FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: **LUXXFOLIO Holdings Inc.** (the "Issuer").

Trading Symbol: **LUXX**

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
(b) A description of the transaction(s), including those for which no amount has been recorded.
(c) The recorded amount of the transactions classified by financial statement category.
(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
(e) Contractual obligations with Related Persons, separate from other contractual obligations.
(f) Contingencies involving Related Persons, separate from other contingencies.

All related party transactions are disclosed in the Issuer's unaudited Interim Condensed Consolidated Financial Statements, note 4, and the Issuer's MD&A – Quarterly Highlights, under Related Parties Transactions, for the three and six months ended February 29, 2020 and 2019, attached hereto as Schedules A and B.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period,

Since the Issuer's last Listing Statement (Form 2A), a total of 961,605 Common Shares (the "shares"), for a total consideration of $48,080.25, have been issued on December 2, 2019. The shares issued are related to a shares for debt settlement with a service provider.

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
December 2, 2019	Common Shares	Private Placement	961,605	$0.05	$48,080.25	Shares for Debt	Service Provider (Related party)	Nil

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
NONE						

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

(b) number and recorded value for shares issued and outstanding,

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

A summary of securities is included in the Issuer's unaudited Interim Condensed Consolidated Financial Statements for the three and six months ended February 29, 2020 and 2019 attached hereto as Schedule A. Please refer to the unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity, and notes 5 and 6.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Name	Position(s) held
Dean Linden	Chief Executive Officer
Geoff McCord	Chief Financial Officer
Kelly Klatik	Director
Dr. Michael J. Byron	Director
Anthony Wong	Director

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

The Issuer's Interim MD&A – Quarterly Highlights for the three and six months ended February 29, 2020 and 2019, is attached hereto as Schedule B.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated 2020-04-29

Dean Linden
Name of Director or Senior Officer

"Dean Linden"
Signature

Chief Executive Officer
Official Capacity

<table>
<tr><td>Issuer Details
Name of Issuer

Luxxfolio Holdings Inc.</td><td>For Quarter Ended
2020-02-29</td><td>Date of Report
YY/MM/D
2020-04-29</td></tr>
<tr><td colspan="3">Issuer Address
212 - 1080 Mainland Street</td></tr>
<tr><td>City/Province/Postal Code
Vancouver, BC, V6B 2T4</td><td>Issuer Fax No.
(   )None</td><td>Issuer Telephone No.
(888) 928-8883</td></tr>
<tr><td>Contact Name
Dean Linden</td><td>Contact Position
CEO</td><td>Contact Telephone No.
(604) 398-3837</td></tr>
<tr><td>Contact Email Address
dlinden@luxxfolio.com</td><td colspan="2">Web Site Address
Luxxfolio.com</td></tr>
</table>

SCHEDULE A: FINANCIAL STATEMENTS

LUXXFOLIO HOLDINGS INC. (formerly AX1 CAPITAL CORP.)

Interim Condensed Consolidated Financial Statements
For the three and six months ended
February 29, 2020 and 2019
(Expressed in Canadian Dollars)
(unaudited)

Dated: April 29, 2020

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. (formerly AX1 CAPITAL CORP.)
Interim Condensed Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	February 29, 2020	August 31, 2019
Assets (note 5)		
Current		
Cash	$ 34,864	$ 109,623
GST receivable	3,180	13,270
Prepaid expenses	32,253	32,253
	$ 70,297	$ 155,146
Liabilities		
Current		
Accounts payable and accrued liabilities (note 4)	$ 53,285	$ 223,947
	$ 53,285	$ 223,947
Shareholders' Equity (Deficit)		
Common Shares (note 5)	$ 2,134,376	$ 1,995,988
Reserves (note 5)	70,277	73,422
Deficit	(2,187,641)	(2,138,211)
	$ 17,012	$ (68,801)
Total Liabilities and Shareholders' Equity	$ 70,297	$ 155,146

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

Approved on behalf of the Board:

"Kelly Klatik"
Kelly Klatik, Director

"Anthony Wong"
Anthony Wong, Director

LUXXFOLIO HOLDINGS INC. (formerly AX1 CAPITAL CORP.)
Interim Condensed Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)
(unaudited)

	For the three months ended February 29, 2020	For the three months ended February 28, 2019	For the six months ended February 29, 2020	For the six months ended February 28, 2019
Expenses				
Research and development (note 4)	$ 4,579	$ 13,529	$ 8,435	$ 151,924
Consulting (note 4)	10,000	56,600	19,000	95,100
Advertising and marketing	-	11,550	-	49,910
Management fees (note 4)	3,750	12,000	7,500	18,000
Professional fees (note 4)	5,675	24,229	(2,177)	24,229
Rent (note 4)	3,000	6,000	6,000	12,000
Travel and conventions	1,076	4,215	3,183	6,628
Office and administration	7,801	882	10,634	882
	35,881	129,005	52,575	358,673
Net Loss and Comprehensive Loss for the Period	$ (35,881)	$ (129,005)	$ (52,575)	$ (358,673)
Basic and Diluted Loss per Share	$ (0.00)	$ (0.01)	$ (0.00)	$ (0.03)
Weighted Average Number of Common Shares Outstanding	17,615,714	11,266,369	16,545,403	10,603,212

LUXXFOLIO HOLDINGS INC. (formerly AX1 CAPITAL CORP.)
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
For the three and six months ended February 29, 2020 and 2019
(Expressed in Canadian Dollars)
(unaudited)

	Notes	Number of Common Shares	Common Shares	Special Warrants	Reserves	Deficit	Total
Balance, August 31, 2018		9,320,001	$ 923,650	$ 443,989	$ 5,742	$ (1,100,262)	$ 273,119
Issuance of warrants, net of issuance costs	5	-	-	181,000	-	-	181,000
Conversion of special warrants	5	2,248,655	449,731	(449,731)	-	-	-
Net loss		-	-	-	-	(358,673)	(358,673)
Balance, February 28, 2019		11,568,656	$ 1,373,381	$ 175,258	$ 5,742	$ (1,458,935)	$ 95,446
Balance, August 31, 2019		14,879,657	$ 1,995,988	$ -	$ 73,422	$ (2,138,211)	$ (68,801)
Issuance of common shares	5	2,767,758	138,388	-	-	-	138,388
Expired warrants	5	-	-	-	(3,145)	3,145	-
Net loss		-	-	-	-	(52,575)	(52,575)
Balance, February 29, 2020		17,647,415	$ 2,134,376	$ -	$ 70,277	$ (2,187,641)	$ 17,012

The Statements of Changes in Shareholders' Equity have been retrospectively adjusted to reflect share exchange in connection with the Security Exchange Agreement (Note 1).

