

CRYPTOSTAR CORP.
(Formerly Aumento Capital VI Corporation)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

(Expressed in US dollars)

Notice of No Auditors Review of Condensed Interim Consolidated Financial Statements

Under National Instrument 51-102, if an auditor has not performed a review of condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the interim condensed interim financial statements have not been reviewed by an auditor.

The accompanying condensed interim consolidated financial statements (unaudited) of CryptoStar Corp. (the "Company") have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

The Company's independent auditors have not performed a review of these unaudited condensed interim consolidated financial statements in accordance with the standards established by the Canadian Chartered Professional Accountants (CPA) Canada for a review of interim financial statements by an entity's auditors.

CRYPTOSTAR CORP.
(Formerly Aumento Capital VI Corporation)
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SEPTEMBER 30, 2019 AND 2018

Consolidated Financial Statements (Unaudited)

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CRYPTOSTAR CORP.
(Formerly Aumento Capital VI Corporation)
Condensed Interim Consolidated Statements of Financial Position (Unaudited)
(Expressed in US dollars)

	Note	September 30, 2019	December 31, 2018
ASSETS			
Current assets			
Cash	4	273,398	76,202
Deposits and prepaid expenses	5	1,084,606	699,312
Digital currencies	6	10,271	—
		1,368,275	775,514
Property and equipment	7	8,043,668	8,793,983
Right-of-use assets	8	2,332,662	—
Deposits	5	379,634	364,634
		12,124,239	9,934,131
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Trade payable and accrued liabilities		868,368	1,129,597
Lease obligations	8	245,283	—
		1,113,651	1,129,597
Lease obligations	8	2,371,284	—
Payable to related party	9	2,931,365	2,314,270
		6,416,300	3,443,867
STOCKHOLDERS' EQUITY			
Share capital	10	21,453,727	21,453,727
Warrant and option reserve	10	4,475,384	4,475,384
Deficit		(20,221,172)	(19,438,847)
		5,707,939	6,490,264
		12,124,239	9,934,131
Nature of operations	1		
Segmented Information	14		
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Approved on behalf of the Board of Directors on November 15, 2019

/s/ James Merkur
Director

/s/ Amelia Jones
Director

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

CRYPTOSTAR CORP.
(Formerly Aumento Capital VI Corporation)
Condensed Interim Consolidated Statements of Comprehensive Loss (Unaudited)
(Expressed in US dollars)

	Note	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018
INCOME FROM MINING OF DIGITAL CURRENCY					
Income from mining of digital currency	6	8,518,695	13,018,503	3,209,122	3,877,994
Reversal (Impairment) of mining and digital currency		2,906,833	(499,280)	(422,341)	1,960
Operating and maintenance costs		(6,721,326)	(4,674,001)	(2,339,066)	(2,209,008)
Depreciation	7	(3,749,073)	(6,232,090)	(1,266,009)	(2,766,920)
Net mining income		955,129	1,613,132	(818,294)	(1,095,974)
OPERATING EXPENSES					
Interest and bank charges		6,765	3,584	2,578	2,181
Depreciation - right-of-use assets	8	247,631	—	82,544	—
Interest expense - right-of-use assets		166,608	—	54,573	—
Stock based compensation		—	271,592	—	—
Management fees, salaries and wages		518,272	590,596	175,541	157,450
Office and administration		315,799	429,424	140,309	172,432
Professional fees		367,005	472,335	79,418	167,245
Realized loss on digital currency	6	11,699	700,052	(150,535)	84,672
Foreign exchange loss (gain)		9,963	(51,364)	17	—
Net loss before undernoted items		(688,613)	(803,087)	(1,202,739)	(1,679,954)
Listing expense	2	—	637,157	—	637,157
Recognition and change in fair value of warrant		—	2,014,603	—	(837,639)
Net loss before tax		(688,613)	(3,454,847)	(1,202,739)	(1,479,472)
Income taxes		—	(120,842)	—	(362,338)
Net loss and comprehensive loss for the period		(688,613)	(3,334,005)	(1,202,739)	(1,117,134)
Loss per share, basic and diluted		(0.003)	0.016	(0.006)	(0.005)
Weighted average shares, basic and diluted		207,204,492	205,134,410	207,204,492	205,676,783

