loss of \$138,000 compared to a net loss of \$243,000 for the comparative year of 2021, a reduction of \$105,000.

The loss in 2022 was attributable to ongoing public company compliance and filings fees, legal and consulting services associated with searching and evaluating potential acquisitions that would be suitable for DXI's public company status, available tax loss carryforwards and investor networks. The Company continued efforts to minimize costs throughout 2022 resulting in a comparative decrease in expenses, including a reduction in salaries and wages of \$26,000, reduction of office expenses of \$6,000, reduction of consulting fees of \$38,000 and reduction of legal fees of \$36,000. The higher professional fees in 2021 were predominantly incurred related to due diligence on a potential transaction that never transpired.

During the year ended December 31, 2021 ("fiscal 2021"), the Company incurred a net loss of \$243,000, compared to a net income of \$6,199,000 for the comparative year of 2020.

The loss in 2021 was attributable to ongoing public company compliance and filings fees, legal and consulting services associated with searching and evaluating potential acquisitions that would be suitable for DXI's public company status, available tax loss carryforwards and investor networks. The Company received a \$10,000 reimbursement for costs incurred for waiting for a potential candidate Company to complete certain legal and tax evaluations of a proposed transaction which did not come to fruition.

Three months ended December 31, 2022 and 2021

During the three months ended December 31, 2022 ("Q4 2022"), the Company incurred a net loss of \$22,000, compared to a net loss of \$46,000 for the comparative period of 2021.



The continued loss was attributable to ongoing public company filings and legal and consulting fees associated with searching and evaluating potential acquisitions that would be suitable for DXI's public company status, available tax loss carryforwards and investor networks. Total expenses were \$22,000 in 2022 compared to the prior comparative quarter which consisted of expenses of \$56,000 offset by \$10,000 received from a potential target Company as a reimbursement for waiting for them to complete certain legal and tax evaluations of a proposed transaction which did not come to fruition.

LIQUIDITY AND CAPITAL RESOURCES

DXI Capital manages its capital structure to support current and future business plans and periodically adjusts the structure in response to changes in economic conditions and the risk characteristics of its underlying assets and operations. DXI Capital may adjust its capital structure by issuing shares, altering debt levels, acquiring or disposing of assets or participating in joint ventures.

As at December 31, 2022, the Company had a working capital deficiency of \$774,000, an increase of \$138,000 compared to the \$636,000 working capital deficiency as of December 31, 2021. The increase in the deficiency was a result of the Company continuing to minimize operating costs supported by related party loans until such times that the Company can find a suitable candidate Company to complete a potential transaction with.

Funds used in operations were \$112,000 for the year ended December 31, 2022, a decrease of \$57,000 from \$169,000 for the year ended December 31, 2021. Management has limited expenditures and operations to conserve cash and certain consulting fees are being accrued to assist the Company's cash flows while the Company searches for a target Company to complete a potential transaction with.

Presently, the Company does not generate sufficient cash flows from its operations and has no active operations as of December 31, 2022. As a result, the Company's board of directors and management have been evaluating potential opportunities and prospects.

In order to fund future operations or activities, the Company will need to raise additional funds by way of equity or debt. However, there is no assurance that the Company will be able to raise such funds on terms acceptable to it.

Going Concern and Sources of Financing

The financial statements were prepared on a going concern basis. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has a working capital deficiency of \$774,000. The Company also has an accumulated deficit of \$127 million.



On June 5, 2017, the Company entered into an amended loan agreement with Hodgkinson Equities Corporation (“HEC”) for the loan amount of \$4,500,000 whereby the parties agreed to (a) extend the due date from November 30, 2018 to June 5, 2022; (b) reduce the interest rate to Canadian prime rate plus 1% per annum; (c) provide the right to convert the entire outstanding amount into 584,415 common shares of the Company at a price of \$7.70 per share; and (d) secure the loan by all assets of DUSA and issue a first mortgage in favour of HEC on DEAL’s oil and gas properties. The first mortgage security so issued ranked “pari passu” with HVI’s first mortgage security interest.

