LUXXFOLIO HOLDINGS INC.

Management's Discussion & Analysis
For the year ended August 31, 2020

Dated: December 22, 2020

This Management's Discussion & Analysis ("MD&A") of the financial condition and results of operation of Luxxfolio Holdings Inc. (the "Company") is for the year ended August 31, 2020. This MD&A should be read in conjunction with the cautionary note regarding forward-looking statements below and the Company's audited consolidated financial statements and the accompanying notes for the years ended August 31, 2020 and 2019. Together with the audited consolidated financial statements and the related notes, the MD&A has been prepared by the management of the Company in accordance with the requirements of National Instrument 51-102 and the International Financial Reporting Standards ("IFRS") as at the date of this MD&A. All dollar amounts are expressed in Canadian dollars ("CAD") unless otherwise stated.

Unless otherwise indicated, the Company's significant accounting policies and estimates, contractual obligations, commitments, contingencies, and business risks and uncertainties, as described in its audited consolidated financial statements for the year ended August 31, 2020, are substantially unchanged.

This MD&A is dated December 22, 2020.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain "forward-looking statements" or "forward looking information" (collectively, "forward looking information") within the meaning of Canadian securities laws. This forward-looking information relates to future events or future performance and reflect management's expectations regarding Company's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking information can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target" or the negative of these terms or other comparable terminology.

Forward-looking information in this MD&A includes, but is not limited to:

- Raising capital, and the use of funds
- Business opportunities for the Company
- Future sales and cash flows of the Company

The risk factors described in this MD&A are not necessarily all the important factors that could cause actual results to differ materially from those expressed in the Company's forward-looking information.

In addition, any forward-looking information represents the Company's estimates only as of the date of this MD&A and should not be relied upon as representing the Company's estimates as of any subsequent date. The material factors and assumptions that were applied in making the forward-looking information in this MD&A include: (a) execution of the Company's existing business plans and growth strategy which may change due to changes in the market place, the views of management, or if new information arises which makes it prudent to change such business plans and growth strategy; and (b) the accuracy of current research results and the interpretation thereof, since new information or new interpretation of existing information may result in changes in the Company's expectations. Forward looking information is based on several assumptions that may prove to be incorrect including but not limited to assumptions about:

- ability to obtain customer contracts and establish relationships;
- the impact of competition;
- the ability to obtain and maintain existing financing on acceptable terms;
- the ability to retain skilled management and staff;
- the ability to acquire a significant market position within a target market;

- currency, exchange, and interest rates;
- the availability of financing opportunities;
- economic conditions;
- the retention of management, and avoidance of conflicts of interest; and
- the progress and success of product marketing.

The preceding list is not exhaustive of all possible factors. All factors should be considered carefully when making decisions with respect to the Company.

Readers should not place undue reliance on the Company's forward-looking information, as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking information if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that such forward-looking information will materialize. The Company does not undertake to update any forward-looking information, except as, and to the extent required by, applicable securities laws. For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking information in this MD&A, see "Risk Factors".

While the Company considers these assumptions may be reasonable based on information currently available to it, these assumptions may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in the section titled "*Risk Factors*".

DESCRIPTION OF BUSINESS

The Company, based in Vancouver, was incorporated under the Business Corporations Act (British Columbia) on October 10, 2017. The Company's business is that of its wholly owned subsidiary, Luxxfolio Network Inc. ("Luxxfolio"). Luxxfolio is a development-stage financial technology company with a customized blockchain technology (the "Platform") that it owns and has available for licensing.

During fiscal year ended August 31, 2019, the Company completed a reverse takeover ("RTO") of Luxxfolio and began trading on the Canadian Securities Exchange under the symbol LUXX. Specific details of the RTO are described in the Company's audited consolidated financial statements for the year ended August 31, 2020.

The Company's focus is the development of the Platform to enable an organization or individual to authenticate, secure, and track via a highly secure verifiable ledger their digital based assets, contracts and documents or physical based assets ("Uniquely Identified Assets"). The Platform aims to provide a secure and reliable place to authenticate and track Uniquely Identified Assets and provide the ability to monetize or securitize these assets.

The Company continues to explore all options for strategic alternatives with respect to the Company's business, Platform, and other more broadly defined options, including changes to the capital structure, mergers and acquisitions, sales, and divestitures (the "Strategic Review").

OVERALL PERFORMANCE

As at the date of this MD&A, the Company has: (i) raised sufficient debt and equity to fund its initial work on the Platform and cover the costs of going public; (ii) engaged the necessary expertise, either in-house or through third party contracts, to complete the initial development of the Platform; and (iii) completed a reverse takeover with

Luxxfolio and began trading on the Canadian Securities Exchange ("CSE") on May 6, 2019, trading under the symbol LUXX.

