

CRYPTOSTAR CORP.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in US dollars)

Notice of No Auditors Review of Condensed Interim Consolidated Financial Statements

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

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

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

CRYPTOSTAR CORP.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

Condensed Interim Consolidated Financial Statements (Unaudited)

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

| | Note | As at September 30, 2021 \$ | As at December 31, 2020 \$ |
|---|---------|--------------------------------------|-------------------------------------|
| Assets | | | |
| Current assets | | | |
| Cash | | 15,769,989 | 402,409 |
| Accounts receivable and others | 12 | 223,543 | — |
| Deposits and prepaid expenses | 4 | 5,387,466 | 300,728 |
| Digital currencies | 5 | 2,993,581 | 1,965 |
| | | <u>24,374,579</u> | <u>705,102</u> |
| Property and equipment | 6 | 11,423,048 | 5,152,656 |
| Intangible assets | 7 | 2,282,576 | 2,723,597 |
| Right-of-use assets | 8 | 1,654,886 | 1,899,327 |
| Deposits | 4 | 113,944 | 68,007 |
| Total assets | | 39,849,033 | 10,548,689 |
| Liabilities and shareholders' equity | | | |
| Current liabilities | | | |
| Trade payable and accrued liabilities | | 3,478,425 | 1,106,712 |
| Advances from customers | 15 | 3,486,000 | — |
| Subscription liability | 9 | — | 287,244 |
| Loan | 10 | — | 53,117 |
| Lease obligations | 8 | 194,753 | 125,926 |
| | | <u>7,159,178</u> | <u>1,572,999</u> |
| Lease obligations | 8 | 1,902,513 | 2,064,974 |
| Decommission cost | 11 | 100,000 | 100,000 |
| Payable to related party | 12 | 1,966,604 | 3,568,623 |
| Total liabilities | | 11,128,295 | 7,306,596 |
| Shareholders' equity | | | |
| Share capital | 13 | 36,654,739 | 22,162,835 |
| Shareholder contribution | 13 | 3,292,725 | 2,844,777 |
| Warrant and option reserve | 12 & 13 | 19,412,699 | 5,311,528 |
| Subscription receivable | | — | (118,318) |
| Deficit | | (30,639,425) | (26,958,729) |
| Total shareholders' equity | | 28,720,738 | 3,242,093 |
| Total liabilities and shareholders' equity | | 39,849,033 | 10,548,689 |

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Approved on behalf of the Board of Directors on November 29, 2021

/s/Aly Madhavji

Director

/s/Amelia Jones

Director

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

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

| | Note | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|------|----------------------------------|-------------|---------------------------------|-------------|
| | | 2021 | 2020 | 2021 | 2020 |
| | | \$ | \$ | \$ | \$ |
| Revenue | | | | | |
| Digital assets mined | 5 | 1,157,582 | 25,113 | 1,733,865 | 412,254 |
| Hosting income | | 341,400 | 9,000 | 389,400 | 36,207 |
| Sales of GPU miners | | — | — | 27,912 | — |
| | | 1,498,982 | 34,113 | 2,151,177 | 448,461 |
| Cost of revenue | | | | | |
| Cost of GPU miners sold | | — | — | (25,121) | — |
| Site operating costs | | (116,301) | (73,074) | (191,803) | (589,449) |
| Amortization of intangible assets | 7 | (147,006) | (72,487) | (441,021) | (154,016) |
| Depreciation of right-of-use assets | 8 | (81,424) | (45,027) | (244,272) | (208,978) |
| Depreciation of property and equipment | 6 | (1,156,016) | — | (2,639,881) | (107,119) |
| Gross loss | | (1,765) | (156,475) | (1,390,921) | (611,101) |
| Realized gain / (loss) on digital currencies | 5 | — | (450) | 1,339 | (6,770) |
| Net loss before operating expenses | | (1,765) | (156,925) | (1,389,582) | (617,871) |
| Operating expenses | | | | | |
| Interest and bank charges | | 2,101 | 1,202 | 7,948 | 4,647 |
| Management fees, salaries and wages | 12 | 220,272 | 41,248 | 456,600 | 328,601 |
| Share based compensation | 12 | 120,784 | 45,280 | 1,041,400 | 45,280 |
| Office and administration | | 46,046 | 35,385 | 252,836 | 231,436 |
| Professional fees | | 54,413 | 67,213 | 523,865 | 195,499 |
| Total operating expenses | | 443,616 | 190,328 | 2,282,649 | 805,463 |
| Net loss before other items | | (445,381) | (347,253) | (3,672,231) | (1,423,334) |
| Other income (expense) | | | | | |
| Foreign exchange loss | | (216,246) | (1,939) | (68,519) | (798) |
| Revaluation gain on digital assets | 5 | 395,669 | 2,160 | 105,467 | 14 |
| Interest expense on lease obligations | 8 | (59,084) | (26,713) | (179,291) | (140,617) |
| Interest income | 12 | 3,543 | — | 4,945 | — |
| Loss from disposal from miners | | — | (304,913) | — | (144,133) |
| Power charges | | — | — | — | 10,443 |
| Other income | 10 | — | — | 128,933 | — |
| Net comprehensive loss | | (321,499) | (678,658) | (3,680,696) | (1,698,425) |
| Loss per share, basic and diluted | | | | | |
| | | (0.001) | (0.003) | (0.010) | (0.008) |
| Weighted average shares, basic and diluted | | | | | |
| | | 411,230,738 | 210,156,016 | 358,713,245 | 210,156,016 |

