



**CRYPTOSTAR CORP.**

**Annual General Meeting  
to be held on January 11, 2022**

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

**December 8, 2021**

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

**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting (the “**Meeting**”) of the holders (“**Shareholders**”) of common shares (“**Common Shares**”) of CryptoStar Corp. (the “**Company**”) will be held virtually via live audio webcast available online using <https://virtual-meetings.tsxtrust.com/1253> (Meeting ID: 1253 and Password: crypto2022) at 10:00 a.m. (Toronto time) on January 11, 2022 for the following purposes:

1. to receive the audited annual financial statements of the Company, together with the auditor’s report thereon, for the year ended December 31, 2020;
2. to consider and, if deemed advisable, to pass an ordinary resolution electing the directors of the Company for the ensuing year;
3. to appoint Kingston Ross Pasnak LLP, Chartered Professional Accountants, as the auditors of the Company for the ensuing year and to authorize the directors of the Company to fix their remuneration; and
4. to transact such other business as may properly be brought before the Meeting or any adjournment(s) or postponement(s) thereof.

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

This year, in response to the ongoing public health impact of COVID-19 and to mitigate risks to the health and safety of the Company’s communities, Shareholders, employees and other stakeholders, the Company will hold the Meeting in a virtual only format which will be conducted via live audio webcast available online using <https://virtual-meetings.tsxtrust.com/1253> (Meeting ID: 1253 and Password: crypto2022). At this website, Shareholders will be able to participate in the Meeting, submit questions and vote while the Meeting is being held. The Company hopes that hosting a virtual meeting helps enable greater participation by Shareholders during a time when physical gatherings are restricted and may currently pose health risks.

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

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

Registered shareholders may attend the Meeting virtually or may be represented by proxy. If you are a registered shareholder and are unable to attend the Meeting virtually, please exercise your right to vote by

dating, signing and returning the accompanying form of Proxy to TSX Trust Company, the transfer agent of the Company. To be valid, completed Proxy forms must be dated, completed, signed and deposited with the Company's transfer agent, TSX Trust Company: (i) by mail using the enclosed return envelope or by hand delivery to TSX Trust Company, 100 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 4H1, Attention: Proxy Department or (ii) by facsimile to 416-595-9593. You may also vote through the internet and if you do vote through the internet, you may also appoint another person to be your proxyholder. Please go to [www.voteproxyonline.com](http://www.voteproxyonline.com) and follow the instructions. Your Proxy or voting instructions must be received in each case no later than 10:00 a.m. (Toronto time) on January 7, 2022 or two (2) business days preceding the date of any adjournment or postponement of the Meeting. If you are unable to attend the Meeting, we encourage you to complete the enclosed form of Proxy as soon as possible. If a Shareholder received more than one form of Proxy because such holder owns Common Shares registered in different names or addresses, each form of Proxy should be completed and returned. The Chair of the Meeting shall have the discretion to waive or extend the Proxy deadline without notice.

Only Shareholders of record at the close of business on December 10, 2021 (the "**Record Date**") will be entitled to vote at the Meeting, and, except as otherwise determined from time to time by directors of the Company, no Shareholders becoming such after the Record Date will be entitled to receive notice of and vote at the Meeting or any adjournment thereof or to be treated as a Shareholder of record for purposes of such other action.

Electronic copies of this Notice, the Information Circular, and the form of Proxy may be found on the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

**DATED** at Toronto, Ontario, this 8<sup>th</sup> day of December 2021.

**BY ORDER OF THE BOARD OF DIRECTORS**

**David Jellins**

*President, Chief Executive Officer & Director*

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

## **INFORMATION CIRCULAR**

### **SOLICITATION OF PROXIES**

**This information circular (“Information Circular”) is furnished in connection with the solicitation of proxies by the management of CryptoStar Corp. (the “Company”) for use at the Annual General Meeting (the “Meeting”) of its shareholders to be held on January 11, 2022 at the time and place and for the purposes set forth in the accompanying notice of the Meeting.**

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

The Meeting will be held virtually via live audio webcast available online using <https://virtual-meetings.tsxtrust.com/1253> (Meeting ID: 1253 and Password: crypto2022) at 10:00 a.m. (Toronto time) on January 11, 2022 and at any adjournments or postponements thereof for the purposes set forth in the Notice of Annual and Special Meeting of Shareholders (the “**Notice of Meeting**”) accompanying this Information Circular. Information contained herein is given as of December 8, 2021 unless otherwise specifically stated.

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

### **GENERAL PROXY INFORMATION**

#### **Solicitation of Proxies**

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

#### **Appointment of Proxyholders**

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

## Voting by Proxyholder

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

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

## Exercise of Discretion by Proxies

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

## Registered Shareholders

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

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

In each of the above cases Registered Shareholders must ensure the Proxy is received no later than 10:00 a.m. (Toronto time) on January 7, 2022 or two (2) business days preceding the date of any adjournment or postponement of the Meeting. Failure to complete or deposit a Proxy properly may result in its invalidation. The time limit for the deposit of Proxies may be waived by the Chair of the Meeting at the Chair's discretion without notice. **Please note that in order to vote your Common Shares virtually at the Meeting, you must attend the Meeting and register with the Scrutineer before the Meeting. If you have already submitted a Proxy, but choose to change your method of voting and attend the Meeting to vote, then you should register with the Scrutineer before the Meeting and inform the Scrutineer that your previously submitted Proxy is revoked and that you personally will vote your Common Shares at the Meeting.**

## Beneficial Shareholders

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

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

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

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

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

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

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

## **Notice to Shareholders in the United States**

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

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

## **Revocation of Proxies**

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

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

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

## **CURRENCY PRESENTATION**

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

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

## **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

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

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

## **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

The board of directors (the “**Board**”) of the Company has fixed December 10, 2021 as the record date (“**Record Date**”) for determination of persons entitled to receive notice of and to vote at the Meeting. Only Shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a Proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Common Shares voted at the Meeting.

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

The Company is authorized to issue an unlimited number of Common Shares. As at December 8, 2021 there are 425,077,804 Common Shares issued and outstanding, each without par value and each carrying the right to one vote. No group of shareholders has the right to elect a specified number of directors, nor are there cumulative or similar voting rights attached to the Common Shares.

To the knowledge of the directors and executive officers of the Company, there are no persons or corporations who beneficially owns, or controls or directs, directly or indirectly, Common Shares carrying more than 10% of the voting rights attached to all outstanding Common Shares of the Company as at the Record Date, other than A.C.N. 117 402 838 PTY LTD (formerly, Adrenaline Pty Ltd, and referred to herein as “**ACN**”). ACN is a proprietary company under the *Corporations Act 2001* (Cth) (Australia). David Jellins, the President, Chief Executive Officer and Director of the Company and Amelia Jones, the Chief Commercial Officer and Director of the Company, each own a 50% interest in ACN. As at December 8, 2021 ACN owned beneficially 102,624,235 Common Shares representing approximately 24.1% of the issued and outstanding Common Shares.

## **ELECTION OF DIRECTORS**

The Board presently consists of four (4) directors. The Board proposes that the number of directors to be elected to the Board be fixed at four (4). At the Meeting, the Shareholders will be asked to approve a special resolution to fix the number of directors at four (4). The Board is currently comprised of David Jellins, Amelia Jones, Warren Lorenz and Aly Madhavji.

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

The following table sets out the names of management’s four nominees for election as director, all major offices and positions with the Company and any of its significant affiliates each now holds, each nominee’s principal occupation, business or employment for the last five years, the period of time during which each has been a director of the Company and the number of Common Shares of the Company beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at December 8, 2021.

<b>Name, Current Position with the Company and Province and Country of Residence</b>	<b>Period as a Director of the Company</b>	<b>Principal Occupation for the Previous Five Years<sup>(1)</sup></b>	<b>Common Shares Beneficially Owned Directly or Indirectly<sup>(1)</sup></b>
<b>David Jellins</b> <i>President, Chief Executive Officer &amp; Director</i> Sydney, Australia	September 26, 2018	Prior to acting as President, Chief Executive Officer and a director of the Company, Mr. Jellins acted as a director and Chief Executive Officer of ACN.	102,624,235 <sup>(3)(4)</sup>
<b>Amelia Jones<sup>(2)</sup></b> <i>Chief Commercial Officer and Director</i> Sydney, Australia	September 26, 2018	Prior to acting as Chief Commercial Officer and a director of the Company, Ms. Jones acted as a director of ACN.	102,624,235 <sup>(3)(5)</sup>
<b>Warren Lorenz<sup>(2)</sup></b> <i>Director</i> New York, United States	August 14, 2020	Mr. Lorenz is the managing principal at TechMeetsTrader and a venture partner at Blockchain Founders Fund and was previously the managing director of Trading Operations at Amplify Exchange.	2,800,000 <sup>(6)</sup>
<b>Aly Madhavji<sup>(2)</sup></b> <i>Director</i> Toronto, Canada	August 14, 2020	Mr. Madhavji is the managing partner at Blockchain Founders and consults leading organizations on emerging technologies. He is also a limited partner at Loyal LC and a senior blockchain fellow at INSEAD.	500,000 <sup>(7)</sup>

**Notes:**

- (1) The information as to principal occupation and Common Shares beneficially owned or controlled is not within the knowledge of management of the Company and has been furnished by the respective nominees, or obtained from information available on SEDI.
- (2) Member of the Audit Committee. Mr. Madhavji is the Chair of the Audit Committee.
- (3) Mr. Jellins and Ms. Jones each hold a 50% interest in ACN, which holds 102,624,235 Common Shares and 52,219,235 common share purchase warrants (“**Warrants**”).
- (4) Mr. Jellins holds 120,000 options to purchase Common Shares (“**Options**”) and holds 120,000 Options indirectly through his spouse, Ms. Jones.
- (5) Ms. Jones holds 120,000 Options and holds 120,000 Options indirectly through her spouse, Mr. Jellins.
- (6) Mr. Lorenz holds 2,800,000 Options.
- (7) Mr. Madhavji holds 5,000,000 Options.

**Biographies of Director Nominees**

*David Jellins, President, Chief Executive Officer and Director*

Mr. Jellins is a founder, President, Chief Executive Officer and a director of the Company. Mr. Jellins is also currently a director and Chief Executive Officer of ACN. Mr. Jellins has a history of other successful ventures including, STREAMX, a streaming media services business divested in 2004 and FASTmail Internet Services, an Australian Internet Service Provider divested in 2000. He holds a Bachelor of Engineering degree in Computer Systems Engineering from the University of Technology Sydney, Australia.