Acquisition of Luxxfolio

On April 11, 2019, the Company completed the acquisition Luxxfolio and Luxxfolio became the wholly owned subsidiary of the Company. The acquisition is considered a RTO by the Company since the legal acquiree is the accounting acquirer, as the former shareholders of Luxxfolio obtained a controlling interest of the resulting entity after the completion of the Transaction.

Going Concern

During the year ended August 31, 2020, the Company incurred a net loss of $135,618 and, as of that date, had an accumulated deficit of $2,268,087. The Company has not generated cash inflows from operations. There is no assurance that the Strategic Review or the Offering will result in the approval or completion of any strategic alternative or transaction in the future. The Company continues to proceed expeditiously but has not set a timetable for completion of the Strategic Review. These factors raise significant doubt about the Company's ability to continue as a going concern.

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.

DISCUSSION OF OPERATIONS

The Company has not commenced commercial operations and has had no operating revenues to date.

The recovery of the Company's investment in the Platform will be dependent upon Luxxfolio's ability to finalize the development and commercialization of its technology, generate revenues from operations, and the Company's ability to raise sufficient debt and equity to finance these operations until profitable. The ultimate outcome of these operations cannot presently be determined because they are contingent on future matters.

Letter of Intent

The Company announced on March 2, 2020 that it had entered into a non-binding letter of intent (the "LOI") with Cypress Hills Partners Inc. ("CHP") and its intention to undertake a non-brokered private placement in connection with the LOI. Under the terms of the LOI, the parties agreed to work towards a definitive agreement whereby the Company would provide CHP with the services of its Platform to enable CHP to verify and to authenticate its digital assets. There can be no assurance that this process will result in the approval of any strategic alternative or transaction in the future. On July 16, 2020, the Company announced an extension the termination date of the LOI to December 31, 2020 from its previously expiry date of July 5, 2020.

Non-brokered Private Placement

As at the date of this MD&A, the Company has completed the sixth tranches of its non-brokered private placement its previously announced non-brokered private placement for up to 8 million special warrants (the "Special Warrants") at a price of $0.05 per Special Warrant (the "Offering"). The Offering amounted to a total of 5,000,000 Special Warrants at a price of $0.05 per Special Warrant with aggregate proceeds of $250,000.

The holder of the Special Warrant will have limited voting rights on certain corporate matters including share consolidations and election of directors. The Company intends to use the proceeds from the Offering for general working capital and to enable the Company to pursue the Strategic Review and related opportunities, which may include, but are not limited to, the term sheet, the LOI, changes to the capital structure, the acquisition or merger of a strategic opportunity, the disposition of certain assets of the Company, or the further development and expansion of the Company's wholly owned subsidiary's authentication and distributed ledger technology.

Analysis of Financial Results

	For the year ended August 31, 2020	For the year ended August 31, 2019
Expenses		
Research and development	$ 11,364	$ 218,571
Consulting	29,000	181,694
Advertising and marketing	-	31,910
Management fees	9,000	30,000
Professional fees	22,805	64,580
Rent	12,000	21,050
Travel and conventions	3,183	13,204
Interest and accretion expense	-	74,040
Office and administration	16,014	11,633
Loss Before Other Items	(103,366)	(646,682)
Other Expenses		
Listing fees	-	(391,418)
Loss on prepaid expenses	(32,253)	-
Interest income	1	151
Net Loss and Comprehensive Loss for the Period	$ (135,618)	$ (1,037,949)

For the year ended August 31, 2020 vs. August 31, 2019

The Company had a net loss of $135,618 for the year ended August 31, 2020 compared to a net loss of $1,037,949 for the year ended August 31, 2019. The decrease in net loss can be attributed to lower research and development expenses, consulting fees and advertising and marketing fees. There were no interest and accretion expense, and listing fees during the year ended August 31, 2020.

The net loss for the year ended August 31, 2020 is primarily composed of consulting expenses of $29,000 (2019 - $181,694), professional fees of $22,805 (2019 - $64,580), and office and administration expenses of $16,014 (2019 - $11,633).

During the year ended August 31, 2020, the Company determined that it is unlikely it will be able to utilize certain prepaid expenses in the foreseeable future. The Company has written down the carrying amount of the prepaid expenses totaled $32,253 (2019 - $nil) as the amounts are non-refundable.

