



**LUXFOLIO HOLDINGS INC.**

Amended Interim Condensed Consolidated Financial Statements  
For the three and nine months ended May 31, 2022 and 2021  
(Expressed in US Dollars)  
(Unaudited)

Dated: August 11, 2022

**NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

**LUXXFOLIO HOLDINGS INC.**Interim Condensed Consolidated Statements of Financial Position (unaudited)  
(Expressed in US Dollars)

As at	May 31, 2022	August 31, 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 191,381	\$ 313,604
Accounts receivable and GST receivable	134,968	64,508
Prepaid expenses	2,515	248,288
Digital Assets – Held in Custody (note 5)	1,667,593	1,281,962
	1,996,457	1,908,362
<b>Non-current assets</b>		
Investment in private company	10,000	10,000
Deposits on equipment (note 6)	7,713,378	8,758,725
Plant and equipment – net (note 7)	14,519,242	3,229,102
Goodwill (note 11)	4,438,142	4,622,303
	26,680,762	16,620,130
<b>Total assets</b>	<b>\$ 28,677,219</b>	<b>\$ 18,528,492</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 8)	\$ 850,774	\$ 541,919
Deferred income	152,752	-
Short-term debt	11,970	-
Current portion of the long-term debt	7,436,784	4,215,043
	8,452,280	4,756,962
<b>Non-current liabilities</b>		
Long-term debt (note 9)	4,948,976	4,742,497
	13,401,256	9,499,459
<b>Shareholders' equity</b>		
Common shares (note 10)	19,336,719	8,763,996
Special warrants (note 10)	-	2,187,866
Contributed surplus (note 10)	805,393	214,805
Warrant reserves (note 10)	1,361,998	1,477,963
Accumulated deficit	(6,228,147)	(3,626,177)
Accumulated other comprehensive income	-	10,580
	15,275,963	9,029,033
<b>Total liabilities and shareholders' equity</b>	<b>\$ 28,677,219</b>	<b>\$ 18,528,492</b>

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

Approved on behalf of the Board:

Signed: "Kelly Klatik"

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Kelly Klatik, Director

Signed: "Brad Farquhar"

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Brad Farquhar, Director

**LUXXFOLIO HOLDINGS INC.**

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

	For the three months ended May 31, 2022	For the three months ended May 31, 2021	For the nine months ended May 31, 2022	For the nine months ended May 31, 2021
<b>Revenue</b>				
Bitcoin mining	\$ 2,746,473	\$ -	\$ 8,913,587	\$ -
Hosting revenue	152,752	-	458,542	-
<b>Total revenues</b>	<b>2,899,225</b>	<b>-</b>	<b>9,372,129</b>	<b>-</b>
<b>Operating expenses</b>				
Advertising	-	-	27,454	-
Consulting (note 8)	75,169	141,171	685,788	151,295
Depreciation (note 7)	1,869,693	-	4,011,751	-
Electricity	626,206	-	1,537,422	-
General and administration	125,201	152,747	555,869	160,072
Interest (note 9)	495,824	34,816	1,366,016	54,812
Insurance (note 8)	59,927	-	119,577	-
Compensation	269,487	-	643,042	-
Management fees (note 8)	33,381	60,000	132,240	64,500
Professional fees	20,517	1,009	318,588	5,445
Rent (note 8)	15,288	8,000	49,533	11,000
Supplies and maintenance	49,502	-	201,892	-
<b>Total operating expenses</b>	<b>3,640,195</b>	<b>397,743</b>	<b>9,649,172</b>	<b>447,124</b>
<b>Other expenses</b>				
Share-based payments (note 10)	249,789	186,228	925,547	206,464
Amortization of financing fees	30,902	3,375	88,496	6,749
Realized loss on digital assets	421,670	-	661,950	-
Unrealized loss on digital assets	738,660	-	765,346	-
<b>Total other expenses</b>	<b>1,441,021</b>	<b>189,603</b>	<b>2,441,339</b>	<b>213,213</b>
<b>Net income (loss)</b>	<b>\$ (2,181,991)</b>	<b>\$ (587,346)</b>	<b>\$ (2,718,382)</b>	<b>\$ (660,337)</b>
Basic and diluted net loss per share	\$ (0.03)	\$ (0.02)	\$ (0.04)	\$ (0.03)
Weighted average number of shares outstanding:				
Basic and diluted	74,217,944	32,696,471	68,389,153	24,453,690

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

**LUXFOLIO HOLDINGS INC.**

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

(Expressed in US Dollars)