*Amelia Jones, Chief Commercial Officer and Director*

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

*Warren Lorenz, Director*

Mr. Lorenz is a founder and managing principal at TechMeetsTrader, a private company providing consulting services to blockchain and fintech companies and specializing in early-stage ventures. In addition, Mr. Lorenz serves as a venture partner at Blockchain Founders Fund, a digital asset hedge fund. Previously, Mr. Lorenz was the managing director at Trading Operations at Amplify Exchange, the world's first zero trading fee cryptocurrency trading platform. Mr. Lorenz holds a Bachelor of Arts in Finance from the University of San Diego.

*Aly Madhavji, Director*

Mr. Madhavji is the managing partner at Blockchain Founders Fund. He regularly consults leading organizations, such as the United Nations, on fintech and blockchain solutions to help alleviate poverty, support business ecosystems and financial inclusion. Mr. Madhavji is a limited partner at Loyal VC, a global venture fund with over 200 investments across 45+ countries. He is a senior blockchain fellow at INSEAD, an award-winning author, and was recognized as a "Blockchain 100" Global Leader by Lattice80. Previously, Mr. Madhavji was an advisor to a series of blockchain and fintech companies such as Polymath, ZED Network and Agryo. He holds a Master of Business Administration from INSEAD, a Masters of Global Affairs from Tsinghua University and a Bachelor of Commerce from the University of Toronto. Mr. Madhavji is a certified chartered accountant (CA), a certified management accountant (CMA), a chartered professional accountant (CPA) and a chartered investment management (CIM).

**Penalties, Sanctions and Cease Trade Orders**

The Company was issued a cease trade order on May 6, 2019 by the Ontario Securities Commission for failure to file its financial statements, management's discussion and analysis and related officer certifications for the financial year ended December 31, 2018 (collectively, the "Annual Filings") as prescribed by applicable securities laws. The reason for the default was due to timing and documentation constraints related to the accounting and auditing of digital currencies based on information provided by a specialist to the auditors on the Company's internal controls and systems related to the operations of the Company. David Jellins and Amelia Jones were directors of the Company on May 6, 2019. After filing the Annual Filings, the Ontario Securities Commission revoked its cease trade order on May 14, 2019.

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

- was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or

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

No proposed director of the Company has been subject to:

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

## **CORPORATE GOVERNANCE**

### **General**

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

Corporate governance refers to the policies and structure of the board of directors of a company, whose members are elected by and are accountable to the company’s shareholders. Corporate governance encourages establishing a reasonable degree of independence of the board of directors from executive management and the adoption of policies to ensure the board of directors recognizes the principles of good management. The Board is committed to sound corporate governance practices as such practices are both in the interests of shareholders and help to contribute to effective and efficient decision-making.

### **Board of Directors**

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

The Board facilitates its independent supervision over management of the Company through meetings of the Board, and through frequent informal discussions among independent members of the Board. In addition, the Board has access to the Company’s external auditors, legal counsel, and to any of the Company’s officers. Warren Lorenz and Aly Madhavji are considered independent of the Company.

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

### **Directorships**

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

<b>Name of Director</b>	<b>Name of Reporting Issuer</b>	<b>Exchange</b>
Aly Madhavji	Soluna Holdings, Inc.	NASDAQ

### **Orientation and Continuing Education**

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

### **Ethical Business Conduct**

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

### **Nomination of Directors**

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

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

### **Compensation**

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

### **Other Board Committees**

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

## Assessments

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

### STATEMENT OF EXECUTIVE COMPENSATION

The following information is provided as required under *Statement of Executive Compensation – Venture Issuer*, Form 51-102F6V (the “**F6V**”), as such form is defined in National Instrument 51-102 *Continuous Disclosure Obligations* (“**NI 51-102**”) and relates to the Company’s year financial year ended December 31, 2020.

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

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

In this section “Named Executive Officer” (“**NEO**”) means any individual who, during the Company’s most recently completed financial year ended December 31, 2020 was:

- (a) the chief executive officer (“**CEO**”) (or an individual who acted in a similar capacity);
- (b) the chief financial officer (“**CFO**”) (or an individual who acted in a similar capacity);
- (c) the most highly compensated executive officer of the Company or any of its subsidiaries other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total salary and bonus was more than \$150,000); and
- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer nor a director of the Company or any of its subsidiaries, nor acting in a similar capacity, at the end of the Company’s fiscal year ended December 31, 2020.

### Director and Named Executive Officer Compensation

Upon completion of the Qualifying Transaction on September 26, 2018, David Jellins, Amelia Jones, Adam Kline, James Merkur and Brendan Cahill became the directors of the Company. David Jellins was appointed as President and Chief Executive Officer, Amelia Jones was appointed as Chief Commercial Officer, Jing Peng was appointed as Chief Financial Officer and Corey Dozhier was appointed as Chief Operating Officer.

On August 14, 2020, Adam Kline, James Merkur and Brendan Cahill resigned as directors of the Company and Warren Lorenz and Aly Madhavji were appointed as directors of the Company.

Jing Peng served as Chief Financial Officer until September 29, 2020. Mason Darabi was appointed as Chief Financial Officer on September 29, 2020 and served to December 9, 2020. Jing Peng was reappointed as Chief Financial Officer on December 9, 2020 and served to May 3, 2021. Sean Harris was appointed as Chief Financial Officer on May 3, 2021.

Corey Dozhier served as Chief Operating Officer until June 4, 2021.

The NEOs of the Company for the year ended December 31, 2020 are David Jellins, President and Chief Executive Officer, Corey Dozhier, former Chief Operating Officer, Jing Peng and Masan Darabi, each as a former Chief Financial Officer.

### Director and NEO compensation, excluding compensation securities

The following table sets forth all annual and long term compensation for services paid to or earned by each of the NEOs and directors during the Company's years ended December 31, 2020 and December 31, 2019:

Table of compensation excluding compensation securities							
Name and position	Year	Salary, consulting fee, retainer or commission (US\$)	Bonus (US\$)	Committee or meeting fees (US\$)	Value of perquisites (US\$)	Value of all other compensation (US\$)	Total Compensation (US\$)
David Jellins, President, CEO and Director <sup>(1)</sup>	2020	US\$37,339	Nil	Nil	Nil	Nil	US\$37,339 <sup>(2)</sup>
	2019	US\$164,163	Nil	Nil	Nil	Nil	US\$164,163 <sup>(2)</sup>
Jing Peng, Former CFO <sup>(3)</sup>	2020	US\$23,601	Nil	Nil	Nil	Nil	US\$23,601
	2019	US\$34,046	Nil	Nil	Nil	Nil	US\$34,046
Mason Darabi, Former CFO <sup>(4)</sup>	2020	US\$2,004	Nil	Nil	Nil	Nil	US\$2,004
Amelia Jones, Chief Commercial Officer and Director <sup>(5)</sup>	2020	US\$7,260	Nil	Nil	Nil	Nil	US\$7,260 <sup>(6)</sup>
	2019	US\$31,920	Nil	Nil	Nil	Nil	US\$31,920 <sup>(6)</sup>
Corey Dozhier, Former Chief Operating Officer <sup>(7)</sup>	2020	US\$127,487	Nil	Nil	US\$27,089	Nil	US\$154,576
	2019	US\$152,155	Nil	Nil	US\$26,044	Nil	US\$178,199
Warren Lorenz, Director <sup>(8)</sup>	2020	Nil	Nil	Nil	Nil	Nil	Nil
Aly Madhavji, Director <sup>(8)</sup>	2020	Nil	Nil	Nil	Nil	Nil	Nil
Adam Kline, Former Director <sup>(9)</sup>	2020	Nil	Nil	US\$14,517	Nil	Nil	US\$14,517
	2019	Nil	Nil	US\$27,358	Nil	Nil	US\$27,358
James Merkur, Former Director <sup>(9)</sup>	2020	Nil	Nil	US\$17,357	Nil	Nil	US\$17,357
	2019	Nil	Nil	US\$37,058	Nil	Nil	US\$37,058
Brendan Cahill, Former Director <sup>(9)</sup>	2020	Nil	Nil	US\$17,297	Nil	Nil	US\$17,297
	2019	Nil	Nil	US\$27,232	Nil	Nil	US\$27,232

Notes:

- (1) Appointed as President, CEO and Director on September 26, 2018.
- (2) All of Mr. Jellins' compensation was received solely in his capacity as President and CEO. Mr. Jellins did not receive compensation for his position as a director.
- (3) Appointed as CFO on September 26, 2018 to September 29, 2020 (replaced by Mason Darabi) and appointed again on December 9, 2020 to May 3, 2021 (replaced by Sean Harris).
- (4) Appointed as CFO on September 29, 2020.
- (5) Appointed as CCO and Director on September 26, 2018.
- (6) All of Ms. Jones' compensation was received solely in her capacity as CCO. Ms. Jones did not receive compensation for her position as a director.
- (7) Appointed as COO on September 26, 2018 and resigned on June 4, 2021.
- (8) Appointed as a director on August 14, 2020.
- (9) Appointed as a director on September 26, 2018 and resigned on August 14, 2020.

### External Management Companies

Mason Darabi acted as Chief Financial Officer from September 29, 2020 to December 9, 2020. During his tenure, Mr. Darabi was not an employee of the Company. Mr. Darabi provided services as Chief Financial

Officer to the Company under a consulting agreement between the Company and Tandem Innovation Group Inc.

Jing Peng acted as Chief Financial Officer from September 26, 2018 to September 29, 2020 and from December 9, 2020 to May 3, 2021. During his tenure, Mr. Peng was not an employee of the Company. Mr. Peng provided services as Chief Financial Officer to the Company under a consulting agreement between the Company and Marrelli Support Services Inc.

### Compensation Securities Granted to NEOs and Directors

During the Company's year ended December 31, 2020, the following Stock Options were granted to the NEOs and directors.

Compensation Securities						
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant	Issue, conversion or exercise price (CAD\$)	Closing price of security or underlying security at year end (CAD\$)	Expiry date
David Jellins, President, CEO and Director <sup>(1)</sup>	N/A	N/A	N/A	N/A	N/A	N/A
Jing Peng, Former CFO	N/A	N/A	N/A	N/A	N/A	N/A
Mason Darabi, Former CFO	N/A	N/A	N/A	N/A	N/A	N/A
Amelia Jones, Chief Commercial Officer and Director	N/A	N/A	N/A	N/A	N/A	N/A
Corey Dozhier, Former Chief Operating Officer	N/A	N/A	N/A	N/A	N/A	N/A
Warren Lorenz, Director	Stock Options	600,000 2.9% <sup>(1)(2)</sup>	Aug 14, 2020	\$0.05	\$0.12	Aug 14, 2030
Aly Madhavji, Director	Stock Options	600,000 2.9% <sup>(2)(3)</sup>	Aug 14, 2020	\$0.05	\$0.12	Aug 14, 2030
Adam Kline, Former Director	N/A	N/A	N/A	N/A	N/A	N/A
James Merkur, Former Director	N/A	N/A	N/A	N/A	N/A	N/A

Brendan Cahill, Former Director	N/A	N/A	N/A	N/A	N/A	N/A
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**Notes:**

- (1) Mr. Lorenz was granted 600,000 Stock Options on August 14, 2020, all of which vested immediately upon grant. As of December 31, 2020, Mr. Lorenz held 600,000 Stock Options.
- (2) Percentile of the total issued and outstanding Stock Options as at December 31, 2020.
- (3) Mr. Madhavji was granted 600,000 Stock Options on August 14, 2020, all of which vested immediately upon grant. As of December 31, 2020, Mr. Lorenz held 600,000 Stock Options.