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

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

| | Note | Share Capital | | Shareholder Contribution | Warrant and Option Reserve | Shares to be Issued | Subscription Receivable | Deficit | Total |
|---|------|--------------------|-------------------|--------------------------|----------------------------|---------------------|-------------------------|---------------------|-------------------|
| | | Shares Issued | Amount \$ | | | | | | |
| As at December 31, 2019 | | 208,752,800 | 21,453,727 | 1,406,512 | 4,475,384 | — | — | (21,755,423) | 5,580,200 |
| Shareholder contribution | | — | — | 1,438,265 | — | — | — | — | 1,438,265 |
| Private placement | | 5,000,000 | 140,586 | — | 44,011 | — | — | — | 184,597 |
| Issuance cost - cash | | — | (11,242) | — | — | — | — | — | (11,242) |
| Issuance cost - non-cash | | — | (5,606) | — | — | — | — | — | (5,606) |
| Shares issued for professional services | | 40,500 | 1,196 | — | 4,410 | — | — | — | 5,606 |
| Share based compensation | | — | — | — | 45,280 | — | — | — | 45,280 |
| Net loss for the period | | — | — | — | — | — | — | (1,698,425) | (1,698,425) |
| As at September 30, 2020 | | 213,793,300 | 21,578,661 | 2,844,777 | 4,569,085 | — | — | (23,453,848) | 5,538,675 |
| As at December 31, 2020 | | 242,793,300 | 22,162,835 | 2,844,777 | 5,311,528 | — | (118,318) | (26,958,729) | 3,242,093 |
| Private placement | 13 | 143,693,334 | 13,813,170 | — | 14,508,395 | — | 118,318 | — | 28,439,883 |
| Issuance cost | | — | (3,098,434) | — | — | — | — | — | (3,098,434) |
| Share based payment | 13 | 5,927,151 | — | — | — | 1,122,031 | — | — | 1,122,031 |
| Issuance of shares and warrants | 13 | — | 674,083 | 447,948 | — | (1,122,031) | — | — | — |
| Finder fees | 13 | 355,629 | 62,235 | — | 41,357 | — | — | — | 103,592 |
| Exercise of warrants and options | 13 | 27,608,390 | 3,040,850 | — | (1,489,981) | — | — | — | 1,550,869 |
| Share based compensation | 12 | — | — | — | 1,041,400 | — | — | — | 1,041,400 |
| Net loss for the period | | — | — | — | — | — | — | (3,680,696) | (3,680,696) |
| As at September 30, 2021 | | 420,377,804 | 36,654,739 | 3,292,725 | 19,412,699 | — | — | (30,639,425) | 28,720,738 |

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

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

| | Nine Months Ended September 30, | |
|--|--|------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Operating activities | | |
| Net loss for the period | (3,680,696) | (1,698,425) |
| Adjusted for: | | |
| Depreciation of property and equipment | 2,639,881 | 107,119 |
| Amortization of intangible assets | 441,021 | 154,016 |
| Revaluation gain on digital currencies | (105,467) | (14) |
| Income from mining of digital currencies | (1,733,865) | (412,254) |
| Purchase of digital currencies | (1,199,452) | — |
| Proceeds from sale of digital currencies | 48,507 | 405,057 |
| Realized (gain) loss on digital currencies | (1,339) | 6,770 |
| Gain from disposal from miners | — | (277,427) |
| Loss from sales of disposal of fixed asset | — | 436,897 |
| Share based compensation | 1,041,400 | 45,280 |
| Other income | (53,117) | — |
| Depreciation of right-of-use assets | 244,272 | 208,978 |
| Interest expense on lease obligations | 179,291 | 140,617 |
| Foreign exchange loss on right-of-use assets and lease obligations | 301 | — |
| Changes in non-cash working capital items: | | |
| Accounts receivable and others | (223,543) | — |
| Deposits and prepaid expenses | (4,304,938) | 476,588 |
| Trade payable and accrued liabilities | 2,371,713 | (161,835) |
| Advances from customers | 3,486,000 | — |
| Cash used in operating activities | (850,031) | (568,633) |
| Investing activities | | |
| Proceeds on disposal of miners | — | 277,427 |
| Purchases of property and equipment | (7,684,650) | (339,481) |
| Deposits made for mining equipment | (781,800) | — |
| Deposits | (45,937) | — |
| Cash used in investing activities | (8,512,387) | (62,054) |
| Financing activities | | |
| Advances received from related party | 76,760 | 691,648 |
| Repayment of advances to related party | (1,678,779) | (24,305) |
| Payment of lease obligations | (273,057) | (303,021) |
| Subscription liability | (287,244) | — |
| Proceeds from share issuance and warrants | — | 173,355 |
| Proceeds from issuance of share units, net of cash issuance costs | 25,341,449 | — |
| Proceeds from exercise of warrants and options | 1,550,869 | — |
| Cash provided by financing activities | 24,729,998 | 537,677 |
| Net change in cash during the period | 15,367,580 | (93,010) |
| Cash, beginning of the period | 402,409 | 114,881 |
| Cash, end of the period | 15,769,989 | 21,871 |
| <i>Supplemental cash flow information:</i> | | |
| Interest paid | (179,291) | (140,617) |
| Non cash transaction | | |
| Property and equipment purchased through share based payment | (1,225,623) | — |
| Donated intangible assets | — | 1,438,265 |

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

CRYPTOSTAR CORP.
Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the Three and Nine Months Ended September 30, 2021 and 2020
(Expressed in US dollars)

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 address 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 (“TSXV”) under the trading symbol “CSTR” and the OTCQB Venture Market under the trading symbol “CSTXF”. 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 and Ethereum).

These condensed interim consolidated 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 September 30, 2021, the Company has an accumulated deficit of \$30,639,425 (December 31, 2020 – \$26,958,729) including a loss for the nine months ended September 30, 2021 of \$3,680,696 (September 30, 2020 – \$1,698,425). These condensed interim consolidated 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.

2. BASIS OF PRESENTATION

Statement of Compliance

The notes presented in these condensed interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in the annual audited consolidated financial statements; thus, these condensed interim consolidated financial statements are referred to as condensed. These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2020 and 2019.

These condensed interim consolidated financial statements for the three and nine months ended September 30, 2021 are expressed in US dollars and follow the same accounting policies and methods of their application as set out in the audited consolidated financial statements for the years ended December 31, 2020 and 2019. These condensed interim consolidated financial statements comply with International Accounting Standard 34, Interim Financial Reporting of the International Financial Reporting Standards, as issued by the International Accounting Standards Board (“IFRS-IASB”) and reflect all adjustments which are necessary for a fair statement of the results for the interim periods presented.

The condensed interim consolidated financial statements of the Company as at and for the three and nine months ended September 30, 2021 comprise the Company and its wholly owned subsidiaries CryptoStar Holdings Inc. (“CHI”) and CryptoStar USA, Inc. (“CryptoStar USA”).

The Board of Directors approved these condensed interim consolidated financial statements for the three and nine months ended September 30, 2021 on November 29, 2021.

Basis of Measurement

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

For comparative purposes, the Company has reclassified certain immaterial items on the comparative consolidated statement of financial position, consolidated statement of comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows to conform with the current period’s presentation.

