

**CRYPTOSTAR CORP.**  
**Management Discussion and Analysis**  
**For the three month ended September 30, 2020**  
(Expressed in U.S. dollars)

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This management discussion and analysis (“**MD&A**”) of the results of the operations and financial position of CryptoStar Corp. (the “**Company**”) is dated as November 30, 2020 and should be read in conjunction with the Company’s condensed interim consolidated financial statements and the related notes for the quarters ended September 30, 2020 and 2019. Unless otherwise noted, all financial information in the MD&A has been prepared in accordance with International Financial Reporting Standards (“**IFRS**” or “**GAAP**”) as issued by the International Accounting Standards Board (“**IASB**”).

This MD&A contains information up to and including September 30, 2020.

All amounts are expressed in United States dollars (\$) unless otherwise stated.

### **Company Profile**

The Company operates in the distributed ledger technology space, utilizing specialized equipment (“**Miners**”) to perform computationally intensive cryptographic operations to validate transactions on the Blockchain (a process known as “**Mining**”), receiving digital currencies (primarily Bitcoin). CryptoStar has cryptocurrency mining operations with data centres located in the U.S.A. and Canada and is currently dedicated to becoming one of the lowest cost cryptocurrency producers in North America. More recently, the Company has been transitioning from a self-mining, Bitcoin only, company to a one-stop shop for cryptocurrency mining customers and the inherent risks and exposure associated with self-mining Bitcoin only have been significantly reduced. Future growth will be driven through mining Bitcoin and other cryptocurrencies in addition to offering high quality GPU and ASIC miners, logistics and shipping and hosting solutions for customers worldwide at low power rate data centres in China, Canada and other data centres around the world.

The Company was incorporated under the *Business Corporations Act* (Ontario) on January 6, 2017. The registered and head office of the Company is located at 181 Bay Street, Suite 4400, Toronto, Ontario, Canada M5J 2T3. The Company’s common shares are listed on the TSX Venture Exchange under the trading symbol under the trading symbol “CSTR”.

### Q3 Highlights

- On July 8, 2020, the Company announced that it had received subscriptions for a total of 5,000,000 units ("Units") of the Company to raise \$250,000 at a price of \$0.05 per Unit by way of a non-brokered private placement (the "Offering"). Each Unit will consist of one common share of the Company (a "Common Share") and one half of a common share purchase warrant of the Company (each whole warrant, a "Warrant"). Each Warrant will entitle the holder to acquire one Common Share at a price of CAD \$0.075 per Common Share for a period of 12 months following the closing date of the Offering.
- On July 16, 2020, the Company announced that it had closed the private placement announced on July 8, 2020, consisting of the issuance of 5,000,000 units ("Units") of the Company at a price of \$0.05 per Unit by way of a non-brokered private placement.
- On August 14, 2020, the Company announced the appointment of Messrs. Warren Lorenz and Aly Madhavji to the Company's Board of Directors. The Company also announced the resignation from the Board of Brendan Cahill, Adam Kline and James Merkur. Concurrent with the appointments of Messrs. Lorenz and Madhavji, the Company granted each 600,000 incentive stock options. Each stock option will allow the holder thereof to purchase a common share of CryptoStar at a price of \$0.05, with an expiry of ten years.
- On August 17, 2020, the Company announced it had signed an agreement with a large Bitcoin mining customer based in China.

#### Highlights of the Agreement:

- 1) CryptoStar to provide 2.5 MW of mining capacity at its first Alberta site to the Customer and the Customer's clients within 60 days.
- 2) The Customer and the Customer's clients will provide all of the latest generation Bitcoin miners under a mining profit share arrangement.

The project has been delayed by restrictions relating to the outbreak of the COVID-19 pandemic (see COVID-19 note below). The Company anticipates that this will be the first of many projects in the future at our Alberta Location.

- On September 10, 2020, the Company announced that it had received subscriptions for a total of 5,000,000 units ("Units") of the Company to raise \$250,000 at a price of \$0.05 per Unit by way of a non-brokered private placement (the "Offering"). Each Unit will consist of one common share of CryptoStar (a "Common Share") and one common share purchase warrant of CryptoStar (a "Warrant"). Each Warrant will entitle the holder to

acquire one Common Share at a price of CAD \$0.075 per Common Share for a period of 18 months following the closing date of the Offering.

- On September 21, 2020, the Company announced it had signed a consulting agreement (the "Agreement") with a consultant (the "Consultant") based in China effective September 18, 2020 and declared that the Company is currently dedicated to becoming one of the lowest cost cryptocurrency producers in North America and a major supplier of GPU and ASIC miners worldwide.