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

CRYPTOSTAR CORP.
(Formerly Aumento Capital VI Corporation)
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(Expressed in US dollars)

See Note 2	Common stock		Warrant and Option Reserve	Shares to be Issued	(Deficit) Retained Earnings	Total
	Shares	Amount				
As at December 31, 2017	166,810,000	9,356,659	—	1,643,004	640,092	11,639,755
Shares issued for cash	38,690,000	14,519,973	—	(1,643,004)	—	12,876,969
Share issuance costs	—	(598,778)	598,778	—	—	—
Stock based compensation	—	—	271,592	—	—	271,592
Deferred income taxes on share issuance cost	—	254,499	10,604	—	—	265,103
Reverse takeover transaction	3,252,800	1,258,508	109,008	—	—	1,367,516
Net loss for the period	—	—	—	—	(3,334,005)	(3,334,005)
As at September 30, 2018	208,752,800	24,790,861	989,982	—	(2,693,913)	23,086,930
As at December 31, 2018	208,752,800	21,453,727	4,475,384	—	(19,438,847)	6,490,264
Transition adjustment - IFRS 16 (note 8)	—	—	—	—	(93,712)	(93,712)
Net loss for the period	—	—	—	—	(688,613)	(688,613)
As at September 30, 2019	208,752,800	21,453,727	4,475,384	—	(20,221,172)	5,707,939

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

CRYPTOSTAR CORP.
(Formerly Aumento Capital VI Corporation)
Condensed Interim Consolidated Statements of Cash Flows (Unaudited)
(Expressed in US dollars)

	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
OPERATING ACTIVITIES		
Net income (loss) for the period	(688,613)	(3,334,005)
Adjusted for:		
Income from mining of digital currency	(8,518,695)	(13,018,503)
Impairment of digital assets	(345)	499,280
Impairment of mining equipment	(2,907,178)	—
Proceeds from sale of digital currency	8,497,070	12,215,256
Depreciation	3,749,073	6,232,090
Stock based compensation	—	271,592
Realized loss on digital currency	11,699	700,052
Interest expense on right-of-use asset	166,608	—
Warrants	—	2,014,603
Depreciation - right-of-use- asset	247,631	—
Interest paid on right-of-use asset	(166,608)	—
Deferred income taxes	—	17,429
Listing expense	—	637,157
Changes in non-cash working capital items:		
Deposits and prepaid expenses	(400,294)	(605,087)
Accounts payable and accrued liabilities	(261,229)	1,240,822
Income taxes payable	—	(138,271)
Cash used by operating activities	(270,881)	6,732,415
INVESTING ACTIVITIES		
Purchases of property and equipment	(91,580)	(21,710,660)
Lease payment	(57,438)	—
Cash used in investing activities	(149,018)	(21,710,660)
FINANCING ACTIVITIES		
Cash acquired on reverse takeover transaction	—	738,032
Shares issued for cash	—	12,876,969
Payable to related party	617,095	239,821
Cash provided by financing activities	617,095	13,854,822
Net decrease in cash during the period	197,196	(1,123,423)
Cash, beginning of the period	76,202	1,916,877
Cash, end of period	273,398	793,454
<i>Supplemental cash flow information:</i>		
<i>Interest paid</i>	166,608	—
<i>Income tax paid</i>	—	—

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

CRYPTOSTAR CORP.
Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
September 30, 2019 and 2018
(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”.

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 nine month period ended September 30, 2019, the Company incurred a net loss of \$688,613 (September 30, 2018 – net loss \$3,334,005). The Company has an accumulated deficit of \$20,221,172 and a positive working capital as of September 30, 2019 of \$254,624. 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.

CRYPTOSTAR CORP.
Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
September 30, 2019 and 2018
(Expressed in US dollars)

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)

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 2.51 years.