CRYPTOSTAR CORP.
Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the Three and Nine Months Ended September 30, 2021 and 2020
(Expressed in US dollars)

2. BASIS OF PRESENTATION (continued)

Functional and Presentation Currency

These condensed interim consolidated financial statements are presented in US dollars, which is the functional currency of the Company's 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. CHANGES IN ACCOUNTING STANDARDS

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 assets. Phase 2 Amendments are effective for annual reporting periods beginning on or after January 1, 2021.

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 three and nine months ended September 30, 2021 and, accordingly, have not been applied in preparing these condensed interim consolidated financial statements.

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.

CRYPTOSTAR CORP.
Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the Three and Nine Months Ended September 30, 2021 and 2020
(Expressed in US dollars)

3. CHANGES IN ACCOUNTING STANDARDS (continued)

Improving Accounting Policy Disclosures and Clarifying Distinction between Accounting Policies and Accounting Estimates (Amendments to IAS 1 and IAS 8)

In February 2021, the IASB issued narrow-scope amendments to IAS 1 Presentation of Financial Statements, IFRS Practice Statement 2 Making Materiality Judgments and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 8 clarify how companies should distinguish changes in accounting policies from change in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

4. DEPOSITS AND PREPAID EXPENSES

| | September 30, | December 31, |
|--|----------------------|---------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Current: | | |
| Prepayments | 4,587,674 | 282,736 |
| Deposits made for mining equipment | 799,792 | 17,992 |
| | 5,387,466 | 300,728 |
| Long-term: | | |
| Deposits | 113,944 | 68,007 |
| Total deposits and prepaid expenses | 5,501,410 | 368,735 |

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

5. DIGITAL CURRENCIES

Digital currencies consist of Bitcoin and Ethereum coins. Below is a continuity of digital currencies mined, acquired through purchase, sold and fair valued during the nine months ended September 30, 2021.

| | September 30, 2021 | | December 31, 2020 | |
|---|---------------------------|------------------|--------------------------|--------------|
| | Number | \$ | Number | \$ |
| Bitcoin | | | | |
| Opening balance | 0.12 | 1,965 | 0.63 | 4,535 |
| Mined additions | 23.64 | 1,005,091 | 45.59 | 435,883 |
| Non mining additions | — | — | 5.10 | 65,371 |
| Bitcoin sold | (0.96) | (42,268) | (51.20) | (493,237) |
| Bitcoin bought | 28.57 | 1,192,453 | — | — |
| Realized gain / (loss) on digital currency | — | 1,339 | — | (10,093) |
| Revaluation gain (loss) on digital currency | — | 64,934 | — | (494) |
| Ending balance | 51.37 | 2,223,514 | 0.12 | 1,965 |
| Ethereum | | | | |
| Opening balance | — | — | — | — |
| Mined additions | 256.20 | 728,774 | — | — |
| Ethereum sold | (3.52) | (6,239) | — | — |
| Ethereum bought | 3.95 | 6,999 | — | — |
| Revaluation gain on digital currency | — | 40,533 | — | — |
| Ending balance | 256.63 | 770,067 | — | — |
| Total digital currencies | | 2,993,581 | | 1,965 |

Digital currencies are measured using level two fair values, determined by taking the rates from www.bitcoincharts.com and www.coinmarketcap.com. Please refer to Note 14 for further information.

During the three and nine months ended September 30, 2021, the Company mined digital currencies of \$1,157,582 and \$1,733,865, respectively (September 30, 2020 - \$25,113 and \$412,254, respectively).

During the nine months ended September 30, 2021, the Company disposed 0.96 bitcoins and 3.52 Ethereum coins for \$48,507 in cash and realized a gain of \$1,339 (September 30, 2020 – realized loss of \$6,770).

CRYPTOSTAR CORP.
Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the Three and Nine Months Ended September 30, 2021 and 2020
(Expressed in US dollars)

6. PROPERTY AND EQUIPMENT

| | Mining Equipment \$ | Other Property and Equipment \$ | Construction in Progress \$ | Total \$ |
|--|---------------------------|---------------------------------------|-----------------------------------|-------------------|
| Cost | | | | |
| Balance, December 31, 2019 | 22,960,019 | 6,393,434 | — | 29,353,453 |
| Additions | 138,159 | — | 291,811 | 429,970 |
| Disposal | (501,310) | — | — | (501,310) |
| Net transfer from assets held for sale | — | 5,130,937 | — | 5,130,937 |
| Balance, December 31, 2020 | 22,596,868 | 11,524,371 | 291,811 | 34,413,050 |
| Additions | 7,457,043 | 3,181 | 1,450,049 | 8,910,273 |
| Balance, September 30, 2021 | 30,053,911 | 11,527,552 | 1,741,860 | 43,323,323 |
| Accumulated depreciation | | | | |
| 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 |
| Balance, December 31, 2020 | 22,544,231 | 6,716,163 | — | 29,260,394 |
| Depreciation | 765,510 | 1,874,371 | — | 2,639,881 |
| Balance, September 30, 2021 | 23,309,741 | 8,590,534 | — | 31,900,275 |
| Net book value | | | | |
| As at September 30, 2021 | 6,744,170 | 2,937,018 | 1,741,860 | 11,423,048 |
| As at December 31, 2020 | 52,637 | 4,808,208 | 291,811 | 5,152,656 |

During the nine months ended September 30, 2021, the Company acquired mining equipment in exchange for common shares and common share purchase warrants of \$1,122,031 and finder fees of \$103,592. Please refer to Note 13 for further information on the transaction.