**Exercise of Compensation Securities by NEOs and Directors**

During the financial year ended December 31, 2020, none of the NEOs or directors of the Company exercised any stock options.

**Stock option plans and other incentive plans**

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

**Stock options and other compensation securities**

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

***Stock Option Plan***

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

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

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

The Stock Option Plan is administered by the Board. Participation is limited to directors, full and part-time officers, full and part-time employees and consultants providing services to the Company. The exercise price of any Stock Option cannot be less than the discounted market price of the Common Shares at the time the Stock Option is granted. Market price is deemed to be the closing price as reported on the principal stock exchange or over-the-counter market on which the Common Shares are listed or quoted, on the last trading day immediately preceding the day upon which the Stock Option is granted. The exercise period cannot exceed ten years. Stock Options will terminate on the date of expiration specified, 90 days after a participant ceases to be eligible (or 30 days if the recipient is involved in investor relations activities), or one (1) year after the date of death.

The maximum number of Common Shares reserved for issuance: (i) to any individual shall not exceed five per cent (5%) of the issued and outstanding Common Shares, (ii) to any director or officer shall not exceed ten percent (10%) of the issued and outstanding Common Shares, and (iii) to any technical consultant shall not exceed two percent (2%) of the issued and outstanding Common Shares, in each case subject to adjustment of such number pursuant to the provisions contained in the Stock Option Plan related to share capital readjustments.

### **Employment, consulting and management agreements**

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

#### ***Corey Dozhier***

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

On June 4, 2021, Mr. Dozhier resigned from the Company.

#### ***Jing Peng***

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

#### ***Mason Darabi***

Mr. Darabi's services to the Company were provided pursuant to a consulting agreement dated October 2, 2020 between the Company and Tandem Innovation Group Inc. ("**Tandem**"). Pursuant to the consulting agreement, the Company agreed to pay Tandem at an agreed hourly rate. The consulting agreement was for an initial three month term.

### **Oversight and description of director and named executive officer compensation**

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

The Board is responsible for all matters relating to the compensation of the directors and NEOs of the Company with respect to: (i) general compensation goals and guidelines and the criteria by which bonuses and stock compensation awards are determined; (ii) amendments to any equity compensation plans adopted

by the Board and changes in the number of shares reserved for issuance thereunder; and (iii) other plans that are proposed for adoption or adopted by the Company for the provision of compensation.

The general objectives of the Company's compensation strategy are to: (a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long term shareholder value; (b) align management's interests with the long term interests of shareholders; (c) provide a compensation package that is commensurate with other companies to enable the Company to attract and retain talent; and (d) ensure that the total compensation package is designed in a manner that takes into account the constraints that the Company is under by virtue of the fact that it is a start-up company without a history of earnings.

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

### **Pension disclosure**

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

### **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN**

The following table sets out equity compensation plan information as at December 31, 2020. The following information relates to the Stock Option Plan and the issued and outstanding Stock Options to acquire Common Shares then outstanding and the Stock Option Plan.

#### **Equity Compensation Plan Information**

<b>Plan Category</b>	<b>Number of Common Shares to be issued upon exercise of outstanding Stock Options</b>  (a)	<b>Weighted-average exercise price of outstanding stock options</b>  (b)	<b>Number of Common Shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>  (c)
<b>Equity compensation plans approved by securityholders</b>	20,850,000	CAD\$0.1071	20,900,560
<b>Equity compensation plans not approved by securityholders</b>	N/A	N/A	N/A
<b>Total</b>	<b>20,850,000</b>	<b>CAD\$0.1071</b>	<b>20,900,560</b>

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

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

### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

To the knowledge of management of the Company, other than as disclosed in this Information Circular, no informed person or nominee for election as a director of the Company or any associate or affiliate of any

informed person or proposed director had any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

#### **ACN Note**

Prior to the Qualifying Transaction, ACN provided advances to a predecessor entity of CryptoStar, Blockmines LLC ("**Blockmines**") through a Line of Credit Promissory Note (the "**ACN Note**"), bearing interest at 12% per annum and secured by all of the assets of Blockmines. In connection with the Qualifying Transaction, the ACN Note became an obligation of the Company. As at December 31, 2020, a balance of US\$3,568,623 remains outstanding pursuant to the ACN Note. All outstanding principal and unpaid interest thereon is due and payable on December 22, 2022.

### **APPOINTMENT OF AUDITOR**

Manning Elliot LLP, Chartered Professional Accountants ("**Manning Elliott**"), located at 17<sup>th</sup> floor, 1030 West Georgia Street, Vancouver, British Columbia, Canada V6E 2Y3, resigned as auditor of the Company effective October 28, 2021. Manning Elliot had been appointed the auditor of the Company on March 21, 2019.

At the Meeting, Kingston Ross Pasnak LLP, Chartered Professional Accountants ("**Kingston Ross Pasnak**"), located at Suite 1500, 9888 Jasper Avenue, Edmonton, Alberta, T5J 5C6, will be nominated for appointment as auditors of the Company to hold office until the next annual general meeting of shareholders. The Board appointed Kingston Ross Pasnak as auditors of the Company on November 4, 2021. The change of auditor was approved by the Board's audit committee. A copy of the Notice of Change of Auditor and copies of the supporting letters from each of the former and successor auditors are attached as Schedule "A" to this Information Circular and copies have been filed under the Corporation's profile at [www.sedar.com](http://www.sedar.com).

### **AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR**

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

#### **The Audit Committee's Charter**

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

#### **Composition of the Audit Committee**

The current Audit Committee members are Warren Lorenz, Aly Madhavji and Amelia Jones.

All Audit Committee members are "financially literate" within the meaning of NI 52-110. Warren Lorenz and Aly Madhavji are considered "independent" within the meaning of NI 52-110. Amelia Jones is not "independent" with in the meaning of NI 52-110.

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

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

### **Relevant Education and Experience**

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

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

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

### **Audit Committee Oversight**

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

### **Reliance on Certain Exemptions**

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

### **Pre-Approval Policies and Procedures**

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

## External Auditor Service Fees

The Audit Committee has reviewed the nature and amount of the non-audit services provided by Kingston Ross Pasnak and Manning Elliot to the Company to ensure auditor independence. Fees incurred with the Company’s auditors for audit and non-audit services in the last two fiscal periods are outlined in the following table (all amounts exclude applicable taxes):

Nature of Services	Fees Paid to Manning Elliot in Year Ended December 31, 2020	Fees Paid to Manning Elliot in Year Ended December 31, 2019
Audit Fees <sup>(1)</sup>	CAD\$182,500	CAD\$150,000
Audit-Related Fees <sup>(2)</sup>	Nil	Nil
Tax Fees <sup>(3)</sup>	Nil	Nil
All Other Fees <sup>(4)</sup>	Nil	Nil
<b>Total</b>	<b>CAD\$182,500</b>	<b>CAD\$150,000</b>

### Notes:

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

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

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

(4) “**All Other Fees**” include all other non-audit services.

## Exemption

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

## MANAGEMENT CONTRACTS

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

## PARTICULARS OF MATTERS TO BE ACTED UPON

### Receipt of Financial Statements

The consolidated financial statements of the Company together with the auditor’s report thereon for the fiscal year ended December 31, 2020 and the year ended December 31, 2019 will be tabled at the Meeting and are attached hereto as Schedule “C”.

### Election of Directors

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

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

## **Appointment of Auditor**

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

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

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

## **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is contained in the Company’s financial statements and management’s discussion and analysis for the year ended December 31, 2020 and the financial statements of the Company together with the auditor’s report thereon for the fiscal year ended December 31, 2020.

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

## **OTHER MATTERS**

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

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

**DATED** at Toronto, Ontario this 8th day of December 2021.

## **BY ORDER OF THE BOARD**

**David Jellins**

*President, Chief Executive Officer and Director*

**SCHEDULE "A"**

**CHANGE OF AUDITOR REPORTING PACKAGE**

See attached.

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

**NOTICE OF CHANGE OF AUDITOR**

**TO: Manning Elliott LLP**

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

- (a) Manning Elliott LLP resigned on its own initiative as auditor of the Corporation, effective October 28, 2021;
- (b) the resignation of Manning Elliott LLP was not considered or approved by the Corporation’s audit committee of the Corporation’s board of directors or the Corporation’s board of directors. A successor auditor has not yet been appointed;
- (c) Manning Elliott LLP’s audit reports on the Corporation’s financial statements for the years ended December 31, 2020 and 2019 did not express a modified opinion;
- (d) there have been no “reportable events” within the meaning assigned under section 4.11(1) of NI 51-102; and

Dated this 1<sup>st</sup> day of November, 2021.

**CRYPTOSTAR CORP.**

“David Jellins”  
David Jellins  
Chief Executive Officer



17th floor, 1030 West Georgia St., Vancouver, BC, Canada V6E 2Y3

Tel: 604. 714. 3600 Fax: 604. 714. 3669 Web: manningelliott.com

November 3, 2021

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

Dear Sirs/Mesdames:

**Re: CryptoStar Corp. (the "Company")**

We have read the Notice of Change of Auditor dated November 1, 2021 from the Company (the "Notice"), delivered to us pursuant to Part 4.11 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

In this regard, we confirm that we are in agreement with the statements as set out in the Notice.

Yours truly,

*Manning Elliott LLP*

MANNING ELLIOTT LLP

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

**NOTICE OF CHANGE OF AUDITOR**

**TO: Kingston Ross Pasnak LLP**

**AND TO: Manning Elliott LLP**

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

- (a) Manning Elliott LLP resigned on its own initiative as auditor of the Corporation, effective October 28, 2021;
- (b) Kingston Ross Pasnak LLP has been appointed as auditors of the Corporation, effective November 4, 2021;
- (c) Manning Elliott LLP’s audit reports on the Corporation’s financial statements for the years ended December 31, 2020 and 2019 did not express a modified opinion;
- (d) there have been no “reportable events” within the meaning assigned under section 4.11(1) of NI 51-102; and
- (e) this Notice and the letter from Manning Elliott LLP provided in accordance with section 4.11(5)(a)(ii)(B) of NI 51-102 have been reviewed by the Audit Committee of the Corporation.

Dated this 5th day of November, 2021.

