**LUXXFOLIO HOLDINGS INC.**

Management's Discussion & Analysis
For the years ended August 31, 2023 and 2022

**Dated: December 28, 2023**

*This Management's Discussion & Analysis ("MD&A") of the financial condition and results of operation of Luxxfolio Holdings Inc. (the "Company") is for the years ended August 31, 2023 and 2022. This MD&A is dated December 28, 2023 and should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes for the years ended August 31, 2023 and 2022, which are available on SEDAR at www.sedar.com. Together with the audited consolidated financial statements and the related notes, this MD&A has been prepared by the management of the Company in accordance with the requirements of National Instrument 51-102 and the International Financial Reporting Standards ("IFRS") as at the date of this MD&A. All dollar amounts are expressed in Canadian dollars ("CAD") unless otherwise stated.*

*Unless otherwise indicated, the Company's significant accounting policies and estimates, contractual obligations, commitments, contingencies, and business risks and uncertainties, as described in its audited consolidated financial statements for the years ended August 31, 2023 and 2022, remain unchanged. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results presented in the MD&A are not necessarily indicative of the results that may be expected for any future period.*

## FORWARD-LOOKING STATEMENTS

This MD&A contains certain "forward-looking statements" and "forward looking information" (collectively, "forward looking information") within the meaning of Canadian securities laws. This forward-looking information relates to future events or future performance and reflect management's expectations regarding Company's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking information can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target" or the negative of these terms or other comparable terminology.

Forward-looking information in this MD&A includes, but is not limited to:

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

The risk factors described in this MD&A are not necessarily all the important factors that could cause actual results to differ materially from those expressed in the Company's forward-looking information.

In addition, any forward-looking information represents the Company's estimates only as of the date of this MD&A and should not be relied upon as representing the Company's estimates as of any subsequent date. The material factors and assumptions that were applied in making the forward-looking information in this MD&A include: (a) execution of the Company's existing business plans and growth strategy which may change due to changes in the market place, the views of management, or if new information arises which makes it prudent to change such business plans and growth strategy; and (b) the accuracy of current research results and the interpretation thereof, since new information or new interpretation of existing information may result in changes in the Company's expectations. Forward looking information is based on several assumptions that may prove to be incorrect including but not limited to assumptions about:

- ability to obtain customer contracts and establish relationships;
- the impact of competition;
- the ability to obtain and maintain existing financing on acceptable terms;
- the ability to retain skilled management and staff;
- the ability to acquire a significant market position within a target market;
- currency, exchange, and interest rates;

- pricing and volatility risks of Cryptocurrency;
- the availability of financing opportunities;
- economic conditions;
- the retention of management, and avoidance of conflicts of interest; and
- the progress and success of product marketing.

The preceding list is not exhaustive of all possible factors. All factors should be considered carefully when making decisions with respect to the Company.

Readers should not place undue reliance on the Company's forward-looking information, as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking information if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that such forward-looking information will materialize. The Company does not undertake to update any forward-looking information, except as, and to the extent required by, applicable securities laws. For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking information in this MD&A, see "Bitcoin and Cybersecurity Risks" and "Other Risks and Uncertainties".

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

## DESCRIPTION OF BUSINESS

The Company, based in Vancouver British Columbia was incorporated under the Business Corporations Act (British Columbia) on October 10, 2017. The Company's head and registered office is located at 417-1080 Mainland St., Vancouver, British Columbia, Canada. The Company's corporate website address is www.luxxfolio.com.

The Company is listed on the CSE under the trading symbol "LUXX", on the Frankfurt Stock Exchange under the trading symbol "LUH", and on the Börse Berlin under the trading symbol "LUH".

The Company's business was that of its then wholly owned subsidiaries, Luxxfolio Network Inc. ("LNI") and WestBlock Capital Inc. ("WestBlock"), which share the same head and registered office as the Company. Both LNI and WestBlock became non-operating subsidiaries on November 30, 2022, following the closure of WestBlock's Bitcoin mining facility in Shiprock, New Mexico (the "New Mexico Mining Facility"). Further, the Company lost control of its Westblock subsidiaries and related assets following the notification by the Navajo Tribal Utility Authority ("NTUA") that it had seized the Company's property and restricted access to the mining facility (See "Overall Performance").

