LUXXFOLIO HOLDINGS INC.

Interim MD&A – Quarterly Highlights
For the three months ended November 30, 2021 and 2020

Dated: January 31, 2022

This Interim MD&A – Quarterly Highlights ("Interim MD&A") of the financial condition and results of operation of Luxxfolio Holdings Inc. (the "Company") is for the three months ended November 30, 2021 and 2020. This interim MD&A is dated January 31, 2022 and should be read in conjunction with the Company's interim condensed consolidated financial statements and the accompanying notes for the three months ended November 30, 2021 and 2020, which are available on SEDAR at www.sedar.com. Together with the interim condensed consolidated financial statements and the related notes, this Interim 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 Interim MD&A. All dollar amounts are expressed in US dollars ("USD") 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, 2021, remain unchanged. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results presented in the Interim MD&A are not necessarily indicative of the results that may be expected for any future period.

FORWARD-LOOKING STATEMENTS

This Interim MD&A contains certain "forward-looking statements" and "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 Interim MD&A includes, but is not limited to:

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

The risk factors described in this Interim 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 Interim 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 Interim 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;
- pricing and volatility risks of Cryptocurrency;
- 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 Interim MD&A, see "Bitcoin and Cybersecurity Risks" and "Other Risks and Uncertainties".

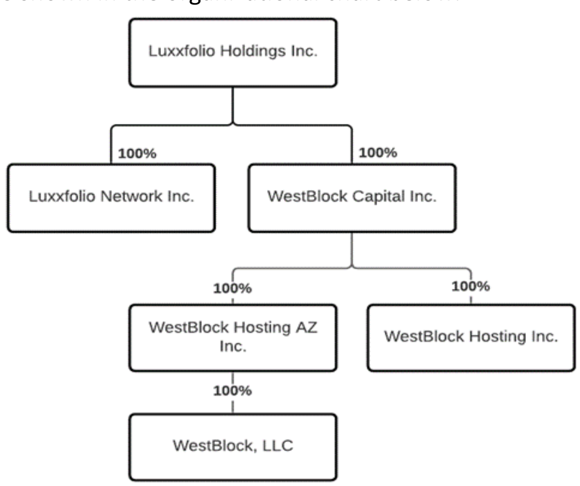
While the Company considers these assumptions may be reasonable based on information currently available to it, these assumptions may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed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

DESCRIPTION OF BUSINESS

The Company, based in Vancouver, was incorporated under the Business Corporations Act (British Columbia) on October 10, 2017. The Company's head and registered office is located at 212 - 1080 Mainland Street, Vancouver, BC, Canada, V6B 2T4. The Company's corporate website address is www.luxxfolio.com.

The Company listed on the CSE under the trading symbol "LUXX" as well as on the OTCQB under "LUXFF", the Frankfurt Stock Exchange under the symbol "LUH", and on the Börse Belin under the symbol LUH.

The Company's business is that of its wholly owned subsidiaries, Luxxfolio Network Inc. ("LNI") and WestBlock Capital Inc. ("WestBlock"), both of which share the same head and registered office as the Company. The intercorporate relationships are shown in the organizational chart below.



LNI is a development-stage financial technology company with a customized blockchain technology (the "Platform") that it owns and has available for licensing. WestBlock owns and manages a cryptocurrency mining facility in New Mexico, USA that hosts third-party owned Bitcoin miners, most of which belong to LNI.

LNI's focus regarding the development of the Platform is to enable third parties 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 track Uniquely Identified Assets and to monetize or securitize these assets.

- Registering the asset provenance of a unique piece of equipment onto the Platform, and having the asset stored by an approved and professionally managed custodian such as a data center, thereby allowing LNI to run a proof of work algorithm to create fungible tokens such as Bitcoin; and
- Authenticating physical collectibles such as memorabilia, vintage cars, or artwork and registering them on the Platform, as well as having the asset stored by an approved and professionally managed custodian, thereby allowing LNI to produce a non-fungible token that can be traded on a marketplace.