LUXXFOLIO HOLDINGS INC. (formerly AX1 CAPITAL CORP.)
Interim Condensed Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(unaudited

		For the six months ended February 29, 2020		For the six months ended February 28, 2019
Operating Activities				
Net loss for the period	$	(52,575)	$	(358,673)
Changes in non-cash working capital				
GST receivable		10,090		(13,762)
Prepaid expenses		-		86,160
Accounts payable and accrued liabilities		(170,662)		(59,800)
Cash (used in) operating activities		(213,147)		(346,075)
Financing Activities				
Issuance of common shares		138,388		-
Warrants issued for cash, net of share issuance costs		-		96,000
Cash provided by (used in) financing activities		138,388		96,000
Inflow (Outflow) of Cash		(74,759)		(250,075)
Cash, Beginning of Period	$	109,623	$	405,406
Cash, End of Period	$	34,864	$	155,331

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 212 – 1080 Mainland Street, Vancouver, British Columbia. On March 26, 2019, the Company changed its name from AX1 Capital Corp. to Luxxfolio Holdings Inc. The principal business of the Company is the development of a permissioned based distributed ledger platform (the "Platform") that will provide a secure and reliable place to authenticate and track uniquely identifiable assets and provide the ability to monetize or securitize these assets.

On August 24, 2018, the Company entered into a Security Exchange Agreement (the "Agreement") with Luxxfolio Network Inc. ("Luxxfolio"), a private company incorporated under the *Business Corporations Act* (British Columbia), with respect to a proposed acquisition (the "Transaction"). The Transaction was structured by way of a reverse takeover ("RTO") whereby the Company issued shares to the Luxxfolio security holders in exchange for securities of Luxxfolio. In consideration for all the issued and outstanding securities of Luxxfolio, the Company issued to Luxxfolio security holders one common share of the Company for each common share of Luxxfolio held by them and one share purchase warrant of the Company for each share purchase warrant of Luxxfolio held by them. Such share purchase warrants of the Company were issued with the same terms as the Luxxfolio share purchase warrants except that they are exchangeable for shares in the capital of the Company.

On March 20, 2019, the Company filed a long form prospectus with the securities regulatory authorities in the Provinces of British Columbia, Alberta, Nova Scotia and Ontario and with the CSE, qualifying the distribution of 12,998,656 common shares of the Company issuable upon the acquisition of the outstanding common shares of Luxxfolio or upon conversion of the special warrants and the share purchase warrants of Luxxfolio. On April 11, 2019, the Company completed the Agreement with Luxxfolio and Luxxfolio became a wholly-owned subsidiary of the Company. The Transaction is considered a RTO by Luxxfolio since the legal acquiree is the accounting acquirer, as the former shareholders of Luxxfolio obtain a controlling interest of the resulting entity after the completion of the Transaction. These interim condensed consolidated financial statements are a continuation of the financial statements of Luxxfolio.

These 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 six months ended February 29, 2020, the Company realized a net loss of $52,575 (2019 - $358,673) and as at February 29, 2020, has an accumulated deficit of $2,187,641 (August 31, 2019 - $2,138,211). In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The Company's continued existence is dependent upon its ability to raise additional capital, obtain financing, realize revenue sources and realize positive cash flows from 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 factors raise significant doubt about the Company's 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.

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

As at the date of this interim condensed consolidated financial statements, the Company has commenced a review of strategic alternatives available to enhance shareholder value. The strategic alternatives being considered include, but are not limited to, changes to the capital structure, sale or merger of the company, disposition of the business or assets or further development and expansion of the Company's technology to broaden market opportunities. There can be no assurance that this process will result in the approval of any strategic alternative or transaction in the future.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These 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").

Effective September 1, 2018, the Company adopted IFRS 9 *Financial Instruments* ("IFRS 9"). IFRS 9 was adopted retrospectively with no restatement of comparative periods, as permitted by the transition provisions of the standard.

As a result of the application of IFRS 9, the Company changed its accounting policy for financial assets as described in note 3.

(b) Basis of presentation and principles of consolidation

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. In addition, these interim condensed consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Assets, liabilities, income and expenses of the subsidiary are included in the interim condensed consolidated financial statements from the date that the Company gains control until the date that the Company ceases to control the subsidiary. The Company controls an investee if the Company has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

These interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Luxxfolio, and are presented in Canadian dollars, which is the Company and Luxxfolio's functional currency. All intercompany balances, transactions, unrealized gains and losses resulting from intercompany transactions have been eliminated on consolidation.

2. BASIS OF PRESENTATION (continued)

(c) Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements were authorized for issue by the Audit Committee and Board of Directors on April 29, 2020.

(d) Use of estimates and judgements

The preparation of these 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 interim condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Critical accounting estimates:

Critical 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) 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 involves 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.

(ii) Fair value of consideration

The fair value of consideration to acquire the Company in a RTO transaction comprised common shares. Common shares were valued on the date of issuance. The Company applied IFRS 2 *Share-based Payments* in accounting for the Transaction.

(iii) Promissory notes

The promissory notes were separated into their liability and equity components on the consolidated statements of financial position. The liability component is initially recognized at fair value, calculated at the present value of the liability-based notes issued by comparable issuers and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for notes with similar terms at the time of issue.

2. BASIS OF PRESENTATION (continued)

(d) Use of estimates and judgements (continued)

Critical judgements:

(i) Going concern assumption

The assessment of whether the going concern assumption is appropriate requires management to take into account 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 is aware that material uncertainties related to events or condition may cast significant doubt upon the Company's ability to continue as a going concern.

(ii) Recoverability of deferred tax assets

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 interim condensed consolidated financial statements.

(iii) Research and development expenditures

The 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, 2019.

(iv) Transaction to acquire Luxxfolio

The determination of the acquirer in the Transaction is subject to judgement and requires the Company to determine which party obtains control of the combining entities. Management applies judgement in determining control by assessing the following three factors: whether the Company has power over Luxxfolio; whether the Company has exposure or rights to variable returns from its involvement with Luxxfolio; and whether the Company has the ability to use its powers over Luxxfolio to affect the amount of its returns. In exercising this judgement, Luxxfolio was deemed to be the acquirer in the Transaction.

