

LUXXFOLIO NETWORK INC.

Condensed Interim Financial Statements
For the three and six months ended February 28,
2019 and 2018
(Expressed in Canadian Dollars)
(Unaudited)

Dated: April 19, 2019

A copy of this report will be provided to any shareholder who requests it.

LUXXFOLIO NETWORK INC.
Condensed Interim Statement of Financial Position
(Expressed in Canadian Dollars)

	February 28, 2019 (unaudited)	August 31, 2018 (audited)
Assets		
Current		
Cash	\$ 155,331	\$ 405,406
Funds held in trust (notes 5,9)	623,257	623,257
Prepaid expenses	32,250	118,410
GST receivable	41,343	27,581
	\$ 852,181	\$ 1,174,654
Liabilities		
Current		
Accounts payable and accrued liabilities (note 4)	\$ 133,478	\$ 193,278
Subscriptions received (notes 5,9)	623,257	708,257
	756,735	901,535
Shareholders' Equity		
Share Capital (note 5)	1,373,381	923,650
Warrants (note 5)	175,258	443,989
Reserve (note 5)	5,742	5,742
Deficit	(1,458,935)	(1,100,262)
	95,446	273,119
Total Liabilities and Shareholders' Equity	\$ 852,181	\$ 1,174,654

Approved on behalf of the Board:

"Dean Linden"

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Dean Linden, Director

The accompanying notes are an integral part of these condensed interim financial statements.

LUXXFOLIO NETWORK INC.**Condensed Interim Statement of Operations and Comprehensive Loss****(Expressed in Canadian Dollars)****(Unaudited)**

	Three months ended Feb 28		Six months ended Feb 28	
	2019	2018	2019	2018
Expenses				
Research and development (note 4)	\$ 13,529	35,750	\$ 151,924	35,750
Consulting	56,600	10,000	95,100	10,000
Advertising and marketing (note 4)	11,550	0	49,910	0
Management fees (note 4)	12,000	30,000	18,000	30,000
Rent (note 4)	6,000	0	12,000	0
Travel and conventions	4,215	16,900	6,628	16,900
Professional fees	24,229	0	24,229	0
Office and administration (note 4)	882	587	882	587
	129,005	93,237	358,673	93,237
Net Loss and Comprehensive Loss for the Period	(129,005)	(93,237)	(358,673)	(93,237)
Basic and Diluted Loss per Share	\$ (0.01)	(93,237)	\$ (0.03)	(93,237)
Weighted Average Number of Common Shares Outstanding	11,266,369	1	10,603,212	1

The accompanying notes are an integral part of these condensed interim financial statements.

LUXXFOLIO NETWORK INC.**Condensed Interim Statement of Changes in Shareholders' Equity****As at February 28, 2019****(Expressed in Canadian Dollars)****(Unaudited)**

	Common Shares Number	Common Shares Amount	Special Warrant Number	Special Warrant Amount	Reserve	Deficit	Total
Balance, August 31, 2018	9,320,001	\$ 923,650	2,302,905	\$ 443,989	\$ 5,742	\$ (1,100,262)	\$ 273,119
Special warrants issued, net of issuance costs	0	0	530,000	81,000	0	0	81,000
Shares issued	1,050,000	210,000	(1,050,000)	(210,000)	0	0	0
Net Loss	0	0	0	0	0	(229,668)	(229,668)
Balance, November 30, 2018	10,370,001	\$ 1,133,650	1,782,905	\$ 314,989	\$ 5,742	\$ (1,329,930)	\$ 124,451
Special warrants issued, net of issuance costs		0	500,000	100,000	0	0	100,000
Shares issued	1,198,655	239,731	(1,198,655)	(239,731)	0	0	0
Net Loss	0	0	0	0	0	(129,005)	(129,005)
Balance, February 28, 2019	11,568,656	\$ 1,373,381	1,084,250	\$ 175,258	\$ 5,742	\$ (1,458,935)	\$ 95,446

The accompanying notes are an integral part of these condensed interim financial statements.

LUXXFOLIO NETWORK INC.
Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended Feb 28		Six months ended Feb 28	
	2019	2018	2019	2018
Operating Activities				
Net loss for the period	\$ (129,005)	(93,237)	\$ (358,673)	(93,237)
Changes in non-cash working capital				
Accounts receivable	0	(481,306)	0	(481,306)
GST receivable	(3,899)	(4,693)	(13,762)	(4,693)
Prepaid expenses	12,200	0	86,160	0
Accounts payable and accrued liabilities	(19,881)	3,704	(59,800)	3,704
Cash Used in Operating Activities	(140,585)	(575,532)	(346,075)	(575,532)
Financing Activities				
Warrants issued for cash, net of share issue costs	100,000	856,981	96,000	856,981
Inflow (Outflow) of Cash	(40,585)	281,449	(250,075)	281,449
Cash, Beginning of Period	195,916	0	405,406	0
Cash, End of Period	\$ 155,331	281,449	\$ 155,331	281,449

The accompanying notes are an integral part of these condensed interim financial statements.