Following the decision to close mining operations, the Company's principal lender CHP Agent Services Inc. ("CHP"), issued a Notice of Default and demanded immediate repayment of the $1,155,000 debt it was owed under its Senior Debt Facility, citing covenants for deteriorating industry economic conditions and collateral valuation deficiencies. Subsequently, the Company entered a debt settlement agreement with CHP for the settlement of all outstanding debts and other obligations (see "Discussion of Operations").

The Company has eliminated all secured debt obligations but has lost access to key pieces of equipment necessary for operation of the mining facility. Accordingly, the Company will not be returning to Bitcoin mining at the New Mexico Facility.

The Company's continued existence is dependent upon its ability to raise additional capital, obtain financing and realize revenue and positive cash flows from future 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.

The Company continues to explore all options for strategic alternatives with respect to the Company's business, it's blockchain platform, and other more broadly defined options, including changes to the capital structure, mergers and acquisitions, sales, and divestitures.

## OVERALL PERFORMANCE

Operational performance was impacted by many negative pressures throughout 2022 and 2023. Declining mining economics and Bitcoin valuation, late delivery of critical equipment for mine upgrading and expansion and limited capital opportunities contributed to poor economic results and ultimately, closure of the mining facility.

The Company earned gross revenues of $1,069,285 during the year ended August 31, 2023 from its Bitcoin mining and hosting operation owing to the suspension of operations at the New Mexico Facility.

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

- Suspended operations at the New Mexico mining facility effective November 2, 2022;
- Concluded debt settlement arrangements with both of the Company's equipment lenders to exchange mining equipment assets in full settlement of all related debts;
- Actively sought opportunities to restructure and/or refinance the Luxxfolio business which is ongoing;
- Reduced operating expenses to a minimum to conserve available cash resources; and
- Reduced staffing levels to the minimum necessary to maintain ongoing business operations.

***New Mexico Mining Facility***

The Company lost control of WestBlock and its subsidiaries as well as WestBlock's mining facility assets on November 30, 2022 due to access restrictions imposed by the NTUA for non-payment of the unsecured note due May 2024 and the accumulated power supply charges incurred by WestBlock, LLC, the operator of the facility. Accordingly, the Company has written down its investment in the WestBlock operating subsidiaries and derecognised these in the consolidated financial statements for the year ended August 31, 2023, incurring a loss on deconsolidation of $2,877,530. Any value realized on the disposition of the remaining assets will be recognised at the time of disposition.

***Debt Settlements***

During the year ended August 31, 2023, the Company, facing the uncertainty and continuing negative effects of the Bitcoin and cryptocurrency market weakness, took decisive action to reduce the debt burden. This was accomplished through multiple transactions involving both the sale of mining equipment and agreements with lenders to settle outstanding liabilities.

A debt settlement agreement with NYDIG was announced on August 10, 2022 wherein the Company agreed to transfer approximately 1,930 miners to NYDIG in exchange for full and final settlement of all debt obligations outstanding between the two parties, subject to delivery and inspection by NYDIG. The Company received NYDIG's confirmation and closure of this transaction on October 28, 2022.

On October 28, 2022, the Company also repaid $1,100,000 on the Senior Debt Facility with CHP, at the time a related party controlled by Kelly Klatik, a former director of the Company and Dean Linden, a former director of LNI and WestBlock, through liquidation of Bitcoin held as collateral. CHP ceased to be a related party on November 2, 2022.

A notice of default was received by the Company on December 8, 2022 from CHP citing deterioration in WestBlock's business prospects as well as collateral valuation deficiencies and demanded immediate repayment of the outstanding balance of the Senior Debt Facility amounting to $1,155,000 (see "Discussion of Operations"). The Company settled this debt, on behalf of WestBlock and certain of its subsidiaries, on January 17, 2023 thought a payment of $99,546 USD and the transfer of WestBlock's rights, interest and title to the immersion cooling system, Bitcoin miners and certain related mining equipment. Upon payment and transfer, all remaining obligations under the loan facility, including guarantees and general security agreements, were terminated.

