



**LUXFOLIO HOLDINGS INC.**

Interim Condensed Consolidated Financial Statements  
For the three and nine months ended May 31, 2023 and 2022  
(Expressed in US Dollars)  
(Unaudited)

Dated: July 31, 2023

**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, 2023 <sup>(1)</sup>	August 31, 2022
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 67,353	\$ 331,894
Accounts receivable	-	136,272
Prepaid expenses	-	2,515
Intangible – Digital Assets (note 4)	-	1,103,483
	67,353	1,574,164
<b>Non-current assets</b>		
Deposit on equipment (note 5)	-	1,509,905
Plant and equipment – net (note 6)	-	3,360,140
	67,353	4,870,045
<b>Total assets</b>	<b>\$ 67,353</b>	<b>\$ 6,444,209</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 8, 13)	\$ 1,118,593	\$ 1,486,781
Deferred income	-	310,000
Current portion of the long-term debt	153,724	938,759
	1,272,317	2,735,540
<b>Non-current liabilities</b>		
Long-term debt (note 8, 13)	91,941	1,147,657
	1,364,258	3,883,197
<b>Shareholders' equity</b>		
Common shares (note 9)	19,819,348	20,453,519
Contributed surplus (note 9)	440,015	1,182,463
Warrant reserves (note 9)	1,034,299	1,086,460
Accumulated deficit	(22,801,814)	(20,161,430)
Accumulated other comprehensive income	211,247	-
	(1,296,905)	2,561,012
<b>Total liabilities and shareholders' equity</b>	<b>\$ 67,353</b>	<b>\$ 6,444,209</b>

(1) *Going Concern – Note 1.*

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

Approved on behalf of the Board:

*Signed: "Geoffrey McCord"*

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 Geoffrey McCord, 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, 2023	For the three months ended May 31, 2022	For the nine months ended May 31, 2023	For the nine months ended May 31, 2022
<b>Revenue</b>				
Bitcoin mining	\$ -	\$ 2,746,473	\$ 130,841	\$ 8,913,587
Hosting revenue	-	152,752	662,167	458,542
<b>Total revenues</b>	<b>-</b>	<b>2,899,225</b>	<b>793,008</b>	<b>9,372,129</b>
<b>Operating expenses</b>				
Advertising	-	-	4,527	27,454
Consulting (note 7)	22,110	75,169	134,670	685,788
Depreciation (note 5)	76,078	1,869,693	411,612	4,011,751
Electricity	-	626,206	332,999	1,537,422
General and administration	29,771	125,201	196,588	555,869
Interest (note 8)	3,900	495,824	68,200	1,366,016
Insurance	-	59,927	11,952	119,577
Labour	-	269,487	119,822	643,042
Management fees (note 7)	-	33,381	33,213	132,240
Professional fees	1,382	20,517	47,753	318,588
Rent (note 7)	-	15,288	8,625	49,533
Supplies and maintenance	-	49,502	22,353	201,892
<b>Total operating expenses</b>	<b>133,241</b>	<b>3,640,195</b>	<b>1,392,314</b>	<b>9,649,172</b>
<b>Other expenses</b>				
Share-based payments (note 9)	56,500	249,789	271,395	925,547
Debt forgiveness	-	-	(19,119)	-
Amortization of financing fees	-	30,902	-	88,496
Realized loss on digital assets	12,461	421,670	(4,042)	661,950
Unrealized loss on digital assets	-	738,660	-	765,346
Loss on disposition of assets (note 5)	1,505,435	-	3,234,738	-
<b>Total other expenses</b>	<b>1,574,396</b>	<b>1,441,021</b>	<b>3,482,972</b>	<b>2,441,339</b>
<b>Net loss</b>	<b>\$ 1,707,637</b>	<b>\$ 2,181,991</b>	<b>\$ 4,082,278</b>	<b>\$ 2,718,382</b>
<b>Other comprehensive income</b>				
Currency translation adjustment	211,247	-	211,247	-
<b>Total other comprehensive income</b>	<b>211,247</b>	<b>-</b>	<b>211,247</b>	<b>-</b>
<b>Comprehensive loss</b>	<b>\$ 1,496,390</b>	<b>\$ 2,181,991</b>	<b>\$ 3,871,031</b>	<b>\$ 2,718,382</b>
Basic and diluted net loss per share	\$ 0.02	\$ 0.03	\$ 0.05	\$ 0.04
Weighted average number of shares outstanding:				
Basic and diluted	86,717,944	74,217,944	86,717,944	68,389,153