	Note	Number of common shares	Common shares	Special warrants	Contri- buted surplus	Warrant reserves	Deficit	Accumu- lated OCI	Total
<b>Balance, August 31, 2020</b>		<b>17,647,415</b>	<b>\$ 1,636,540</b>	<b>\$ 122,626</b>	<b>\$ -</b>	<b>\$ 51,894</b>	<b>\$ (1,735,868)</b>	<b>\$ 693</b>	<b>\$ 75,885</b>
Issuance of common shares		9,772,060	1,577,411	-	-	-	-	-	1,577,411
Issuance of special warrants		-	-	65,561	-	-	-	-	65,561
Issuance of share purchase warrants		-	-	-	-	59,560	-	-	59,560
Share-based compensation		-	-	-	111,467	-	-	-	111,467
Exercise of special warrants		5,000,000	189,995	(189,995)	-	-	-	-	-
Exercise of share purchase warrants		526,000	134,675	-	-	(51,296)	-	-	83,379
Expired share purchase warrants		-	-	-	-	(2,345)	2,345	-	-
Currency translation adjustment		-	225,907	1,808	-	1,747	(162,483)	-	66,979
Net income (loss)		-	-	-	-	-	(527,341)	-	(527,341)
<b>Balance, May 31, 2021</b>		<b>32,945,475</b>	<b>\$ 3,764,528</b>	<b>\$ -</b>	<b>\$ 111,467</b>	<b>\$ 59,560</b>	<b>\$ (2,423,347)</b>	<b>\$ 693</b>	<b>\$ 1,512,901</b>
Issuance of special warrants		-	-	2,187,866	-	64,349	-	-	2,252,215
Issuance of units		470,000	126,655	-	-	3,725	-	-	130,380
Issuance of share purchase warrants		-	-	-	-	665,073	-	-	665,073
Finder's fees		-	(40,787)	-	-	-	-	-	(40,787)
Acquisition of WestBlock		16,000,000	5,073,299	-	-	685,258	-	-	5,758,557
Share-based compensation		-	-	-	103,338	-	-	-	103,338
Currency translation adjustment		-	(159,699)	-	-	(2)	97,911	(178,623)	(240,413)
Revaluation of cryptocurrencies		-	-	-	-	-	-	188,510	188,510
Net income (loss)		-	-	-	-	-	(1,300,741)	-	(1,300,741)
<b>Balance, August 31, 2021</b>		<b>49,415,475</b>	<b>\$ 8,763,996</b>	<b>\$ 2,187,866</b>	<b>\$ 214,805</b>	<b>\$ 1,477,963</b>	<b>\$ (3,626,177)</b>	<b>\$ 10,580</b>	<b>\$ 9,029,033</b>
Issuance of units	10	13,600,000	6,824,023	-	-	265,965	-	-	7,089,988
Issuance of compensation options	10	-	-	-	-	311,373	-	-	311,373
Conversion of special warrants	10	8,118,912	2,187,866	(2,187,866)	-	-	-	-	-
Exercise of share purchase warrants	10	2,583,554	1,416,754	-	-	(603,532)	-	-	813,222
Expired share purchase warrants	10	-	-	-	-	(89,676)	89,676	-	-
Asset purchase of Blackcloud	10	500,003	327,366	-	-	-	-	-	327,366
Share-based compensation	10	-	-	-	590,504	-	(22,360)	-	568,144
Currency translation adjustment		-	(183,286)	-	84	(95)	49,096	(10,580)	(144,781)
Net income (loss)		-	-	-	-	-	(2,718,382)	-	(2,718,382)
<b>Balance, May 31, 2022</b>		<b>74,217,944</b>	<b>\$ 19,336,719</b>	<b>\$ -</b>	<b>\$ 805,393</b>	<b>\$ 1,361,998</b>	<b>\$ (6,228,147)</b>	<b>\$ -</b>	<b>\$ 15,275,963</b>

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

**LUXXFOLIO HOLDINGS INC.**Interim Condensed Consolidated Statements of Cash Flows (unaudited)  
(Expressed in US Dollars)

	For the nine months ended May 31, 2022	For the nine months ended May 31, 2021
<b>Operating Activities</b>		
Net income (loss)	\$ (2,718,382)	\$ (517,140)
Changes in non-cash operating items:		
Depreciation	4,011,751	-
Share-based payments	925,547	161,692
Bitcoin mining revenue	(8,913,587)	-
Hosting revenue	(458,542)	-
Amortization of financing fees	88,496	(231,733)
Realized (gain) loss on Digital Assets	654,080	-
Unrealized (gain) loss on Digital Assets	765,346	-
Changes in non-cash working capital:		
Digital Assets – sold	7,780,473	-
Accounts receivable and GST receivable	(70,460)	(11,645)
Prepaid expenses	245,773	-
Accounts payable and accrued liabilities	308,855	32,366
Cash provided by (used in) operating activities	2,619,350	(566,460)
<b>Investing Activities</b>		
Purchase of plant and equipment	(6,243,407)	-
Deposit on plant and equipment	(7,605,412)	(6,847,043)
Cash provided by (used in) investing activities	(13,848,819)	(6,847,043)
<b>Financing Activities</b>		
Issuance of units through public offering	6,824,023	-
Issuance of common shares	-	1,558,651
Issuance of special warrants	-	66,567
Exercise of share purchase warrants	813,222	82,387
Proceeds from short-term debt	463,950	-
Proceeds from long-term debt	7,943,662	6,064,526
Repayment of short-term debt	(451,980)	-
Repayment of long-term debt	(4,485,631)	(52,808)
Cash provided by (used in) financing activities	11,107,246	7,719,323
<b>Inflow (outflow) of cash</b>	<b>(122,223)</b>	<b>305,820</b>
Cash, Beginning of the period	313,604	95,339
Cash, End of the period	\$ 191,381	\$ 401,159

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

## **LUXXFOLIO HOLDINGS INC.**

Notes to the Amended Interim Condensed Consolidated Financial Statements (unaudited)

For the three and nine months ended May 31, 2022 and 2021

(Expressed in US Dollars)

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### **1. NATURE OF OPERATIONS**

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

The Company completed the amalgamation of WestBlock on June 14, 2021. WestBlock operates an industrial scale digital asset mining and hosting platform through its wholly owned subsidiary WestBlock Hosting Arizona Inc. located in New Mexico. The mining platform, owned 100% by the Company, was originally developed in partnership with the Navajo Tribal Utility Authority (“NTUA”) and resides on Navajo Tribal lands.

### **2. GOING CONCERN**

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

For the nine months ended May 31, 2022, the Company realized a net loss of \$2,718,382 (2021 – \$527,341) and as of May 31, 2022, had a working capital deficiency of \$6,455,823 (August 31, 2021 – \$2,848,600) and an accumulated deficit of \$6,228,147 (August 31, 2021 - \$3,626,177). In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

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

## **LUXXFOLIO HOLDINGS INC.**

Notes to the Amended Interim Condensed Consolidated Financial Statements (unaudited)

For the three and nine months ended May 31, 2022 and 2021

(Expressed in US Dollars)

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### **3. BASIS OF PRESENTATION**

(a) Statement of compliance

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

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

These unaudited interim condensed consolidated financial statements have been amended to correct the currency reference in Note 15(b) – Subsequent Events. Both the sale of miners and the related debt repayment, originally disclosed as Canadian dollars, have been corrected to the Company’s reporting currency in US dollars.

