



**LUXFOLIO HOLDINGS INC.**

Interim Condensed Consolidated Financial Statements  
For the three months ended November 30, 2023 and 2022  
(Expressed in Canadian Dollars)  
(Unaudited)

Dated: January 29, 2024

**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

(Expressed in Canadian Dollars)

(Unaudited)

As at	November 30, 2023 <sup>(1)</sup>	August 31, 2023
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 42,814	\$ 69,719
Accounts and GST receivables	9,748	9,493
	52,562	79,212
<b>Total assets</b>	<b>\$ 52,562</b>	<b>\$ 79,212</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 206,499	\$ 215,124
	206,499	215,124
<b>Shareholders' equity</b>		
Common shares (note 10)	25,008,109	25,008,109
Contributed surplus (note 10)	209,037	186,620
Warrant reserves (note 10)	336,704	336,704
Accumulated deficit	(25,707,787)	(25,667,345)
	(153,937)	(135,912)
<b>Total liabilities and shareholders' equity</b>	<b>\$ 52,562</b>	<b>\$ 79,212</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: "Rodney Stevens"*

Rodney Stevens, Director

*Signed: "Jason Cihelka"*

Jason Cihelka, Director

**LUXXFOLIO HOLDINGS INC.**

## Interim Condensed Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	For the three months ended November 30, 2023	For the three months ended November 30, 2022 <sup>(1)</sup>
<b>Revenue</b>		
Bitcoin mining	\$ -	\$ 176,211
Hosting revenue	-	893,074
Total revenues	-	1,069,285
<b>Operating expenses</b>		
Advertising	-	6,106
Consulting (note 8)	-	57,758
Depreciation (note 7)	-	349,869
Electricity	-	584,029
General and administration	6,344	243,344
Interest (note 9)	-	67,576
Compensation and labour	-	161,616
Management fees (note 8)	-	22,503
Legal and professional fees	15,000	8,031
Rent	-	8,936
Repairs and maintenance	-	12,834
Total expenses	21,344	1,522,602
<b>Other expenses</b>		
Debt forgiveness	(3,319)	-
Loss on deconsolidation (note 3)	-	2,877,530
Share-based payments (note 10)	22,417	161,180
Realized loss on digital assets	-	18,131
	19,098	3,056,841
<b>Net income (loss)</b>	<b>\$ (40,442)</b>	<b>\$ (3,510,158)</b>
<i>(1) Refer to change in presentation currency, Note 14.</i>		
Basic and diluted net loss per share	\$ (0.00)	\$ (0.04)
Basic and diluted	86,717,944	86,717,944

*The accompanying notes are an integral part of these audited consolidated financial statements.*

**LUXXFOLIO HOLDINGS INC.**

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

For the three months ended November 30, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

	Notes	Number of common shares	Common shares	Contributed surplus	Warrant reserves	Deficit	Total
<b>Balance, August 31, 2022</b>		<b>86,717,944</b>	<b>\$ 25,008,109</b>	<b>\$ 1,550,327</b>	<b>\$ 1,424,458</b>	<b>\$ (24,625,152)</b>	<b>\$ 3,357,742</b>
Share-based compensation		-	-	161,180	-	-	161,180
Net income (loss)		-	-	-	-	(3,510,158)	(3,510,158)
<b>Balance, November 30, 2022</b>		<b>86,717,944</b>	<b>\$ 25,008,109</b>	<b>\$ 1,711,507</b>	<b>1,424,458</b>	<b>\$ (28,135,310)</b>	<b>\$ 8,764</b>
Expired stock options		-	-	(1,529,876)	-	1,529,876	-
Expired compensation options		-	-	(274,197)	-	274,197	-
Expired share purchase warrants		-	-	-	(1,087,754)	1,087,754	-
Share-based compensation		-	-	279,186	-	-	279,186
Net income (loss)		-	-	-	-	(423,862)	(423,862)
<b>Balance, August 31, 2023</b>		<b>86,717,944</b>	<b>\$ 25,008,109</b>	<b>\$ 186,620</b>	<b>\$ 336,704</b>	<b>\$ (25,667,345)</b>	<b>\$ (135,912)</b>
Share-based compensation	10	-	-	22,417	-	-	22,417
Net income (loss)		-	-	-	-	(40,442)	(40,442)
<b>Balance, November 30, 2023</b>		<b>86,717,944</b>	<b>\$ 25,008,109</b>	<b>\$ 209,037</b>	<b>\$ 336,704</b>	<b>\$ (25,707,787)</b>	<b>\$ (153,937)</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  
(Expressed in Canadian Dollars)  
(Unaudited)