2. BASIS OF PRESENTATION (continued)

(d) Use of estimates and judgements (continued)

(iv) Transaction to acquire Luxxfolio (continued)

Management has had to apply judgment relating to acquisitions with respect to whether the acquisition was a business combination or an asset acquisition. Management applied a three-element process to determine whether a business or an asset was purchased, considering inputs, processes and outputs of the acquisition in order to reach a conclusion. The Transaction was accounted for as a reverse asset acquisition and the difference between the fair value of net assets acquired and the consideration paid was recorded as a listing expense (Note 6).

(v) Notes receivable

Recoverability of the carrying value of the note receivable requires management judgement to determine whether repayment is likely. If there is a change in management's assumptions or economic conditions, the recoverability of the note receivable may change materially.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Company include the following:

(a) Foreign currency transactions

Transactions denominated in foreign currencies are translated to the respective functional currencies of the Company and its subsidiary at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenues and expenses are translated at exchange rates prevailing on the date of transactions. All exchange gains and losses are included in determination of earnings.

(b) Financial instruments

The Company adopted the new accounting standard IFRS 9 *Financial Instruments* effective September 1, 2018 using the modified retrospective approach. The Company has not restated comparative information for prior periods with respect to the classification and measurement requirements of IFRS 9 and accordingly, the comparative information for the year ended August 31, 2019 is presented under IAS 39 *Financial Instruments: recognition and measurement* ("IAS 39"). There were no changes to the carrying value of any of the Company's financial assets or liabilities as a result of this new accounting standard.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued)

The Company did a detailed assessment of its financial assets and liabilities as at September 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	September 1, 2018	
	IAS 39	**IFRS 9**
Financial Assets		
Cash	Fair value through profit and loss (“FVTPL”)	FVTPL
Funds held in trust	FVTPL	FVTPL
Financial Liabilities		
Accounts payable and accrued liabilities	Amortized Cost	Amortized Cost
Subscriptions received	Amortized Cost	Amortized Cost

Financial assets

(i) Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

(ii) Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss. The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company’s business model for such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued)

(ii) Classification of financial assets (continued)

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income and remain in accumulated other comprehensive income when the financial instrument is derecognized.

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

(iii) Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the consolidated statement of operations and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued)

(iii) Derecognition of financial assets (continued)

Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

Classification of financial liabilities

The Company classifies financial liabilities at initial recognition as financial liabilities: measured at amortized cost or measured at fair value through profit or loss.

Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction costs directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

Financial liabilities measured at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

(iv) Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of operations and comprehensive loss.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Income taxes

Income tax expense, consisting of current and deferred tax expense, is recognized in the consolidated statement of operations and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability is settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(d) Research and development

Research costs are expensed as incurred. Costs related to the development of the platform are expensed as incurred unless such costs meet the criteria for deferral and amortization under IFRS. The criteria include identifiable costs attributable to a clearly defined product, the establishment of technical feasibility, demonstration of the Company’s intention and ability to complete the platform and use or sell it, identification of a market for the platform, the Company’s intent to market the software, and the existence of adequate resources to complete the project.

(e) Impairment of non-financial assets

At the end of each reporting period, the Company’s assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and the value in use. In assessing value in use, estimated future cash flows are adjusted for the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined of the cash-generating unit to which the asset belongs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Common Shares

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for consideration other than cash are valued at the fair value of assets received or services rendered. If the fair value of assets received or services rendered cannot be reliably measured, shares issued for consideration will be valued at the quoted market price at the date of issuance.

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced, and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in share capital and the related residual value is transferred from warrant reserve to share capital. For unexercised warrants that expire, the recorded value is transferred to deficit.

(g) Share-based payments

The fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

Consideration received on the exercise of stock warrants is recorded in share capital and the related share-based payment in reserves is transferred to share capital. For those warrants that expire, the recorded value is transferred to deficit.

(h) Basic and diluted loss per share

The basic and diluted loss per share is calculated by dividing net loss attributable to common shares of the Company by the weighted average number of common shares outstanding during the quarter. The Company uses the treasury stock method for calculating the basic and diluted loss per share. Under this method, the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common share at the average market price during the period. However, the calculation of the basic and diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Compound financial instruments

Compound financial instruments issued by the Company comprise a unit which includes debt and warrants convertible into common shares at the option of the holder. The liability component of compound financial instruments is initially recognized at fair value of a similar liability that does not have an attached warrant. The warrant is initially recognized at the difference between fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method. Interest related to the financial liability is recognized in profit or loss.

(j) Future accounting pronouncements

At the date of authorization of these interim condensed consolidated financial statements, certain new standards, amendments and interpretation to existing standards have been published, but are not yet effective, and have not been early adopted by the Company.

IFRS 16 *Leases*

This new standard set out the principles for the recognition, measurement, presentation and disclosure of leases for both lessee and the lessor. The new standard intrudes a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for considerations.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payment. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is initially measured at the present value of the unpaid lease payments
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

Applicable to the Company’s annual period beginning September 1, 2019.

The Company has assessed that there will be no significant impact to the interim condensed consolidated financial statements as a result of the adoption of this standard.

4. RELATED PARTY TRANSACTIONS

During the six months ended February 29, 2020, the Company was charged management fees of $7,500 (2019 - $18,000), research costs of $7,500 (2019 - $12,000), and rental fees of $6,000 (2019 - $12,000), by a company controlled by a director and an officer of the Company. In addition, the Company was charged consulting fees of $9,000 (2019 - $nil) by an officer of the Company. As at February 29, 2020, $8,075 (2019 - $25,200) was included in accounts payable and accrued liabilities relating to these services.

During the six months ended February 29, 2020, the Company issued 1,747,758 common shares at a deemed price of $0.05 per share in settlement of certain debts owed to a company controlled by a director and an officer of the Company (see "SHARE CAPITAL").

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.

5. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

During the six months ended February 28, 2019, the Company issued 2,248,655 common shares as follows:

- On September 30, 2018, the Company issued 925,000 shares at $0.20 per share as per automatic conversion of non-escrowed special warrants issued on May 31, 2018 for total proceeds of $185,000.