These amended interim condensed consolidated financial statements were authorized for issue by the Board of Directors on August 11, 2022.

(b) Basis of presentation and Principals of consolidation

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

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

(c) Functional and presentation currency

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



**LUXXFOLIO HOLDINGS INC.**

Notes to the Amended Interim Condensed Consolidated Financial Statements (unaudited)

For the three and nine months ended May 31, 2022 and 2021

(Expressed in US Dollars)

**3. BASIS OF PRESENTATION (continued)**

## (d) Use of estimates and judgements

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

**4. SIGNIFICANT ACCOUNTING POLICIES**

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

**5. DIGITAL ASSETS – HELD IN CUSTODY**

## (a) Digital Assets

As at May 31, 2022, the Company held Bitcoin, Ethereum, and Filecoin as its digital assets in segregated custody vaults with Anchorage Digital Bank NA, a US federally chartered digital bank and registered custodian. The digital assets are recorded at their fair value on the date they are received as revenues and are revalued at their current market value at each reporting date. Fair value is determined by taking the closing price listed on Yahoo Finance at the reporting date. The continuity of digital assets is as follows:

<i>(At fair value)</i>	Bitcoin		Ethereum		Filecoin	
	Units	\$	Units	\$	Units	\$
Opening balance, Aug 31, 2020	-	nil	-	nil	-	nil
Ending balance, May 31, 2021	-	-	-	-	-	-
Acquired	20.81	819,122	-	-	-	-
Digital assets mined	13.73	607,330	-	-	-	-
Digital assets sold	(7.22)	(293,259)	-	-	-	-
Revaluation	-	148,769	-	-	-	-
Ending balance, Aug 31, 2021	27.32	1,281,962	-	-	-	-
Acquired	-	-	51.99	220,433	1,105	22,240
Digital assets mined	192.54	8,771,531	40.85	125,878	-	-
Digital assets sold	(167.57)	(7,780,473)	(91.85)	(239,325)	-	-
Revaluation	-	(616,232)	-	(105,068)	-	(13,353)
Ending balance at, May 31, 2022	52.29	1,656,788	0.99	1,918	1,105	8,887
Collateralized, May 31, 2022	48.54	1,537,971	-	-	-	-
Uncollateralized, May 31, 2022	3.75	118,817	0.99	1,918	1,105	8,887

**LUXXFOLIO HOLDINGS INC.**

Notes to the Amended Interim Condensed Consolidated Financial Statements (unaudited)

For the three and nine months ended May 31, 2022 and 2021

(Expressed in US Dollars)

**5. DIGITAL ASSETS – HELD IN CUSTODY (continued)**

## (b) Non-fungible Tokens

During the nine months ended May 31, 2022, the Company acquired non-fungible tokens (“NFTs”) through an NFT marketplace. The NFTs are recorded at their fair value on the date they were acquired and are revalued at their current market value at each reporting date. Fair value is determined by the bidding price of the NFTs on an active NFT marketplace at the reporting date. The Company had written off the NFTs as at May 31, 2022.

The continuity of NFT is as follows:

	NFT	
	Units	\$
Opening balance, August 31, 2020	-	nil
Ending balance at fair value, May 31, 2021	-	-
Ending balance at fair value, August 31, 2021	-	-
Acquired	1	97,088
Revaluation	(1)	(97,088)
Ending balance at fair value, May 31, 2022	-	nil

**6. DEPOSITS ON EQUIPMENT**

	May 31, 2022	May 31, 2021
Deposits on mining equipment	\$6,203,473	\$7,242,370
Deposits on immersion equipment	1,509,905	-
Total	\$7,713,378	\$7,242,370

As at May 31, 2022, the Company had a total deposit of \$6,203,473 (2021 - \$7,272,370) towards the purchase of 2,900 Bitmain S19j Pro Bitcoin miners. The Company had received a total of 1,800 of the 2,900 Bitmain Miners as at May 31, 2022. The Company was granted price protection in the event of any material spot price declines on the Bitmain Miners.

During the nine months ended May 31, 2022, the Company had a total deposit of \$1,509,905 (2021 - \$nil) towards the purchase of an immersion-cooling system. The immersion-cooling system is scheduled to be installed in the last fiscal quarter of 2022 (see “Related Party Transactions” and “Subsequent Events”).

**LUXXFOLIO HOLDINGS INC.**

Notes to the Amended Interim Condensed Consolidated Financial Statements (unaudited)

For the three and nine months ended May 31, 2022 and 2021

(Expressed in US Dollars)

**7. PLANT AND EQUIPMENT**

	Mining servers	Equipment	Infrastructure	Total
<b>Cost</b>				
As at August 31, 2020	\$nil	\$nil	\$nil	\$nil
As at May 31, 2021	-	-	-	-
Acquired through acquisition	-	19,534	1,306,381	1,325,915
Additions	2,039,341	7,420	-	2,046,761
As at August 31, 2021	2,039,341	26,954	1,306,381	3,372,676
Acquired through asset purchase	70,400	36,533	-	106,933
Additions	14,208,052	429,384	560,012	15,197,448
As at May 31, 2022	\$16,317,793	\$492,871	\$1,866,393	\$18,677,057
<b>Accumulated depreciation</b>				
As at August 31, 2020	\$nil	\$nil	\$nil	\$nil
As at May 31, 2021	-	-	-	-
Depreciation	71,217	2,490	72,357	146,064
As at August 31, 2021	71,217	2,490	72,357	146,064
Depreciation	3,754,842	11,708	245,201	4,011,751
As at May 31, 2022	\$3,826,059	\$14,198	\$317,558	\$4,157,815
Net Book Value, May 31, 2021	\$nil	\$nil	\$nil	\$nil
Net Book Value, May 31, 2022	\$12,491,734	\$478,673	\$1,548,835	\$14,519,242

**8. RELATED PARTY TRANSACTIONS**

During the nine months ended May 31, 2022, the Company incurred management fees of \$132,240 (2021 - \$50,510) and rental fees of \$21,533 (2021 - \$8,614) from a company controlled by a director of the Company and a director of the Company's subsidiaries. During the same period, the Company incurred compensation and consulting fees of \$515,572 (2021 - \$27,452) by certain officers and directors of the Company and its subsidiaries, representing monthly consulting fees and compensation for key management functions.