***Immersion Cooling System***

To optimize the efficiency of the Bitcoin miners, the Company purchased immersion technology from CES Intelliflex ("CES") and paid a deposit of $1,979,636 in December 2021. The immersion equipment was delivered to the New Mexico Facility in July 2022 and was utilized in a third-party miner hosting agreement which commenced that same month. With the suspension of operations at the New Mexico Facility, this hosting agreement was terminated. On January 17, 2023, the Company's interest in the immersion equipment was transferred to CHP under the debt settlement arrangement.

The Company's focus and objectives over the next six months involve refinancing and/or restructuring the Company. The Company continues to explore all options for strategic alternatives with respect to the Company's business and other more broadly defined options, including changes to the capital structure, mergers and acquisitions, sales, and divestitures.

## DISCUSSION OF OPERATIONS

***WestBlock Capital Inc.***

On June 14, 2021, the Company completed the acquisition of WestBlock, whereby WestBlock became a wholly owned subsidiary of the Company. WestBlock, through WestBlock LLC, operated a digital asset mining facility at its New Mexico location, at which it managed both Company owned Bitcoin miners as well as third party servers until operations were suspended in November 2022.

***Senior Debt Facility***

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. The Senior Debt Facility replaced the existing asset-backed facilities with CHP. During the year ended August 31, 2023, the company paid a total of $82,021 (2022 - $307,898) in interest expenses relating to the Senior Debt Facility.

The Senior Debt Facility carries the following terms:

- Available loan proceeds established at $3 million, but may be expanded to $5 million 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 December 8, 2022, 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. This debt was subsequently settled on January 16, 2023 (see "Overall Performance").

***Stock Option Issuance***

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. On August 4, 2023, the Company granted 6,130,000 options to certain directors, officers, and consultants of the Company. 50% of these options vested on the date the options were granted (the "Grant Date"), the next 25% will vest six months from the Grant Date and the last 25% will vest twelve months from the Grant Date.

These 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.

In accordance with the Company's stock option plan, a total of 4,823,000 options expired and were cancelled following the resignations of certain consultants, officers and directors of the Company during the year ended August 31, 2023.

***Director and Executive Movements***

The Company announced on October 28, 2022 that Bradley Farquhar had resigned from his position as a director of the Corporation. Kelly Klatik and David Gens resigned on November 2, 2022 and Michael Byron resigned on December 2, 2022.

On December 7, 2022, the Company announced Geoffrey McCord, CPA, CA, Chief Financial Officer and Kien Tran, Chief Operating Officer, were appointed to the Board. Anthony Wong, resigned his position as Corporate Secretary on January 31, 2023

On June 7, 2023, Ken MacLean, director, and Chief Executive Officer and Kien Tran, director and Chief Operating Officer, resigned from their positions as directors and officers of the Company. On July 28, 2023, Geoffrey McCord CPA, CA was appointed interim Chief Executive Officer of the Company.

## ANALYSIS OF FINANCIAL PERFORMANCE

| *(For the years ended)* | | August 31, 2023 | | August 31, 2022 |
|---|---|---|---|---|
| **Total revenues** | $ | 1,069,285 | $ | 13,369,397 |
| **Expenses** | | | | |
| Operational expenses | | 1,242,075 | | 7,557,870 |
| Depreciation | | 349,869 | | 7,013,656 |
| Interest expenses | | 64,652 | | 2,034,208 |
| Loss on deconsolidation | | 2,877,530 | | - |
| Share-based payments | | 440,366 | | 1,601,894 |
| Financing fees | | - | | 314,905 |
| Realized/unrealized loss on Digital assets | | 39,266 | | 1,179,435 |
| Realized loss (gain) on sale of equipment | | (10,453) | | 7,965,780 |
| Impairment of Goodwill | | - | | 5,446,377 |
| Unrealized loss on Digital assets | | - | | 1,456,823 |
| State sales tax | | - | | 206,466 |
| Total expenses | | 5,003,305 | | 34,777,414 |
| **Net loss** | **$** | **3,934,020** | **$** | **21,408,017** |

**For the year ended August 31, 2023**

The Company incurred net loss of $3,934,020 during the year ended August 31, 2023. The Company generated revenues of $1,069,285 from Bitcoin mining, and hosting and installation services provided to third parties.

