LUXXFOLIO HOLDINGS INC. (formerly AX1 CAPITAL CORP.)

Management's Discussion & Analysis
For the three and nine months ended May 31, 2019 and 2018

Dated: July 30, 2019

This Management Discussion and Analysis ("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 nine months ended May 31, 2019 and 2018. This 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 nine months ended May 31, 2019 and 2018, as well as the Company's audited financial statements for the 271-day period ended August 31, 2018. Together with the interim condensed consolidated financial statements and the related notes, the MD&A has been prepared by the management of the Company in accordance with the requirements of National Instrument 51-102 and the International Financial Reporting Standards ("IFRS") as at the date of this MD&A. All dollar amounts are expressed in Canadian dollars ("CAD") unless otherwise stated.

Unless otherwise indicated, the Company's significant accounting policies and estimates, contractual obligations, commitments, contingencies, and business risks and uncertainties, as described in its audited financial statements for the 271-day period ended August 31, 2018, are substantially unchanged.

This MD&A is dated July 30, 2019.

FORWARD-LOOKING STATEMENTS

This 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 MD&A includes, but is not limited to:

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

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

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

- ability to obtain customer contracts and establish relationships;
- the impact of competition;
- the ability to obtain and maintain existing financing on acceptable terms;
- the ability to retain skilled management and staff;
- the ability to acquire a significant market position within a target market;
- currency, exchange and interest rates;
- the availability of financing opportunities;
- economic conditions;
- the retention of management, and avoidance of conflicts of interest; and
- the progress and success of product marketing.

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

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

The Company, based in Vancouver, was incorporated under 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 preparing to offer a platform (the "Platform") that enables an organization or individual to authenticate, secure, and capitalize their luxury or collector goods ("Collectibles"). The Platform aims to solve two challenges that exist within the Collectibles market; the lack of secure and reliable places to authenticate and track the value of Collectible, and the inability to easily capitalize one's Collectibles as assets.

The Platform will provide the following services:

Authenticate - in-person authentication of Collectibles;

Proof of authentication – Luxxfolio's custom tamper-proof Verification Tag;

Secure authentication – Luxxfolio's free iOS and Android mobile application (the "App") records and stores the proof of authentication to a blockchain. Once done, the Collectible is known to be secured by SmartLuxx. The App will also permit users to record their ownership of Collectibles that have not been secured by SmartLuxx. Non-SmartLuxxed items within the App are known as Catalogued. A user's SmartLuxxed and Catalogued Collectibles become the user's Personal Luxxfolio; and

Capitalize Personal Luxxfolio - within the App, a user will be able to share publicly or privately on social media channels any part of their Personal Luxxfolio and use it to apply for financial products such as insurance and credit. A user will be able to transfer ownership of any luxury item secured by SmartLuxx.

The Platform will have two types of registered users:

Manufacturers: businesses that make and distribute Collectibles; and

Consumers: persons who acquire Collectibles.

Each user will provide Luxxfolio with certain information upon registration, including proof of identity, to qualify to use the Platform. Users will pay a fee to have items secured by SmartLuxx. Providers of financial products to the Platform's users will also pay a fee to Luxxfolio.

Principal Markets

The Company's principal market for users of the Platform are manufacturers who wish to combat fraud and individual retail purchasers of Collectibles who wish to organize, share, and leverage their Collectibles as assets. The Company will initially focus on users located in Canada and the U.S.

Distribution Methods

User adoption will increase by digital and social media strategies, key influencer marketing, collaborations and promotions with key partners, manufacturers, and financial products agents. Key demographics the App and technology will appeal to, include Baby Boomers, Generations X, Generation Y (Millennials), and Z.

OVERALL PERFORMANCE

As at the date of this MD&A, the Company has (i) raised sufficient debt and equity to fund its initial work on the Platform and cover the costs of going public; (ii) engaged the necessary expertise, either in-house or through third party contracts, to develop the Platform; and (iii) completed a reverse takeover with Luxxfolio and began trading on the Canadian Securities Exchange ("CSE"), trading under the symbol LUXX.

