



CRYPTOSTAR CORP.

(formerly, Aumento Capital VI Corporation)

**Annual General Meeting
to be held on August 29, 2019**

**Notice of Annual General Meeting
and
Information Circular**

July 26, 2019

CRYPTOSTAR CORP.
181 Bay Street, Suite 4400
Toronto, Ontario M5J 2T3

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an Annual General Meeting (the “**Meeting**”) of the holders (“**Shareholders**”) of common shares (“**Common Shares**”) of CryptoStar Corp. (the “**Company**”) will be held at the offices of McMillan LLP, Brookfield Place, 181 Bay Street, Suite 4400 Toronto, Ontario M5J 2T3 at 10:00 a.m. (Toronto time) on August 29, 2019 for the following purposes:

1. to receive the audited annual financial statements of the Company, together with the auditor’s report thereon, for the year ended December 31, 2018;
2. to consider and, if deemed advisable, to pass an ordinary resolution electing the directors of the Company for the ensuing year;
3. to appoint Manning Elliott LLP, Chartered Professional Accountants, as the auditors of the Company for the ensuing year and to authorize the directors of the Company to fix their remuneration; and
4. to transact such other business as may properly be brought before the Meeting or any adjournment(s) or postponement(s) thereof.

An Information Circular accompanies this Notice. The Information Circular contains details of matters to be considered at the Meeting. No other matters are contemplated, however any permitted amendment to or variation of any matter identified in this Notice may properly be considered at the Meeting. The Meeting may also consider the transaction of such other business as may properly come before the Meeting or any adjournment thereof.

Registered shareholders who are unable to attend the Meeting in person and who wish to ensure that their Common Shares will be voted at the Meeting are requested to complete, date and sign the enclosed form of Proxy and deliver it in accordance with the instructions set out in the form of Proxy and in the Information Circular.

Non-registered shareholders who plan to attend the Meeting must follow the instructions set out in the form of Proxy or voting instruction form and in the Information Circular to ensure that their Common Shares will be voted at the Meeting. If you hold your Common Shares in a brokerage account, you are not a registered shareholder.

Registered shareholders may attend the Meeting in person or may be represented by proxy. If you are a registered shareholder and are unable to attend the Meeting in person, please exercise your right to vote by dating, signing and returning the accompanying form of Proxy to TSX Trust Company, the transfer agent of the Company. To be valid, completed Proxy forms must be dated, completed, signed and deposited with the Company’s transfer agent, TSX Trust Company: (i) by mail using the enclosed return envelope or by hand delivery to TSX Trust Company, 100 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 4H1, Attention: Proxy Department or (ii) by facsimile to 416-595-9593. You may also vote through the internet and if you do vote through the internet, you may also appoint another person to be your proxyholder. Please go to www.voteproxyonline.com and follow the instructions. Your Proxy or voting instructions must be received in each case no later than 10:00 a.m. (Toronto time) on August 27, 2019 or two (2) business days preceding the date of any adjournment or postponement of the Meeting. If you are unable to attend the

Meeting, we encourage you to complete the enclosed form of Proxy as soon as possible. If a Shareholder received more than one form of Proxy because such holder owns Common Shares registered in different names or addresses, each form of Proxy should be completed and returned. The Chair of the Meeting shall have the discretion to waive or extend the Proxy deadline without notice.

Only Shareholders of record at the close of business on July 23, 2019 (the “**Record Date**”) will be entitled to vote at the Meeting, and, except as otherwise determined from time to time by directors of the Company, no Shareholders becoming such after the Record Date will be entitled to receive notice of and vote at the Meeting or any adjournment thereof or to be treated as a Shareholder of record for purposes of such other action.

Electronic copies of this Notice, the Information Circular, and the form of Proxy may be found on the Company’s profile on SEDAR at www.sedar.com.

DATED at Toronto, Ontario, this 26th day of July, 2019.

BY ORDER OF THE BOARD OF DIRECTORS

David Jellins

President, Chief Executive Officer & Director

CRYPTOSTAR CORP.
181 Bay Street, Suite 4400
Toronto, Ontario M5J 2T3

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This information circular (“Information Circular”) is furnished in connection with the solicitation of proxies by the management of CryptoStar Corp. (the “Company”) for use at the Annual General Meeting (the “Meeting”) of its shareholders to be held on August 29, 2019 at the time and place and for the purposes set forth in the accompanying notice of the Meeting.

In this Information Circular, references to the “Company”, “CryptoStar”, “we” and “our” refer to CryptoStar Corp. “Common Shares” means common shares in the capital of the Company. “Shareholders” means holders of Common Shares. “Registered Shareholders” means Shareholders who hold Common Shares in their own name. “Beneficial Shareholders” means Shareholders who do not hold Common Shares in their own name and “intermediaries” refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders.

The Meeting will be held at the offices of McMillan LLP, Brookfield Place, 181 Bay Street, Suite 4400 Toronto, Ontario M5J 2T3 at 10:00 a.m. (Toronto time) on August 29, 2019 and at any adjournments or postponements thereof for the purposes set forth in the Notice of Annual and Special Meeting of Shareholders (the “**Notice of Meeting**”) accompanying this Information Circular. Information contained herein is given as of July 26, 2019, unless otherwise specifically stated.

Solicitation of proxies will be primarily by mail but may also be by telephone, facsimile or in person by directors, officers and employees of the Company who will not be additionally compensated therefor. Brokers, nominees or other persons holding Common Shares in their names for others shall be reimbursed for their reasonable charges and expenses in forwarding proxies and proxy material to the beneficial owners of such Common Shares. The costs of soliciting proxies will be borne by the Company.

GENERAL PROXY INFORMATION

Solicitation of Proxies

The solicitation of proxies will be primarily by mail, but proxies may be solicited personally, by facsimile or by telephone by directors, officers and regular employees of the Company. The Company will bear all costs of this solicitation. We have arranged for intermediaries to forward the Notice of Meeting, this Information Circular, and the form of Proxy (collectively, the “**Meeting materials**”) to Beneficial Shareholders and we may reimburse the intermediaries for their reasonable fees and disbursements in that regard.

Appointment of Proxyholders

The individuals named in the accompanying form of proxy (the “**Proxy**”) are officers and/or directors of the Company. **If you are a Shareholder entitled to vote at the Meeting, you have the right to appoint a person or company other than either of the persons designated in the Proxy, who need not be a Shareholder, to attend and act for you and on your behalf at the Meeting. You may do so by inserting the name of that other person in the blank space provided in the Proxy.**

Voting by Proxyholder

The persons named in the Proxy will vote or withhold from voting the Common Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your Common Shares will be voted accordingly. The Proxy confers discretionary authority on the persons named therein with respect to:

- each matter or group of matters identified therein for which a choice is not specified, other than the appointment of an auditor and the election of directors;
- any amendment to or variation of any matter identified therein; and
- any other matter that properly comes before the Meeting.

Exercise of Discretion by Proxies

Common Shares represented by proxies will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for and, if a shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the Common Shares represented by the Proxy will be voted accordingly. **Where no choice is specified, the Proxy will confer discretionary authority upon the persons named in the Proxy and will be voted for the matters described below in this Circular.**

Registered Shareholders

Registered Shareholders may wish to vote by Proxy whether or not they are able to attend the Meeting in person. Registered Shareholders electing to submit a Proxy may do so using one of the following methods:

- complete, date and sign the enclosed form of Proxy and return it to the Company's transfer agent, TSX Trust Company ("**TSX Trust**"), by fax within 416-595-9593, or by mail or hand delivery to 100 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 4H1, Attention: Proxy Department; or
- via TSX Trust's internet website www.voteproxyonline.com. Registered Shareholders who choose this option must follow the instructions that appear on the screen and refer to the enclosed proxy form for the holder's account number and the Proxy access number.

In each of the above cases Registered Shareholders must ensure the Proxy is received no later than 10:00 a.m. (Toronto time) on August 27, 2019 or two (2) business days preceding the date of any adjournment or postponement of the Meeting. Failure to complete or deposit a Proxy properly may result in its invalidation. The time limit for the deposit of Proxies may be waived by the Chair of the Meeting at the Chair's discretion without notice. **Please note that in order to vote your Common Shares in person at the Meeting, you must attend the Meeting and register with the Scrutineer before the Meeting. If you have already submitted a Proxy, but choose to change your method of voting and attend the Meeting to vote, then you should register with the Scrutineer before the Meeting and inform the Scrutineer that your previously submitted Proxy is revoked and that you personally will vote your Common Shares at the Meeting.**

Beneficial Shareholders

The following information is of significant importance to Shareholders who do not hold Common Shares in their own name. Beneficial Shareholders should note the only Proxies that can be recognized and acted upon at the Meeting are those deposited by Registered Shareholders or as set out in the following disclosure.

If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Shareholder's name on the records of Company. Such Common Shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, that acts as nominee for many Canadian brokerage firms).

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary has its own mailing procedures and provides its own return instructions to clients.

There are two kinds of Beneficial Shareholders - those who object to their name being made known to the issuers of securities that they own (called "**OBOs**" for "*Objecting Beneficial Owners*") and those who do not object to the issuers of the securities they own knowing who they are (called "**NOBOs**" for "*Non-Objecting Beneficial Owners*").

Pursuant to National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**") the Company distributes copies of the Meeting materials to The Canadian Depository for Securities Limited and intermediaries for onward distribution to Beneficial Shareholders. The Company does not send Meeting materials directly to Beneficial Shareholders. Intermediaries are required to forward the Meeting materials to all Beneficial Shareholders for whom they hold Common Shares unless such Beneficial Shareholders have waived the right to receive them.

Beneficial Shareholders who are OBOs should follow the instructions of their intermediary carefully to ensure that their Common Shares are voted at the Meeting.

The form of Proxy supplied to you as a Beneficial Shareholder by your broker will be similar to the Proxy provided to Registered Shareholders. However, its purpose is limited to instructing the intermediary on how to vote on your behalf. Most brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc. ("**Broadridge**") in Canada and in the United States. Broadridge mails a Voting Instruction Form ("**VIF**") in lieu of the Proxy provided by the Company. The VIF will name the same persons as the Proxy to represent you at the Meeting. You have the right to appoint a person (who need not be a Beneficial Shareholder), different from the persons designated in the VIF, to represent your Common Shares at the Meeting, and that person may be you. To exercise this right insert the name of your desired representative (which may be you) in the blank space provided in the VIF. Once you have completed and signed your VIF, return it to Broadridge by mail or facsimile, or deliver your voting instructions to Broadridge by phone or via the internet, in accordance with Broadridge's instructions. Broadridge tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **If you receive a VIF from Broadridge, it must be completed and returned to Broadridge, in accordance with Broadridge's instructions well in advance of the Meeting in order to: (a) have your Common Shares voted at the Meeting as per your instructions; or (b) have an alternate representative chosen by you duly appointed to attend and vote your Common Shares at the Meeting.**

Notice to Shareholders in the United States

The solicitation of proxies involves securities of an issuer located in Canada and is being effected in accordance with the corporate laws of the Province of Ontario, Canada and securities laws of the provinces of Canada. The proxy solicitation rules under the United States *Securities Exchange Act of 1934*, as amended, are not applicable to the Company or this solicitation, and this solicitation has been prepared in accordance with the disclosure requirements of the securities laws of the applicable provinces of Canada. Shareholders that are residents of the United States should be aware that disclosure requirements under the securities laws of the applicable provinces of Canada differ from the disclosure requirements under United States securities laws.

The enforcement by Shareholders that are residents of the United States of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Company is incorporated under the *Business Corporations Act* (Ontario), as amended, certain of its directors and its executive officers are residents of Canada and all of its assets are located outside the United States. Shareholders that are residents of the United States may not be able to sue a foreign company or its officers or directors in a foreign court for violations of United States federal securities laws. It may be difficult to compel a foreign company and its officers and directors to subject themselves to a judgment by a United States court.

Revocation of Proxies

In addition to revocation in any other manner permitted by law, a Registered Shareholder who has given a Proxy may revoke it by:

- executing a Proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the Registered Shareholder or the Registered Shareholder's authorized attorney in writing, or, if the Registered Shareholder is a corporation, under its corporate seal by an officer or duly authorized attorney, and by delivering the proxy bearing a later date to TSX Trust Company, 100 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 4H1, Attention: Proxy Department, at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, the last business day that precedes any reconvening thereof, or to the Chair of the Meeting on the day of the Meeting or any reconvening thereof, or
- personally attending the Meeting and voting the Registered Shareholder's Common Shares.

