

**CRYPTOSTAR CORP.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**  
**(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 interim 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.  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE PERIOD ENDED  
SEPTEMBER 30, 2020**

**Consolidated Financial Statements (Unaudited)**

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

	Note	September 30, 2020 \$	December 31, 2019 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	4	21,871	114,881
Deposits and prepaid expenses	5	18,686	198,647
Assets held for sale	7	7,600,054	3,390,260
Digital currencies	6	4,976	4,535
		7,645,587	3,708,323
Property and equipment	8	202,968	4,617,297
Intangible assets	9	2,786,125	1,501,876
Right-of-use assets	10	740,568	2,070,439
Deposits	5	68,007	364,634
		11,443,255	12,262,569
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade payable and accrued liabilities		1,148,160	1,309,995
Lease obligations	10	282,176	221,185
		1,430,336	1,531,180
Lease obligations	10	909,684	2,253,972
Payable to related party	11	3,564,560	2,897,217
		5,904,580	6,682,369
<b>STOCKHOLDERS' EQUITY</b>			
Share capital	12	21,578,661	21,453,727
Shareholder contribution		2,844,777	1,406,512
Contribution surplus	12	45,280	—
Warrant and option reserve	12	4,523,805	4,475,384
Deficit		(23,453,848)	(21,755,423)
		5,538,675	5,580,200
		11,443,255	12,262,569
Nature of operations	1		
Going concern	1		
Segmented information	16		
Subsequent events	17		
<i>Approved on behalf of the Board of Directors on November 30, 2020</i>			
<i>/s/David Jellins</i>		<i>/s/Amelia Jones</i>	
<hr/>		<hr/>	
<i>Director</i>		<i>Director</i>	

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

	Note	For the Nine Months ended September 30, 2020 \$	For the Nine Months ended September 30, 2019 \$	For the Three Months ended September 30, 2020 \$	For the three Months ended September 30, 2019 \$
<b>Revenue</b>					
Digital assets mined	6	412,254	8,518,695	25,113	3,209,122
<b>Cost of revenue</b>					
Site operating costs		(589,449)	(6,721,326)	(73,074)	(2,339,066)
Reversal (Impairment) of equipment and digital currency		—	2,906,833	—	(422,341)
Depreciation - right-of-use assets	10	(208,978)	(247,631)	(45,027)	(82,544)
Depreciation - property and equipment	8	(107,119)	(3,749,073)	—	(1,266,009)
Amortization - intangible	9	(154,016)	—	(72,487)	—
<b>Gross (loss) / profit</b>		(647,308)	707,498	(165,475)	(900,838)
Realized loss on digital currency	6	(6,770)	(11,699)	(450)	150,535
<b>Net mining (loss) / profit</b>		(654,078)	695,799	(165,925)	(750,303)
<b>OPERATING EXPENSES</b>					
Interest and bank charges		4,647	6,765	1,202	2,578
Management fees, salaries and wages	11	328,601	518,272	41,248	175,541
Office and administration		231,422	315,799	33,225	140,309
Professional fees		195,499	367,005	67,213	79,418
Interest expense - right-of-use assets	10	140,617	166,608	26,713	54,573
<b>Total operating expenses</b>		900,786	1,374,449	169,601	452,419
<b>Net loss before other items</b>		(1,554,864)	(678,650)	(335,526)	(1,202,722)
Foreign exchange gain / (loss)		(798)	(9,963)	(1,939)	(17)
Loss from disposal from miners		(144,133)	—	(304,913)	—
Share based compensation		(45,280)	—	(45,280)	—
Power charge to customer		10,443	—	—	—
Rent income		36,207	—	9,000	—
<b>Net loss before income taxes</b>		(1,698,425)	(688,613)	(678,658)	(1,202,739)
Income taxes		—	—	—	—
<b>Net loss and comprehensive loss for the period</b>		(1,698,425)	(688,613)	(678,658)	(1,202,739)
<b>Loss per share, basic and diluted</b>					
		(0.008)	(0.003)	(0.003)	(0.006)
<b>Weighted average shares, basic and diluted</b>					
		210,156,016	208,752,800	210,156,016	208,752,800