Analysis of Cash Flows

	For the year ended August 31, 2020	For the year ended August 31, 2019
Operating Activities		
Net loss for the period	$ (135,618)	$ (1,037,949)
Non-cash items	-	412,624
Changes in non-cash working capital	(14,663)	112,085
Cash used in operating activities	(150,281)	(513,240)
Financing Activities		
Issuance of non-escrowed special warrants	165,000	96,000
Issuance of escrowed special warrants	-	74,108
Proceeds from notes offering	-	526,000
Payment of notes offering	-	(526,000)
Cash provided by financing activities	165,000	170,108
Investing Activity		
Cash acquired from reverse takeover transaction	-	47,349
Cash provided by investing activity	-	47,349
Inflow of Cash	14,719	(295,783)
Cash, Beginning of Period	109,623	405,406
Cash, End of Period	$ 124,342	$ 109,623

Operating Activities

The total cash used in operating activities for the year ended August 31, 2020 amounted to $150,281 (2019 - $513,240) attributed primarily to business research and development, consulting fees, management fees and professional fees.

Financing Activities

During the year ended August 31, 2020, the Company issued 3,300,000 (2019 – 1,030,000) non-escrowed special warrants for net proceeds of $165,000 (2019 - $96,000).

Investing Activities

During the year ended August 31, 2020, the Company did not have any cash investing activities.

During the year ended August 31, 2019, as a result of the RTO with Luxxfolio, the Company acquired cash of $47,349. Other than the RTO, the Company has not made any acquisitions or dispositions since the date of its incorporation.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table summarizes selected financial data from the Company's audited financial statements for the year ended August 31, 2020 and 2019. It should be read in conjunction with the corresponding audited financial statements.

Item	For the year ended August 31, 2020	For the year ended August 31, 2019
Revenues	$nil	$nil
Expenses	($135,619)	($646,682)
Listing fees	$nil	($391,418)
Other income	$1	$151
Net Loss	($135,618)	($1,037,949)
Total Assets	$127,805	$155,146
Non-current Liabilities	$nil	$nil
Working Capital (Deficiency)	$98,969	($68,801)
Shareholders' Equity (Deficit)	$98,969	($68,801)
Dividend	$nil	$nil
Weighted Average Number of Common Shares Outstanding	17,099,420	12,502,185
Basic and Diluted Loss per Common Share	($0.01)	($0.08)

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The Company has had no revenue from operations since incorporation. The following is a breakdown of the material costs incurred for the year ended August 31, 2020 and 2019:

(a) Research and Development Costs - $11,364 (2019 - $218,571), being costs associated with development of the Company and the Platform;

(b) Consulting Fees - $29,000 (2019 - $181,694), being costs associated with corporate affairs, business planning and product innovation;

(c) Management Fees - $9,000 (2019 - $30,000), being fees paid to Cypress Hills Partners Inc., a related party, for accounting and administrative functions;

(d) Professional Fees - $22,805 (2019 - $64,580), being costs associated with bookkeeping and legal expenses;

(e) Rent Expenses - $12,000 (2019 - $21,050), being expenses paid to CHP Properties Inc., a related party, for lease of office space;

(f) Travel and Conventions - $3,183 (2019 - $13,204), being costs associated with business travels;

(g) Loss on Prepaid Expenses - $32,253 (2019 - $nil), being the loss on prepaid expenses relating to technology conventions (see "Fourth Quarter"); and

(h) Office and Administration expenses - $16,014 (2019 - $11,633), being costs associated with office equipment and supplies.

FOURTH QUARTER

During quarter ended August 31, 2020, the Company had no operating revenues. The Company incurred a net loss of $57,698 due primarily to professional fees of $11,140 and loss on prepaid expenses of $32,253.

Professional fees of $11,140 were accrued expenses relating to the 2020 audit. The Company determined that it is unlikely the Company will utilize the prepaid expenses of $32,253 relating to technology conventions that it paid during the 2018 fiscal year in the foreseeable future. The Company has chosen to write down the carrying value of the prepaid expenses as the amounts are non-refundable.

Letter of Intent

On July 16, 2020, the Company announced an extension to the LOI between CHP and the Company dated March 2, 2020. The termination date was extended to December 31, 2020 from its previously expiry date of July 5, 2020 (see "DISCUSSION OF OPERATIONS").

Non-brokered Private Placement

During the quarter ended August 31, 2020, the Company completed two tranches of its non-brokered private placement for a total of 3,300,000 Special Warrants at a price of $0.05 per Special Warrant. The aggregate proceeds of the Offering were $165,000 as at August 31, 2020 (see "DISCUSSION OF OPERATIONS").

SUMMARY OF QUARTERLY RESULTS

The Company recorded no operating revenues for the fiscal year ended August 31, 2020.

