

## **Note to Reader**

On October 4, 2018, CryptoStar Corp. filed the condensed interim consolidated financial statements/report for the three and six months ended on June 30, 2018 and 2017 of CryptoStar Inc. as financial statements of RTO Acquirer under submission 1 of SEDAR project 02828706.

There were three errors in the document filed: (i) the condensed interim consolidated statements of changes in deficiency on page 3 were incorrectly labeled “as at March 31, 2018”; (ii) the total net book value of equipment in Note 7 on page 10 was incorrectly labeled “as at March 31, 2018”; and (iii) the share capital in Note 10, section (b) on page 11 was incorrectly labeled “March 31, 2018”.

The condensed interim consolidated financial statements for the three and six months ended June 30, 2018 and 2017 of CryptoStar Inc. have been refiled under submission 2 of the same SEDAR project pursuant to the changes below. These are the only changes.

- (i) the condensed interim consolidated statements of changes in deficiency on page 3 has been corrected to read “as at June 30, 2018”;
- (ii) the total net book value of equipment in Note 7 on page 10 has been corrected to read “as at June 30, 2018”; and
- (iii) the share capital in Note 10, section (b) on page 11 has been corrected to read “June 30, 2018”.

**CRYPTOSTAR INC.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017**

***AMENDED AND REFILED***

**CRYPTOSTAR INC.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2018 AND 2017**

**Financial Statements**

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**CRYPTOSTAR INC.**  
**Condensed Interim Consolidated Statements of Financial Position**  
(Expressed in US dollars)

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
<b>Assets</b>		
Current assets		
Cash [Note 5]	86,874	249,382
Restricted cash	—	1,667,495
Deposits and prepaids [Note 6]	1,607,454	840,208
Digital currencies [Note 7]	642,301	1,007,209
<b>Total current assets</b>	<b>2,336,629</b>	<b>3,764,294</b>
Equipment [Note 8]	25,802,438	9,925,015
Deferred income tax asset	293,862	56,740
<b>Total assets</b>	<b>28,432,929</b>	<b>13,746,049</b>
<b>Liabilities and equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	459,044	91,277
Income taxes payable	417,025	203,510
Warrant liability [Note 10]	2,852,242	—
<b>Total current liabilities</b>	<b>3,728,311</b>	<b>294,787</b>
Payable to related party [Note 10]	1,868,067	1,811,507
<b>Total liabilities</b>	<b>5,596,378</b>	<b>2,106,294</b>
<b>Equity</b>		
Share capital [Note 11]	23,532,354	9,356,659
Warrant reserve [Note 11]	880,974	—
Shares to be issued [Note 9]	—	1,643,004
(Deficit) retained earnings	(1,576,777)	640,092
<b>Total equity</b>	<b>22,836,551</b>	<b>11,639,755</b>
<b>Total liabilities and equity</b>	<b>28,432,929</b>	<b>13,746,049</b>

Nature of operations [Note 1]

Commitments [Note 15]

Segmented information [Note 16]

Subsequent events [Note 18]

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

**CRYPTOSTAR INC.**  
**Condensed Interim Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income**  
(Expressed in US dollars)