#### Highlights of the Agreement:

- 1) The Consultant will provide services in the role of Cryptostar Corp. Business Development Manager (Asia).
- 2) The Consultant and the Consultant's team will source and acquire high quality GPUs and miner components from manufacturers and will supervise quality control, logistics and delivery of turnkey GPU miners to customers under a new brand.
- 3) The Consultant and the Consultant's team will also source and acquire high quality ASIC miners from well-known manufacturers and other sources for resale and delivery to customers.
- 4) It is anticipated that the Company will begin taking deposits for orders within 30 days with delivery to be scheduled within 90 days.
- 5) The Consultant will be compensated under a profit share arrangement.
- 6) The Consultant may elect to receive net profits either in cash or units of the Company subject to the approval of the TSX Venture Exchange.

#### Benefits of the Agreement:

- 1) The Company will accept deposits for both GPU and ASIC miners (in bulk orders only) for delivery worldwide.
- 2) The Company's award-winning data centre facilities in Utah, USA will be used as a showcase for the new GPU miner business.
- 3) The Company will be able to provide a one-stop shop for high quality GPU and ASIC miners, logistics and shipping and hosting solutions for customers worldwide at low power rate data centres in China, Canada and other data centres around the world.
- 4) This partnership represents CryptoStar's entry into a multi-billion dollar industry. GPU miners are capable of mining cryptocurrencies like Ethereum's ether (ETH), Ethereum Classic (ETC), ZCash (ZEC), Monero (XMR) and many others. The demand for both GPU and ASIC miners is extremely high in the current market

and the Company anticipates being able to provide high-quality, attractively priced GPU and ASIC miners together with comprehensive solutions to customers.

- On September 29, 2020, the Company announced that Mr. Mason M. Darabi had been appointed Chief Financial Officer of the Company, effective immediately. Mr. Darabi replaces Jing Peng as Chief Financial Officer. In connection with Mr. Darabi's appointment as Chief Financial Officer of the Company, the Company agreed to issue common shares to Tandem Innovation Group Inc. ("Tandem") in partial satisfaction of its monthly consulting fee.
- The Company's first facility in Newfoundland and Labrador, Canada continued to mine Bitcoin with the first new generation miners commissioned on March 30, 2020. Tier 1 has applied for NL Hydro power permits in excess of 20 MW to facilitate CryptoStar's long term expansion plans in Newfoundland and Labrador under the Agreement and is awaiting approvals of these permits. The approval of these permit applications has been delayed by restrictions relating to the outbreak of the COVID-19 pandemic (see COVID-19 note below). Tier 1 is actively pursuing the finalization and allocation of a 16.7MW/20MW power permit. Tier 1 is also searching for additional sites with allocated power that could be rented and used by the Company. The Company has not yet received the power permit at the date of issuance of the consolidated financial statements.
- During the Company's relocation to new lower power cost locations in Canada, the Company's corporate overhead during Q3, 2020 was reduced by 63% compared to Q3, 2019. Site operating costs during Q3, 2020 were reduced by 97% compared to Q2, 2019.

## **Non-GAAP Measures**

This MD&A presents certain non-GAAP (“GAAP” refers to Generally Accepted Accounting Principles) financial measures to assist readers in understanding the Company’s performance. These non-GAAP measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Management uses these non-GAAP measures to supplement the analysis and evaluation of operating performance.

The following terms are used, which are not found in the Chartered Professional Accountants of Canada Handbook and do not have a standardized meaning under GAAP.

EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortization)

- “EBITDA” represents net income or loss excluding net finance income or expense, income tax or recovery, depreciation, and amortization.
- “Adjusted EBITDA” represents EBITDA adjusted to exclude share-based compensation, fair value loss or gain on remeasurement of digital assets, and costs associated with one-time transactions (such as listing fees).