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

**CRYPTOSTAR CORP.**  
**Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)**  
(Expressed in US dollars)

See Note 2	Share Capital		Shareholder Contribution	Contribution Surplus	Warrant and Option Reserve	Deficit	Total
	Shares	Amount					
		\$	\$	\$	\$	\$	\$
<b>As at December 31, 2018</b>	208,752,800	21,453,727	—	—	4,475,384	(19,438,847)	6,490,264
Transition adjustment - IFRS 16 (note 10)	—	—	—	—	—	(93,712)	(93,712)
Net profit for the period	—	—	—	—	—	(688,613)	(688,613)
<b>As at September 30, 2019</b>	208,752,800	21,453,727	—	—	4,475,384	(20,221,172)	5,707,939
<b>As at December 31, 2019</b>	208,752,800	21,453,727	1,406,512	—	4,475,384	(21,755,423)	5,580,200
Shareholder contribution (Note 9)	—	—	1,438,265	—	—	—	1,438,265
Private placement	5,000,000	140,586	—	—	44,011	—	184,597
Issuance cost - cash	—	(11,242)	—	—	—	—	(11,242)
Issuance cost - non-cash	—	(5,606)	—	—	—	—	(5,606)
Shares issued for professional services	40,500	1,196	—	—	4,410	—	5,606
Share based compensation	—	—	—	45,280	—	—	45,280
Net loss for the period	—	—	—	—	—	(1,698,425)	(1,698,425)
<b>As at September 30, 2020</b>	213,793,300	21,578,661	2,844,777	45,280	4,523,805	(23,453,848)	5,538,675

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

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

	For the Nine Months ended September 30, 2020 \$	For the Nine Months ended September 30, 2019 \$
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	(1,698,425)	(688,613)
<b>Adjusted for:</b>		
Depreciation - property and equipment	107,119	3,749,073
Amortization - intangible	154,016	—
Revaluation / (Impairment) of digital assets	(14)	(345)
Impairment of mining equipment	—	(2,907,178)
Income from mining of digital currency	(412,254)	(8,518,695)
Proceeds from sale of digital currency	405,057	8,497,070
Realized loss on digital currency	6,770	11,699
Interest expense on right-of-use asset	—	166,608
Gain from disposal from miners	(277,427)	—
Loss from sales of disposal of fixed asset	436,897	—
Depreciation - right-of-use- asset	208,978	247,631
Interest expense on right-of-use asset	140,617	(166,608)
Share based compensation	45,280	—
<b>Changes in non-cash working capital items:</b>		
Accounts payable and accrued liabilities	(161,835)	(261,229)
Deposits and prepaid expenses	476,588	(400,294)
<b>Cash used by operating activities</b>	<b>(568,633)</b>	<b>(270,881)</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds on disposal of miners	277,427	—
Purchases of property and equipment	(339,481)	(91,580)
<b>Cash used in investing activities</b>	<b>(62,054)</b>	<b>(91,580)</b>
<b>FINANCING ACTIVITIES</b>		
Advances received from related party	691,648	617,095
Repayment of advances to related party	(24,305)	—
Net proceed from share issuance & warrants	173,355	—
Payment for finance liabilities	(303,021)	(57,438)
<b>Cash provided by financing activities</b>	<b>537,677</b>	<b>559,657</b>
<b>Net change in cash during the period</b>	<b>(93,010)</b>	<b>197,196</b>
Cash, beginning of the period	114,881	76,202
<b>Cash, end of the period</b>	<b>21,871</b>	<b>273,398</b>
<i>Supplemental cash flow information:</i>		
<i>Interest paid</i>	140,617	166,608
<i>Income tax paid</i>	—	—
<b>Non cash transaction</b>		
Donated intangible assets (Note 9)	1,438,265	—

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, 2020 and 2019**  
(Expressed in US dollars)

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**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 period ended September 30, 2020 the Company incurred a net loss of \$1,698,425 (September 30, 2019 – net loss \$688,613). 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. During Q1, Q2 and Q3 2020, 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 has an accumulated deficit of \$23,453,848. The Company has a working capital as of September 30, 2020 of \$6,215,251. The Company has historically 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 Condensed Interim Consolidated Financial Statements (Unaudited)**  
**September 30, 2020 and 2019**  
(Expressed in US dollars)

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**1. NATURE OF OPERATIONS (continued)**

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. See also Note 15.