CRYPTOSTAR CORP.
Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the Three and Nine Months Ended September 30, 2021 and 2020
(Expressed in US dollars)

7. INTANGIBLE ASSETS

| | \$ |
|------------------------------------|------------------|
| Cost | |
| Balance, December 31, 2019 | 1,501,876 |
| Addition | 1,438,265 |
| Balance, December 31, 2020 | 2,940,141 |
| Addition | — |
| Balance, September 30, 2021 | 2,940,141 |
| Accumulated amortization | |
| Balance, December 31, 2019 | — |
| Amortization | 216,544 |
| Balance, December 31, 2020 | 216,544 |
| Amortization | 441,021 |
| Balance, September 30, 2021 | 657,565 |
| Net book value | |
| As at September 30, 2021 | 2,282,576 |
| As at December 31, 2020 | 2,723,597 |

8. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

| | September 30, 2021 | December 31, 2020 |
|--------------------------------------|-----------------------|----------------------|
| | \$ | \$ |
| Right-of-use Assets | | |
| Cost | | |
| Balance, beginning of the period | 2,598,151 | 2,383,609 |
| Lease modification | — | (278,429) |
| Lease additions | — | 492,971 |
| Balance, end of the period | 2,598,151 | 2,598,151 |
| Accumulated depreciation | | |
| Balance, beginning of the period | 698,824 | 313,170 |
| Depreciation | 244,272 | 383,689 |
| Exchange loss | 169 | 1,965 |
| Balance, end of the period | 943,265 | 698,824 |
| Net book value, end of period | 1,654,886 | 1,899,327 |

CRYPTOSTAR CORP.
Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the Three and Nine Months Ended September 30, 2021 and 2020
(Expressed in US dollars)

8. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS (continued)

| | September 30, 2021 | December 31, 2020 |
|-----------------------------------|-----------------------|----------------------|
| | \$ | \$ |
| Lease Obligations | | |
| Balance, beginning of period | 2,190,900 | 2,475,157 |
| Addition | — | 392,971 |
| Interest accretion | 179,291 | 242,064 |
| Lease modification | — | (541,574) |
| Lease payments | (273,057) | (379,353) |
| Exchange loss | 132 | 1,635 |
| Balance, end of the period | 2,097,266 | 2,190,900 |
| Current lease obligations | 194,753 | 125,926 |
| Non-current lease obligations | 1,902,513 | 2,064,974 |
| Balance, end of the period | 2,097,266 | 2,190,900 |

The following table presents the contractual undiscounted cash flows for lease obligations as at September 30, 2021:

| | \$ |
|---|------------------|
| Undiscounted lease obligations | |
| Less than one year | 421,663 |
| One to two years | 440,905 |
| Two to three years | 455,229 |
| Three to four year | 461,117 |
| More than four years | 1,232,904 |
| Total undiscounted lease obligations | 3,011,818 |
| Impact of discounting | (906,826) |
| Exchange loss | (7,726) |
| Total lease obligation | 2,097,266 |

9. SUBSCRIPTION LIABILITY

Subscription liability consists of amounts received pursuant to private placements announced by the Company but not closed as of period end.

10. LOAN

In May 2020, the Company received loan proceeds of \$53,117 (the "PPP Loan") under the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") administered by the U.S. Small Business Administration ("SBA"). The unsecured PPL 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.

On January 26, 2021, the PPP Loan was forgiven by the Lender, and has been included in other income.

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11. DECOMMISSION COST

The Company has recorded the decommissioning liability for the site restoration. The Company has recorded liability with a corresponding adjustment to the cost of the right-of-use 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. No accretion expense has been recorded for the three and nine months ended September 30, 2021 as the related impact is not significant.

The Company has used the following assumptions:

- Inflation rate - 0.62%
- Discount rate - 2%
- Useful life - 1 to 7 years

12. RELATED PARTY TRANSACTIONS AND BALANCES

Payable to Related Party

The balance of \$1,966,604 (December 31, 2020 - \$3,568,623) payable to related party as at September 30, 2021 represents the amount advanced under a line of credit provided by A.C.N 117 402 838 PTY LTD ("ACN") 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 at the time of credit is waived at any point at the sole discretion of ACN. ACN has waived the interest charge on the line of credit for the nine months ended September 30, 2021. During the nine months ended September 30, 2021, the Company has obtained an additional loan of \$76,760 and repaid \$1,678,779.

Key Management Remuneration

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

On February 3, 2021, the Company granted an aggregate of 10,000,000 stock options under the Company's stock option plan to directors of the Company. These options have an exercise price of CAD \$0.10 per stock option, and an expiry date of February 3, 2031. All of the options vested immediately. Share based compensation of \$821,091 was recorded related to these options during the nine months ended September 30, 2021.

On May 3, 2021, the Company granted 2,000,000 stock options under the Company's stock option plan to an officer of the Company. These options have an exercise price of CAD \$0.28 per stock option, and an expiry date of May 3, 2031. The options vest in equal 25% tranches in each of August 2021, March 2022, October 2022 and May 2023. Share based compensation of \$220,309 was recorded related to these options during the nine months ended September 30, 2021.

The Company paid directors fees during the three and nine months ended September 30, 2021 of \$16,271 and \$32,800, respectively (September 30, 2020 - \$Nil and \$37,446, respectively).

The remuneration of key management personnel paid by ACN on the Company's behalf during the three and nine months ended September 30, 2021 was \$75,918 and \$231,394, respectively (September 30, 2020 - \$Nil and \$65,434, respectively).

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12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related Party Transactions

On March 4, 2021, the Company issued 20,000,000 units at a price of CAD \$0.10 per unit. Each unit consists of one common share and one common share purchase 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 eighteen 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.

ACN acquired 15,000,000 units under the above offering, which constituted as a “related party transaction” as defined under Multilateral Instrument 61-101 Protection of Minority Security holders.

On April 22, 2021, the Company issued 30,075,000 units at a price of CAD \$0.20 per unit. Each unit consists of one common share and one common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of CAD \$0.27 per common share for a period of eighteen months following the closing date of private placement. The securities issued in connection with the offering were subject to a four-month hold period, in accordance with applicable securities laws.

ACN acquired 16,157,500 units under the above offering, which constituted as a “related party transaction” as defined under Multilateral Instrument 61-101 Protection of Minority Security holders.

On May 4, 2021, an employee of the Company exercised 10,000,000 stocks options. These options had an exercise price of CAD \$0.05 per stock option. As at September 30, 2021, \$203,543 was payable by the employee to the Company. The Company has classified the amount receivable as current as the amount shall be repaid in full no later than May 2022, and is included in accounts receivable and others. Interest equal to 2% above the prime rate of interest charged by Royal Bank of Canada on Canadian dollar commercial loans is being charged by the Company to the employee on the amount receivable. During the nine months ended September 30, 2021, the Company earned \$4,945 of interest income related to this loan.

13. SHARE CAPITAL

Authorized

Unlimited common shares without par value.

Issued and Outstanding

The Company issued a total 177,584,504 common shares during the nine months ended September 30, 2021. The total outstanding number of shares as at September 30, 2021, was 420,377,804.