Quarterly Results:

	Quarter ended Nov 30, 2019	Quarter ended Feb 29, 2020	Quarter ended May 31, 2020	Quarter ended August 31, 2020
Total revenue	$nil	$nil	$nil	$nil
Net loss for the period	($16,694)	($35,881)	($25,345)	($57,698)
Basic and Diluted loss per share	($0.00)	($0.00)	($0.00)	($0.00)

	Quarter ended Nov 30, 2018	Quarter ended Feb 28, 2019	Quarter ended May 31, 2019	Quarter ended August 31, 2019
Total revenue	$nil	$nil	$nil	$nil
Net loss for the period	($229,668)	($129,005)	($431,003)	($248,273)
Basic and Diluted loss per share	($0.02)	($0.01)	($0.03)	($0.05)

Fourth Quarter – August 31, 2020

During the quarter ended August 31, 2020, the Company had no operating revenues. The Company had a net loss of $57,698. The increase in the net loss was primarily due to professional fees and loss on prepaid expenses (see "FOURTH QUARTER").

Third Quarter – May 31, 2020

During the quarter ended May 31, 2020, the Company had no operating revenues. The Company had a net loss of $25,345. The net loss was primarily due to the professional fees relating to the audit, tax return and accounting related functions of the Company.

Second Quarter – February 29, 2020

During the quarter ended February 29, 2020, the Company had no operating revenues. The Company had a net loss of $35,881. The increase in net loss from the previous quarter was primarily due to consulting fees relating to strategic planning and operation of the Company, and office and administration expenses relating to the annual general meeting.

First Quarter – November 30, 2019

During the quarter ended November 30, 2019, the Company had no operating revenues. The Company had a net loss of $16,694. The loss was primarily due consulting fees relating to corporate affairs.

Fourth Quarter – August 31, 2019

During the quarter ended August 31, 2019, the Company had no operating revenues. The Company incurred a net loss of $248,273, due primarily to research and development expenses of $57,341, consulting fees of $55,000, interest and accretion expense of $60,231, and professional fees of $58,557. Research and development costs of $57,341 were related to the costs developing the Platform. Consulting fees of $55,000 were costs associated with corporate affairs, business planning and product innovation. Professional fees of $58,557 were legal expenses. Interest and accretion expense of $549 were interest accrued on the promissory notes and the balance of $59,682 were recognized on the early repayment of the promissory notes on June 3, 2019.

Third Quarter – May 31, 2019

During the quarter ended August 31, 2019, the Company had no operating revenues. The Company had a net loss of $431,003. This increase in net loss from the previous quarter ended February 28, 2019 is primarily due to higher legal and audit expenses related to the filing of the prospectus as well as the listing fees associated with the RTO.

Second Quarter – February 28, 2019

During the quarter ended February 28, 2019, the Company had no operating revenues. The Company had a net loss of $129,005. The loss was primarily composed of $56,600 in consulting fees and $24,229 in professional fees related to the review of the long-form prospectus and the interim financial statements.

First Quarter – November 30, 2018

During the quarter ended November 30, 2018, the Company had no operating revenues. The Company had a net loss of $229,668. The loss was primarily composed of $138,395 in research and development related to the development and the launch of the first iteration of the App, $38,500 in consulting fees related to the review of the preliminary prospectus, and $38,360 in advertising and marketing expenses related to the branding of the Company.

LIQUIDITY AND CAPITAL RESOURCES

The Company manages its capital to maintain its ability to continue as a going concern, with a long-term view of providing returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents, debt comprised of promissory notes and equity comprised of issued share capital and deficit. The Company manages its capital structure and adjusts it considering economic conditions and financial needs. The Company, upon approval from its Board, will balance its overall capital structure through issuance of securities or by undertaking other activities as deemed appropriate under the specific circumstances.

During the year ended August 31, 2020, the Company incurred a net loss of $135,618, due primarily to loss on prepaid expenses of $32,253, consulting fees of $29,000, and professional fees of $22,805.

Working Capital

As at August 31, 2020, the Company had a working capital surplus of $98,969 compared to a working capital deficit of $68,801 as at August 31, 2019. The improvement in working capital can be attributed to financing activities through equity issuances.

On July 29, 2019, Luxxfolio entered into the LOC Agreement with CHI, for a revolving line of credit to a maximum of $500,000, and subject to a maximum draw of $50,000 per month. The term of the LOC Agreement is 24 months and the LOC bears interest at 9% per annum. Under the terms of the Agreement, Luxxfolio is restricted to using the LOC for research and development expenses or for other purposes approved by CHI. Luxxfolio has provided CHI with a General Security Agreement covering all of Luxxfolio's assets as security for the LOC. The terms and conditions of LOC are consistent with those that may be available from a third-party lender. Further, the LOC becomes immediately due and payable should a change of control occur in the ownership of Luxxfolio's equity or the composition of the Board of Directors.