The Bitcoin halving event, which occurs approximately every four years, was a major event for the Bitcoin mining industry this year. This halving event occurred on May 11, 2020 resulting in the reduction of all Bitcoin miners' reward per block being reduced by 50% from 12.5 BTC to 6.25 BTC per block (excluding additional transaction fee income for each block).

The Bitcoin halving event has significantly reduced the Bitcoin mining rewards earned by the Company.

Without a corresponding increase in the price of Bitcoin, the Company's revenue will be negatively impacted. If the price of Bitcoin and the network hashrate and difficulty numbers remain flat, the Company's corresponding revenue would be reduced by 50%.

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

**2 BASIS OF PRESENTATION**

**Statement of compliance**

The notes presented in our condensed interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in our annual audited 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, 2019 and 2018.

Our condensed interim consolidated financial statements for the period ended September 30, 2020 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, 2019. 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 consolidated financial statements of the Company as at and for the period ended September 30, 2020 and 2019 comprise the Company and its wholly owned subsidiaries CHI and CryptoStar USA.

The Board of Directors approved these condensed interim consolidated financial statements for the nine-months period ended September 30, 2020 on November 30, 2020.

**CRYPTOSTAR CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**  
**September 30, 2020 and 2019**  
(Expressed in US dollars)

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**2. BACKGROUND AND BASIS OF PRESENTATION** (continued)

**Basis of measurement**

These consolidated financial statements have been prepared on the historical cost basis except for the following items that were measured at fair value:

- Certain financial instruments, which are measured at fair value.
- 
- Certain property plant and equipment which are classify as held for sale, which are measured at fair value.

**Functional and presentation currency**

These condensed 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.

**3. CHANGES IN ACCOUNTING STANDARDS**

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

**Adoption of New Accounting Pronouncements Effective Jan 1, 2020**

IFRS 3 – Definition of a Business. On October 22, 2018, the IASB issued amendments to IFRS 3 Business Combinations, that seek to clarify whether a transaction results in an asset acquisition or a business combination. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The definition of a business is narrower which could result in fewer business combinations being recognized. This amendment has not yet been adopted and is being evaluated to determine its impact on the Company.

**4. CASH**

Cash balance as at September 30, 2020 consists of cash held in the Company's bank account.

**CRYPTOSTAR CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**  
**September 30, 2020 and 2019**  
(Expressed in US dollars)

**5. DEPOSITS AND PREPAID EXPENSES**

	2020	2019
	\$	\$
Current:		
Deposits made for mining equipment	17,992	198,647
Subscription receivable	694	—
	18,686	198,647
Long-term: Deposits made for mining equipment	68,007	364,634
	<b>86,693</b>	<b>563,281</b>

**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, 2020		December 31, 2019	
	Bitcoin	\$	Bitcoin	\$
Opening balance	1	4,535	—	—
Mined additions	50	412,254	1,472	9,927,179
Bitcoin sold	(50)	(405,057)	(1,471)	(9,861,733)
Repaid to related party	—	—	—	—
Realized loss on digital currency	—	(6,770)	—	(61,583)
Revaluation of digital currency	—	14	—	672
<b>Ending balance</b>	<b>1</b>	<b>4,976</b>	<b>1</b>	<b>4,535</b>

The fair value of digital currencies at September 30, 2020 is \$4,976 (December 31, 2019 - \$4,535).

During the period ended September 30, 2020, the Company disposed 50 bitcoins for \$405,057 (December 31, 2019: \$9,861,733) in cash and realized a loss of \$6,770 (December 31, 2019: \$61,583)

**7. ASSETS AND LIABILITIES HELD FOR SALE**

The Company classified certain assets, primarily leasehold buildings, that it intends to dispose of in the next 12 months, as assets held for sale. The Company has made the strategic operations decision to move substantial operations from USA to Canada. The two buildings in the State of Utah, USA have moved to assets held for sale. The assets were previously used in the USA segment as explained in Note 16. Subsequent, after classification of the asset for sale, the asset are measured at the lower of the carrying amount and the fair value less cost of sell. This result in impairment charges of \$365,936 in 2019. The Company has discontinued the operations in Iceland and previous operations in Canada. Refer Note 16. Refer to Note 10 for the description of assets and liabilities related to the assets held for sale.