The Company determines 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 January 28, 2021, the Company issued 10,000,000 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 the holder 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. The securities issued in connection with the offering were subject to a four-month hold period, in accordance with applicable securities laws.

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13. SHARE CAPITAL (continued)

On February 5, 2021, the Company paid cash equal to CAD \$33,250, 285,000 common shares and 285,000 Finder's Warrants to EMD Financial Inc. Each Finders' Warrant entitles the holder 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 4, 2021, the Company issued 20,000,000 units at a price of CAD \$0.10 per unit. Each unit consists of one common share and one common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of CAD \$0.15 per common share for a period of eighteen 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.

ACN acquired 15,000,000 units under the above offering, which constituted as a "related party transaction" as defined under Multilateral Instrument 61-101 Protection of Minority Security holders.

On March 15, 2021, the Company issued 83,333,334 units at a price of CAD \$0.30 per unit. Each unit consists of one common share and one common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of CAD \$0.40 per common share for a period of three and one half (3.5) years following the closing date of private placement. The securities issued were subject to resale restrictions in the United States under applicable U.S federal and state securities laws with no resale restrictions in Canada.

The Company paid cash equal to 7.0% of the gross proceeds of the above private placement, and 5,833,333 Broker Warrants to H.C. Wainwright & Co. Each Broker Warrant entitles the holder to acquire one common share at a price of CAD \$0.375 per common share for a period of three and one half (3.5) years following the closing date of private placement. The securities issued 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 April 22, 2021, the Company issued 30,075,000 units at a price of CAD \$0.20 per unit. Each unit consists of one common share and one common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of CAD \$0.27 per common share for a period of eighteen months following the closing date of private placement. The securities issued in connection with the offering were subject to a four-month hold period, in accordance with applicable securities laws.

ACN acquired 16,157,500 units under the above offering, which constituted as a "related party transaction" as defined under Multilateral Instrument 61-101 Protection of Minority Security holders.

During the nine months ended September 30, 2021, the Company acquired property and equipment in a transaction in exchange for common shares and common share purchase warrants. Upon the closing of the transaction, the Company will issue 5,927,151 units at a price of CAD \$0.24 and an additional 355,629 units as finder fees. Each unit consists of one common share and one common share purchase 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 eighteen months from the date of issue. The fair value of these warrants was determined using the Black Scholes pricing model. The warrants and common share value was assigned based on the relative fair value method.

During the nine months ended September 30, 2021, the Company issued 27,608,390 common shares upon exercise of warrants and stock options for gross proceeds of \$1,550,869 (CAD \$1,885,682).

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 Venture Exchange requirements, grant stock options to key management personnel, including officers and directors.

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13. SHARE CAPITAL (continued)

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.

On February 3, 2021, the Company granted an aggregate of 10,000,000 stock options under the Company's stock option plan to directors of the Company. These options have an exercise price of CAD \$0.10 per stock option, and an expiry date of February 3, 2031. All of the options vested immediately. The fair value of these stock options of \$821,091 was determined using the Black Scholes pricing model. Share based compensation of \$821,091 was recorded related to these options during the nine months ended September 30, 2021.

On May 3, 2021, the Company granted an aggregate of 2,000,000 stock options under the Company's stock option plan to an officer of the Company. These options have an exercise price of CAD \$0.28 per stock option, and an expiry date of May 3, 2031. The options vest equally over four dates in August 2021, March 2022, October 2022 and May 2023. The fair value of these stock options of \$456,050 was determined using the Black Scholes pricing model. Share based compensation of \$220,309 was recorded related to these options during the nine months ended September 30, 2021.

| | Number of Options | Exercise Price CAD\$ | Expiry Date |
|------------------------------------|-------------------|-------------------------|-------------|
| 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 |
| Balance, December 31, 2020 | 20,850,000 | | |
| Granted on February 3, 2021 | 10,000,000 | 0.10 | 03-Feb-31 |
| Granted on May 3, 2021 | 2,000,000 | 0.28 | 03-May-31 |
| Exercised on February 18, 2021 | (1,200,000) | 0.05 | 20-Dec-28 |
| Exercised on February 19, 2021 | (600,000) | 0.05 | 20-Dec-28 |
| Exercised on February 24, 2021 | (600,000) | 0.05 | 14-Aug-30 |
| Exercised on March 1, 2021 | (122,890) | 0.05 | 20-Dec-28 |
| Exercised on May 4, 2021 | (5,000,000) | 0.05 | 20-Dec-28 |
| Exercised on May 4, 2021 | (5,000,000) | 0.05 | 23-Nov-30 |
| Exercised on June 25, 2021 | (600,000) | 0.05 | 14-Aug-30 |
| Exercised on June 25, 2021 | (2,200,000) | 0.10 | 03-Feb-31 |
| Exercised on August 31, 2021 | (750,000) | 0.05 | 20-Dec-28 |
| Balance, September 30, 2021 | 16,777,110 | | |

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13. SHARE CAPITAL (continued)

The following table summarizes the stock options exercisable as at September 30, 2021:

| Exercise Price CAD\$ | Number of Outstanding Options | Number of Exercisable Options | Expiry Date | Remaining Contractual Life (Years) |
|-------------------------|-------------------------------------|-------------------------------------|-------------|--|
| 0.50 | 2,600,000 | 2,600,000 | 26-Sep-28 | 6.99 |
| 0.05 | 4,127,110 | 4,127,110 | 20-Dec-28 | 7.23 |
| 0.135 | 250,000 | 250,000 | 18-Jul-24 | 2.80 |
| 0.10 | 7,800,000 | 7,800,000 | 03-Feb-31 | 9.35 |
| 0.28 | 2,000,000 | 500,000 | 03-May-31 | 9.59 |
| 0.17 | 16,777,110 | 15,277,110 | | 8.39 |

The fair value of the options granted on February 3, 2021 was calculated using the Black-Scholes option pricing model with the following assumptions:

- Share price on grant date – CAD \$ 0.105
- Exercise price – CAD \$ 0.10
- Risk-free interest rate – 0.75%
- Forfeiture rate – 0%
- Expected dividend yield – 0%
- Expected option life (years) – 10
- Expected stock price volatility – 223.70%

The fair value of the options granted on May 3, 2021 was calculated using the Black-Scholes option pricing model with the following assumptions:

- Share price on grant date – CAD \$ 0.28
- Exercise price – CAD \$ 0.28
- Risk-free interest rate – 1.96%
- Forfeiture rate – 0%
- Expected dividend yield – 0%
- Expected option life (years) – 10
- Expected stock price volatility – 263%

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13. SHARE CAPITAL (continued)

Warrants

During the nine months ended September 30, 2021, the Company issued a total of 155,809,447 warrants in connection with the private placement financing described above.