A revocation of a Proxy will not affect a matter on which a vote is taken before the revocation.

CURRENCY PRESENTATION

Unless specified herein, all dollar amounts referenced in this Information Circular are in Canadian dollars and are referred to as "\$".

Dollar amounts referenced "US\$" or "A\$" in this Information Circular are in United States dollars and Australian dollars, respectively.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

To the knowledge of the directors and executive officers of the Company, no director or executive officer of the Company, any proposed nominee for election as director of the Company, or any associate or

affiliate of any of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than the election of directors.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The board of directors (the “**Board**”) of the Company has fixed July 23, 2019 as the record date (“**Record Date**”) for determination of persons entitled to receive notice of and to vote at the Meeting. Only Shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a Proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Common Shares voted at the Meeting.

The Company was incorporated on January 6, 2017 under the name of “Aumento Capital VI Corporation” pursuant to the provisions of the *Business Corporations Act* (Ontario). The Common Shares were listed for trading on the TSX Venture Exchange (the “**TSXV**”) under the symbol “AUO.P” on May 19, 2017. On September 26, 2018, the Company completed a qualifying transaction (the “**Qualifying Transaction**”), as defined in the policies of the TSXV pursuant to which it acquired all of the issued and outstanding common shares of CryptoStar Holdings Inc. (formerly, CryptoStar Inc.) (“**CryptoStar Holdings**”). The Company changed its name to “CryptoStar Corp.” On October 5, 2018, following the completion of the Qualifying Transaction the Common Shares commenced trading on the TSXV under the symbol “**CSTR**”. The Company’s first financial year-end subsequent to the completion of the Qualifying Transaction was December 31, 2018. A Notice of Change in Corporate Structure was filed by the Company on October 1, 2018.

The Company is authorized to issue an unlimited number of Common Shares. As at July 26, 2019, there are 208,752,800 Common Shares issued and outstanding, each without par value and each carrying the right to one vote. No group of shareholders has the right to elect a specified number of directors, nor are there cumulative or similar voting rights attached to the Common Shares.

To the knowledge of the directors and executive officers of the Company, there are no persons or corporations who beneficially owns, or controls or directs, directly or indirectly, Common Shares carrying more than 10% of the voting rights attached to all outstanding Common Shares of the Company as at the Record Date, other than A.C.N. 117 402 838 PTY LTD (formerly, Adrenaline Pty Ltd, and referred to herein as “**ACN**”). ACN is a proprietary company under the *Corporations Act 2001* (Cth) (Australia). David Jellins, the President, Chief Executive Officer and Director of the Company and Amelia Jones, the Chief Commercial Officer and Director of the Company, each own a 50% interest in ACN. As at July 26, 2019, ACN owned beneficially 162,500,000 Common Shares representing approximately 77.84% of the issued and outstanding Common Shares.

ELECTION OF DIRECTORS

The Board presently consists of five (5) directors. The Board proposes that the number of directors to be elected to the Board be fixed at five (5). At the Meeting, the Shareholders will be asked to approve a special resolution to fix the number of directors at five (5). The Board is currently comprised of David Jellins, Amelia Jones, Adam Kline, James Merkur and Brendan Cahill.

The term of office of each of the current directors will end at the conclusion of the Meeting. Unless a director’s office is vacated earlier in accordance with the provisions of the *Business Corporations Act* (Ontario), each director elected will hold office until the conclusion of the next annual general meeting of the Company, or if no director is then elected, until a successor is elected.

The following table sets out the names of management’s five nominees for election as director, all major offices and positions with the Company and any of its significant affiliates each now holds, each nominee’s principal occupation, business or employment for the last five years, the period of time during which each has been a director of the Company and the number of Common Shares of the Company beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at July 26, 2019.

Name, Current Position with the Company and Province and Country of Residence	Period as a Director of the Company	Principal Occupation for the Previous Five Years⁽¹⁾	Common Shares Beneficially Owned Directly or Indirectly⁽¹⁾
David Jellins <i>President, Chief Executive Officer & Director</i> Sydney, Australia	September 26, 2018	Prior to acting as President, Chief Executive Officer and a director of the Company, Mr. Jellins acted as a director and Chief Executive Officer of ACN.	162,500,000 ⁽³⁾⁽⁴⁾
Amelia Jones⁽²⁾ <i>Chief Commercial Officer and Director</i> Sydney, Australia	September 26, 2018	Prior to acting as Chief Commercial Officer and a director of the Company, Ms. Jones acted as a director of ACN.	162,500,000 ⁽³⁾⁽⁵⁾
Adam Kline <i>Director</i> Toronto, Ontario, Canada	September 26, 2018	Mr. Kline is currently a partner at Miller Thomson LLP and was previously a partner at another Canadian business law firm.	75,000 ⁽⁶⁾
James Merkur⁽²⁾ <i>Director</i> Toronto, Ontario, Canada	September 26, 2018	Mr. Merkur is currently the Chief Executive Officer of Logan Peak Capital Inc.	80,000 ⁽⁷⁾
Brendan Cahill⁽²⁾ <i>Director</i> Toronto, Ontario, Canada	September 26, 2018	Mr. Cahill is currently the President and Chief Executive Officer of Excellon Resources Inc.	Nil ⁽⁸⁾

Notes:

- (1) The information as to principal occupation and Common Shares beneficially owned or controlled is not within the knowledge of management of the Company and has been furnished by the respective nominees, or obtained from information available on SEDI.
- (2) Member of the Audit Committee. James Merkur is the Chair of the Audit Committee
- (3) Mr. Jellins and Ms. Jones each hold a 50% interest in ACN, which holds 162,500,000 Common Shares and 10,000,000 common share purchase warrants (“Warrants”).
- (4) Mr. Jellins holds 120,000 options to purchase Common Shares (“Options”) and holds 120,000 Options indirectly through his spouse, Ms. Jones.
- (5) Ms. Jones holds 120,000 Options and holds 120,000 Options indirectly through her spouse, Mr. Jellins.
- (6) Mr. Kline holds 720,000 Options.
- (7) Mr. Merkur holds 100% interest in Logan Peak Capital Inc. which holds 80,000 Common Shares and Mr. Merkur holds 720,000 Options.
- (8) Mr. Cahill holds 720,000 Options.

Biographies of Director Nominees

David Jellins, President, Chief Executive Officer and Director

Mr. Jellins is a founder, President, Chief Executive Officer and a director of the Company. Mr. Jellins is also currently a director and Chief Executive Officer of ACN. Mr. Jellins has a history of other successful ventures including, STREAMX, a streaming media services business divested in 2004 and FASTmail

Internet Services, an Australian Internet Service Provider divested in 2000. He holds a Bachelor of Engineering degree in Computer Systems Engineering from the University of Technology Sydney, Australia.

Amelia Jones, Chief Commercial Officer and Director

Ms. Jones is a founder, Chief Commercial Officer and a director of the Company. Ms. Jones is also currently a director of ACN. Ms. Jones has a history of other successful ventures including, STREAMX, a streaming media services business divested in 2004. Ms. Jones was previously a Management Consultant at PWC Australia specializing in e-Business strategy for large Australian retailers. Prior to this, Ms. Jones worked in Accounting and Finance for large retailers in the UK. She holds a Bachelor of Commerce degree and Bachelor of Science degree from the University of Melbourne, Australia.

Adam Kline, Director

Mr. Kline is a partner at Miller Thomson, a leading Canadian business law firm with offices across Canada. Mr. Kline has extensive experience advising public companies, institutional investors and investment banks in regard to securities offerings, mergers and acquisitions, corporate governance, shareholder activism, continuous disclosure, stock exchange matters and securities regulatory compliance matters. Mr. Kline holds a law degree from Osgoode Hall Law School and a Masters of Business Administration from the Schulich School of Business.

James Merkur, Director

Mr. Merkur is the CEO of Logan Peak Capital Inc., a private equity and advisory business focused on investing in and advising growth oriented businesses. In addition, Mr. Merkur serves as the President of Intercap Inc. a merchant banking company based in Toronto. Mr. Merkur serves as a director of Docebo Inc., Canaccord Genuity Growth II Corp., Guestlogix Inc. and is the Vice Chairman of Brass Enterprises. He has served as a director of Canaccord Genuity Acquisition Corp., Canaccord Genuity Growth Corp. and NYX Gaming Group Limited, a public company which was sold. Previously, Mr. Merkur was Managing Director, Head of Consumer and Industrial Groups, Investment Banking at Canaccord Genuity and has held senior roles at leading investment banks including CIBC World Markets and Goldman Sachs. He holds a JD/MBA from the University of Toronto and a Bachelor of Commerce from McGill University.

Brendan Cahill, Director

Mr. Cahill has over 15 years of experience in the mining and metals sector and in corporate finance, and is currently Chief Executive Officer of Excellon Resources Inc. Mr. Cahill is a member of the Young Presidents' Organization, Transplant Campaign at University Health Network and the Law Society of Ontario. He is a board member of the Mining Association of Canada, Group Eleven Resources Ltd., an Irish zinc explorer and Kore Mining Inc., a California gold developer. He was previously the Vice President of Corporate Development for Pelangio Exploration Inc. and a lawyer at Davies Ward Phillips & Vineberg LLP. Mr. Cahill holds a law degree from the University of Western Ontario and an undergraduate degree from the University of Toronto.

Penalties, Sanctions and Cease Trade Orders

The Company was issued a cease trade order on May 6, 2019 by the Ontario Securities Commission for failure to file its financial statements, management's discussion and analysis and related officer certifications for the financial year ended December 31, 2018 (collectively, the "Annual Filings") as prescribed by applicable securities laws. The reason for the default was due to timing and documentation

constraints related to the accounting and auditing of digital currencies based on information provided by a specialist to the auditors on the Company's internal controls and systems related to the operations of the Company. All of the above directors were directors of the Company on May 6, 2019. After filing the Annual Filings, the Ontario Securities Commission revoked its cease trade order on May 14, 2019.

Other than as set out above, no proposed director is, as at the date of this Information Circular, or has been, within ten (10) years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company including the Company, that:

- was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
- was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
- while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

No proposed director of the Company has been subject to:

- any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

CORPORATE GOVERNANCE

General

National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("NI 58-101") requires issuers to disclose their corporate governance practices and National Policy 58-201 – *Corporate Governance Guidelines* provides guidance on corporate governance practices. This section sets out the Company's approach to corporate governance and addresses the Company's compliance with NI 58-101 as required under Form 58-101F2 – *Corporate Governance Disclosure (Venture Issuers)*.

Corporate governance refers to the policies and structure of the board of directors of a company, whose members are elected by and are accountable to the company's shareholders. Corporate governance encourages establishing a reasonable degree of independence of the board of directors from executive management and the adoption of policies to ensure the board of directors recognizes the principles of good

management. The Board is committed to sound corporate governance practices as such practices are both in the interests of shareholders and help to contribute to effective and efficient decision-making.

Board of Directors

Directors are considered to be independent if they have no direct or indirect material relationship with the Company. A “material relationship” is a relationship which could, in the Board’s opinion, be reasonably expected to interfere with the exercise of a director’s independent judgment.

The Board facilitates its independent supervision over management of the Company through meetings of the Board, and through frequent informal discussions among independent members of the Board. In addition, the Board has access to the Company’s external auditors, legal counsel, and to any of the Company’s officers. Adam Kline, James Merkur and Brendan Cahill are considered independent of the Company.

David Jellins and Amelia Jones are not considered independent of the Company because they are executive officers of the Company.

Directorships

Certain members of the Board are currently serving on boards of directors of other reporting issuers as set out below:

Name of Director	Name of Reporting Issuer	Exchange
Brendan Cahill	Excellon Resources Inc.	Toronto Stock Exchange
	Group Eleven Resources Corp.	TSX Venture Exchange
	KORE Mining Ltd.	TSX Venture Exchange
James Merkur	Canaccord Genuity Growth II Corp.	Aequitas NEO Exchange

Orientation and Continuing Education

No formal program currently exists for the orientation of new directors and existing directors provide orientation and education to new members on an informal and *ad hoc* basis. The Company encourages directors to attend, enroll or participate in courses and/or seminars dealing with financial literacy, corporate governance and related matters. Each director of the Company has the responsibility for ensuring that he maintains the skill and knowledge necessary to meet his obligations as a director.