On August 24, 2018, the Company entered into a Security Exchange Agreement, as amended, (the "Agreement") with Luxxfolio, a private company incorporated under the Business Corporations Act (British Columbia), with respect to a proposed acquisition (the "Transaction"). The Transaction was structured as a reverse takeover ("RTO") whereby the Company issued securities from its capital to the Luxxfolio security holders in exchange for their securities of Luxxfolio. In consideration for all of 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 to qualify the distribution of 12,998,656 common shares of the Company issuable upon the acquisition of the outstanding common shares of Luxxfolio.

RTO of the Company

On April 11, 2019, the Company completed the Transaction under the Agreement with Luxxfolio and Luxxfolio became the wholly owned subsidiary of the Company. The Transaction is considered an RTO by the Company 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.

The following summarizes the RTO of AX1 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 deemed 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, AX1's assets consisted primarily of cash, accounts payable and accrued liabilities, and it did not have any processes capable of generating outputs; therefore, the Company did not meet the definition of a business. Accordingly, as AX1 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 AX1 by Luxxfolio and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided in IFRS 2, Share-based payments and IFRS 3, Business combinations.

As the Transaction was not considered a business combination, the excess value of consideration paid over the net assets acquired of AX1, and additional transaction costs are expensed as a listing expense.

The fair value of the common shares amounted to $376,200, based on the shares previously issued.

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

On May 6, 2019, the Company's shares began trading on the CSE.

Recent Developments of the Platform

Luxxfolio's Platform is presently not in the commercial production stage and no revenue has been generated.

Luxxfolio has contracted third parties to develop and provide services for its Platform. In October 2018, Luxxfolio began beta testing its App and initiated its first use cases of the SmartLuxx technology. The beta testing was completed in December 2018. It released the first iteration of the Platform on December 17, 2018. The App is available for download by the public on the Apple App Store and the Google Play Store.

Analysis of Financial Results

	Three months ended May 31 2019	Three months ended May 31 2018	Nine months ended May 31 2019	179-day period ended May 31 2018
Expenses				
Research and development	$ 13,868	$ 19,265	$ 161,231	$ 55,015
Consulting	31,594	35,297	126,694	45,297
Advertising and marketing	(18,000)	-	31,910	-
Management fees	8,000	15,000	26,000	45,000
Professional fees	5,947	2,575	4,023	2,575
Rent	4,000	-	16,000	-
Travel and conventions	4,779	33,838	11,287	50,738
Interest and accretion expense	13,809	-	13,809	-
Office and administration	3,248	4,624	7,298	5,211
Listing fees	363,758	-	391,418	-
	431,003	110,599	789,670	203,836
Net Loss and Comprehensive Loss for the Period	$ (431,003)	$ (110,599)	$ (789,670)	$ (203,836)
Basic and Diluted Loss per Share	$ (0.03)	$ (0.05)	$ (0.06)	$ (0.20)
Weighted Average Number of Common Shares Outstanding	14,674,931	2,021,292	13,224,528	1,033,358

Three months ended May 31, 2019 vs. Three months ended May 31, 2018

The Company's net loss for the three months ended May 31, 2019 was $431,003 compared to a net loss of $110,599 in the comparable prior period. The increase in net loss in the quarter is primarily due listing fees of $363,758 (2018 – $nil), being the excess value of consideration paid over the net assets acquired of AX1, fees paid to the auditors and lawyers for filing of the prospectus, and CSE listing fees.

For the three months ended May 31, 2019, Advertising and marketing expenses of $18,000 (2018 - $nil) were recovered from prepaid marketing fees and interest and accretion expenses of $13,809 (2018 - $nil) were attributed to the promissory notes in the aggregate amount of $526,000 outstanding since March 15, 2019.

Nine months ended May 31, 2019 vs. 179-day period ended May 31, 2018

The Company's net loss for the nine months ended May 31, 2019 was $789,670 compared to a net loss of $203,836 in the comparable 179-day period ended May 31, 2018. The increase in net loss in the quarter is primarily due listing fees of $391,418 (2018 – $nil); research and development expenses of $161,231 (2018 - $55,015) relating to research and development of the Platform; advertising and marketing expense of $31,910 (2018 – $nil) relating to brand design, website, and Platform planning; consulting fees of $126,694 (2018 - $45,297) relating to corporate affairs, business planning and product innovation; and interest and accretion expenses of $13,809 (2018 – $nil).

Analysis of Cash Flows

		Nine months ended May 31 2019		179-day period ended May 31 2018
Operating Activities				
Net loss for the period	$	(789,670)	$	(203,836)
Non-cash items		352,739		-
Changes in non-cash working capital		(5,086)		(509,250)
Cash (used in) operating activities		(442,017)		(713,086)
Financing Activities				
Issuance of special warrants		96,000		1,074,631
Issuance of promissory notes		526,000		-
Release of funds held in trust		74,108		-
Cash provided by financing activities		696,108		1,074,631
Investing Activities				
Cash acquired from reverse takeover transaction		47,349		-
Cash provided by investing activities		47,349		-
Inflow of Cash		301,440		361,545
Cash, Beginning of Period	$	405,406	$	-
Cash, End of Period	$	706,846	$	361,545

Operating Activities

The total cash used in operating activities in the nine months ended May 31, 2019 amounted to $442,017 (2018 - $713,086) attributed primarily to business research and development, consulting fees, management fees and professional fees.

Financing Activities

During the nine months ended May 31, 2019, Luxxfolio issued 1,030,000 (2018 – 10,245,000) non-escrowed special warrants for net proceeds of $181,000 (2018 - $1,074,631), net of legal issuance costs of $25,000. $85,000 of the net proceeds were received on August 31, 2018.

During the nine months ended May 31, 2019, Luxxfolio raised $526,000 (2018 - $nil) through the private placement of 526 Units (the “Units”) at a price of $1,000 per Unit. Each Unit consisted of one promissory note (the “Notes”) and 1,000 share purchase warrants (the “LNI Warrants”). Each Note accrued interest at the rate of 8% simple interest per annum, was repayable 24 months from the date of issue, and secured against the assets of Luxxfolio.

During the nine months ended May 31, 2019, the Company received $74,108 (2018 – $nil) through the release of funds held in trust upon the completion of the Agreement with Luxxfolio.

Investing Activities

During the nine months ended May 31, 2019, the Company acquired $47,349 (2018 - $nil) through the RTO with Luxxfolio. Other than the RTO, the Company has not made any significant acquisitions or dispositions since the date of its incorporation.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table summarizes selected financial data from the Company's audited financial statements for the initial 271-day period ended August 31, 2018 and should be read in conjunction with the audited financial statements for the initial 271-day period ended August 31, 2018.

Item	**271-Day Period ended August 31, 2018**
Revenues	$nil
Expenses	($633,457)
Write-down of Loan	($466,805)
Net Loss	($1,100,262)
Current / Total Assets	$1,174,654[1]
Current Liabilities	$901,535[2,3]
Non-current Liabilities	$nil
Working Capital	$273,119
Shareholders' Equity	$273,119
Dividend	$nil
Number of Shares Outstanding at Period End	9,320,001

1. Includes $623,257 of funds held in trust pending completion of the Security Exchange Agreement.
2. Includes $85,000 of subscription received, pertaining to funds received prior to the issuance of Special Warrants.
3. Includes $623,257 of subscriptions received but held in trust pending completion of the Security Exchange Agreement.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The Company had no revenue from operations since incorporation, the following is a breakdown of the material costs incurred for the nine months ended May 31, 2019 and 179-day period ended May 31, 2018:

(a) Advertising and Marketing Expenses – $31,910 (2018 - $nil), towards branding and marketing;

(b) Research and Development Costs - $161,231 (2018 - $55,015), being costs associated with development of the Platform;

(c) Consulting Fees - $126,694 (2018 - $45,297), being costs associated with corporate affairs, business planning and product innovation;

(d) Travel and Conventions - $11,287 (2018 - $50,738), being costs associated with investor marketing and conferences;

(e) Management Fees - $26,000 (2018 - $45,000), being fees paid to Cypress Hills Partners Inc. for accounting and administrative functions;

(f) Professional Fees - $4,023 (2018 - $2,575), being costs associated with bookkeeping and legal expenses;

(g) General and administration expenses - $7,298 (2018 - $5,211), being costs associated with office equipment and supplies; and

(h) Listing costs - $391,418 (2018 - $nil), being the excess value of consideration paid over the net assets acquired of AX1, fees paid to the auditors and lawyers for filing of the prospectus, and CSE listing fees.