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

**8. PROPERTY AND EQUIPMENT**

	Mining equipment	Other property and equipment	Total
	\$	\$	\$
<b>Cost</b>			
Balance, December 31, 2018	22,401,028	11,798,727	34,199,755
Additions	558,991	91,580	650,571
Net transfer to assets held for sale	—	(5,496,873)	(5,496,873)
Balance, December 31, 2019	22,960,019	6,393,434	29,353,453
Additions	138,159	201,322	339,481
Disposal	(436,897)	—	(436,897)
Net transfer to assets held for sale	(117,049)	(6,391,789)	(6,508,838)
<b>Balance, September 30, 2020</b>	<b>22,544,232</b>	<b>202,967</b>	<b>22,747,199</b>
<b>Accumulated depreciation</b>			
Balance, December 31, 2018	17,771,596	7,634,176	25,405,772
Depreciation	4,665,516	2,530,837	7,196,353
Net transfer to assets held for sale	—	(1,740,677)	(1,740,677)
Reversal of impairment	—	(6,125,292)	(6,125,292)
Balance, December 31, 2019	22,437,112	2,299,044	24,736,156
Depreciation	107,119	—	107,119
Net transfer to assets held for sale	—	(2,299,044)	(2,299,044)
<b>Balance, September 30, 2020</b>	<b>22,544,231</b>	<b>—</b>	<b>22,544,231</b>
<b>Net book value</b>			
<b>As at September 30, 2020</b>	<b>1</b>	<b>202,967</b>	<b>202,968</b>
As at December 31, 2019	522,907	4,094,390	4,617,297

Other property and equipment includes work in progress of \$201,322 as at September 30, 2020.

**CRYPTOSTAR CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**  
**September 30, 2020 and 2019**  
(Expressed in US dollars)

**9. INTANGIBLE ASSETS**

	\$
<b>Cost</b>	
As at January 1, 2019	—
Addition	1,501,876
As at January 1, 2020	1,501,876
Addition	1,438,265
<b>As at September 30, 2020</b>	<b>2,940,141</b>
<b>Accumulated amortization</b>	
As at January 1, 2019	—
Amortization	—
As at January 1, 2020	—
Amortization	154,016
<b>As at September 30, 2020</b>	<b>154,016</b>
<b>Net book value as at September 30, 2020</b>	<b>2,786,125</b>
Net book value as at December 31, 2019	1,501,876

On November 26, 2019, the Company entered into a tri-party agreement with A.C.N. 117 402 838 PTY LTD (“A.C.N.”), the majority shareholder of the Company which is controlled by the management of CryptoStar, and Tier 1 Solutions Inc. (Tier 1). According to this agreement, the Company would pursue a series of transactions with Tier 1, consisting of a combination of rental agreements, options to purchase and a service agreement. The Company planned to move its existing operation from Iceland and USA to Canada (Newfoundland and Labrador). The Company will receive the benefit of the lower cost of utilities in Newfoundland and Labrador and aims to become the lowest-cost miner in North America.

The Company agreed to pay CAD\$ 75,000 upon execution of the agreement and CAD\$ 50,000 (totalling US\$ 95,364) within 30 days from the date of the execution of the agreement. At year end 2019, the Company has paid CAD\$75,000 to Tier 1. The Company paid CAD\$ 50,000 to Tier 1 within 30 days from the date of the execution of the agreement.

Subsequent to this agreement, the Company entered into a rental agreement with Tier 1 at one location in Newfoundland and Labrador and a service agreement with Tier 1.

On December 16, 2019 A.C.N. transferred 20,312,500 CryptoStar common shares to Tier 1 and 8,125,000 shares to Twilight Capital Inc. (Twilight) for consulting services on behalf of the Company, to be released in four equal tranches over a period of 12 months. The fair value of the shares is \$1,406,512 (CAD\$1,848,437) which is recorded in the consolidated financial statements as intangible asset and a donation made in kind and recorded as a shareholder contribution in equity.

**CRYPTOSTAR CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**  
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**9. INTANGIBLE ASSETS (continued)**

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.