Ethical Business Conduct

The Board has not adopted a formal code of business conduct and ethics. The Board is of the view that the fiduciary duties placed on individual directors by the Company’s governing legislation and common law together with corporate statutory restrictions on an individual director’s participation in Board decisions in which the director has an interest are sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

Nomination of Directors

The Board considers its size each year when it considers the number of directors to recommend for election at the annual meeting of Shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience.

The Board has not established a nominating committee and this function is currently performed by the Board as a whole.

Compensation

The Board has not established a formal compensation committee. Rather, the independent Board members are responsible for reviewing and determining the adequacy and form of compensation paid to the Company's directors and executive officers. The independent Board members evaluate the performance of the directors and executive officers measured against the Company's business goals and industry compensation levels.

Other Board Committees

The Audit Committee is the only standing Board committee. As the Company grows, and its operations and management structure become more complex, the Board will consider the advisability of constituting other formal standing committees, such as a corporate governance committee, compensation committee and nominating committee.

Assessments

The Board monitors the adequacy of information given to directors, communication between the Board and management, and the strategic direction and processes of the Board on an ongoing basis.

STATEMENT OF EXECUTIVE COMPENSATION

The following information is provided as required under *Statement of Executive Compensation – Venture Issuer*, Form 51-102F6V (the “**F6V**”), as such form is defined in National Instrument 51-102 *Continuous Disclosure Obligations* (“**NI 51-102**”) and relates to the Company's years ended December 31, 2018 and December 31, 2017.

References in the F6V to “**compensation securities**” includes stock options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, all share compensation, units granted or issued by the Company or one of its subsidiaries for services provided or to be provided, directly or indirectly, to the Company or any of its subsidiaries.

All currency references in this section are expressed in Canadian dollars unless otherwise specified.

In this section “Named Executive Officer” (“**NEO**”) means any individual who, during the Company's most recently completed financial years ended December 31, 2018 and December 31, 2017 was:

- (a) the chief executive officer (“**CEO**”) (or an individual who acted in a similar capacity);
- (b) the chief financial officer (“**CFO**”) (or an individual who acted in a similar capacity);
- (c) the most highly compensated executive officer of the Company or any of its subsidiaries other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total salary and bonus was more than \$150,000); and
- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer nor a director of the Company or any of its subsidiaries, nor acting in

a similar capacity, at the end of the Company's fiscal years ended December 31, 2018 and December 31, 2017.

Director and Named Executive Officer Compensation

Prior to the completion of the Company's Qualifying Transaction, David Danziger, former CEO, CFO and Corporate Secretary, was a NEO of the Company and Paul Pathak and Roger Daher were each directors of the Company. David Danziger resigned as an officer and director and Paul Pathak and Roger Daher resigned as directors of the Company at the closing of the Qualifying Transaction on September 26, 2018.

Upon completion of the Qualifying Transaction, David Jellins, Amelia Jones, Adam Kline, James Merkur and Brendan Cahill became the directors of the Company. David Jellins was appointed as President and Chief Executive Officer, Amelia Jones was appointed as Chief Commercial Officer, Jing Peng was appointed as Chief Financial Officer and Corey Dozhier was appointed as Chief Operating Officer.

The NEOs of the Company are David Jellins, President and Chief Executive Officer, Jing Peng, Chief Financial Officer, and Corey Dozhier, Chief Operating Officer.

Director and NEO compensation, excluding compensation securities

The following table sets forth all annual and long term compensation for services paid to or earned by each of the NEOs and directors during the Company's years ended December 31, 2018 and December 31, 2017:

Table of compensation excluding compensation securities							
Name and position	Year	Salary, consulting fee, retainer or commission (US\$)	Bonus (US\$)	Committee or meeting fees (US\$)	Value of perquisites (US\$)	Value of all other compensation (US\$)	Total Compensation (US\$)
David Jellins, President, CEO and Director ⁽¹⁾	2018	US\$172,389	Nil	Nil	Nil	Nil	US\$172,389
Jing Peng, CFO ⁽²⁾	2018	US\$23,395	Nil	Nil	Nil	Nil	US\$23,395
Amelia Jones, Chief Commercial Officer and Director ⁽³⁾	2018	US\$33,520	Nil	Nil	Nil	Nil	US\$33,520
Corey Dozhier, Chief Operating Officer ⁽⁴⁾	2018	US\$132,100	US\$20,903	Nil	Nil	Nil	US\$153,003
Adam Kline, Director ⁽⁵⁾	2018	US\$5,528	Nil	US\$2,211	Nil	Nil	US\$7,739
James Merkur, Director ⁽⁵⁾	2018	US\$7,371	Nil	US\$2,211	Nil	Nil	US\$9,582
Brendan Cahill, Director ⁽⁵⁾	2018	US\$5,528	Nil	US\$2,211	Nil	Nil	US\$7,739
David Danziger Former CEO, CFO, Corporate Secretary and Director ⁽⁶⁾	2018 2017	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil
Roger Daher, Former Director ⁽⁶⁾	2018 2017	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil
Paul Pathak, Former Director ⁽⁶⁾	2018 2017	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil

Notes:

- (1) Appointed as President, CEO and Director on September 26, 2018.
- (2) Appointed as CFO on September 26, 2018.
- (3) Appointed as CCO and Director on September 26, 2018.
- (4) Appointed as COO on September 26, 2018.
- (5) Appointed as a director on September 26, 2018.
- (6) Each of Messrs. Danziger, Daher and Pathak resigned all positions with the Company as officers and directors on September 26, 2018.

Compensation Securities Granted to NEOs and Directors

During the Company's year ended December 31, 2018, the following Stock Options were granted to the NEOs and directors. The following table sets out the outstanding Stock Options held by NEOs and directors of the Company as at December 31, 2018:

Compensation Securities						
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security at year end (\$)	Expiry date
David Jellins, President, CEO and Director	Stock Options	120,000 0.81% ⁽¹⁾⁽²⁾	Sep 26, 2018	\$0.50	\$0.015	Sep 26, 2028
Jing Peng, CFO	N/A	N/A	N/A	N/A	N/A	N/A
Amelia Jones, Chief Commercial Officer and Director	Stock Options	120,000 0.81% ⁽²⁾⁽³⁾	Sep 26, 2018	\$0.50	\$0.015	Sep 26, 2028
Corey Dozhier, Chief Operating Officer	Stock Options	1,000,000 5,000,000 40.7% ⁽²⁾⁽⁴⁾	Sep 26, 2018 Dec 20, 2018	\$0.50 \$0.050	\$0.015 \$0.015	Sep 26, 2028 Dec 20, 2028
Adam Kline, Director	Stock Options	120,000 600,000 4.9% ⁽²⁾⁽⁵⁾	Sep 26, 2018 Dec 20, 2018	\$0.50 \$0.050	\$0.015 \$0.015	Sep 26, 2028 Dec 20, 2028
James Merkur, Director	Stock Options	120,000 600,000 4.9% ⁽²⁾⁽⁶⁾	Sep 26, 2018 Dec 20, 2018	\$0.50 \$0.050	\$0.015 \$0.015	Sep 26, 2028 Dec 20, 2028
Brendan Cahill, Director	Stock Options	120,000 600,000 4.9% ⁽²⁾⁽⁷⁾	Sep 26, 2018 Dec 20, 2018	\$0.50 \$0.050	\$0.015 \$0.015	Sep 26, 2028 Dec 20, 2028

Notes:

- (1) Mr. Jellins was granted 120,000 Stock Options on September 26, 2018, all of which vested immediately upon grant. In total, Mr. Jellins holds 120,000 Stock Options.
- (2) Percentile of the total issued and outstanding Stock Options as at December 31, 2018.
- (3) Ms. Jones was granted 120,000 Stock Options on September 26, 2018, all of which vested immediately upon grant. In total, Ms. Jones holds 120,000 Stock Options.
- (4) Mr. Dozhier was granted 1,000,000 Stock Options on September 26, 2018, all of which vested immediately upon grant. Mr. Dozhier was granted 5,000,000 Stock Options on December 23, 2018, all of which vested immediately upon grant. In total, Mr. Dozhier holds 6,000,000 Stock Options.
- (5) Mr. Kline was granted 120,000 Stock Options on September 26, 2018, all of which vested immediately upon grant. Mr. Kline was granted 600,000 Stock Options on December 23, 2018, all of which vested immediately upon grant. In total, Mr. Kline holds 720,000 Stock Options.
- (6) Mr. Merkur was granted 120,000 Stock Options on September 26, 2018, all of which vested immediately upon grant. Mr. Merkur was granted 600,000 Stock Options on December 23, 2018, all of which vested immediately upon grant. In total, Mr. Merkur holds 720,000 Stock Options.
- (7) Mr. Cahill was granted 120,000 Stock Options on September 26, 2018, all of which vested immediately upon grant. Mr. Cahill was granted 600,000 Stock Options on December 23, 2018, all of which vested immediately upon grant. In total, Mr. Cahill holds 720,000 Stock Options.

Exercise of Compensation Securities by NEOs and Directors

During the financial year ended December 31, 2018, none of the NEOs or directors of the Company exercised any stock options.

Stock option plans and other incentive plans

See “*Statement of Executive Compensation - Stock options and other compensation securities*”.

Stock options and other compensation securities

On March 14, 2018, the Company’s (then, Aumento Capital VI Corporation) shareholders approved the Company’s 20% fixed stock option plan (the “**Stock Option Plan**”), effective as of the effective date of the Qualifying Transaction.

Stock Option Plan

The Stock Option Plan is a fixed plan pursuant to which the maximum number of Common Shares which may be subject to Stock Options grants at any time shall not exceed 20% of the total number of Common Shares outstanding as of the effective date of the Qualifying Transaction on a non-diluted basis. The following summary of the Stock Option Plan is qualified in its entirety by the full text of the Stock Option Plan that will be filed on the Company’s SEDAR profile at www.sedar.com.

The purpose of the Stock Option Plan is to add incentive and to provide consideration for effective services of full and part-time employees, full and part-time officers and directors of the Company, and persons performing special technical or other services to the Company and its subsidiaries.

The number of Stock Options, the exercise price per underlying Common Share, the vesting period and any other terms and conditions of the Stock Options granted pursuant to the Stock Option Plan, from time to time, are determined by the Board at the time of the grant, subject to the defined parameters of the Stock Option Plan.

The Stock Option Plan is administered by the Board. Participation is limited to directors, full and part-time officers, full and part-time employees and consultants providing services to the Company. The exercise price of any Stock Option cannot be less than the discounted market price of the Common Shares at the time the Stock Option is granted. Market price is deemed to be the closing price as reported on the principal

stock exchange or over-the-counter market on which the Common Shares are listed or quoted, on the last trading day immediately preceding the day upon which the Stock Option is granted. The exercise period cannot exceed ten years. Stock Options will terminate on the date of expiration specified, 90 days after a participant ceases to be eligible (or 30 days if the recipient is involved in investor relations activities), or one (1) year after the date of death.

The maximum number of Common Shares reserved for issuance to any individual officer or director shall not exceed five per cent (5%) of the issued and outstanding Common Shares and to any technical consultant shall not exceed two percent (2%) of the issued and outstanding Common Shares, in each case subject to adjustment of such number pursuant to the provisions contained in the Stock Option Plan related to share capital readjustments.

Employment, consulting and management agreements

Except as disclosed in this Information Circular, the Company does not have any employment, consulting or management agreements or arrangements with any of the Company's current directors or NEOs.

Corey Dozhier

Mr. Dozhier's employment agreement with CryptoStar Holdings was entered into effective September 11, 2017. Pursuant to the employment agreement, Mr. Dozhier is entitled to an annual base salary of US\$132,100, subject to applicable withholding and other employment taxes. Mr. Dozhier's employment may be terminated at any time, for any reason or no reason at all and with or without cause. If Mr. Dozhier's employment is terminated not for cause, the Company will offer a severance payment in the amount of two months of Mr. Dozhier's base salary.

Jing Peng

Mr. Peng's services to the Company are provided pursuant to a consulting agreement dated May 10, 2018 between CryptoStar Holdings, Marrelli Support Services Inc. ("**Marrelli**") and Mr. Peng. Pursuant to the consulting agreement, the Company agreed to pay Marrelli a monthly fee of \$3,500 plus disbursements. The consulting agreement is for an indefinite term. The Company may terminate the consulting agreement by providing thirty days' written notice to Marrelli and paying a termination fee of \$3,500.