On April 29, 2019, the Company entered into an amending agreement with HEC to convert \$2,500,000 into 416,666 common shares of the Company at a price of \$6.00 per share. The agreement was approved by the “disinterested” or minority shareholders at the Company’s “Annual General and Special Meeting of Shareholders” on April 29, 2019. On May 6, 2019, 416,666 common shares of the Company were issued to HEC and 13,731 common shares of the Company were issued in settlement of accrued interest.

Upon receipt of approval by the disinterested shareholders at the Company’s Annual General and Special Meeting of Shareholders on August 20, 2020 and the acceptance by the TSX Venture Exchange (“TSXV”) on October 22, 2020, 4,332,505 shares of the Company at a price of \$0.475 per share (including 121,979 shares in settlement of accrued interest) were issued to HEC on October 22, 2020. Thus, the loan of \$2,000,000 and the accrued interest were repaid in full accordingly.

On June 5, 2017, the Company entered into an amended loan agreement with Hodgkinson Ventures Inc. (“HVI”) for the loan amount of \$2,000,000 whereby the parties agreed to (a) extend the due date from November 30, 2018 to June 5, 2022; (b) reduce the interest rate to Canadian prime rate plus 1% per annum; (c) provide the right to convert the entire outstanding amount into 259,740 common shares of the Company at a price of \$7.70 per share; and (d) secure the loan by all assets of DUSA and issue a first mortgage in favour of HVI on DEAL’s oil and gas properties. The first mortgage security so issued ranked “pari passu” with HEC’s first mortgage security interest.

On May 31, 2020, upon the sale of all the issued and outstanding shares of DEAL to a privately held Calgary-based exploration and production company, HVI agreed to fully release and discharge the first mortgage on DEAL’s oil and gas properties. On August 25, 2020, the Company received a notice of demand from HVI for repayment of its indebtedness to HVI. Because the Company failed to do so, HVI was at liberty to realize its security interest and seized all the issued and outstanding shares of DUSA.

Upon receipt of approval by the disinterested shareholders at the Company’s AGSM on August 20, 2020 and the acceptance by the TSXV on October 22, 2020, 4,332,505 shares of the Company at a price of \$0.475 per share (including 121,979 shares in settlement of accrued interest) were issued to HVI on October 22, 2020. Thus, the loan of \$2,000,000 and the accrued interest were repaid in full accordingly.

On May 21, 2020, the Company entered into a loan agreement with HEC and HVI for the loan amount of \$150,000. The loan bears interest at 8% per annum. The principal and interest accrued on the loan were



repayable on or before December 31, 2020. The principal loan amount owing at December 31, 2020 is \$150,000.

On June 17, 2020, the Company further entered into a loan agreement with HEC for an additional loan amount of up to \$100,000. The loan bears interest at 8% per annum. The principal and interest accrued on the loan were repayable on or before December 31, 2020. The principal loan amount owing at December 31, 2020 is \$100,000.

On October 19, 2020, the Company further entered into a loan agreement with HVI for an additional loan amount of up to \$50,000. The loan bears interest at 8% per annum. The principal and interest accrued on the loan were repayable on or before December 31, 2020. The principal loan amount owing at December 31, 2020 is \$50,000.

On December 22, 2020, the the Company further entered into a loan agreement with HEC for an additional loan amount of up to \$75,000. The loan bears interest at 8% per annum. The principal and interest accrued on the loan were repayable on or before December 31, 2020. The principal loan amount owing at December 31, 2020 is \$75,000. Additionally, the parties agreed to extend the due date of the aggregate sum of the loans of \$375,000 to March 31, 2021.

On March 12, 2021, the Company further entered into a loan agreement with HEC for an additional loan amount of up to \$25,000. The loan bears interest at 8% per annum.

On March 26, 2021, the Company further entered into a loan agreement with HEC for an additional loan amount of up to \$50,000. The loan bears interest at 8% per annum.

On October 1, 2021, the Company entered into a further \$40,000 loan agreement with both HEC and HVI, each for \$20,000. The loans bear interest at 8% per annum.