	For the three months ended November 30, 2023	For the three months ended November 30, 2022
<b>Operating Activities</b>		
Net income (loss)	\$ (40,442)	\$ (3,510,158)
Changes in non-cash operating items:		
Depreciation	-	349,869
Share-based payments	22,417	161,180
Bitcoin mining revenue	-	(176,478)
Realized loss on digital assets	-	18,131
Loss on deconsolidation	-	2,877,530
Changes in non-cash working capital:		
Cryptocurrency - sold	-	1,597,226
Accounts receivable	(255)	183,804
Prepaid expenses	-	(14,977)
Accounts payable and accrued liabilities	(8,625)	(91,087)
Deferred income	-	77,282
Cash provided by (used in) operating activities	(26,905)	1,472,322
<b>Investing Activities</b>		
Proceeds from sale of mining equipment	-	12,814
Cash provided by (used in) investing activities	-	12,814
<b>Financing Activities</b>		
Repayment of long-term debt	-	(1,114,577)
Cash provided by (used in) financing activities	-	(1,114,577)
<b>Inflow (Outflow) of Cash</b>	<b>(26,905)</b>	<b>370,559</b>
Cash, Beginning of the quarter	69,719	435,146
Cash, End of the quarter	\$ 42,814	\$ 805,705

*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 months ended November 30, 2023 and 2022

(Expressed in Canadian Dollars)

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

Luxxfolio Holdings Inc. (the “Company”) was incorporated under the *Business Corporations Act* (British Columbia) on October 10, 2017. On March 21, 2019, the Company’s shares began trading on the Canadian Securities Exchange (“CSE”), under the symbol LUXX. The head office of the Company is located at 417 – 1080 Mainland Street, Vancouver, British Columbia.

### **2. GOING CONCERN**

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

For the three months ended November 30, 2023, the Company realized a net loss of \$40,442 (2022 - \$3,510,158). As at November 30, 2023, the Company had a working capital deficiency of \$153,937 (August 31, 2023 - \$135,912) and an accumulated deficit of \$25,707,787 (August 31, 2023 - \$25,667,345). In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The Company’s continued existence is dependent upon its ability to raise additional capital, obtain financing 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. 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. These material uncertainties cast substantial doubt regarding the Company’s ability to continue as a going concern.

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

#### **(a) Statement of compliance**

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

The Company was in the business of mining for digital assets, specifically Bitcoin until the closing of the Company’s mining facility in November 2022. 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.

## **LUXXFOLIO HOLDINGS INC.**

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2023 and 2022

(Expressed in Canadian Dollars)

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

(b) Basis of presentation

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. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The Company lost control of WestBlock Capital Inc. and its subsidiaries (“WestBlock”) as well as WestBlock’s mining facility assets on November 30, 2022 due to access restrictions imposed by the Navajo Tribal Utility Authority (“NTUA”) for non-payment of the unsecured note due May 2024 and the accumulated power supply charges under WestBlock, 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. The Company recognized a loss amounting to \$2,877,530 on the loss of control and deconsolidation of WestBlock during the three months ended November 30, 2022. Any value realized on the disposition of the remaining assets will be recognised at the time of disposition.

(c) Principals of consolidation

Assets, liabilities, income, and expenses of the subsidiaries are included in the unaudited interim condensed consolidated financial statements from the date that the Company gains control until the date that the Company ceases to control the subsidiary. As at November 30, 2023, the unaudited interim condensed consolidated statements of financial position include only accounts of the Company and its wholly owned subsidiary Luxxfolio Networks Inc. All other former operating subsidiaries have not been included as the Company ceased to control these entities effective November 30, 2022.

For the three months ended November 30, 2022 and for the period prior to the loss of control, the 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, as appropriate.

(d) Approval of the unaudited interim condensed consolidated financial statements

These unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on January 29, 2024.

(e) Functional and presentation currency

Transactions and balances in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates. These consolidated financial statements have been presented in Canadian dollars (“CAD”). The functional currency of all entities is CAD at November 30, 2023. The functional currency of the US entities was the USD prior to the derecognition of WestBlock.