Oversight and description of director and named executive officer compensation

The Company does not have a formal compensation program. The Company currently does not pay directors who are not employees or officers of the Company for attending directors' meetings or for serving on committees. The Board is responsible for ensuring that the Company has in place an appropriate plan for executive compensation and for making recommendations with respect to the compensation of the Company's executive officers.

The Board is responsible for all matters relating to the compensation of the directors and NEOs of the Company with respect to: (i) general compensation goals and guidelines and the criteria by which bonuses and stock compensation awards are determined; (ii) amendments to any equity compensation plans adopted by the Board and changes in the number of shares reserved for issuance thereunder; and (iii) other plans that are proposed for adoption or adopted by the Company for the provision of compensation.

The general objectives of the Company's compensation strategy are to: (a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long term shareholder value; (b) align management's interests with the long term interests of

shareholders; (c) provide a compensation package that is commensurate with other companies to enable the Company to attract and retain talent; and (d) ensure that the total compensation package is designed in a manner that takes into account the constraints that the Company is under by virtue of the fact that it is a start-up company without a history of earnings.

The Company has the Stock Option Plan and makes grants thereunder to recruit and retain key personnel including management and members of its Board.

Pension disclosure

The Company does not have a pension plan that provides for payments or benefits to directors or NEOs at, following, or in connection with retirement.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

The following table sets out equity compensation plan information as at December 31, 2018. The following information relates to the Stock Option Plan and the issued and outstanding Stock Options to acquire Common Shares then outstanding and the Stock Option Plan.

Equity Compensation Plan Information

Plan Category	Number of Common Shares to be issued upon exercise of outstanding Stock Options (a)	Weighted-average exercise price of outstanding stock options (b)	Number of Common Shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders	14,744,000	\$0.14	17,006,560 ⁽¹⁾
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	14,744,000	\$0.14	17,006,560

Note:

- (1) The Stock Option Plan originally contemplated a maximum number of 41,750,560 Common Shares reserved for issuance pursuant to the exercise of Stock Options. Pursuant to a request from the TSXV, in connection with the Qualifying Transaction, the Company agreed to reduce the number of Common Shares reserved for issuance pursuant to the exercise of Stock Options by 10,000,000 Common Shares. As a result, a maximum of 31,750,560 Common Shares are reserved for issuance pursuant to Stock Options under the Stock Option Plan.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No directors, proposed nominees for election as directors, executive officers or their respective associates or affiliates, or other management of the Company were indebted to the Company as of the end of the most recently completed financial year or as at the date hereof.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the knowledge of management of the Company, other than as disclosed in this Information Circular, no informed person or nominee for election as a director of the Company or any associate or affiliate of any informed person or proposed director had any material interest, direct or indirect, in any transaction since

the commencement of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

ACN Note

Prior to the Qualifying Transaction, ACN provided advances to a predecessor entity of CryptoStar, Blockmines LLC ("**Blockmines**") through a Line of Credit Promissory Note (the "**ACN Note**"), bearing interest at 12% per annum and secured by all of the assets of Blockmines. In connection with the Qualifying Transaction, the ACN Note became an obligation of the Company. As at December 31, 2018, a balance of US\$2,314,270 remains outstanding pursuant to the ACN Note. All outstanding principal and unpaid interest thereon is due and payable on December 22, 2022.

APPOINTMENT OF AUDITOR

Grant Thornton LLP, Chartered Professional Accountants ("**Grant Thornton**"), located at Suite 501, 201 City Centre Drive, Mississauga, Ontario, Canada L5B 2T3, resigned as auditor of the Company effective March 12, 2019. Grant Thornton had been appointed the auditor of the Company on January 6, 2017.

At the Meeting, Manning Elliot LLP, Chartered Professional Accountants ("**Manning Elliott**"), located at 17th floor, 1030 West Georgia Street, Vancouver, British Columbia, Canada V6E 2Y3, will be nominated for appointment as auditors of the Company to hold office until the next annual general meeting of shareholders. The Board appointed Manning Elliott as auditors of the Company on March 21, 2019. The change of auditor was approved by the Board's audit committee. A copy of the Notice of Change of Auditor and copies of the supporting letters from each of the former and successor auditors are attached as Schedule "A" to this Information Circular and copies have been filed under the Corporation's profile at www.sedar.com.

AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR

The Company is a venture issuer as defined under National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") and each venture issuer is required to disclose annually in its information circular certain information concerning the constitution of its Audit Committee and its relationship with its independent auditor, as set forth below.

The Audit Committee's Charter

A copy of the Company's Audit Committee Charter is attached as Schedule "B" hereto. The Audit Committee Charter was adopted by the Board on July 26, 2019 and the actions and decisions of the Audit Committee are governed by the Charter.

Composition of the Audit Committee

The current Audit Committee members are James Merkur (Chair), Amelia Jones and Brendan Cahill.

All Audit Committee members are "financially literate" within the meaning of NI 52-110. James Merkur and Brendan Cahill are "independent" within the meaning of NI 52-110. Amelia Jones is not "independent" within the meaning of NI 52-110.

A member of the Audit Committee is independent if the member has no direct or indirect material relationship with the Company. A material relationship means a relationship which could, in the Board's reasonable opinion, interfere with the exercise of a member's independent judgement.

A member of the Audit Committee is considered financially literate if he or she has the ability to read and understand a set of financial statements presenting a breadth and level of complexity of accounting issues generally comparable to the breadth and complexity of issues one can reasonably expect to be raised by the Company.

Relevant Education and Experience

Each member of the Company's Audit Committee has adequate education and experience relevant to their performance as an Audit Committee member and, in particular, the requisite education and experience that provides the member with:

- an understanding of the accounting principles used by the Company to prepare its financial statements and the ability to assess the general application of those principles in connection with estimates, accruals and provisions;
- experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements or experience actively supervising individuals engaged in such activities; and
- an understanding of internal controls and procedures for financial reporting.

See "*Election of Directors - Biographies of Director Nominees*" above, and in particular the biographies of each Audit Committee member, for more information concerning each Audit Committee member's education and experience.

Audit Committee Oversight

At no time since the commencement of the most recently completed financial year of the Company was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the directors of the Company.

Reliance on Certain Exemptions

Neither the Company's previous auditor, Grant Thornton, nor the Company's current auditor, Manning Elliot, have provided any material non-audit services. At no time since the commencement of the Company's two most recently completed financial years has the Company relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis Non-Audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*).

Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services.

External Auditor Service Fees

The Audit Committee has reviewed the nature and amount of the non-audit services provided by Manning Elliott and Grant Thornton to the Company, to ensure auditor independence. Fees incurred with the Company's auditors for audit and non-audit services in the last two fiscal periods are outlined in the following table:

Nature of Services	Fees Paid to Grant Thornton in Year Ended December 31, 2018	Fees Paid to Grant Thornton in Year Ended December 31, 2017
Audit Fees ⁽¹⁾	\$126,777	\$7,000
Audit-Related Fees ⁽²⁾	Nil	Nil
Tax Fees ⁽³⁾	Nil	Nil
All Other Fees ⁽⁴⁾	Nil	Nil
Total	\$126,777	\$7,000

Notes:

(1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of the Company's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

(2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

(3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.

(4) "All Other Fees" include all other non-audit services.

Exemption

The Company is a "venture issuer" as defined in NI 52-110 and is relying on the exemptions in Part 6.1 (*Reporting Obligations*) of NI 52-110.

MANAGEMENT CONTRACTS

There are no management functions of the Company, which are to any substantial degree performed by a person or company other than the directors or executive officers of the Company.

PARTICULARS OF MATTERS TO BE ACTED UPON

Receipt of Financial Statements

The consolidated financial statements of the Company together with the auditor's report thereon for the fiscal year ended December 31, 2018 and the year ended December 31, 2017 will be tabled at the Meeting and are attached hereto as Schedule "C".

Election of Directors

At the Meeting, Shareholders will be asked to vote on an ordinary resolutions to elect the proposed directors set forth in "*Election of Directors*".

In the absence of instruction to the contrary, the persons designated by management in the Proxy intend to vote "For" the proposed directors set forth in "*Election of Directors*".

Appointment of Auditor

At the Meeting, Shareholders will be asked to vote on the following ordinary resolution:

“BE IT RESOLVED THAT, Manning Elliot LLP, Chartered Professional Accountants, be appointed as auditor of the Company until the close of the next annual general meeting and that the directors of the Company are hereby authorized to fix the remuneration of the auditor.”

In the absence of instruction to the contrary, the persons designated by management in the Proxy intend to vote “For” the preceding resolution.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com. Financial information is contained in the Company’s (then Aumento Capital VI Corporation) financial statements and management’s discussion and analysis for the year ended December 31, 2018 and the financial statements of the Company together with the auditor’s report thereon for the fiscal year ended December 31, 2018.

Additional information relating to the Company and a copy of the financial statements may be obtained under the Company’s profile at www.sedar.com or upon request from the Company at Brookfield Place, 181 Bay Street, Suite 4400 Toronto, Ontario M5J 2T3. The Company may require payment of a reasonable charge from any person or company who is not a security holder of the Company, requesting a copy of any such document.

OTHER MATTERS

The Board is not aware of any other matters which it anticipates will come before the Meeting as of the date of mailing of this information circular.

The contents of this information circular and its distribution to Shareholders have been approved by the Board of the Company.

DATED at Toronto, Ontario this 26th day of July, 2019.

BY ORDER OF THE BOARD

David Jellins

President, Chief Executive Officer and Director

SCHEDULE "A"

CHANGE OF AUDITOR REPORTING PACKAGE

See attached.

CRYPTOSTAR CORP.
181 Bay Street, Suite 4400
Toronto, Ontario M5J 2T3

NOTICE OF CHANGE OF AUDITOR

TO: Grant Thornton LLP

CryptoStar Corp. (the “**Corporation**”) hereby gives notice pursuant to section 4.11(7) of National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”) that:

- (a) Grant Thornton LLP resigned on its own initiative as auditor of the Corporation, effective March 12, 2019;
- (b) Grant Thornton LLP’s audit reports on CryptoStar Inc.’s financial statements for the years ended December 31, 2017 and 2016 did not express a modified opinion;
- (c) there have been no “reportable events” within the meaning assigned under section 4.11(1) of NI 51-102; and
- (d) this Notice and the letter from Grant Thornton LLP provided in accordance with section 4.11(5)(a)(ii)(B) of NI 51-102 have been reviewed by Audit Committee of the Corporation.

Dated this 19th day of March, 2019.

CRYPTOSTAR CORP.

(signed) “David Jellins”
David Jellins
Chief Executive Officer

Ontario Securities Commission
Alberta Securities Commission
British Columbia Securities Commission

Grant Thornton LLP
Suite 501
201 City Centre Drive
Mississauga, ON
L5B 2T4
T +1 416 366 0100
F +1 905 804 0509

March 18, 2019

Dear Sirs/Mesdames:

Re: CryptoStar Corp. (the "Corporation") – Change of Auditor

As required by National Instrument 51-102 – *Continuous Disclosure Obligations*, we have reviewed the information contained in the Notice of Change of Auditor of the Corporation dated March 19, 2019 (the "**Notice**"). Based on our knowledge of such information at this date, we agree with the statements set out in the Notice.

Yours very truly,

Grant Thornton LLP

CRYPTOSTAR CORP.
181 Bay Street, Suite 4400
Toronto, Ontario M5J 2T3

NOTICE OF CHANGE OF AUDITOR

TO: Manning Elliott LLP

AND TO: Grant Thornton LLP

CryptoStar Corp. (the “**Corporation**”) hereby gives notice pursuant to section 4.11(7) of National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”) that:

- (a) Grant Thornton LLP resigned on its own initiative as auditor of the Corporation, effective March 12, 2019;
- (b) Manning Elliott LLP has been appointed as auditors of the Corporation, effective March 21, 2019;
- (c) Grant Thornton LLP’s audit reports on CryptoStar Inc.’s financial statements for the years ended December 31, 2017 and 2016 did not express a modified opinion;
- (d) there have been no “reportable events” within the meaning assigned under section 4.11(1) of NI 51-102; and
- (e) this Notice and the letter from Grant Thornton LLP provided in accordance with section 4.11(5)(a)(ii)(B) of NI 51-102 have been reviewed by Audit Committee of the Corporation.

Dated this 27th day of March, 2019.