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

**LUXXFOLIO HOLDINGS INC.**

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

(Expressed in US Dollars)

	Notes	Number of common shares	Common shares	Special warrants	Contributed surplus	Warrant reserves	Deficit	Accumulated OCI	Total
<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		13,600,000	6,824,023	-	-	265,965	-	-	7,089,988
Issuance of compensation options		-	-	-	215,581	95,792	-	-	311,373
Finder's fees		-	(497,427)	-	-	-	-	-	(497,427)
Conversion of special warrants		8,118,912	2,187,866	(2,187,866)	-	-	-	-	-
Exercise of share purchase warrants		2,583,554	1,416,754	-	-	(603,532)	-	-	813,222
Expired share purchase warrants		-	-	-	-	(89,676)	89,676	-	-
Asset purchase of Blackcloud		500,003	327,366	-	-	-	-	-	327,366
Share-based compensation		-	-	-	359,670	-	(22,360)	-	337,310
Currency translation adjustment		-	(249,202)	-	-	(5,458)	49,096	(10,580)	(216,144)
Net income (loss)		-	-	-	-	-	(2,718,382)	-	(2,718,382)
<b>Balance, May 31, 2022</b>		<b>74,217,944</b>	<b>\$ 18,773,376</b>	<b>\$ -</b>	<b>\$ 790,056</b>	<b>\$ 1,141,054</b>	<b>\$ (6,228,147)</b>	<b>\$ -</b>	<b>\$ 14,476,339</b>
Issuance of units		12,500,000	1,716,354	-	-	-	-	-	1,716,354
Expired share purchase warrants		-	-	-	-	(18,869)	18,869	-	-
Share-based compensation		-	-	-	428,538	-	768	-	429,306
Currency translation adjustment		-	(36,211)	-	(36,131)	(35,725)	180,214	-	72,147
Net income (loss)		-	-	-	-	-	(14,133,134)	-	(14,133,134)
<b>Balance, August 31, 2022</b>		<b>86,717,944</b>	<b>\$ 20,453,519</b>	<b>\$ -</b>	<b>\$ 1,182,463</b>	<b>\$ 1,086,460</b>	<b>\$ (20,161,430)</b>	<b>\$ -</b>	<b>\$ 2,561,012</b>
Share-based compensation	9	-	-	-	271,395	-	-	-	271,395
Expired stock options	9	-	-	-	(972,399)	-	972,399	-	-
Expired share purchase warrants	9	-	-	-	-	(12,897)	12,897	-	-
Currency translation adjustment		-	(634,171)	-	(41,444)	(39,264)	456,598	211,247	(47,034)
Net income (loss)		-	-	-	-	-	(4,082,278)	-	(4,082,278)
<b>Balance, May 31, 2023</b>		<b>86,717,944</b>	<b>19,819,348</b>	<b>\$ -</b>	<b>\$ 440,015</b>	<b>\$ 1,034,299</b>	<b>\$ (22,801,814)</b>	<b>\$ 211,247</b>	<b>\$ (1,296,905)</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, 2023	For the nine months ended May 31, 2022
<b>Operating Activities</b>		
Net income (loss)	\$ (4,082,278)	\$ (2,718,382)
Changes in non-cash operating items:		
Depreciation	411,612	4,011,751
Share-based payments	271,395	925,547
Bitcoin mining revenue	(130,841)	(8,913,587)
Hosting revenue	-	(458,542)
Loss on disposition of assets	3,234,738	-
Amortization of financing fees	-	88,496
Realized (gain) loss on Digital Assets	(4,042)	654,080
Unrealized (gain) loss on Digital Assets	-	765,346
Changes in non-cash working capital:		
Digital Assets – sold	1,187,987	7,780,473
Accounts receivable	136,272	(70,460)
Prepaid expenses	-	245,773
Accounts payable and accrued liabilities	(368,188)	308,855
Cash provided by (used in) operating activities	656,655	2,619,350
<b>Investing Activities</b>		
Purchase of plant and equipment	-	(6,243,407)
Deposit on plant and equipment	-	(7,605,412)
Cash provided by (used in) investing activities	-	(13,848,819)
<b>Financing Activities</b>		
Issuance of units through public offering	-	6,824,023
Exercise of share purchase warrants	-	813,222
Debt forgiveness	(19,119)	-
Proceeds from short-term debt	-	463,950
Proceeds from long-term debt	-	7,943,662
Repayment of short-term debt	-	(451,980)
Repayment of long-term debt	(902,077)	(4,485,631)
Cash provided by (used in) financing activities	(921,196)	11,107,246
<b>Inflow (outflow) of cash</b>	<b>(264,541)</b>	<b>(122,223)</b>
Cash, Beginning of the period	331,894	313,604
Cash, End of the period	\$ 67,353	\$ 191,381