On April 17, 2020, the Company entered into an agreement with an Alberta-based private energy company (the "Alberta Partner"). According to this agreement, the Company agrees to purchase power from the Alberta Partner. The Company will receive the benefit of the lower cost of utilities in Alberta, Canada and aims to become the lowest-cost miner in North America.

On June 18, 2020 A.C.N. transferred 20,312,500 common shares to Alberta Partner, to be released in four equal tranches over a period of 12 months. On June 16, 2020 A.C.N. transferred 12,187,500 shares to Twilight for consulting services, to be released in four equal tranches over a period of 12 months. The fair value of the shares is \$1,438,265 (CAD\$1,950,000) which is recorded in the consolidated financial statements as intangible asset and a donation made in kind and recorded as a shareholder contribution in equity.

**10. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS**

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
	<b>\$</b>	<b>\$</b>
<b>Cost</b>		
Balance, beginning of period	2,383,609	2,498,573
Lease modification	(1,621,238)	—
Lease additions - Note 9	500,345	(114,964)
<b>Balance, end of period</b>	<b>1,262,716</b>	<b>2,383,609</b>
<b>Accumulated Depreciation</b>		
Balance, beginning of period	313,170	—
Depreciation	208,978	313,170
<b>Balance, end of period</b>	<b>522,148</b>	<b>313,170</b>
<b>Net book value, end of period / (year)</b>	<b>740,568</b>	<b>2,070,439</b>

Out of the total net book value as at September 30, 2020, \$277,729 pertained to assets held for sale. This related to the leasehold buildings located in the State of Utah, USA. (refer Note 7)

**CRYPTOSTAR CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**  
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**10. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS (continued)**

<b>Lease Liability</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
	<b>\$</b>	<b>\$</b>
<b>As at January 1, 2020</b>	2,475,157	2,679,565
Addition - Note 9	500,345	(128,138)
Interest accretion	140,617	219,220
Lease modification	(1,621,238)	—
Lease payments	(303,021)	(295,490)
<b>Total</b>	<b>1,191,860</b>	<b>2,475,157</b>
Current lease liability	282,176	221,185
Non - current lease liability	909,684	2,253,972

Out of the total lease obligation as September 30, 2020, \$711,852 pertained to assets held for sale. This related to the leasehold buildings located in the State of Utah, USA. (refer Note 7)

When measuring lease liabilities, the Corporation discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied was in the range of 8 % to 9%. There is no change in discount rate.

The following table presents the contractual undiscounted cash flows for lease obligations as at September 30, 2020:

	<b>\$</b>
Less than one year	374,395
One to two years	436,993
Two to three years	198,261
Three to four year	74,318
More than four years	415,103
	<b>1,499,070</b>

**11. RELATED PARTY TRANSACTIONS AND BALANCES**

**Payable to related party**

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. 117 402 838 PTY LTD 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 A.C.N. 117 402 838 PTY LTD. A.C.N. 117 402 838 PTY LTD 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. 117 402 838 PTY LTD has paid certain expenses on behalf of the Company amounting to \$87,279.

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**11. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**Payable to related party (continued)**

Included in accounts payable was \$37,446 payable to the directors for the director fees for the period ended September 30, 2020 (December 31, 2019 - \$23,640).

During the year 2019, the Company has made the changes in coins exchange process. The coins are mined first to the exchange account that is controlled by A.C.N. 117 402 838 PTY LTD and transferred to the Australian USD bank account that is also controlled by A.C.N. 117 402 838 PTY LTD. Afterward, the funds are transferred to the Company's USD bank account in Canada.

**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 period was as follows:

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

**12. SHARE CAPITAL**

Authorized  
Unlimited common shares without par value

Issued and outstanding

The Company has issued total 5,040,500 common shares during the period ended September 30, 2020. The total outstanding number of shares as at December 31, 2019, was 208,752,800.

On July 16, 2020, The Company has issued 5,000,000 units at a price of CAD \$0.05 per unit. Each unit consists of one common share and one half of a common share purchase warrants. Each warrant entitles to acquire one common share at a price of CAD \$0.075 per common share for a period of twelve months from the date of issue.

The agents received cash fee equal to CAD \$15,225 against the above private placement. In addition, the agents also received 40,500 common shares which were valued at market price of CAD \$0.040 and 250,500 common shares purchase warrants at an exercise price of CAD \$0.075 any time until 12 month anniversary of the issuance of warrants.