CRYPTOSTAR CORP.

(signed) "David Jellins"
David Jellins
Chief Executive Officer



March 28, 2019

To: Alberta Securities Commission
British Columbia Securities Commission
Ontario Securities Commission

Dear Sirs/Mesdames:

Re: CryptoStar Corp. (the "Company")

We have read the Notice of Change of Auditor dated March 27, 2019 from the Company (the "Notice"), delivered to us pursuant to Part 4.11 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

In this regard, we confirm that we are in agreement with the statements with respect to Manning Elliott LLP as set out in the Notice, and for other statements we have no basis to agree or disagree.

Yours truly,

Manning Elliott LLP

MANNING ELLIOTT LLP

SCHEDULE “B”

AUDIT COMMITTEE CHARTER

I. Purpose

The Audit Committee (the “**Audit Committee**”) is a committee of directors appointed by the Board of Directors of the Company (the “**Board**”). The Audit Committee’s mandate is to provide assistance to the Board in fulfilling its financial reporting and control responsibility to the shareholders and the investment community. The Committee is, however, independent of the Board and the Company and in carrying out their role shall have the ability to determine its own agenda and any additional activities that the Audit Committee shall carry out.

II. Composition

The Committee will be comprised of at least three directors of the Company, all of whom, subject to any exemptions set out in National Instrument 52-110 *Audit Committees* (“**NI-52-110**”) will be independent and financially literate. In addition, at least one member of the Audit Committee shall have accounting or related financial expertise as such qualifications are interpreted by the Board. An “independent” director is a director who has no direct or indirect material relationship with the Company. A “material relationship” is a relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of the director’s independent judgement or a relationship deemed to be a material relationship pursuant to Sections 1.4 and 1.5 of NI-52-110, as set out in Schedule “A” hereto. A “financially literate” director is a director who has the ability to read and understand a set of financial instruments that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of the Company.

III. Responsibilities

Responsibilities of the Audit Committee generally include, but are not limited to, the undertaking of the following tasks:

- Selecting and determining the compensation of the external auditors, subject to approval of the shareholders of the Company, to be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company. In making such determination and recommendation to the shareholders, the Audit Committee will:
 - confirm the independence of the auditors and report to the Board its conclusions on the independence of the auditors and the basis for these conclusions;
 - meet with the auditors and financial management to review the scope of the proposed audit for the current year, and the audit procedures to be used; and
 - obtain from the external auditors confirmation that they are participants in good standing in the Canadian Public Accountability Board oversight program and, if applicable, in compliance with the provisions of the Sarbanes-Oxley Act of 2002 (U.S.) and other legal or regulatory requirements with respect to the audit of the financial statements of the Company.
- Overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company, including the

resolution of disagreements between management and the external auditor regarding financial reporting. In overseeing such work, the Audit Committee will:

- review with the external auditors any audit problems or difficulties and management’s response;
- at least annually obtain and review a report prepared by the external auditors describing (i) the auditors’ internal quality-control procedures; and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditors, and reviewing any steps taken to deal with such issues;
- serve as an independent and objective party to monitor the Company’s financial reporting process and internal control system and overseeing management’s reporting on internal control;
- provide open lines of communication among the external auditors, financial and senior management, and the Board for financial reporting and control matters;
- make inquires of management and the external auditors to identify significant business, political, financial and control risks and exposures and assess the steps management has taken to minimize such risks to the Company;
- establish procedures to ensure that the Audit Committee meets with the external auditors on a regular basis in the absence of management;
- ensure that the external auditors prepare and deliver annually a detailed report covering (i) critical accounting policies and practices to be used; (ii) material alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors; (iii) other material written communications between the external auditors and management such as any management letter or schedule of unadjusted differences; and (iv) such other aspects as may be required by the Audit Committee or legal or regulatory requirements;
- consider any reports or communications (and management's responses thereto) submitted to the Audit Committee by the external auditors, including reports and communications related to:
 - deficiencies noted following the audit of the design and operation of internal controls;
 - consideration of fraud in the audit of the financial statement;
 - detection of illegal acts;
 - the external auditors responsibility under generally accepted auditing standards;
 - significant accounting policies;
 - management judgements and accounting estimates;
 - adjustments arising from the audit;

- the responsibility of the external auditors for other information in documents containing audited financial statements;
 - disagreements with management;
 - consultation by management with other accountants;
 - major issues discussed with management prior to retention of the external auditors;
 - difficulties encountered with management in performing the audit;
 - the external auditors judgements about the quality of the entity's accounting principles; and
 - any reviews of unaudited interim financial information conducted by the external auditors;
- review the form of opinion the external auditors propose to render to the Audit Committee, the Board and shareholders; and
 - discuss significant changes to the Company's auditing and accounting principles, policies, controls, procedures and practices proposed or contemplated by the external auditors or management, and the financial impact thereof.
- Pre-approving all non-audit services to be provided to the Company or its subsidiaries by the Company's external auditor, subject to any exemptions set out in NI-52-110. Notwithstanding the pre-approval process, the Audit Committee will ensure that the external auditors are prohibited from providing the following non-audit services and will determine which other non-audit services the external auditors are prohibited from providing:
 - bookkeeping or other services related to the accounting records or financial statements of the Company;
 - financial information systems design and implementation;
 - appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
 - actuarial services;
 - internal audit outsourcing services;
 - management functions or human resources;
 - broker, dealer, investment adviser or investment banking services;
 - legal services and expert services unrelated to the audit; and
 - any other service that the Audit Committee determines to be impermissible.

- Ensuring that the external auditors submit annually to the Company and the Audit Committee a formal written statement of the fees billed for each of the following categories of services rendered by the external auditors: (i) the audit of the Company's annual financial statements for the most recent fiscal year and, if applicable, the reviews of the financial statements included in the Company's Quarterly Reports for that fiscal year; and (ii) all other services rendered by the external auditors for the most recent fiscal year, in the aggregate and by each service.
- Reviewing the Company's financial statements, Management's Discussion and Analysis and annual and interim earnings press releases before the Company publicly discloses the information. In connection with such review, the Audit Committee will ensure that:
 - (a) management has reviewed the financial statements with the Audit Committee, including significant judgments affecting the financial statements;
 - (b) the members of the Audit Committee have discussed among themselves, without management or the external auditors present, the information disclosed to the Audit Committee; and
 - (c) the Audit Committee has received the assurance of both financial management and the external auditors that the Company's financial statements are fairly presented in conformity with International Financial Reporting Standards in all material respects.
- Ensuring that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than the public disclosure referred to above, and periodically assessing the adequacy of those procedures.
- Reviewing, evaluating and monitoring any risk management program implemented by the Company, including any revenue protection program. This function should include:
 - risk assessment;
 - quantification of exposure;
 - risk mitigation measures; and
 - risk reporting.
- Reviewing the adequacy of the resources of the finance and accounting group, along with its development and succession plans.
- Establishing procedures for:
 - the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
 - the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- Reviewing and approving the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

- Annually reviewing and revising this Charter as necessary with the approval of the Board and the text relating to this Charter which is required to appear in the Annual Information Form or management proxy circular of the Company, as more specifically set out in Form 52-110FI *Audit Committee Information Required in an AIF* and Form 52-110F2 *Disclosure by Venture Issuers* as applicable.
- Reviewing and assessing the adequacy of the Code of Business Conduct and Ethics governing the officers, directors and employees of the Company and the Code of Ethics governing Financial Reporting Officers at least annually or otherwise, as it deems appropriate, and propose recommended changes to the Board.
- Reporting its activities to the Board on a regular basis and making such recommendations with respect to the above and other matters as the Audit Committee may deem necessary or appropriate.
- Reviewing and discussing with management, and approving all related party transactions.

IV. Authority

The Audit Committee has the authority to:

- Engage independent counsel and other advisors as the Audit Committee determines necessary to carry out its duties;
- Set and pay the compensation for any advisors employed by the Audit Committee, in accordance with applicable corporate statutes; and
- Communicate directly with the external auditors.

V. Administrative Procedures

- The Audit Committee will meet regularly and whenever necessary to perform the duties described above in a timely manner, but not less than four times a year. Meetings may be held at any time deemed appropriate by the Audit Committee and by means of conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other.
- A quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee or such greater number as the Committee shall by resolution determine.
- Meetings of the shall be held from time to time as the Committee or the Chairman shall determine upon 48 hours' notice to each of its members. The notice period may be waived by a quorum of the Committee.
- At the discretion of the Audit Committee, meetings may be held with representatives of the external auditors and appropriate members of management.
- The external auditors will have direct access to the Audit Committee at their own initiative.
- The Chairman of the Audit Committee will report periodically to the Board.

Schedule "A" to Audit Committee Charter

National Instrument 52-110 *Audit Committees* ("NI-52-110")

Meaning of Independence (section 1.4 of NI 52-110):

- (1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.
- (2) For the purposes of subsection (1), a "material relationship" is a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment.
- (3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:
 - (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
 - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
 - (c) an individual who:
 - (i) is a partner of a firm that is the issuer's internal or external auditor,
 - (ii) is an employee of that firm, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
 - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
 - (i) is a partner of a firm that is the issuer's internal or external auditor,
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
 - (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at that same time on the entity's compensation committee; and
 - (f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.
- (4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because

- (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or
 - (b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.
- (5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
- (6) For the purposes of clause (3)(f), direct compensation does not include:
- (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and
 - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
- (7) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member
- (a) has previously acted as an interim chief executive officer of the issuer, or
 - (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.
- (8) For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

Additional Independence Requirements for Audit Committee Members (section 1.5 of NI- 52-110):

- (1) Despite any determination made under section 1.4 of NI- 52-110, an individual who
- (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or
 - (b) is an affiliated entity of the issuer or any of its subsidiary entities,
- is considered to have a material relationship with the issuer.
- (2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by
- (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
 - (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar

position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.

- (3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

SCHEDULE "C"

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
TOGETHER WITH THE AUDITOR'S REPORT THEREON**

See attached.

CRYPTOSTAR CORP.
(Formerly Aumento Capital VI Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in US dollars)

**CRYPTOSTAR CORP.
CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED
DECEMBER 31, 2018 AND 2017**

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MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL REPORTING

Management's Responsibility

To the Shareholders of CryptoStar Corp.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

The Audit Committee is composed of Directors who are neither management nor employees of the Company. The Committee is responsible for overseeing management in the performance of its financial reporting responsibilities. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Company's external auditors.

Manning Elliott LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, the Board, the Audit Committee and management to discuss their audit findings.

May 13, 2019



INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of
CryptoStar Corp.

Opinion on the Financial Statements

We have audited the consolidated financial statements of CryptoStar Corp. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the year ended December 31, 2018, and the related notes, including a summary of significant accounting policies and other explanatory information (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our reports. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Company as at December 31, 2017 and for the year then ended, which are presented for comparative purposes, were audited by another firm of auditors who expressed an unmodified opinion on those consolidated financial statements in their report dated August 17, 2018.