**CRYPTOSTAR CORP.**

“David Jellins”  
David Jellins  
Chief Executive Officer



KINGSTON  
ROSS  
PASNAK<sup>LLP</sup>

Suite 1500, 9888 Jasper Avenue  
Edmonton, Alberta T5J 5C6  
T. 780.424.3000 | F. 780.429.4817 | W. [krpgroup.com](http://krpgroup.com)

November 5, 2021

Ontario Securities Commission, as principal regulator  
British Columbia Securities Commission  
Alberta Securities Commission

**CRYPTOSTAR CORP. - NOTICE OF CHANGE OF AUDITORS**

Dear Sirs/Mesdames:

We acknowledge receipt of a Notice of Change of Auditor (the "Notice") dated November 5, 2021 delivered to us by the Corporation in respect of the change of auditor of the Corporation. In accordance with National Instrument 51-102 — Continuous Disclosure Obligations, we have reviewed the information contained in the Notice and we agree with each of the statements contained therein pertaining to our firm. We advise that we have no basis to agree or disagree with the comments in the Notice issued by Manning Elliott LLP.

Yours truly,

*Kingston Ross Pasmak LLP*

**Kingston Ross Pasmak LLP**  
Chartered Professional Accountants

## SCHEDULE “B”

### AUDIT COMMITTEE CHARTER

#### I. Purpose

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

#### II. Composition

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

#### III. Responsibilities

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

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

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

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

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

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

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

#### **IV. Authority**

The Audit Committee has the authority to:

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

#### **V. Administrative Procedures**

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

## Schedule "A" to Audit Committee Charter

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

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

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

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

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

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

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

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

**SCHEDULE "C"**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
TOGETHER WITH THE AUDITOR'S REPORT THEREON**

See attached.

**CRYPTOSTAR CORP.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
**(Expressed in US dollars)**

**CRYPTOSTAR CORP.  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2020 AND 2019**

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## **MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL REPORTING**

### Management's Responsibility

To the Shareholders of CryptoStar Corp.:

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

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

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

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

April 30, 2021

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**INDEPENDENT AUDITORS' REPORT**

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To the Shareholders and Directors of CryptoStar Corp.

**Opinion**

We have audited the consolidated financial statements of CryptoStar Corp. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019 and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Basis for Opinion**

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

**Other Information**

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidation financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Michael Ryan Ayre.

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada

April 30, 2021

**CRYPTOSTAR CORP.**  
**Consolidated Statements of Financial Position**  
**As at December 31, 2020 and 2019**  
(Expressed in US dollars)

	Note	2020	2019
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		402,409	114,881
Deposits and prepaid expenses	5	300,728	198,647
Asset held for sale	7	—	3,390,260
Digital currencies	6	1,965	4,535
		705,102	3,708,323
Property and equipment	8	5,152,656	4,617,297
Intangible assets	9	2,723,597	1,501,876
Right-of-use assets	10	1,899,327	2,070,439
Deposits	5	68,007	364,634
		10,548,689	12,262,569
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade payable and accrued liabilities		1,393,956	1,309,995
Loan	14	53,117	—
Lease obligations	10	125,926	221,185
		1,572,999	1,531,180
Lease obligations	10	2,064,974	2,253,972
Decommission cost	11	100,000	—
Payable to related party	12	3,568,623	2,897,217
		7,306,596	6,682,369
<b>EQUITY</b>			
Share capital	13	22,162,835	21,453,727
Shareholder contribution	9 & 13	2,844,777	1,406,512
Warrant and option reserve	13	5,311,528	4,475,384
Subscription receivable	13	(118,318)	—
Deficit		(26,958,729)	(21,755,423)
		3,242,093	5,580,200
		10,548,689	12,262,569
Nature of operations	1		
Segmented information	19		
Subsequent events	20		

*Approved on behalf of the Board of Directors on April 30, 2021*

*/s/Aly Madhavji*

*/s/Amelia Jones*

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

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

**CRYPTOSTAR CORP.**  
**Consolidated Statements of Comprehensive Loss**  
**For the Years Ended December 31, 2020 and 2019**  
(Expressed in US dollars)

	Note	2020	2019
		\$	\$
<b>Revenue</b>			
Digital assets mined	6	435,883	9,927,179
Sales of GPU miners	6 & 12	68,500	—
		<b>504,383</b>	<b>9,927,179</b>
<b>Cost of revenue</b>			
Cost of revenue - GPU miners		(54,969)	—
Site operating costs		(605,280)	(8,817,405)
Amortization of intangible assets	9	(216,544)	—
Depreciation - right-of-use assets	10	(383,689)	(313,170)
Depreciation	8	(2,912,106)	(7,196,353)
<b>Gross loss</b>		<b>(3,668,205)</b>	<b>(6,399,749)</b>
Realized loss on digital currency	6	(10,093)	(61,583)
<b>Net mining loss</b>		<b>(3,678,298)</b>	<b>(6,461,332)</b>
<b>OPERATING EXPENSES</b>			
Interest and bank charges		5,791	8,702
Management fees, salaries and wages	12	363,018	697,614
Stock based compensation		255,474	—
Office and administration		389,544	505,352
Professional fees		499,662	556,394
<b>Total operating expenses</b>		<b>1,513,489</b>	<b>1,768,062</b>
<b>Net loss before other items</b>		<b>(5,191,787)</b>	<b>(8,229,394)</b>
Foreign exchange loss		(13,877)	(19,216)
Interest expense - right-of-use assets	10	(242,064)	(219,220)
(Loss) gain from disposal from miners		(48,723)	487,890
Gain on lease modification		263,145	—
Service fee income		—	85,000
Rent income		30,000	—
Impairment on asset held for sale		—	(365,936)
Reversal of impairment on property and equipment	8	—	6,125,292
<b>Net loss for the year</b>		<b>(5,203,306)</b>	<b>(2,135,584)</b>
<b>Loss per share, basic and diluted</b>		<b>(0.02)</b>	<b>(0.01)</b>
<b>Weighted average shares, basic and diluted</b>		<b>213,344,044</b>	<b>208,752,800</b>

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

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

	Share Capital						
	Shares	Amount \$	Shareholder Contribution \$	Warrant and Option Reserve \$	Subscription receivable \$	Deficit \$	Total \$
<b>As at December 31, 2018</b>	208,752,800	21,453,727	—	4,475,384	—	(20,328,847)	5,600,264
Transition adjustment - IFRS 16 (Note 10)	—	—	—	—	—	(180,992)	(180,992)
Net loss for the year	—	—	—	—	—	(2,135,584)	(2,135,584)
Shareholder contribution (Note 9)	—	—	1,406,512	—	—	—	1,406,512
<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 (Note 13)	34,000,000	759,858	—	549,599	(118,318)	—	1,191,139
Issuance cost	—	(51,946)	—	—	—	—	(51,946)
Shares issued for professional services	40,500	1,196	—	4,410	—	—	5,606
Shared based compensation (Note 13)	—	—	—	282,135	—	—	282,135
Net loss for the year	—	—	—	—	—	(5,203,306)	(5,203,306)
<b>As at December 31, 2020</b>	242,793,300	22,162,835	2,844,777	5,311,528	(118,318)	(26,958,729)	3,242,093

**CRYPTOSTAR CORP.**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2020 and 2019**  
(Expressed in US dollars)

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	(5,203,306)	(2,135,584)
<b>Adjusted for:</b>		
Depreciation - property and equipment	2,912,106	7,196,353
Amortization - intangible	216,544	—
Revaluation / (Impairment) of digital assets	494	(672)
(Reversal) / Impairment of mining equipment	—	(6,125,292)
Impairment on asset held for sale	—	365,936
Income from mining of digital currency	(435,883)	(9,927,179)
Income from sales of GPU miners	(65,371)	—
Proceeds from sale of digital currency	493,237	9,861,733
Realized loss on digital currency	10,093	61,583
Loss (gain) from sale of miners	48,723	(487,890)
Hosting services	—	(85,000)
Stock based compensation	282,135	—
Gain on lease modification	(263,145)	(13,174)
Depreciation - right-of-use- asset	383,689	313,170
Interest expense on right-of-use asset	242,064	219,220
Foreign exchange loss	3,114	-
<b>Changes in non-cash working capital items:</b>		
Trade payable and accrued liabilities	83,961	141,922
Deposits and prepaid expenses	194,546	500,665
<b>Cash used by operating activities</b>	<b>(1,096,999)</b>	<b>(114,209)</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds on disposal of miners	324,527	572,890
Purchases of intangible asset	—	(56,888)
Purchases of property and equipment	(429,969)	—
Proceeds from disposal of property and equipment	—	(650,571)
<b>Cash used in investing activities</b>	<b>(105,442)</b>	<b>(134,569)</b>
<b>FINANCING ACTIVITIES</b>		
Advances received from related party	718,156	1,222,947
Loan	53,117	—
Repayment of advances to related party	(46,750)	(640,000)
Payment for finance liabilities	(379,353)	(295,490)
Net proceed from shares issuance and warrants	1,144,799	—
<b>Cash provided by financing activities</b>	<b>1,489,969</b>	<b>287,457</b>

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

**CRYPTOSTAR CORP.**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2020 and 2019**  
(Expressed in US dollars)

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Net change in cash during the year</b>	287,528	38,679
Cash, beginning of the year	114,881	76,202
<b>Cash, end of year</b>	<b>402,409</b>	<b>114,881</b>
<i>Supplemental cash flow information:</i>		
<i>Interest paid</i>	(242,064)	(219,220)
<b>Non cash transaction</b>		
Donated intangible assets (Note 9)	1,438,265	1,406,512
IFRS 16 adjustment of retained earnings (Note 10)	—	(180,992)

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

**CRYPTOSTAR CORP.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2020 and 2019**  
(Expressed in US dollars)

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## **1. NATURE OF OPERATIONS**

CryptoStar Corp. (the “Company or CryptoStar”), was incorporated under the Ontario Business Corporations Act on January 6, 2017.

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”. 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).

During the year ended December 31, 2020, the Company commenced its planned transition from a self-mining, Bitcoin only, company to a one-stop shop for cryptocurrency mining clients and the inherent risks and exposure associated with self-mining Bitcoin only were reduced. The Company’s plans for future growth will be driven through mining Bitcoin and Etheruem 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 North America.

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 significantly reduced the Bitcoin mining rewards earned by the Company.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at December 31, 2020, the Company had a working capital deficiency of \$867,897. Subsequent to December 31, 2020, the Company completed equity financings (see Note 20). These financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities which might be necessary should the Company be unable to continue in existence.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

## **2. BASIS OF PRESENTATION**

### **Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

The Board of Directors approved these consolidated financial statements on April 30, 2021.

### **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:

**CRYPTOSTAR CORP.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2020 and 2019**  
(Expressed in US dollars)

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

**Basis of measurement (continued)**

- Certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.
- Certain property and equipment which are classified as held for sale, which are measured at fair value, as explained in the accounting policies set out in Note 3.