DISCUSSION OF OPERATIONS

The Company had no operating revenues.

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 debit 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. The main business objectives over the next 12-month period include:

- Establish partnerships with financial product suppliers and integrate providers onto the Platform;
- Increase user adoption for App; and
- Develop data analytics package for manufacturers and retailers.

On March 15, 2019, Luxxfolio raised $526,000 through the private placement of 526 Units at a price of $1,000 per Unit. Each Unit consisted of one Note and 1,000 LNI Warrants. Each Note accrued interest at the rate of 8% simple interest per annum, was repayable 24 months from the date of issue, and secured against the assets of Luxxfolio. As at May 31, 2019, 526 Notes were issued and outstanding for an aggregate principal amount of $526,000. As at May 31, 2019, there were 608,250 LNI Warrants issued and outstanding that were initially issued from the capital of Luxxfolio and subsequently exchanged on a one for one basis for share purchase warrants, with the same terms, issued from the capital of the Company (see "OUTSTANDING SHARE DATA").

On May 31, 2019, Luxxfolio entered into a letter of intent (the "LOI") with CHP Capital Inc. ("CHI"), a related company. Under the LOI, CHI agreed to grant Luxxfolio a revolving line of credit up to a maximum of $526,000 and the amount permitted by applicable policies regarding related party transactions. Luxxfolio agreed to grant CHI a general security interest over LNI's assets as security for the line of credit. The LOI was superseded by the Line of Credit and Security Agreement discussed below.

On June 3, 2019, Luxxfolio repaid all the outstanding Notes it issued on March 15, 2019. Luxxfolio had the right to repay the Notes at any time during their 24 months term without penalty. Upon repayment, the general security interest over Luxxfolio's assets that was granted to the holders of the Notes was removed.

On July 29, 2019, Luxxfolio entered into a Line of Credit and Security Agreement (the "LOC Agreement") with CHI. Under the terms of the LOC Agreement, CHI will provide Luxxfolio with a revolving line of credit facility ("LOC") to a maximum of $500,000, and 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 Agreement, Luxxfolio is restricted to using the LOC for research and development expenses or for other purposes approved by CHI. Luxxfolio will provide CHI with a General Security Agreement covering all of Luxxfolio's assets 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 Luxxfolio's equity or the composition of the Board of Directors.

SUMMARY OF QUARTERLY RESULTS

The Company had no operating revenues.

Quarterly Results:

	Three months ended Nov 30, 2018	**Three months ended Feb 28, 2019**	**Three months ended May 31, 2019**
Total revenue	$nil	$nil	$nil
Loss for the period	($229,668)	($129,005)	($431,003)
Basic and Diluted loss per share	($0.02)	($0.01)	($0.03)

Third Quarter – May 31, 2019

For the current quarter, the Company had a loss of $431,003. The increase from the previous quarter ended February 28, 2019 is primarily due to higher legal and audit expenses related to the filing of the prospectus as well as the listing fees associated with the RTO.

Second Quarter – February 28, 2019

For the quarter ended February 28, 2019, the Company had a loss of $129,005. The loss was primarily composed of $56,600 in consulting fees and $24,229 in professional fees related to the review of the long-form prospectus and the interim financial statements.

First Quarter – November 30, 2018

For the quarter ended November 30, 2018, the Company had a loss of $229,668. The loss was primarily composed of $138,395 in research and development related to the development and the launch of the first iteration of the App, $38,500 in consulting fees related to the review of the preliminary prospectus, and $38,360 in advertising and marketing expenses related to the branding of the Company.

LIQUIDITY AND CAPITAL RESOURCES

During the nine months period ended May 31, 2019, the Company incurred a net loss of $789,670, due primarily to research and development expenses of $161,231, consulting fees of $126,694, and listing fees of $391,418.