	For the six months ended June 30, 2018	For the six months ended June 30, 2017	For the three months ended June 30, 2018	For the three months ended June 30, 2017
<b>Income from mining of digital currency</b>				
Income from mining of digital currency	9,140,510	1,622,222	3,701,222	1,426,503
Impairment of digital currency	(501,239)	—	(10,533)	—
Operating and maintenance costs	(2,464,993)	(232,338)	(1,575,026)	(172,953)
Depreciation	(3,465,170)	(417,786)	(1,835,190)	(417,786)
<b>Net mining income</b>	2,709,108	972,098	280,473	835,764
<b>Operating expenses</b>				
Interest and bank charges	1,403	129,185	1,315	129,024
Stock based compensation	271,592	—	—	—
Management fees, salaries and wages	433,146	70,407	171,478	48,374
Office and administration	256,993	138,261	146,249	100,357
Professional fees	305,090	7,737	157,753	6,377
Realized (gain) loss on digital currency	615,380	—	(100,324)	—
Foreign exchange (gain) loss	(51,365)	—	681	—
<b>Net income before undernoted items</b>	876,869	626,508	(96,679)	551,632
Recognition and change in fair value of warrant liability [Note 10]	2,852,242	—	(656,798)	—
<b>Net (loss) income before income taxes</b>	(1,975,373)	626,508	560,119	551,632
Income taxes	241,496	246,866	8,226	123,433
<b>Net (loss) income and comprehensive (loss) income for the period</b>	(2,216,869)	379,642	551,893	428,199
<b>Loss per share, basic and diluted</b>	(0.011)	0.003	0.003	0.004
<b>Weighted average shares, basic and diluted [Note 17]</b>	204,858,729	118,400,042	205,500,000	118,400,042

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

**CRYPTOSTAR INC.**  
**Condensed Interim Consolidated Statements of Changes in Deficiency**  
(Expressed in US dollars)

See Note 2	Common stock					Shares to be Issued	(Deficit) retained earnings	Total
	Members' Capital	Shares	Amount	Warrant Reserve				
<b>As at December 31, 2016</b>	100	—	—	—	—	—	(183,981)	(183,881)
Net income for the period	—	—	—	—	—	—	379,642	379,642
<b>As at June 30, 2017</b>	100	—	—	—	—	—	195,661	195,761
Net income for period ended December 21, 2017	—	—	—	—	—	—	2,666,142	2,666,142
<b>As at December 21, 2017</b>	100	—	—	—	—	—	2,861,803	2,861,903
<b>As at November 24, 2017</b>	—	—	—	—	—	—	—	—
Shares issued on asset transfer	—	162,500,000	7,678,370	—	—	—	—	7,678,370
Shares issued for cash	—	4,310,000	1,678,289	—	—	—	—	1,678,289
Shares to be issued	—	—	—	—	1,643,004	—	—	1,643,004
Net income for the period	—	—	—	—	—	—	640,092	640,092
<b>As at December 31, 2017</b>	—	166,810,000	9,356,659	—	1,643,004	—	640,092	11,639,755
Shares issued for cash	—	38,690,000	14,519,974	—	(1,643,004)	—	—	12,876,970
Issuance costs [Note 11]	—	—	(598,778)	598,778	—	—	—	—
Stock based compensation [Note 11]	—	—	—	271,592	—	—	—	271,592
Deferred income taxes on share issuance cost	—	—	254,499	10,604	—	—	—	265,103
Net loss for the period	—	—	—	—	—	—	(2,216,869)	(2,216,869)
<b>As at June 30, 2018</b>	—	205,500,000	23,532,354	880,974	—	—	(1,576,777)	22,836,551

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

**CRYPTOSTAR INC.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
(Expressed in US dollars)

	<b>For the six months ended June 30, 2018</b>	<b>For the six months ended June 30, 2017</b>
<b>Operating activities</b>		
Net (loss) income for the period	(2,216,869)	379,642
Adjusted for:		
Income from mining of digital currency	(9,140,510)	—
Impairment of digital assets	501,239	—
Proceeds from sale of digital currency	8,388,799	—
Depreciation	3,465,170	417,786
Stock based compensation	271,592	—
Realized loss on digital currency	615,380	—
Warrants	2,852,242	—
Deferred income taxes	27,981	—
Changes in non-cash working capital items:		
Deposits and prepaid expenses	(767,246)	(275,172)
Accounts payable and accrued liabilities	367,767	—
Income taxes payable	213,515	246,866
Payable to related party	56,560	2,746,772
<b>Cash provided by operating activities</b>	<b>4,635,620</b>	<b>3,515,894</b>
<b>Investing activities</b>		
Purchases of property and equipment	(19,342,593)	(3,544,828)
<b>Cash used in investing activities</b>	<b>(19,342,593)</b>	<b>(3,544,828)</b>
<b>Financing activities</b>		
Shares issued for cash	12,876,970	—
<b>Cash provided by financing activities</b>	<b>12,876,970</b>	<b>—</b>
<b>Net (decrease)/increase in cash during the period</b>	<b>(1,830,003)</b>	<b>(28,934)</b>
Cash, beginning of the period	1,916,877	29,999
<b>Cash, end of period</b>	<b>86,874</b>	<b>1,065</b>

