LUXXFOLIO HOLDINGS INC.

Interim MD&A – Quarterly Highlights
For the three months ended November 30, 2020 and 2019

Dated: January 28, 2021

This Interim MD&A – Quarterly Highlights ("Interim MD&A") of the financial condition and results of operation of Luxxfolio Holdings Inc. (the "Company") is for the three months ended November 30, 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 months ended November 30, 2020 and 2019. 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, 2020, are substantially unchanged.

This Interim MD&A is dated January 28, 2021.

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 "Risks and Uncertainties".

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

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 has available for licensing.

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" on May 6, 2019. Specific details of the RTO are described in the Company's audited consolidated financial statements for the year ended August 31, 2020.

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 ("Uniquely Identified Assets"). The Platform aims to provide a secure and reliable place to authenticate and track Uniquely Identified Assets and provide the ability to monetize or securitize these assets.

The Company continues to explore all options for strategic alternatives with respect to the Company's business, Platform, and other more broadly defined options, including changes to the capital structure, mergers and acquisitions, sales, and divestitures (the "Strategic Review").

Non-brokered Private Placement

As at the date of this MD&A, the Company has completed its previously announced non-brokered private placements for up to 8,000,000 special warrants at a price of $0.05 per special warrant and 4,000,000 common shares in the capital of the Company at a price of $0.075 per common share (see "Subsequent Events").

Potential Acquisition

On November 24, 2020, the Company entered into a non-binding term sheet with Ocean Falls Blockchain Corp. ("Ocean Falls") to acquire a 100% interest in Ocean Falls (the "Proposed Transaction"). Ocean Falls is a blockchain cryptocurrency mining operator. The Proposed Transaction is currently contemplated to proceed by way of the Company purchasing all the issued and outstanding shares in the capital of Ocean Falls. The Proposed Transaction is not expected to result in a change of business nor change of control. The final structure of the Proposed Transaction will be determined by the Company and Ocean Falls after considering such matters as due diligence findings, tax consequences, accounting treatment, and legal and regulatory requirements. The closing of the Proposed Transaction is subject to the negotiation and execution of definitive documentation, the satisfactory completion of due diligence, the receipt of all required consents and approvals, a minimum capital raise of $100,000 by the Company, the purchase or lease of certain crypto server equipment, and other conditions that are typical for a transaction of this nature. The negotiation of the Proposed Transaction is on-going as at the date of this Interim MD&A.

Purchase of Bitcoin miners

On December 24, 2020, the Company placed an order for 590 Bitcoin miners for a total purchase price of $1,174,100 USD. The purchase was satisfied through a combination of cash and an asset backed lending structure (see "Subsequent Events").

The Company has not commenced commercial operations and has had no operating revenues as at the date of this Interim MD&A.

The recovery of the Company's investment in the Platform will be dependent upon Luxxfolio's ability to finalize the development and commercialization of its technology, generate revenues from operations, and the Company's ability to raise sufficient debt and equity to finance these operations until profitable. The ultimate outcome of these operations cannot presently be determined because they are contingent on future matters.

Going Concern

During the three months ended November 30, 2020, the Company incurred a net loss of $13,676 and, as of that date, had an accumulated deficit of $2,281,763. The Company has not generated cash inflows from operations. There is no assurance that the Strategic Review will result in the approval or completion of any strategic alternative or transaction in the future. The Company continues to proceed expeditiously but has not set a timetable for completion of the Strategic Review. 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 November 30, 2020	For the three months ended November 30, 2019
Expenses		
Research and development	$ 750	$ 3,856
Consulting	5,625	9,000
Management fees	750	3,750
Legal and professional fees	2,028	(7,852)
Rent	1,500	3,000
Travel and conventions	-	2,107
General and administration	3,023	2,833
	13,676	16,694
Net Loss and Comprehensive Loss for the Period	$ (13,676)	$ (16,694)

For the three months ended November 30, 2020 vs. For the three months ended November 30, 2019

The Company had a net loss of $13,676 for the three months ended November 30, 2020 compared to a net loss of $16,694 in the comparable prior period. The net loss in the current period is primarily composed of consulting fees of $5,625 relating to corporate affairs and business planning, and general and administration expenses of $3,023 relating to regulatory filing and securities exchange maintenance fees.