On February 8, 2022, the Company further entered into a loan agreement with both HEC and HVI, each for \$20,000. The loans bear interest at 8% per annum.

On May 4, 2022, the Company further entered into a loan agreement with both HEC and HVI, each for \$22,500. The loans bear interest at 8% per annum. In addition, the term of the total loans outstanding with HEC and HVI totaling \$600,000 were extended until December 31, 2022.

On October 18, 2022, the Company entered into another loan agreement with HEC and HVI for a total of \$27,000. The loans bear interest at 8% per annum.

The aggregate sum of the principal loan amount is \$600,000 and accrued interest of \$93,000 at December 31, 2022 on the loans.

The Company's ability to continue as a going concern is dependent upon attaining profitable operations and sourcing additional equity and debt capital from financiers, other than the present non-arm's length



lenders to the Company, to provide the Company with sufficient capital to fund future operations or activities. There is no assurance that future operations or activities will be successful. These material uncertainties cast substantial doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used that would be necessary if the going concern assumptions were not appropriate.

CONTRACTUAL OBLIGATIONS

As of December 31, 2022, the Company has obligations to make future payments, representing contracts and other commitments that are known and committed.

<i>(CA\$ thousands)</i>	2022	2023	2024	2025	2026	Thereafter	Total
	\$	\$	\$	\$	\$	\$	\$
Trade and other payables	197	-	-	-	-	Nil	197
Debt repayments	600	-	-	-	-	Nil	600
Total	797	-	-	-	-	Nil	797

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2022 and 2021, the Company entered into the following transactions with related parties:

- (a) Compensation awarded to key management included a total of salaries and director fees of \$60,000 (2021- \$30,000). Key management includes the Company's officers and directors. The salaries and director fees are included in general and administrative expenses. Included in accounts payable and accrued liabilities at December 31, 2022 is \$84,000 (December 31, 2021- \$65,000) owing to the officers and directors of the Company.
- (b) Interest expenses of \$45,000 (2021 - \$36,000) were incurred related to loans from related parties with an accumulated interest accrual payable at December 31, 2022 of \$93,000 (December 31, 2021 - \$48,000).

SHAREHOLDERS' CAPITAL

The Company is authorized to issue an unlimited number of common voting shares, an unlimited number of first preferred shares issuable in series, and an unlimited number of second preferred shares issuable in series. No preferred shares have been issued and the terms of preferred shares have not been defined. As at December 31, 2022 and April 12, 2023, the Company had 12.0 million common shares issued and outstanding and no preferred shares, warrants or stock options issued and outstanding.



OFF-BALANCE SHEET ARRANGEMENTS

The Company has no material undisclosed off-balance sheet arrangements that have or are reasonably likely to have, a current or future effect on our results of operations or financial condition at December 31, 2022.

SELECTED ANNUAL INFORMATION

<i>(CA\$ thousands, except per unit amounts)</i>	2022	2021	2020
Net (loss) income for the year	(138)	(243)	6,199
Per share - basic (\$/common share)	(0.01)	(0.02)	1.45
Per share- fully diluted (\$/common share)	(0.01)	(0.02)	1.45
Total assets	24	26	83

SUMMARY OF QUARTERLY RESULTS

The following table summarizes key financial and operating information by quarter for the past eight quarters ending December 31, 2022:

<i>(thousands of Canadian dollars, except per share amounts)</i>	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
Net income (loss) for the period	(81)	(56)	(59)	(47)	(43)	(43)	(30)	(22)
Per share - basic (\$/common share)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Per share - fully diluted (\$/common share)	(0.005)	(0.005)	(0.005)	(0.005)	(0.004)	(0.004)	(0.003)	(0.003)

BUSINESS RISKS

The Company's business and results of operations are subject to a number of risks and uncertainties, including but not limited to the following:

The Company currently does not generate revenues from its operations and is evaluating potential opportunities and prospects.

The Company's ability to acquire new prospects will require that sufficient capital from outside sources will be available to the Company in a timely manner. Several factors affect the availability of equity or debt financing, many that are beyond the control of the Company.

In March 2020, there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and; specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital.