



LUXFOLIO HOLDINGS INC.

Interim MD&A – Quarterly Highlights
For the three and six months ended February 28,
2022 and 2021

Dated: April 29, 2022

LUXXFOLIO HOLDINGS INC.

Interim MD&A – Quarterly Highlights

For the three and six months ended February 28, 2022

(Expressed in US Dollars)

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 and six months ended February 28, 2022 and 2021. This interim MD&A is dated April 29, 2022 and should be read in conjunction with the Company’s interim condensed consolidated financial statements and the accompanying notes for the three and six months ended February 28, 2022 and 2021, 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;

LUXXFOLIO HOLDINGS INC.

Interim MD&A – Quarterly Highlights

For the three and six months ended February 28, 2022

(Expressed in US Dollars)

- 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".

LUXXFOLIO HOLDINGS INC.

Interim MD&A – Quarterly Highlights

For the three and six months ended February 28, 2022

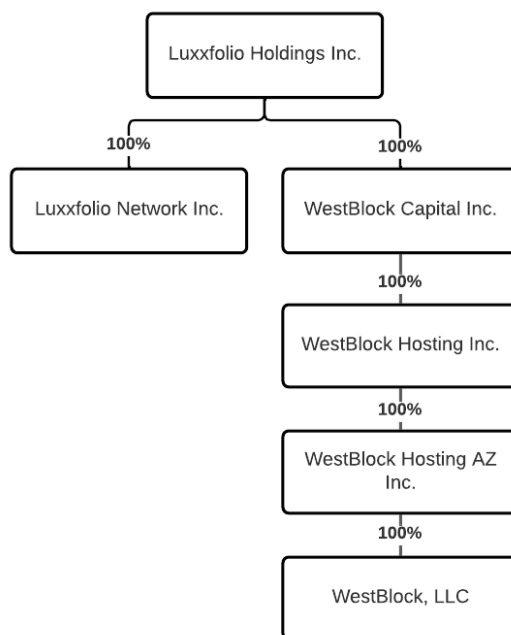
(Expressed in US Dollars)

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.



WestBlock owns and 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. 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. LNI is a development-stage financial technology company with a customized blockchain technology (the "Platform") that it owns and has available for licensing. 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.

OVERALL PERFORMANCE

The Bitcoin mining sector has recently experienced a number of factors impacting mining economics. In the calendar year 2021, mining difficulty hit an all-time high of 25.04 terahash ("TH") 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

LUXXFOLIO HOLDINGS INC.

Interim MD&A – Quarterly Highlights

For the three and six months ended February 28, 2022

(Expressed in US Dollars)

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.

We have invested in the latest generation of miners from Bitmain. ASICs have become increasingly more efficient on a jules/TH metric, but that marginal growth is slowing. This is important as the efficiency per MW is a good metric by which to measure crypto miners. Management believes this latest generation of miner has the potential to last 5-7 years and is crucial to our strategy of maintaining consistent hashrates and profitability through the next halving event in 2024.

The Company achieved gross revenues of \$2,714,159 or 62.15 BTC during the three months ended February 28, 2022 from its Bitcoin mining operation. Hashrates increased from 131 petahash per second (“PH/s”) at the beginning of the fiscal quarter to 139 PH/s at February 28, 2022, and escalated to 176 PH/s at the date of this Interim MD&A.

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

- Received and installed 2,255 Bitcoin miners at its New Mexico Facility;
- Completed the first expansion of the New Mexico Facility from 8 MW of usable capacity to 15 MW;
- Ordered an additional 500 Bitmain S19j Pro Bitcoin miners for delivery at the end of Q2 2022;
- Advanced delivery of 600 miners through a swap arrangement with a strategic partner;
- Contracted for the construction of immersion technology for delivery in May 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;
- Diversified into Ethereum mining through the asset purchase of Blackcloud Crypto Investments; and
- Opened a second mining facility in Canada mining Filecoin as part of its diversification strategy.

Monthly Performance

Month	Operating level PH/s at month end	Rewards			Reserve at month end		
		BTC	ETH	Total revenues	BTC	ETH	FIL
Dec 2021	131	20.44	8.15	\$ 1,042,000	67	60	nil
Jan 2022	139	22.01	7.63	\$922,000	78	64	205
Feb 2022	139	19.70	6.46	\$825,000	83	31	204

Bitcoin Miners

At the date of this Interim MD&A, the Company has 2,255 Bitcoin miners at the New Mexico Facility and 1,400 scheduled for calendar quarterly delivery as follows:

- Q2 2022: 1,100 Miners
- Q3 2022: 300 Miners

Security of Digital Assets

Security of the Digital Assets 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, Ethereum, and Filecoin pools of the Company. Anchorage is a US federally regulated digital asset bank with SOC I compliance registration.

LUXXFOLIO HOLDINGS INC.

Interim MD&A – Quarterly Highlights

For the three and six months ended February 28, 2022

(Expressed in US Dollars)

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. Now scheduled for delivery in May 2022, the system will increase 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.

Diversification into Filecoin Mining

On January 31, 2022, a separate decentralized data storage vertical was launched, allowing the Company to begin earning block rewards in Filecoin. The first set of Filecoin storage servers was received and a full node has been installed and connected to the Filecoin network.

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

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 WestBlock has provided the infrastructure and secured 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.

LUXXFOLIO HOLDINGS INC.

Interim MD&A – Quarterly Highlights

For the three and six months ended February 28, 2022

(Expressed in US Dollars)

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 included additional transformers, buildings, and associated cabling at a total cost of \$1,700,000 and became operational in late April 2022.

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, a director of LNI and WestBlock. 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 Conditions governing the exercise of the 2.5 million Performance Warrants issued at the date of the WestBlock Acquisition 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.

LUXXFOLIO HOLDINGS INC.

Interim MD&A – Quarterly Highlights

For the three and six months ended February 28, 2022

(Expressed in US Dollars)

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, has transitioned from CEO to the Chief Communication Strategist of the Company and will continue to deliver LUXXFOLIO content to the Company's stakeholders and followers.

ANALYSIS OF FINANCIAL PERFORMANCE

	For the three months ended Feb 28, 2022	For the three months ended Feb 28, 2021	For the six months ended Feb 28, 2022	For the six months ended Feb 28, 2021
Total revenues	\$ 2,947,961	\$ nil	\$ 6,472,904	\$ nil
Operating expenses				
Advertising	18,024	-	27,455	-
Consulting	440,531	3,531	609,623	7,814
Depreciation	1,370,659	-	2,214,075	-
Electricity	569,207	-	972,652	-
General and administration	447,107	(11,039)	789,454	(6,790)
Interest	506,936	15,689	870,913	15,432
Labour	90,672	-	197,481	-
Supplies and maintenance	80,685	-	158,623	-
Management and professional fees	232,551	22,482	370,491	24,258
Total operating expenses	3,756,372	30,663	6,210,767	40,714
Total other expenses	1,479,989	15,877	1,502,411	15,617
Net income (loss)	\$ (2,288,400)	\$ (46,540)	\$ (1,240,274)	\$ (56,331)

For the three months ended February 28, 2022 vs. February 28, 2021

The Company had a net loss of \$2,288,400 for the three months ended February 28, 2022 compared to a net loss of \$46,540 for the comparable period in 2021. The Company generated \$2,789,230 (2021 - \$nil) in revenue from its Bitcoin and Ethereum mining operation and \$158,731 (2021 - \$nil) from hosting services.

During the three months ended February 28, 2022, the Company realized total operating expenses of \$3,756,372 (2021 - \$30,663) primarily associated with depreciation expense of \$1,370,659 (2021 - \$nil) relating to the amortization of the Bitcoin miners, loan interest of \$506,936 (2021 - \$15,689), electricity costs paid to the NTUA related to Bitcoin mining of \$569,207 (2021 - \$nil), consulting fees of \$440,531 (2021 - \$3,531) and general and administration expenses of \$447,107 (2021 - (\$11,039)).

LUXXFOLIO HOLDINGS INC.

Interim MD&A – Quarterly Highlights

For the three and six months ended February 28, 2022

(Expressed in US Dollars)

During the three months ended February 28, 2022, the Company realized total other expenses of \$1,479,989 (2021 - \$15,877) composed primarily of share-based payments of \$523,151 (2021 - \$15,877), unrealized loss on digital assets of \$571,130 (2021 - \$nil) and realized loss on digital assets of \$354,938 (2021 - \$nil).

For the six months ended February 28, 2022 vs. February 28, 2021

The Company had a net loss of \$1,240,274 for the six months ended February 28, 2022 compared to a net loss of \$56,331 for the comparable period in 2021. The Company generated \$6,167,114 (2021 - \$nil) in revenue from its Bitcoin and Ethereum mining operation and \$305,790 (2021 - \$nil) from hosting services.

During the six months ended February 28, 2022, the Company realized total operating expenses of \$6,210,767 (2021 - \$40,714) primarily associated with depreciation expenses of \$2,214,075 (2021 - \$nil) relating to the amortization of the Bitcoin miners, loan interest of \$870,913 (2021 - \$15,432), electricity costs paid to the NTUA related to Bitcoin mining of \$972,652 (2021 - \$nil), consulting fees of \$609,623 (2021 - \$7,814) and general and administration expenses of \$789,454 (2021 - (\$6,790)).

During the six months ended February 28, 2022, the Company realized total other expenses of \$1,502,411 (2021 - \$15,617) composed primarily of share-based payments of \$811,228 (2021 - \$15,617), unrealized loss on digital assets of \$395,553 (2021 - \$nil) and realized loss on digital assets of \$238,036 (2021 - \$nil).

ANALYSIS OF CASH FLOWS

	For the six months ended Feb 28, 2022	For the six months ended Feb 28, 2021
Net cash provided by (used in)		
Operating activities	\$ 124,957	\$ (50,818)
Investing activities	(11,916,197)	(868,083)
Financing activities	12,701,088	1,195,820
Inflow (outflow) of cash	\$ 909,848	\$ 276,919

Operating Activities

The total cash provided by operating activities for the six months ended February 28, 2022 amounted to \$124,957 (2021 - (\$50,818)). The cash provided by operating activities was attributed to proceeds from the sale of Bitcoin of \$3,397,792 (2021 - \$nil), decrease in prepaid expenses of \$245,785 (2021 - \$nil) and increase in accounts payable and accrued liabilities of \$537,412 (2021 - (\$10,807)).

During the six months ended February 28, 2022, the cash used in operating activities was attributed to an increase in accounts receivable and GST receivable of \$63,348 (2021 - (\$703)).

Investing Activities

The total cash used in investing activities for the six months ended February 28, 2022 amounted to \$11,916,197 (2021 - \$868,083) related to the purchase of mining equipment and cost of New Mexico site expansion of \$1,494,967 (2021 - \$nil) and deposits on additional Bitcoin miners and immersion cooling equipment of \$10,421,230 (2021 - \$868,083) (see "Discussion of Operations").

Financing Activities

The total cash provided by financing activities for the six months ended February 28, 2022 amounted to \$12,701,088 (2021 - \$1,195,820). The cash provided by financing activities primarily comprised of proceeds from

LUXXFOLIO HOLDINGS INC.

Interim MD&A – Quarterly Highlights

For the three and six months ended February 28, 2022

(Expressed in US Dollars)

the issuance of units of the Company through public offering of \$6,826,858 (2021 - \$nil) (see “Discussion of Operations”), proceeds from long-term debt of \$6,549,262 (2021 - \$578,722), and exercise of share purchase warrants of \$813,222 (\$2021 - \$65,754).

The long-term debt was 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.

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 six months ended February 28, 2022 and 2021:

- (a) General and administration expenses \$695,559 (2021 – (\$9,105)) - being costs associated with regulatory filing, travels, investor relations, shipping, and administration of the Company;
- (b) Consulting fees - \$609,623 (2021 - \$7,814), being monthly engagement fees, key management compensation and consulting fees paid to various of officers, directors, and consultants of the company relating to strategic planning, operations, and administration of the Company. (see “Transactions with Related Party”).
- (c) Depreciation expenses - \$2,214,075 (2021 - \$nil), being the amortization of the Bitcoin miners, mining equipment and mining facility;
- (d) Electricity expenses - \$972,652 (2021 - \$nil), being the monthly electricity charges paid to the NTUA incurred in the production of Bitcoin;
- (e) Interest expenses - \$870,913 (2021 – \$15,432), 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 - \$197,481 (2021 – \$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 - \$99,048 (2021 - \$3,473), being fees paid to Cypress Hills Partners Inc., a related party, for accounting, operational, and administrative functions;
- (h) Professional fees - \$271,443 (2021 - \$20,785), being costs associated with the annual financial audit, legal fees incurred relating to the public offering of units of the Company and legal expenses incurred relating to compliance and due diligence on existing and potential transactions;
- (i) Share-based payments - \$811,228 (2021 - \$15,617), being expenses relating to the grant of stock options recognized over a graded vesting schedule; and
- (j) Supplies and maintenance - \$158,623 (2021 - \$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:

LUXXFOLIO HOLDINGS INC.

Interim MD&A – Quarterly Highlights

For the three and six months ended February 28, 2022

(Expressed in US Dollars)

<i>For the six months ended Feb 28, 2022</i>	<i>Canada</i>	<i>USA</i>	<i>Consolidated</i>
Total revenue	\$nil	\$6,472,904	\$6,472,904
Operating expenses	1,344,164	4,866,603	6,210,767
Other expenses	806,926	695,485	1,502,411
Net income (loss)	(\$2,151,090)	\$910,816	(\$1,240,274)
Current assets	1,214,324	3,886,645	5,100,969
Non-current assets	4,401,741	22,426,976	26,828,717
Total assets	\$5,616,065	\$26,313,621	\$31,929,686
Current liabilities	348,221	8,917,106	9,265,327
Non-current liabilities	-	6,083,536	6,083,536
Total liabilities	\$348,221	\$15,000,642	\$15,348,863

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 February 28, 2022, the Company had a working capital deficiency of \$4,164,358 compared to the \$2,848,600 deficiency that existed on August 31, 2021. The increase in working capital deficiency during the six months ended Feb 28, 2022 is primarily attributed to an increase in accounts payable and accrued liabilities of \$537,412, a decrease in prepaid expenses of \$245,785, an increase in short-term debt of \$29,660 and an increase in the current portion of long-term debt of \$3,635,788.

Asset backed lending structures

On May 27, 2021, the Company committed to purchase 2,400 S19J Pro Bitcoin miners at a total purchase price of \$17.02 million. The purchase was satisfied through a combination of cash and asset backed lending structures (“ABL II” and “ABL III”) provided by Arctos LLC. On December 16, 2021, the Company committed to purchase 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.

As at February 28, 2022, the total deposit paid for the Bitmain Miners amounted to \$9,104,875, and the combined amount financed by an asset backed lending facilities is \$11,886,295 (ABL II - \$8,892,870; ABL III - \$1,243,425; ABL IV - \$1,750,000). The ABL II will provide the Company up to \$11,065,470 in total to finance the purchase of these Bitmain Miners. As at February 28, 2022, the total outstanding amount on ABL II, ABL III and ABL IV is \$11,129,455.

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

LUXXFOLIO HOLDINGS INC.