LUXXFOLIO NETWORK INC.

Notes to the Condensed Interim Financial Statements
For the six months ended February 28, 2019 and 2018
(Expressed in Canadian Dollars)
(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Luxxfolio Network Inc. ("Luxxfolio" or the "Company") was incorporated on December 4, 2017 under the *Business Corporations Act*. The Company changed its name from Blockluxe Network Inc. The head office and records are located at 212 - 1080 Mainland Street, Vancouver, British Columbia, V6B 2T4.

The principal business of the Company is to verify, insure and protect luxury goods through a blockchain-enabled authentication platform.

On August 24, 2018, the Company entered into a Security Exchange Agreement (the "Agreement") with AX1 Capital Corp. ("AX1"), a private company incorporated under the *Business Corporations Act* (British Columbia), with respect to a proposed acquisition. The transaction will be structured by way of a reverse takeover whereby AX1 will issue shares to the Luxxfolio security holders in exchange for securities of Luxxfolio. In consideration for all of the issued and outstanding securities of Luxxfolio, AX1 shall issue to Luxxfolio security holders one common share of AX1 for each common share, special warrant, or share purchase warrant of Luxxfolio held by them. AX1 will become the sole shareholder of the Company. AX1 will file a prospectus with applicable securities regulators to qualify the AX1 shares issued to the Luxxfolio security holders, and concurrently will make application to list the common shares of AX1 on the Canadian Securities Exchange. The transaction is considered a reverse takeover since the legal acquiree (Luxxfolio) is the accounting acquirer, as the former shareholders of Luxxfolio will obtain a controlling interest of the resulting entity after the completion of the transaction.

These condensed interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company realized a net loss of \$358,673 for the six months ended February 28, 2019. As at February 28, 2019, the Company had an accumulated deficit of \$1,458,935. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The Company's continued existence is dependent upon its ability to raise additional capital, obtain financing, realize revenue sources and realize positive cash flows from operations. Failure to do so would have an adverse effect on the financial position of the Company and its ability to continue as a going concern. These factors raise significant doubt about the Company's ability to continue as a going concern. These condensed interim financial statements do not include any adjustments that would be necessary, should the Company be unable to continue as a going concern. Such adjustments could be material.

On December 18, 2018, AX1 filed a preliminary prospectus with the securities regulatory authorities in the Provinces of British Columbia, Alberta, Nova Scotia and Ontario and with the CSE, qualifying the distribution of 15,432,656 common shares of AX1 issuable upon the acquisition of the outstanding common shares of the Company or upon conversion of the special warrants of the Company. In addition, AX1 has applied to the CSE to list its common shares on the CSE.

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2. BASIS OF PRESENTATION

(a) Statement of compliance

These unaudited condensed interim financial statements were prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). These condensed interim financial statements do not include all of the information required for full annual financial statements. These condensed interim financial statements should be read in conjunction with the financial statements for the initial 271-day period ended August 31, 2018.

In preparing these condensed interim financial statements, the significant accounting policies and the significant judgments made by management in applying the Company’s significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company’s audited financial statements for the initial 271-day period ended August 31, 2018.

The condensed interim financial statements are presented in Canadian dollars, which is the Company’s functional currency.

(b) Approval of the condensed interim financial statements

These condensed interim financial statements were approved and authorized for issue by the Board of Directors on April 19, 2019.

(c) Basis of measurement

These condensed interim financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

(a) Use of estimates and judgements

The preparation of these condensed interim financial statements in accordance with IFRS requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim financial statements, and the reported amounts of revenues and expenses during the reporting period.

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(a) Use of estimates and judgements (continued)

Significant areas requiring the use of management's judgments include:

- (i) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax loss carry-forwards or other tax assets. Changes in these assumptions could materially affect the recorded amounts and therefore do not necessarily provide certainty as to their recorded values.
- (ii) The assessment of the Company's ability to continue as a going concern involves judgement regarding future funding available for its research and development and working capital requirements.
- (iii) The application of the Company's accounting policy for intangible asset capitalization requires judgment in determining whether it is likely that the future economic benefits will flow to the Company, which are based on assumptions about future events or circumstances. Assumptions may change if new information becomes available.