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

**CRYPTOSTAR INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**June 30, 2018 and 2017**  
(Expressed in US dollars)

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**1. NATURE OF OPERATIONS**

CryptoStar Inc. (“CryptoStar” or the “Company”) was incorporated in the province of Ontario on November 24, 2017 under the Ontario Business Corporation Act (“OBCA”). The Company’s head office is located at 181 Bay Street, Suite 4400, Toronto, ON M5J 2T3. The Company is in the business of providing infrastructure solutions in the blockchain industry, including the mining of digital currencies.

**2. BASIS OF PRESENTATION**

**Statement of compliance**

The notes presented in our condensed interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in our annual audited financial statements; thus, our interim consolidated financial statements are referred to as condensed. Our condensed interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2017 and 2016.

Our condensed interim consolidated financial statements are expressed in US dollars and follow the same accounting policies and methods of their application as set out in our consolidated financial statements for the year ended December 31, 2017. These condensed interim consolidated financial statements comply with International Accounting Standard 34, Interim Financial Reporting of the International Financial Reporting Standards, as issued by the International Accounting Standards Board (“IFRS-IASB”) and reflect all adjustments which are necessary for a fair statement of the results for the interim periods presented.

The condensed interim consolidated financial statements of the Company as at and for the three and six months ended June 30, 2018 and 2017 comprise the Company and its subsidiary CryptoStar USA, Inc., and its predecessor entities and operations, as more fully described below under “Basis of presentation”.

**Basis of presentation**

At June 30, 2018, the Company is a subsidiary of Adrenaline Pty Ltd. (“Parent Co.” or “Adrenaline”) incorporated in 2001 under the Corporations Act (Cth) (Australia). The Company was incorporated by Adrenaline in order to combine the existing cryptocurrency mining operations of Adrenaline and Blockmines, LLC (“Blockmines”), an entity under common control with Adrenaline, in the US, Canada and Iceland, to facilitate capital raising activities and to further expand mining operations.

In May and June 2017, Adrenaline entered into hosting service agreements with third party data centre operators to commence cryptocurrency mining businesses in Newfoundland and Labrador, Canada, and Reykjanes, Iceland, respectively.

On December 12, 2017, Adrenaline acquired all assets of Blockmines, a Delaware company formed in May 2016, with cryptocurrency mining assets based in Utah, USA.

On December 22, 2017, CryptoStar acquired all of the mining assets owned by Adrenaline in the US, Canada and Iceland through the issuance of 162,500,000 common shares. The common shares were measured at the December 21, 2017 carrying value for the assets acquired, net of liabilities assumed, of \$7,678,370. This amount consists of the combined retained earnings at December 21, 2017 of the cryptocurrency mining operations of \$2,861,803 and the balance of the payable to Adrenaline of, \$4,816,567, which was settled in the transaction.

All the subject entities and operations were under common control from formation through to their acquisition by

**CRYPTOSTAR INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**June 30, 2018 and 2017**  
(Expressed in US dollars)

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CryptoStar from Adrenaline. Based on guidance available within IFRS 3 - *Business Combinations*, the acquisition has been determined to be a common control business combination. Since there is no specific guidance within IFRS 3 on the accounting treatment for common control business combinations, CryptoStar has elected to account for the acquisition at predecessor carrying values and to present the historical results of operations on the following basis:

- All assets acquired and liabilities assumed have been recognized by CryptoStar at the carrying values recorded by Blockmines and Adrenaline, and CryptoStar has presented the results of operations, cash flows and financial position of the historical operations as if they had been acquired at May 26, 2016, the earliest date when the cryptocurrency mining operations existed, being the date of formation of Blockmines.
- CryptoStar was incorporated on November 24, 2017 and upon acquisition of the cryptocurrency mining operations by CryptoStar on December 22, 2017, the members' capital and retained earnings of Blockmines and the retained earnings of Adrenaline relating to the Canada and Iceland mining operations, have been closed on the date of transaction and is not carried forward to CryptoStar. Changes in members' capital of Blockmines are included from May 26, 2016 to December 21, 2017 given that the cryptocurrency operations of Blockmines constituted the entirety of its business. By contrast, Adrenaline's common stock is not reflected in the condensed interim consolidated financial statements as the cryptocurrency operations were carved out of Adrenaline, which has other operations, and did not have directly associated share capital.
- The Condensed Interim Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income and Cash Flows comprise the following:
  - o Results of operations for Blockmines for the three and six months ended June 30, 2017 and its cash flows for the six months ended June 30, 2017.
  - o Results of operations for CryptoStar for the three and six months ended June 30, 2018 and its cash flows for the six months ended June 30, 2018.
- The Condensed Interim Consolidated Statements of Changes in Equity comprise the following:
  - o Issuance of members' capital and retained earnings (deficit) for Blockmines for the six months ended June 30, 2017 and from July 1, 2017 through December 21, 2017.
  - o Retained earnings for Adrenaline resulting from the Canada and Iceland mining operations, prepared on a carve-out basis from Adrenaline, from commencement of operations in May and June 2017, respectively, through December 21, 2017.
  - o Issuance of CryptoStar common stock from November 24, 2017 to December 31, 2017, including the shares issued to effect the asset transfer from Adrenaline on December 22, 2017, and retained earnings for the same period.
  - o Issuance of CryptoStar common stock and warrants and retained earnings of CryptoStar for the six months ended June 30, 2018.

All intercompany and inter-operational transactions have been eliminated.

**CRYPTOSTAR INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**June 30, 2018 and 2017**  
(Expressed in US dollars)

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**Basis of measurement**

These condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

**Functional and presentation currency**

These condensed interim consolidated financial statements are presented in US dollars, which is the functional and presentation currency of CryptoStar and that of its subsidiaries and all predecessor operations during the periods.

Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. All gains and losses on translation of these foreign currency transactions are included in the profit and loss.

**3. CHANGES IN ACCOUNTING STANDARDS**

**Standards, interpretations and amendments to published standards adopted with an effect on the interim condensed consolidated financial statements**

IFRS 15 - Revenue from contracts with customers

IFRS 15 was issued in May 2014 and replaces prior guidance, including IAS 18, Revenue. In April 2016, the IASB issued amendments to the standard that clarified specific guidance and provided additional transitional relief. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and can be applied on a retrospective basis or using a modified retrospective approach.

The new guidance includes a five-step, principles-based recognition and measurement approach, as well as requirements for accounting for contract costs, and enhanced quantitative and qualitative disclosure requirements. IFRS 15 excludes from its scope revenue related to lease contracts, insurance contracts and financial instruments.

The Company derives its income from digital currency received for providing “mining” services to a digital currency blockchain. Mining is the Company’s principal business activity and is the process by which transactions are verified and added to the blockchain. A miner is only able to validate transactions once their computer equipment has solved a computationally difficult mathematical problem. Under the previous revenue recognition guidance under IAS 18, the Company had determined that the substance of its mining activities is a service under IFRS notwithstanding the lack of a formal contractual arrangement under which it provides such services, as the services are provided through the blockchain protocol.

Under IFRS 15 however, the recognition of revenue requires that the Company have a contract with a customer and, on the blockchain, there is no identifiable customer nor contract in place with any customer. As a result, the value of the digital currency received for providing mining services does not qualify for recognition as revenue under IFRS 15. Rather, the Company accounts for the value of digital currency received as “other income” and presents this as “income from mining of digital currency” in the Statements of (Loss) Income and Comprehensive (Loss) Income. Historical presentation of revenue has been retrospectively amended to conform to the “other income” presentation adopted.