## LUXXFOLIO HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2023 and 2022

(Expressed in Canadian Dollars)

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### 3. BASIS OF PRESENTATION (continued)

(f) Use of estimates and judgments

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgments, 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. Accounting estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities include, but are not limited to the following:

(i) Valuation of digital assets

Prior to the loss of control, the Company derived the majority of its revenue from the mining of Bitcoin and held Bitcoin at the comparative reporting date. Bitcoin is considered an identifiable non-monetary asset without physical substance and is treated as intangible assets not subject to amortization under IAS 38 Intangible Assets.

Bitcoin is measured at fair value using the quoted prices provided by Yahoo Finance and are valued at the closing price on the last trading day of the reporting period.

(ii) Fair value of options and warrants

The fair value of equity instruments is subject to the limitations of the Black-Scholes option pricing model, as well as other pricing models that incorporate market data and involve uncertainty in estimates used by management in the assumptions. Because option pricing models require inputs of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

(iii) Business combinations

In business combinations transacted by the Company, identifiable assets acquired, and liabilities assumed are recorded at their fair values. In determining the allocation of the purchase price in a business combination requires management to make certain judgements and estimates about future events, including but not limited to future revenues, future digital asset prices and future operating costs.

(iv) Business acquisitions

Management determines whether assets acquired, and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs to create outputs of measurable value. The Company completed the acquisition of WestBlock Capital Inc. in June 2021 which was determined to be a business combination and was accounted for under IFRS 3 (*Business Combinations*).

**LUXXFOLIO HOLDINGS INC.**

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2023 and 2022

(Expressed in Canadian Dollars)

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

(f) Use of estimates and judgements (continued)

(v) Going concern assumption

The assessment of whether the going concern assumption is appropriate requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

(vi) Depreciation of mining equipment

The measurement of the estimated useful economic life of the specific use computers (Miners) used in the mining of Bitcoin requires judgement in determining the impact of the future Miner generation's ability to achieve higher processing speeds while reducing power requirements. Previous generations of these Miners have been subject to considerable obsolescence in the past resulting in short duration economic life. The actual future technological advancements of the Miners may differ from previous experience, and accordingly impact the financial results of the Company.

(vii) Income taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgements in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the consolidated financial statements.

(viii) Research and development expenditures

Costs to develop the Company's platform are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the platform is technically and economically feasible, which management assesses based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers those factors in aggregate and applies significant judgement to determine whether the platform is feasible. The Company has not capitalized any research and development costs as at November 30, 2023.

(ix) Impairment of non-financial assets and goodwill

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. These calculations are based on available data, other observable inputs, and projections of cash flows, all of which are subject to estimates and assumptions. Recoverable amounts are also sensitive to assumptions about the future usefulness of in process development and contractual rights to use inputs for these assets.

**LUXXFOLIO HOLDINGS INC.**

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2023 and 2022

(Expressed in Canadian Dollars)

**4. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies of the Company remain unchanged and are consistent with those described in the audited consolidated financial statements for the years ended August 31, 2023 and 2022.

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

As at November 30, 2023, the Company held no digital assets. During the three months ended November 30, 2022, the Company held Bitcoin, Ethereum, and Filecoin as its digital assets in segregated custody vaults with Anchorage Digital Bank NA, a US federally chartered digital bank and registered custodian. The digital assets are recorded at their fair value on the date they are received as revenues and are revalued at their current market value at each reporting date. Fair value is determined by taking the closing price listed on Yahoo Finance at the reporting date.

The continuity of digital assets is as follows:

<i>(At fair value)</i>	Bitcoin		Ethereum		Filecoin	
	Units	\$	Units	\$	Units	\$
Ending balance, Aug 31, 2022	53.99	1,419,288	8.71	17,738	1,294	9,751
Mined	6.54	175,920	0.15	304	-	-
Disposed	(60.07)	(1,576,820)	(8.86)	(14,234)	(1,294)	(7,739)
Revaluation	-	(7,244)	-	(3,808)	-	(2,012)
Ending balance, Nov 30, 2022	0.46	11,144	-	-	-	-
Disposed	(0.46)	(11,144)	-	-	-	-
Ending balance, Aug 31, 2023	-	-	-	-	-	-
Ending balance, Nov 30, 2023	-	-	-	-	-	-

**6. DEPOSITS ON EQUIPMENT**

	November 30, 2023	November 30, 2022
Deposits on immersion equipment	\$nil	1,979,636
	\$nil	\$1,979,636

During the three months ended November 30, 2022, the Company had advanced a deposit of \$1,979,636 towards the purchase of an immersion-cooling system.