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

## **LUXXFOLIO HOLDINGS INC.**

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three and nine months ended May 31, 2023 and 2022

(Expressed in US Dollars)

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### **1. NATURE OF OPERATIONS and GOING CONCERN**

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 417-1080 Mainland Road, Vancouver, BC. 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 operated an industrial scale digital asset mining and hosting platform through its wholly owned subsidiary WestBlock Hosting Arizona Inc. located in New Mexico (“New Mexico Facility”) until operations were suspended on November 21, 2022. The facilities power supply contract, which expired on December 31, 2022, was not renewed as detailed in Note 5. Accordingly, the Company has no plans to reopen this facility.

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, 2023, the Company realized a net loss of \$4,082,278 (2022 – \$2,718,382) and as of May 31, 2023, has a working capital deficiency of \$1,204,964 (August 31, 2022 – \$1,161,376) and an accumulated deficit of \$22,801,814 (August 31, 2022 - \$20,161,430). 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, restructure its business operations and/or seek viable business opportunities. Failure to do so will 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 Interim Condensed Consolidated Financial Statements (unaudited)

For the three and nine months ended May 31, 2023 and 2022

(Expressed in US Dollars)

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

These unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on July 31, 2023.

(b) Basis of presentation and Principals of consolidation

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

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

(c) Functional and presentation currency

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

**LUXXFOLIO HOLDINGS INC.**

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three and nine months ended May 31, 2023 and 2022

(Expressed in US Dollars)

**2. 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.

**3. 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 years ended August 31, 2022 and 2021.

**4. INTANGIBLE – DIGITAL ASSETS**

As at May 31, 2023, the Company did not hold any Bitcoin or other cryptocurrency as digital assets. The digital assets are recorded at their fair value on the date they are received as revenues and are revalued at their current market value at each reporting date. Fair value is determined by taking the closing price listed on 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	\$
Ending balance, Aug 31, 2021	27.32	1,281,962	-	-	-	-
Acquired through asset purchase	-	-	51.99	220,433	205.00	4,151
Digital currency mined	121.63	6,092,044	22.03	75,070	-	-
Digital currency sold	(65.75)	(3,397,792)	(43.19)	(183,061)	-	-
Revaluation	-	(403,156)	-	(21,959)	-	297
Ending balance, May 31, 2022						
Acquired	-	-	-	-	1,089	18,216
Digital assets mined	108.91	3,561,230	28.33	63,515	-	-
Digital assets sold	(138.12)	(5,460,441)	(50.45)	(124,071)	-	-
Revaluation	-	(591,331)	-	(16,398)	-	(15,227)
Ending balance at, Aug 31, 2022	53.99	1,082,516	8.71	13,529	1,294	7,437
Digital assets mined	6.54	130,615	0.15	226	-	-
Digital assets sold	(60.53)	(1,179,013)	(8.86)	(10,568)	(1,294)	(5,746)
Revaluation	-	(34,118)	-	(3,187)	-	(1,691)
Ending balance, May 31, 2023	-	-	-	-	-	-

**LUXXFOLIO HOLDINGS INC.**

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three and nine months ended May 31, 2023 and 2022

(Expressed in US Dollars)