**CRYPTOSTAR INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**June 30, 2018 and 2017**  
(Expressed in US dollars)

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### ***Income from mining of digital assets***

Other income earned from providing digital currency mining services is recognized by the Company when the digital currency is received for the mining services rendered. In return for the mining services rendered, digital currency is deposited into the Company's wallet and this income is recognized at the US dollar value of the digital currencies mined as at the time of actual receipt. The fair value is reliably measured using the closing price on Coin Market Cap on the date of receipt. Any costs associated with the Company's mining activities are incurred simultaneously with the earning of income. The Company has not deferred any expenditures with regards to fulfilling mining services.

### **IFRS 9 - Financial instruments**

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments. IFRS 9 replaces the requirements in IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for the classification and measurement of financial assets and liabilities, impairment for financial assets and general hedge accounting. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial asset is set out below. The Company has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings as at January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39. The adoption of IFRS 9 did not have any significant impact on the consolidated financial statements of the Company.

The classification and measurement of financial assets is determined on the basis of the Company's business model for managing the financial assets and their contractual cash flow characteristics.

### **Changes in accounting standards not yet effective**

#### **IFRS 16 - Leases**

In January 2016, the IASB issued IFRS 16 – *Leases* ("IFRS 16"), which replaces IAS 17 – *Leases*, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact the final standard is expected to have on its condensed interim consolidated financial statements and plans to adopt the requirements in 2019.

#### **IFRIC 23, Uncertainty Over Income Tax Treatments**

IFRIC 23 was issued in June 2017 and is effective for years beginning on or after January 1, 2019, to be applied retrospectively. IFRIC 23 provides guidance on applying the recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments including, but not limited to, whether uncertain tax treatments should be considered together or separately based on which approach better predicts resolution of the uncertainty. The Company is currently evaluating the impact the final standard is expected to have on its condensed interim consolidated financial statements and plans to adopt the requirements in 2019.

**CRYPTOSTAR INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**June 30, 2018 and 2017**  
(Expressed in US dollars)

**4. CASH AND RESTRICTED CASH**

Cash balance as at June 30, 2018 consists of balances with banks.

**5. DEPOSITS AND PREPAIDS**

	<b>June 30, 2018</b>	December 31, 2017
Security deposit	<b>364,634</b>	10,000
Prepaid service charges	<b>1,242,820</b>	830,208
	<b>1,607,454</b>	840,208

**6. DIGITAL CURRENCIES**

Digital currencies consist of Bitcoin coins. Below is a continuity of digital currencies mined, acquired through purchase, settled and impaired during the year. Prior to December 22, 2017, all Bitcoin mined was immediately applied to repay amounts due to related party with no resulting gain or loss on settlement.

	<b>June 30, 2018</b>		December 31, 2017	
	<b>Bitcoin</b>	<b>\$</b>	Bitcoin	\$
Opening balance	<b>75.61</b>	<b>1,007,209</b>	-	-
Mined additions	<b>1,002.25</b>	<b>9,140,510</b>	2,200.71	10,325,668
Bitcoin sold	<b>(977.04)</b>	<b>(8,388,799)</b>	-	-
Repaid to related party	-	-	(2,125.10)	(9,254,905)
Realized loss on digital currency	-	<b>(615,380)</b>	-	(63,554)
Impairment of digital currency	-	<b>(501,239)</b>	-	-
Ending balance	<b>100.82</b>	<b>642,301</b>	75.61	1,007,209

The fair value of digital currencies at June 30, 2018 is \$642,301 (December 31, 2017: \$1,007,209).