While the development of the base Platform is complete, LNI's business pertaining to the use of the Platform has not attained significant levels of activity and remains subject to change. LNI continues to negotiate with various third parties for expanding its business, but there is no assurance any such negotiations will lead to new business opportunities. In particular, the Company's proposed expanded use of its Platform with respect to non-fungible tokens remains in the early stage of development.

WestBlock manages an industrial scale digital asset mining operation in Shiprock, New Mexico, USA (the "New Mexico Facility") at which WestBlock manages and operates both LNI's Bitcoin miners as well as third party servers. At present, the vast majority of the miners managed by WestBlock are owned by LNI. The Company strategy is to become a vertically integrated digital asset blockchain company that manages, operates, and develops end to end digital solutions to monetize Uniquely Identified Assets and the blockchain ecosystem.

OVERALL PERFORMANCE

The Bitcoin mining sector has seen a number of factors impacting mining economics. In the calendar year 2021, mining difficulty hit an all-time high of 25.04 terahash just as mines were shut down in China with excess miners relocating globally. At the same time, access to properly stepped-down power remained limited. Going into calendar year 2022, mining difficulty has again hit a new all-time high, which provides evidence that the supply chain remains healthy. However, we anticipate the restricted power availability and lower Bitcoin prices will begin to impact future mining difficulty increases for the coming quarters.

The Company had a successful first full quarter of sustainable mining operations. The Company continues to advance its development of the mining capacity and infrastructure, and as at November 30, 2021, it had achieved a hashrate of 131 petahash per second ("PH/s") compared to 50 PH/s at start of the fiscal quarter. The strong Bitcoin ("BTC") pricing during the first fiscal quarter resulted in gross revenues of $3,377,000 or 60.08 BTC earned.

As the date of this Interim MD&A, the Company has:

- Received and installed 1,655 Bitcoin miners at its New Mexico Facility;
- Completed the first phase of the expansion of the New Mexico Facility from 8 MW of usable capacity to 15 MW. The full completion of the expansion is scheduled in the third calendar quarter of 2022;
- ordered an additional 500 Bitmain S19j Pro Bitcoin miners;
- advanced delivery of 600 miners through a swap arrangement with a strategic partner;
- contracted for the construction of immersion technology for delivery in Q2 2022;
- successfully raised funding through equity issuance and debt financing for planned capital expenditures and general working capital. This includes the closing of a bought-deal financing for gross proceeds of $9.534 million CAD in December 2021; and
- diversified into Ethereum mining through the asset purchase of Blackcloud Crypto Investments.

(Expressed in US Dollars)

Monthly Performance

	Operating Level	**Reward**		**Reserve at month end**	
Month	PH/s at month end	BTC	Revenue	BTC	ETH
Sep 2021	95	13.9	$634,000	34	-
Oct 2021	123	22.5	$1,320,000	42	-
Nov 2021	131	23.5	$1,423,000	50	52

Bitcoin Miners

At the date of this Interim MD&A, the Company has 1,655 Bitcoin miners at the New Mexico Facility and 2,000 scheduled for calendar quarterly delivery as follows:

- Q1 2022: 600 Miners
- Q2 2022: 1100 Miners
- Q3 2022: 300 Miners

Security of Bitcoin

Security of Bitcoin is critical to the protection of Company assets. To this end, the Company engaged Anchorage Digital Bank NA as custodian to hold in multiple vaults the various Bitcoin and Ethereum pools of the Company. Anchorage is a US federally regulated digital asset bank with SOC I compliance registration.

Acquisition of Ethereum Mining Assets

The Company entered into an asset purchase agreement ("Purchase Agreement") with Blackcloud Crypto Investments to acquire 88 Ethereum miners located in Alberta, Canada, 52 Ethereum coins and portable hosting containers in exchange for 500,003 common shares of the Company at a deemed share price of $0.38 CAD per share for a total aggregate consideration of $190,001 CAD. The acquisition closed on November 25, 2021.