- On November 30, 2018, the Company issued 125,000 shares at $0.20 per share as per automatic conversion of non-escrowed special warrants issued on July 31, 2018 for total proceeds of $25,000.

- On December 10, 2018, the Company issued 250,000 shares at $0.20 per share as per automatic conversion of non-escrowed special warrants issued on August 10, 2018 for total proceeds of $50,000.

- On December 13, 2018, the Company issued 261,250 shares at $0.20 per share as per automatic conversion of non-escrowed special warrants issued on August 13, 2018 for total proceeds of $52,250.

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (continued)

(b) Issued and outstanding (continued)

- On December 31, 2018, the Company issued 687,405 shares at $0.20 per share as per automatic conversion of non-escrowed special warrants issued on August 31, 2018 for total proceeds of $137,481.

During the six months ended February 29, 2020, the Company issued 2,767,758 common shares in settlement of certain debts owed by the Company. Certain creditors of such debts were considered related parties. The Company issued a total of 2,767,758 common shares at a deemed price of $0.05 per share in full settlement of the indebtedness totaled $138,388. A total of 1,747,758 out of the 2,767,758 common shares were issued to such related party creditors.

(c) Special warrants

Escrow Special Warrants

During the six months ended February 28, 2019, the Company issued 125,000 escrowed special warrants pursuant to a subscription agreement for proceeds of $25,000 received on July 24, 2018, funds held in trust that will be released upon conversion of these escrowed special warrants pursuant to the Agreement.

On January 31, 2019, two subscribers have opted for the return of their funds held in trust. In accordance with the terms of the escrowed special warrant agreement, 284,000 special warrants were cancelled. Subscription proceeds of $56,800, without interest, were returned to the subscribers from the funds held in trust. Finders' fees of $2,926 were returned to Luxxfolio. 14,630 finders' warrants were removed from the 217,630 total finders' warrants allocated and were not issued on the Conversion Date.

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

	Number of Escrowed Special Warrants	Weighted Average Exercise Price
Outstanding, December 4, 2017 (incorporation)	-	$ 0.20
Issued	3,209,000	$ 0.20
Outstanding, August 31, 2018	3,209,000	$ 0.20
Issued	125,000	$ 0.20
Canceled	(284,000)	$ 0.20
Outstanding, February 28, 2019	3,050,000	$ 0.20

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (continued)

(c) Special warrants (continued)

During the six months ended February 29, 2020, the Company did not issue any escrowed special warrants. As at February 29, 2020, there were no escrowed special warrants issued and outstanding.

Non-Escrow Special Warrants

During the six months ended February 28, 2019, the Company issued 1,030,000 non-escrowed special warrants pursuant to a subscription agreement for proceeds of $181,000, net of legal issuance costs of $25,000. Each non-escrowed special warrant entitled the holder thereof to automatically receive, without payment of additional consideration and without further action on the part of the holder one common share of the Company pursuant to the Agreement. During the six months ended February 28, 2019, 2,248,655 non-escrowed special warrants automatically converted into common shares.

Non-escrowed special warrants transactions and the number of non-escrowed special warrants outstanding are summarized as follows:

	Number of Non-escrowed Special Warrants	Weighted Average Exercise Price
Outstanding, December 4, 2017 (incorporation)	-	-
Issued	11,568,655	$ 0.20
Converted to common shares	(9,320,000)	$ 0.20
Outstanding, August 31, 2018	2,248,655	$ 0.20
Issued	1,030,000	$ 0.20
Converted to common shares	(2,248,655)	$ 0.20
Outstanding, February 28, 2019	1,030,000	$ 0.20

During the six months ended February 29, 2020, the Company did not issue any non-escrowed special warrants. As at February 29, 2020, there were no non-escrowed special warrants issued and outstanding.

(d) Share purchase warrants

During the six months ended February 29, 2020 and 2019, the Company did not issue any share purchase warrants (the “Warrants”). Each type of Warrant may be exercised into one common share of the Company at a price of $0.20 per share expiring in two years following the date of issuance. The fair value of the Warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (continued)

(d) Share purchase warrants (continued)

	2019	2018
Risk-free interest rate	1.65%	1.82%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	100.00%	100.00%
Expected life in years	2.00	2.00

During the six months ended February 29, 2020, there were 29,750 (2019 – nil) Warrants expired at a fair value of $3,145 (2019 - $nil). The following Warrants were outstanding as at February 29, 2020:

Issue Date	Expiry Date	Exercise Price	Number of Warrants
March 28, 2018	March 27, 2020	$ 0.20	7,000
August 10, 2018	August 9, 2020	$ 0.20	17,500
March 15, 2019	March 14, 2021	$ 0.20	100,000
March 15, 2019	March 14, 2021	$ 0.20	426,000
March 21, 2019	March 20, 2021	$ 0.20	28,000
		$ 0.20	578,500

The weighted average contractual life of Warrants outstanding as at February 29, 2020 is 1.01 (2019 – 1.96) years.

6. ACQUISITION OF LUXXFOLIO NETWORK INC.

As described in Note 1, on April 11, 2019, the Company and Luxxfolio completed the Transaction and the Company issued 12,998,656 shares to the shareholders of Luxxfolio on a one-to-one basis.

As a result of the Transaction, the shareholders of Luxxfolio obtained control of the voting power to govern the financial and operating policies of the combined entities.

For accounting purposes, Luxxfolio, the legal subsidiary, was treated as the accounting parent company and the Company, the legal parent, has been treated as the accounting subsidiary in these consolidated financial statements. As Luxxfolio was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying value. The Company's results of operations have been included since April 11, 2019.

(Expressed in Canadian Dollars)

6. ACQUISTION OF LUXXFOLIO NETWORK INC. (continued)

The following summarizes the RTO of the Company by Luxxfolio and the assets acquired, and liabilities assumed on April 11, 2019, the Transaction date:

Consideration paid:		
Fair value of 1,881,001 common shares issued at $0.20 per share	$	376,200
		376,200
Transaction costs incurred:		
Legal fees		43,515
Net assets (estimated fair value) assumed:		
Cash		47,349
Accounts payable and accrued liabilities		(19,052)
	$	28,297

At the time of the Transaction, the Company's assets consisted primarily of cash and accounts payable and accrued liabilities, and it did not have any processes capable of generating outputs; therefore, Luxxfolio did not meet the definition of a business. Accordingly, as the Company did not qualify as a business in accordance with IFRS 3, *Business Combinations*, the Transaction did not constitute a business combination. The Transaction constituted a reverse acquisition of the Company by Luxxfolio and has been accounted for as a RTO in accordance with the guidance provided in IFRS 2, *Share-based payments* and IFRS 3, *Business combinations*.