During the year ended August 31, 2023, the Company realized operating expenses of $1,242,075 primarily associated with electricity fees of $449,150, labour and payroll expenses of $354,530, consulting fees of $165,779, general and administration fees of $113,638 and professional fees of $77,725. The Company also realized shared-based payments of $440,366 and a loss on deconsolidation of $2,877,530 relating to the loss of control of WestBlock and its subsidiaries as well as WestBlock's mining facility assets on November 30, 2022 due to access restrictions imposed by the NTUA (see "Description of Business").

**For the year ended August 31, 2022**

The Company had a net loss of $21,408,017 for the year ended August 31, 2022. The Company generated $10,460,198 of revenues from Bitcoin mining and $2,909,199 from hosting operations. The increase in net loss can be attributed to expansion of its Bitcoin operations, depreciation of mining equipment, electricity expenses, realized loss on sale mining equipment and the impairment of Goodwill.

The net loss for the year ended August 31, 2022 was primarily composed of operating expenses of $7,557,870, depreciation expenses of $7,013,656, interest expense of $2,034,208, share-based payments of $1,601,894, realized loss on sale of mining equipment of $7,965,780, and impairment of Goodwill of $5,446,377.

The loss on sale of mining equipment was realized from the transfer of Bitcoin miners to the Company's equipment lender in exchange for settlement of associated debts. On June 30, 2022, the Company repaid, in advance, the remaining debt related to the Canaan Avalon miners of 415,000 USD. On July 15, 2022, the Company sold 970 Bitmain miners for proceeds of $3.5 million USD. $3.2 million USD of the total proceeds were used to repay related debt obligations. On August 10, 2022, a debt settlement arrangement between the Company and NYDIG ABL, LLC ("NYDIG") was announced that provided for the transfer of 1,930 Bitcoin miners to the lender in exchange for full and final settlement of associated debts.

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, $5,446,377 was charged against income for the year ended August 31, 2022.

## ANALYSIS OF CASH FLOWS

| | | For the year ended August 31, 2023 | | For the year ended August 31, 2022 |
|---|---|---|---|---|
| **Net cash provided by (used in)** | | | | |
| Operating activities | $ | 868,831 | $ | 2,749,937 |
| Investing activities | | - | | (12,588,487) |
| Financing activities | | (1,234,258) | | 9,878,022 |
| **Inflow (outflow) of cash** | $ | (365,427) | $ | 39,472 |

***Operating Activities***

The total cash provided by operating activities for the year ended August 31, 2023 amounted to $868,831 (2022 $2,749,937) attributed primarily to proceeds from sale of digital assets of $1,594,976 (2022 - $10,437,283) and decrease in accounts receivable of $169,173 (2022 - ($91,277)). The majority of the cash used for operating activities include electricity expenses of $449,150 (2022 - $2,704,335), interest expense of $64,652 (2022 - $2,034,208), general and administration expenses of $113,638 (2022 - $2,278,199), labour and payroll expense of $354,530 (2022 - $451,893), consulting expenses of $165,779 (2022 - $957,516), professional fees of $77,725 (2022 - $449,979), and management fees of $45,000 (2022 - $208,285).

***Investing Activities***

There were no cash used in or provided by investing activities during the year ended August 31, 2023.

The total cash used in investing activities for the year ended August 31, 2022 amounted to $12,588,487 primarily attributed to the purchase of mining equipment totaling $15,336,212 and deposit on mining equipment of $1,920,446. The Company received $4,668,171 from sale of mining equipment during the same period.

**Financing Activities**

The total cash used in financing activities for the year ended August 31, 2023 amounted to $1,234,258 relating to the repayment of long-term debt.

The total cash provided by financing activities for the year ended August 31, 2022 amounted to $9,878,022 was primarily attributed to the proceeds from long-term debt of $10,103,529 and issuance of units of the Company of $10,741,229. During the same period, the Company repaid $11,296,047 in long-term debt.