On December 24, 2020, the Company placed an order for 590 Avalon 1246 Pro Bitcoin miners (the "Avalon Miners") at a total purchase price of \$1,174,100. The purchase price was satisfied through a combination of cash and an asset backed lending structure (the "ABL I") provided by NYDIG ABL LLC ("NYDIG"; formerly Arctos ABL LLC). Subsequent to the structuring of the ABL transaction, a related party, CHP Agent Services Inc., entered into a participation agreement to acquire a 100% participation interest in ABL I (see Note 9) amounting to \$880,575. CHP Agent Services Inc. is controlled by a director of the Company and a director of the Company's subsidiaries. During the nine months ended May 31, 2022, the company paid \$51,455 (2021 - \$42,923) in interest to CHP Agent Services Inc. relating to ABL I (See "Subsequent Events").

## LUXXFOLIO HOLDINGS INC.

Notes to the Amended Interim Condensed Consolidated Financial Statements (unaudited)

For the three and nine months ended May 31, 2022 and 2021

(Expressed in US Dollars)

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### 8. RELATED PARTY TRANSACTIONS (continued)

On May 27, 2021, the Company placed an order for 2,400 Bitmain S19j Pro Bitcoin miners (the "Bitmain Miners") at a total purchase price of \$17,023,800. The purchase price will be satisfied through a combination of cash and asset backed lending structures ("ABL II" and "ABL III") provided by NYDIG. Subsequent to the structuring of asset backed lending transactions, a related party, CHP Agent Services Inc., entered into a participation agreement to acquire a 100% participation interest in ABL III (see Note 9). During the nine months ended May 31, 2022, the company paid \$79,258 (2021 - \$nil) in interest to CHP Agent Services Inc. relating to ABL III.

On June 14, 2021, the Company assumed debt amounting to \$869,000 as a result of the acquisition of WestBlock. 50% of the \$869,000 loan ("CAS - Facility I") was provided by CHP Agent Services Inc., a related party (see Note 9). 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 was satisfied through a combination of cash and an asset backed loan facility of \$377,500 ("CAS - Facility II") provided by CHP Agent Services Inc., a related party (see Note 9). On November 25, 2021, the Company finalized the order with CES Corporation ("CES") on the Immersion-Cooling System for a total purchase price of \$2,353,240 (the "Purchase Price"). The Purchase Price was satisfied through a combination of cash and an asset backed loan facility ("CAS - Facility III") provided by CHP Agent Services Inc., a related party (see Note 9).

On December 1, 2021, the Company, through its wholly owned subsidiary WestBlock, entered into a senior debt facility (the "Senior Debt Facility") to refinance the CAS facilities with CHP Agent Services Inc., a related party (see Note 9). Total interest paid to the Senior Debt Facility amounted to \$206,677 (2021 - \$nil) during the nine months ended May 31, 2022.

During the nine months ended May 31, 2022, the Company had utilized a line of credit facility provided by CHP Capital Inc., a related party controlled by a director of the Company. The Company paid interest amounting to \$13,104 (2021 - \$nil) and repaid in full all amounts owed under the line of credit (see Note 9).

During the nine months ended May 31, 2022, the Company financed its property insurance of \$59,546 through InHand Financial Inc., a related party, controlled by a director of the Company and a director of the Company's subsidiaries. During the nine months ended May 31, 2022, the Company paid interest amounting to \$2,738 (2021 - \$nil) to InHand Financial Inc.

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.

**LUXXFOLIO HOLDINGS INC.**

Notes to the Amended Interim Condensed Consolidated Financial Statements (unaudited)

For the three and nine months ended May 31, 2022 and 2021

(Expressed in US Dollars)

**9. LONG-TERM DEBT**

	May 31, 2022	May 31, 2021
Senior Debt Facility	\$2,106,632	\$nil
NTUA note	309,089	-
ABL I	130,821	824,672
ABL II	8,114,670	4,255,950
ABL III	203,078	1,243,425
NYDIG asset backed facility ("ABL IV")	1,676,609	-
Less: Financing fees	(155,140)	-
Less: Current portion	(7,436,783)	(4,727,800)
<b>Total long-term debt</b>	<b>\$4,948,976</b>	<b>\$1,596,247</b>

Scheduled principal repayments of total long-term debt are as follows:

FY2022	\$ 1,906,275
FY2023	9,008,654
FY2024	1,625,970
	<u>\$12,540,899</u>

Asset Backed Lending Facilities:

<i>As at May 31, 2022</i>	<b>ABL I</b>	<b>ABL II</b>	<b>ABL III</b>	<b>ABL IV</b>
Total debt	\$880,575	\$11,065,470	\$1,243,425	\$1,750,000
Amounts outstanding	\$130,821	\$8,114,670	\$203,078	\$1,676,609
Interest rate	16%	15%	16%	15%
Duration	19 months	30 months	14 months	26 months
Payment frequency	Monthly	Monthly	Monthly	Monthly
FY2022 principal reduction	\$130,821	\$1,310,377	\$203,078	\$225,722
FY2023 principal reduction	\$nil	\$5,758,323	\$nil	\$991,913
FY2024 principal reduction	\$nil	\$1,045,970	\$nil	\$458,974

On December 24, 2020, the Company placed an order for 590 Avalon Miners at a total purchase price of \$1,174,100. The purchase price was satisfied through a combination of cash and an asset backed lending facility ("ABL I") provided by NYDIG. Interest expense relating to the ABL I amounted to \$51,455 (2021 - \$42,923) for the nine months ended May 31, 2022. Security for the ABL I consists of a first priority charge on the Avalon Miners and any Bitcoin and related assets generated from the use of the Avalon Miners.