Requirement of Additional Debt and Equity Financing

The Company and Luxxfolio have relied on debt and equity financings for all funds raised to date for their operations. The Company will need more funds to cover its working capital deficit and to expand its business in the future. Until the Company starts generating cash inflows from its operations, it is expected to continue to rely upon the issuance of securities to finance its operations. There is no certainty that debt or equity financings will be available at the times and in the amounts required to fund the Company's activities. The consolidated financial statements do not include any adjustments that might result from these uncertainties. The Company's access to financing is always uncertain.

No dividends have been paid by the Company to date. The Company anticipates that for the foreseeable future it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the Board after considering many factors, including the Company's financial condition and current and anticipated cash needs. The Company is not subject to any externally imposed capital requirement as at the date of the MD&A.

As previously announced in 2019, the Company commenced a review of strategic alternatives available to enhance shareholder value. The strategic alternatives being considered include, but are not limited to, changes to the capital structure, sale or merger of the company, disposition of the business or assets or further development and expansion of the Company's technology to broaden market opportunities. There can be no assurance that this process will result in the approval of any strategic alternative or transaction in the future.

OUTSTANDING SHARE DATA

The Company's authorized share capital consists of an unlimited number of common shares without par value.

As at August 31, 2020, there were 17,647,415 common shares, 3,300,000 Special Warrants, and 554,000 share purchase warrants issued and outstanding. Each share purchase warrant may be exercised into one common share of the Company at an exercise price of $0.20 per warrant for a period of 24 months from the date of issuance.

Following August 31, 2020, fiscal year-end, the Company issued a total of 1,700,000 Special Warrants at a price of $0.05 per Special Warrant for aggregate proceeds of $85,000 (see "SUBSEQUENT EVENTS"). These Special Warrants carried the same rights, terms, and conditions as previous tranches of the Special Warrants.

Following August 31, 2020, fiscal year-end, the Company issued a total of 1,300,000 stock options with an exercisable price of $0.075 per common share (see "SUBSEQUENT EVENTS").

OFF-BALANCE SHEET ARRANGEMENTS

There are no material off-balance sheet arrangements being pursued or negotiated by the Company as at the date of this MD&A.

TRANSACTIONS WITH RELATED PARTIES

During the year ended August 31, 2020, the Company entered into the following transactions with related parties:

a) paid management fees of $9,000 (2019 - $24,000) to a company controlled by Kelly Klatik, a director of the Company, and Dean Linden, an officer of the Company for accounting and administrative functions. As at August 31, 2020, the amount outstanding to the company controlled by Kelly Klatik and Dean Linden was $5,612;

b) paid research costs of $9,000 (2019 - $24,000) to a company controlled by Kelly Klatik, a director of the Company, and Dean Linden, an officer of the Company for research and development of the Platform. As at August 31, 2020, the amount owed to the company controlled by Kelly Klatik and Dean Linden was $5,612;

c) paid rental fees of $12,000 (2019 - $21,050) to a company controlled by Kelly Klatik, a director of the Company, and Dean Linden, an officer of the Company for leasing the space used as the Company's office;

d) paid office and administrative expenses of $200 (2019 - $nil) to a company controlled by Kelly Klatik, a director of the Company, and Dean Linden, an officer of the Company for office supplies;

e) paid consulting fees of $18,000 (2019 - $7,500) and travel expenses of $3,183 (2019 - $nil), and administrative expenses of $118 (2019 - $nil) to Geoffrey McCord, an officer of the Company for his engagement on the strategic planning and operation of the Company, and travels required to attend meetings;

f) issued 1,747,758 common shares at a price of $0.05 per share in full settlement of debts totaled $87,388 owed to a company controlled by Kelly Klatik, a director of the Company, and Dean Linden, an officer of the Company. The debts were related to the management and research fees incurred by the Company; and

g) issued 300,000 Special Warrants at a price of $0.05 per Special Warrant to a company controlled by Kelly Klatik, a director of the Company, and Dean Linden, an officer of the Company.

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.