As the acquisition was not considered a business combination, the excess value of consideration paid over the net assets assumed to the Company's shareholders, and additional transaction costs are expensed as a listing expense, as follows.

Consideration paid	$ 376,200
Net assets assumed	(28,297)
Transaction costs incurred	43,515
Listing fees	$ 391,418

7. FINANCIAL INSTRUMENTS

(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

7. FINANCIAL INSTRUMENTS (continued)

(a) Fair value (continued)

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

The Company's cash, funds held in trust, accounts payable and accrued liabilities, and subscriptions received are short term in nature, and therefore the carrying values approximate fair values.

(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 major Canadian financial institution and in a major law firm's trust account.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk on an ongoing basis in accordance with policies and procedures in place. Cash flow projections are completed and reviewed on a regular basis to ensure the Company has enough cash flows to meet its financial obligations. The Company is exposed to liquidity risk in respect of its accounts payable and accrued liabilities and subscriptions received. Accounts payable and accrued liabilities are due within 90 days.

8. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. As at February 29, 2020, the Company considers capital to consist of all components of shareholders' equity (deficit). The Company manages its capital structure and adjusts it considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue common shares, promissory notes, or dispose of assets or adjust the amount of cash on hand.

On July 29, 2019, the Company entered into a Letter of Credit and Security Agreement (the "LOC Agreement") with CHP Capital Inc. ("CHI"), a related company controlled by a director of the Company. Under the terms of the LOC Agreement, CHI will provide the Company with a revolving line of credit facility ("LOC") to a maximum of $500,000 and be subject to a maximum draw of $50,000 per month. The term of the LOC Agreement is 24 months and the LOC bears interest at 9% per annum. Under the terms of the LOC Agreement, the Company is restricted to using the LOC for research and development expenses or for other purposes approved by CHI. The Company has provided CHI with a General Security Agreement covering all assets of the Company as security for the LOC. The terms and conditions of LOC are consistent with those that may be available from a third-party lender. Further, the LOC becomes immediately due and payable should a change of control occur in the ownership of the Company's equity or the composition of the Board of Directors. No amounts have been drawn down on the LOC as at February 29, 2020.

8. CAPITAL MANAGEMENT (continued)

At this stage of the Company's development, in order 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 six months ended February 29, 2020.

9. SEGMENT INFORMATION

The Company operates within one business segment in British Columbia, Canada, being the development of a blockchain-enabled authentication platform.

10. SUBSEQUENT EVENTS

(a) Review of strategic alternatives and letter of intent

Following the six months ended February 29, 2020, the Company continued to discuss with its team, industry contacts and developers, additional innovative applications and further improvements to the Platform. Furthering business development, the Company continued discussions with, and exploring potential partnerships with business users of the Platform. In conjunction with the Company's strategic review, the Company announced on March 2, 2020 it had entered into a non-binding letter of intent (the "LOI") with Cypress Hills Partners Inc. ("CHP") and its intention to undertake a non-brokered private placement in connection with the LOI. Under the terms of the LOI, the parties agreed to work towards a definitive agreement whereby the Company would provide CHP with the services of its Platform to enable CHP to verify and to authenticate its digital assets.

(b) Share purchase warrants

Following the six months ended February 29, 2020, there were 7,000 Warrants expired at a fair value of $741. As at the date of this interim condensed consolidated financial statements, 571,500 Warrants remained outstanding.

SCHEDULE B: MD&A – QUARTERLY HIGHLIGHTS

LUXXFOLIO HOLDINGS INC. (formerly AX1 CAPITAL CORP.)

Interim MD&A – Quarterly Highlights
For the three and six months ended February 29, 2020 and 2019

Dated: April 29, 2020

This Interim MD&A – Quarterly Highlights ("Interim MD&A") of the financial condition and results of operation of Luxxfolio Holdings Inc.'s (the "Company"), formerly AX1 Capital Corp. ("AX1"), is for the three and six months ended February 29, 2020. This Interim MD&A should be read in conjunction with the cautionary note regarding forward-looking statements below and the Company's interim condensed consolidated financial statements and the accompanying notes for the three and six months ended February 29, 2020. Together with the interim condensed consolidated financial statements and the related notes, the Interim MD&A has been prepared by the management of the Company in accordance with the requirements of National Instrument 51-102 and the International Financial Reporting Standards ("IFRS") as at the date of this Interim MD&A. All dollar amounts are expressed in 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 year ended August 31, 2019, are substantially unchanged.

This Interim MD&A is dated April 29, 2020.

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

- ability to obtain customer contracts and establish relationships;
- the impact of competition;
- the ability to obtain and maintain existing financing on acceptable terms;
- the ability to retain skilled management and staff;

- the ability to acquire a significant market position within a target market;
- currency, exchange, and interest rates;
- the availability of financing opportunities;
- economic conditions;
- the retention of management, and avoidance of conflicts of interest; and
- the progress and success of product marketing.

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

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

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 the section titled "*Risk Factors*".

DESCRIPTION OF BUSINESS AND DISCUSSION OF OPERATIONS

The Company, based in Vancouver, was incorporated under the Business Corporations Act (British Columbia) on October 10, 2017. The Company's business is that of its wholly owned subsidiary, Luxxfolio Network Inc. ("Luxxfolio"). Luxxfolio is a development-stage financial technology company with a customized blockchain technology (the "Platform") that it owns and licenses and which it is developing for multiple possible applications.

During fiscal year ended August 31, 2019, the Company completed a reverse takeover ("RTO") of Luxxfolio and began trading on the Canadian Securities Exchange under the symbol LUXX. Specific details of the RTO are described in the Company's audited consolidated financial statements for the year ended August 31, 2019.

The Company's focus is the development of the Platform to enable an organization or individual to authenticate, secure, and track via a highly secure verifiable ledger their digital based assets, contracts and documents or physical based assets such as luxury or collector goods, and other unique products ("Uniquely Identified Assets" or "UIA"). The Platform aims to provide a secure and reliable place to authenticate and track UIA, and provide the ability to monetize or securitize these assets.