## SELECTED ANNUAL FINANCIAL INFORMATION

The following table summarizes selected financial data from the Company's audited financial statements for the year ended August 31, 2023, 2022 and 2021. It should be read in conjunction with the corresponding audited financial statements.

| **Item** | **For the year ended August 31, 2023** | **For the year ended August 31, 2022** | **For the year ended August 31, 2021** |
|---|---|---|---|
| Revenues | $1,069,285 | $13,369,397 | $770,605 |
| Expenses | ($1,656,596) | ($16,605,733) | ($1,909,296) |
| Other income | $nil | $nil | $nil |
| Other expenses | ($3,346,709) | ($18,171,680) | ($1,180,852) |
| Net Loss | ($3,934,020) | ($21,408,017) | ($2,319,544) |
| Current assets | $79,212 | $2,063,886 | $2,407,780 |
| Non-current assets | $nil | $6,385,116 | $20,969,618 |
| Current liabilities | $215,124 | $3,586,566 | $6,001,859 |
| Non-current liabilities | $nil | $1,504,693 | $5,983,608 |
| Working capital (deficiency) | ($135,912) | ($1,522,680) | ($3,594,079) |
| Shareholders' equity (deficit) | ($135,912) | $3,357,743 | $11,391,931 |
| Dividends | $nil | $nil | $nil |
| Weighted average number of common shares outstanding | 86,717,944 | 72,048,976 | 30,345,126 |
| Basic and diluted loss per common share | $0.06 | $0.30 | $0.08 |

## ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The Company began generating revenue from operations in July 2021 and suspended operations at the New Mexico mining facility in November 2022. The following is a breakdown of the material costs incurred for the year ended August 31, 2023 and 2022:

(a) General and administration expenses $113,638 (2022 – $2,278,199), comprising costs associated with regulatory filings and administration of the Company;

(b) Consulting fees - $165,779 (2022 - $957,516), comprising key management compensation and consulting fees paid to various of officers, directors, and consultants of the company relating to operations and administration of the Company (see "Transactions with Related Party");

(c) Depreciation expenses - $349,869 (2022 - $7,013,656), representing the amortization of the Bitcoin miners, the mining equipment, and the New Mexico mining facility;

(d) Electricity expenses - $449,150 (2022 - $2,704,335), representing the monthly electricity charges paid to the NTUA incurred in the production of Bitcoin;

(e) Labour and payroll expenses - $354,530 (2022 – $451,893), comprising the monthly salaries paid to the management and employees of the Company;

(f) Interest expenses - $64,652 (2022 – $2,034,208), representing the monthly interest charges on the asset backed lending facilities provided by NYDIG ABL LLC and CHP Agent Services Inc., a related party;

(g) Management fees - $45,000 (2022 - $208,285), comprising fees paid to Cypress Hills Partners Inc., a related party, for accounting, operational, and administrative functions;

(h) Professional fees - $77,725 (2022 - $449,979), being costs associated with the annual financial audit, legal fees incurred relating to compliance and due diligence on existing and potential transactions;

(i) Share-based payments - $440,366 (2022 - $1,601,894), being expenses relating to the grant of stock options recognized over a graded vesting schedule;

(j) Loss on deconsolidation - $2,877,530 (2022 - $nil), relating to the loss of control of WestBlock and its subsidiaries as well as WestBlock's mining facility assets on November 30, 2022 due to access restrictions imposed by the NTUA (see "Overall Performance"); and

(k) Realized loss on digital assets - $1,262,507 (2022 - $1,179,435), being the realized loss on disposition of digital assets for cash.

## FOURTH QUARTER

During the quarter ended August 31, 2023, the Company realized net loss of $77,657 (2022 - $17,264,563) primarily due to share based payments of $72,692 (2022 - $257,469) relating to stock option grant expenses recognized over a graded vesting schedule. The Company continues to explore all options for strategic alternatives with respect to the Company's business and other more broadly defined options, including changes to the capital structure, mergers and acquisitions, sales, and divestitures.

On June 7, 2023, Ken MacLean, director and Chief Executive Officer of the Company and Kien Tran, director and Chief Operating Officer of the Company, resigned from their positions as directors and officers of the Company. The Company granted 700,000 options to each of Ken MacLean and Kien Tran in connection with the termination of their respective consulting agreements. Also on that date, Geoffrey McCord CPA, CA was also granted 700,000 options in connection with the termination of his consulting agreement.

On July 28, 2023, Geoffrey McCord CPA, CA was appointed interim Chief Executive Officer of the Company in addition to his role of Chief Financial Officer. On August 4, 2023, the Company granted 6,130,000 options to certain directors, officers and consultants of the Company. Included in this total are 1,265,000 options granted to Mr. McCord for his continuing services and appointment as the interim Chief Executive Officer.