Immersion Cooling System

One of the challenging factors of Bitcoin mining in New Mexico is the extreme heat during the summer months. To optimize the efficiency of the Bitcoin miners, the Company has ordered immersion cooling technology to address these heat spikes. Scheduled for delivery in early 2022, the system will reduce sub-optimal performance and provide stable processing hash rates during the summer months.

Public Equity Issue Financing

On December 7, 2021, the Company closed a bought-deal financing for gross proceeds of $9.534 million CAD, net proceeds of $8.674 million CAD, for working capital purposes as well as for the development, sustaining capital and maintenance of the Company's Bitcoin mining operation. This further supports the Company's Bitcoin and digital asset reserve management strategy.

The Company's objectives over the next 12 months include (i) expanding its cryptocurrency mining operations at the New Mexico Facility, (ii) developing additional uses for its Platform, in conjunction with new business partners, and (iii) developing non-fungible tokens and related business opportunities with new business partners.

Certain milestones to be achieved in order to meet the Company's business objectives include expansion of the New Mexico Facility from its installed capacity of 8 megawatts ("MW") to 15 MW of installed capacity. At the date of this Interim MD&A the expansion program is ongoing with completion expected in early 2022.

DISCUSSION OF OPERATIONS

Acquisition of WestBlock Capital Inc.

On June 14, 2021, the Company completed the acquisition of WestBlock, whereby WestBlock became a wholly owned subsidiary of the Company. WestBlock was an important milestone for the Company as it has provided the infrastructure and secure power supply that can be expanded to meet the growth needs of the Company.

WestBlock operates a digital asset mining operation at its New Mexico Facility, at which it manages both Company owned Bitcoin miners as well as third party servers. Presently, virtually all of the miners managed by WestBlock are owned by LNI. The Company intends to continue to acquire mining hardware, subject to cost and profitability constraints, to ensure that its mining fleet includes efficient hardware and to avoid the need to replace the entire fleet simultaneously in the future.

WestBlock was able to secure access to land and power at costs in the bottom decile of global power costs for their mining operations through its exclusive partnership with the Navajo Nation. The Company's vision for WestBlock is to scale its low-cost mining operation and develop other digital asset and cryptocurrency related revenue streams by leveraging supplier relationships, growing its inventory of digital assets, and by taking advantage of the Company's unique access to structured financial products.

The New Mexico Facility was developed jointly by WestBlock and the Navajo Tribal Utility Authority (NTUA) through a partnership with interests of 49% and 51% respectively. Prior to the closing of the WestBlock acquisition, the 51% NTUA interest was acquired by WestBlock, giving it a 100% ownership interest in the facility. As a result of the acquisition, the Company assumed a debt obligation amounting to $869,000 in connection to this purchase.

Expansion Plan for the New Mexico Facility

In August 2021, the Company announced expansion plans for the New Mexico Facility. Currently, the mining facility has installed capacity of 8 MW and the expansion will see the available power capacity increase to the full 15MW limit of the substation. The construction will include additional transformers, buildings, and associated cabling. The capital expenditure for the New Mexico expansion is estimated to be $1,500,000 and is currently on plan for completion in Q3 of fiscal 2022.

Purchase of Bitcoin Miners

On December 16, 2021, the Company ordered an additional 500 new Bitmain S19J Bitcoin miners at a cost of $3.02 million which will be financed through a combination of working capital and an asset backed lending structure provided by NYDIG ABL LLC.

Equity Raises

On December 7, 2021, the Company closed its announced and oversubscribed public offering of 13.6 million units of the Company at $0.70 CAD per unit for gross proceeds of $9.534 million CAD (see "Subsequent Events").