## Subsequent Events & Significant Agreements

- On October 7, 2020, the Company announced that, further to its news release dated September 29, 2020, the Company and Tandem Innovation Group Inc. ("Tandem") had agreed to amend the consulting agreement relating to the engagement of Mr. Mason M. Darabi as Chief Financial Officer of the Company. Under the amended consulting agreement, the Company will pay Tandem the monthly consulting fee entirely in cash.
- On October 7, 2020, the Company also announced that it had closed the private placement announced on September 10, 2020, consisting of the issuance of 5,000,000 units ("Units") of the Company at a price of \$0.05 per Unit by way of a non-brokered private placement.
- On November 3, 2020, the Company launched its "Shop" section the cryptostar.com website. Full online marketing and ecommerce functionality is expected to launch within 14 days.
- On November 5, 2020, the Company received its first sample GPU miner. The miner has been mining Ethereum (ETH) to date.
- On November 10, 2020, the company sold its first order for 10 x GPU Miners with Hosting and these were deployed at our Chinese partner's data centre in Yunnan, China.
- On November 23, sold its second order for 10 x GPU Miners with Hosting and these are to be deployed in Alberta, Canada.
- On November 30, 2020, the Company announced that it had received subscriptions for a total of 4,000,000 units ("Units") of the Company to raise \$200,000 at a price of \$0.05 per Unit by way of a non-brokered private placement (the "Offering"). Each Unit will consist of one common share of CryptoStar (a "Common Share") and one common share purchase warrant of CryptoStar (a "Warrant"). Each Warrant will entitle the holder to acquire one Common Share at a price of CAD \$0.075 per Common Share for a period of 18 months following the closing date of the Offering.

## Overall Performance and Results Operations

### Selected Q3 Information

	For the Three Months Ended Sept 30, 2020	For the Three Months Ended Sept 30, 2019	For the Nine Months Ended Sept 30, 2020	For the Nine Months Ended Sept 30, 2019
<b>INCOME FROM MINING OF DIGITAL CURRENCY</b>				
Income from mining of digital currency	25,113	3,209,122	412,254	8,518,695
Other Income	9,000	—	46,650	—
Realized gain (loss) of digital currency	(450)	150,535	(6,770)	(11,699)
Direct operating and maintenance costs	(73,074)	(2,339,066)	(589,449)	(6,721,326)
<b>Mining profit/loss</b>	<b>(39,411)</b>	<b>1,020,591</b>	<b>(137,315)</b>	<b>1,785,670</b>
Other Operating Expenses	(142,888)	(397,846)	(760,169)	(1,207,841)
<b>Gross profit/loss</b>	<b>(182,299)</b>	<b>622,745</b>	<b>(897,484)</b>	<b>577,829</b>
Depreciation	—	(1,266,009)	(107,119)	(3,749,073)
Foreign exchange (gain)	(1,939)	(17)	(798)	(9,963)
Amortization - intangible	(72,487)	—	(154,016)	—
IFRS 16 Right-of-Use Interest/Depreciation	(71,740)	(137,117)	(349,595)	(414,239)
Reversal (Impairment) of equipment and digital currency	—	(422,341)	—	2,906,833
Gain (Loss) from disposal from miners	(304,913)	—	(144,133)	—
Share based compensation	(45,280)	—	(45,280)	—
<b>Net income (loss) before income taxes</b>	<b>(678,658)</b>	<b>(1,202,739)</b>	<b>(1,698,425)</b>	<b>(688,613)</b>
Income taxes	—	—	—	—
<b>Net income (loss) and comprehensive income (loss)</b>	<b>(678,658)</b>	<b>(1,202,739)</b>	<b>(1,698,425)</b>	<b>(688,613)</b>
<b>Adjusted EBITDA</b>	<b>(182,299)</b>	<b>622,745</b>	<b>(897,484)</b>	<b>577,829</b>
<b>(Loss) earnings per share, basic and diluted</b>	<b>(0.003)</b>	<b>(0.006)</b>	<b>(0.008)</b>	<b>(0.003)</b>
<b>Weighted average shares, basic and diluted</b>	<b>210,156,016</b>	<b>208,752,800</b>	<b>210,156,016</b>	<b>208,752,800</b>
<b>Bitcoin mined*</b>	<b>2</b>	<b>474</b>	<b>50</b>	<b>990</b>
<b>Average Bitcoin price when exchanged (sold) during the period</b>	<b>9,627</b>	<b>6,684</b>	<b>8,152</b>	<b>5,120</b>

\* The Company has continued its transition from a self-mining, Bitcoin only, company to a one-stop shop for cryptocurrency mining customers and the inherent risks and exposure associated with self-mining Bitcoin only have been significantly reduced. Future growth will be driven through mining Bitcoin and other cryptocurrencies in addition to offering high quality GPU and ASIC miners, logistics and shipping and hosting solutions for customers worldwide at low power rate data centres in China, Canada and other data centres around the world through our soon-to-be launched GPU and ASIC Mining Hardware & Hosting Package ecommerce platform.