**CRYPTOSTAR INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**June 30, 2018 and 2017**  
(Expressed in US dollars)

**7. EQUIPMENT**

	Mining equipment	Other property and equipment	Total
<b>Cost</b>			
<b>Balance, December 31, 2016</b>	<b>536,361</b>	<b>85,707</b>	<b>622,068</b>
Additions	9,691,399	1,738,234	11,429,633
<b>Balance, December 31, 2017</b>	<b>10,227,760</b>	<b>1,823,941</b>	<b>12,051,701</b>
Additions	12,173,267	7,169,326	19,342,593
<b>Balance, June 30, 2018</b>	<b>22,401,027</b>	<b>8,993,267</b>	<b>31,394,294</b>
<b>Accumulated depreciation</b>			
<b>Balance, December 31, 2016</b>	<b>76,489</b>	<b>3,169</b>	<b>79,658</b>
Depreciation	1,904,573	142,455	2,047,028
<b>Balance, December 31, 2017</b>	<b>1,981,062</b>	<b>145,624</b>	<b>2,126,686</b>
Depreciation	2,850,708	614,462	3,465,170
<b>Balance, June 30, 2018</b>	<b>4,831,770</b>	<b>760,086</b>	<b>5,591,856</b>
<b>Net book value</b>			
As at December 31, 2017	8,246,698	1,678,317	9,925,015
<b>As at June 30, 2018</b>	<b>17,569,257</b>	<b>8,233,181</b>	<b>25,802,438</b>

Cost includes amount of \$Nil (2017: \$1,460,915) prepaid for the acquisition of mining assets and \$Nil (2017: \$904,491) prepaid for the acquisition of other property and equipment. These assets are not available for use and hence, have not been depreciated for the six months and year ended June 30, 2018 and December 31, 2017, respectively.

**8. SHARES TO BE ISSUED**

The Company received proceeds in the amount of \$1,643,004 as of December 31, 2017 with regard to issuance of the Company's common shares. These shares were issued January 4, 2018.

**9. RELATED PARTY TRANSACTIONS**

During the period ended December 31, 2017, substantially all expenses and additions of equipment were paid on the Company's behalf by Adrenaline, which is a related party by virtue of its shareholdings in the Company and common control.

Prior to the acquisition of Blockmines by Adrenaline (see Note 2), Adrenaline provided advances to Blockmines through a Line of Credit Promissory Note ("Note"), bearing interest at 12% per annum and secured by all of the assets of Blockmines. Interest paid to Adrenaline during the six months period ended June 30, 2018 on the Note totaled \$Nil (2017: \$374,801). All amounts payable under the Note were settled on December 21, 2017.

**CRYPTOSTAR INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
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(Expressed in US dollars)

The balance of \$1,868,067 (Dec 2017: \$1,811,507) payable to related party as at December 31, 2017 represents the amount advanced under a line of credit provided by Adrenaline on December 22, 2017. The available line of credit totals \$4,000,000, bears interest at 12% per annum and is repayable on December 22, 2022. If the balance on the line of credit is paid prior to June 22, 2018, interest is waived and interest may be waived at any point at the sole discretion of Adrenaline. Adrenaline has waived the interest charge on the line of credit for the period.

Management fees, salaries and wages comprise amounts paid to personnel, including officers and directors, of Adrenaline for services provided.

The remuneration of key management personnel paid by Adrenaline on the Company's behalf during the periods was as follows:

	<b>Six months ended June 30, 2018</b>	Six months ended June 30, 2017
Management fees, salaries and wages to key management personnel	<b>145,089</b>	139,752

On January 4, 2018, CryptoStar issued 10,000,000 Management Warrants as part of the private placement. The warrants are exercisable at C\$0.10 per share for a period of three years. The initial value of these warrants was determined to be \$3,641,412 using the Black-Scholes option pricing model using a risk-free interest rate of 1.66%, volatility of 139%, expected life of 3 years, and 0% dividend yield. These exercise price of the Management Warrants was subsequently revised to C\$0.10 per share for a period of three years. The Management Warrants have been revalued to \$2,852,242 at June 30, 2018 using the Black-Scholes option pricing model using a risk-free interest of 1.66%, volatility of 139%, expected life of 2.52 years, 0% dividend yield. This amount was charged as an expense and is reflected within warrant liability on the statement of financial position because the warrants are exercisable in a currency other than the functional currency of CryptoStar, in accordance with IFRS 9.