On May 27, 2021, the Company placed an order for 2,400 Bitmain S19j Pro Bitcoin miners (the "Bitmain Miners") at a total purchase price of \$17,023,800. The purchase price was satisfied through a combination of cash and asset backed lending structures ("ABL II" and "ABL III") provided by NYDIG as summarized above. ABL II is interest only payments for the initial eight months. ABL III is interest only payments for the first month. ABL III is a refinancing of the original Avalon Miner purchase. As at May 31, 2022, the Company paid a total down payment of \$1,293,945 plus financing fees of \$221,309 for the Bitmain Miners. Interest expenses relating to the ABL II and III amounted to \$874,598 (2021 - \$nil) and \$79,258 (2021 - \$nil) respectively for the nine months ended May 31, 2022. Security for ABL II and III consist of a first priority charge on the related Miners and any Bitcoin and related assets generated from the use of the Miners.

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**9. LONG-TERM DEBT (continued)**

On December 16, 2021, the Company placed an order for 500 S19J Pro Bitcoin miners at a cost of \$3,020,000 to be satisfied by a combination of working capital and ABL IV provided by NYDIG. ABL IV is interest only for the initial four months. Interest expense relating to the ABL IV amounted to \$118,125 (2021 - \$nil) during the nine months ended May 31, 2022. 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.

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., a related party. The Senior Debt Facility replaced the existing CAS - Facility I, CAS - Facility II, and CAS - Facility III. During the nine months ended May 31, 2022, the company paid a total of \$206,677 (2021 - \$nil) in interest expenses relating to the Senior Debt Facility. The facility may also be used to acquire additional Bitcoin mining servers and equipment.

The Senior Debt Facility carries the following terms:

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

***CAS - Facility I***

As a result of the acquisition of WestBlock, the Company assumed debt amounting to \$869,000 on June 14, 2021. This debt was incurred by WestBlock to facilitate the acquisition of the 51% partnership interest in the hosting facilities owned by the Navajo Tribal Utility Authority ("NTUA"), providing WestBlock with 100% ownership of this operation. CHP Agent Services Inc., a related party, provided the CAS – Facility I for 50% of the \$869,000 loan. CAS – Facility I carries an interest rate of 12% and a term of 19 months with interest only payments for the initial four months. Security of CAS – Facility I consists of a general security agreement on WestBlock and its subsidiaries which includes the Bitcoin held by WestBlock. The other 50% of the \$869,000 loan was provided by the NTUA.

The debt facility provided by NTUA carries an interest rate of 7% and a term of 36 months. Interest expenses relating to the NTUA debt facility amounted to \$13,082 (2021 - \$nil) for the nine months ended May 31, 2022.

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**9. LONG-TERM DEBT (continued)*****CAS - Facility II***

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 was satisfied through a combination of cash and CAS – Facility II provided by CHP Agent Services Inc., a related party. The debt facility financed 50% of the purchase amount totaling \$377,500, carries an interest rate of 16% and a term of 16 months with an interest only payment for the initial month. Security for the debt consists of a general security agreement on WestBlock and its subsidiaries.

***CAS - Facility III***

On November 25, 2021, WestBlock finalized the order with CES on the Immersion-Cooling System. The purchase price of the Immersion System is \$2,353,240 of which \$1,942,200 will be paid in cash and \$410,040 will be paid by the issuance of 612,000 common shares of the Company at a deemed price of \$0.83 CAD per share. The cash portion will be satisfied through an asset backed loan facility provided by CHP Agent Services Inc., a related party.

***Line of Credit***

On July 29, 2019, the Company entered into a Line of Credit and Security Agreement (the “LOC Agreement”) with CHP Capital Inc. (“CHI”), a related company controlled by a director of the Company. Under the terms of the LOC Agreement, CHI will provide the Company with a line of credit facility (“LOC”) to a maximum of \$500,000 CAD. The term of the LOC Agreement is 24 months and the LOC bears interest at 9% per annum. On July 25, 2021, the LOC Agreement has been extended for another 24 months, expiring July 25, 2023. Under the terms of the LOC Agreement, the Company is restricted to using the LOC for research and development expenses or for other purposes approved by CHI. The Company has provided CHI with a General Security Agreement covering all assets of the Company as security for the LOC, except for the Avalon Miners, Bitmain Miners, and their related assets. The terms and conditions of LOC are consistent with those that may be available from a third-party lender. Further, the LOC becomes immediately due and payable should a change of control occur in the ownership of the Company’s equity or the composition of the Board of Directors. During the nine months ended May 31, 2022, the Company paid \$13,104 (2021 - \$nil) in interest charges relating to the LOC. As at May 31, 2022, the LOC had been completely repaid and the security interest released.

**10. SHARE CAPITAL****(a) Authorized**

Unlimited number of common shares without par value.

**(b) Issued and outstanding**

During the nine months ended May 31, 2022, the Company issued 24,802,469 common shares (2021 - 15,298,060) as follows:

- On October 1, 2021, the Company issued 2,172,840 shares through exercise of warrants at an exercise price of \$0.40 CAD per warrant on a one-for-one basis for gross proceeds

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**10. SHARE CAPITAL (continued)**

## (b) Issued and outstanding (continued)

of \$869,136 CAD. These warrants were granted to WestBlock shareholders as part of the Company's acquisition of WestBlock in June 2021.