4. RELATED PARTY TRANSACTIONS

During the six months ended February 28, 2019, the Company was charged management fees of \$12,000, research costs of \$12,000 and rental fees of \$12,000, by a company controlled by a director and an officer of the Company. In addition, the Company was charged management fees of \$6,000 by an officer of the Company. As at February 28, 2019, \$12,000 is included in accounts payable and accrued liabilities.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers and are included in the amounts described above.

All related party transactions are in the normal course of operations and have been recorded at the fair values on the date they occur.

5. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares, without par value.

(b) Shares issued

During the six months ended February 28, 2019, the Company issued 2,248,655 shares as follows:

- On September 30, 2018, the Company issued 925,000 shares at \$0.20 per share as per automatic conversion of non-escrowed special warrants issued on May 31, 2018 for total proceeds of \$185,000.

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5. SHARE CAPITAL (continued)

(b) Shares issued (continued)

- On November 30, 2018, the Company issued 125,000 shares at \$0.20 per share as per automatic conversion of non-escrowed special warrants issued on July 31, 2018 for total proceeds of \$25,000.
- On December 10, 2018, the Company issued 250,000 shares at \$0.20 per share as per automatic conversion of non-escrowed special warrants issued on August 10, 2018 for total proceeds of \$50,000.
- On December 13, 2018, the Company issued 261,250 shares at \$0.20 per share as per automatic conversion of non-escrowed special warrants issued on August 13, 2018 for total proceeds of \$52,250.
- On December 31, 2018, the Company issued 687,405 shares at \$0.20 per share as per automatic conversion of non-escrowed special warrants issued on August 31, 2018 for total proceeds of \$137,481.

(c) Special warrants

During the six months ended February 28, 2019, the Company issued 125,000 escrowed special warrants pursuant to a subscription agreement for proceeds of \$25,000 received on July 24, 2018, funds held in trust that will be released to the Company upon conversion of these escrowed special warrants. Each escrowed special warrant entitles the holder thereof to automatically receive, without payment of additional consideration and without further action on the part of the holder one common share five days following satisfaction of the Company obtaining a receipt to a final prospectus which qualifies the distribution of the common shares upon conversion of the special warrants, and the conditional listing of the Company's shares on the Canadian Securities Exchange ("CSE") (the "Conversion Date").

In accordance with the terms of the special warrant agreement, if the Conversion Date does not occur on or before January 31, 2019, then the special warrants would be cancelled, and the subscribers will be entitled to receive, without interest, a refund of the subscription proceeds. Given the short term to maturity, management determined that the fair value of the liability component amounted to \$25,000 and the fair value of the equity component was assessed to be \$nil using the residual value method.

On January 31, 2019, the subscribers have agreed to amend the Conversion Date from January 31, 2019 to March 31, 2019. Two subscribers have opted for the return of their funds held in trust. In accordance with the terms of the escrowed special warrant agreement, 284,000 special warrants have been cancelled. Subscription proceeds of \$56,800, without interest, have been returned to the subscribers from the funds held in trust. Finders' fees of \$2,926 have been returned to Luxxfolio. 14,630 finders' warrants have been removed from the 217,630 total finders' warrants allocated and were not issued on the Conversion Date.

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5. SHARE CAPITAL (continued)

(c) Special warrants (continued)

Escrowed special warrants transactions and the number of escrowed special warrants outstanding are summarized as follows:

	For the six months ended Feb 28, 2019	
	Number of Escrowed Special Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	3,209,000	\$ 0.20
Issued	125,000	\$ 0.20
Cancelled	(284,000)	\$ 0.20
Outstanding, end of period	3,050,000	\$ 0.20

During the six months ended February 28, 2019, the Company issued 1,030,000 non-escrowed special warrants pursuant to a subscription agreement for proceeds of \$181,000, net of legal issuance costs of \$25,000. Each non-escrowed special warrant entitles the holder thereof to automatically receive, without payment of additional consideration and without further action on the part of the holder one common share on the earlier of (i) five days following satisfaction of the Company obtaining a receipt to a final prospectus which qualifies the distribution of the common shares upon conversion of the special warrants, and the conditional listing of the Company's shares on the Canadian Securities Exchange ("CSE"); or (ii) four months following the Closing Date.

- During the six months ended February 28, 2019, 2,248,655 non-escrowed special warrants automatically converted into common shares in the capital of the Company (note 5(b)).