## 10. SHARE CAPITAL

### (a) Authorized

Unlimited common shares without par value

### (b) Issued and fully paid common shares

	<b>June 30, 2018</b>	December 31, 2017
Common shares - 205,500,000 (2017: 166,810,000)	<b>23,532,354</b>	9,356,659

On January 4, 2018, CryptoStar issued 2,204,700 Finder's Warrants relating to the private placement. The warrants are exercisable at C\$0.50 per share for a period of two years. The value of these warrants has been determined to be \$598,778 using the Black-Scholes option pricing model using a risk-free interest rate of 1.66%, volatility of 139%, expected life of 2 years, and 0% dividend yield. This amount reduces share capital as a cost of the private placement and is reflected within warrant reserve on the statement of financial position in accordance with IFRS 2.

On January 4, 2018, CryptoStar issued 1,000,000 Consultant's Warrants relating to the private placement. The warrants are exercisable at C\$0.50 per share for a period of two years. The value of these warrants has been determined to be \$271,592 using the Black-Scholes option pricing model using a risk-free interest rate of 1.66%, volatility of 139%, expected life of 2 years, and 0% dividend yield. This amount was charged as an expense and is reflected within warrant reserve on the statement of financial position in accordance with IFRS 2.

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## 11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed, in varying degrees, to a variety of financial related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in trust as at June 30, 2018.

### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining cash balances to ensure that it is able to meet its short term and long term obligations as and when they fall due. The Company manages Company-wide cash projections centrally and regularly updates projections for changes in business and fluctuations caused in digital currency prices and exchange rates.

### *Foreign currency risk*

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations affect the costs that the Company incurs in its operations as well as the currency in which the Company has historically raised capital.

The Company's presentation currency is the US dollar and major purchases are transacted in US dollars. Financing incurred to date has been completed in Canadian dollars. The fluctuation of the Canadian dollar in relation to the US dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities and the amount of shareholders' equity. The Company's net monetary position in the significant foreign currencies as of June 30, 2018 is summarized below with the effect on earnings before tax of a 10% fluctuation of each currency to the USD dollar:

	Net Monetary Position June 30, 2018 (US\$ equivalent)	Impact of 10% variance in foreign exchange rate
Canadian dollar	5,472	497

### *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is limited and only relates to its ability to earn interest income on cash balances at variable rates. Changes in short term interest rates will not have a significant effect on the fair value of the Company's cash account.

### *Fair value*

The fair value of the Company's financial instruments approximates carrying value due to their short-term nature.

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## 12. DIGITAL CURRENCY AND RISK MANAGEMENT

Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is directly related to the current and future market price of coins; in addition, the Company may not be able liquidate its inventory of digital currency at its desired price if required. A decline in the market prices for coins could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its coin sales.

Digital currencies have a limited history and the fair value historically has been very volatile. Historical performance of digital currencies are not indicative of their future price performance. The Company's digital currencies currently consist of Bitcoin. The impact of a 25% variance in the price of this digital currency on the Company's earnings before tax, based on their closing prices at June 30, 2018 would be \$160,575.

## 13. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued share capital and reserves.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the period ended June 30, 2018.