**Functional and presentation currency**

These consolidated financial statements are presented in US dollars, which is the functional currency of the subsidiaries. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Revenue recognition**

The Company derives its income from digital currency received for providing “mining” services to a digital currency blockchain. Mining is the Company’s principal business activity and is the process by which transactions are verified and added to the blockchain. A miner is only able to validate transactions once their computer equipment has solved a computationally difficult mathematical problem. Revenue is recognized by the Company when payment, in the form of digital currency, is received for mining services received. Revenue is measured based on the fair value of the coins received. The fair value is determined using the daily weighted close price for the digital currency on <https://bitcoincharts.com>.

For hosting and other service contracts, the Company has determined that the substance of the service contracts is provision of services under IFRS 15 *Revenue from Contracts with Customers*. Revenue is recognized only when the amount of the contract and separate performance obligations are identified, the transaction can be measured reliably, the transaction price can be allocated to the performance obligations, and the performance obligation is satisfied. Accordingly, the Company has determined that revenue should be recognized as the provision of services under the contract is completed.

For the sake of GPU miners, revenue is recognized when the goods are delivered, less an estimate for sales returns. Revenue from the sale of goods is measured at the fair value of the consideration received less an appropriate deduction for actual returns, discounts, net of sales taxes.

Determination of separate elements under the terms of the contract and completion of performance obligation may be subject to significant judgment exercised by management.

**Digital currencies**

Digital currencies (Note 6) meet the definition of intangible assets in IAS 38 Intangible Assets as they are identifiable non-monetary assets without physical substance. They are initially recorded at the fair value of the acquisition date and the revaluation method is used to measure the digital assets subsequently. Under the revaluation method, increases in fair value are recorded in other comprehensive income, while decreases are recorded in profit or loss.

**CRYPTOSTAR CORP.**  
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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Digital currencies (continued)**

The Company revalues its digital assets at the end of each of its three interim financial reporting periods and at its annual financial reporting period end date. There is no recycling of gains from other comprehensive income to profit or loss. However, to the extent that an increase in fair value reverses a previous decrease in fair value that has been recorded in profit or loss, that increase is recorded in profit or loss. Decreases in fair value that reverse gains previously recorded in other comprehensive income are recorded in other comprehensive income.

Digital currencies consist solely of bitcoin and are measured at fair value using the quoted price on Bitcoinsharts.com. Management considers this fair value to be a level two input under IFRS 13 Fair Value Measurement fair value hierarchy as the price on this source represents an average of quoted prices on multiple digital currency exchanges.

The bitcoin is valued based on the daily weighted closing price obtained from Bitcoin charts at the time the digital currency is mined and at the reporting date for any digital currencies that are held.

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

**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 relate to agreements with Tier 1 Solutions Inc. and Avila Energy (Note 9) have useful lives of 5 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. Amortization is recognized on a straight-line basis over the term of each agreement. The Company is still awaiting power permits from Newfoundland and therefore the amortization of assets did not start as of December 31, 2020.

**Property and equipment**

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

Construction in progress is stated at cost, net of accumulated impairment losses.

**Impairment of non-financial assets**

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

Recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). In assessing VIU, the estimated future cash flows to be derived from continuing use of the asset or cash generating unit are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. FVLCD is the price that would be received to sell an asset or cash generating unit in

**CRYPTOSTAR CORP.**  
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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment of non-financial assets (continued)**

an orderly transaction between market participants at the measurement date, less the costs of disposal. When a binding sale agreement is not available, FVLCD is estimated using a discounted cash flow approach with inputs and assumptions consistent with those of a market participant. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount.

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

**Income taxes**

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

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

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

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

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

**Fair value measurement**

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

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

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

**CRYPTOSTAR CORP.**  
**Notes to the Consolidated Financial Statements**  
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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fair value measurement (continued)**

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

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

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

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

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

**Financial instruments**

Recognition and initial measurement

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

Classification and subsequent measurement

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

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

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

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

**CRYPTOSTAR CORP.**  
**Notes to the Consolidated Financial Statements**  
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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

These assets are subsequently measured at amortized cost using the effective interest method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired. All financial assets not classified as amortized cost as described above are measured at FVTPL or

FVTOCI depending on the business model and cash flow characteristics. The Company has no financial assets measured at FVTOCI.

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

Asset / Liability	Classification / Measurement
Cash and cash equivalents	FVTPL
Digital assets	FVTPL
Trade payables and other liabilities	Amortized cost
Lease obligation	Amortized cost
Related party payable	Amortized cost

**Derecognition**

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

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

**Cash and cash equivalents**

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

**Equity**

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

**Interest income**

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Provisions**

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

**Segmented reporting**

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

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's corporate office), head office expenses, personnel costs, depreciation and amortization, finance income and finance costs, net, other income and income tax expenses. As at December 31, 2019, the Company had 3 reportable segments based on geographical locations: USA, Iceland and Canada. As of December 31, 2020, the Company had 2 reportable segments based on geographical locations: USA and Canada.

**Assets held for sale and discontinued operations**

Non-current assets are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. To qualify as assets held for sale, the sale must be highly probable, asset must be available for immediate sale in their present condition and management must be committed to a plan to sell assets that should be expected to close within one year from the date of the classification. Assets held for sale are recognized at the lower of their carrying amount and fair value less costs to sell and are not depreciated. 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 consolidated statements of income (loss). Property and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

**Lease**

The Company recognizes a right-to-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful life of the right-to-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

**CRYPTOSTAR CORP.**  
**Notes to the Consolidated Financial Statements**  
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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Lease (continued)**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise prices under a purchase price option that the Company is reasonably certain to exercise,
- payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Significant accounting judgments and estimates**

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

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

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

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Significant accounting judgments and estimates (continued)**

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

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

(b) Share-based compensation

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

(c) Income taxes

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

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

(d) Revenue recognition

The Company recognizes revenue from the provision of transaction verification services withing digital currency networks, commonly described as “cryptocurrency mining”. As consideration for these services, the Company receives digital currency from each specific network in which it participates (“coins”). Management has exercised significant judgment in determining the completion stage for this revenue stream and examined various factors surrounding the substance of the Company’s operations, and determined the stage of completion being the completion and additional of a blockchain.

For hosting and other services contracts, the Company has determined that the substance of the service contracts is provision of services under IFRS 15 Revenue from Contracts with Customers. Revenue is recognized only when the amount of the contract and separate performance obligations are identified, the transaction can be measured reliably, the transaction price can be allocated to the performance obligations, and the performance obligations is satisfied. Accordingly, the Company has determined that revenue should be recognized as the provision of services under the contract is completed.

The Company recognizes revenue from the sale of mining equipment once the risks and rewards of ownership of equipment are transferred to the customer and it is probable that the economic benefits associated with the sale contract will flow to the Company.

**CRYPTOSTAR CORP.**  
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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Significant accounting judgments and estimates (continued)**

Determination of separate elements under the terms of the contract and completion of performance obligation may be subject to significant judgment exercised by management.

(e) *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.

(f) *Impairment of assets*

The Company uses judgment in determining the grouping of assets to identify its Cash Generating Units ("CGUs") for purposes of testing for impairment of property and equipment and intangible assets. In testing for impairment of intangibles with indefinite lives, these assets are allocated to the CGUs to which they relate. Furthermore, on a quarterly basis, judgment has been used in determining whether there has been an indication of impairment, which would require the completion of a quarterly impairment test, in addition to the annual requirement.

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

When required, the determination of FVLCD and VIU requires management to make estimates and assumptions about digital currency prices, required computing power, technological changes and operating costs, such as electricity. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the statement of comprehensive income. Impairment charges recognized during the year ended December 31, 2020 amounting to Nil (December 31, 2019 – reversal of impairment - \$6,125,292). See Note 8.

**4. CHANGES IN ACCOUNTING STANDARDS**

**Standards, Amendments and Interpretations Issued but not yet Adopted**

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending December 31, 2020 and, accordingly, have not been applied in preparing these consolidated financial statements.

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**4. CHANGES IN ACCOUNTING STANDARDS (continued)**

**Insurance Contracts**

In May 2017, the International Accounting Standards Board (“IASB”) issued IFRS 17 – Insurance Contracts (“IFRS 17”), which replaces IFRS 4 – Insurance Contracts and establishes a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. IFRS 17 is effective for annual periods beginning on or after January 1, 2021. In June 2020, the IASB issued ‘Amendments to IFRS 17’ to address concerns and implementation challenges that were identified after IFRS 17 was published in 2017. The amendment also deferred the effective date for two years to January 1, 2023. Early adoption is permitted. The Company has assessed that there will be no potential impact of this standard.

**Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)**

In January 2020, IASB issued Classification of Liabilities as Current or Non-current, which amends IAS 1 – Presentation of Financial Statements. The narrow-scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. It clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. In July 2020, due to COVID-19, the IASB deferred the effective date by one year to provide companies with more time to implement any classification changes resulting from the amendments. The implementation of these amendments is not expected to have a significant impact on the Company.

**Amendment to IFRS 16 Leases – COVID-19-Related Rent Concessions**

In May 2020, the IASB issued an amendment to IFRS 16 – Leases (“IFRS 16”) to make it easier for lessees to account for COVID-19-related rent concessions such as rent holidays and temporary rent reductions. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. The implementation of this amendment is not expected to have a significant impact on the Company.

**Annual Improvements 2018-2020 and Package of Narrow-Scope Amendments**

In May 2020, the IASB issued the package of narrow-scope amendments to three Standards (IFRS 3 – Business Combinations, IAS 16 – Property, Plant and Equipment, and IAS 37 – Provisions, Contingent Liabilities and Contingent Assets) as well as the IASB’s Annual Improvements 2018-2020, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards. These amendments will be effective for annual periods beginning on or after January 1, 2022. The implementation of these narrow-scope amendments is not expected to have a significant impact on the Company.

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**4. CHANGES IN ACCOUNTING STANDARDS** (continued)

**Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)**

In August 2020, upon completion of the IFRS amendments to facilitate the IBOR reform, the IASB issued Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (“Phase 2 Amendments”). In relation to changes in financial instruments that are directly required by the IBOR reform, Phase 2 Amendments mainly provide (i) a practical expedient to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by the IBOR reform by updating the effective interest rate of the financial asset or financial liability; (ii) exceptions to the hedge accounting requirements providing relief from discontinuing hedge relationships because of changes to hedge documentation required by the IBOR reform; and (iii) certain additional disclosures on additional information about the Company’s exposure to risks arising from the IBOR reform and related risk management activities. IFRS 16 has also been amended to provide a temporary exception addressing situations where lease agreements specifically refer to an IBOR and will need to be amended as a result of the IBOR reform. Lessees are required to remeasure their lease liabilities in a similar fashion to any other change in estimate, rather than as a lease modification. The amount of the remeasurement is recognized as an adjustment to the right-of-use asset. Phase 2 Amendments are effective for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

**5. DEPOSITS AND PREPAID EXPENSES**

	<b>2020</b>	2019
	<b>\$</b>	<b>\$</b>
Current:		
Prepayments	282,736	—
Deposits made for mining equipment	17,992	198,647
	<b>300,728</b>	<b>198,647</b>
Long-term:		
Deposits made for mining equipment	68,007	364,634
	<b>368,735</b>	<b>563,281</b>

The Company made the upfront payment for power charges to Avila Exploration & Development Canada Ltd (Avila) as described in Note 9.