PROPOSED TRANSACTIONS

On November 24, 2020, the Company entered into a non-binding term sheet (the "Term Sheet") with Ocean Falls Blockchain Corp. ("Ocean Falls") to acquire a 100% interest in Ocean Falls (the "Proposed Transaction"). Ocean Falls is a blockchain cryptocurrency mining operator. The Proposed Transaction is currently contemplated to proceed by way of the Company purchasing all the issued and outstanding shares in the capital of Ocean Falls. The purchase price is anticipated to be approximately $695,000 which will be paid for by the issuance of shares in the capital of the Company. The Proposed Transaction is not expected to result in a change of business nor change of control. The final structure of the Proposed Transaction will be determined by the Company and Ocean Falls after considering such matters as due diligence findings, tax consequences, accounting treatment, and legal and regulatory requirements. The closing of the Proposed Transaction is subject to the negotiation and execution of definitive documentation, the satisfactory completion of due diligence, the receipt of all required consents and approvals, a minimum capital raise of $100,000 by the Company, the purchase or lease of certain crypto server equipment, and other conditions that are typical for a transaction of this nature. Assuming all conditions to closing are satisfied, the Proposed Transaction is expected to be completed by January 8, 2021. The negotiation of the Proposed Transaction is on-going as at the date of this MD&A.

SUBSEQUENT EVENTS

Special Warrants

On November 3, 2020, the Company completed the third and fourth tranches of its previously announced non-brokered private placement for up to 8 million special warrants (the "Special Warrants") at a price of $0.05 per Special Warrant. The third tranche amounted to 650,000 Special Warrants and the fourth tranche amounted to 200,000 Special Warrants for proceeds of $32,500 and $10,000, respectively. Both tranches carry the same rights, terms and conditions as the prior tranches which closed on July 3, 2020, and August 31, 2020.

On November 24, 2020, the Company completed the fifth tranche of its previously announced non-brokered private placement of Special Warrants. The tranche amounted to 200,000 Special Warrants for aggregate proceeds of $10,000. These Special Warrants carried the same rights, terms, and conditions as previous tranches of the Special Warrants.

On December 2, 2020, the Company completed the sixth tranche of its previously announced non-brokered private placement of Special Warrants. The tranche amounted to 650,000 Special Warrants for aggregate proceeds of $32,500. These Special Warrants were issued to a related party. These Special Warrants carried the same rights, terms, and conditions as previous tranches of the Special Warrants.

Potential Acquisition

On November 24, 2020, the Company entered into a non-binding term sheet with Ocean Falls Blockchain Corp. to acquire 100% interest in Ocean Falls (see "PROPOSED TRANSACTIONS").

Stock Options

On December 16, 2020, the Company granted 1,300,000 of stock options to certain directors, officers, and consultants of the Company. The stock options are exercisable into common shares for a term of five years from the date of the grant at an exercise price of $0.075 per common share. The stock options granted are subject to a four-month-and-one-day hold period from the date of the grant. A total of 650,000 of the 1,300,000 stock options were granted to related parties. This is the Company's first issuance of stock options.

Non-brokered Private Placement of Common Shares

On December 17, 2020, the Company announced non-brokered private placement for up to 4,000,000 common shares at a price of $0.075 per common share. The proceeds will be used to pursue Strategic Review opportunities, which may include, but are not limited to, the non-binding term sheet with Ocean Falls Blockchain Corp., changes to the capital structure, acquisition or merger of a strategic opportunity, the disposition of certain assets of the Issuer, or the further development and expansion of the Company's authentication and distributed ledger technology.

Purchase of Bitcoin Miners

On December 21, 2020, the Company announced it has placed an order for 590 bitcoin miners, dedicated equipment to validate Bitcoin creation equations. The total cost of the bitcoin miners is approximately $1,510,000 CAD and will be purchased through a combination of equity and debt in an asset backed lending structure.

CONTROLS AND PRODCEDURES

In connection with National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings, the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the annual financial statements and the accompanying MD&A for the year ended August 31, 2020 and 2019.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION AND FINANCIAL INSTRUCMENTS

IFRS 16 *Leases*

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties of a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. The adoption of this standard did not have an impact on the Company's consolidated financial statements as the Company does not have any long term leases.

RISK FACTORS

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 by placing its cash balances at a major Canadian financial institution.

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.

Volatility of Enterprise Value and Market Conditions
The Company's enterprise value may be subject to wide fluctuations in response to factors such as actual or anticipated variations in its results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may adversely affect the market price of the common shares, even if the Company is successful in maintaining revenues, cash flows or earnings. The purchase of debt and equity involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Securities of the Company should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company should not constitute a major portion of an investor's portfolio.

Limited Operating History
The Company was recently formed and has no operating history. The Company and its business prospects must be viewed against the background of the risks, expenses and problems frequently encountered by companies in the early stages of their development, particularly companies in new and rapidly evolving markets such as the product authentication, financial technology, and blockchain markets. There is no certainty that the Company will attain its business objectives or operate profitably.