**5. PLANT AND EQUIPMENT**

	Mining servers	Equipment	Infrastructure	Total
<b>Cost</b>				
As at August 31, 2021	\$2,039,341	\$26,954	\$1,306,381	\$3,372,676
Acquired through asset purchase	106,933	-	-	106,933
Acquired through hosting arrangement	461,045	-	-	461,045
Additions	13,614,017	8,625	560,012	14,182,654
As at May 31, 2022	16,221,336	35,579	1,866,393	18,123,308
Reclassification	-	128,506	(409,590)	(281,084)
Additions	-	-	1,021,369	1,021,369
Dispositions	(14,448,355)	-	-	(14,448,355)
As at August 31, 2022	1,772,981	164,085	2,478,172	4,415,238
Dispositions	(1,772,981)	(164,085)	(2,478,172)	(4,415,238)
As at May 31, 2023	\$nil	\$nil	\$nil	\$nil

	Mining servers	Equipment	Infrastructure	Total
<b>Accumulated Depreciation</b>				
As at August 31, 2021	\$71,217	\$nil	\$72,357	\$143,574
Depreciation	3,754,842	12,466	245,201	4,012,509
As at May 31, 2022	3,826,059	12,466	317,558	4,156,083
Depreciation	1,376,043	-	125,769	1,501,812
Dispositions	(4,602,797)	-	-	(4,602,797)
As at August 31, 2022	599,305	12,466	443,327	1,055,098
Depreciation	187,771	7,482	216,359	411,612
Dispositions	(787,076)	(19,948)	(659,686)	(1,466,710)
As at May 31, 2023	\$nil	\$nil	\$nil	\$nil
Net Book Value, May 31, 2022	\$12,395,277	\$23,113	\$1,548,835	\$13,967,225
Net Book Value, May 31, 2023	\$nil	\$nil	\$nil	\$nil

On July 15, 2022, the Company closed a transaction for the sale of 970 Bitcoin miners valued at \$3,500,000. Under the terms of the agreement, the Company and the Purchaser have entered into a 24-month immersion hosting agreement to manage the miner operation in return for a monthly fee plus bitcoin earned from overclocking using the immersion technology (see note 8).

The Company suspended operations indefinitely at the New Mexico Facility on November 23, 2022, due to the negative economics of Bitcoin mining and the quoted power supply contract renewal rates for 2023. This suspension included termination of the third-party immersion hosting contract.

**LUXXFOLIO HOLDINGS INC.**

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three and nine months ended May 31, 2023 and 2022

(Expressed in US Dollars)

**5. PLANT AND EQUIPMENT (continued)**

In connection with the closure of the Company's New Mexico Facility, losses on equipment during the nine months ended May 31, 2023 amounted to \$3,234,738. Of this total, \$1,729,303 is related to a loss on the collateralized equipment in connection with the debt settlement with CHP Agent Services Inc., referred to in Note 8 and the balance of \$1,505,435 is related to equipment that was rendered unusable. Any value received in a future sale of the equipment will be recorded if and when that occurs.

**6. GOODWILL IMPAIRMENT**

The value of Goodwill, which arose on the acquisition of WestBlock, was written-off on August 31, 2022 due to the continuing uneconomic Bitcoin mining conditions and the outlook for power consumption rates quoted for a renewal of the NTUA power consumption contract. Accordingly, \$4,282,085 was charged against income during the fiscal year ended August 31, 2022.

**7. RELATED PARTY TRANSACTIONS**

On November 2, 2022, CHP ceased to be a related party following the resignation of Kelly Klatik, a director of CHP, from the Board of Directors.

During the nine months ended May 31, 2023, the Company incurred management fees of \$33,213 (2022 - \$132,240) and rental fees of \$625 (2022 - \$21,533) 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 \$134,670 (2022 - \$515,572) by an officer of the Company for 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 company, CHP Agent Services Inc. ("CHP"), entered into a participation agreement to acquire a 100% participation interest in ABL I (see Note 8) amounting to \$880,575. CHP is controlled by a director of the Company and a director of the Company's subsidiaries. During the nine months ended May 31, 2023, \$nil (2022 - \$51,455) in interest expenses was paid to CHP relating to ABL I (See Note 8).

