



LUXFOLIO HOLDINGS INC.

Interim Condensed Consolidated Financial Statements
For the three months ended November 30, 2021 and 2020
(Expressed in US Dollars)
(Unaudited)

Dated: January 31, 2022

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a) continuous disclosure requirement, if any auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements.

LUXXFOLIO HOLDINGS INC.

Interim Condensed Consolidated Statements of Financial Position (unaudited)
 (Expressed in US Dollars)

As at	November 30, 2021	August 31, 2021
Assets		
Current assets		
Cash	\$ 136,559	\$ 313,604
Accounts receivable and GST receivable	191,889	64,508
Prepaid expenses	4,458	248,288
Intangible – Digital Assets (note 5)	3,084,376	1,281,962
	3,417,282	1,908,362
Non-current assets		
Investment in private company	10,000	10,000
Deposit on equipment (note 6)	8,006,443	8,758,725
Plant and equipment – net (note 7)	8,378,387	3,229,102
Goodwill (note 11)	4,622,304	4,622,303
	21,017,134	16,620,130
Total assets	\$ 24,434,416	\$ 18,528,492
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 383,315	\$ 541,919
Deferred income	458,258	-
Short-term debt	47,434	-
Current portion of the long-term debt	4,279,266	4,215,043
	5,168,273	4,756,962
Non-current liabilities		
Long-term debt (note 9)	7,639,604	4,742,497
	12,807,877	9,499,459
Shareholders' equity		
Common shares (note 10)	12,391,073	8,763,996
Special warrants (note 10)	-	2,187,866
Contributed surplus (note 10)	359,762	214,805
Warrant reserves (note 10)	774,040	1,477,963
Accumulated deficit	(2,717,258)	(3,626,177)
Accumulated other comprehensive income	818,922	10,580
	11,626,539	9,029,033
Total liabilities and shareholders' equity	\$ 24,434,416	\$ 18,528,492

Going Concern – Note 2. The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

Approved on behalf of the Board:

Signed: "Kelly Klatik"

Kelly Klatik, Director

Signed: "Brad Farquhar"

Brad Farquhar, Director

LUXXFOLIO HOLDINGS INC.

Interim Condensed Consolidated Statements of Operations and Comprehensive Loss (unaudited)
(Expressed in US Dollars)

	For the three months ended November 30, 2021	For the three months ended November 30, 2020
Revenue		
Bitcoin mining	\$ 3,377,884	\$ -
Hosting revenue	147,059	-
Total revenues	3,524,943	-
Operating expenses		
Advertising	10,931	-
Consulting (note 8)	169,092	4,272
Electricity	238,041	-
General and administration	307,917	2,295
Interest (note 9)	363,976	-
Labour	120,765	-
Management fees (note 8)	59,722	1,140
Professional fees	78,217	1,540
Rent (note 8)	7,167	1,139
Repairs and maintenance	59,181	-
Total expenses	1,415,009	10,386
Other expenses		
Share-based payments (note 10)	288,077	-
Depreciation (note 7)	843,417	-
Amortization of financing fees	26,823	-
	1,158,317	-
Net income (loss)	\$ 951,617	\$ (10,386)
Other comprehensive income		
Currency translation adjustment	512,805	-
Revaluation of cryptocurrencies	295,537	-
Total other comprehensive income	808,342	-
Comprehensive income (loss)	\$ 1,759,958	\$ (10,386)
Basic net income (loss) per share	\$ 0.02	\$ (0.00)
Diluted net income (loss) per share	\$ 0.01	\$ (0.00)
Weighted average number of shares outstanding:		
Basic	52,689,319	17,647,415
Diluted	70,679,222	17,647,415

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

LUXXFOLIO HOLDINGS INC.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (unaudited)

For the three months ended November 30, 2021 and 2020

(Expressed in US Dollars)