- On November 1, 2021, the Company issued 8,118,912 shares through the automatic conversion of special warrants, previously issued through a non-brokered private placement, without payment of additional consideration.
- During the nine months ended May 31, 2022, the Company issued a total of 410,714 shares through exercise of share purchase warrants at a weighted average exercise price of \$0.40 CAD per share purchase warrant previously issued for gross proceeds of \$164,821 CAD.
- The Company, through its subsidiary WestBlock, entered into an Asset Purchase Agreement dated September 1, 2021, which was amended November 24, 2021, with Blackcloud Crypto Investments. Under the terms, WestBlock acquired Ethereum mining equipment that included 88 installed and operating Ethereum miners located in Alberta, Canada, and 52 Ethereum coins (the "Assets"). In consideration for the Assets, the Company issued 500,003 shares at a deemed price of \$0.38 CAD per share, for a total aggregate consideration of \$190,001 CAD.
- On December 7, 2021, the Company closed its previously announced underwritten 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. A total of 13,600,000 shares were issued at a deemed price of \$0.68 CAD per share.

During the nine months ended May 31, 2021, the Company issued 15,298,060 common shares as follows:

- On December 30, 2020, the Company issued 5,200,000 common shares at \$0.075 per share for gross proceeds of \$390,000 through a non-brokered private placement. A total of 400,000 of the 5,200,000 common shares were issued to a related party. The common shares issued are subject to a four-month and one day hold period under securities laws.
- On January 4, 2021, the Company issued 426,000 common shares at an exercise price of \$0.20 CAD per common share following the exercise of share purchase warrants issued on March 15, 2019 for total proceeds of \$85,200 CAD.
- On March 10, 2021, the Company issued 100,000 common shares at an exercise price of \$0.20 per common share following the exercise of share purchase warrants issued on March 15, 2019 for total proceeds of \$20,000.



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**10. SHARE CAPITAL (continued)**

## (b) Issued and outstanding (continued)

- On March 19, 2021, the Company issued 4,572,060 common shares at \$0.35 per share for gross proceeds of \$1,600,221 through a non-brokered private placement. A total of 114,200 of the 4,572,060 common shares were issued to a related party. The common shares issued are subject to a four-month and one day hold period under securities laws.
- During the nine months end May 31, 2021, the Company issued 5,000,000 common shares at \$0.05 CAD per share as per conversion of special warrants, previously issued through a non-brokered private placement, without payment of additional consideration.

## (c) Special warrants

During the nine months ended May 31, 2022, the Company did not issue any special warrants. On November 1, 2021, a total of 8,118,912 special warrants, previously issued through a non-brokered private placement, were automatically converted into Units of the Company, at no additional cost to the holder. Each Unit is comprised of one common share and one share purchase warrant.

During the nine months ended May 31, 2021, the Company issued 1,700,000 special warrants for total proceeds of \$85,000. Each special warrant entitled subscribers thereof to automatically receive, without payment of additional consideration and without further action on the part of the subscriber, and subject to adjustment, one common share in the capital of the Company upon the earlier of (i) five business days after the subscriber elects to convert all of their special warrants pursuant to the terms of the special warrant certificate; or (ii) the day that the Company has cumulatively raised \$500,000 through equity financings after closing the sale of the special warrants; and (iii) the day that is three years after the date of the special warrants offering close. During the nine months ended May 31, 2021, 5,000,000 (2020 – nil) special warrants were converted into common shares, without payment of additional consideration.

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

	Number of Special Warrants	Weighted Average Exercise Price (CAD)
Outstanding, August 31, 2020	3,300,000	\$ 0.05
Issued	1,700,000	\$ 0.35
Converted	(5,000,000)	\$ 0.05
Outstanding, May 31, 2021	-	-
Issued	8,118,912	\$ 0.35
Outstanding, August 31, 2021	8,118,912	\$ 0.35
Converted	(8,118,912)	\$ 0.35
Outstanding, May 31, 2022	-	-

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**10. SHARE CAPITAL (continued)**

## (d) Share purchase warrants

During the nine months ended May 31, 2022, the Company issued 15,268,912 (2021 – nil) share purchase warrants as follow:

- On November 1, 2021, a total of 8,118,912 special warrants, previously issued through a non-brokered private placement, were automatically converted into Units of the Company. Each of these special warrants convert, at no additional cost to the holder, into one Unit of the Company with each Unit comprised of one common share and one share purchase warrant.
- On December 7, 2021, the Company closed its previously announced underwritten 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 13,600,000 units at a price of \$0.70 CAD per unit and 350,000 additional common share purchase warrants for gross proceeds of \$9,534,000 CAD. Each unit consisted of one common share and one-half share purchase warrant. Each whole share purchase warrant is exercisable to acquire one common share at an exercise price of \$1.00 CAD until December 7, 2023. The Company issued a total of 7,150,000 share purchase warrants relating to this public offering of units of the Company.

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

During the nine months ended May 31, 2022, a total 310,714 share purchase warrants were exercised at an exercise price of \$0.45 CAD per warrant into shares of the Company. In addition, a total of 100,000 share purchase warrants were exercised at an exercise price of \$0.25 CAD per warrant into shares of the Company on a one-for-one basis.

During the nine months ended May 31, 2021, the Company issued 350,000 (2021 – nil) share purchase warrants (the “Warrants”) as compensation for services rendered. Each Warrant may be exercise into one common share of the Company at an exercise price of \$0.25 per share. These Warrants expire one year from the date of issuance. The exercise price of the share purchase warrants issued were based on the closing price of the common shares on the day prior to the grant date. The share purchase warrants issued were accounted for at their fair value determined by the Black-Scholes option pricing model with the following weighted average assumptions:

# of Warrants	350,000
Risk-free interest rate	0.13%
Expected life of options	1 years
Annualized volatility	166%
Dividend rate	0%
Weighted average fair value per Warrant	\$0.205

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**10. SHARE CAPITAL (continued)**

## (d) Share purchase warrants (continued)

The annualized volatility was based on historical monthly data of the Company. Share-based compensation expense of these Warrants amounted to \$71,901 (2020 - \$nil).