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 arranged 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 entered into a participation agreement to acquire a 100% participation interest in ABL III (see Note 8). During the nine months ended May 31, 2023, the company paid \$nil (2022 - \$79,258) in interest expenses relating to ABL III (See Note 8).

On December 1, 2021, the Company, through its wholly owned subsidiary WestBlock, entered into a senior debt facility (the "Senior Debt Facility") to refinance three existing loan facilities (CAS I, II, & III) with CHP, a related party (see Note 8). Total interest paid on the Senior Debt Facility amounted to \$48,618 (2022 - \$206,677) during the nine months ended May 31, 2023. On October 28, 2022, the Company repaid \$1,100,000 CAD to its principal lender, CHP, a related party.

**LUXXFOLIO HOLDINGS INC.**

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three and nine months ended May 31, 2023 and 2022

(Expressed in US Dollars)

**8. LONG-TERM DEBT**

	May 31, 2023	May 31, 2022
Senior Debt Facility	\$nil	\$2,106,632
NTUA note	245,664	309,089
ABL I	-	130,821
ABL II	-	8,114,670
ABL III	-	203,078
ABL IV	-	1,676,609
Less: Financing fees	-	(155,140)
Less: Current portion	(153,724)	(7,436,783)
<b>Total long-term debt</b>	<b>\$91,940</b>	<b>\$4,948,976</b>

Scheduled principal repayments are as follows:

FY2023	\$153,724
FY2024	91,940
	<u>\$245,664</u>

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. ("CHP"), a related party. During the nine months ended May 31, 2023, the company paid a total of \$48,618 (2022 -\$nil) in interest expenses relating to the Senior Debt Facility.

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 two of its subsidiaries (collectively the "WestBlock Group") consisted of a general security agreement on WestBlock Group assets 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%

On January 10, 2023, the Company received a notice of default under the Senior Debt Facility with CHP citing deteriorating industry economic conditions and collateral valuation deficiencies. The notice of default demanded immediate repayment of the outstanding loan balance of \$1,155,005 CAD.

A settlement agreement was concluded between the Company and CHP on January 16, 2023. The terms of the settlement agreement provided that in exchange for full and final settlement of all debt obligations and security charges with CHP, the Company would pay \$99,546 on behalf of WestBlock Capital Inc. and certain of its subsidiaries, as well as transfer its right, title and interest in the immersion equipment, the collateralized Bitcoin miners and certain mining equipment to CHP. As a result of this settlement, the Senior Debt Facility and all related obligations and security interests have been terminated (see Note 5).

**LUXXFOLIO HOLDINGS INC.**

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

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**8. LONG-TERM DEBT (continued)*****Asset Backed Lending Structures***

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).

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 NYDIG. 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.

The terms and outstanding amounts of the asset backed lending facilities provided by NYDIG as at May 31, 2023 are as follows:

	<b>ABL I</b>	<b>ABL II</b>	<b>ABL III</b>	<b>ABL IV</b>
Total debt facility	\$880,575	\$11,065,470	\$1,243,425	\$1,750,000
Amounts outstanding	\$nil	\$nil	\$nil	\$nil
Interest rate	16%	15%	16%	15%
Duration	19 months	30 months	14 months	26 months
Payment frequency	Monthly	Monthly	Monthly	Monthly

The asset backed lending structures provided by NYDIG (ABL I, II, III, & IV) were settled during the year ended August 31, 2022, as follows:

- ABL I & III - On June 30, 2022, the Company repaid, in advance, the remaining debts related to the Canaan Avalon miner purchase amounting to \$415,000 CAD;
- ABL II & IV – On July 15, the Company sold Bitcoin miners for total proceeds of \$3.5 million of which \$3.2 million was used to reduce outstanding debts;
- ABL II & IV – On August 10, 2022, a debt settlement arrangement between the Company and NYDIG was agreed in which the Company transferred 1930 Bitmain miners to NYDIG in exchange for full and final settlement of all outstanding debts; and
- The Company paid \$nil (2022 - \$1,123,436) in interest expenses on the ABL facilities during the nine months ended May 31, 2023.