The following non-escrowed special warrants were outstanding at February 28, 2019:

Grant Date	Exercise Price	Number of Non- Escrowed Special Warrants
October 31, 2018	\$ 0.20	425,000
November 7, 2018	\$ 0.20	105,000
January 18, 2019	\$ 0.20	500,000
	\$ 0.20	1,030,000

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5. SHARE CAPITAL (continued)

(d) Finders' warrants

During the six months ended February 28, 2019, the Company did not issue any finders' warrants.

The fair value of finders' warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2019
Risk-free interest rate	1.82%
Expected dividend yield	0.00%
Expected stock price volatility	100.00%
Expected life in years	2.00

Finders' warrant transactions and the number of finders' warrants outstanding are summarized as follows:

	For the six months ended Feb 28, 2019	
	Number of Finders' Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	54,250	\$ 0.20
Issued	0	\$ 0.00
Outstanding, end of period	54,250	\$ 0.20

The following finders' warrants were outstanding at February 28, 2019:

Grant Date	Exercise Price	Number of Finders' Warrants
March 1, 2018	\$ 0.20	29,750
March 28, 2018	\$ 0.20	7,000
August 10, 2018	\$ 0.20	17,500
	\$ 0.20	54,250

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6. FINANCIAL INSTRUMENTS

(a) Fair value

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash, funds held in trust, GST receivable, accounts payable and accrued liabilities, and subscriptions received are short term in nature, and therefore the carrying values approximate fair values.

(b) Credit risk

Credit risk refers to the potential that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company manages credit risk, in respect of its cash and funds held in trust by placing its cash balances at a major Canadian financial institution and in a major law firm's trust account.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due.

The Company manages its liquidity risk on an ongoing basis in accordance with policies and procedures in place. Cash flow projections are completed and reviewed on a regular basis to ensure the Company has sufficient cash flows to meet its financial obligations. The Company is exposed to liquidity risk in respect of its accounts payable and accrued liabilities and subscriptions received. Accounts payable and accrued liabilities are due within 90 days. Subscriptions received are potentially repayable March 31, 2019.

7. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. As at February 28, 2019, the Company considers capital to consist of all components of shareholders' equity. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares, or dispose of assets or adjust the amount of cash on hand.

At this stage of the Company's development, in order to maximize ongoing operational development efforts, the Company does not pay dividends. There were no changes to the Company's capital management approach during the six months ended February 28, 2019.

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8. SEGMENT INFORMATION

The Company operates within one business segment in British Columbia, Canada, being a blockchain-enabled authentication platform.

9. SUBSEQUENT EVENTS

(a) Special warrants conversion

On March 3, 2019, 425,000 non-escrowed special warrants were converted to 425,000 common shares of the Company at a value of \$85,000. On March 7, 2019, 105,000 non-escrowed special warrants were converted to 105,000 common shares of the Company at a value of \$21,000.

(b) Special warrants cancelled

On March 1, 2019, four subscribers have opted for the return of their funds held in trust. In accordance with the terms of the escrowed special warrant agreement, 2,650,000 special warrants have been cancelled. Subscription proceeds of \$530,000, without interest, have been returned to the subscribers from the funds held in trust. Finders' fees of \$35,000 have been returned to Luxxfolio. 175,000 finders' warrants have been removed from the 217,630 total finders' warrants allocated and will not be issued following the Conversion Date.

(c) Units issued

On March 15, 2019, the Company issued 526 Units of the Company pursuant to a subscription agreement for gross proceeds of \$526,000. Each Unit consists of one Promissory Note and 1,000 Warrants. Each Promissory Note is for the principal amount of \$1,000, is secured against the Company's assets, bears interest at the rate of 8% per annum, and is repayable 24 months from the date of issue. Each Warrant is exercisable for one common share at an exercise price of \$0.20 per share for a period of 24 months from the date of issue.

(d) Long form prospectus

On March 20, 2019, AX1 filed a long form prospectus with the securities regulatory authorities in the Provinces of British Columbia, Alberta, Nova Scotia and Ontario and with the CSE, qualifying the distribution of 12,998,656 common shares of AX1 issuable upon the acquisition of the outstanding common shares of the Company or upon conversion of the special warrants and the share purchase warrants of the Company. On March 21, 2019, the securities regulatory authorities in the Provinces of British Columbia, Alberta, Nova Scotia and Ontario issued receipts for the long form prospectus of AX1. In addition, AX1 has received conditional approval from the CSE to list its common shares on the CSE.

(e) Security Exchange Agreement

On April 11, 2019, AX1 completed the Agreement with the Company. The Company became the wholly owned subsidiary of AX1.