Other Information

Management is responsible for the other information, which comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the consolidated financial statements does not cover the other information and do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit and remain alert for indicators that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern

basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Fernando Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
May 13, 2019

CRYPTOSTAR CORP.
Consolidated Statements of Financial Position
As at December 31, 2018 and 2017
(Expressed in US dollars)

	Note	2018	2017
		\$	\$
ASSETS			
Current assets			
Cash	5	76,202	249,382
Restricted cash	5	—	1,667,495
Deposits and prepaid expenses	6	699,312	840,208
Digital currencies	7	—	1,007,209
		775,514	3,764,294
Property and equipment	8	8,793,983	9,925,015
Deposits	6	364,634	—
Deferred income tax asset	11	—	56,740
		9,934,131	13,746,049
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payable and accrued liabilities		1,129,597	91,277
Income taxes payable		—	203,510
		1,129,597	294,787
Due to related party	9	2,314,270	1,811,507
		3,443,867	2,106,294
SHAREHOLDERS' EQUITY			
Share capital	10	21,453,727	9,356,659
Warrant and option reserve	10	4,475,384	—
Shares to be issued		—	1,643,004
Retained earnings (Deficit)		(19,438,847)	640,092
		6,490,264	11,639,755
		9,934,131	13,746,049
Going Concern	1		
Commitments and contractual obligations	15		
Subsequent event	17		

Approved on behalf of the Board of Directors on May 13, 2019

/s/James Merkur

Director

/s/Amelia Jones

Director

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

CRYPTOSTAR CORP.
Consolidated Statements of Comprehensive Income (Loss)
For the Years Ended December 31, 2018 and 2017
(Expressed in US dollars)

	Note	2018	2017
		\$	\$
INCOME (LOSS) FROM MINING OF DIGITAL CURRENCY			
Income from mining of digital currency	16	15,010,675	10,325,668
Impairment of digital currency	7	—	(63,554)
Operating and maintenance costs		(7,283,140)	(1,504,753)
Depreciation	8	(10,888,345)	(2,047,028)
Realized loss on digital currency	7	(1,281,944)	—
Net mining income (loss)		(4,442,754)	6,710,333
OPERATING EXPENSES			
Interest and bank charges		4,987	374,208
Management fees, salaries and wages	9	765,610	637,183
Office and administration		561,923	201,809
Professional fees		422,002	133,395
Stock based compensation	10	510,967	—
		(2,265,489)	(1,346,595)
Net income (loss) before other items		(6,708,243)	5,363,738
Other items			
Foreign exchange gain (loss)		(40,687)	56,498
Impairment on property and equipment	8	(12,390,741)	—
Listing expense	2	(1,086,038)	—
Net income (loss) before income taxes		(20,225,709)	5,420,236
Income taxes (recovery)	11	(146,770)	1,734,360
Net income (loss) and comprehensive income (loss)		(20,078,939)	3,685,876
Earnings (loss) per share, basic and diluted		(0.10)	0.025
Weighted average shares, basic and diluted		205,931,531	146,544,143

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

CRYPTOSTAR CORP.
Consolidated Statements of Changes in Equity
(Expressed in US dollars)

	<u>Common stock</u>					(Deficit) Retained Earnings \$	Total \$
	Shares	Amount \$	Warrant and Option Reserve \$	Shares to be Issued \$	Total \$		
See Note 2							
As at December 31, 2016	—	—	—	—	(183,981)	(183,881)	
Net income for the period	—	—	—	—	3,045,784	3,045,784	
As at December 21, 2017	—	—	—	—	2,861,803	2,861,903	
Incorporation on November 24, 2017	—	—	—	—	—	—	
Shares issued on asset transfer (Note 2)	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	
As at December 31, 2017	166,810,000	9,356,659	—	1,643,004	640,092	11,639,755	
Shares issued for cash (Note 10)	38,690,000	15,456,655	—	(1,643,004)	—	13,813,651	
Share issuance costs (Note 10)	—	(4,731,486)	3,847,797	—	—	(883,689)	
Reverse takeover transaction (Note 2)	3,252,800	1,371,899	116,620	—	—	1,488,519	
Share-based compensation (Note 10)	—	—	510,967	—	—	510,967	
Net loss	—	—	—	—	(20,078,939)	(20,078,939)	
As at December 31, 2018	208,752,800	21,453,727	4,475,384	—	(19,438,847)	6,490,264	

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

CRYPTOSTAR CORP.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017
(Expressed in US dollars)

	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Net income (loss)	(20,078,939)	3,685,876
Items not involving cash:		
Deferred income taxes	56,741	56,740
Depreciation	10,888,345	2,047,028
Foreign exchange gain	—	(56,498)
Impairment of digital assets	—	63,554
Impairment of mining equipment	12,390,741	—
Income from mining of digital currency	(15,010,675)	—
Listing expense	925,620	—
Proceeds from sale of digital currency	14,735,940	—
Realized loss on digital currency	1,281,944	—
Stock based compensation	510,967	—
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	1,032,407	91,277
Deposits and prepaid expenses	(223,738)	(828,180)
Digital currencies	—	(1,007,209)
Income taxes payable	(203,510)	203,510
Cash provided by operating activities	6,305,843	10,025
INVESTING ACTIVITIES		
Cash acquired from reverse takeover transaction	568,811	—
Purchase of property and equipment	(22,148,054)	(1,444,440)
Cash used in investing activities	(21,579,243)	(1,444,440)
FINANCING ACTIVITIES		
Payable to related party	502,763	(4,246,073)
Share to be issued	—	1,643,004
Common shares issued for cash, net of share issue costs	12,929,962	1,678,289
Cash provided by financing activities	13,432,725	3,321,293
Change in cash	(1,840,675)	1,886,878
Cash and restricted cash, beginning of the year	1,916,877	29,999
Cash and restricted cash, end of year	76,202	1,916,877
<i>Supplemental cash flow information:</i>		
Interest paid	—	—
Income tax paid	—	—
<i>Non-cash transactions:</i>		
Settlement of payable to related party through asset transfer	—	4,816,567
Purchase of property and equipment by related party	—	9,985,193

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

CRYPTOSTAR CORP.
Notes to the Consolidated Financial Statements
December 31, 2018 and 2017
(Expressed in US dollars)

1. NATURE OF OPERATIONS

CryptoStar Corp. (the “Company or CryptoStar”), formerly Aumento Capital VI Corporation (“Aumento”), was incorporated under the Ontario Business Corporations Act on January 6, 2017 and was classified as a Capital Pool Company, as defined in the Policy 2.4 of the TSX Venture Exchange (the “Exchange”). The principal business of Aumento was the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (“QT”).

On September 26, 2018, Aumento completed a QT by acquiring all the outstanding and issued common shares of CryptoStar Holdings Inc. (“CHI”) and completing a three-corner amalgamation (the “Transaction”). Legally, CHI will be considered a wholly-owned operating subsidiary. The historical operations, assets and liabilities of CHI are included in the December 31, 2018 and 2017 consolidated financial statements, as well as the net assets and operations of the Company from September 26, 2018 onward. The comparative figures as at December 31, 2017 and for the year then ended are those of CHI, which is deemed to be the continuing entity for financial reporting purposes.

Concurrent with the closing of the Transaction, Aumento changed its name to CryptoStar Corp., and effected a change in directors, management and business. On October 5, 2018, the Company’s common shares resumed trading on the TSX Venture Exchange (“TSXV”) under the symbol “CSTR.V”. The Company is currently subject to a cease trade order issued by Canadian Security regulators for failing to comply with its Continuous Disclosure requirements as it has not filed its annual financial statements or Management Discussion and Analysis for the year ended December 31, 2018.

CHI was incorporated in the province of Ontario on November 24, 2017 under the Ontario Business Corporation Act. 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.

On December 15, 2017, CHI incorporated CryptoStar USA, Inc. (“CryptoStar USA”) in the State of Delaware, USA. CryptoStar USA was set up to conduct daily operations in the USA.

For the year ended December 31, 2018, the Company incurred a net loss of \$20,078,939 (December 31, 2017 – net income \$3,685,876). Although the Company has generated income from mining of bitcoins, the amount of income achieved to date has not generated sufficient margins to cover all of the Company’s utilities, depreciation, impairment and administrative costs. The Company has an accumulated deficit of \$19,438,847 and has incurred significant losses in 2018. The Company has a working capital deficiency as of December 31, 2018 of \$354,083. The Company has raised debt and equity financing to fund its mining operations. Moreover, the Company anticipates further investment and will require additional debt and/or equity financing in order to develop its business.

Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future or available under terms acceptable to the Company, or that the Company will be able to generate sufficient returns from operations. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the Company generating revenue and debt and/or equity financing sufficient to fund its cash flow needs. These circumstances indicate the existence of material uncertainty that casts significant doubt on the ability of the Company to meet its business plan and its obligations as they come due, and accordingly the appropriateness of the use of the accounting principles applicable to a going concern.

CRYPTOSTAR CORP.
Notes to the Consolidated Financial Statements
December 31, 2018 and 2017
(Expressed in US dollars)

1. NATURE OF OPERATIONS (continued)

All of these factors raise significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing, successfully generating profits and cash flows from mining of cryptocurrency to cover its operating costs. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements. Management's plans to meet the Company's current and future obligations are to raise equity capital through private placements, rely on the financial support of its shareholders and parties related to the current shareholders, as well as explore financing that may be available to the Company such as bank or other financing.

2. BACKGROUND AND BASIS OF PRESENTATION

Reverse Acquisition Transaction

On September 26, 2018, the Company acquired 100% ownership of CHI by issuing 205,500,000 common shares and 13,204,700 warrants to the shareholders of CHI. For accounting purposes, the acquisition is considered to be outside the scope of IFRS 3 *Business Combinations* ("IFRS 3") since the Company was a Capital Pool Company whose activities, prior to the acquisition, were limited to the management of cash resources and the maintenance of its listing and did not constitute a business. As a result, the Transaction is accounted for in accordance with IFRS 2 *Share-based Payment* whereby CHI is deemed to have issued shares and warrants in exchange for the net assets of the Company together with its listing status at the fair value of the consideration deemed received by CHI's shareholders. The accounting for this transaction resulted in the following:

- (i) The consolidated financial statements of the combined entities are issued under the legal parent, CryptoStar, but are considered a continuation of the consolidated financial statements, assets and operations of the legal subsidiary, CHI.
- (ii) Since CHI is deemed to be the continuing entity for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.
- (iii) As part of the completion of the Transaction to facilitate the listing of CHI on the TSX-V, the original shareholders of the Company retained 3,252,800 common shares of the Company and 450,560 options exercisable at \$0.50.
- (iv) As part of the requirement of the QT, on January 4, 2018, CHI completed a brokered private placement of 43,000,000 shares at CAD\$0.50 per share for gross proceeds of CAD\$21,500,000 by way of a sale of common shares of CHI to arm's length investors. In connection to this private placement, CHI incurred cash share issue costs of \$883,688 and the following warrants were issued:

Issued to:	Number of warrants	Exercise price	Expiring	Fair value
Finders	2,204,700	\$0.50	2 years	\$598,778
Management (*)	10,000,000	\$0.50	3 years	\$2,977,427
Consultants	1,000,000	\$0.50	2 years	\$271,592
Total	13,204,700			\$3,847,797

(*) The 10,000,000 management warrants were held under escrow (see Note 10)

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2. BACKGROUND AND BASIS OF PRESENTATION (continued)

Reverse Acquisition Transaction (continued)

Since the share and share based consideration allocated to the former shareholders of the Company on closing of the Transaction is considered within the scope of IFRS 2, and the Company identified the net assets received and the TSXV listing as the goods received in return for the allocation of the common shares and stock options, the value in excess of the net identifiable assets or obligations of the Company acquired on closing was expensed in the consolidated statement of comprehensive loss as listing expense.

The total share-based compensation for the 3,252,800 common shares and 450,560 options was \$1,488,518. This comprised of \$1,371,898 representing the fair value of the common shares and \$116,620 representing the fair value of the stock options retained by the former shareholders of the Company. Of the 3,252,800 common shares issued, 1,500,000 common shares were subject to escrow provisions. The fair value of the options was based on an application of the Black Scholes option pricing model using the following weighted average assumptions: a share price of \$0.50 per share, a volatility of 125%, an annual risk free interest rate of 2.15%, no dividends, and expected remaining expected lives of 2.81 years.

Fair value of share-based compensation	\$
Deemed share issuance	1,371,898
Options deemed granted	116,620
Total consideration	1,488,518
Professional fees incurred	160,418
Identifiable net assets obtained:	
Cash	568,811
Liabilities assumed	(5,913)
	(562,898)
Listing expense	1,086,038

Background of CryptoStar Inc.

CHI was a subsidiary of Adrenaline Pty Ltd. (“Parent Co.” or “Adrenaline”) incorporated in 2001 under the Corporations Act (Cth) (Australia). CHI 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, CHI acquired all of the mining assets owned by Adrenaline in the US, Canada and Iceland through the issuance of 162,500,000 common shares (see also Note 10). The common shares were measured at the December 21, 2017 carrying value for the assets acquired, net of liabilities assumed, of \$7,678,370.

CRYPTOSTAR CORP.
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2. BACKGROUND AND BASIS OF PRESENTATION (continued)

Background of CryptoStar Inc. (continued)

All the subject entities and operations were under common control from formation through to their acquisition by CHI 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, CHI 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 CHI at the carrying values recorded by Blockmines and Adrenaline, and CHI 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.
- CHI was incorporated on November 24, 2017 and upon acquisition of the cryptocurrency mining operations by CHI on December 22, 2017, the members' capital and retained earnings of Blockmines and the retained earnings of Adrenaline relating to the Canadian and Iceland mining operations, have been closed on the date of transaction and is not carried forward to CHI. Changes in members' capital of Blockmines are included from January 1, 2017 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 consolidated financial statements as the cryptocurrency operations were carved out of Adrenaline, which has other operations, and did not have directly associated share capital.