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**6. DIGITAL CURRENCIES**

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

	December 31, 2020		December 31, 2019	
	Bitcoin	\$	Bitcoin	\$
Opening balance	0.63	4,535	—	—
Mined additions	45.59	435,883	1,472.00	9,927,179
Non minning additions	5.10	65,371	—	—
Bitcoin sold	(51.20)	(493,237)	(1,471.37)	(9,861,733)
Realized loss on digital currency	—	(10,093)	—	(61,583)
Revaluation of digital currency	—	(494)	—	672
<b>Ending balance</b>	<b>0.12</b>	<b>1,965</b>	<b>0.63</b>	<b>4,535</b>

The fair value of digital currencies at December 31, 2020 is \$1,965 (December 31, 2019 - \$4,535). During the year ended December 31, 2020, the Company disposed 51 bitcoins for \$472,333 in cash and realized a loss of \$10,093 (December 31, 2019 - \$61,583)

The Company has paid \$27,638 paid to the supplier in the form of 1.788 bitcoin.

During the year, 2.199 bitcoin received from a related party for the sale of 10 GPU miners valued at \$33,850.

**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. Out of the two buildings in the State of Utah, USA, both buildings has moved to asset held for sale. The assets were previously used in the USA segment as explained in Note 18. Subsequent, after the 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 operations in Iceland and previous operations in Canada.

During the year ended December 31, 2020, the Company made a reassessment of the assets which were classified as "Assets Held for Sale" during the previous year. Based on this reassessment, the management concluded that these assets no longer meet the criteria of assets held for sale, therefore, these assets were reclassified to property and equipment during the current year ended in accordance with the requirements of IFRS 5.

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**8. PROPERTY AND EQUIPMENT**

	Mining equipment	Other property and equipment	Construction in progress	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	—	291,811	429,970
Disposal	(501,131)	—	—	(501,131)
Net Transfer from assets held for sale	—	5,130,937	—	5,130,937
<b>Balance, December 31, 2020</b>	<b>22,596,868</b>	<b>11,524,371</b>	<b>291,811</b>	<b>34,413,050</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	235,664	2,676,442	—	2,912,106
Disposal	(128,545)	—	—	(128,545)
Net Transfer from assets held for sale	—	1,740,677	—	1,740,677
<b>Balance, December 31, 2020</b>	<b>22,544,231</b>	<b>6,716,163</b>	<b>—</b>	<b>29,260,394</b>
<b>Net book value</b>				
<b>As at December 31, 2020</b>	<b>52,637</b>	<b>4,808,208</b>	<b>291,811</b>	<b>5,152,656</b>
As at December 31, 2019	522,907	4,094,390	—	4,617,297

During the year ended December 31, 2019, the management estimated the recoverable amount of the CGU in 2019. Due to this reassessment of estimates and the market conditions of bitcoin during the fiscal year 2019, the Company has reversed \$6,125,292 of the initially recognized impairment loss.

During the year ended December 31, 2020, the Company has reversed the assets held for sale. Refer Note 7.

Construction in progress is relating to the construction of data center under the agreement with Avila in Alberta. Refer Note 9. No depreciation has been charged on the construction in progress as the asset is not ready for intended use as of December 31, 2020.

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**9. INTANGIBLE ASSETS**

**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 December 31, 2020</b>	<b>2,940,141</b>
<b>Accumulated amortization</b>	
As at January 1, 2019	—
Amortization	—
As at January 1, 2020	—
Amortization	216,544
<b>As at December 31, 2020</b>	<b>216,544</b>
<b>Net book value as at December 31, 2020</b>	<b>2,723,597</b>
Net book value as at December 31, 2019	1,501,876

(a) Agreement with Tier 1

On November 26, 2019, the Company entered into a tri-party agreement with A.C.N. 117 402 838 PTY LTD (“A.C.N.” or formerly Adrenaline Pty Ltd (Adrenaline)), 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 moved 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) on behalf of the Company, to be released in four equal tranches over a period of 12 months. The fair value of the shares of \$1,406,512 (CAD\$1,848,437) was recorded in the consolidated financial statements as an intangible asset with a corresponding contribution from a shareholder recorded in equity. This donation is not refundable and the asset will be available for sole benefit of the Company.

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 received the power permit at the date of issuance of the consolidated financial statements.

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**9. INTANGIBLE ASSETS (continued)**

(b) Agreement with Avila

On April 17, 2020, the Company entered in to a power supply agreement with Alberta Partner, also known as Avila Exploration & Development Canada Ltd. ("Avila"), whereas Avila has access to the sites suitable for set-up of cryptomining operations and control to supply power of up to 30 MW to these sites. This agreement was then re-assigned from Avila Exploration & Development Canada Ltd. to Avila Energy. As a result, of this agreement Cryptostar will receive the right to use the sites for its cryptomining operations and will benefit from lower cost of utilities compared to market rates.

For the duration of the term, power may be obtained incrementally upon the upfront payment by the Company per 10 MW, with the upfront payment being scaled pro rata for the amount of power obtained. Each upfront payment shall be allotted for prepaid power costs for the first six months of supply and than allocated to commissioning the infrastructure and equipment. During the year ended December 31, 2020, the Company made upfront prepayment for 2.5 MW. See Note 5.

On June 18, 2020 A.C.N. transferred 20,312,500 common shares of the Company 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, to be released in four equal tranches over a period of 12 months. The fair value of the total amount of shares issued of \$1,438,265 (CAD\$1,950,000) was recorded in the consolidated statement of financial position as an intangible asset and a corresponding contribution from a shareholder recorded in equity.

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

	December 31, 2020	December 31, 2019
	\$	\$
<b>Cost</b>		
Balance, beginning of the year	2,383,609	2,498,573
Lease modification	(278,429)	—
Lease additions	492,971	(114,964)
<b>Balance, end of the year</b>	<b>2,598,151</b>	<b>2,383,609</b>
<b>Accumulated Depreciation</b>		
Balance, beginning of the year	313,170	—
Depreciation	383,689	313,170
Exchange (gain) /Loss	1,965	—
<b>Balance, end of the year</b>	<b>698,824</b>	<b>313,170</b>
<b>Net book value, end of year</b>	<b>1,899,327</b>	<b>2,070,439</b>

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**10. RIGHT-OF-USE ASSETS AND LEASE OBLIGATION (continued)**

<u>Lease Liability</u>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
	\$	\$
<b>As at January 1, 2020</b>	2,475,157	2,679,565
Addition	392,971	(128,138)
Interest accretion	242,064	219,220
Lease modification	(541,574)	—
Lease payments	(379,353)	(295,490)
Exchange (gain) /loss	1,635	—
<b>Total</b>	<b>2,190,900</b>	<b>2,475,157</b>

During the year, the Company has amended the agreement and reduced the space and corresponding rent. This constitutes a reduction in the scope of the lease. The modification is accounted for on the effective date of the modification.

When measuring lease liabilities, the Company 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%.

The following table presents the contractual undiscounted cash flows for lease obligations as at December 31, 2020:

<u>Undiscounted lease obligations</u>	<u>\$</u>
Less than one year	362,936
One to two years	438,799
Two to three years	443,992
Three to four year	459,057
More than four years	1,578,962
<b>Total undiscounted lease obligations</b>	<b>3,283,746</b>
Impact of discounting	(1,084,455)
Exchange (gain) /Loss	(8,391)
<b>Total lease obligation</b>	<b>2,190,900</b>
Current portion of lease obligation	125,926
Long term portion of lease obligation	2,064,974
<b>Total Lease Obligation</b>	<b>2,190,900</b>

**11. Decommission liability**

The Company has recorded the decommissioning liability for the site restoration. The Company has recorded liability with a corresponding adjustment in the cost of the ROU assets. The amount and timing of settlement in respect of these provisions are uncertain and dependent on various factors that are not always within management's control. Reviews of estimated future decommissioning and restoration costs and the discount rate applied are carried out regularly. The Company has recorded the liability at year-end therefore no accretion expense has charged.

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**11. Decommission liability (continued)**

The Company has used the following assumptions:

Inflation rate	0.62%
Discount rate	2%

Decomising to commence upon termination of the leases which have terms of 1-7 years.

**12. RELATED PARTY TRANSACTIONS AND BALANCES**

**Payable to related party**

The balance of \$3,568,623 (December 31, 2019 - \$2,897,217) payable to related party as at December 31, 2020 represents the amount advanced under a line of credit provided by Adrenaline on December 22, 2017. The available line of credit totals \$4,000,000 is unsecured, bears interest at 12% per annum and is repayable on December 22, 2022. Interest on the line of credit may be waived at any point at the sole discretion of Adrenaline. Adrenaline has waived the interest charge on the line of credit for the year. During the year, the Company has obtained an additional loan of \$718,156 and repaid \$46,750.

Included in accounts payable was \$49,170 payable to the directors for the director fees for the year ended December 31, 2020 (December 31, 2019 - \$23,640).

During the year 2020, the Company has made the changes in coins exchange process. The coins are mined first to the exchange account that is controlled by Adrenaline and transferred to the Australian bank account that is also controlled by Adrenaline. Afterward, the funds are transferred to the Company's bank account.

The Company received 2.199 bitcon from related party for the sale of 10 GPU miners valued at \$33,850

**Key management remuneration**

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

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.

The Company has paid directors fees amounting to \$136,450.

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

**Key Management remuneration**

	2020	2019
	\$	\$
Management fees, salaries and wages to key management personnel	87,279	502,232
	<b>87,279</b>	<b>502,232</b>

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**13. SHARE CAPITAL**

Authorized  
Unlimited common shares without par value

Issued and outstanding

The Company has issued total 34,040,500 common shares during the year ended December 31, 2020. The total outstanding number of shares as at December 31, 2020, was 242,793,300.

The Company determine the fair values of warrants and equity. The components are then assigned these values; any difference is prorated based on respective market or fair values and allocated to the components.

On July 15, 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.

On October 7, 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 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 eighteen months from the date of issue.

On December 9, 2020, the Company has issued 4,000,000 units at a price of CAD \$0.05 per unit. Each unit consists of one common share and one 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 eighteen months from the date of issue.