In relation to the stock options granted above, 50% of the options vested on the date the options were granted (the "Grant Date") and the next 25% will vest six months from the Grant Date and the last 25% will vest twelve months from 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.

## SUMMARY OF QUARTERLY RESULTS

**Quarterly Results:**

| | Quarter ended Nov 30, 2022 | Quarter ended Feb 28, 2023 | Quarter ended May 31, 2023 | Quarter ended August 31, 2023 |
|---|---|---|---|---|
| Total revenue | $1,069,285 | $nil | $nil | $nil |
| Net income (loss) for the period | ($3,352,417) | ($340,764) | ($163,182) | ($77,657) |
| Basic and diluted (loss) per share | ($0.04) | ($0.00) | ($0.00) | ($0.00) |

| | Quarter ended Nov 30, 2021 | Quarter ended Feb 28, 2022 | Quarter ended May 31, 2022 | Quarter ended August 31, 2022 |
|---|---|---|---|---|
| Total revenue | $4,427,143 | $3,746,799 | $3,685,590 | $1,468,596 |
| Net income (Loss) for the period | $1,195,181 | ($2,832,252) | ($2,773,819) | ($17,264,563) |
| Basic and diluted (loss) per share | $0.03 | ($0.04) | ($0.04) | ($0.22) |

*FY2023 Fourth Quarter – August 31, 2023*

During the quarter ended August 31, 2023, the Company realized net loss of $77,657 (2022 - $17,264,563) (see "Fourth Quarter").

*FY2023 Third Quarter – May 31, 2023*

The Company did not generate any revenue during the quarter ended May 31, 2023 due to closure of the mining facility. The Company had a net loss of $163,182 for the quarter ended May 31, 2023 primarily due to consulting expenses of $30,000, regulatory expenses of $21,058, general and administrative expenses of $16,976 and share-based payments of $76,662.

*FY2023 Second Quarter – February 28, 2023*

The Company did not generate any revenue during the quarter months ended February 28, 2023 due to closure of the mining facility. The Company had a net loss of $340,764 for the quarter ended February 28, 2023 primarily due consulting fees of $94,929, legal and professional fees of $60,856, payroll expenses of $43,192 and share-based payments of $129,854.

*FY2023 First Quarter – November 30, 2022*

The Company had a net loss of $3,352,417 for the quarter ended November 30, 2022. Revenues generated amounted to $1,069,285, $176,478 from Bitcoin mining, $404,640 from installation fees, and $488,167 from hosting operations.

The net loss for the quarter ended November 30, 2022 was primarily due to loss on deconsolidation of $2,877,530 relating to the loss of control of WestBlock and its subsidiaries as well as the WestBlock's mining facility assets on November 30, 2022 due to access restrictions imposed by the NTUA (see "Overall Performance"), operating expenses of $1,105,155 and depreciation expenses of $349,869.

*FY2022 Fourth Quarter – August 31, 2022*

The Company had a net loss of $17,264,563 for the quarter ended August 31, 2022. The Company generated $1,468,596 in revenue from its Bitcoin and Ethereum mining operation and hosting operations.

During the quarter ended August 31, 2022, the Company realized total operating expenses of $4,391,568 primarily associated with depreciation expense of $1,936,963 relating to the amortization of the Bitcoin miners, loan interest of $300,788, electricity costs related to Bitcoin and Ethereum mining of $759,020, and compensation expenses of $320,845.

The Company realized total other expenses of $15,296,053 composed primarily of impairment of Goodwill of $5,520,036, share-based payments of $430,436, realized losses on digital assets of $8,099,254.

*FY2022 Third Quarter – May 31, 2022*

The Company had a net loss of $2,773,819 for the quarter ended May 31, 2022. The Company generated $3,685,590 in revenue from its Bitcoin and Ethereum mining operation and hosting services.

During the quarter ended May 31, 2022, the Company realized total operating expenses of $4,627,416 primarily associated with depreciation expense of $2,376,754 relating to the amortization of the Bitcoin miners, loan interest of $630,291, electricity costs related to Bitcoin and Ethereum mining of $796,033 and compensation expenses of $342,572.