The Company issued a total of 6,473,962 finder/broker warrants in connection with share issuance cost to the private placements on January 28, 2021, March 15, 2021 and August 24, 2021.

| Warrants - Issued and Outstanding | Number |
|--|--------------------|
| Balance, at December 31, 2019 | 13,204,700 |
| Addition | 31,750,500 |
| Expired | (3,204,700) |
| Balance, at December 31, 2020 | 41,750,500 |
| Balance, at December 31, 2020 | 41,750,500 |
| Addition | 155,809,447 |
| Expired | (10,000,000) |
| Exercised | (11,535,500) |
| Balance, at September 30, 2021 | 176,024,447 |

The following table summarizes the warrants exercisable as at September 30, 2021:

| Exercise price CAD\$ | Number of Outstanding and Exercisable Warrants | Expiry Date | Remaining Contractual Life (Years) |
|-------------------------|--|-------------|--|
| 0.075 | 5,000,000 | 07-Apr-22 | 0.52 |
| 0.075 | 3,000,000 | 09-Jun-22 | 0.69 |
| 0.075 | 20,000,000 | 23-Jun-22 | 0.73 |
| 0.075 | 3,200,000 | 04-Aug-22 | 0.84 |
| 0.150 | 18,000,000 | 05-Sep-22 | 0.93 |
| 0.400 | 83,333,334 | 16-Sep-24 | 2.96 |
| 0.375 | 5,833,333 | 16-Sep-24 | 2.96 |
| 0.270 | 29,075,000 | 22-Oct-22 | 1.06 |
| 0.075 | 2,300,000 | 29-Jul-22 | 0.83 |
| 0.360 | 6,282,780 | 24-Feb-23 | 1.40 |
| 0.289 | 176,024,447 | | 1.96 |

The fair value of the warrants granted on January 28, 2021 was calculated using the Black-Scholes option pricing model with the following assumptions:

- Share price on grant date – CAD \$ 0.09
- Exercise price – CAD \$ 0.075
- Risk-free interest rate – 0.17%
- Forfeiture rate – 0%
- Expected dividend yield – 0%
- Expected option life (years) – 1.5
- Expected stock price volatility – 223.70%

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13. SHARE CAPITAL (continued)

The fair value of the finder warrants granted on February 5, 2021 was calculated using the Black-Scholes option pricing model with the following assumptions:

- Share price on grant date – CAD \$ 0.105
- Exercise price – CAD \$ 0.075
- Risk-free interest rate – 0.17%
- Forfeiture rate – 0%
- Expected dividend yield – 0%
- Expected option life (years) – 1
- Expected stock price volatility – 211.40%

The fair value of the warrants granted on March 4, 2021 was calculated using the Black-Scholes option pricing model with the following assumptions:

- Share price on grant date – CAD \$ 0.23
- Exercise price – CAD \$ 0.15
- Risk-free interest rate – 0.30%
- Forfeiture rate – 0%
- Expected dividend yield – 0%
- Expected option life (years) – 1.5
- Expected stock price volatility – 223.93%

The fair value of the warrants granted on March 15, 2021 was calculated using the Black-Scholes option pricing model with the following assumptions:

- Share price on grant date – CAD \$ 0.335
- Exercise price – CAD \$ 0.40
- Risk-free interest rate – 0.31%
- Forfeiture rate – 0%
- Expected dividend yield – 0%
- Expected option life (years) – 3.5
- Expected stock price volatility – 223.70%

The fair value of the broker warrants granted on March 15, 2021 was calculated using the Black-Scholes option pricing model with the following assumptions:

- Share price on grant date – CAD \$ 0.335
- Exercise price – CAD \$ 0.375
- Risk-free interest rate – 0.31%
- Forfeiture rate – 0%
- Expected dividend yield – 0%
- Expected option life (years) – 3.5
- Expected stock price volatility – 223.70%

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13. SHARE CAPITAL (continued)

The fair value of the warrants granted on April 22, 2021 was calculated using the Black-Scholes option pricing model with the following assumptions:

- Share price on grant date – CAD \$ 0.29
- Exercise price – CAD \$ 0.27
- Risk-free interest rate – 0.30%
- Forfeiture rate – 0%
- Expected dividend yield – 0%
- Expected option life (years) – 1.5
- Expected stock price volatility – 325.01%

The fair value of the warrants granted on August 24, 2021 was calculated using the Black-Scholes option pricing model with the following assumptions:

- Share price on grant date – CAD \$ 0.175
- Exercise price – CAD \$ 0.36
- Risk-free interest rate – 0.41%
- Forfeiture rate – 0%
- Expected dividend yield – 0%
- Expected option life (years) – 1.5
- Expected stock price volatility – 258.87%

14. 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 counterparties 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 cryptocurrency 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.

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

As at September 30, 2021, the contractual maturities of financial liabilities are as follows:

| | Carrying Amount | Contractual Cash Flows | Within 1 Year | 1 to 2 Years | 2 to 3 Years | 3 to 4 Years | 4+ Years |
|---------------------------------------|-----------------|------------------------|---------------|--------------|--------------|--------------|-----------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Trade payable and accrued liabilities | 3,478,425 | 3,478,425 | 3,478,425 | — | — | — | — |
| Lease obligations | 2,097,266 | 3,011,818 | 421,663 | 440,905 | 455,229 | 461,117 | 1,232,904 |
| Payable to related parties | 1,966,604 | 1,966,604 | — | 1,966,604 | — | — | — |
| Decommission cost | 100,000 | 100,000 | — | 50,000 | 50,000 | — | — |
| | 7,642,295 | 8,556,847 | 3,900,088 | 2,457,509 | 505,229 | 461,117 | 1,232,904 |

Foreign currency risk

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations affect the costs that the Company incurs in its operations as well as the currency in which the Company has historically raised capital.