## Financial and Operational Results

\$'000	For the Three Months Ended Sept 30, 2020	For the Three Months Ended Sept 30, 2019	For the Nine Months Ended Sept 30, 2020	For the Three Months Ended Sept 30, 2019
<b>Revenue</b>	25	3,209	412	8,519
<b>Other Income</b>	9	-	47	-
<b>Cost of sales</b>	(74)	(2,189)	(596)	(6,733)
<b>Other Operating expenses</b>	(143)	(398)	(760)	(1,208)
<b>Operating profit</b>	(182)	623	(897)	578

<b>Depreciation of equipment</b>	-	(1,266)	(107)	(3,749)
<b>Foreign exchange</b>	(2)	(0)	(1)	(10)
<b>Amortization - intangible</b>	(72)	-	(154)	-
<b>Reversal (Impairment)</b>	-	(422)	-	2,907
<b>IFRS 16 ROU Adjustment</b>	(72)	(137)	(350)	(414)
<b>Gain (Loss) from disposal of miners</b>	(305)	-	(144)	-
<b>Share based compensation</b>	(45)	-	(45)	-
<b>Net income (loss) before taxes</b>	(679)	(1,203)	(1,698)	(689)

The Company recorded a net loss before taxes of \$678,658 during the three months ended September 30, 2020 and net loss before taxes of \$1,202,739 during the three months ended September 30, 2019.

The Company's revenue from operations was \$25,113 during the three months ended September 30, 2020 and \$3,209,122 during the three months ended September 30, 2019. As stated above, the Company has been transitioning from a self-mining, Bitcoin only, company to a one-stop shop for cryptocurrency mining customers and the inherent risks and exposure associated with self-mining Bitcoin only have been significantly reduced. Future growth will be driven through mining Bitcoin and other cryptocurrencies in addition to offering high quality GPU and ASIC miners, logistics and shipping and hosting solutions for customers worldwide at low power rate data centres in China, Canada and other data centres around the world.

The Company's direct cost of revenue was \$73,074 during the three months ended September 30, 2020 and \$2,339,066 during the three months ended September 30, 2019. Depreciation of equipment \$0 during the three months ended September 30, 2020 and \$1,266,009 during the three months ended September 30, 2019. Direct cost of revenue consisted of operating and maintenance costs.

The Company's operating expenses during the three months ended September 30, 2020 totaled \$142,888, compared to \$397,846 during the three months ended September 30, 2019. Operating expenses were comprised of:

\$	For the Three Months Ended Sept 30, 2020	For the Three months ended Sept 30, 2019	For the Nine Months Ended Sept 30, 2020	For the Nine Months Ended Sept 30, 2019
Interest and bank charges	1,202	2,578	4,647	6,765
Stock based compensation	—	—	—	—
Management fees, salaries and wages	41,248	175,541	328,601	518,272
Office and administration	33,225	140,309	231,422	315,799
Professional fees	67,213	79,418	195,499	367,005
Total	142,888	397,846	760,169	1,207,841

The Company's total assets at September 30, 2020 were \$11,443,255 (December 31, 2019: \$12,262,569). These are comprised of:

\$	Sep 30, 2020	Dec 31, 2019
Cash	21,871	114,881
Deposits and prepaid expenses	18,686	198,647
Asset held for sale	7,600,054	3,390,260
Digital currencies	4,976	4,535
Property and equipment	202,968	4,617,297
Intangible assets	2,786,125	1,501,876
Right-of-use assets	740,568	2,070,439
Deposits	68,007	364,634
total	11,443,255	12,262,569

Material Current Liabilities and Payable to Related Party:

\$	Sep 30, 2020	Dec 31, 2019
Trade payable and accrued liabilities	1,148,160	1,309,995
Lease obligations	1,191,860	2,475,157
Payable to related party	3,564,560	2,897,217

## Outstanding Share Data

As of the date of this MD&A the Company has the following securities issued and outstanding: (i) 213,793,300 common shares; (ii) 10,000,000 common share purchase warrants; and (iii) 14,975,280 options to purchase common shares issued.