	Notes	Number of common shares	Common shares	Special warrants	Contributed surplus	Warrant reserves	Deficit	Accumulated OCI	Total
Balance, August 31, 2020		17,647,415	\$ 1,636,540	\$ 122,626	\$ -	\$ 51,894	\$ (1,735,868)	\$ 693	\$ 75,885
Issuance of special warrants		-	-	47,402	-	-	-	-	47,402
Net loss		-	-	-	-	-	(10,386)	-	(10,386)
Balance, November 30, 2020		17,647,415	\$ 1,636,540	\$ 170,028	\$ -	\$ 51,894	\$ (1,746,254)	\$ 693	\$ 112,901
Issuance of common shares		9,772,060	1,577,411	-	-	-	-	-	1,577,411
Issuance of special warrants		-	-	2,207,833	-	64,349	-	-	2,272,182
Issuance of units		470,000	126,655	-	-	3,725	-	-	130,380
Issuance of share purchase warrants		-	-	-	-	724,633	-	-	724,633
Finder's fees		-	(40,787)	-	-	-	-	-	(40,787)
Acquisition of WestBlock		16,000,000	5,073,299	-	-	685,258	-	-	5,758,557
Share-based compensation		-	-	-	214,805	-	-	-	214,805
Exercise of special warrants		5,000,000	189,995	(189,995)	-	-	-	-	-
Exercise of share purchase warrants		526,000	134,675	-	-	(51,296)	-	-	83,379
Expired share purchase warrants		-	-	-	-	(2,345)	2,345	-	-
Currency translation adjustment		-	66,208	-	-	1,745	(64,572)	(178,623)	(175,242)
Revaluation of cryptocurrencies		-	-	-	-	-	-	188,510	188,510
Net income (loss)		-	-	-	-	-	(1,817,696)	-	(1,817,696)
Balance, August 31, 2021		49,415,475	\$ 8,763,996	\$ 2,187,866	\$ 214,805	\$ 1,477,963	\$ (3,626,177)	\$ 10,580	\$ 9,029,033
Conversion of special warrants	10	8,118,912	2,187,866	(2,187,866)	-	-	-	-	-
Exercise of share purchase warrants	10	2,573,554	1,408,172	-	-	(603,405)	-	-	804,767
Expired share purchase warrants	10	-	-	-	-	(89,676)	89,676	-	-
Asset purchase of Blackcloud	10	500,003	327,366	-	-	-	-	-	327,366
Share-based compensation	10	-	-	-	144,957	-	-	-	144,957
Currency translation adjustment		-	(296,327)	-	-	(10,842)	(132,374)	512,805	73,262
Revaluation of cryptocurrencies		-	-	-	-	-	-	295,537	295,537
Net income (loss)		-	-	-	-	-	951,617	-	951,617
Balance, November 30, 2021		60,607,944	\$ 12,391,073	\$ -	\$ 359,762	\$ 774,040	\$ (2,717,258)	\$ 818,922	\$ 11,626,539

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

LUXXFOLIO HOLDINGS INC.

Interim Condensed Consolidated Statements of Cash Flows (unaudited)

(Expressed in US Dollars)

	For the three months ended November 30, 2021	For the three months ended November 30, 2020
Operating Activities		
Net income (loss)	\$ 951,617	\$ (10,386)
Changes in non-cash operating items:		
Depreciation	843,417	-
Share-based payments	288,077	-
Bitcoin mining revenue	(3,377,884)	-
Hosting revenue	(147,059)	-
Amortization of financing fees	26,823	-
Changes in non-cash working capital:		
Cryptocurrency	1,924,186	-
GST receivable	(127,381)	2,176
Prepaid expenses	243,830	-
Accounts payable and accrued liabilities	(158,604)	(6,930)
Cash provided by (used in) operating activities	467,022	(15,140)
Investing Activities		
Purchase of plant and equipment	(152,948)	-
Deposit on plant and equipment	(4,346,895)	-
Cash provided by (used in) investing activities	(4,499,843)	-
Financing Activities		
Proceeds from short-term debt	47,434	-
Proceeds from long-term debt	3,474,014	-
Repayment of long-term debt	(470,439)	-
Exercise of share purchase warrants	804,767	-
Issuance of special warrants	-	64,175
Cash provided by (used in) financing activities	3,855,776	64,175
Inflow (Outflow) of Cash	(177,045)	49,035
Cash, Beginning of year	313,604	95,339
Cash, End of year	\$ 136,559	\$ 144,374

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

LUXXFOLIO HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2021 and 2020

(Expressed in US Dollars)

1. NATURE OF OPERATIONS

Luxxfolio Holdings Inc. (the “Company”) was incorporated under the *Business Corporations Act* (British Columbia) on October 10, 2017. On March 21, 2019, the Company’s shares began trading on the Canadian Securities Exchange (“CSE”), under the symbol LUXX. The head office of the Company is located at 212 – 1080 Mainland Street, Vancouver, British Columbia. The Company’s business is that of its wholly owned subsidiaries, Luxxfolio Network Inc. (“Luxxfolio”) and WestBlock Capital Inc. (“WestBlock”). The Company’s goal is to become a vertically integrated Blockchain and digital asset company that participates in the decentralized financial system.

The Company completed the amalgamation of WestBlock on June 14, 2021. WestBlock operates an industrial scale digital asset mining and hosting platform through its wholly owned subsidiary WestBlock Hosting Arizona Inc. located in New Mexico. The mining platform was developed in partnership with the Navajo Tribal Utility Authority and resides on Navajo Tribal lands.

2. GOING CONCERN

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis which assumes the Company will continue operating for the foreseeable future and will be able to realize a return on its assets and discharge its liabilities and commitments in the ordinary course of its business.

For the three months ended November 30, 2021, the Company realized a net income of \$951,617 (2020 – net loss of \$10,386) and as of November 30, 2021, has a working capital deficiency of \$1,750,991 (August 31, 2021 – \$2,848,600) and an accumulated deficit of \$2,717,258 (August 31, 2021 - \$3,626,177). In assessing whether the going concern assumption is appropriate, management considers 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 and positive cash flows from its Bitcoin mining 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 consolidated 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

The outbreak of COVID-19 in 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.

LUXXFOLIO HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2021 and 2020

(Expressed in US Dollars)

3. BASIS OF PRESENTATION

(a) Statement of compliance

These unaudited interim condensed consolidated financial statements, have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), and interpretations issued by the International Financial Reporting Standards Interpretation Committee (“IFRIC”).