The Company has commenced a review of its strategic options with respect to the Company's business, technology, and other more broadly defined options. The Company is currently assessing several opportunities to strategically broaden its applications through in-house developed business enhancements, strategic partnerships, and other structures. In conjunction with the Company's strategic review, the Company announced on March 2, 2020 it had entered into a non-binding letter of intent (the "LOI") with Cypress Hills Partners Inc. ("CHP") and its intention to undertake a non-brokered private placement in connection with the LOI. Under the terms of the LOI, the parties agreed to work towards a definitive agreement whereby the Company would provide CHP with the services of its Platform to enable CHP to verify and to authenticate its digital assets.

Going Concern

For the six months ended February 29, 2020, the Company realized a net loss of $52,575 and as at February 29, 2020, has an accumulated deficit of $2,187,641. The Company has not generated cash inflows from operations. These factors raise significant doubt about the Company's ability to continue as a going concern.

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

ANALYSIS OF FINANCIAL PERFORMANCE

	For the three months ended February 29, 2020	For the three months ended February 28, 2019	For the six months ended February 29, 2020	For the six months ended February 28, 2019
Expenses				
Research and development	$ 4,579	$ 13,529	$ 8,435	$ 151,924
Consulting	10,000	56,600	19,000	95,100
Advertising and marketing	-	11,550	-	49,910
Management fees	3,750	12,000	7,500	18,000
Professional fees	5,675	24,229	(2,177)	24,229
Rent	3,000	6,000	6,000	12,000
Travel and conventions	1,076	4,215	3,183	6,628
Office and administration	7,801	882	10,634	882
	35,881	129,005	52,575	358,673
Net Loss and Comprehensive Loss for the Period	$ (35,881)	$ (129,005)	$ (52,575)	$ (358,673)

For the three months ended February 29, 2020 vs. For the three months ended February 28, 2019

The Company had a net loss of $35,881 for the three months ended February 29, 2020 compared to a net loss of $129,005 in the comparable prior period. The net loss is primarily composed of consulting expenses of $10,000 (2019 - $56,600) relating to corporate affairs, business planning and product innovation, and office and administration expenses of $7,801 (2019 - $882) relating to annual market participation fees and annual general meeting.

For the six months ended February 29, 2020 vs. For the six months ended February 28, 2019

The Company had a net loss of $52,575 for the six months ended February 29, 2020 compared to a net loss of $358,673 in the comparable prior period. The net loss is primarily composed of consulting expenses of $19,000 (2019 - $95,100) relating to corporate affairs, business planning and product innovation, office and administration expenses of $10,634 (2019 - $882) relating to annual market participation fees, annual general meeting, and accounting fees, and research and development expenses of $8,435 (2019 - $151,924) relating to research and development of the Platform. For the six months ended February 29, 2020, professional fees of $2,177 (2019 – ($24,229)) were recovered relating to lower than anticipated accounting and legal fees.

ANALYSIS OF CASH FLOWS

		For the six months ended February 29, 2020		For the six months ended February 28, 2019
Operating Activities				
Net loss for the period	$	(52,575)	$	(358,673)
Changes in non-cash working capital		(160,572)		12,598
Cash (used in) operating activities		(213,147)		(346,075)
Financing Activities				
Issuance of common shares		138,388		-
Warrants issued for cash, net of share issuance costs		-		96,000
Cash provided by (used in) financing activities		138,388		96,000
Inflow (Outflow) of Cash		(74,759)		(250,075)
Cash, Beginning of Period	$	109,623	$	405,406
Cash, End of Period	$	34,864	$	155,331

Operating Activities

The total cash used in operating activities for the six months ended February 29, 2020 amounted to $213,147 (2019 - $346,075) attributed primarily to business research and development, consulting, and office and administration fees.

Financing Activities

During the six months ended February 29, 2020, the Company issued shares in settlement of certain debts owed by the Company. Certain creditors of such debts were considered related parties. The Company issued a total of 2,767,758 (2019 – nil) common shares at a deemed price of $0.05 per share in full settlement of the indebtedness totaled $138,388 (2019 - $nil). A total of 1,747,758 out of the 2,767,758 common shares were issued to such related party creditors (see "RELATED PARTIES TRANSACTIONS").

There were no investing activities during the six months ended February 29, 2020 and 2019.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The Company has had no revenue from operations since incorporation. The following is a breakdown of the material costs incurred for the six months ended February 29, 2020 and 2019:

(a) Research and Development Costs - $8,435 (2019 - $151,924), being costs associated with development and maintenance of the Platform;

(b) Consulting Fees - $19,000 (2019 - $95,100), being costs associated with corporate affairs, business planning and product innovation;

(c) Advertising and Marketing Expenses – $nil (2019 - $49,910), being costs associated with branding and marketing;

(d) Management Fees - $7,500 (2019 - $18,000), being fees paid to Cypress Hills Partners Inc., a related party, for accounting and administrative functions;

(e) Professional Fees - $(2,177) (2019 - $24,229), being costs associated with accounting and legal expenses;

(f) Rent Expenses - $6,000 (2019 - $12,000), being costs associated with office space lease;

(g) Travel and Conventions - $3,183 (2019 - $6,628), being costs associated with investor marketing, conferences, and business travels; and

(h) Office and administration expenses - $10,634 (2019 - $882), being costs associated with office equipment and supplies.

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 and cash equivalents, debt comprised of promissory notes and equity comprised of issued share capital and deficit. The Company manages its capital structure and adjusts it considering economic conditions and financial needs. The Company, upon approval from its Board, will balance its overall capital structure through issuance of securities or by undertaking other activities as deemed appropriate under the specific circumstances.

Working Capital

At February 29, 2020, the Company had a working capital of $17,012 compared to a working capital deficit of $68,801 at August 31, 2019. The increase is attributed to the issuance of common shares related to shares for debt settlement (see "ANALYSIS OF CASH FLOWS").