## Summary of Quarterly Results

	<b>3 months ended Sept 30, 2020</b>	<b>3 months ended June 30, 2020</b>	<b>3 months ended March 31, 2020</b>	<b>3 months ended December 31, 2019</b>
Total revenue	\$25,113	\$168,591	\$218,550	\$1,493,484
Total profit (loss) for the period	\$(678,658)	\$(520,140)	\$(499,627)	\$(1,446,971)
Profit (loss) for the period per share – basic	\$(0.003)	\$(0.002)	\$(0.002)	\$(0.006)
Profit (loss) for the period per share – diluted	\$(0.003)	\$(0.002)	\$(0.002)	\$(0.006)

	<b>3 months ended September 30, 2019</b>	<b>3 months ended June 30, 2019</b>	<b>3 months ended March 31, 2019</b>	<b>3 months ended December 31, 2018</b>
Total revenue	\$3,209,122	\$3,376,458	\$1,933,115	\$1,992,171
Total profit (loss) for the period	\$(1,202,739)	\$2,565,319	\$(2,051,193)	\$(16,744,815)
Profit (loss) for the period per share – basic	\$(0.006)	\$0.0120	\$(0.010)	\$(0.081)
Profit (loss) for the period per share – diluted	\$(0.006)	\$0.0120	\$(0.010)	\$(0.081)

## Segmented information

The Company operates in two distinct geographical segments namely, United States and Canada. The disclosures with regards to the Company's aforementioned locations for the nine month period ending September 30, 2020 are listed below:

<b>Period Ended: September 30, 2020</b>	<b>USA</b>	<b>Canada</b>	<b>Head Office</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Income from mining of digital currency</b>				
Income from mining of digital currency	395,295	16,959	—	412,254
Operating and maintenance cost	(572,414)	(17,035)	—	(589,449)
Depreciation - right-to-use assets	(171,473)	(37,505)	—	(208,978)
Depreciation - property and equipment	(107,119)	—	—	(107,119)
Amortization - intangible	(154,016)	—	—	(154,016)
<b>Net mining loss</b>	<b>(609,727)</b>	<b>(37,581)</b>	<b>—</b>	<b>(647,308)</b>
<b>Operating expenses</b>				
Interest and bank charges	4,647	—	—	4,647
Interest expense - lease obligation	109,203	31,414	—	140,617
Management fees, salaries and wages	124,868	—	203,733	328,601
Office and administration	—	—	231,422	231,422
Professional fees	66,470	—	129,029	195,499
Realized loss on digital currency	6,492	278	—	6,770
Loss from disposal from miners	138,204	5,929	—	144,133
Power charges to customer	(10,443)	—	—	(10,443)
Rent income	(36,207)	—	—	(36,207)
Shared based compensation	—	—	45,280	45,280
Foreign exchange (gain) / loss	—	—	798	798
	403,234	37,621	610,262	1,051,117
<b>Net loss before other items</b>	<b>(1,012,961)</b>	<b>(75,202)</b>	<b>(610,262)</b>	<b>(1,698,425)</b>
Income taxes expense	—	—	—	—
<b>Net loss</b>	<b>(1,012,961)</b>	<b>(75,202)</b>	<b>(610,262)</b>	<b>(1,698,425)</b>
<b>Total assets</b>	<b>10,601,394</b>	<b>517,068</b>	<b>324,793</b>	<b>11,443,255</b>
<b>Total liabilities</b>	<b>4,983,869</b>	<b>755,502</b>	<b>165,209</b>	<b>5,904,580</b>

Compared to September 30, 2019 where the Company operated in three distinct geographical segments namely, United States, Canada, and Iceland below: below:

<b>Period Ended: September 30, 2019</b>	<b>USA \$</b>	<b>Canada \$</b>	<b>Iceland \$</b>	<b>Head Office \$</b>	<b>Total \$</b>
<b>Income from mining of digital currency</b>					
Income from mining of digital currency	7,328,216	618,610	571,869	—	8,518,695
Operating and maintenance cost	(5,782,027)	(488,089)	(451,210)	—	(6,721,326)
Depreciation - right-to-use assets	(247,631)	—	—	—	(247,631)
Reversal (Impairment) of equipment and digital currency	—	—	—	2,906,833	2,906,833
Depreciation	(3,193,969)	(134,407)	(420,697)	—	(3,749,073)
<b>Net mining income / (loss)</b>	<b>(1,895,411)</b>	<b>(3,886)</b>	<b>(300,038)</b>	<b>2,906,833</b>	<b>707,498</b>
<b>Operating expenses</b>					
Interest and bank charges	6,765	—	—	—	6,765
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
	505,162	11,215	62,531	817,203	1,396,111
<b>Net income / (loss) before other items</b>	<b>(2,400,573)</b>	<b>(15,101)</b>	<b>(362,569)</b>	<b>2,089,630</b>	<b>(688,613)</b>
Income taxes expense	—	—	—	—	—
<b>Net income (loss)</b>	<b>(2,400,573)</b>	<b>(15,101)</b>	<b>(362,569)</b>	<b>2,089,630</b>	<b>(688,613)</b>
<b>Total assets</b>	<b>10,126,579</b>	<b>760,010</b>	<b>1,107,060</b>	<b>130,590</b>	<b>12,124,239</b>
<b>Total liabilities</b>	<b>6,133,957</b>	<b>—</b>	<b>105,776</b>	<b>176,567</b>	<b>6,416,300</b>