CRYPTOSTAR CORP.
Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
September 30, 2019 and 2018
(Expressed in US dollars)

2. BACKGROUND AND BASIS OF PRESENTATION (continued)

Reverse Acquisition Transaction (continued)

Fair value of share-based compensation	\$
Deemed share issuance	1,258,508
Options deemed granted	109,008
Total consideration	1,367,516
Less: Fair value of net assets of Aumento	(730,359)
Listing expense	637,157

Background of CryptoStar Inc.

CHI was a subsidiary of A.C.N. 117 402 838 PTY LTD (**formerly 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.

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.

CRYPTOSTAR CORP.
Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
September 30, 2019 and 2018
(Expressed in US dollars)

2. BACKGROUND AND BASIS OF PRESENTATION (continued)

Background of CryptoStar Inc. (continued)

- 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

The notes presented in our condensed interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in our annual audited consolidated financial statements; thus, our condensed interim consolidated financial statements are referred to as condensed. Our condensed interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2018 and 2017.

Our condensed interim consolidated financial statements are expressed in US dollars and follow the same accounting policies and methods of their application as set out in our consolidated financial statements for the year ended December 31, 2018. These condensed interim consolidated financial statements comply with International Accounting Standard 34, Interim Financial Reporting of the International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS-IASB") and reflect all adjustments which are necessary for a fair statement of the results for the interim periods presented.

The condensed interim consolidated financial statements of the Company as at and for the periods ended September 30, 2019 and 2018.

Our condensed interim consolidated financial statements for the nine-month period ended September 30, 2019, were authorized by our Board of Directors for issue on November 15, 2019.

Basis of measurement

These condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value:

- Financial instruments at fair value through profit of loss ("FVTPL");
- Derivative financial instruments;
- Liabilities for share – based payment plan;
- Initial recognition of assets and liabilities assumed in a business combination;

Functional and presentation currency

These condensed interim 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.

CRYPTOSTAR CORP.
Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
September 30, 2019 and 2018
(Expressed in US dollars)

3. CHANGES IN ACCOUNTING STANDARDS

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

Adoption of IFRS 16 – Leases

Effective in the first quarter of 2019, the Company adopted IFRS 16 issued in January 2016 and related consequential amendments. 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 transitioned to IFRS 16 in accordance with the modified retrospective approach, with the cumulative effect of initially applying the new standard recognized in retained earnings on January 1, 2019. The prior year figures were not adjusted. (Also refer note 8)

Standards, Amendments and Interpretations Issued but not yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending December 28, 2019 and, accordingly, have not been applied in preparing these condensed interim consolidation financial statements.

Insurance Contracts

In May 2017, the International Accounting Standards Board (“IASB”) issued IFRS 17 - Insurance Contracts (“IFRS 17”), that replaces IFRS 4 - Insurance Contracts and establishes a new model for recognizing insurance policy obligations, premium revenue and claims-related expenses. IFRS 17 is effective for annual periods beginning on or after January 1, 2021; however, based on recent IASB meetings, an upcoming amendment to IFRS 17 and a deferral of the transition date by one year is anticipated. Early adoption is permitted. The Company is assessing the potential impact of this standard.

4. CASH

Cash balance as at September 30, 2019 consists of cash held in the Company's bank account.

5. DEPOSITS AND PREPAID EXPENSES

	September 30, 2019	December 31, 2018
	\$	\$
Current:		
Security deposit	—	106,477
Prepaid service charges	438,521	486,561
Other prepaid expenses	646,085	106,274
	<u>1,084,606</u>	<u>699,312</u>
Long-term: Security deposits	379,634	364,634
	<u>1,464,240</u>	<u>1,063,946</u>

CRYPTOSTAR CORP.
Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
September 30, 2019 and 2018
(Expressed in US dollars)

6. DIGITAL CURRENCIES

Digital currencies consist of Bitcoin coins. Below is a continuity of digital currencies mined, acquired through purchase, settled and impaired during the period.