The Company is in the business of mining for digital assets, specifically Bitcoin. As such, there are many aspects of its business that are not specifically addressed by current IFRS guidance. The Company is required to make judgements as to the application of IFRS and the selection of appropriate accounting policies. The Company has disclosed its presentation, recognition and derecognition, and measurement of digital assets and the related recognition of revenues, significant assumptions, and judgements. If, however, specific guidance is issued by the IASB in the future, the impact on the Company’s financial position and results of operations may be material.

These unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on January 31, 2022.

(b) Basis of presentation and Principals of consolidation

These unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments and digital currencies that have been measured at fair value, on the reporting date.

These unaudited interim condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Luxxfolio Network Inc., WestBlock Capital Inc., WestBlock Hosting Inc., WestBlock Hosting Arizona Inc., and WestBlock, LLC. All intercompany balances, transactions, unrealized gains, and losses resulting from intercompany transactions have been eliminated on consolidation.

(c) Functional and presentation currency

Transactions and balances in the unaudited interim condensed consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates. These unaudited interim condensed consolidated financial statements have been presented in United States dollars (“USD”). The functional currency of all entities is USD with the exception of Luxxfolio Network Inc. which is Canadian dollars (“CAD”).

LUXXFOLIO HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2021 and 2020

(Expressed in US Dollars)

3. BASIS OF PRESENTATION (continued)

(d) Use of estimates and judgements

The preparation of these unaudited interim condensed consolidated 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 unaudited interim condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Company remain unchanged and are consistent with those described in the audited consolidated financial statements for the year ended August 31, 2021 and 2020.

5. INTANGIBLE – DIGITAL ASSETS

As at November 30, 2021, the Company held Bitcoin and Ethereum as its digital assets. The digital assets are recorded at their fair value on the date they are received as revenues and are revalued at their current market value at each reporting date. Fair value is determined by taking the closing price listed on Coindesk.com at the reporting date.

The continuity of digital assets is as follows:

	Bitcoin		Ethereum	
	Units	\$	Units	\$
Opening balance, August 31, 2020	-	nil	-	nil
	-	-	-	-
Ending balance at fair value, November 30, 2020	-	-	-	-
Acquired through acquisition of WestBlock	20.81	819,122	-	-
Digital currency mined	13.73	607,330	-	-
Digital currency sold	(7.22)	(293,259)	-	-
Revaluation	-	148,769	-	-
Ending balance at fair value, August 31, 2021	27.32	1,281,962	-	-
Acquired through asset purchase of Blackcloud	-	-	51.99	220,433
Digital currency mined	60.08	3,377,884	-	-
Digital currency sold	(36.27)	(1,924,186)	-	-
Revaluation	-	128,282	-	-
Ending balance at fair value, November 30, 2021	51.13	2,863,942	51.99	220,433

LUXXFOLIO HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2021 and 2020

(Expressed in US Dollars)

6. DEPOSITS ON EQUIPMENT

	November 30, 2021	November 30, 2020
Deposits on immersion equipment	\$1,234,905	\$nil
Deposits on transformers	86,202	-
Deposits on mining equipment	6,685,336	-
	\$8,006,443	\$nil

As at November 30, 2021, the Company had a total deposit of \$6,685,336 (2020 - \$nil) towards the purchase of 2,400 Bitmain S19j Pro Bitcoin miners (the "Bitmain Miners"). The Company had received a total of 810 of the 2,400 Bitmain Miners as at November 30, 2021. The Company was granted price protection in the event of any material spot price declines on the Bitmain Miners. On July 28, 2021, the Company received a price reduction of \$705,000 on the near dated portion of the Q4 2021 deliveries related to the Bitmain Miners. During the three months ended November 30, 2021, the Company paid \$1,234,905 (\$020 - \$nil) as a deposit on an immersion-cooling system. The immersion-cooling system is scheduled to be installed in early 2022 (see "Related Party Transactions").

7. PLANT AND EQUIPMENT

	Mining servers	Equipment	Infrastructure	Total
Cost				
As at September 1, 2020	-	-	-	\$nil
As at November 30, 2020	-	-	-	\$nil
Acquired through acquisition of WestBlock	-	19,534	1,306,381	1,325,915
Additions	2,039,341	7,420	-	2,046,761
As at August 31, 2021	2,039,341	26,954	1,306,381	3,372,676
Acquired through asset purchase of Blackcloud	70,400	36,533	-	106,933
Additions	5,872,477	10,969	-	5,883,446
As at November 30, 2021	\$7,982,218	\$74,456	\$1,306,381	\$9,363,055
Accumulated Depreciation				
As at September 1, 2020	-	-	-	\$nil
As at November 30, 2020	-	-	-	\$nil
Depreciation	71,217	-	70,034	141,251
As at August 31, 2021	71,217	-	70,034	141,251
Depreciation	766,080	10,921	66,416	843,417
As at November 30, 2021	\$837,297	\$10,921	\$136,450	\$984,668
Net Book Value November 30, 2020	-	-	-	\$nil
Net Book Value November 30, 2021	\$7,144,921	\$63,535	\$1,169,931	\$8,378,387

LUXXFOLIO HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2021 and 2020

(Expressed in US Dollars)

8. RELATED PARTY TRANSACTIONS

During the three months ended November 30, 2021, the Company was charged management fees of \$59,722 (2020 - \$570), no research costs (2020 - \$570), and rental fees of \$7,167 (2020 - \$1,139) by a company controlled by a director and an officer of the Company. During the three months ended November 30, 2021, the Company was charged consulting fees of \$14,333 (2020 - \$4,272) by an officer of the Company. In addition, the Company was charged consulting fees of \$59,722 (2020 - \$nil) by a company controlled by an officer of WestBlock. Collectively, these consulting fees represent compensation for key management functions.