The Company's presentation currency is the US dollar and major purchases are transacted in US dollars. Financing incurred to date has been completed in Canadian dollars. The fluctuation of the Canadian dollar in relation to the US dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities and the amount of shareholders' equity.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is limited and only relates to its ability to earn interest income on cash balances at variable rates. Changes in short term interest rates will not have a significant effect on the fair value of the Company's cash account.

Fair value

The fair values of the Company's cash, trade payables and accrued liabilities 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.

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

| | Level 1 \$ | Level 2 \$ | Level 3 \$ |
|-----------------------------------|---------------|---------------|---------------|
| December 31, 2020 | | | |
| Fair value through profit or loss | | | |
| Cash | 402,409 | — | — |
| Digital currencies | — | 1,965 | — |
| | 402,409 | 1,965 | — |
| September 30, 2021 | | | |
| Fair value through profit or loss | | | |
| Cash | 15,769,989 | — | — |
| Digital currencies | — | 2,993,581 | — |
| | 15,769,989 | 2,993,581 | — |

Digital currencies are measured using level two fair values, determined by taking the rates from www.bitcoincharts.com and www.coinmarketcap.com.

15. ADVANCES FROM CUSTOMERS

The Company received prepayments from customers pursuant to various equipment hosting agreements executed by the Company (the "Equipment Hosting Agreements"). Under the terms of the Equipment Hosting Agreements, the Company will provide hosting services and infrastructure to the customers.

16. 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 digital currencies; 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 digital currencies could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its digital currency 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 and Ethereum. The impact of a 25% variance in the price of these digital currencies on the Company's earnings before tax, based on their closing prices as of September 30, 2021 would be \$748,395.

COVID-19

The recent outbreak of COVID-19 has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the pandemic continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the pandemic may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease.

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16. DIGITAL CURRENCY AND RISK MANAGEMENT (continued)

The effect that these events will have on the price of digital currencies, the ability for the Company to raise capital, the ability for the Company to obtain additional power permits and the supply of upgraded equipment are highly uncertain and as such, the Company is unable to determine the corresponding financial impact at this time.

17. 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, warrant and option reserve, subscription receivable 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.

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18. SEGMENTED INFORMATION

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

| | Nine Months Ended September 30, 2021 | | | |
|---|---|--------------------|--------------------|--------------------|
| | Canada | USA | Head Office | Total |
| | \$ | \$ | \$ | \$ |
| Income from mining of digital currency | | | | |
| Income from mining of digital currencies | 1,421,971 | 311,894 | — | 1,733,865 |
| Hosting income | — | 389,400 | — | 389,400 |
| Income from sales of GPU miners | 27,912 | — | — | 27,912 |
| Cost of GPU miners | (25,121) | — | — | (25,121) |
| Site operating cost | (103,006) | (88,797) | — | (191,803) |
| Depreciation of right-to-use assets | (30,259) | (214,013) | — | (244,272) |
| Depreciation of property and equipment | (765,510) | (1,874,371) | — | (2,639,881) |
| Amortization of intangible assets | (441,021) | — | — | (441,021) |
| Realized gain on digital currencies | 1,339 | — | — | 1,339 |
| Net income (loss) before operating expense | 86,305 | (1,475,887) | — | (1,389,582) |
| Operating and other expenses (income) | | | | |
| Interest and bank charges | 355 | 379 | 7,214 | 7,948 |
| Interest expense on lease obligations | 23,733 | 155,558 | — | 179,291 |
| Management fees, salaries and wages | 32,267 | 94,119 | 330,214 | 456,600 |
| Office and administration | 151,459 | 66,627 | 34,750 | 252,836 |
| Professional fees | 1,925 | 86,909 | 435,031 | 523,865 |
| Share based compensation | — | — | 1,041,400 | 1,041,400 |
| Interest income | — | — | (4,945) | (4,945) |
| Other income | — | (128,933) | — | (128,933) |
| Revaluation gain on digital assets | (105,467) | — | — | (105,467) |
| Foreign exchange loss | — | — | 68,519 | 68,519 |
| Total operating and other expenses | 104,272 | 274,659 | 1,912,183 | 2,291,114 |
| Net comprehensive loss | (17,967) | (1,750,546) | (1,912,183) | (3,680,696) |
| Total assets | 29,032,744 | 7,339,374 | 3,476,915 | 39,849,033 |
| Total liabilities | 3,813,854 | 1,849,124 | 5,465,317 | 11,128,295 |

CRYPTOSTAR CORP.
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18. SEGMENTED INFORMATION (continued)

| | Nine Months Ended September 30, 2020 | | | |
|--|---|--------------------|--------------------|--------------------|
| | Canada | USA | Head Office | Total |
| | \$ | \$ | \$ | \$ |
| Income from mining of digital currency | | | | |
| Income from mining of digital currency | 16,959 | 395,295 | — | 412,254 |
| Hosting income | — | 36,207 | — | 36,207 |
| Site operating costs | (17,035) | (572,414) | — | (589,449) |
| Depreciation of right-to-use assets | (37,505) | (171,473) | — | (208,978) |
| Depreciation of property and equipment | — | (107,119) | — | (107,119) |
| Amortization of intangible assets | — | (154,016) | — | (154,016) |
| Realized loss on digital currency | (278) | (6,492) | — | (6,770) |
| Net mining loss before operating expenses | (37,859) | (580,012) | — | (617,871) |
| Operating and other expenses (income) | | | | |
| Interest and bank charges | — | 4,647 | — | 4,647 |
| Interest expense on lease obligations | 31,414 | 109,203 | — | 140,617 |
| Management fees, salaries and wages | — | 124,868 | 203,733 | 328,601 |
| Office and administration | — | — | 231,436 | 231,436 |
| Professional fees | — | 66,470 | 129,029 | 195,499 |
| Loss from disposal from miners | 5,929 | 138,204 | — | 144,133 |
| Power charges | — | (10,443) | — | (10,443) |
| Share based compensation | — | — | 45,280 | 45,280 |
| Revaluation gain on digital assets | (14) | — | — | (14) |
| Foreign exchange loss | — | — | 798 | 798 |
| Total operating and other expenses | 37,329 | 432,949 | 610,276 | 1,080,554 |
| Net comprehensive loss | (75,188) | (1,012,961) | (610,276) | (1,698,425) |
| Total assets | 517,068 | 10,601,394 | 324,793 | 11,443,255 |
| Total liabilities | 755,502 | 4,983,869 | 165,209 | 5,904,580 |