	September 30, 2019		December 31, 2018	
	Bitcoin	\$	Bitcoin	\$
Opening balance	—	—	76	1,007,209
Mined additions	1,300	8,518,695	1,999	15,010,676
Bitcoin sold	(1,299)	(8,497,070)	(2,075)	(14,735,941)
Realized loss on digital currency	—	(11,699)	—	(1,281,944)
Impairment of digital currency	—	345	—	—
Ending balance	1	10,271	—	—

7. PROPERTY AND EQUIPMENT

	Mining equipment	Other property and equipment	Total
	\$	\$	\$
Cost			
Balance, December 31, 2017	10,227,760	1,823,941	12,051,701
Additions	12,173,267	9,974,787	22,148,054
Balance, December 31, 2018	22,401,027	11,798,728	34,199,755
Additions	—	91,580	91,580
Balance, September 30, 2019	22,401,027	11,890,308	34,291,335
Accumulated depreciation			
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
Depreciation	3,472,075	276,998	3,749,073
Reversal of impairment	(2,721,760)	(185,418)	(2,907,178)
Balance, September 30, 2019	18,521,911	7,725,756	26,247,667
Net book value			
As at September 30, 2019	3,879,116	4,164,552	8,043,668
As at December 31, 2018	4,629,431	4,164,552	8,793,983

CRYPTOSTAR CORP.
Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
September 30, 2019 and 2018
(Expressed in US dollars)

8. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

	Right-of-use assets	Lease obligations
Net book value at Jan 1, 2019	2,580,293	2,674,005
Depreciation and repayment	(247,631)	(57,438)
Net book value at September 30, 2019	2,332,662	2,616,567

At January 1, 2019, on adoption of IFRS 16, the Company has recorded transition adjustment of \$93,712 in the opening (deficit) retained earnings.

The current obligation of lease and long-term lease obligations were \$245,283 and \$2,371,284 respectively.

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 period ended September 30, 2019 totaled \$Nil (2018 - \$Nil). All amounts payable under the Note were settled on December 21, 2017.

Payable to related party

The balance of \$2,931,365 (Dec 2018 - \$2,314,270) payable to related party as at September 30, 2019 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 period.

Included in accounts payable was \$22,261 payable to the directors for the director fees for the period ended September 30, 2019 (December 31, 2018 - \$28,075).

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 period was as follows:

	Nine month Ended September 2019 \$	Nine month Ended September 2018 \$
Management fees, salaries and wages to key management personnel	209,622	228,350
	209,622	228,350

CRYPTOSTAR CORP.
Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
September 30, 2019 and 2018
(Expressed in US dollars)

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 \$0.50 per share for gross proceeds of \$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.

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	Released
September 26, 2019	49,250,000	3,000,000	Released
March 26, 2020	65,000,000	4,000,000	In escrow
Total	164,000,000	10,000,000	

As of September 30, 2019, there were 99,000,000 common shares and 6,000,000 warrants released from escrow. The remaining 65,000,000 common shares and 4,000,000 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.

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10. SHARE CAPITAL (continued)

Stock Options

As at September 30, 2019, 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 8.91 years and weighted average exercise price of \$0.14. As at September 30, 2019, all stock options are exercisable.

	Number of Options	Exercise Price	Expiry Date
Balance, December 31, 2016	–	–	–
Granted on May 19, 2017	325,280	\$0.50	May 19, 2029
Balance, December 31, 2017	325,280		
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, September 30, 2019	14,725,280		
Granted on May 19 2017	125,280	\$0.50	May 19, 2019

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 \$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. 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 \$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. 325,280 of these stock options were still outstanding as of September 30, 2019.

The following table summarizes the stock options exercisable as at September 30, 2019:

Exercise price \$	Number of Outstanding and Exercisable Options	Expiry Date	Remaining Contractual Life (years)
0.50	325,280	May 19, 2022	2.64
0.50	2,600,000	September 26, 2028	9.0
0.05	11,800,000	December 20, 2028	9.23
0.14	14,725,280		9.04

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	\$0.06
Exercise price	\$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%

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10. SHARE CAPITAL (continued)

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 1.02 years and weighted average exercise price of \$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 September 30, 2019:

Exercise price \$	Number of Outstanding and Exercisable Options	Expiry Date	Remaining Contractual Life (years)
0.50	3,204,700	January 4, 2020	0.26
0.50	10,000,000	January 4, 2021	1.27
0.50	13,204,700		1.02

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	\$0.50
Exercise price	\$0.20
Risk-free interest rate	1.76%
Forfeiture rate	0%
Expected dividend yield	0%
Expected option life (years)	2.51
Expected stock price volatility	132%

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Credit risk 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.