(Expressed in US Dollars)

ANALYSIS OF FINANCIAL PERFORMANCE

		For the three months ended Nov 30, 2021		For the three months ended Nov 30, 2020
Total revenues	$	3,524,943	$	nil
Expenses				
Electricity		238,041		-
General and administration		326,015		3,434
Interest		363,976		-
Labour, repairs and maintenance		179,946		-
Management, professional and consulting fees		307,031		6,952
Total expenses		1,415,009		10,386
Other expenses		1,158,317		-
Net income (loss)	$	**951,617**	**$**	**(10,386)**

For the three months ended November 30, 2021 vs. November 30, 2020

The Company had a net income of $951,617 for the three months ended November 30, 2021 compared to a net loss of $10,386 for the comparable period in 2020. The Company realized its first profitable fiscal quarter since inception. The Company generated $3,337,884 (2020 - $nil) in revenue from its Bitcoin mining operation and $147,059 (2020 - $nil) from hosting services.

During the three months ended November 30, 2021, the Company realized total expenses of $1,415,009 (2020 - $10,386) primarily associated with loan interest of $363,976 (2020 - $nil), general and administration expenses of $307,917 (2020 - $2,295), electricity costs paid to the NTUA related to Bitcoin mining of $238,041 (2020 - $nil), and consulting fees of $169,092 (2020 - $4,272).

The other non-operating expenses for the three months ended November 30, 2021 is composed of share-based payments of $288,077 (2020 – $nil), depreciation expenses of $843,417 (2020 – $nil) relating to the amortization of the Bitcoin miners and, amortization of financing fees on long-term debts of $26,823 (2020 - $nil).

ANALYSIS OF CASH FLOWS

		For the three months ended Nov 30, 2021		For the three months ended Nov 30, 2020
Net cash provided by (used in)				
Operating activities	$	467,022	$	(15,140)
Investing activities		(4,499,843)		-
Financing activities		3,855,776		64,175
Inflow (outflow) of cash		(177,045)		49,035

Operating Activities

The total cash provided by operating activities for the three months ended November 30, 2021 amounted to $467,022 (2020 – ($15,140)). The cash provided by operating activities was attributed to sale of Bitcoin and decrease in prepaid expenses of $243,830 (2020 -$nil). The company generated $2,036,858 (2020 - $nil) in cash from the sale of Bitcoin.

During the three months ended November 30, 2021, the cash used in operating activities was attributed to an increase in accounts receivable and GST receivable of $127,831 (2020 – ($2,176)) and decrease in accounts payable and accrued liabilities of $158,604 (2020 - $6,930).

Investing Activities

The total cash used in investing activities for the three months ended November 30, 2021 amounted to $4,499,843 (2020 - $nil) related to the purchase of mining equipment of $152,948 (2020 - $nil) and deposits on additional Bitcoin miners and immersion cooling equipment of $4,346,895 (2020 - $nil) (see "Discussion of Operations").

Financing Activities

The total cash provided by financing activities for the three months ended November 30, 2021 amounted to $3,855,776 (2020 - $64,175). Proceeds from short-term debt of $47,434 (2020 - $nil) were provided by InHand Financial Inc., related to property insurance financing (see "Related Party Transactions"). Proceeds from long-term debt was comprised of loans provided by the asset backed facilities provided by Arctos LLC and CHP Agent Services Inc., a related party. The long-term debt proceeds were used for the purchase of additional Bitcoin miners and deposits for the immersion-cooling equipment. Proceeds from exercise of share purchase warrants amounted to $804,767 (2020 - $64,175).

During the three months ended November 30, 2020, the Company received gross proceeds of $64,175 (2021 - $nil) from the issuance of special warrants.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The Company began generating revenue from operations in July 2021. The following is a breakdown of the material costs incurred for the three months ended November 30, 2021 and 2020:

(a) General and administration expenses $307,917 (2020 - $2,295) - being costs associated with regulatory filing, travels, investor relations, mining site supplies, and administration of the Company;

(b) Consulting fees - $169,092 (2020 - $4,272), being fees incurred for marketing consulting and business development services provided by Onyx Capital GmbH, monthly engagement fees paid to Magnus Research and Consulting Ltd., a related party controlled by Ken MacLean, for his role as an officer of WestBlock, and strategic planning and monthly engagement fees to Geoffrey McCord, a related party, for his role as the Chief Financial Officer of the Company;

(c) Depreciation expenses - $843,417 (2020 - $nil), being the amortization of the Bitcoin miners;