## Liquidity and Capital Resources

<b>\$'000</b>	<b>For the Nine Months Ended Sept 30, 2020</b>	<b>For the Nine Months Ended Sept 30, 2019</b>
Cash provided by/(used in) operating activities	(569)	(547)
Cash used in investing activities	(62)	(92)
Cash provided by financing activities	538	638

As at September 30, 2020, the Company had current liabilities of \$1,430,336 (December 31, 2019 – \$1,531,180). As at September 30, 2020, the Company had working capital of \$6,215,251 (December 31, 2019 – working capital of \$2,177,143).

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 factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. 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. Accordingly, there are material risks and uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

## **Off-balance sheet arrangements**

The Company does not have any off-balance sheet arrangements from the date of its incorporation to the date of this MD&A.

## **Related party transactions**

During the period ended September 30, 2020, any additional expenses were paid on the Company's behalf by A.C.N. 117 402 838 PTY LTD ("A.C.N."), which is a related party by virtue of its shareholdings in the Company and common control.

The balance of \$3,564,560 (December 31, 2019 - \$2,897,217) payable to related party as at September 30, 2020 represents the amount advanced under a line of credit provided by A.C.N. 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 September 22, 2018, interest is waived and interest may be waived at any point at the sole discretion of A.C.N. Adrenaline has waived the interest charge on the line of credit for the period. During the period, the Company has obtained additional loan of \$604,370 and repaid \$24,305. During the period, A.C.N. has paid certain expenses on behalf of the Company amounting to \$87,279.

On April 20, 2020, the Company announced that it had signed a power supply agreement (the "PSA") with an Alberta-based private energy company (the "Alberta Partner") effective April 17, 2020 securing up to 30 megawatts (MW) at among the lowest electricity rates in North America.

Under the terms of the PSA, the Alberta Partner has agreed to commence supplying electrical power to the Company following an initial upfront payment, which will be allocated towards a prepayment of initial power costs and the costs of commissioning the required infrastructure and equipment for the Company's cryptocurrency mining and data operations. The PSA has a term of five (5) years, unless otherwise terminated or renewed in accordance with the terms of the PSA. The Alberta Partner has agreed to continue negotiating exclusively with the Company in respect of further power supply agreements for up to 120 MW at sites in Alberta for the Company's use. The Alberta Partner has also granted to the Company a right of first refusal for the purchase of the Alberta Partner's power generation business or any portion thereof.

On September 18, 2020, A.C.N., the Company's largest shareholder, transferred an aggregate of 32,500,000 CryptoStar shares to the Alberta Partner and an arm's length advisor upon the entry into a Power Supply Agreement for at least 20 MW of power. The transfer of shares is a non-dilutive event for the Company's other shareholders.

The Company anticipated commencing operations in Alberta in Q2, 2020 however this has been delayed by restrictions relating to the outbreak of the COVID-19 pandemic (see COVID-19 note below).

The Company is currently evaluating the most optimal financing structure to best take advantage of one of the lowest cost operating environments in the crypto mining industry.

## Financial instruments and other instruments

The Company's financial instruments, consisting of cash, amounts receivable and current liabilities. Management has disclosed the impact of credit, liquidity, foreign currency, and digital currency risk in the interim consolidated financial statements.

## Key management remuneration

Management fees, salaries and wages comprise amounts paid to Key management personnel, including officers and directors, of A.C.N. 117 402 838 PTY LTD for services provided.

The remuneration of key management personnel paid by A.C.N. 117 402 838 PTY LTD on the Company's behalf during the quarter was as follows:

### Key Management remuneration

	For the nine month period	
	2020	2019
	\$	\$
Management fees, salaries and wages to key management personnel	65,434	209,622
Total	65,434	209,622

## Business Risks and Uncertainties

There are a number of risk factors that could impact the Company's ability to successfully execute its key strategies and may materially affect future events, performance or results. The risks and uncertainties described herein are not the only ones the Company faces. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, could have a material adverse effect on the Company. If any of the following or other risks occurs, the Company's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks. Risk factors relating to the Company include, but are not limited to, the factors set out below.

### *Credit risk*

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, restricted cash and amounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

The Company's maximum exposure to credit risk at the end of any period is equal to the carrying amount of these financial assets as recorded in the consolidated statement of financial position. As at March 31, 2020, no amounts were held as collateral.