On December 23, 2020, the Company has issued 20,000,000 units at a price of CAD \$0.05 per unit. Each unit consists of one common share and one 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 eighteen months from the date of issue.

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:

<b>Release date</b>	<b>Common shares</b>	<b>Warrants</b>	<b>Status</b>
Wednesday, 26 September 2018	16,250,000	1,000,000	Released
Tuesday, 26 March 2019	32,500,000	2,000,000	Released
Thursday, 26 September 2019	48,750,000	3,000,000	Released
Thursday, 26 March 2020	65,000,000	4,000,000	Released
Total	162,500,000	10,000,000	

As of December 31, 2020, there were 162,500,000 (2019: 97,500,000) common shares and 10,000,000 (2019: 7,000,000) warrants released from escrow.

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**13. SHARE CAPITAL (continued)**

**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.

As at December 31, 2020, the Company has stock options outstanding to directors and officers to acquire an aggregate of 20,850,000 common shares summarized as follows. The options have a weighted average remaining life of 7.86 years and weighted average exercise price of CAD\$0.13. As at December 31, 2020, all stock options are exercisable.

	<b>Number of Options</b>	<b>Exercise Price CAD\$</b>	<b>Expiry Date</b>
Balance, December 31, 2018	14,525,280		
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	14,650,000		
Granted on August 14, 2020	1,200,000	\$0.05	14-Aug-30
Granted on November 23, 2020	5,000,000	\$0.05	23-Nov-30
<b>Balance, December 31, 2020</b>	<b>20,850,280</b>		

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 CAD\$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.

On November 23, 2020, the Company granted an aggregate of 5,000,000 incentive stock options to an employee of the Company. These options have an exercise price of CAD \$0.05 and expiry date of November 23, 2030. All of the options vested immediately. Share-based compensation of \$ 210,213 (CAD \$ 275,000) was recorded related to these options.

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**13. SHARE CAPITAL (continued)**

**Stock Option Plan (continued)**

The following table summarizes the stock options exercisable as at December 31, 2020:

Exercise price CAD\$	Number of Outstanding and Exercisable Options	Expiry Date	Remaining Contractual Life (years)
0.50	2,600,000	26-Sep-28	7.75
0.50	11,800,000	20-Dec-28	7.98
0.135	250,000	18-Jul-24	3.55
0.05	1,200,000	14-Aug-30	9.63
0.05	5,000,000	23-Nov-20	9.90
0.09	20,850,000		8.45

The fair value of options granted during the year ended December 31, 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**

During the year ended December 31, 2020, the Company issued a total of 31,750,500 warrants in connection with the private placement financing described above.

The Company issued a total of 210,500 finder warrants in connection with share issuance cost to the private placement on July 15, 2020.

There were no warrants issued during the year ended December 31, 2019.

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**13. SHARE CAPITAL (continued)**

**Warrants (continued)**

The following table summarizes the warrants exercisable as at December 31, 2020:

Exercise price CAD\$	Number of Outstanding and Exercisable Warrants	Expiry Date	Remaining Contractual Life (years)
0.100	10,000,000	4-Jan-20	0.01
0.075	2,500,000	4-Jan-21	0.54
0.075	40,500	16-Jul-21	0.54
0.075	210,000	16-Jul-21	0.54
0.075	5,000,000	7-Apr-22	1.27
0.075	4,000,000	9-Jun-22	1.44
0.075	20,000,000	23-Jun-22	1.48
0.081	41,750,500		1.04

The fair value of warrants granted on July 15, 2020 was calculated using the Black-Scholes option pricing model with the following assumptions:

- Share price on grant date – CAD \$ 0.04
- Exercise price – CAD \$ 0.075
- Risk-free interest rate – 0.23%
- Forfeiture rate – 0%
- Expected dividend yield – 0%
- Expected option life (years) – 1
- Expected stock price volatility – 206.12%

The fair value of warrants granted during October 7, 2020 were calculated using the Black-Scholes option pricing model with the following assumptions:

- Share price on grant date – CAD \$ 0.03
- Exercise price – CAD \$ 0.075
- Risk-free interest rate – 0.23%
- Forfeiture rate – 0%
- Expected dividend yield – 0%
- Expected option life (years) – 1.5
- Expected stock price volatility – 212.96%

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**13. SHARE CAPITAL (continued)**

**Warrants (continued)**

The fair value of warrants granted on December 9, 2020 was calculated using the Black-Scholes option pricing model with the following assumptions:

- Share price on grant date – CAD \$ 0.05
- Exercise price – CAD \$ 0.075
- Risk-free interest rate – 0.24%
- Forfeiture rate – 0%
- Expected dividend yield – 0%
- Expected option life (years) – 1.5
- Expected stock price volatility – 203.43%

The fair value of warrants granted on December 23, 2020 was calculated using the Black-Scholes option pricing model with the following assumptions:

- Share price on grant date – CAD \$ 0.115
- Exercise price – CAD \$ 0.075
- Risk-free interest rate – 0.24%
- Forfeiture rate – 0%
- Expected dividend yield – 0%
- Expected option life (years) – 1.5
- Expected stock price volatility – 204.37%

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**13. SHARE CAPITAL (continued)**

**Warrants (continued)**

**Warrants - Issued and outstanding**

	Number #	Amount \$
Balance as at December 31, 2018	—	—
Addition	13,204,700	4,475,384
Expired	—	—
<b>Balance as at December 31, 2019</b>	<b>13,204,700</b>	<b>4,475,384</b>
Balance as at December 31, 2019	13,204,700	4,475,384
Addition	31,750,500	554,009
Expired	(3,204,700)	—
<b>Balance as at December 31, 2020</b>	<b>41,750,500</b>	<b>5,029,393</b>

The Company has charged the share based compensation of \$282,198 to the warrant reserve. Out of this, \$26,724 charged to marketing expense.

**14. Loan**

In May 2020, the Company received loan proceeds of \$53,117 (the “PPP Loan”) under the Paycheck Protection Program (“PPP”) established by the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) administered by the U.S. Small Business Administration (“SBA”). The unsecured PPP Loan is evidenced by a promissory note (the “Note”), between the Company and the lending financial institution (the “Lender”). The Note has a two-year term, bears interest at the rate of 1.0% per annum, and may be repaid at any time without payment of any premium. No payments of principal or interest were originally due during the six-month period beginning on the date of the Note (the “Deferral Period”), but the Payment Protection Flexibility Act of 2020 has effectively extended this period of no payments for the Company to the earliest of loan forgiveness or August 2021. The principal and accrued interest under the Note is forgivable under certain specified circumstances if the Company uses the PPP Loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and otherwise complies with PPP requirements. In order to obtain forgiveness of the PPP Loan, the Company must submit a request and provide satisfactory documentation regarding its compliance with applicable requirements. The Company must repay any unforgiven principal amount of the Note, with interest, on a monthly basis following the Deferral Period.

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**15. INCOME TAXES**

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

	2020	2019
Statutory tax rate	27%	26%
	\$	\$
Net loss before income taxes	(5,203,306)	(2,135,584)
Expected tax recovery	(1,404,843)	(551,107)
Permanent items	(955,157)	(1,486,254)
Change in tax benefits not recognized	2,360,000	2,037,361
Total income tax expense (recovery)	—	—

The Company's income tax is allocated as follows:

	\$	\$
Current income tax expense (recovery)	—	—
Deferred income tax expense	—	—
	—	—

The following table summarizes the components of deferred tax:

	\$	\$
Property, plant and equipment	2,482,000	1,683,000
Share issuance costs	107,000	138,000
Non-capital losses carried forward	4,839,000	3,395,000
Intangible assets and other	148,000	-
Tax asset not recognized	(7,576,000)	(5,216,000)
Net deferred assets (liabilities)	—	—

As at December 31, 2020, the Company has approximately 18,038,000 (2019 - \$13,156,000) of non-capital losses carry forwards available to reduce taxable income for future years. These losses will expire in 2039 to 2041.

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**16. 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 December 31, 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	1,393,956	1,393,956	1,393,956	—	—	—	—
Lease obligations	2,190,900	3,283,746	362,936	438,799	443,992	459,057	1,578,962
Payable to related parties	3,568,623	3,568,623	—	3,568,623	—	—	—
Decommission liability	100,000	100,000	—	50,000	50,000	—	—
	<b>7,253,479</b>	<b>8,246,325</b>	<b>1,756,892</b>	<b>4,057,422</b>	<b>493,992</b>	<b>459,057</b>	<b>1,578,962</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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**16. 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
<b>December 31, 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Fair value through profit and loss				
Cash	402,409	—	—	402,409

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

For asset held for sale, valuation techniques used that are not based on observable market data.

**17. DIGITAL CURRENCY AND RISK MANAGEMENT**

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

Digital currencies have a limited history and the fair value historically has been very volatile. Historical performances of digital currencies are not indicative of their future price performance. The Company's digital currencies currently consist of Bitcoin. The impact of a 25% variance in the price of this digital currency on the Company's earnings before tax, based on their closing prices at December 31, 2020 would be \$873.

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**18. 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 year ended December 31, 2020.

**19. SEGMENTED INFORMATION**

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

Year Ended: December 31, 2020	USA \$	Canada \$	Head Office \$	Total \$
<b>Income from mining of digital currency</b>				
Income from mining of digital currency	395,296	40,587	—	435,883
Income from sales of GPU miners	—	68,500	—	68,500
Cost of revenue - GPU miners	—	(54,969)	—	(54,969)
Operating and maintenance cost	(585,478)	(19,802)	—	(605,280)
Depreciation - right-to-use assets	(344,413)	(39,276)	—	(383,689)
Depreciation - property and equipment	(2,912,106)	—	—	(2,912,106)
Amortization - intangible	—	(216,544)	—	(216,544)
<b>Net mining loss</b>	(3,446,701)	(221,504)	—	(3,668,205)
<b>Operating expenses</b>				
Interest and bank charges	3,209	—	2,582	5,791
Interest expense - lease obligation	211,032	31,032	—	242,064
Management fees, salaries and wages	137,947	—	225,071	363,018
Office and administration	—	—	389,544	389,544
Professional fees	77,508	—	422,154	499,662
Realized loss on digital currency	9,153	940	—	10,093
Gain from disposal from miners	44,186	4,537	—	48,723
Gain on lease modification	(263,145)	—	—	(263,145)
Rent income	—	—	(30,000)	(30,000)
Shared based compensation	—	—	255,474	255,474
Foreign exchange (gain) / loss	—	—	13,877	13,877
	(219,890)	36,509	1,278,702	1,535,101
<b>Net loss</b>	(3,666,591)	(258,013)	(1,278,702)	(5,203,306)
<b>Total assets</b>	6,776,899	3,463,546	308,244	10,548,689
<b>Total liabilities</b>	6,348,605	731,450	226,541	7,306,596

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**19. 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 8. The sale is expected to be completed within a year from the reporting date.