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**12. SHARE CAPITAL (continued)**

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
Wednesday, 26 September 2018	16,750,000	1,000,000	Released
Tuesday, 26 March 2019	33,000,000	2,000,000	Released
Thursday, 26 September 2019	49,250,000	3,000,000	Released
Thursday, 26 March 2020	65,000,000	4,000,000	Released
<b>Total</b>	<b>164,000,000</b>	<b>10,000,000</b>	

As of September 30, 2020, there were 164,000,000 common shares and 10,000,000 warrants released from escrow.

**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 September 30, 2020, the Company has stock options outstanding to directors and officers to acquire an aggregate of 16,175,280 common shares summarized as follows. The options have a weighted average remaining life of 8.11 years and weighted average exercise price of \$0.13. As at September 30, 2020, all stock options are exercisable.

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**12. SHARE CAPITAL (continued)**

	<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Balance, December 31, 2017	450,560		
Granted on September 26, 2018	2,600,000	\$0.50	26-Sep-28
Granted on December 20, 2018	11,800,000	\$0.05	20-Dec-28
Balance, December 31, 2018	14,850,560		
Expired on May 19, 2019	(125,280)	\$0.50	19-May-19
Granted on July 18, 2019	250,000	\$0.14	18-Jul-24
Balance, December 31, 2019	14,975,280		
Granted on Aug 14, 2020	1,200,000	\$0.05	14-Aug-30
<b>Balance, September 30, 2020</b>	<b>16,175,280</b>		

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. Out of 450,560 options, 125,280 options were expired on May 19, 2019 and 325,280 options were outstanding as at March 31, 2020.

On July 18, 2019, the Company granted an aggregate of 250,000 stock options to directors and officers of the Company. These options have an exercise price of \$0.135 and an expiry date of July 18, 2024. All of the options vested immediately.

On August 14, 2020, the Company granted an aggregate of 1,200,000 incentive stock options to directors of the Company. These options have an exercise price of CAD \$0.05 and expiry date of August 14, 2030. All of the options vested immediately. Share-based compensation of \$45,280 (CAD \$59,997) was recorded related to these options.

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**12. SHARE CAPITAL (continued)**

The following table summarizes the stock options exercisable as at September 30, 2020:

Exercise price CAD\$	Number of Outstanding and Exercisable Options	Expiry Date	Remaining Contractual Life (years)
0.5	325,280	19-May-22	1.63
0.5	2,600,000	26-Sep-28	7.99
0.05	11,800,000	20-Dec-28	8.23
0.135	250,000	18-Jul-24	3.80
0.05	1,200,000	14-Aug-30	9.88
0.13	16,175,280		8.11

The fair value of options granted during the nine months period ended September 30, 2020 were calculated using the Black-Scholes option pricing model with the following assumptions:

- Share price on grant date – CAD \$ 0.05
- Exercise price – CAD \$ 0.05
- Risk-free interest rate – 0.50%
- Forfeiture rate – 0%
- Expected dividend yield – 0%
- Expected option life (years) – 10
- Expected stock price volatility – 254%

**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 0.26 years and weighted average exercise price of \$0.10. Of the 13,204,700 warrants, 10,000,000 warrants were issued to related parties. However, of the above warrants, 3,204,700 warrants expired on January 4, 2020

During the period ended September 30, 2020, the Company issued a total of 2,500,000 warrants in connection to the private placement on July 16, 2020. The warrants have a remaining life of 0.79 years and exercise price of \$0.075.

The Company issued a total of 210,500 finder warrants in connection with share issuance cost to the private placement on July 16, 2020. The warrants have a remaining life of 0.79 years and exercise price of \$0.075.