### *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 currently settles its financial obligations out of cash. The ability to do this relies on the Company scaling to become profitable or raising additional equity in excess of anticipated cash needs. The Company's cash is held in corporate bank accounts available on demand.

### *Market Risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and price risk. These are discussed further below.

#### *Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk relating to its loans payable and accounts payable. The interest rate on the loans payable is fixed, and the accounts payable are not subject to any interest. A 10% change in the interest rate would not a result in a material impact on the Company's operations.

#### *Foreign currency risk*

As at September 30, 2020, portions of the Company's financial assets are held in USD and CAD. The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in Canadian dollars. The Company does not currently use foreign exchange contracts to hedge its exposure of its foreign currency cash flows as management has determined that this risk is not significant at this point in time. The following amounts are presented in USD to demonstrate the effect of changes in foreign exchange rates:

	<b>September 30, 2020</b>
	<b>\$</b>
Cash	<u>21,871</u>
Effect of +/- 10% change in exchange rate	<u><b>1,684</b></u>

### *Digital currency and risk management*

Digital currencies are measured using level one fair values, determined by taking the rate from [www.bitcoincharts.com](http://www.bitcoincharts.com). Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is directly related to the current and future market price of coins; in addition, the Company may not be able liquidate its inventory of digital currency at its desired price if required. A decline in the market prices for coins could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its coin sales.

### *Price Risk*

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to any significant price risks with respect to its financial instruments.

### *Market Risk for Securities*

The Company is a reporting issuer whose common shares are listed for trading on a stock exchange. There can be no assurance that an active trading market for the Company's common shares will be sustained in the future. The market price for the Company's common shares could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the Company's securities. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

### *Global Economic Risk*

Economic slowdown and downturn of global capital markets would make raising of capital through equity or debt financing more difficult. The Company will be dependent upon capital markets to raise additional financing in the future. The Company is subject to liquidity risks in meeting developmental and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized resulting in an adverse impact on the Company's operations and the price of the Company's common shares.

### *Share Price Volatility Risk*

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies, particularly cryptocurrency companies, like the Company, have experienced wide fluctuations that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that these price fluctuations and volatility will not continue to occur.

### **COVID-19**

The recent outbreak of COVID-19 has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the pandemic continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the pandemic may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. The effect that these events will have on the price of Bitcoin, the ability for the Company to raise capital, the ability for the Company to obtain additional power permits and the supply of upgraded equipment are highly uncertain and as such, the Company is unable to determine the corresponding financial impact at this time.

### **Capital management**

The Company's objectives when managing its capital are:

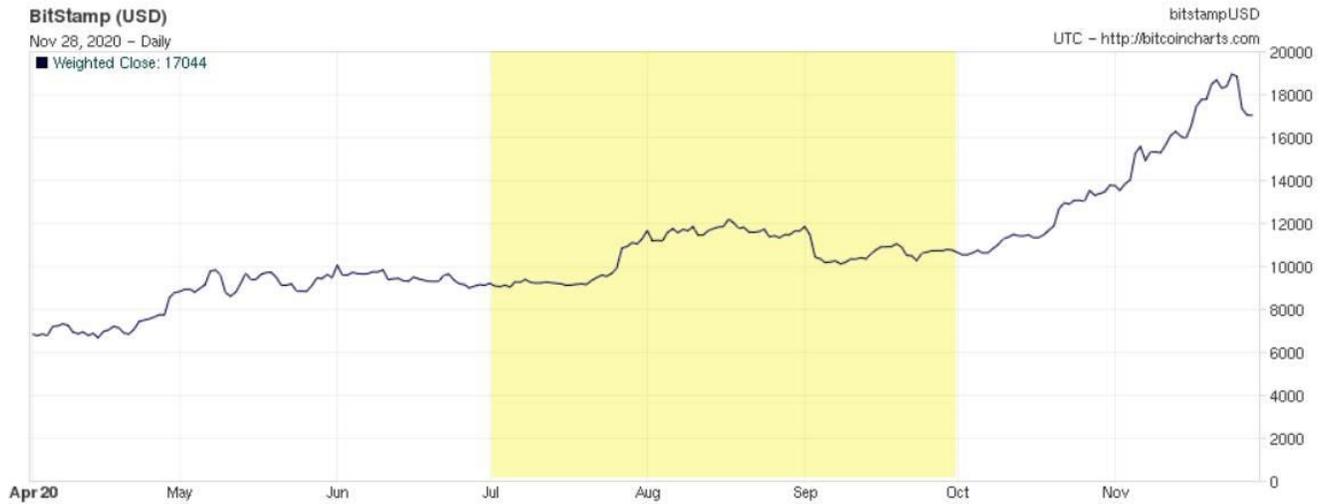
1. to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk while providing an appropriate return to its shareholders;
2. to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;
3. to safeguard the Company's ability to obtain financing should the need arise; and
4. to maintain financial flexibility in order to have access to capital in the event of future capital acquisitions.