(d) Electricity expenses - $238,041 (2020 - $nil), being the monthly electricity charges paid to the NTUA incurred in the production of Bitcoin;

(e) Interest expenses - $363,976 (2020 – $nil), being the monthly interest charges on the asset backed lending facilities provided by Arctos Credit LLC, NYDIG ABL LLC and, CHP Agent Services Inc., a related party;

(f) Labour - $120,765 (2020 – $nil) – being the wages paid to the part-time workers at the New Mexico facility for installation of new Bitcoin miners received and regular maintenance of the site;

(g) Management fees - $59,722 (2020 - $1,140), being fees paid to Cypress Hills Partners Inc., a related party, for accounting, operational, and administrative functions;

(h) Professional fees - $78,217 (2020 - $1,540), being costs associated with the annual financial audit and legal expenses incurred relating to compliance and due diligence on existing and potential transactions; and

(Expressed in US Dollars)

(i) Repairs and maintenance - $59,181 (2020 - $nil), being expenses relating to the general maintenance of the New Mexico facilities including repair of faulty Bitcoin miners, optimizing space for cooling, and scheduled maintenance of mining equipment.

SEGMENT ANALYSIS

The Company currently 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**
Revenue	-	3,524,943	3,524,943
Expenses	692,911	1,880,415	2,573,327
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**

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, cash equivalents, including Bitcoin, long-term debts, and equity comprised of issued common shares, special warrants, share purchase warrant reserves and deficit. The Company manages its capital structure and adjusts it considering economic conditions and financial needs. Upon approval from its Board, the Company will balance its overall capital structure through issuance of securities or by undertaking other activities as deemed appropriate under the specific circumstances.

Working Capital

On November 30, 2021, the Company had a working capital deficiency of $1,750,991 compared to the $2,848,600 deficiency that existed on August 31, 2021. The improvement in working capital deficiency is primarily attributed to increase in digital assets of $3,084,376 (Aug 31, 2021 - $1,281,962), increase in accounts receivable and GST receivable of $191,889 (Aug 31, 2021 - $64,508), decrease in cash of $136,559 (Aug 31, 2021 - $313,604) and increased deferred income of $458,258 (Aug 31, 2021 - $nil).

The working capital deficiency was eliminated on December 7, 2021 with the closing of the equity issue financing for gross proceeds of $9.534 million CAD, which will be generally designated for working capital and future capital expenditures relating to expansion of the business (see "Subsequent Events").

Asset backed lending structures

The Company has committed to purchase 2,400 Bitmain Miners at a total purchase price of $17,023,800. As at November 30, 2021, the total deposit paid for the Bitmain Miners amounted to $11,787,013, and the combined amount financed by an asset backed lending facilities is $9,358,095 (ABL II - $8,114,670; ABL III - $1,243,425). The ABL II will provide the Company up to $11,065,470 in total to finance the purchase of these Bitmain Miners.

(Expressed in US Dollars)

Requirement of Additional Debt and Equity Financing

The Company has relied on debt and equity financings for all funds raised to date for their operations. The Company will need additional funds in the future to expand its business and to meet its monthly debt payments. 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 audited financial statements do not include any adjustments that might result from these uncertainties.

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 this Interim MD&A.

TRANSACTIONS WITH RELATED PARTIES

During the three months ended November 30, 2021, the Company entered into the following transactions with related parties:

a) paid management fees of $66,889 (2020 - $2,279) and rental fees of $7,167 (2020 - $1,139) 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, research and development of the Platform, and the Company's office lease;

b) paid consulting fees of $14,333 (2020 - $4,272) to Geoffrey McCord, an officer of the Company, and $59,722 (2020 - $nil) to a company controlled by Ken MacLean, the president of the Company, for key management compensations;

c) The following transactions are associated with the Company's borrowings with related parties.