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19. SUBSEQUENT EVENTS

On October 12, 2021, the Company announced that it had received approval from the OTC Markets Group Inc. to commence trading on the OTCQB Venture Market under the ticker symbol "CSTXF" at open of markets on October 11, 2021. The Company also announced the expansion of its self-mining Hashrate. The Company further announced that as at October 12, 2021, the Company had executed Equipment Hosting Agreements for an aggregate mining capacity of 37 megawatts (MW), with 12 MW of mining capacity located at its award-winning data centre facilities in Utah, USA and 25 MW of mining capacity to be deployed in Alberta, Canada in Q4, 2021 and Q1, 2022 (see below). The Equipment Hosting Agreements executed for an aggregate 12 MW of mining capacity in Utah, USA were anticipated to contribute annual hosting revenues for the Company of USD\$1.7 million. The Equipment Hosting Agreements executed for an aggregate 25 MW of mining capacity to be deployed in Alberta, Canada in Q4, 2021 and Q1, 2022 (see below) were anticipated to contribute annual power and hosting revenues for the Company of up to USD\$13.1 million. The Company announced that it had an aggregate self-mining Hashrate of 89,050 MH/s from GPU miners and 55.4 PH/s from ASIC miners running at its data centres. The Company announced that it planned to continue to further expand its self-mining inventory of mining hardware. Additional ASIC miners had been ordered for delivery in Q4, 2021, Q1, 2022 and Q2, 2022 and further orders for mining hardware would be placed using astute capital management strategies based upon prevailing market conditions for delivery in Q4, 2021 and beyond. The Company announced that it planned to continue to further expand its data centre operations in Alberta, Canada by partnering with large cryptocurrency miners seeking operating locations in North America. The Company was considering and performing diligence on several potential transactions and opportunities. The Company was in a strong financial position and was well capitalized. As at October 12, 2021, the Company held 273.4 ETH, 54.0 BTC and USD\$13.4 million (CAD\$16.7 million) in cash. Additionally, the Company had made payments and deposits for ASIC miners, infrastructure equipment and engineering services of USD\$4.5 million (CAD\$5.6 million). The Company purchased 600 high performance ASIC miners to be delivered in 6 equal tranches of 100 miners during calendar 2022 commencing in January and ending in June. This would increase the Company's self-mining Hashrate from ASIC miners by 8.8 PH/s each delivery month, resulting in a total self-mining Hashrate increase from ASIC miners of 52.8 PH/s. Once deployed, together with the additional 10 PH/s of Hashrate from ASIC miners to be deployed by November 30, 2021, as announced on September 15, 2021, the Company's total aggregate self-mining Hashrate from ASIC miners would be 118.2 PH/s, representing an increase in Hashrate of 190% from the existing self-mining Hashrate from ASIC miners announced on September 15, 2021. The Company had executed Equipment Hosting Agreements for an aggregate mining capacity of 37 MW which were expected to contribute up to USD\$14.8 million in annual hosting and power revenues for the Company, with the hosting services in Alberta, Canada expected to commence in Q4, 2021 and Q1, 2022 (see below).

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19. SUBSEQUENT EVENTS (continued)

On November 15, 2021, the Company announced that it had signed a letter of intent (the "LOI") effective November 12, 2021 to acquire 100% of the outstanding shares of Neuro Digital Inc. ("Neuro Digital") for cash consideration of CAD\$2.4 million (the "Transaction"). The Company also announced the expansion of its self-mining Hashrate. Highlights of the proposed Transaction: (i) under the terms of the LOI, it was anticipated that CryptoStar and Neuro Digital would enter into a binding agreement (the "Definitive Agreement") pursuant to which CryptoStar would acquire 100% of the outstanding shares of Neuro Digital; (ii) Neuro Digital is a data centre operator specializing in GPU mining, Decentralized Finance (DeFi) and AI solutions with an operational data centre located in Quebec, Canada (the "Quebec Data Centre"); Neuro Digital's current, proof of concept location had a power capacity of 0.5 megawatt (MW) with plans for expeditious expansion in various locations that had been identified throughout the province of Quebec; (iii) the currently operating Quebec Data Centre is powered by competitively priced, reliable, on-the-grid, green hydroelectricity, aligning with the Company's commitment to the Crypto Climate Accord; (iv) Neuro Digital currently had an aggregate self-mining Hashrate of 83,162 MH/s from GPU miners running at the Quebec Data Centre; (v) key management personnel of Neuro Digital would remain with the company and would be responsible for the expansion of CryptoStar's operations in Quebec, Canada; (vi) the agreed upon consideration under the proposed Transaction would be satisfied by the payment of CAD\$2.4 million in cash; and (vii) it was anticipated that the Definitive Agreement would be executed no later than December 15, 2021, subject to the completion of due diligence. The Company announced that it had successfully deployed an additional 10 PH/s of Hashrate from ASIC miners announced on September 15, 2021, more than two weeks ahead of schedule. The Company had an aggregate self-mining Hashrate of 93,608 MH/s from GPU miners and 67.2 PH/s from ASIC miners running at its data centres. The Company purchased 600 high performance ASIC miners to be delivered in 6 equal tranches of 100 miners during calendar 2022 commencing in January and ending in June. This would increase the Company's self-mining Hashrate from ASIC miners by 8.8 PH/s each delivery month, resulting in a total self-mining Hashrate increase from ASIC miners of 52.8 PH/s. The Company had executed Equipment Hosting Agreements for an aggregate mining capacity of 37 MW which were expected to contribute up to USD\$14.8 million in annual hosting and power revenues for the Company, with the hosting services in Alberta, Canada expected to commence in Q4, 2021 and Q1, 2022 (see below). As at November 15, 2021, the Company had made payments and deposits for ASIC miners, infrastructure equipment and engineering services of USD\$3.6 million (CAD\$4.5 million). The company also held USD\$947,000 (CAD\$1,184,000) in inventory for sale. The Company was in a strong financial position and was well capitalized. As at November 15, 2021, the Company held 326 ETH, 65 BTC and USD\$12.0 million (CAD\$15.0 million) in cash.

Due to delays under the power supply agreement with the Company's partner in Alberta, Canada, the Company currently expects that the hosting services associated with the Equipment Hosting Agreements in Alberta, Canada will commence in Q1, 2022.