The Company realized total other expenses of $1,831,826 composed primarily of share-based payments of $317,532, realized losses on digital assets of $536,027, and unrealized losses on digital assets of $938,985.

*FY2022 Second Quarter – February 28, 2022*

The Company had a net loss of $2,832,252 for the quarter ended February 28, 2022. The Company generated $3,746,799 in revenue from its Bitcoin and Ethereum mining operation and hosting services.

During the quarter ended February 28, 2022, the Company realized total operating expenses of $4,774,349 primarily associated with depreciation expense of $1,742,108 relating to the amortization of the Bitcoin miners, loan interest of $644,316, electricity costs paid to the NTUA related to Bitcoin mining of $723,462, consulting fees of $559,915 and general and administration expenses of $568,273.

During the quarter ended February 28, 2022, the Company realized total other expenses of $1,881,066 composed primarily of share-based payments of $664,925, unrealized loss on digital assets of $725,906 and realized loss on digital assets of $451,126.

*FY2022 First Quarter – November 30, 2021*

The Company had a net income of $1,195,181 for the quarter ended November 30, 2021. The Company realized its first profitable fiscal quarter since inception. The Company generated $4,427,143 in revenue from its Bitcoin mining operation and hosting services.

During the quarter ended November 30, 2021, the Company realized a total expenses of $1,777,110 primarily associated with loan interest of $457,117, general and administration expenses of $386,713, electricity costs paid to the Navajo Tribal Utility Authority related to Bitcoin mining of $298,956, and consulting fees of $212,363.

The other non-operating expenses for the quarter ended November 30, 2021 was composed of share-based payments of $361,796, depreciation expenses of $1,059,247 relating to the amortization of the Bitcoin miners and, amortization of financing fees on long-term debts of $33,687.

## SIGNIFICANT CONTRACTS

The Company has a power supply agreement (the "PSA") with NTUA which terminated on December 31, 2022. Although this agreement was renewable, it was not renewed owing to the seizure of the New Mexico Mining Facility by the NTUA.

## LIQUIDITY AND CAPITAL RESOURCES

The Company manages its capital to maintain its ability to continue as a going concern, with a long-term view of providing returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash, cash equivalents, including Bitcoin, long-term debts, and equity comprised of issued common shares, special warrants, share purchase warrant reserves and deficit. The Company manages its capital structure and adjusts it considering economic conditions and financial needs. Upon approval from its Board, the Company will balance its overall capital structure through issuance of securities or by undertaking other activities as deemed appropriate under the specific circumstances.

***Working Capital***

For the year ended August 31, 2022, the Company realized a net loss of $3,934,020 (2022 - $21,433,415) and has a working capital deficiency of $135,912 (2022 - $1,522,681) and an accumulated deficit of $25,667,345 (2022 - $24,625,152).

***Requirement of Additional Debt and Equity Financing***

There is no certainty that debt or equity financings will be available at the times and in the amounts required to fund the Company's activities. The audited financial statements do not include any adjustments that might result from these uncertainties.

No dividends have been paid by the Company to date. The Company anticipates that it will not be in a position to pay dividends for the foreseeable future, as it will retain cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the Board after considering many factors, including the Company's financial condition and current and anticipated cash needs. The Company is not subject to any externally imposed capital requirement as at the date of this MD&A.

## OUTSTANDING SHARE DATA

The Company's authorized share capital consists of an unlimited number of common shares without par value.

As at August 31, 2023 and the date of this MD&A, there were 86,717,944 common shares, 19,650,000 share purchase warrants, and 8,670,000 stock options issued and outstanding.

A total of 4,532,500 of the 8,670,000 stock options are exercisable as at August 31, 2023 and a total of 5,830,000 of the stock options were granted to related parties.

## OFF-BALANCE SHEET ARRANGEMENTS

There are no material off-balance sheet arrangements being pursued or negotiated by the Company as at the date of this MD&A.

## TRANSACTIONS WITH RELATED PARTY

On November 2, 2022, CHP Agent Services Inc. ("CHP") ceased to be a related party following the resignation of Kelly Klatik, a director of CHP, from the Company's Board of Directors.