**LUXXFOLIO HOLDINGS INC.**

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2023 and 2022

(Expressed in Canadian Dollars)

**7. PLANT AND EQUIPMENT**

	Mining servers	Equipment	Infrastructure	Total
<b>Cost</b>				
As at August 31, 2022	\$2,324,555	\$215,132	\$3,249,131	\$5,788,818
Dispositions and derecognition	(2,324,555)	(215,132)	(3,249,131)	(5,788,818)
As at November 30, 2022	-	-	-	-
As at August 31, 2023	-	-	-	-
As at November 30, 2022	-	-	-	-
<b>Accumulated Depreciation</b>				
As at August 31, 2022	\$785,749	\$16,344	\$581,246	\$1,383,339
Depreciation	228,450	3,359	118,060	349,869
Dispositions and derecognition	(1,014,199)	(19,703)	(699,306)	(1,733,208)
As at November 30, 2022	-	-	-	-
As at August 31, 2023	-	-	-	-
As at November 30, 2022	-	-	-	-
Net Book Value, Nov 30, 2022	-	-	-	-
Net Book Value, Nov 30, 2023	-	-	-	-

On November 30, 2022, the Company was advised that access to its New Mexico Mining Facility had been restricted by NTUA, the provider of power to the facility and as a result the Company lost the control of its subsidiaries.

**8. RELATED PARTY TRANSACTIONS**

During the three months ended November 30, 2023, the Company did not incur any related party transactions.

During the three months ended November 30, 2022, the Company incurred management fees of \$22,500 from a company controlled by a former director of the Company and a former director of the Company's subsidiaries. During the same period, the Company incurred consulting fees of \$43,750 by an officer of the Company for key management functions.

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 Agent Services Inc., from the Board of Directors.

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 with CHP, a related party (see Note 9). Total interest paid on the Senior Debt Facility amounted to \$nil (2022 - \$66,326) during the three months ended November 30, 2023. On October 28, 2022, the Company repaid \$1,100,000 to CHP, its principal lender and a related party

**LUXXFOLIO HOLDINGS INC.**

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2023 and 2022

(Expressed in Canadian Dollars)

**9. LONG-TERM DEBT**

	November 30, 2023	November 30, 2022
Senior Debt Facility	\$nil	\$1,346,200
NTUA note	-	320,494
Less: Current portion	-	(208,493)
<b>Total long-term debt</b>	<b>-</b>	<b>\$1,458,201</b>

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 three months ended November 30, 2022, the company paid a total of \$66,326 in interest expenses relating to the Senior Debt Facility.

The Senior Debt Facility carries the following terms:

- Available loan proceeds established at \$3 million;
- 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 October 28, 2022, the Company repaid \$1,100,000 to CHP, its principal lender and a related party.

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.

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 USD 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.

**10. SHARE CAPITAL**

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

During the three months ended November 30, 2023 and 2022, the Company did not issue any common shares.

**LUXXFOLIO HOLDINGS INC.**

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2023 and 2022

(Expressed in Canadian Dollars)

**10. SHARE CAPITAL (continued)**

## (c) Share purchase warrants

During the three months ended November 30, 2023 and 2022, the Company did not issue any share purchase warrants.

Share purchase warrant transactions and the number of share purchase warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, August 31, 2022	31,193,255	\$0.479
Outstanding, November 30, 2022	31,193,255	\$0.479
Expired	(11,543,255)	\$0.448
Outstanding, August 31, 2023	19,650,000	\$0.497
Outstanding, November 30, 2023	19,650,000	\$0.497

The weighted average contractual life of share purchase warrants outstanding as at November 30, 2023 is 0.34 (2022 – 1.05) years.

## (d) Compensation Options

The Company did not issue any Compensation Options during the three months ended November 30, 2023 and 2022.

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 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”, totaling 398,025 Compensation Warrants). Each Compensation Warrant will entitle the holder to acquire one Common Share at an exercise price of \$1.00 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:

	Common share component	Compensation Warrant component
Exercise price per share/warrant	\$0.70	\$1.00
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	\$0.306

**LUXXFOLIO HOLDINGS INC.**

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2023 and 2022

(Expressed in Canadian Dollars)

**10. SHARE CAPITAL (continued)**

## (d) Compensation Options (continued)

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
Outstanding, August 31, 2022	796,050	\$0.70
Outstanding, November 30, 2022	796,050	\$0.70
Expired	(796,050)	\$0.70
Outstanding, August 31, 2023	-	-
Outstanding, November 30, 2023	-	-

The weighted average contractual life of Compensation Options outstanding as at November 30, 2023 is nil (2022 – 0.52) years.