Related party	**Controlled by**
CHP Agent Services Inc.	Kelly Klatik, Director of the Company; Dean Linden, Officer of the Company
CHP Capital Inc.	Kelly Klatik, Director of the Company; Dean Linden, Officer of the Company
InHand Financial Inc.	Kelly Klatik, Director of the Company; Dean Linden, Officer of the Company

i. 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 structure (the "ABL I") provided by Arctos Credit, LLC. ("Arctos"). Subsequent to the structuring of the ABL transaction, CHP Agent Services Inc. entered into an agreement to acquire a 100% participation interest in ABL I amounting to $880,575. During the three months ended November 30, 2021, the company paid $24,320 (2020 - $nil) in interest expenses relating to ABL I;

ii. On May 27, 2021, the Company placed an order for 2,400 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, CHP Agent Services Inc. entered into an agreement to acquire a 100% participation interest in ABL III. During the three months ended November 30, 2021, the company paid $37,546 (2020 - $nil) in interest expenses relating to ABL III;

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 was provided by CHP Agent Services Inc. During the three months ended November 30, 2021, the company paid $8,324 (2020 - $nil) in interest expenses relating to this loan;

iv. 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 provided by CHP Agent Services Inc. During the three months ended November 30, 2021, the company paid $9,732 (2020 - $nil) in interest expenses relating to the asset backed loan on the miners;

v. On November 25, 2021, WestBlock finalized the order with CES Corporation on the Immersion-Cooling System at a purchase price of $2,353,240, which will be satisfied through a combination of cash, issuance of common shares of the Company, and an asset backed loan facility provided by CHP Agent Services Inc. As at November 30, 2021, $1,234,905 had been drawn on the asset backed loan facility to make a deposit on the immersion-cooling system. During the period, the company paid $25,623 (2020 - $nil) in interest expenses relating to the asset backed loan;

vi. 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. and paid $3,338 (2020 - $nil) during the period (see "Liquidity and Capital Resources"); and

vii. During the three months ended November 30, 2021, the Company financed its property insurance of $59,546 through InHand Financial Inc. and paid $634 (2020 - $nil) for interest during the period.

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.

SUBSEQUENT EVENTS

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 controlled by Kelly Klatik, a director of the Company and Dean Linden, an officer of the Company. The facility was primarily established to finance the cash portion of the Immersion Cooling System equipment purchase announced on November 25, 2021 and may also be used to acquire 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; and
- A variable interest rate between 16% and 13% that decreases as the total collateral coverage increases in relation to the total debt outstanding.

Public Equity Issue-Bought Deal

On December 7, 2021, the Company closed its previously announced and oversubscribed public offering of units of the Company. The underwriters exercised their option to purchase 600,000 units of the overallotment 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.

Performance warrants

On December 7, 2021, in connection with the closing of the public equity issue, the Financing Condition governing the exercise of the 2.5 million Performance Warrants referred to in Note 11 has been met and these warrants can now be exercised by the holders.

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.

Stock Option Issuance

On January 20, 2022, the Company granted 2,078,000 of stock options to directors, officers, employees and consultants of the Company. The stock options are exercisable for a term of five years from the date of the grant at an exercise price of $0.45 CAD per common share. 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.

Executive Appointments

On January 21, 2022, the Company has made the following Executive appointments to support its operational focus: Kelly Klatik as Executive Chairman, Ken MacLean as President, Kien Tran as Chief Operating Officer, and Anthony Wong as Corporate Secretary. Dean Linden, Co-founder and founding CEO, will transition from CEO to the Chief Communication Strategist of the Company and will continue to deliver LUXXFOLIO content to the Company's stakeholders and followers.

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 three months ended November 30, 2021 and 2020.

CRYPTOCURRENCY AND CYBERSECURITY RISKS

Digital Asset 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.

Risk of Security Breaches

Breaches in network security, computer malfeasance and hacking are continuing concerns in the Bitcoin Exchange markets. Typically, security breaches result in unauthorized access, from internal or external sources, to information, systems and control, to cause intentional damage and disruption of data transactions, hardware and related technologies which could result in unquantifiable loss to the Company's business operations and loss of assets.