The net loss in the prior period was primarily composed of consulting fees of $9,000 relating to corporate affairs, business planning and product innovation. The recovery of $7,852 in professional fees was related to lower than anticipated accounting and legal expenses.

ANALYSIS OF CASH FLOWS

		For the three months ended November 30, 2020		For the three months ended November 30, 2019
Operating Activities				
Net loss for the period	$	(13,676)	$	(16,694)
Changes in non-cash working capital		(6,260)		(41,008)
Cash provided by (used in) operating activities		(19,936)		(57,702)
Financing Activities				
Issuance of special warrants		52,500		-
Subscription received		32,000		-
Cash provided by (used in) financing activities		84,500		-
Inflow (Outflow) of Cash		64,564		(57,702)
Cash, Beginning of Period	$	124,342	$	109,623
Cash, End of Period	$	188,906	$	51,921

Operating Activities

The total cash used in operating activities for the three months ended November 30, 2020 amounted to $19,936 (2019 - $57,702) attributed primarily to legal and professional expenses, consulting fees, and general and administration fees.

Financing Activities

During the three months ended November 30, 2020, the Company issued 1,050,000 non-escrowed special warrants for total proceeds of $52,500 (2019 - $nil). The Company received $32,000 (2019 - $nil) for subscription of 640,000 non-escrowed special warrants issued on December 2, 2020 (see "Subsequent Events").

There were no financing activities during the three months ended November 30, 2019.

Investing Activities

There were no investing activities during the three months ended November 30, 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 three months ended November 30, 2020 and 2019:

(a) Research and Development Costs - $750 (2019 - $3,856), being costs associated with development of the Company and the Platform;

(b) Consulting Fees - $5,625 (2019 - $9,000), being costs associated with corporate affairs, business planning and product innovation;

(c) Management Fees - $750 (2019 - $3,750), being fees paid to Cypress Hills Partners Inc., a related party, for accounting and administrative functions;

(d) Legal and professional Fees - $2,028 (2019 - ($7,852)), being costs associated with compliance and legal expenses;

(e) Rent Expenses - $1,500 (2019 - $3,000), being expenses paid to CHP Properties Inc., a related party, for lease of office space; and

(f) General and Administration expenses - $3,023 (2019 - $2,833), being costs associated with regulatory filing and securities exchange maintenance fees.

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 and equity comprised of issued common shares, special warrants, share purchase warrant reserves and deficit. The Company manages its capital structure and adjusts it considering economic conditions and financial needs. 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

On November 30, 2020, the Company had a working capital of $137,793 compared to a working capital of $98,969 as at August 31, 2020. The improvement in working capital is attributed to the issuance of special warrants.

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, except for the Bitcoin miners and related assets as described in “Subsequent Events”. 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 November 30, 2020.

At this stage of the Company’s development, to maximize ongoing operational development efforts, the Company does not pay dividends. There were no changes to the Company’s capital management approach for the three months ended November 30, 2020.

Requirement of Additional Debt and Equity Financing

The Company has 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 required to fund the Company’s activities. The interim condensed consolidated financial statements do not include any adjustments that might result from these uncertainties.

No dividends have been paid by the Company to date. The Company anticipates that 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 this Interim MD&A.

RELATED PARTY TRANSACTIONS

During the three months ended November 30, 2020, the Company entered into the following transactions with related parties:

a) paid management fees of $750 (2019 - $3,750) 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 November 30, 2020, the amount owed to the company controlled by Kelly Klatik and Dean Linden was $263 (2019 - $19,950);

b) paid research costs of $750 (2019 - $3,750) 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 November 30, 2020, the amount owed to the company controlled by Kelly Klatik and Dean Linden was $262 (2019 - $19,950);

c) paid rental fees of $1,500 (2019 - $3,000) 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;

d) paid consulting fees of $5,625 (2019 - $3,000) to Geoffrey McCord, an officer of the Company for his engagement on the strategic planning and management of the Company; and

e) issued 50,000 special warrants at a price of $0.05 per special warrant to a company controlled by Kelly Klatik, a director of the Company, and Dean Linden, an officer of 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