On December 24, 2020, the Company placed an order for 590 Avalon 1246 Pro Bitcoin miners (the "Avalon Miners") at a total purchase price of \$1,174,100. The purchase price was satisfied through a combination of cash and an asset backed lending structure (the "ABL I") provided by Arctos Credit, LLC. ("Arctos"). Subsequent to the structuring of the ABL transaction, a related company, CHP Agent Services Inc., entered into a participation agreement to acquire a 100% participation interest in ABL I (see Note 9) amounting to \$880,575. CHP Agent Services Inc. is controlled by a director and an officer of the Company. During the three months ended November 30, 2021, the company paid \$24,320 (2020 - \$nil) in interest expenses relating to ABL I.

On May 27, 2021, the Company placed an order for 2,400 Bitmain S19j Pro Bitcoin miners (the "Bitmain Miners") at a total purchase price of \$17,023,800. The purchase price will be satisfied through a combination of cash and asset backed lending structures ("ABL II" and "ABL III") provided by Arctos. Subsequent to the structuring of asset backed lending transactions, a related company, CHP Agent Services Inc., entered into a participation agreement to acquire a 100% participation interest in ABL III (see Note 9). During the three months ended November 30, 2021, the company paid \$37,546 (2020 - \$nil) in interest expenses relating to ABL III.

On June 14, 2021, the Company has assumed debt amounting to \$869,000 as a result of the acquisition of WestBlock. 50% of the \$869,000 loan ("CAS – Facility I") was provided by CHP Agent Services Inc., a related company (see Note 9). During the three months ended November 30, 2021, the company paid \$8,324 (2020 - \$nil) in interest expenses relating to this loan.

On July 29, 2021, the Company placed an order for 100 S19j Pro Bitcoin miners at a total purchase price of \$755,000. The purchase price will be satisfied through a combination of cash and asset backed loan of \$377,500 ("CAS – Facility II") provided by CHP Agent Services Inc., a related company (see Note 9). During the three months ended November 30, 2021, the company paid \$9,732 (2020 - \$nil) in interest expenses relating to this asset backed loan.

On November 25, 2021, WestBlock finalized the order with CES Corporation ("CES") on the Immersion-Cooling System. The purchase price of the Immersion System is \$2,353,240, (the "Purchase Price") of which \$1,942,200 will be paid in cash and \$410,040 will be paid by the issuance of 612,000 common shares of the Company at a deemed price of \$0.83 CAD per share. The Purchase Price of the immersion-cooling system will be satisfied through an asset backed loan facility ("CAS – Facility III") provided by CHP Agent Services Inc., a related party controlled by a director and an officer of the Company. As at November 30, 2021, the Company had borrowed \$1,234,905 from CAS – Facility III. The terms of CAS – Facility III were not finalized until December 1, 2021 under a Senior Debt facility provided by CHP Agent Services Inc., a related party (see Note 15). During the three months ended November 30, 2021, the company paid \$25,623 (2020 - \$nil) in interest expenses relating to the asset backed loan.

LUXXFOLIO HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2021 and 2020

(Expressed in US Dollars)

8. RELATED PARTY TRANSACTIONS (continued)

During the three months ended November 30, 2021, the Company had drawn \$500,000 CAD from a line of credit facility provided by CHP Capital Inc., a related party, a company controlled by a director of the Company. During the three months ended November 30, 2021, the Company paid \$3,338 (2020 - \$nil) in interest expenses relating to line of credit (see "Capital Management").

During the three months ended November 30, 2021, the Company financed its property insurance of \$59,546 through InHand Financial Inc., a related party. InHand Financial Inc. is controlled by a director and an officer of the Company. During the three months ended November 30, 2021, the Company paid \$634 (2020 - \$nil) in interest relating to the insurance financing.

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.

9. LONG-TERM DEBT

(\$)	November 30, 2021	November 30, 2020
CAS – Facility I	\$434,500	\$nil
CAS – Facility II	308,433	-
CAS – Facility III	1,234,905	-
CHP Capital Inc. – line of credit	390,869	-
Navajo Tribal Utility Authority ("NTUA")	368,292	-
ABL I	491,764	-
ABL II	8,114,670	-
ABL III	757,251	-
Less: Financing fees	(181,813)	-
Less: Current portion	(4,279,267)	-
Total long-term debt	\$7,639,604	\$nil

Scheduled principal repayments are as follows:

FY2022	\$ 4,343,788
FY2023	6,889,705
FY2024	867,191
	\$ 12,100,684

On December 24, 2020, the Company placed an order for 590 Avalon Miners at a total purchase price of \$1,174,100. The purchase price was satisfied through a combination of cash and an asset backed lending facility ("ABL I") provided by Arctos. The 25% down payment of \$293,525 plus financing fees of \$17,612 were paid by the Company on December 30, 2020. The next 50% of the purchase amount totaling \$587,050 was financed by ABL I and paid by Arctos on December 30, 2020. The final 25% of the purchase amount of \$293,525 was also financed by ABL I and paid on April 30, 2021.