During the nine months ended May 31, 2021, a total of 526,000 Warrants were exercised into 526,000 common shares of the Company at an exercise price of \$0.20 CAD per share for total proceeds of \$105,200 CAD. A total of 28,000 Warrants expired. As at May 31, 2021, there were 350,000 Warrants issued and outstanding. Share purchase warrant transactions and the number of share purchase warrants outstanding are summarized as follows:

	Number of share purchase warrants	Weighted Average Exercise Price (CAD)
Outstanding, August 31, 2020	554,000	\$0.200
Exercised	(526,000)	\$0.200
Expired	(28,000)	\$0.200
Issued	350,000	\$0.250
Outstanding, May 31, 2021	350,000	\$0.250
Issued	5,787,032	\$0.402
Outstanding, August 31, 2021	6,137,032	\$0.393
Exercised	(2,583,554)	\$0.400
Expired	(327,160)	\$0.400
Issued	15,268,912	\$0.708
Outstanding, May 31, 2022	18,495,230	\$0.652

The weighted average contractual life of share purchase warrants outstanding as at May 31, 2022 is 1.22 (2021 – 0.99) years.

## (e) Compensation Options

In connection with the underwritten public offering closed on December 7, 2021, the Company issued 796,050 (2021 – nil) compensation options to the Underwriters (“Compensation Option”). Each Compensation Option will entitle the holder to purchase one unit (a “Compensation Unit”) at an exercise price of \$0.70 CAD per Compensation Unit. Each Compensation Unit will comprise of one common share and one-half of one share purchase warrant (each such whole warrant being a “Compensation Warrant”). Each Compensation Warrant will entitle the holder to acquire one Common Share at an exercise price of \$1.00 CAD per share for a period of 18 months after the closing of the public offering of units. The Compensation Options granted were accounted for at their fair value determined by the Black-Scholes option pricing model with the following weighted average assumptions:

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**10. SHARE CAPITAL (continued)**

## (e) Compensation Options (continued)

	Common share component	Compensation Warrant component
Exercise price per share/warrant	\$0.70 CAD	\$1.00 CAD
Risk-free interest rate	0.23%	0.23%
Expected life of share/warrant	1.5 years	1.5 years
Annualized volatility	149.86%	149.86%
Dividend rate	0%	0%
Weighted average fair value per share/warrant	\$0.344 CAD	\$0.306 CAD

The annualized volatility was based on historical weekly data of the Company. Share-based expense for the nine months ended May 31, 2022 relating to the Compensation Options amounted to \$327,941 (2021 - \$nil).

The following table summarizes information on the movement of the Compensation Options:

	Number of Compensation Options	Weighted Average Exercise Price (CAD)
Outstanding, August 31, 2020	-	-
Outstanding, May 31, 2021	-	-
Outstanding, August 31, 2021	-	-
Granted	796,050	\$0.70
Outstanding, May 31, 2022	796,050	\$0.70
Options exercisable, May 31, 2022	796,050	\$0.70

The weighted average contractual life of Compensation Option outstanding as at May 31, 2022 is 1.02 (2021 – nil) years.

## (f) Stock Options

During the nine months ended May 31, 2022, the Company granted 2,203,000 (2021 – 2,175,000) stock options to certain employees, consultants, officers, and directors of the Company. The options have a five-year term and vest over a two-year period at a rate of 25% every six months. The exercise price of the share options granted were based on the closing price of the common shares on the day prior to the grant date. The share options granted were accounted for at their fair value determined by the Black-Scholes option pricing model with the following weighted average assumptions:

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**10. SHARE CAPITAL (continued)**

## (f) Stock Options (continued)

Exercise price per share	\$0.456 CAD
Risk-free interest rate	0.69%
Expected life of options	5 years
Annualized volatility	191.88%
Dividend rate	0%
Weighted average fair value per option	\$0.414 CAD

The annualized volatility was based on historical weekly data of the Company. The fair value of the stock options is amortized over the vesting period. Share-based compensation for the nine months ended May 31, 2022 amounted to \$590,504 (2021 - \$111,467).

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

	Number of Stock Options	Weighted Average Exercise Price (CAD)
Outstanding, August 31, 2020	-	-
Granted	2,175,000	\$0.226
Outstanding, May 31, 2021	2,175,000	\$0.226
Granted	1,010,000	\$0.420
Outstanding, August 31, 2021	3,185,000	\$0.287
Granted	2,203,000	\$0.456
Expired	(125,000)	\$0.550
Outstanding, May 31, 2022	5,263,000	\$0.352
Options exercisable, May 31, 2022	1,340,000	\$0.262

The weighted average contractual life of stock options outstanding as at May 31, 2022 is 4.14 (2021 – 4.64) years.

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**11. ACQUISITION OF WESTBLOCK**

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

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

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

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

On closing, the Company also issued 2.5 million performance warrants (the "Performance Warrants") to the WestBlock management team and certain other persons who have assisted WestBlock with its business. The Performance Warrants have a term of 24 months and are exercisable at \$0.40 CAD per share for the first 12 months from the closing date, and \$0.50 CAD per share if exercised in the second 12-month period. The Performance Warrants are subject to a financing condition such that they will not be exercisable unless an aggregate of \$2 million CAD is raised via an equity financing or series of equity financings undertaken by and for the Company (the "Financing Condition"). If the Financing Condition is not satisfied by the date that is 12 months from the date of issue of the Performance Warrants, then the Performance Warrants will expire. The Performance Warrants were recognized under share-based payments for the year ended August 31, 2021 and are not a part of the WestBlock purchase price. On December 7, 2021, in connection with the closing of the public equity issue, the Financing Condition governing the exercise of the Performance Warrants has been met and these warrants can now be exercised by the holders.