No Profits to Date
The Company has not made any profits since its incorporation. It is expected that it will not be profitable for the foreseeable future. The Company's future profitability depends upon Luxxfolio's success in developing and managing the Platform and to the extent to which the Platform is able to generate significant revenues. Because of the limited operating history, the changes in the business, and the uncertainties regarding the development of product authentication, finance, and blockchain technologies, management does not believe that the operating results to date should be regarded as indicators for the Company's future performance.

Additional Requirements for Capital
Substantial additional financing may be required if the Company is to successfully develop its business. No assurances can be given that the Company will be able to raise the additional capital that it may require for its anticipated future development. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company, if at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion.

Negative Operating Cash Flow
The Company is not generating operating revenue and has negative cash flow from operating activities. It is anticipated that the Company will continue to have negative cash flow in the foreseeable future. Continued losses may have the following consequences:

- increasing the Company's vulnerability to general adverse economic and industry conditions;
- limiting the Company's ability to obtain additional financing to fund future working capital, capital expenditures, operating costs, and other general corporate requirements; and
- limiting the Company's flexibility in planning for, or reacting to, changes in its business and industry.

Line of Credit
The LOC is secured against all the assets of Luxxfolio. If Luxxfolio defaults on its payment obligations under the LOC Agreement, then it could lose all its intellectual property and other assets that underly its business such as the Platform. If this occurs, then the business of Luxxfolio and the Company would be severely damaged or even cease to exist.

Expenses May Not Align with Revenues
Unexpected events may materially harm the Company's ability to align incurred expenses with recognized revenues. The Company incurs operating expenses based upon anticipated revenue trends. Since a high percentage of these expenses may be relatively fixed, a delay in recognizing revenues from transactions related to these expenses (such a delay may be due to the factors described elsewhere in this risk factor section or it may be due to other factors) could cause significant variations in operating results from quarter to quarter, and such a delay could materially reduce operating income. If these expenses are not subsequently matched by revenues, the Company's business, financial condition, or results of operations could be materially and adversely affected.

Market Acceptance
If the Platform does not gain market acceptance, its operating results will be negatively affected. If the markets for the Platform and services fail to develop, develop more slowly than expected or become subject to increased competition, the Company's business may suffer. As a result, the Company may be unable to: (i) successfully market the Platform; (ii) continue to develop and improve the Platform; or (ii) complete software products and services currently under development. If the Platform is not accepted by its customers or by other businesses in the marketplace, the Company's business, operating results, and financial condition will be materially affected.

Global Financial Developments
Stress in the global financial system may adversely affect the Company's finances and operations in ways that may be hard to predict or to defend against. Financial developments seemingly unrelated to the Company or to its industry may adversely affect the Company over the course of time. For example, material increases in any applicable interest rate benchmarks may increase the debt payment costs for the Company's credit facilities. Credit contraction in financial markets may hurt its ability to access credit in the event that the Company identifies an acquisition opportunity or require significant access to credit for other reasons. A reduction in credit, combined with reduced economic activity, may adversely affect business. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on the Company's business, operating results, and financial condition.

Regulatory Risks
Changes in or more aggressive enforcement of laws and regulations could adversely impact the Company's business. Failure or delays in obtaining necessary approvals could have a materially adverse effect on the Company's financial condition and results of operations. Furthermore, changes in government, regulations and policies and practices could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition. Regulatory agencies could shut down or restrict the use of systems similar to the Platform or blockchain based technologies. This could lead to a loss of any investment made in the Company and may trigger regulatory action by the authorities such as the securities regulators.

Dependence on Internet Infrastructure
The success of the Company as a developer of blockchain platforms will depend by and large upon the continued development of a stable public infrastructure, with the necessary speed, data capacity and security, and the timely development of complementary products to provide reliable access to the internet and the Company's business services. There is no assurance that such access will always be available or grow to meet increased demand.

Risk of Security Weaknesses in the Company's Platform Software
Luxxfolio's network software consists of open source software that is itself based on open source software. There is a risk that the developers of the Platform, or other third parties may intentionally or unintentionally introduce weaknesses or bugs into the core infrastructural elements of the Company's Platform interfering with the use of or causing the loss of data.

Risk of False Authentication
Luxxfolio's authentication service is dependent on third parties to carry out the actual authentication of individual items. Although Luxxfolio may have processes in place to identify false authentications, there is no guarantee that a false authentication will not be detected before it is recorded to the Platform as a valid authentication. If this happens, it could result in a loss of customer and market trust in the Platform and thus a decline in user adoption of the Platform that could materially affect the Company's ability to attain its business objectives.

Risks Associated with IBM Hyperledger blockchain
The secured recording and storage of UIA on the Platform is based upon IBM's Hyperledger blockchain. As such, any malfunction, unintended function, or unexpected functioning of the IBM's Hyperledger may cause the Platform to malfunction or function in an unexpected or unintended manner.