LUXXFOLIO HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2021 and 2020

(Expressed in US Dollars)

9. LONG-TERM DEBT (continued)

ABL I carries an interest rate of 16% and a term of 19 months with interest only payments for the initial four months. Interest expense relating to the ABL I amounted to \$24,320 (2020 - \$nil) for the three months ended November 30, 2021. Security for the ABL I consists of a first priority charge on the Avalon Miners and any Bitcoin and related assets generated from the use of the Avalon Miners.

	ABL I	ABL II	ABL III
Total advance available	\$880,575	\$11,065,470	\$1,243,425
Amounts drawn as at November 30, 2021	\$491,764	\$8,114,670	\$757,251
Interest rate	16%	15%	16%
Duration	19 months	30 months	30 months
Payment period	Monthly	Monthly	Monthly
2022FY principal reduction	\$491,764	\$2,473,378	\$757,251
2023FY principal reduction	\$nil	\$4,774,101	\$nil
2024FY principal reduction	\$nil	\$867,191	\$nil

On May 27, 2021, the Company placed an order for 2,400 Bitmain S19j Pro Bitcoin miners (the “Bitmain Miners”) at a total purchase price of \$17,023,800. The purchase price will be satisfied through a combination of cash and asset backed lending structures (“ABL II” and “ABL III”) provided by Arctos as summarized above. ABL II is interest only payments for the initial eight months. ABL III is interest only payments for the first month. ABL III is a refinancing of the original Avalon Miner purchase.

The initial down payment for the Bitmain Miners of \$515,745 plus financing fees of \$221,309 were paid by the Company on May 25, 2021. As at November 30, 2021, the total deposit paid for the Bitmain Miners was \$11,787,013 and the combined amount financed by ABL II and ABL III is \$9,358,095.

Security for the ABL II consists of a first priority charge on the Bitmain Miners and any Bitcoin and related assets generated from the use of the Bitmain Miners. Security for the ABL III consists of a first priority charge on the Avalon Miners and any Bitcoin and related assets generated from the use of the Avalon Miners.

On July 29, 2021, the Company placed an order for 100 S19j Pro Bitcoin miners at a total purchase price of \$755,000. The purchase price will be satisfied through a combination of cash and a debt facility provided by CHP Agent Services Inc., a related party. The debt facility financed 50% of the purchase amount totaling \$377,500, carries an interest rate of 16% and a term of 16 months with an interest only payment for the initial month. As at November 30, 2021, the principal payments required for the debt facility are \$205,371 within the next twelve months and \$103,062 thereafter. Security for the debt consists of a general security agreement on WestBlock and its subsidiaries.

On November 25, 2021, WestBlock finalized the order with CES on the Immersion-Cooling System. The purchase price of the Immersion System is \$2,353,240, (the “Purchase Price”) of which \$1,942,200 will be paid in cash and \$410,040 will be paid by the issuance of 612,000 common shares of the Company at a deemed price of \$0.83 CAD per share. The cash portion will be satisfied through an asset backed loan facility provided by CHP Agent Services Inc., a related party. As at November 30, 2021, there are no principal payments required within the next twelve months (see Note 15).

LUXXFOLIO HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2021 and 2020

(Expressed in US Dollars)

9. LONG-TERM DEBT (continued)

As a result of the acquisition of WestBlock, the Company has assumed debt amounting to \$869,000 on June 14, 2021. This debt was incurred by WestBlock to facilitate the acquisition of the 51% partnership interest in the hosting operation owned by the Navajo Tribal Utility Authority ("NTUA"). At as November 30, 2021, WestBlock owned 100% of the hosting operation. 50% of the \$869,000 loan was provided by CHP Agent Services Inc., a related company. This debt facility carries an interest rate of 12% and a term of 19 months with interest only payments for the initial four months. As at November 30, 2021, the principal payments required for the debt facility is \$312,221 within the next twelve months and \$122,279 thereafter. Security of the debt consists of a general security agreement on WestBlock and its subsidiaries which includes the Bitcoin held by WestBlock. The balance of the purchase price was provided by the NTUA. The debt facility provided by NTUA carries an interest rate of 7% and a term of 36 months. Interest expenses relating to the NTUA debt facility amounted to \$7,949 (2020 - \$nil) for the three months ended November 30, 2021.

On July 29, 2019, the Company entered into a Line of Credit and Security Agreement (the "LOC Agreement") with CHP Capital Inc. ("CHI"), a related company controlled by a director of the Company. Under the terms of the LOC Agreement, CHI will provide the Company with a line of credit facility ("LOC") to a maximum of \$500,000 CAD. The term of the LOC Agreement is 24 months and the LOC bears interest at 9% per annum. On July 25, 2021, the LOC Agreement has been extended for another 24 months, expiring July 25, 2023. Under the terms of the LOC Agreement, the Company is restricted to using the LOC for research and development expenses or for other purposes approved by CHI. The Company has provided CHI with a General Security Agreement covering all assets of the Company as security for the LOC, except for the Bitcoin miners and related assets as described in note 9. 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 the Company's equity or the composition of the Board of Directors. The Company had drawn \$500,000 CAD on the LOC as at November 30, 2021.

10. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

During the three months ended November 30, 2021, the Company issued 11,192,469 common shares (2020 - nil) as follows:

- On October 1, 2021, the Company issued 2,172,840 shares through exercise of warrants at an exercise price of \$0.40 CAD per warrant on a one-for-one basis for gross proceeds of \$869,136 CAD. These warrants were granted to WestBlock shareholders as part of the Company's acquisition of WestBlock in June 2021.
- On November 1, 2021, the Company issued 8,118,912 shares through the automatic conversion of special warrants, previously issued through a non-brokered private placement, without payment of additional consideration.

LUXXFOLIO HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2021 and 2020

(Expressed in US Dollars)

10. SHARE CAPITAL (continued)

(b) Issued and outstanding (continued)

- During the three months ended November 30, 2021, the Company issued a total of 400,714 shares through exercise of share purchase warrants at a weighted average exercise price of \$0.40 CAD per share purchase warrant previously issued for gross proceeds of \$160,321 CAD.
- The Company, through its subsidiary WestBlock, entered into an Asset Purchase Agreement dated September 1, 2021, which was amended November 24, 2021, with Blackcloud Crypto Investments. Under the terms, WestBlock acquired Ethereum mining equipment that included 88 installed and operating Ethereum miners located in Alberta, Canada, and 52 Ethereum coins (the "Assets"). In consideration for the Assets, the Company issued 500,003 shares at a deemed price of \$0.38 CAD per share, for a total aggregate consideration of \$190,001 CAD.

During the three months ended November 30, 2020, the Company did not issue any common shares.

(c) Special warrants

During the three months ended November 30, 2021, the Company did not issue any special warrants. On November 1, 2021, a total of 8,118,912 special warrants, previously issued through a non-brokered private placement, were automatically converted into Units of the Company, at no additional cost to the holder. Each Unit is comprised of one common share and one share purchase warrant. During the three months ended November 30, 2020, the Company issued 1,050,000 special warrants for proceeds of \$52,500 CAD. Special warrants transactions and the number of special warrants outstanding are summarized as follows:

	Number of Special Warrants	Weighted Average Exercise Price (CAD)
Outstanding, August 31, 2020	3,300,000	\$ 0.050
Issued	1,050,000	\$ 0.050
Outstanding, November 30, 2020	4,350,000	\$ 0.050
Issued	8,768,912	\$ 0.328
Converted	(5,000,000)	\$ 0.050
Outstanding, August 31, 2021	8,118,912	\$ 0.350
Converted	(8,118,912)	\$ 0.350
Outstanding, November 30, 2021	-	-

LUXXFOLIO HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2021 and 2020

(Expressed in US Dollars)

10. SHARE CAPITAL (continued)

(d) Share purchase warrants

During the three months ended November 30, 2021, the Company issued 8,118,912 (2020 – nil) share purchase warrants. On November 1, 2021, a total of 8,118,912 special warrants, previously issued through a non-brokered private placement, were automatically converted into Units of the Company. Each of these special warrants convert, at no additional cost to the holder, into one Unit of the Company with each Unit comprised of one common share and one share purchase warrant.

On October 1, 2021, a total 2,172,840 of the 2,500,000 share purchase warrants issued to WestBlock shareholders as part of the acquisition were exercised at a price of \$0.40 CAD per warrant into common shares of the Company. The remaining 327,160 unexercised warrants expired on October 1, 2021.

During the three months ended November 30, 2021, a total 300,714 share purchase warrants were exercised at an exercise price of \$0.45 CAD per warrant into shares of the Company. In addition, a total of 100,000 share purchase warrants were exercised at an exercise price of \$0.25 CAD per warrant into shares of the Company on a one-for-one basis.

Warrant transactions and the number of Warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price (CAD)
Outstanding, August 31, 2020	554,000	\$0.200
Outstanding, November 30, 2020	554,000	0.200
Exercised	(526,000)	0.200
Expired	(28,000)	0.200
Issued	6,137,032	0.393
Outstanding, August 31, 2021	6,137,032	0.393
Exercised	(2,573,554)	0.400
Expired	(327,160)	0.400
Issued	8,118,912	0.450
Outstanding, November 30, 2021	11,355,230	\$0.432

The weighted average contractual life of Warrants outstanding as at November 30, 2021 is 1.53 (2020 – 0.29) years.

LUXXFOLIO HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2021 and 2020

(Expressed in US Dollars)

10. SHARE CAPITAL (continued)

(e) Share-based compensation

During the three months ended November 30, 2021, the Company granted 125,000 (2020 – nil) stock options to an employee of the Company. The options have a five-year term and vest over a two-year period at a rate of 25% every six months. The exercise price of the share options granted were based on the closing price of the common shares on the day prior to the grant date. The share options granted were accounted for at their fair value determined by the Black-Scholes option pricing model with the following weighted average assumptions:

Exercise price per share	\$0.55 CAD
Risk-free interest rate	0.16%
Expected life of options	5 years
Annualized volatility	198.28%
Dividend rate	0%
Weighted average fair value per option	\$0.535 CAD

The annualized volatility was based on historical weekly data of the Company. The fair value of the stock options is amortized over the vesting period. Share-based compensation for the three months ended November 30, 2021 amounted to \$288,077 (2020 - \$nil).