## (e) Stock options

During the three months ended November 30, 2023 and 2022, the Company did not grant any stock options.

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

	Number of Stock Options	Weighted Average Exercise Price (CAD)
Outstanding, August 31, 2022	5,263,000	\$0.352
Outstanding, November 30, 2022	5,263,000	\$0.352
Granted	8,230,000	\$0.015
Canceled	(4,823,000)	\$0.358
Outstanding, August 31, 2023	8,670,000	\$0.028
Outstanding, November 30, 2023	8,670,000	\$0.028
Options exercisable, November 30, 2023	4,532,500	\$0.039

The weighted average contractual life of stock options outstanding as at November 30, 2023 is 4.52 (2022 – 3.64) years.

**LUXXFOLIO HOLDINGS INC.**

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2023 and 2022

(Expressed in Canadian Dollars)

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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 and accounts receivable 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 Yahoo Finance and are valued at the closing price on the last trading day of the reporting period. The Company considers this to be Level 2 fair value.

(b) Credit risk

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

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

(c) Liquidity risk and Working Capital deficiency

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The working capital deficiency on November 30, 2023 and August 31, 2023 is a measure of the liquidity risk that exists. 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. As at November 30, 2023, the Company has the following contractual maturities:

**LUXXFOLIO HOLDINGS INC.**

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended November 30, 2023 and 2022

(Expressed in Canadian Dollars)

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

## (c) Liquidity risk (continued)

	Carrying amount	Contractual cash flows	FY2024	FY2025	FY2026
Accounts Payable and accrued Liabilities	\$206,499	\$206,499	\$206,499	\$nil	\$nil
	<u>\$206,499</u>	<u>\$206,499</u>	<u>\$206,499</u>	<u>\$nil</u>	<u>\$nil</u>

## (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. 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, and assets and liabilities denominated in USD.

**13. TAX LOSS CARRY-FORWARD**

As of August 31, 2023, the Company had capital losses of \$2,877,531 (2022 - \$nil) and non-capital losses of approximately \$14,537,204 (2022 - \$14,344,652) available for carry-forward to reduce future years' Canadian taxable income. These non-capital losses expire as follows:

	<u>Amount</u>
2037	1,279,519
2038	375,764
2039	330,620
2040	278,532
2041	739,497
2042	11,340,720
2043	192,552
	<u>14,537,204</u>

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**14. CAPITAL MANAGEMENT**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. As at November 30, 2023, the Company considers capital to consist of short-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, and to maximize available capital, ongoing operational development efforts, the Company does not pay dividends. There were no changes to the Company's capital management approach for the three months ended November 30, 2023.

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For the three months ended November 30, 2023 and 2022

(Expressed in Canadian Dollars)

**15. CHANGE IN PRESENTATION CURRENCY**

The impact of the change in presentation currency is shown below:

**Interim Condensed Consolidated Statements of Operations and Comprehensive Loss (unaudited)**

<i>(For the three months ended)</i>	November 30, 2022	November 30, 2022 <sup>(1)</sup>
Currency	(USD)	(CAD)
<b>Revenue</b>		
Bitcoin mining	\$ 130,841	\$ 176,211
Hosting revenue	662,167	893,074
Total revenues	793,008	1,069,285
<b>Operating expenses</b>		
Advertising	4,527	6,106
Consulting (note 8)	42,822	57,758
Depreciation (note 7)	259,393	349,869
Electricity	432,999	584,029
General and administration	180,415	243,344
Interest (note 9)	50,101	67,576
Compensation and labour	119,822	161,616
Management fees (note 8)	16,684	22,503
Legal and professional fees	5,954	8,031
Rent (note 8)	6,625	8,936
Repairs and maintenance	9,515	12,834
Total expenses	1,128,857	1,522,602
<b>Other expenses</b>		
Loss on deconsolidation	2,133,400	2,877,530
Share-based payments (note 10)	119,499	161,180
Realized loss on digital assets	13,442	18,131
	2,266,341	3,056,841
<b>Net income (loss)</b>	<b>\$ (2,602,190)</b>	<b>\$ (3,510,158)</b>

(1) A translation rate of 1.348 was used for conversion from USD to CAD.