Risk of Theft and Hacking
Hackers or other groups or organizations may attempt to interfere with the Platform or the availability of it in any number of ways, including without limitation denial of service attacks, Sybil attacks, spoofing, smurfing, malware attacks, or consensus-based attacks.

Intellectual Property Rights
Although the Company is not aware it has violated any commercial and other proprietary rights of third parties, there can be no assurance that its products do not violate proprietary rights of third parties or that third parties will not assert or claim that such violation has occurred. Although no issues in this respect have arisen to date, any such claims and disputes arising may result in liability for substantial damages which in turn could harm the Company's business, results of operations and financial condition.

Competition
The Company is still an early stage company. The market for blockchain technology for authenticating and recording the provenance of goods and providing financial products may become highly competitive before the Company can attain enough market share. There is no assurance that the Company will successfully differentiate its products from that of its competitors, or that the marketplace will consider the Platform superior to competing products.

Dependence on Third Party Relationships
The Company is highly dependent on a number of third-party relationships to conduct its business and implement expansion plans, it cannot be assured that all of these partnerships will turn out to be as advantageous as currently anticipated or that other partnerships would not have proven to be more advantageous. In addition, it is impossible to assure that all associated partners will perform their obligations as agreed or that any strategic agreement will be specifically enforceable by the Company.

Key Personnel
The future success of the Company will depend, in large part, upon its ability to retain its key management personnel and to attract and retain additional qualified marketing, sales and operational personnel to form part of its technical and customer services team. The Company may not be able to enlist, train, retain, motivate, and manage the required personnel. Competition for these types of personnel is intense. Failure to attract and retain personnel, particularly marketing, sales, and operational personnel as well as consultants, could make it difficult for the Company to manage its business and meet its objectives.

Failure to manage growth successfully may adversely impact the Company's operating results. The growth of the Company's operations places a strain on managerial, financial, and human resources. The Company's ability to manage future growth will depend in large part upon several factors, including the ability to rapidly:

- hire and train development, sales, and marketing staff to create an expanding presence in the evolving marketplace for the Company's products;
- attract and retain qualified technical personnel in order to administer technical support required for customers located in Canada and elsewhere;
- develop customer support capacity as sales increase, so that customer support can be provided without diverting resources from product sales efforts; and
- expand internal management and financial controls significantly, so that control can be maintained over operations as the number of personnel and size of the Company increases.

Inability to achieve any of these objectives could harm the business and operating results of the Company.

Management of Growth

The Company may be subject to growth-related risks including pressure on its internal systems and controls. The Company's ability to manage its growth effectively will require it to continue to implement and improve its operational and financial systems. The inability of the Company to deal with this growth could have a material adverse impact on its business, operations, and prospects. While management believes that it will have made the necessary investments in infrastructure to process anticipated volume increases in the short term, the Company may experience growth in the number of its employees and the scope of its operating and financial systems, resulting in increased responsibilities for the Company's personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any future growth effectively, the Company will also need to continue to implement and improve its operational, financial and management information systems and to hire, train, motivate and manage its employees. There can be no assurance that the Company will be able to manage such growth effectively, that its management, personnel or systems will be adequate to support the Company's operations or that the Company will be able to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with this growth.

Litigation

The Company, Luxxfolio, or both may become involved in litigation that may materially adversely affect either company or both companies. From time to time in the ordinary course of the Company's business, it may become involved in various legal proceedings. Such matters can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on the Company's business, operating results, or financial condition.

Conflicts of interest

The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests, which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. Conflicts, if any, will be subject to the procedures and remedies as provided under the BCBCA.

To the best of the Company's knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest between the Company and its directors and officers except that certain of the directors and officers may serve as directors and/or officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.

Currency risk
To the extent that the Company expands its business into foreign jurisdictions, it will be exposed to foreign currency fluctuation risks. Such currency fluctuations may adversely affect the financial position and operations of the Company.

COVID-19
The outbreak of COVID-19 is 2020 has caused companies and various jurisdictions, including Canada and the United States of America, to impose restrictions, such as quarantines, closures, cancellations, and travel restrictions. While these effects are expected to be temporary, the duration of the business disruptions domestically and internationally and related financial impact cannot be reasonably estimated at this time. At this point, the extent to which COVID-19 may impact our results and business, including the Transaction under the LOI disclosed above, is uncertain, however, it is possible that our consolidated results in 2020 may be negatively impacted by this event. The impacts of the outbreak are unknown and rapidly evolving. The extent of any impact, will depend on future developments, including actions taken to contain COVID-19.

Other Information
Additional information regarding the Company is available on SEDAR at www.sedar.com.