***NTUA Debt Facility***

The debt facility provided by NTUA carries an interest rate of 7% and has a term of 36 months. Interest expenses relating to the NTUA debt facility amounted to \$8,220 (2022 - \$13,082) for the nine months ended May 31, 2023.

## LUXXFOLIO HOLDINGS INC.

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### 9. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

During the nine months ended May 31, 2023, the Company did not issue any common shares.

During the nine months ended May 31, 2022, the Company issued 24,802,469 common shares as follows:

- On October 1, 2021, the Company issued 2,172,840 shares through exercise of warrants at an exercise price of \$0.40 CAD per warrant on a one-for-one basis for gross proceeds of \$869,136 CAD. These warrants were granted to WestBlock shareholders as part of the Company's acquisition of WestBlock in June 2021.
- On November 1, 2021, the Company issued 8,118,912 shares through the automatic conversion of special warrants, previously issued through a non-brokered private placement, without payment of additional consideration.
- During the six 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 \$0.83 CAD per share, for a total aggregate consideration of \$415,002 CAD.
- On December 7, 2021, the Company closed its underwritten public offering of units of the Company. The underwriters exercised their option to purchase 600,000 units of the over-allotment option, and as a result, the Company issued a total of 13.6 million units at a price of \$0.70 CAD per unit and 350,000 additional common share purchase warrants for gross proceeds of \$9.534 million CAD. Each unit consisted of one common share and one-half warrant. A total of 13,600,000 shares were issued at a deemed price of \$0.68 CAD per share. 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.

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**9. SHARE CAPITAL (continued)**

## (c) Special warrants

During the nine months ended May 31, 2023, the Company did not issue any 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.

	Number of Special Warrants	Weighted Average Exercise Price (CAD)
Outstanding, August 31, 2021	8,118,912	\$0.35
Converted	(8,118,912)	\$0.35
Outstanding, May 31, 2022	-	-
Outstanding, August 31, 2022	-	-
Outstanding, May 31, 2023	-	-

## (d) Share purchase warrants

During the nine months ended May 31, 2023, the Company did not issue any share purchase warrants.

During the nine months ended May 31, 2022, the Company issued 15,268,912 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 13.6 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 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 of 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.

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**9. SHARE CAPITAL (continued)**

## (d) Share purchase warrants (continued)

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.

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

	Number of Warrants	Weighted Average Exercise Price (CAD)
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
Expired	(200,000)	\$0.300
Issued	12,898,025	\$0.234
Outstanding, August 31, 2022	31,193,255	\$0.481
Expired	(250,000)	\$0.250
Outstanding, May 31, 2023	30,943,255	\$0.483

The weighted average contractual life of Warrants outstanding as at May 31, 2023 is 0.56 (2022 – 1.22) years.

## (e) Compensation Options

The Company did not issue any Compensation Options during the nine months ended May 31, 2023.

In connection with the underwritten public offering closed on December 7, 2021, the Company issued 796,050 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 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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**9. 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.

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

	Number of Compensation Options	Weighted Average Exercise Price (CAD)
Outstanding, August 31, 2021	-	-
Granted	796,050	\$0.70
Outstanding, May 31, 2023	796,050	\$0.70
Outstanding, August 31, 2022	796,050	\$0.70
Outstanding, May 31, 2023	796,050	\$0.70
Options exercisable, May 31, 2023	796,050	\$0.70

The weighted average contractual life of Compensation Options outstanding as at May 31, 2023 is 0.02 (2022 – 1.02) years.

## (f) Share-based compensation

During the nine months ended May 31, 2023, the Company did not grant any stock options. A total of 3,955,500 (2022 – 125,000) options expired during the period in accordance with the terms of the Company's Stock Option Plan.

During the nine months ended May 31, 2022, the Company granted 2,203,000 options to certain employees, consultants, 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.

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**9. SHARE CAPITAL (continued)**

## (f) Share-based compensation (continued)

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, 2023 amounted to \$271,395 (2022 - \$590,504).