All intercompany and inter-operational transactions have been eliminated.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements of the Company as at and for the year ended December 31, 2018 comprise the Company and its wholly owned subsidiaries CHI and CryptoStar USA.

The consolidated financial statements for the year ended December 31, 2017 consisted of CHI and CryptoStar USA.

The Board of Directors approved these consolidated financial statements on May 13, 2019.

Basis of measurement

These 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 consolidated financial statements are presented in US dollars, which is the functional currency of CHI and CryptoStar USA. The functional currency of the Company is the Canadian dollar.

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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

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. Revenue is measured based on the fair value of the digital currency received. The fair value is determined using the daily weighted close price for the digital currency on <https://bitcoincharts.com>. There is currently no specific definitive guidance in IFRS or alternative accounting framework for the accounting for the production and mining of digital currencies and management has exercised significant judgment in determining appropriate accounting treatment for the recognition of revenue. In the event authoritative guidance is enacted by the IASB, the Company may be required to change its policies which may significantly impact the amounts reported in its consolidated financial statements.

Digital currencies

Digital currencies (Note 7), consist solely of bitcoin and are measured at fair value using the quoted price on Bitcoinsharts.com. Management considers this fair value to be a level two input under IFRS 13 Fair Value Measurement fair value hierarchy as the price on this source represents an average of quoted prices on multiple digital currency exchanges. The bitcoin is valued based on the daily weighted closing price obtained from Bitcoincharts at the time the digital currency is mined and at the reporting date for any digital currencies that are held.

The Company’s determination to classify its holding of bitcoin as current assets is based on management’s assessment that its bitcoin held can be considered to be a commodity that may be readily sold because liquid markets are available.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment. Cost includes all expenditures incurred to bring assets to the location and condition necessary for them to be operated in the manner intended by management. Mining equipment is amortized on a straight-line basis over a 2 year useful life and property which consists mainly of leaseholds is amortized on a straight line basis over the term of the leases between 3-5 years.

Impairment of non-financial assets

The Company reviews the carrying amounts of its non-financial assets, including digital currencies and property and equipment, when events or changes in circumstances indicate the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit (“CGU”) to which the asset belongs. Each of the Company’s cryptocurrency mining operations in the US, Canada and Iceland are CGUs for purposes of evaluating impairment and measuring recoverable amounts.

Recoverable amount is the higher of fair value less costs of disposal (“FVLCD”) and value in use (“VIU”). In assessing VIU, the estimated future cash flows to be derived from continuing use of the asset or cash generating unit are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. FVLCD is the price that would be received to sell an asset or cash generating unit in an orderly transaction between market participants at the measurement date, less the costs of disposal. When a binding sale agreement is not available, FVLCD is estimated using a discounted cash flow approach with inputs and assumptions consistent with those of a market participant. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An impairment loss is recognized immediately in net income. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

Income Taxes

Income tax expense consists of current and deferred tax expense. Current and deferred taxes are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Company measure its cash as level 1.

Recognition and initial measurement

Financial assets and financial liabilities, including derivatives, are recognized in the Statement of Financial Position when the Company becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL, are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net loss.

Classification and subsequent measurement

The Company classifies financial assets, at the time of initial recognition, according to the Company's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories:

- a) amortized cost
- b) fair value through profit or loss ("FVTPL"), and
- c) fair value through other comprehensive income ("FVTOCI").

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL:

- a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired. All financial assets not classified as amortized cost as described above are measured at FVTPL or FVTOCI depending on the business model and cash flow characteristics. The Company has no financial assets measured at FVTOCI.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities are subsequently measured at amortized cost using the effective interest method with gains and losses recognized in net income in the period that the liability is derecognized, except for financial liabilities classified as FVTPL.

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in the statements of comprehensive loss.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

Cash and cash equivalents

The Company considers all investments with original maturities of three months or less, that are highly liquid and readily convertible into cash, to be cash equivalents.

Equity

The common shares of the Company are classified as equity. Costs, such as commissions, professional fees and regulatory fees directly attributable to common shares are deducted from the proceeds equity offerings.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets, interest income is recorded using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Segmented reporting

A business segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Chief Executive Officer ("CEO"), being the chief operating decision marker ("CODM"), to make decisions about the allocation of resources and to assess their performance, and for which discrete financial information is available.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segmented reporting (continued)

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's corporate office), head office expenses, personnel costs, depreciation and amortization, finance income and finance costs, net, other income and income tax expenses. As at December 31, 2018 and 2017, the Company had 3 reportable segments based on geographical locations: USA, Iceland and Canada.

Significant accounting judgments and estimates

The Company is in the business of digital currencies, many aspects of which are not specifically addressed by current IFRS guidance. The Company is required to make judgments as to its accounting policies under IAS 8. The Company has disclosed its presentation, recognition and derecognition, and measurement of digital currencies, and the recognition of revenue as well as significant assumptions and judgments, however, if specific guidance is enacted by the IASB in the future, the impact may result in changes to the Company's income and financial position as presented. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Information about estimates made in applying accounting policies that could potentially have an effect on the amounts recognized in the financial statements, are discussed below:

(a) Useful lives and residual values of property and equipment

Management determines the estimated useful lives and residual values of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the useful lives and residual value annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

(b) Cost and impairment of digital currencies

Digital currencies are recorded on the consolidated statement of financial position at cost, equal to their fair value on the date received and are remeasured at each reporting date. Gains or losses on the sale of digital currencies are included in profit and loss. Digital currencies are evaluated for impairment at each reporting date and the Company records the losses resulting from impairment and gains reversal of impairment, in profit and loss. For evaluation of impairment, fair value is determined using the daily weighted close price of the coin on the date of evaluation.

Impairment charges recognized during the year ended December 31, 2018 (Nil) and December 31, 2017 (\$63,554) as a result of the spot price of Bitcoin being less than the fair value on the date it was received. The fair value of digital currencies is disclosed in Note 7.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates (continued)

(c) Share-based compensation

The Company estimates the cost of equity-settled share-based compensation using the Black-Scholes option pricing model. The model takes into account an estimate of the expected life of the option, the current price of the underlying common share, the expected volatility, an estimate of future dividends on the underlying common share, the risk-free rate of return expected for an instrument with a term equal to the expected life of the option, and the expected forfeiture rate.

(d) Income taxes

At the end of each reporting period, judgment is required by the Company in determining the likelihood of whether the deferred tax assets will be realized from future taxable earnings. Deferred taxes are based on estimates as to the timing over which temporary differences will reverse, substantially enacted income tax rates applicable to future years and the likelihood of assets being realized. The estimate of future capital activities can impact the timing of the reversal of any temporary differences.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty.

(e) Going concern

The assessment of the Company's ability to execute its strategy by effectively operating the Company involves judgement. Management closely monitors the operations and cash flows in the Company. Further information regarding going concern is outlined in Note 1.

(f) Determination of the listing expense

The determination of the fair value of shares and options used in the listing expense calculation requires significant judgement since the market value of the Company's share changed significantly from the private placement in January 2018. In addition, there was no other private placement raised before and after the listing date, which requires management to exercise significant judgement in determining the listing expense.

(g) Revenue recognition

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the production and mining of digital currencies and management has exercised significant judgement in determining the appropriate accounting treatment for the recognition of revenue for mining of digital currencies based on current industry practice. Management has examined various factors surrounding the substance of the Company's operations and the guidance in IFRS. As a result, the Company has used significant judgement in determining its revenue recognition policy.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates (continued)

(h) Functional currency

The functional currency of the Company and its subsidiaries has been assessed by management based on consideration of the currency and economic factors that mainly influence the Company's digital currencies, production and operating costs, financing and related transactions. Specifically, the Company considers the currencies in which digital currencies are most commonly denominated and expenses are settled by each entity as well as the currency in which each entity receives or raises financing. Changes to these factors may have an impact on the judgment applied in the determination of the Company's functional currency. The application of the Company's accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the consolidated financial statements.

(i) Cash-generating units ("CGU")

The Company's assets are aggregated into CGUs for calculating impairment. Cash-generating units are determined based on the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. Determination of CGUs is subject to management's judgment and is based on geology, geographical proximity, shared infrastructure, similar exposure to market risk and how management monitors its operations. The asset composition of the Company's CGUs could change due to new information and circumstances.

(j) Impairment of property and mining equipment

The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as the relationship between mining rewards and the required computing power, digital currency prices, the periodic contribution margin of digital currency mining activities, changes in underlying costs, such as electricity, and technological changes.

When required, the determination of FVLCD and VIU requires management to make estimates and assumptions about digital currency prices, required computing power, technological changes and operating costs, such as electricity. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the statement of comprehensive income. Impairment charges recognized during the year ended December 31, 2018 amounting to \$12,390,741 (December 31, 2107 - nil). See Note 8.

4. CHANGES IN ACCOUNTING STANDARDS

Standards, interpretations and amendments to published standards adopted with an effect on the 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.

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4. CHANGES IN ACCOUNTING STANDARDS (continued)

IFRS 15 - Revenue from contracts with customers (continued)

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. Newly mined digital currency continues to represent an inflow to the Company due to the economic benefit in the form of an increase in assets therefore should be recognized as income from mining digital currency on completion of the transaction verification services. The adoption of IFRS 15 resulted in presentation changes which were applied retrospectively, specifically revenue is now referred to as income from digital currency mining. As a result of the adoption of IFRS 15 there was no impact on the Company’s consolidated financial statements.

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 of the adoption of this standard on its consolidated financial statements.

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5. CASH AND RESTRICTED CASH

Cash balance as at December 31, 2018 consists of cash held in the Company's bank account. Restricted cash (2018 - \$nil and 2017 - \$1,667,495) pertains to amounts received in respect of shares to be issued (Note 10) and other amounts. These shares were issued in 2018 and subsequently restricted cash was transferred to the Company's bank account.

6. DEPOSITS AND PREPAID

	2018	2017
	\$	\$
Current:		
Security deposit	106,477	10,000
Prepaid service charges	486,561	830,208
Other prepaid expenses	106,274	-
	699,312	840,208
Long-term: Security deposits	364,634	-
	1,063,946	840,208

7. 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.

	2018		2017	
	Bitcoin	\$	Bitcoin	\$
Opening balance	75.61	1,007,209	-	-
Mined additions	1,999	15,010,676	2,200.71	10,325,668
Bitcoin sold	(2,074.61)	(14,735,941)	-	-
Repaid to related party	-	-	(2,125.10)	(9,254,905)
Realized loss on digital currency	-	(1,281,944)	-	-
Impairment loss on digital currency	-	-	-	(63,554)
Ending balance	-	-	75.61	1,007,209

The fair value of digital currencies at December 31, 2018 is nil (December 31, 2017 - \$1,007,209). During the year ended December 31, 2018, the Company disposed all the bitcoins for \$14,735,940 in cash and realized a loss of \$1,281,944 (December 31, 2017 - \$nil)

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8. EQUIPMENT

	Mining equipment \$	Other property and equipment \$	Total \$
Cost			
Balance, December 31, 2016	536,361	85,707	622,068
Additions	9,691,399	1,738,236	11,429,635
Balance, December 31, 2017	10,227,760	1,823,943	12,051,703
Additions	12,173,268	9,974,786	22,148,054
Balance, December 31, 2018	22,401,028	11,798,729	34,199,757
Accumulated depreciation			
Balance, December 31, 2016	76,489	3,169	79,658
Additions	1,904,573	142,455	2,047,028
Balance, December 31, 2017	1,981,062	145,624	2,126,686
Depreciation	9,525,086	1,363,259	10,888,345
Impairment	6,265,448	6,125,293	12,390,741
Balance, December 31, 2018	17,771,596	7,634,176	25,405,772
Net book value			
As at December 31, 2017	8,246,698	1,678,317	9,925,015
As at December 31, 2018	4,629,432	4,164,553	8,793,983

Management assessed the indicators of possible impairment to property and equipment as at December 31, 2018, and determined that impairment indicators existed based on the decline in the market value of rigs, weakening bitcoin prices, volatility in network difficulty levels and the Company's net assets being higher than its market capitalization. Management has determined that there is impairment and has calculated a recoverable amount of each CGU using the greater of value-in-use ("VIU") or fair value less costs of disposal ("FVLCD"). The Company determined that the FVLCD was greater than the VIU and used the following significant assumptions:

- Prices of Bitcoin mining rigs \$249 - \$464;
- Using orderly liquidation values* for equipment and leaseholds; and
- Assuming nominal amounts of disposal costs.