On July 29, 2019, the Company entered into a Letter of Credit and Security Agreement (the "LOC Agreement") with CHP Capital Inc. ("CHI"), a related company controlled by a director of the Company. Under the terms of the LOC Agreement, CHI will provide the Company with a revolving line of credit facility ("LOC") to a maximum of $500,000 and be subject to a maximum draw of $50,000 per month. The term of the LOC Agreement is 24 months and the LOC bears interest at 9% per annum. Under the terms of the LOC Agreement, the Company is restricted to using the LOC for research and development expenses or for other purposes approved by CHI. The Company will provide CHI with a General Security Agreement covering all assets of the Company as security for the LOC. The terms and conditions of LOC are consistent with those that may be available from a third-party lender. Further, the LOC becomes immediately due and payable should a change of control occur in the ownership of the Company's equity or the composition of the Board of Directors. As at February 29, 2020, no amounts have been drawn down on the LOC.

At this stage of the Company's development, in order 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 three and six months ended February 29, 2020.

Requirement of Additional Debt and Equity Financing

The Company and Luxxfolio have relied on debt and equity financings for all funds raised to date for their operations. The Company will need more funds to expand its business in the future. Until the Company starts generating cash inflows from its operations, it is expected to continue to rely upon the issuance of securities to finance its operations.

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

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

RELATED PARTIES TRANSACTIONS

During the six months ended February 29, 2020, the Company entered into the following transactions with related parties:

a) paid management fees of $7,500 (2019 - $18,000) to a company controlled by Kelly Klatik, a director of the Company, and Dean Linden, an officer of the Company for accounting and administrative functions. As at February 29, 2020, the amount owed to the company controlled by Kelly Klatik and Dean Linden was $4,038;

b) paid research costs of $7,500 (2019 - $12,000) to a company controlled by Kelly Klatik, a director of the Company, and Dean Linden, an officer of the Company for research and development of the Platform. As at February 29, 2020, the amount owed to the company controlled by Kelly Klatik and Dean Linden was $4,038;

c) paid rental fees of $6,000 (2019 - $12,000) to a company controlled by Kelly Klatik, a director of the Company, and Dean Linden, an officer of the Company for leasing the space used as the Company's office; and

d) paid consulting fees of $9,000 (2019 - $nil) to Geoffrey McCord, an officer of the Company for his engagement on the strategic planning and management of the Company.

During the six months ended February 29, 2020, the Company issued 1,747,758 common shares at a deemed price of $0.05 per share in full settlement of debts totaled $87,388 owed to a company controlled by Kelly Klatik, a director of the Company, and Dean Linden, an officer of the Company. The debts were related to the management and research fees incurred by the Company.

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers and are included in the amounts described above.

All related party transactions are in the normal course of operations and have been recorded at the fair values on the date they occur.

SUBSEQUENT EVENTS

Following the six months ended February 29, 2020, the Company continued to discuss with its team, industry contacts and developers on additional innovative applications and further improvements to the Platform. In conjunction with the Company's strategic review, the Company announced on March 2, 2020 it had entered into a non-binding letter of intent (the "LOI") with Cypress Hills Partners Inc. ("CHP") and its intention to undertake a non-brokered private placement in connection with the LOI. Under the terms of the LOI, the parties agreed to work towards a definitive agreement whereby the Company would provide CHP with the services of its Platform to enable CHP to verify and to authenticate its digital assets.

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 interim condensed consolidated financial statements and the accompanying Interim MD&A for the three and six months ended February 29, 2020.

RISK FACTORS

Credit risk

Credit risk refers to the potential that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company manages credit risk by placing its cash balances at a major Canadian financial institution.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk on an ongoing basis in accordance with policies and procedures in place. Cash flow projections are completed and reviewed on a regular basis to ensure the Company has sufficient cash flows to meet its financial obligations. The Company is exposed to liquidity risk in respect of its accounts payable and accrued liabilities.

Volatility of Enterprise Value and Market Conditions

The Company's enterprise value may be subject to wide fluctuations in response to factors such as actual or anticipated variations in its results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may adversely affect the market price of the common shares, even if the Company is successful in maintaining revenues, cash flows or earnings. The purchase of debt and equity involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Securities of the Company should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company should not constitute a major portion of an investor's portfolio.

Limited Operating History

The Company was recently formed and has no 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 the product authentication, financial technology, and blockchain markets. 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. It is expected that it will not be profitable for the next foreseeable future. The Company's future profitability depends upon Luxxfolio's success in developing and managing the Platform and to the extent to which the Platform is able to generate significant revenues. Because of the limited operating history, the changes in the business, and the uncertainties regarding the development of product authentication, finance, and blockchain technologies, management does not believe that the operating results to date should be regarded as indicators for the Company's future performance.

Additional Requirements for Capital

Substantial additional financing may be 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 may be required to reduce the scope of its operations or anticipated expansion.

Negative Operating Cash Flow

The Company is not generating operating revenue and has negative cash flow from operating activities. It is anticipated that the Company will continue to have negative cash flow in the foreseeable future. Continued losses may have the following consequences:

- increasing the Company's vulnerability to general adverse economic and industry conditions;
- limiting the Company's ability to obtain additional financing to fund future working capital, capital expenditures, operating costs, and other general corporate requirements; and
- limiting the Company's flexibility in planning for, or reacting to, changes in its business and industry.

Line of Credit

The LOC is secured against all the assets of Luxxfolio. If Luxxfolio defaults on its payment obligations under the LOC Agreement, then it could lose all its intellectual property and other assets that underly its business such as the Platform. If this occurs, then the business of Luxxfolio and the Company would be severely damaged or even cease to exist.

Expenses May Not Align with Revenues

Unexpected events may materially harm the Company's ability to align incurred expenses with recognized revenues. The Company incurs operating expenses based upon anticipated revenue trends. Since a high percentage of these expenses may be relatively fixed, a delay in recognizing revenues from transactions related to these expenses (such a delay may be due to the factors described elsewhere in this risk factor section or it may be due to other factors) could cause significant variations in operating results from quarter to quarter, and such a delay could materially reduce operating income. If these expenses are not subsequently matched by revenues, the Company's business, financial condition, or results of operations could be materially and adversely affected.

Market Acceptance

If the Platform does not gain market acceptance, its operating results will be negatively affected. If the markets for the Platform and services fail to develop, develop more slowly than expected or become subject to increased competition, the Company's business may suffer. As a result, the Company may be unable to: (i) successfully market the Platform; (ii) continue to develop and improve the Platform; or (ii) complete software products and services currently under development. If the Platform is not accepted by its customers or by other businesses in the marketplace, the Company's business, operating results, and financial condition will be materially affected.