Technology Security

Constantly changing technology used in the Bitcoin Network, Bitcoin mining and Blockchain Networks continually introduces opportunities for malicious actors to breach security protocols and potentially damage, steal or control Company assets.

Bitcoin Halving Risk

Bitcoin halving, which occurs every four years, is an event that triggers a 50% reduction in the Bitcoin revenue earned by the Bitcoin miners for every transaction verified by the miner. The reward, currently 6.25 Bitcoin per block, will halve again in 2024. Each halving event has historically resulted in a reduction in network difficulty rates that have corresponded to the reduction in the reward. This, however, cannot be assured or even forecast, and as such, represents a risk to the profitability of Bitcoin mining and the Company's ability to continue as a going concern.

Bitcoin Pricing Volatility Risk

The wide fluctuation of Bitcoin pricing creates a risk to the earnings capability and Bitcoin asset valuations that could be material to the results of operations and financial position of the Company.

Bitcoin Market Adoption

Currently, there is relatively small use of Bitcoin in the retail and commercial marketplace in comparison to the relatively larger use by speculators and investors. This uneven growth will contribute to volatility in pricing and could adversely affect an investment in the Company's shares. Further, if fees increase for recording transactions on the Bitcoin Blockchain, demand for Bitcoin may be reduced and contribute to slowing growth of the Bitcoin Network to retail and commercial enterprises resulting in market limitations and associated Bitcoin demand and valuation challenges.

Continuity of Power Supply

Bitcoin mining consumes large amounts of electrical power and as such, the Company is dependent on NTUA for the continual supply of power at rates that make Bitcoin mining operations efficient and profitable. Disruption in the power supply will have immediate financial consequences to the Company, and if prolonged, result in material losses in Bitcoin earnings, and additional expenses that may be incurred to replace or rectify the power supply.

Bitcoin Miner Obsolescence and Replacement

Technical advances in the efficiency of Bitcoin miners are being made on a continual basis and periodic introductions of new advanced miners can quickly obsolete the Company's existing miners in terms of efficiency and performance, relative to other industry Bitcoin miners. This could result in a reduction in Bitcoin rewards earned and ultimate profitability. Replacement of obsolete miners, or replacement of defective machines, cannot be assured due to competitive market conditions and uncertain pricing.

OTHER RISKS AND UNCERTAINTIES

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 recognized Canadian and US financial institutions.

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

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, accrued liabilities and debt obligations.

Limited Operating History

The Company was recently commenced full operations at its Bitcoin mining facility and has no previous 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 Bitcoin mining and blockchain technology. There is no certainty that the Company will attain its business objectives or operate profitably on a sustainable basis.

Profits to Date

The Company has one quarter of profitability since its incorporation. The Company's continued future profitability depends upon its success in developing and managing its digital currency mining operations, and the extent to which these are able to generate significant revenues.

Additional Requirements for Capital

Substantial additional financing may be required if the Company is to successfully develop and scale 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.

Debt Facilities and Collateral

In the expansion of the Company`s Bitcoin mining business, it has incurred debt obligations, including the asset backed lending facilities (ABL I, II, III and IV), Senior Debt Facility and the Letter of Credit. Where the Company to default on its payment obligations under the terms of these facilities, the Company could loose possession of its Bitcoin miners and related infrastructure, rendering significant damage to the Company ability to carry on operations.

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 Bitcoin and the mining of Bitcoin. This could lead to a loss of any investment made in the Company and may trigger regulatory action by the authorities.

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, 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 the Company`s Bitcoin mining operations; 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.

Litigation

The Company 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 or her 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 and in the Company`s annual audited financial statements, 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

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial instruments (including cash and equivalents) that are denominated in a currency other than United States dollars, the functional currency of the Company. Management does not hedge its foreign currency risk exposures.

COVID-19

The outbreak of COVID-19 has spread globally causing 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 is uncertain, however, it is possible that our future consolidated results may be negatively impacted by this event. The extent of any impact, will depend on future developments, including actions taken to contain COVID-19 and its variants.

Other Information

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