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.

Period Ended: December, 2019	USA \$	Canada \$	Iceland \$	Head Office \$	Total \$
<b>Income from mining of digital currency</b>					
Income from mining of digital currency	8,595,054	649,570	682,555	—	9,927,179
Operating and maintenance cost	(7,634,200)	(576,954)	(606,251)	—	(8,817,405)
Depreciation - right-to-use assets	(313,170)	—	—	—	(313,170)
Reversal (Impairment) of equipment and digital currency	—	—	—	—	-
Depreciation	(6,130,829)	(257,995)	(807,529)	—	(7,196,353)
<b>Net mining income / (loss)</b>	<b>(5,483,145)</b>	<b>(185,379)</b>	<b>(731,225)</b>	<b>—</b>	<b>(6,399,749)</b>
<b>Operating expenses</b>					
Interest and bank charges	8,702	—	—	—	8,702
Interest expense - lease obligation	219,220	—	—	—	219,220
Management fees, salaries and wages	265,093	13,952	13,952	404,617	697,614
Office and administration	—	—	—	505,352	505,352
Professional fees	189,174	—	77,895	289,325	556,394
Realized loss on digital currency	53,319	4,030	4,234	—	61,583
Impairment on asset held for sale	365,936	—	—	—	365,936
Gain from disposal from miners	(422,421)	(31,924)	(33,545)	—	(487,890)
Service income	—	—	—	(85,000)	(85,000)
Reversal of Impairment charge on equipment	(6,125,292)	—	—	—	(6,125,292)
Foreign exchange gain	—	—	—	19,216	19,216
	(5,446,269)	(13,942)	62,536	1,133,510	(4,264,165)
<b>Net income / (loss) before other items</b>	<b>(36,876)</b>	<b>(171,437)</b>	<b>(793,761)</b>	<b>(1,133,510)</b>	<b>(2,135,584)</b>
Income taxes expense	—	—	—	—	—
<b>Net income (loss)</b>	<b>(36,876)</b>	<b>(171,437)</b>	<b>(793,761)</b>	<b>(1,133,510)</b>	<b>(2,135,584)</b>
<b>Total assets</b>	<b>11,914,521</b>	<b>125,064</b>	<b>—</b>	<b>222,984</b>	<b>12,262,569</b>
<b>Total liabilities</b>	<b>6,388,318</b>	<b>—</b>	<b>110,162</b>	<b>183,889</b>	<b>6,682,369</b>

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**20. SUBSEQUENT EVENTS**

On January 5, 2021, the Company announced that it had closed the private placement announced on November 30, 2020, consisting of the issuance of 4,000,000 units ("Units") of the Company to raise CAD \$200,000 at a price of CAD \$0.05 per Unit by way of a non-brokered private placement (the "Offering"). Each Unit consists of one common share of CryptoStar (a "Common Share") and one common share purchase warrant of CryptoStar (a "Warrant"). Each Warrant entitles the holder to acquire one Common Share at a price of CAD \$0.075 per Common Share for a period of 18 months from the date of issue. The securities issued in connection with the Offering were subject to a four-month hold period, in accordance with applicable securities laws.

On January 13, 2021, the Company announced that it had signed a non-binding letter of intent ("LOI") with a Hong Kong based company (the "Vendor") effective January 12, 2021 to acquire GPU miners in exchange for common shares of CryptoStar (the "Transaction"). Under the terms of the LOI, it is anticipated that CryptoStar and the Vendor will enter into a binding agreement (the "Definitive Agreement") pursuant to which the Vendor will deliver GPU miners (containing the latest generation GeForce RTX 3000 Series GPU cards), capable of a combined minimum total Hashrate of 85,680 MH/s. The agreed upon aggregate consideration under the proposed Transaction will be satisfied by the issuance of 20,000,000 common shares of CryptoStar. Upon entering into the Definitive Agreement, it is anticipated that the GPU miners will be delivered to CryptoStar's data centres within 14 days.

On January 26, 2021, the Company loan under Note 14 was forgiven by the lender.

On February 3, 2021, the Company announced that it has granted an aggregate of 10,000,000 stock options under the Company's stock option plan to directors of the Company with an exercise price of CAD \$0.10 per stock option, exercisable for a period of ten years from the date of grant.

On February 4, 2021, the Company announced that it had closed the private placement announced on December 23, 2020, consisting of the issuance of 10,000,000 units ("Units") of the Company to raise CAD \$500,000 at a price of CAD \$0.05 per Unit by way of a non-brokered private placement (the "Offering"). Each Unit consists of one common share of CryptoStar (a "Common Share") and one common share purchase warrant of CryptoStar (a "Warrant"). Each Warrant entitles the holder to acquire one Common Share at a price of CAD \$0.075 per Common Share for a period of 18 months from the date of issue. The Company will pay cash fees and issue Common Shares and non-transferable warrants (the "Finder's Warrants") pursuant to the Offering. EMD Financial Inc. will receive CAD \$33,250, 285,000 Common Shares and 285,000 Finder's Warrants. Each Finder's Warrant will entitle the holder thereof 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 securities issued in connection with the Offering were subject to a four-month hold period, in accordance with applicable securities laws.

On March 5, 2021, the Company announced that it has closed the private placement announced on February 17, 2021, consisting of the issuance of 20,000,000 units ("Units") of the Company to raise CAD \$2,000,000 at a price of CAD \$0.10 per Unit by way of a non-brokered private placement (the "Offering"). Each Unit consists of one common share of CryptoStar (a "Common Share") and one common share purchase warrant of CryptoStar (a "Warrant"). Each Warrant entitles the holder to acquire one Common Share at a price of CAD \$0.15 per Common Share for a period of 18 months from the date of issue. The securities issued in connection with the Offering were subject to a four-month hold period, in accordance with applicable securities laws. A.C.N. 117 402 838 PTY LTD ("ACN"), a company in which David Jellins (President and Chief Executive Officer and a director of the Company) and Amelia Jones (Chief Commercial Officer and a director of the Company) each hold a 50% interest, acquired 15,000,000 Units under the Offering. As such, the Offering constituted a "related party transaction" as defined under Multilateral Instrument 61-101 Protection of Minority Securityholders ("MI 61-101"). Such participation was exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 as neither the fair market value of the Units subscribed for by insiders, nor the consideration for the Units paid by such insiders would exceed 25% of the Company's market capitalization.

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**20. SUBSEQUENT EVENTS (continued)**

On March 15, 2021, the Company announced that it has closed its previously announced private placement of its common shares ("Common Shares") and warrants to purchase common shares ("Warrants") to institutional investors for gross proceeds of approximately CAD \$25.0 million (the "Private Placement"). Pursuant to the Private Placement, the Company issued 83,333,334 Common Shares and Warrants to purchase 83,333,334 Common Shares at a purchase price of CAD \$0.30 per Common Share and associated Warrant. Each Warrant entitles the holder to purchase one Common Share at an exercise price of CAD \$0.40 per Common Share for a period of three and one-half (3.5) years following the closing date of the Private Placement. H.C. Wainwright & Co. acted as the exclusive placement agent for the Private Placement. The net proceeds of the Private Placement are expected to be used by the Company for business operations and expansion of its business, to reduce indebtedness and for general working capital purposes. H.C. Wainwright & Co. received (i) a cash commission equal to 7.0% of the gross proceeds of the Private Placement and (ii) 5,833,333 non-transferable broker warrants (the "Broker Warrants"). Each Broker Warrant entitles the holder to purchase one common share at an exercise price of CAD \$0.375 for a period of three and one-half (3.5) years following the closing date of the Private Placement. No securities were offered or sold to Canadian residents in connection with the Private Placement. The securities issued under the Private Placement were subject to resale restrictions in the United States under applicable U.S. federal and state securities laws with no resale restrictions in Canada.

On March 30, 2021, the Company announced that, further to the execution of a definitive agreement announced on March 8, 2021, the Company and a Hong Kong based company (the "Vendor") had renegotiated an equipment purchase agreement (the "Definitive Agreement") effective March 7, 2021 to acquire a combination of GPU and ASIC miners in exchange for 5,927,151 units ("Units") of the Company at a deemed value of CAD \$1,422,516.24 (the "Transaction"). The Company will issue an additional 355,629 Units (the "Finder's Fee") to Chen Peifeng in connection with Transaction. As compared to the terms announced on March 8, 2021, the renegotiation represents a 25.5% reduction in the deemed value of the Definitive Agreement and a 25.5% reduction in the number of Units to be exchanged. Each Unit consists of one common share of CryptoStar (a "Common Share") and one common share purchase warrant of CryptoStar (a "Warrant"). Each Warrant entitles the holder to acquire one Common Share at a price of CAD \$0.36 per Common Share for a period of 18 months from the date of issue. The Transaction, including payment of the Finder's Fee, is subject to TSX Venture Exchange (the "TSXV") approval.

CryptoStar also announced that the Company had purchased additional mining Hashrate from additional suppliers (the "Purchases"). The additional suppliers will deliver GPU and ASIC miners capable of an approximate total Hashrate of 24,000 MH/s and 11,950 TH/s respectively. It is anticipated that the GPU miners will be delivered to CryptoStar's data centres in Alberta.

On April 22, 2021, the Company announced that it had closed the private placement announced on March 8, 2021, consisting of the issuance of 30,075,000 units ("Units") of the Company to raise CAD \$6,015,000 at a price of CAD \$0.20 per Unit by way of a non-brokered private placement (the "Offering"). Each Unit consists of one common share of CryptoStar (a "Common Share") and one common share purchase warrant of CryptoStar (a "Warrant"). Each Warrant entitles the holder to acquire one Common Share at a price of CAD \$0.27 per Common Share for a period of 18 months from the date of issue. The securities issued in connection with the Offering are subject to a four-month hold period, in accordance with applicable securities laws. A.C.N. 117 402 838 PTY LTD ("ACN"), an insider of the Company, participated in the Offering, thereby making the Offering a "related party transaction" as defined under Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). ACN purchased 16,157,500 Units, and after the completion of the Private Placement owned 102,624,235 common shares or approximately 26.3% of the total common shares issued and outstanding. The Offering is exempt from the need to obtain minority shareholder and a formal valuation as required by MI 61-101 as neither the fair market value of any units to insiders nor the consideration paid by insiders of the Company exceeds 25% of the Company's market capitalization. No new insiders were created, nor did any change of control result from the Offering.

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**20. SUBSEQUENT EVENTS (continued)**

During the subsequent period from January 1, 2021 to April 30, 2021, the Company issued 2,522,890 common shares upon exercise of stock options at CAD \$0.05 for gross proceeds of \$126,145 and 2,175,500 common shares upon exercise of warrants at CAD\$0.075 for gross proceeds of \$50,663.