The Company manages its capital structure and makes adjustments to it in accordance with the objectives stated above, as well as responds to changes in economic conditions and the risk characteristics of the underlying assets. The Company monitors the return on capital, which is defined as total shareholders' equity. The Company is not subject to externally imposed capital requirements.

## Current Market Conditions

The weighted price of Bitcoin price increased over the Q3, 2020 quarter with a price range of \$9,207.73 (July 1, 2020) - \$10,743.64 (September 30, 2020).

(Source <https://bitcoincharts.com/charts/bitstampUSD>).



\*The Company holds no liability for any inaccurate data.

The weighted price of Bitcoin increased above the \$10,743.64 (September 30, 2020) to a weighted price of \$17,022.64 on November 27, 2020.

The Company is currently evaluating the most optimal financing structure to best take advantage of one of the lowest cost operating environments in the crypto mining industry.

Bitcoin difficulty increased over the three month period ended September 30, 2020 and has increased and pulled back since Q3.

(Source <https://www.blockchain.com/charts/difficulty>).



\*The Company holds no liability for any inaccurate data.

### **Critical accounting policies and estimates**

The Company has prepared the accompanying interim consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”). Significant accounting policies and estimates are described in Notes 3 and 4, respectively, of the Company’s consolidated financial statements as at and for the quarters ended September 30, 2020 and 2019.

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements

and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Significant accounting estimates and judgment include the following:

*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.

*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.

*Cost and impairment of digital currencies*

Digital currencies are recorded on the statement of financial position at cost, equal to their fair value on the date received. 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 spot price of the coin on the date of evaluation, based on the hourly volume weighted average from the daily weighted close price for the digital currency on <https://bitcoincharts.com>.

### *Impairment of computing equipment and leasehold improvements*

The Company evaluates each asset or cash generating unit every reporting period to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use. 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 fair value and value in use 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.

### *Depreciation*

Depreciation of computing equipment requires an estimate of its expected useful life. In order to determine the useful life of computing equipment, assumptions are required about a range of computing industry market and economic factors, including required hashrates, technological changes, availability of hardware and other inputs, and production costs.

### *Deferred taxes*

The determination of the Company's tax expense for the period and deferred tax assets and liabilities involves significant estimation and judgment by management. In determining these amounts, management interprets tax legislation in a variety of jurisdictions and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities, the deferral and deductibility of certain items and interpretation of the treatment for tax purposes of digital currencies by taxation authorities. Management may also make estimates of future earnings, which affect the extent to which potential future tax benefits may be used. The Company is subject to assessments by various taxation authorities, which may interpret legislation differently. These differences may affect the final amount or the timing of the payment of taxes.

### *Intangible assets*

Intangible assets with finite useful lives are measured at cost and are amortized on a straight-line basis over their estimated useful lives. Intangible assets have useful lives of 10 years. The estimated useful lives and amortization methods are reviewed annually with the effect of any changes in estimate being accounted for on a prospective basis. The amortization commenced on

January 1, 2020, which is the effective date of the rental agreement between Tier 1 Solutions Inc. and the Company. Refer to Note 9 of the Company's consolidated financial statements as at and for the quarters ended September 30, 2020 and 2019.

The Company provides for such differences where known based on management's best estimate of the probable outcome of these matters.

*Standards, interpretations and amendments to published standards adopted with an effect on the consolidated financial statements including future changes in accounting policies including initial adoption*

#### 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.

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 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.

## **Forward-looking statements**

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors.

Some of the important factors, but certainly not all, that could cause actual results to differ materially from those indicated by such forward-looking statements are:

- i. that the information is of a preliminary nature and may be subject to further adjustment,
- ii. the possible unavailability of financing,
- iii. start-up risks,
- iv. general operating risks,
- v. dependence on third parties,
- vi. changes in government regulation,
- vii. the effects of competition,
- viii. dependence on senior management,
- ix. impact of global economic conditions,
- x. fluctuations in currency exchange rates and interest rates, and
- xi. fluctuations in cryptocurrency prices.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).