The following table summarizes information on the movement of the stock options:

	Number of Stock Options	Weighted Average Exercise Price (CAD)
Outstanding, August 31, 2020	-	-
Outstanding, November 30, 2020	-	-
Granted	3,185,000	\$0.287
Outstanding, August 31, 2021	3,185,000	0.287
Granted	125,000	0.550
Outstanding, November 30, 2021	3,310,000	\$0.297
Options exercisable, November 30, 2021	543,750	\$0.226

The weighted average contractual life of stock options outstanding as at November 30, 2021 is 4.34 (2020 – nil) years.

LUXXFOLIO HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2021 and 2020

(Expressed in US Dollars)

11. ACQUISITION OF WESTBLOCK

On June 14, 2021, the Company completed the acquisition of WestBlock, a private company incorporated in 2017 under the Alberta Business Corporations Act. WestBlock became a wholly owned subsidiary of the Company operating under the name of WestBlock Capital Inc. WestBlock operates an industrial scale digital assets mining and hosting platform through its wholly owned subsidiary, WestBlock Hosting AZ Inc., located in New Mexico, USA. Consideration paid to WestBlock shareholders consisted of 16 million common shares at a deemed price of \$0.385 CAD per share, with a fair value of \$5,073,299 and 2.5 million share purchase warrants, with a fair value of \$685,258. The total deemed value of the purchase price paid for the acquisition of WestBlock is \$5,758,557. The share purchase warrants were accounted for at their fair value determined by the Black-Scholes option pricing model with the following assumptions:

Exercise price per share	\$0.40 CAD
Risk-free interest rate	0.16%
Expected life of warrants	2 years
Annualized volatility	212.36%
Dividend rate	0%
Weighted average fair value per warrant	\$0.333 CAD

The table below shows the assets and liabilities acquired and the amount allocated to Goodwill relating to the acquisition:

Description	Amount
Identifiable assets	\$ 2,356,392
Assumed liabilities	(1,201,138)
Goodwill	4,603,303
Total purchase price	\$ 5,758,557

On closing, the Company also issued 2.5 million Performance Warrants to the WestBlock management team and certain other persons who have assisted WestBlock with its business. The Performance Warrants have a term of 24 months and are exercisable at \$0.40 CAD per share for the first 12 months from the closing date, and \$0.50 CAD per share if exercised in the second 12-month period. The Performance Warrants are subject to a financing condition such that they will not be exercisable unless an aggregate of \$2 million CAD is raised via an equity financing or series of equity financings undertaken by and for the Company (the "Financing Condition"). If the Financing Condition is not satisfied by the date that is 12 months from the date of issue of the Performance Warrants, then the Performance Warrants will expire. The Performance Warrants were recognized under share-based payments for the year ended August 31, 2021 and are not a part of the WestBlock purchase price.

LUXXFOLIO HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2021 and 2020

(Expressed in US Dollars)

12. FINANCIAL INSTRUMENTS AND DIGITAL ASSETS

(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 determined that the carrying value of cash, accounts receivable, and prepaid expense approximate fair value due to relatively short period to maturity. The investment in the private company is tested for impairment annually and the carrying value reflects the net realizable value of the investment.

Digital assets are revalued using quoted prices provided by CoinDesk and are valued at the closing price on the last trading day of the reporting period. The Company considers this to be a Level 2 fair value.

(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 recognized major Canadian and US financial institutions.

Digital assets are held only in the custody vaults of Anchorage Digital Bank NA, a US federally chartered digital asset bank and registered custodian. The Company does not self-custody its Bitcoin assets.

(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. Budgeting and Cash flow projections are completed and reviewed on a regular basis to ensure the Company has sufficient cash resources available to meet its financial obligations. The Company is exposed to liquidity risk in respect of its accounts payable and accrued liabilities, short-term debt, and long-term debt. As at November 30, 2021, the Company has the following contractual maturities:

LUXXFOLIO HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2021 and 2020

(Expressed in US Dollars)

12. FINANCIAL INSTRUMENTS AND DIGITAL ASSETS (continued)

(c) Liquidity risk (continued)

	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years
Accounts Payable and accrued Liabilities	\$383,314	\$383,314	\$383,314	\$nil	\$nil
Short-term debt	47,434	47,434	47,434	-	-
Long-term debt(i)	11,918,871	12,100,684	4,343,788	6,889,705	867,191
	\$12,349,619	\$12,531,432	\$4,774,536	\$6,889,705	\$867,191

(i) Carrying amount is net of unamortized financing fees.

(d) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. The Company's exposure to interest rate risk is limited and relates only to its ability to earn interest income on cash balances held from time to time at variable rates. Changes in short term rates will not have a significant effect on the fair value of the Company's cash positions.

(e) Foreign currency risk

Currency risk relates to the risk that the fair values and future cash flows of the Company's financial instruments will fluctuate as a result of changes in foreign exchange rates. The Bitcoin mined by the Company and most major expenditures and loans related to mining equipment, infrastructure and ongoing operating costs are denominated in USD, the functional currency of the Company's mining operations segment. Exchange rate fluctuations will affect those parts of the Company's operations managed in CDN dollars and consequently may impact the Company's financial results.