## 14. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company rents premises under operating leases which expire beginning in 2019. Annual minimum lease payments in aggregate and for the next five years:

2018	\$ 438,000
2019	436,000
2020	363,000
2021	375,000
2022	376,000
Thereafter	<u>31,000</u>
	<u>\$ 2,019,000</u>

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**15. SEGMENTED INFORMATION**

The Company has three reportable segments related to the three countries in which it operates, namely, United States, Canada, and Iceland. The disclosure with regards to the Company's aforementioned locations are listed below:

<b>Six Months Period ended June 30, 2018</b>	<b>USA</b>	<b>Canada</b>	<b>Iceland</b>	<b>Head Office</b>	<b>Total</b>
<b>Income from mining of digital currency</b>					
Income from mining of digital currency	6,528,210	1,375,356	1,236,944	—	9,140,510
Impairment of digital currency	(357,988)	(75,421)	(67,830)	—	(501,239)
Operating and maintenance cost	(1,760,514)	(370,903)	(333,576)	—	(2,464,993)
Depreciation	(2,474,846)	(521,398)	(468,926)	—	(3,465,170)
<b>Net mining income</b>	<b>1,934,862</b>	<b>407,635</b>	<b>366,611</b>	<b>—</b>	<b>2,709,108</b>
<b>Operating expenses</b>					
Interest and bank charges	1,403	—	—	—	1,403
Stock based compensation	—	—	—	271,592	271,592
Management fees, salaries and wages	164,595	8,663	8,663	251,225	433,146
Office and administration	256,993	—	—	—	256,993
Professional fees	103,731	—	42,713	158,646	305,090
Realized loss on digital currency	439,508	92,595	83,277	—	615,380
Foreign exchange gain	—	—	—	(51,365)	(51,365)
<b>Net income (loss) before undernoted items</b>	<b>968,632</b>	<b>306,376</b>	<b>231,959</b>	<b>(630,098)</b>	<b>876,869</b>
Recognition and change in fair value of warrant liability [Note 10]	—	—	—	2,852,242	2,852,242
<b>Net income (loss) before income taxes</b>	<b>968,632</b>	<b>306,376</b>	<b>231,959</b>	<b>(3,482,340)</b>	<b>(1,975,373)</b>
Income taxes expense	152,178	52,778	36,540	—	241,496
<b>Net income (loss)</b>	<b>816,454</b>	<b>253,598</b>	<b>195,419</b>	<b>(3,482,340)</b>	<b>(2,216,869)</b>
<b>Total assets</b>	<b>22,462,014</b>	<b>1,990,305</b>	<b>3,411,951</b>	<b>568,659</b>	<b>28,432,929</b>
<b>Total liabilities</b>	<b>1,790,841</b>	<b>5,596</b>	<b>5,596</b>	<b>3,794,345</b>	<b>5,596,378</b>

The Company had only one geographic segment during the period ended June 30, 2017.

**16. EARNINGS (LOSS) PER SHARE**

As a result of the common control business combination described in Note 2 to the consolidated financial statements for the periods ended December 31, 2017 and 2016, the calculation of basic and diluted earnings (loss) per share for the period ended June 30, 2017 has been calculated using the weighted average number of shares issued by the Company on acquisition of the operations of Blockmines as if the shares issued in the business combination had been outstanding during the period in which the Blockmines operations existed, including the period ended June 30, 2017.

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**17. SUBSEQUENT EVENTS**

**Aumento Transaction**

On December 22, 2017, the Company entered into a letter of intent in respect of a transaction (the “Qualifying Transaction”) with Aumento Capital VI Corporation (“Aumento”). The Qualifying Transaction closed on September 26, 2018. Pursuant to the Qualifying Transaction, Aumento acquired all of the issued and outstanding shares of the Company by a three-cornered amalgamation among Aumento, the Company and a newly formed subsidiary of Aumento. For accounting purposes, the transaction will be treated as a reverse takeover with the Company as the acquirer.

Pursuant to the Qualifying Transaction, the holders of the issued and outstanding common shares of the Company (the “CryptoStar Common Shares”) received one common share of Aumento (the “Aumento Common Shares”) for each CryptoStar Common Share held (the “Exchange Ratio”). Furthermore, all existing warrants were exchanged, based on the Exchange Ratio, for similar securities to purchase Aumento Common Shares on substantially similar terms and conditions.

At closing, the former shareholders of Aumento owned approximately 1.6% of the issued and outstanding shares of the resulting issuer.