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11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

12. DIGITAL CURRENCY AND RISK MANAGEMENT

Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is directly related to the current and future market price of coins; in addition, the Company may not be able 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.

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13. CAPITAL MANAGEMENT

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

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

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the period ended September 30, 2019.

14. 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:

Period Ended: September 30, 2019	USA	Canada	Iceland	Head Office	Total
Income from mining of digital currency					
Income from mining of digital currency	7,328,216	618,610	571,869	—	8,518,695
Operating and maintenance cost	(5,782,027)	(488,089)	(451,210)	—	(6,721,326)
Reversal of Impairment of digital assets	—	—	—	2,906,833	2,906,833
Depreciation	(3,193,969)	(134,407)	(420,697)	—	(3,749,073)
Net mining income	(1,647,780)	(3,886)	(300,038)	2,906,833	955,129
Operating expenses					
Interest and bank charges	6,765	—	—	—	6,765
Depreciation - right-to-use assets	247,631	—	—	—	247,631
Interest expense - lease obligation	166,608	—	—	—	166,608
Management fees, salaries and wages	196,943	10,365	10,365	300,599	518,272
Office and administration	—	—	—	315,799	315,799
Professional fees	124,782	—	51,381	190,842	367,005
Realized loss on digital currency	10,064	850	785	—	11,699
Foreign exchange gain	—	—	—	9,963	9,963
Net (loss) income before undernoted items	(2,400,573)	(15,101)	(362,569)	2,089,630	(688,613)
Income taxes expense	—	—	—	—	—
Net (loss) income	(2,400,573)	(15,101)	(362,569)	2,089,630	(688,613)
Total assets	10,126,579	760,010	1,107,060	130,590	12,124,239
Total liabilities	6,133,957	—	105,776	176,567	6,416,300

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14. SEGMENTED INFORMATION (continued)

Period ended September 30, 2018	USA	Canada	Iceland	Head office	Total
Income from mining of digital currency	9,777,150	1,681,761	1,559,592	—	13,018,503
Impairment on digital currency	(374,969)	(64,498)	(59,813)	—	(499,280)
Operating and maintenance cost	(3,510,266)	(603,799)	(559,936)	—	(4,674,001)
Depreciation	(5,121,550)	(711,907)	(398,633)	—	(6,232,090)
Net mining income	770,365	301,557	541,210	—	1,613,132
Operating expenses					
Interest and bank charges	3,584	—	—	—	3,584
Stock based compensation	—	—	—	271,592	271,592
Management fees, salaries and wages	224,426	11,812	11,812	342,546	590,596
Office and administration	429,424	—	—	—	429,424
Professional fees	160,594	—	66,127	245,614	472,335
Realized loss on digital currency	525,753	90,434	83,865	—	700,052
Foreign exchange gain	—	—	—	(51,364)	(51,364)
Net income before income (loss) taxes	(573,416)	199,311	379,406	(808,388)	(803,087)
Recognition and change in fair value of warrant liability	—	—	—	2,014,603	2,014,603
listing expenses	—	—	—	637,157	637,157
Net income (loss) before income taxes	(573,416)	199,311	379,406	(3,460,148)	(3,454,847)
Income tax expenses	(144,787)	132,783	(108,838)	—	(120,842)
Net income (loss)	(428,629)	66,528	488,244	(3,460,148)	(3,334,005)
Total assets	22,560,719	1,999,051	3,426,945	571,157	28,557,872
Total liabilities	1,750,701	5,471	5,471	3,709,299	5,470,942

15. SUBSEQUENT EVENT

The Company has evaluated subsequent events through November 15, 2019, which is the date of the interim consolidated financial statements were issued and conclude that there are no significant events to report.