(f) Digital currency pricing risk

Bitcoin pricing is affected by numerous factors including international supply and demand, interest rates, inflation or deflation, and global political and economic conditions. The profitability of the Company is directly related to the current and future pricing of Bitcoin. A decline in the market price of Bitcoin could have a negative impact on the Company's future operations and financial results. In addition, a lack of market liquidity could limit the Company's ability to sell Bitcoin on a timely basis and at acceptable pricing levels.

As at November 30, 2021, had the market price of Bitcoin and Ethereum increased or decreased by 10% with all other variables held constant, the corresponding digital asset value increase or decrease would amount to \$286,394 and \$22,043, respectively.

LUXXFOLIO HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2021 and 2020

(Expressed in US Dollars)

13. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. As at November 30, 2021, the Company considers capital to consist of short-term debt, long-term debt and all components of shareholders' equity. The Company manages its capital structure and adjusts it considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue common shares, promissory notes, or dispose of assets or adjust the amount of cash on hand.

At this stage of the Company's development, to maximize ongoing operational development efforts, the Company does not pay dividends. There were no changes to the Company's capital management approach for the three months ended November 30, 2021.

14. SEGMENT INFORMATION

The Company has a single operating line of business, Bitcoin mining, which is conducted at its mining facilities in New Mexico, USA. Company management, administration and development functions are carried out in British Columbia and Alberta, Canada. The following table segments the relevant financial results by geographic territory:

	Canada	USA	Consolidated
Total revenue	-	3,524,943	3,524,943
Expenses			
Advertising	9,431	1,500	10,931
Consulting	163,116	5,976	169,092
Electricity	-	238,041	238,041
General and administration	107,753	200,164	307,917
Interest	-	363,976	363,976
Labour	27,265	93,500	120,765
Management fees	59,722	-	59,722
Professional fees	30,380	47,837	78,217
Rent	7,167	-	7,167
Repairs and maintenance	-	59,181	59,181
Total expenses	404,834	1,010,175	1,415,010
Other expenses ⁽¹⁾	288,077	870,240	1,158,317
Net income (loss)	(692,911)	1,644,528	951,617
Current assets	166,303	3,250,979	3,417,282
Non-current assets	4,603,304	16,413,830	21,017,134
Total assets	4,769,607	19,664,809	24,434,416
Current liabilities	231,993	4,936,280	5,168,273
Non-current liabilities	-	7,639,604	7,639,604
Total liabilities	231,993	12,575,884	12,807,877

(1) Other expenses include share-based payments, depreciation, and financing fees.

LUXXFOLIO HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2021 and 2020

(Expressed in US Dollars)

15. SUBSEQUENT EVENTS

(a) Senior Debt Facility

On December 1, 2021, the Company, through its wholly owned subsidiary WestBlock, entered into a Senior Debt facility with CHP Agent Services Inc., a related party. The facility replaced the existing debt facilities of CAS I, CAS II, and CAS III (see Note 8 and 9). The facility may also be used to acquire additional Bitcoin mining servers and equipment.

The facility carries the following terms:

- Available loan proceeds established at \$3 million CAD, but may be expanded to \$5 million CAD if agreed by both parties;
- The facility term is 24 months following the closing date;
- Security provided by WestBlock and its subsidiaries consisted of a general security agreement on all WestBlock operations and a first charge on cryptocurrency mining equipment and cryptocurrency units;
- A variable interest rate between 16% and 13% that decreases as the total collateral coverage increases in relation to the total debt outstanding; and
- A facility fee amounting to 0.75%

(b) Public Share Issue financing

On December 7, 2021, the Company closed its previously announced and upsized underwritten public offering of units of the Company. The underwriters exercised their option to purchase 600,000 units of the over-allotment option, and as a result, the Company issued a total of 13.6 million units at a price of \$0.70 CAD per unit and 350,000 additional common share purchase warrants for gross proceeds of \$9.534 million CAD. Each unit consisted of one common share and one-half warrant. Each whole warrant is exercisable to acquire one common share at an exercise price of \$1.00 CAD until December 7, 2023.

(c) Performance warrants

On December 7, 2021, in connection with the closing of the public equity issue, the Financing Condition governing the exercise of the Performance Warrants referred to in Note 11 has been met and these warrants can now be exercised by the holders.

(d) Purchase of Bitcoin miners

On December 16, 2021, the Company confirmed the order of 500 S19J Pro Bitcoin miners at a cost of \$3.02 million to be satisfied by a combination of working capital and an asset backed facility ("ABL IV") provided by NYDIG ABL LLC. ABL IV carries an interest rate of 15% and a term of 26 months with interest only payments for the initial four months. Security for the ABL IV consists of a first priority charge on the related Bitcoin Miners and any Bitcoin and related assets generated from the use of the Bitcoin Miners.

LUXXFOLIO HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2021 and 2020

(Expressed in US Dollars)

15. SUBSEQUENT EVENTS (continued)

(e) Grant of stock options

On January 20, 2022, the Company granted 2,078,000 of stock options to certain directors, officers, employees, and consultants of the Company. The expiry date of the stock options is January 19, 2027. The stock options vest over a 24-month period, at a rate of 25% after each 6-month period and have an exercise price of \$0.45 CAD per share. A total of 1,795,500 of the 2,078,000 stock options were granted to related parties.