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.

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 profitable operations from operations, it is expected to continue to rely upon the issuance of securities to finance its operations.

Working Capital

As of May 31, 2019, the Company had positive working capital of $654,566 (August 31, 2018 - $273,119), including $706,846 of available cash.

The following table lists the use of funds for the normal operations of the Company over the next 12 months.

Use of Funds	Funds to be Expended
Executive and administrative salaries	$75,000
Professional and consulting fees	$100,000
Marketing, advertising and investor relations	$50,000
General and administrative	$125,000
Development Costs	$52,500
Capital assets	$50,000
Common Share issuance costs	$25,000
Total	**$477,500**

On May 31, 2019, Luxxfolio entered into the LOI with CHI for a revolving line of credit. On June 3, 2019, Luxxfolio repaid all outstanding Notes in the aggregate amount of $526,000. On July 29, 2019, Luxxfolio entered into the LOC Agreement with CHI, for a revolving line of credit to a maximum of $500,000, and subject to a maximum draw of $50,000 per month (see “DISCUSSION OF OPERATIONS”).

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 May 31, 2019.

OUTSTANDING SHARE DATA

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

As at May 31, 2019, there were (i) 14,879,657 common shares and 608,250 share purchase warrants issued and outstanding. As of the date of this MD&A, there were (i) 14,879,657 common shares and 608,250 share purchase warrants issued and outstanding.

Each share purchase warrant may be exercised into one common share of the Company at an exercise price of $0.20 per payment for a period of 24 months from the date of issuance.

OFF-BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

During the nine months ended May 31, 2019, the Company entered into the following transactions with related parties:

a) paid management fees of $20,000 (2018 - $45,000) 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 May 31, 2019, the amount outstanding to the company controlled by Kelly Klatik and Dean Linden was $19,950;

b) paid research costs of $18,000 (2018 - $40,000) 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 May 31, 2019, the amount owed to the company controlled by Kelly Klatik and Dean Linden was $19,950;

c) paid rental fees of $16,000 (2018 - $nil) 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 management fees of $6,000 (2018 - $nil) to Geoff McCord, an officer of the Company for his engagement on the strategic planning and operation of the Company;

e) paid consulting fees of $24,000 (2018 - $13,600) to Anthony Wong, a director of the Company for his monthly engagement on the strategic planning and operation of the Company; and

f) paid consulting fees of $3,000 (2018 - $nil) to Geoff McCord, an officer of the Company for his monthly engagement as the Chief Financial Officer of the Company. As at May 31, 2019, the amount outstanding to Geoff McCord was $153.

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

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

PROPOSED TRANSACTIONS

There are no material proposed transactions being pursued or negotiated by the Company as at the date of this MD&A.

SUBSEQUENT EVENTS

There are currently no material subsequent events of the Company as at the date of this MD&A.

CONTROLS AND PRODCEDURES

In connection with National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings, the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the interim condensed consolidated financial statements and the accompanying MD&A for the three and nine months ended May 31, 2019 and 2018.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The following accounting pronouncement became effective on September 1, 2018 and was adopted by the Company from that date on a retrospective basis. The adoption of this pronouncement had no effect on the Company's reported results.

IFRS 9 Financial Instruments

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*
  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

- *Classification and measurement of financial liabilities:*
  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

- *Impairment of financial assets:*
  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- *Hedge accounting:*
  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

FINANCIAL INSTRUMENTS

Fair value

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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. Accounts payable and accrued liabilities are due within 90 days. Subscriptions received are potentially repayable August 31, 2019.

RISK FACTORS

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 will be secured against all of 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 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 Smartluxxed luxury items in 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 of violating 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 a number of 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 affects 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 the United States and Europe, the Company will be exposed to foreign currency fluctuations to the extent that certain operations are located in the United States and Europe and therefore certain expenditures and obligations are denominated in US dollars and Euros, yet the Company is headquartered in Canada, has applied to list its common shares on a Canadian stock exchange and typically raises funds in Canadian dollars. As such, the Company's results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Company.

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