During the year ended August 31, 2023, the Company entered into the following transactions with related parties:

a) paid management fees of $45,000 (2022 - $190,000) to a company controlled by Kelly Klatik, a former director of the Company, and Dean Linden, a former director of LNI and WestBlock, for accounting, administrative, and operational management of the Company;

b) The following transactions are associated with the Company's consulting expenses with related party:

| **Related party** | **Relationship** | **Direct or indirect payment** | **For the year ended August 31, 2023** | **For the year ended August 31, 2022** | **Functions** |
|---|---|---|---|---|---|
| Geoffrey McCord | Director and Officer | Direct | $87,917 | $132,785 | Key management compensation |
| Kien Tran | Former Officer | Indirect | $43,381 | $113,791 | Key management compensation |
| Ken MacLean | Former Director and Officer | Indirect | $43,381 | $114,160 | Key management compensation |

c) On December 1, 2021, the Company, through its wholly owned subsidiary WestBlock, entered into a senior debt facility to refinance its three existing loan facilities with CHP, a former related party (see "Overall Performance"). During the year ended August 31, 2023, the company paid a total of $64,652 (2022 - $363,234) in interest expenses relating to the Senior Debt Facility. On October 28, 2022, the Company repaid $1,100,000 on the Senior Debt Facility.

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.

## PROPOSED TRANSACTIONS

The Company does not have any proposed transactions as at the date of this MD&A.

## CONTROLS AND PRODCEDURES

In connection with National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings, the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the annual financial statements and the accompanying MD&A for the year ended August 31, 2023 and 2022.

## CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION AND FINANCIAL INSTRUMENTS

The Company did not have any changes in accounting policies including initial adoption and financial instruments for the year ended August 31, 2023.

## CRYPTOCURRENCY AND CYBERSECURITY RISKS

The Company is not actively engaged in the Cryptocurrency and Bitcoin mining business at the date of this MD&A. The following risks will be relevant should return to operating in this industry which is a part of the ongoing review of future options.

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

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

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

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

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

***Bitcoin Market Adoption***

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

***Bitcoin Miner Obsolescence and Replacement***

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

## OTHER RISKS AND UNCERTAINTIES

***Credit risk***

Credit risk refers to the potential that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company manages credit risk, 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 Digital Assets.

***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk on an ongoing basis in accordance with policies and procedures in place. 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, and long-term debt.

***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.

***Limited Operating History***

The Company was recently commenced full operations at its Bitcoin mining facility and has no previous operating history. The Company and its business prospects must be viewed against the background of the risks, expenses and problems frequently encountered by companies in the early stages of their development, particularly companies in new and rapidly evolving markets such as Bitcoin mining and blockchain technology.  There is no certainty that the Company will attain its business objectives or operate profitably.

***No Profits to Date***

The Company has not made any profits since its incorporation. The Company's future profitability depends upon its ability to refinance and/or restructure its business operations.

***Additional Requirements for Capital***
Substantial additional financing is required if the Company is to successfully develop its business. No assurances can be given that the Company will be able to raise the additional capital that it may require for its anticipated future development. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company, if at all. If the Company is unable to obtain additional financing as needed, it's continued existence will likely cease.

***Regulatory Risks***
Changes in or more aggressive enforcement of laws and regulations could adversely impact the Company's business. Failure or delays in obtaining necessary approvals could have a materially adverse effect on the Company's financial condition and results of operations. Furthermore, changes in government, regulations and policies and practices could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition. Regulatory agencies could shut down or restrict the use of Bitcoin and the mining of Bitcoin. This could lead to a loss of any investment made in the Company and may trigger regulatory action by the authorities.

***Litigation***
The Company may become involved in litigation that may materially adversely affect either company or both companies. From time to time in the ordinary course of the Company's business, it may become involved in various legal proceedings. Such matters can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on the Company's business, operating results, or financial condition.

***Conflicts of interest***
The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests, which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his or her interest and abstain from voting on such matter. Conflicts, if any, will be subject to the procedures and remedies as provided under the BCBCA.

To the best of the Company's knowledge, and other than disclosed herein and in the Company`s annual audited financial statements, there are no known existing or potential conflicts of interest between the Company and its directors and officers except that certain of the directors and officers may serve as directors and/or officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.

***Currency risk***
Currency risk 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. Exchange rate fluctuations will affect those parts of the Company's operations managed in USD dollars and consequently may impact the Company's financial results.

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