* Orderly liquidation value is an estimate of the amount the Company would receive if it sold the used equipment in an auction-style liquidation.

As a result of the impairment analysis, the Company has recorded an impairment loss of \$12,390,741 for the year ended December 31, 2018 (December 31, 2017 - \$nil).

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9. RELATED PARTY TRANSACTIONS AND BALANCES

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 year ended December 31, 2018 on the Note totaled \$Nil (2017 - \$374,801). All amounts payable under the Note were settled on December 21, 2017.

Payable to related party

The balance of \$2,314,270 (Dec 2017 - \$1,811,507) payable to related party as at December 31, 2018 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 is unsecured, 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 year.

Included in accounts payable was \$28,075 payable to the directors for the director fees for the year ended December 31, 2018 (December 31, 2017 - \$nil).

Key management remuneration

Management fees, salaries and wages comprise amounts paid to Key management 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 year was as follows:

	2018	2017
	\$	\$
Share-based compensation on 10,000,000 warrants to management	2,977,427	-
Share-based compensation on 9,400,000 options to management	260,423	-
Management fees, salaries and wages to key management personnel	448,845	209,628
	3,686,695	209,628

10. SHARE CAPITAL

Authorized
Unlimited common shares without par value

Issued and outstanding

- (a) On December 22, 2017, the Company issued 162,500,000 common shares for acquiring all the mining assets owned by Adrenaline as described in Note 2. Since Adrenaline and CryptoStar were controlled by the same group of shareholders, the value of the shares was recorded at book value of \$7,678,370.
- (b) On January 4, 2018, the Company closed a brokered private placement of 43,000,000 common shares at CAD\$0.50 per share for gross proceeds of CAD\$21,500,000. In connection to the private placement, the Company incurred finance fees of \$883,688 paid in cash and issued a total of 13,204,700 warrants for total fair value of \$3,848,797 (see Note 2). Of the 43,000,000 common shares, 4,310,000 shares were issued in 2017 for net proceeds of \$1,678,289.

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10. SHARE CAPITAL (continued)

Securities held in escrow

According to the CPC Escrow Agreement and TSX-V Surplus Security Escrow Agreement, the following shares were placed into escrow and are subject to the release schedule detailed below. In addition, the 10,000,000 management share purchase warrants issued to management are also subject to escrow. The common shares and the share purchase warrants placed into escrow as are follows:

Release date	Common shares	Warrants	Status
September 26, 2018	16,750,000	1,000,000	Released
March 26, 2019	33,000,000	2,000,000	In escrow
September 26, 2019	49,250,000	3,000,000	In escrow
March 26, 2020	65,000,000	4,000,000	In escrow
Total	164,500,000	10,000,000	

As of December 31, 2018, there were 16,635,000 common shares and 1,000,000 warrants released from escrow. The remaining 147,865,000 common shares and 9,000,000 warrants will be released according to the schedule above.

Stock Option Plan

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V Exchange requirements.

In connection with the foregoing options, the number of common shares reserved for issuance to any individual will not exceed five percent (5%) of the issued and outstanding common shares and to an Insider will not exceed ten percent (10%) of the issued and outstanding common shares. In the event of consultants and individuals conducting investor relations, the number of common shares reserved for issuance will not exceed two percent (2%) of the issued and outstanding common shares.

Stock Options

As at December 31, 2018, the Company has stock options outstanding to directors and officers to acquire an aggregate of 14,850,560 common shares summarized as follows. The options have a weighted average remaining life of 9.71 years and weighted average exercise price of CAD\$0.14. As at December 31, 2018, all stock options are exercisable.

	Number of Options	Exercise Price (in CAD\$)	Expiry Date
Balance, December 31, 2016	–	–	–
Granted on May 19, 2017	125,280	\$0.50	May 19, 2019
Granted on May 19, 2017	325,280	\$0.50	May 19, 2029
Balance, December 31, 2017	450,560		
Granted on September 26, 2018	2,600,000	\$0.50	September 26, 2028
Granted on December 20, 2018	11,800,000	\$0.05	December 20, 2028
Balance, December 31, 2018	14,850,560		

On September 26, 2018, the Company granted an aggregate of 2,600,000 stock options to directors and officers of the Company. These options have an exercise price of CAD\$0.50 and an expiry date of September 26, 2028. All of the options vested immediately. Share-based compensation of \$72,826 was recorded related to these options.

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10. SHARE CAPITAL (continued)

Stock Options (continued)

On December 20, 2018, the Company granted an aggregate of 11,800,000 stock options to directors and officers of the Company. These options have an exercise price of CAD\$0.05 and an expiry date of December 20, 2028. All of the options vested immediately. Share-based compensation of \$438,141 was recorded related to these options.

On May 19, 2017, the Company granted a total of 450,560 options with aggregate fair value of \$154,000 to agents and previous management which were deemed to replace previously existing stock options returned in connection with the acquisition transaction described in Note 2. All of these stock options were still outstanding as of December 31, 2018.

The following table summarizes the stock options exercisable as at December 31, 2018:

Exercise price (in CAD\$)	Number of Outstanding and Exercisable Options	Expiry Date	Remaining Contractual Life (years)
0.50	125,280	May 19, 2019	0.38
0.50	325,280	May 19, 2022	3.38
0.50	2,600,000	September 26, 2028	9.75
0.05	11,800,000	December 20, 2028	9.98
0.14	14,850,560		9.71

The fair value of options granted was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2018
Share price on grant date	CAD\$0.06
Exercise price	CAD\$0.13
Risk-free interest rate	2.00%
Forfeiture rate	0%
Expected dividend yield	0%
Expected option life (years)	5
Expected stock price volatility	118%

Warrants

As described in Note 2, the Company issued a total of 13,204,700 warrants in connection to the private placement on January 4, 2018. The warrants have a weighted average remaining life of 1.77 years and weighted average exercise price of CAD\$0.20. Of the 13,204,700 warrants, 10,000,000 warrants were issued to related parties.

The following table summarizes the warrants exercisable as at December 31, 2018:

Exercise price (in CAD\$)	Number of Outstanding and Exercisable Options	Expiry Date	Remaining Contractual Life (years)
0.50	3,204,700	January 4, 2020	1.01
0.10	10,000,000	January 4, 2021	2.01
0.20	13,204,700		1.77

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10. SHARE CAPITAL (continued)

Warrants (continued)

The fair value of warrants granted was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2018
Share price on grant date	CAD\$0.50
Exercise price	CAD\$0.20
Risk-free interest rate	1.76%
Forfeiture rate	0%
Expected dividend yield	0%
Expected option life (years)	2.76
Expected stock price volatility	132%

11. INCOME TAXES

The deferred income tax expenses shown in the consolidated statements of loss and comprehensive loss differs from the amounts obtained by applying statutory rates due to the following:

	2018	2017
Statutory tax rate	26%	33.70%
	\$	\$
Net income (loss) before income taxes	(20,225,709)	5,420,236
Expected tax expense (recovery)	(5,211,301)	1,826,620
Permanent items	3,604,044	-
Uncreditable foreign taxes	-	(53,480)
Assets transfer / acquisition	-	(8,240)
Change in tax benefits not recognized	1,460,486	(30,540)
Total income tax expense (recovery)	(146,770)	1,734,360

The Company's income tax is allocated as follows:

	\$	\$
Current income tax expense (recovery)	(203,510)	1,699,440
Deferred income tax expense	56,740	34,920
	(146,770)	1,734,360

The following table summarizes the components of deferred tax:

	\$	\$
Property, plant and equipment	3,383,000	54,370
Share issuance costs	977,000	2,370
Non-capital losses carried forward	1,092,000	-
Valuation allowance	(5,452,000)	-
Net deferred tax asset	-	56,740

As at December 31, 2018, the Company has approximately \$4,200,000 (2017 - \$nil) of non-capital losses carry forwards available to reduce taxable income for future years. These losses will expire in 2038.

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12. 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 and concentration of 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. Credit risk arises from the possibility of asset impairment occurring because counter parties cannot meet their obligations in transactions involving financial instruments. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular segment of customers. The bank balances are deposited with high credit rated banks, therefore the credit risk is limited. The Company has established procedures to manage credit exposure including credit approvals and credit limits. These procedures are mainly due to the Company's internal guidelines. An allowance for potential doubtful receivables is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on delinquent receivables.

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. In recent years, the crypto currency markets experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

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.

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 values of the Company's cash, trade payable and due to related party approximate their carrying values due to the short-term nature of these instruments.

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13. 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 to 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 performances 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 December 31, 2018 would be Nil.

14. 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 December 31, 2018.

15. 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:

	\$
2019	461,570
2020	465,960
2021	478,060
2022	99,990
	<hr/>
	1,505,580

During the year ended December 31, 2018, included in office and administration expense was \$431,923 related to these leases.

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16. SEGMENTED INFORMATION

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

Year Ended: December 31, 2018	USA	Canada	Iceland	Head Office	Total
	\$	\$	\$	\$	\$
Income (loss) from mining of digital currency					
Income from mining of digital currency	11,437,556	1,849,397	1,723,722	-	15,010,675
Operating and maintenance cost	(5,549,472)	(897,323)	(836,345)	-	(7,283,140)
Depreciation	(8,781,783)	(791,276)	(1,315,286)	-	(10,888,345)
Realized loss on digital currency	(976,792)	(157,942)	(147,210)	-	(1,281,944)
Net mining income (loss)	(3,870,491)	2,856	(575,119)	-	(4,442,754)
Operating expenses					
Interest and bank charges	4,987	-	-	-	4,987
Management fees, salaries and wages	290,932	15,312	15,312	444,054	765,610
Office and administration	-	-	-	561,923	561,923
Professional fees	143,481	-	59,080	219,441	422,002
Stock based compensation	-	-	-	510,967	510,967
	439,400	15,312	74,392	1,736,385	2,265,489
Net loss before other items	(4,309,891)	(12,456)	(649,511)	(1,736,385)	(6,708,243)
Foreign exchange gain	-	-	-	(40,687)	(40,687)
Impairment charges on equipment	(11,625,342)	-	(765,399)	-	(12,390,741)
Listing expense	-	-	-	(1,086,038)	(1,086,038)
Net loss before income taxes	(15,935,233)	(12,456)	(1,414,910)	(2,863,110)	(20,225,709)
Income taxes	(106,285)	(29,579)	(10,906)	-	(146,770)
Net loss	(15,828,948)	17,123	(1,404,004)	(2,863,110)	(20,078,939)
Total current assets	182,679	116,002	370,559	106,274	775,514
Total non-current assets	8,193,179	512,615	545,108	1,739	9,252,641
Total current liabilities	978,053	-	56,774	94,770	1,129,597
Total non-current liabilities	2,314,270	-	-	-	2,314,270

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16. SEGMENTED INFORMATION (continued)

Year Ended: December 31, 2017	USA	Canada	Iceland	Total
	\$	\$	\$	\$
Income from mining of digital currency	6,974,194	2,058,191	1,293,283	10,325,668
Operating and maintenance cost	(1,002,191)	(222,334)	(280,228)	(1,504,753)
Depreciation	(1,401,566)	(372,590)	(272,872)	(2,047,028)
Impairment charges on equipment	(37,101)	(14,576)	(11,877)	(63,554)
Net mining income	4,533,336	1,448,691	728,306	6,710,333
Operating expenses				
Interest and bank charges	374,208	—	—	374,208
Management fees, salaries and wages	637,183	—	—	637,183
Office and administration	201,809	—	—	201,809
Professional fees	—	133,395	—	133,395
Foreign exchange gain	—	(56,498)	—	(56,498)
Net income before income taxes	3,320,136	1,371,794	728,306	5,420,236
Income taxes	(1,255,953)	(349,525)	(128,882)	(1,734,360)
Net income	2,064,183	1,022,269	599,424	3,685,876
Total current assets	597,976	2,978,854	187,464	3,764,294
Total non-current assets	7,738,891	1,221,395	1,021,469	9,981,755
Total current liabilities	147,374	132,291	15,122	294,787
Total non-current liabilities	1,811,507	-	-	1,811,507

17. SUBSEQUENT EVENT

On April 2, 2019, 32,885,000 common shares and 2,000,000 warrants were released from escrow.