Interim MD&A – Quarterly Highlights

For the three and six months ended February 28, 2022

(Expressed in US Dollars)

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 PARTY

During the six months ended February 28, 2022, the Company entered into the following transactions with related parties:

- a) paid management fees of \$99,048 (2021 - \$3,473) and rental fees of \$14,245 (2021 - \$2,315) to a company controlled by Kelly Klatik, a director of the Company, and Dean Linden, a director of LNI and WestBlock, for accounting and administrative functions, research and development of the Platform, and the Company's office lease;
- b) The following transactions are associated with the Company's consulting expenses with related party:

Related party	Relationship	Direct or indirect payment	Six months ended Feb 28, 2022	Six months ended Feb 28, 2021	Functions
Geoffrey McCord	Officer	Direct	\$62,504	\$7,944	Key management compensation
Geoffrey McCord	Officer	Indirect	\$8,258	\$nil	Consulting
Kien Tran	Officer	Indirect	\$89,457	\$nil	Key management compensation
Anthony Wong	Officer	Direct	\$8,258	\$nil	Consulting
Ken MacLean	Director and Officer	Indirect	\$169,747	\$nil	Consulting and key management compensation
Brad Farquhar	Director	Indirect	\$8,258	\$nil	Consulting
Kelly Klatik	Director and Officer	Indirect	\$66,180	\$nil	Consulting
Dean Linden	Director of LNI and WestBlock	Direct	\$36,896	\$nil	Consulting

- c) The following transactions are associated with the Company's borrowings with related party:

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

- 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 six months

LUXXFOLIO HOLDINGS INC.

Interim MD&A – Quarterly Highlights

For the three and six months ended February 28, 2022

(Expressed in US Dollars)

ended February 28, 2022, the company paid \$41,380 (2021 - \$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 six months ended February 28, 2022, the company paid \$63,815 (2021 - \$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 (“CAS – Facility I”) was provided by CHP Agent Services Inc. 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. On November 25, 2021, WestBlock finalized the order with CES Corporation on the Immersion-Cooling System at a purchase price of \$2,353,240 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 (“CAS – Facility III”) provided by CHP Agent Services Inc. On December 1, 2021, the Company, through its wholly owned subsidiary WestBlock, entered into a senior debt facility (the “Senior Debt Facility”) with CHP Agent Services Inc. The Senior Debt Facility replaced the existing CAS - Facility I, CAS - Facility II, and CAS - Facility III. During the six months ended February 28, 2022, the company paid a total of \$125,856 (2021 - \$nil) in interest expenses relating to the Senior Debt Facility. This amount includes the interests paid to CAS - Facility I, CAS - Facility II, and CAS - Facility III prior to the restructuring of the debt facilities. The facility may also be used to acquire additional Bitcoin mining servers and equipment;
- iv. During the six months ended February 28, 2022, the Company had drawn \$500,000 CAD from a line of credit facility provided by CHP Capital Inc. and at the end of the quarter had a balance outstanding of \$300,000 CAD. Interest amounting to \$10,320 (2020 - \$nil) was paid during the period; and
- v. During the six months ended February 28, 2022, the Company financed its property insurance of \$59,546 through InHand Financial Inc. and paid \$1,565 (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***Expansion Plan for the New Mexico Facility***

In August 2021, the Company announced expansion plans for the New Mexico Facility. The first phase and second phases of this expansion were completed in March 2022 and April 2022 respectively, providing 100% of the available 15 MW capacity of the facility.

LUXXFOLIO HOLDINGS INC.

Interim MD&A – Quarterly Highlights

For the three and six months ended February 28, 2022

(Expressed in US Dollars)

Bitcoin Miners Delivery

At the date of this Interim MD&A, the Company has 2,255 Bitcoin miners at the New Mexico Facility and 1,400 scheduled for calendar quarterly delivery as follows:

- Q2 2022: 1,100 Miners
- Q3 2022: 300 Miners

CONTROLS AND PROCEDURES

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 six months ended February 28, 2022 and 2021.

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

LUXXFOLIO HOLDINGS INC.

Interim MD&A – Quarterly Highlights

For the three and six months ended February 28, 2022

(Expressed in US Dollars)

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.

LUXXFOLIO HOLDINGS INC.

Interim MD&A – Quarterly Highlights

For the three and six months ended February 28, 2022

(Expressed in US Dollars)

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 lose 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.

LUXXFOLIO HOLDINGS INC.

Interim MD&A – Quarterly Highlights

For the three and six months ended February 28, 2022

(Expressed in US Dollars)

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.