Issuance of special warrants

On December 2, 2020, the Company completed the sixth and final tranche of its previously announced non-brokered private placement of up to 8,000,000 special warrants (the "Special Warrants") at a price of $0.05 per Special Warrant. The sixth and final tranche amounted to 650,000 Special Warrants for proceeds of $32,500. $32,000 of the $32,500 proceeds were received on November 24, 2020. A total of 10,000 of the 650,000 Special Warrants were issued to a related party. These Special Warrants carried the same rights, terms, and conditions as previous tranches of the Special Warrants.

Stock options

On December 16, 2020, the Company granted 1,300,000 of stock options to certain directors, officers, and consultants of the Company. The expiry date of the stock options is December 16, 2025. The stock options vest over a 24-month period, at a rate of 25% after each 6 months, and have an exercise price of $0.075 per share. A total of 650,000 of the 1,300,000 stock options were granted to related parties. This is the Company's first issuance of stock options.

Non-brokered Private Placement of Common Shares

On December 30, 2020, the Company completed its previously announced non-brokered private placement of 4,000,000 common shares in the capital of the Company at a price of $0.075 per common share. Additionally, as approved by the Canadian Securities Exchange, an overallotment of 1,200,000 common shares was fully exercised, resulting in a total of 5,200,000 common shares issued for total gross proceeds of $390,000. A total of 400,000 of the 5,200,000 common shares were issued to a related party. The securities are subject to a four-month and one day hold period under securities laws.

The proceeds will be used to pursue Strategic Review opportunities, which may include, but are not limited to, the non-binding term sheet with Ocean Falls, changes to the capital structure, acquisition or merger of a strategic opportunity, the disposition of certain assets of the Issuer, or the further development and expansion of the Company's authentication and distributed ledger technology.

Purchase of Bitcoin miners

On December 24, 2020, the Company placed an order for 590 Bitcoin miners (the "Assets") at a total purchase price of $1,174,100 USD. The purchase price was satisfied through a combination of cash and an asset backed lending structure (the "ABL") provided by Arctos Credit, LLC. The 25% down payment of $293,525 USD plus closing fees of $17,612 USD were paid by the Company on December 30, 2020. The next 50% of the purchase amount, totaling $587,050 USD, was financed by the ABL and also paid on December 30, 2020. The final 25% of the purchase amount, or $293,525 USD, is financed by the ABL and due on the delivery of the Assets. The ABL financing carries an interest rate of 16% and a term of 19 months with interest only payments of $7,827 USD for the initial four months, and principal and interest amounting to $65,160 USD for the remaining 15 months of the term. Subsequent to the structuring of the ABL transaction, a related company, CHP Agent Services Inc., entered into a participation agreement to acquire a 100% participation interest in the ABL. Security for the ABL consists of a first priority charge on the Assets and any Bitcoin and related assets generated from the use of the Assets.

Exercise of share purchase warrants

On January 4, 2021, the Company issued 426,000 common shares at an exercise price of $0.20 per common share following the conversion of share purchase warrants issued on March 15, 2019 for total proceeds of $85,200.

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 months ended November 30, 2020.

RISKS AND UNCERTAINTIES

Bitcoin miners and Cryptocurrency

The Company faces a number of risks that are related to both the Bitcoin miners and the general cryptocurrency business. Risks due to the pricing volatility and momentum of underlying digital currency, network hashrates, changing miner technology, and energy supply and pricing volatility can significantly impact the profitability of the Company's future mining operations and investor confidence.

In terms of regulatory risks, governments may take action in the future that prohibit or restrict the right to acquire, own, hold, sell, use or trade digital currencies or exchange digital currencies for fiat currency. Such restrictions, while impossible to predict, could result in the Company's ability to realize the benefits from the acquired Bitcoin miners.

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 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 or her interest and abstain from voting on such matter. Conflicts, if any, will be subject to the procedures and remedies as provided under the BCBCA.

To the best of the Company's knowledge, and other than disclosed herein, 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

The outbreak of COVID-19 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 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 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.