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**12. SHARE CAPITAL (continued)**

The following table summarizes the warrants exercisable as at September 30, 2020:

Exercise price CAD\$	Number of Outstanding and Exercisable Warrants	Expiry Date	Remaining Contractual Life (years)
0.10	10,000,000	14-Jan-21	0.26
0.08	2,500,000	16-Jul-21	0.79
0.08	40,500	16-Jul-21	0.79
0.08	210,000	16-Jul-21	0.79
0.18	12,750,500		0.15

The fair value of warrants granted during the nine months period ended September 30, 2020 were calculated using the Black-Scholes option pricing model with the following assumptions:

- Share price on grant date – CAD \$ 0.04
- Exercise price – CAD \$ 0.08
- Risk-free interest rate – 0.23%
- Forfeiture rate – 0%
- Expected dividend yield – 0%
- Expected option life (years) – 1
- Expected stock price volatility – 206.12%
- 

**Warrants - Issued and outstanding**

	Number #	Amount \$
Balance as at December 31, 2018	13,204,700	3,847,797
Addition	—	—
Expired	—	—
<b>Balance as at December 31, 2019</b>	<b>13,204,700</b>	<b>3,847,797</b>
Balance as at December 31, 2019	13,204,700	3,847,797
Addition	2,750,500	48,421
Expired	(3,204,700)	—
<b>Balance as at September 30, 2020</b>	<b>12,750,500</b>	<b>3,896,218</b>

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**13. 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.

*As at September 30, 2020, the contractual maturities of financial liabilities are as follows:*

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>3 to 4 years</b>	<b>4+ years</b>
Trade payable and accrued liabilities	1,148,160	1,148,160	1,148,160	—	—	—	—
Lease obligations	1,191,860	1,499,070	374,395	436,993	198,261	74,318	415,103
Payable to related parties	3,564,560	3,564,560	—	3,564,560	—	—	—
	<b>5,904,580</b>	<b>6,211,790</b>	<b>1,522,555</b>	<b>4,001,553</b>	<b>198,261</b>	<b>74,318</b>	<b>415,103</b>

*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.

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**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

*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 payables and payables to related party approximate their carrying values due to the short-term nature of these instruments.

Financial hierarchy:

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy is summarized as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly from observable market data; and

Level 3: Inputs that are not based on observable market data.

The Company's financial instruments have been classified as follows:

<b>December 31, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Fair value through profit and loss				
Cash	114,881	—	—	114,881
Digital currencies	—	4,535	—	4,535
Assets held for sale	—	—	3,390,260	3,390,260
<b>September 30, 2020</b>				
Fair value through profit and loss				
Cash	21,871	—	—	21,871
Digital currencies	—	4,976	—	4,976
Assets held for sale	—	—	7,600,054	7,600,054

Digital assets are measured using level two fair values, determined by taking the rate from [bitcoincharts.com](http://bitcoincharts.com).

For assets held for sale, valuation techniques used are a combination of independent 3<sup>rd</sup> party valuations and observable market data.

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**14. 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 September 30, 2020 would be \$2,656.

**15. 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, shareholder contribution, warrants, options, reserve and deficit.

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, 2020.

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**16. SEGMENTED INFORMATION**

The Company has two reportable segments related to the two countries in which it now operates, namely, United States and Canada. The disclosures with regards to the Company's aforementioned locations 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 charge 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>

A disposal group qualifies as discontinued operations if it is a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of the profit and loss. The Company's statement of operations are not segregated into continuing and discontinuing operations as the Management believes that substantial portion of business is planned to be discontinued.

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**16. SEGMENTED INFORMATION (continued)**

In Q4 2019, approximately 8% of the Company's oldest and superseded mining equipment hosted in a 3rd party data centre in Canada was decommissioned and subsequently sold. On December 31, 2019, hosting contracts ended with a 3rd party hosting provider in Iceland and operations in Iceland were discontinued resulting in a lower overall cost of power. In Q4, a strategic decision was made to list one of the Company's two data centres in Utah, USA for sale with Colliers International. The data centre in the USA is classified as held for sale as explained in Note 7. The sale is expected to be completed within a year from the reporting date. In Q1 2020, another data centre in Utah, USA has been classified as assets held for sale.

The Company's statement of operations have not been presented and segregated into continuing and discontinuing operations as the Management believes that substantial portion of business is planned to be discontinued as explained above. The Company expects to consolidate different locations and move the assets to Alberta and Newfoundland and Labrador.

<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>

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**17. SUBSEQUENT EVENTS**

On September 10, 2020, the Company has issued 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 October 7, 2020, the Company announced that it has closed the private placement announced on September 10, 2020. A.C.N. purchased 1,061,735 Units under the private placement.

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.