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

	Number of Stock Options	Weighted Average Exercise Price (CAD)
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
Outstanding, August 31, 2022	5,263,000	\$0.352
Expired	(3,955,500)	\$0.378
Outstanding, May 31, 2023	1,307,500	\$0.271
Options exercisable, May 31, 2023	1,181,250	\$0.251

The weighted average contractual life of stock options outstanding as at May 31, 2023 is 2.83 years (2022 – 4.14).

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**10. 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 operated, until November 2, 2022, 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:

<b>Description</b>	<b>Amount</b>
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 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 were recognized under share-based payments for the year ended August 31, 2021 and are not a part of the WestBlock purchase price.

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**11. 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 expenses were 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 and Solvency 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. The Company is actively seeking to restructure and refinance its business. The inability to achieve these objectives on a timely basis may result in the Company becoming insolvent. 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, 2023, the Company has the following contractual maturities:

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

## (c) Liquidity and Solvency risk (continued)

	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years
Accounts Payable and accrued Liabilities	\$1,118,593	\$1,118,593	\$1,118,593	\$nil	\$nil
Long-term debt	\$245,664	\$245,664	153,724	91,940	-
	\$1,364,257	\$1,364,257	\$153,724	\$91,940	-

## (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.

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**12. 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, 2023, 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, 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, 2023.

**13. SEGMENT INFORMATION**

The Company has a single operating line of business, Bitcoin mining, which was conducted at its mining facilities in New Mexico, USA. Company management, administration and development functions are carried out under Luxxfolio Holdings Inc. in Vancouver, BC. The following table segments the relevant financial results by geographic territory:

<i>For the nine months ended May 31, 2023</i>	<b>Canada</b>	<b>USA</b>	<b>Consolidated</b>
	Luxxfolio Holdings Inc.	Former Operating Subsidiaries	
<b>Total revenue</b>	<b>\$305,698</b>	<b>\$487,309</b>	<b>\$793,007</b>
Expenses			
Operational expenses	383,151	529,350	912,501
Depreciation	-	411,612	411,612
Interest expenses	(4,741)	72,941	68,200
Share-based payments	271,395	-	271,395
Debt forgiveness	-	(19,119)	(19,119)
Realized loss (gain) on digital assets	13,498	(17,540)	(4,042)
Realized loss on disposition of assets	-	3,234,738	3,234,738
Total expense	663,303	4,211,982	4,875,285
<b>Total net loss</b>	<b>\$357,605</b>	<b>\$3,724,673</b>	<b>\$4,082,278</b>
<i>As at May 31, 2023</i>			
Current assets	67,353	-	67,353
Non-current assets	-	-	-
<b>Total assets</b>	<b>\$67,353</b>	<b>\$nil</b>	<b>\$67,353</b>
Current liabilities	157,580	1,114,737	1,272,317
Non-current liabilities	-	91,940	91,940
<b>Total liabilities</b>	<b>\$157,580</b>	<b>\$1,206,677</b>	<b>\$1,364,257</b>

As at May 31, 2023, Luxxfolio Holding Inc. had no known outstanding commitments, guarantees or contractual obligations for the debts of any of the former operating subsidiaries.

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**13. SEGMENT INFORMATION (continued)**

<i>For the nine months ended May 31, 2022</i>	<b>Canada</b>	<b>USA</b>	<b>Consolidated</b>
	Luxxfolio Holdings Inc.	Former Operating Subsidiaries	
<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.

**14. SUBSEQUENT EVENTS**

## (a) Issuance of stock options

On June 5, 2023, the Company granted 2,100,000 options to consultants of the Company in connection with the termination of their respective consulting agreements. 50% of the options vested on the date the options were granted (the "Grant Date"), and the remaining 50% will vest 12 months after the Grant Date. The stock options are exercisable for a period of five years from the date of the Grant at an exercise price of \$0.015 per common share. The stock options were granted in accordance with the terms of the Company's stock option plan and the policies of the CSE.

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**14. SUBSEQUENT EVENTS (continued)**

(b) Board of Directors

On June 7, 2023, Mr. Ken MacLean and Mr. Kien Tran resigned as directors of the Company and the Chief Executive Officer and Chief Operating Officer, respectively. Both Mr. MacLean and Mr. Tran will continue to advise the Company on digital asset strategies as consultants. The Board intends to appoint a new CEO and fill the director's vacancies in due course.