Global Financial Developments

Stress in the global financial system may adversely affect the Company's finances and operations in ways that may be hard to predict or to defend against. Financial developments seemingly unrelated to the Company or to its industry may adversely affect the Company over the course of time. For example, material increases in any applicable interest rate benchmarks may increase the debt payment costs for the Company's credit facilities. Credit contraction in financial markets may hurt its ability to access credit in the event that the Company identifies an acquisition opportunity or require significant access to credit for other reasons. A reduction in credit, combined with reduced economic activity, may adversely affect business. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on the Company's business, operating results, and financial condition.

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 systems similar to the Platform or blockchain based technologies. This could lead to a loss of any investment made in the Company and may trigger regulatory action by the authorities such as the securities regulators.

Dependence on Internet Infrastructure

The success of the Company as a developer of blockchain platforms will depend by and large upon the continued development of a stable public infrastructure, with the necessary speed, data capacity and security, and the timely development of complementary products to provide reliable access to the internet and the Company's business services. There is no assurance that such access will always be available or grow to meet increased demand.

Risk of Security Weaknesses in the Company's Platform Software

Luxxfolio's network software consists of open source software that is itself based on open source software. There is a risk that the developers of the Platform, or other third parties may intentionally or unintentionally introduce weaknesses or bugs into the core infrastructural elements of the Company's Platform interfering with the use of or causing the loss of data.

Risk of False Authentication

Luxxfolio's authentication service is dependent on third parties to carry out the actual authentication of individual items. Although Luxxfolio may have processes in place to identify false authentications, there is no guarantee that a false authentication will not be detected before it is recorded to the Platform as a valid authentication. If this happens, it could result in a loss of customer and market trust in the Platform and thus a decline in user adoption of the Platform that could materially affect the Company's ability to attain its business objectives.

Risks Associated with IBM Hyperledger blockchain

The secured recording and storage of UIA on the Platform is based upon IBM's Hyperledger blockchain. As such, any malfunction, unintended function, or unexpected functioning of the IBM's Hyperledger may cause the Platform to malfunction or function in an unexpected or unintended manner.

Risk of Theft and Hacking

Hackers or other groups or organizations may attempt to interfere with the Platform or the availability of it in any number of ways, including without limitation denial of service attacks, Sybil attacks, spoofing, smurfing, malware attacks, or consensus-based attacks.

Intellectual Property Rights

Although the Company is not aware it has violated any commercial and other proprietary rights of third parties, there can be no assurance that its products do not violate proprietary rights of third parties or that third parties will not assert or claim that such violation has occurred. Although no issues in this respect have arisen to date, any such claims and disputes arising may result in liability for substantial damages which in turn could harm the Company's business, results of operations and financial condition.

Competition
The Company is still an early stage company. The market for blockchain technology for authenticating and recording the provenance of goods and providing financial products may become highly competitive before the Company can attain enough market share. There is no assurance that the Company will successfully differentiate its products from that of its competitors, or that the marketplace will consider the Platform superior to competing products.

Dependence on Third Party Relationships
The Company is highly dependent on a number of third-party relationships to conduct its business and implement expansion plans, it cannot be assured that all of these partnerships will turn out to be as advantageous as currently anticipated or that other partnerships would not have proven to be more advantageous. In addition, it is impossible to assure that all associated partners will perform their obligations as agreed or that any strategic agreement will be specifically enforceable by the Company.

Key Personnel
The future success of the Company will depend, in large part, upon its ability to retain its key management personnel and to attract and retain additional qualified marketing, sales and operational personnel to form part of its technical and customer services team. The Company may not be able to enlist, train, retain, motivate, and manage the required personnel. Competition for these types of personnel is intense. Failure to attract and retain personnel, particularly marketing, sales, and operational personnel as well as consultants, could make it difficult for the Company to manage its business and meet its objectives.

Failure to manage growth successfully may adversely impact the Company's operating results. The growth of the Company's operations places a strain on managerial, financial, and human resources. The Company's ability to manage future growth will depend in large part upon several factors, including the ability to rapidly:

- hire and train development, sales, and marketing staff to create an expanding presence in the evolving marketplace for the Company's products;
- attract and retain qualified technical personnel in order to administer technical support required for customers located in Canada and elsewhere;
- develop customer support capacity as sales increase, so that customer support can be provided without diverting resources from product sales efforts; and
- expand internal management and financial controls significantly, so that control can be maintained over operations as the number of personnel and size of the Company increases.

Inability to achieve any of these objectives could harm the business and operating results of the Company.

Management of Growth
The Company may be subject to growth-related risks including pressure on its internal systems and controls. The Company's ability to manage its growth effectively will require it to continue to implement and improve its operational and financial systems. The inability of the Company to deal with this growth could have a material adverse impact on its business, operations, and prospects. While management believes that it will have made the necessary investments in infrastructure to process anticipated volume increases in the short term, the Company may experience growth in the number of its employees and the scope of its operating and financial systems, resulting in increased responsibilities for the Company's personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any future growth effectively, the Company will also need to continue to implement and improve its operational, financial and management information systems and to hire, train, motivate and manage its employees. There can be no assurance that the Company will be able to manage such growth effectively, that its management, personnel or systems will be adequate to support the Company's operations or that the Company will be able to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with this growth.

Litigation
The Company, Luxxfolio, or both 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 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, 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
To the extent that the Company expands its business into foreign jurisdictions, it will be exposed to foreign currency fluctuation risks. Such currency fluctuations may adversely affect the financial position and operations of the Company.

COVID-19
In December 2019, the 2019 novel coronavirus (COVID-19) surfaced in Wuhan, China. The World Health Organization declared a global emergency on January 30, 2020, with respect to the outbreak then characterized it as a pandemic on March 11, 2020. The outbreak has spread globally causing companies and various jurisdictions, including Canada and the United States of America, to impose restrictions, such as quarantines, closures, cancellations and travel restrictions. While these effects are expected to be temporary, the duration of the business disruptions domestically and internationally and related financial impact cannot be reasonably estimated at this time. At this point, the extent to which COVID-19 may impact our results and business, including the Transaction under the LOI disclosed above, is uncertain, however, it is possible that our consolidated results in 2020 may be negatively impacted by this event. The impacts of the outbreak are unknown and rapidly evolving. The extent of the any impact, will depend on future developments, including actions taken to contain COVID-19.

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