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**12. FINANCIAL INSTRUMENTS AND DIGITAL ASSETS**

(a) Fair value

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

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

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

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

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

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

(b) Credit risk

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

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

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk on an ongoing basis in accordance with policies and procedures in place. Budgeting and Cash flow projections are completed and reviewed on a regular basis to ensure the Company has sufficient cash resources available to meet its financial obligations. The Company is exposed to liquidity risk in respect of its accounts payable and accrued liabilities, short-term debt, and long-term debt. As at May 31, 2022, the Company has the following contractual maturities:

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**12. FINANCIAL INSTRUMENTS AND DIGITAL ASSETS (continued)**

## (c) Liquidity risk (continued)

	Carrying amount	Contractual cash flows	FY2022	FY2023	FY2024
Accounts Payable and accrued Liabilities	\$850,774	\$850,774	\$850,774	\$nil	\$nil
Short-term debt	11,970	11,970	11,970	-	-
Long-term debt(i)	12,385,760	12,540,899	1,906,275	9,008,654	1,625,970
	\$13,248,504	\$13,403,643	\$2,769,019	\$9,008,654	\$1,625,970

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

## (d) Interest rate risk

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

## (e) Foreign currency risk

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

## (f) Digital currency pricing risk

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

As at May 31, 2022, had the market price of Bitcoin increased or decreased by 10% with all other variables held constant, the corresponding digital asset value increase or decrease would amount to \$165,871.



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**13. CAPITAL MANAGEMENT**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. As at May 31, 2022, the Company considers capital to consist of short-term debt, long-term debt and all components of shareholders' equity. The Company manages its capital structure and adjusts it considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue common shares, promissory notes, or dispose of assets or adjust the amount of cash on hand.

At this stage of the Company's development, to maximize ongoing operational development efforts, the Company does not pay dividends. There were no changes to the Company's capital management approach for the nine months ended May 31, 2022.

**14. SEGMENT INFORMATION**

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

<i>For the nine months ended May 31, 2022</i>	<b>Canada</b>	<b>USA</b>	<b>Consolidated</b>
<b>Total revenue</b>	<b>\$nil</b>	<b>\$9,372,129</b>	<b>\$9,372,129</b>
<b>Operating expenses</b>			
Advertising	27,454	-	27,454
Consulting	685,788	-	685,788
Depreciation	-	4,011,751	4,011,751
Electricity	-	1,537,422	1,537,422
General and administration	294,379	261,490	555,869
Insurance	-	119,577	119,577
Interest	(57)	1,366,073	1,366,016
Payroll and labour	350,469	292,573	643,042
Management fees	132,240	-	132,240
Professional fees	273,480	45,108	318,588
Rent	21,533	28,000	49,533
Supplies and maintenance	39,533	162,359	201,892
Total operating expenses	1,824,819	7,824,353	9,649,172
Other expenses (1)	925,806	1,515,533	2,441,339
<b>Net income (loss)</b>	<b>(\$2,750,625)</b>	<b>\$32,243</b>	<b>(\$2,718,382)</b>
<i>As at May 31, 2022</i>			
Current assets	261,889	1,734,568	1,996,457
Non-current assets	4,419,142	22,261,620	26,680,762
<b>Total assets</b>	<b>\$4,681,031</b>	<b>\$23,996,188</b>	<b>\$28,677,219</b>
Current liabilities	334,870	8,117,410	8,452,280
Non-current liabilities	-	4,948,976	4,948,976
<b>Total liabilities</b>	<b>\$334,870</b>	<b>\$13,066,386</b>	<b>\$13,401,256</b>

(1) Other expenses include realized and unrealized loss on Digital Assets, share-based payments, depreciation, and financing fees.

**LUXXFOLIO HOLDINGS INC.**

Notes to the Amended Interim Condensed Consolidated Financial Statements (unaudited)

For the three and nine months ended May 31, 2022 and 2021

(Expressed in US Dollars)

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**15. SUBSEQUENT EVENTS**

(a) Private Placement

On June 9, 2022, the Company announced the closing of a \$2.0 million CAD private placement for 12.5 million common shares and 12.5 million warrants of the Company (the “Unit Offering”) with a single strategic investor.

The Unit Offering comprised one common share of the Company at \$0.16 CAD per share and one whole warrant exercisable into one common share of the Company at \$0.21 CAD for a period of twenty-four months. The warrants also provide for an accelerated exercise if the volume weighted average closing price is equal to or greater than \$0.50 CAD for twenty consecutive trading days (the “Acceleration Event”). In such event, the Company may accelerate the exercise date to a date not later than twenty days following the Acceleration Event.

(b) Debt Repayment and Dispositions of Bitcoin Miners

On June 30, 2022, the Company repaid, in advance, the remaining debts under ABL I and III related to the Canaan Avalon miners. These repayments amounted to \$415,000 CAD, and were paid to CHP Agent Services Inc., a related company controlled by a Director of the Company at the direction of NYDIG.

Debt repayments were also announced by the Company on July 15, 2022 in connection with the sale of miners and accompanying two year mining hosting agreement. The Company sold 970 Bitmain miners for proceeds of \$3.5 million. \$3.2 million of the total proceeds were used to repay related debt obligations under ABL II and IV (See Note 10). As part of the sale, the Company will continue to host the Bitmain miners under a two-year immersion mining agreement which provides the Company with steady and predictable revenue streams from hosting fees, as well as continued participation in Bitcoin mining through the overclocking enabled by the immersion technology.

On Jul 27, 2022, the Company agreed to sell an additional 590 Avalon miners for proceeds of \$450,000, of which \$310,000 has been paid, with the balance due on the delivery of the Avalon miners.