

**CRYPTOSTAR CORP.**  
**Management Discussion and Analysis**  
**For the Year Ended December 31, 2021**  
(Expressed in U.S. dollars)

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This management discussion and analysis (“MD&A”) of the results of the operations and financial position of CryptoStar Corp. and its subsidiaries (the “Company” or “CryptoStar”) is dated as of April 29, 2022 and should be read in conjunction with the Company’s consolidated financial statements and the related notes for the years ended December 31, 2021 and 2020. All amounts are expressed in United States dollars (\$) unless otherwise stated.

### **Management’s Responsibility**

The Company’s management is responsible for the preparation and presentation of the consolidated financial statements and the MD&A. This MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators. Information provided in this report, including the consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates and judgements are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates and judgements have been based on careful assessments and have been properly reflected in the accompanying consolidated financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company’s assets are safeguarded and to facilitate the preparation of relevant and timely information.

### **Non-GAAP Measures**

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

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

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

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

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

### **Description of Business**

CryptoStar 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). CryptoStar has cryptocurrency mining operations with data centres located in Canada and the USA and is currently dedicated to becoming one of the lowest cost cryptocurrency producers in North America. The Company also provides equipment hosting services to customers worldwide, for which services the Company receives monthly hosting fees, as well as sells miners to customers.

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**Description of Business (continued)**

CryptoStar Corp. was incorporated under the Ontario Business Corporations Act 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. CryptoStar Corp.'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".

**2021 Highlights**

Significant events and operating highlights for the fourth quarter and year ended December 31, 2021 include the following:

- 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 Offering was subject to TSX Venture Exchange approval. 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").

Highlights of the proposed Transaction:

- Under the terms of the LOI, it was anticipated that CryptoStar and the Vendor would enter into a binding agreement (the "Definitive Agreement") pursuant to which the Vendor would 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 deployment of 85,680 MH/s of Hashrate using the latest generation GPU miners was expected to contribute 142.80 ETH or USD\$145,473.22 per month in self-mining revenue for CryptoStar. CryptoStar planned to continue to expand its self-mining inventory of mining hardware. (Source: <https://www.cryptocompare.com/mining/calculator/eth>. Mining metrics are calculated based on a network hash rate of 351,248 GH/s and using the ETH - USD exchange rate of 1 ETH = \$1,018.72 updated at 2021-01-13 00:27:05 UTC).
- GPU miners are capable of mining cryptocurrencies like Ethereum's ether (ETH), Ethereum Classic (ETC), Zcash (ZEC), Monero (XMR) and many others.
- The agreed upon aggregate consideration under the proposed Transaction would be satisfied by the issuance of 20,000,000 common shares of CryptoStar at a deemed value of CAD\$0.10 per Share (which includes finder's fees of 1,132,075 common shares) subject to acceptance by the TSX Venture Exchange (the "TSXV").

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**2021 Highlights (continued)**

- Upon entering into the Definitive Agreement, it was anticipated that the GPU miners would be delivered to CryptoStar's data centres within 14 days.
- On February 3, 2021, the Company announced that it had 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 would pay cash fees and issue Common Shares and non-transferable warrants (the "Finder's Warrants") pursuant to the Offering. EMD Financial Inc. will receive \$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 Offering and the payment of the finder's fee was subject to TSX Venture Exchange approval. 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 had 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.

ACN 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.

- On March 8, 2021, the Company announced that, further to the non-binding letter of intent announced on January 13, 2021, the Company and a Hong Kong based company (the "Vendor") had executed an equipment purchase agreement (the "Definitive Agreement") effective March 7, 2021 to acquire a combination of GPU and ASIC miners in exchange for 7,956,198 units ("Units") of the Company at a deemed value of CAD\$1,909,487.52 (the "Transaction"). The Company would issue an additional 477,372 Units (the "Finder's Fee") to Chen Peifeng in connection with Transaction.

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**2021 Highlights (continued)**

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, was subject to TSX Venture Exchange (the "TSXV") approval.

Highlights of the Transaction:

- The Vendor would deliver GPU and ASIC miners capable of a minimum total Hashrate of 25,950 MH/s and 9,500 TH/s respectively.
- It was anticipated that the GPU and ASIC miners would be delivered to CryptoStar's data centres within 30 days.
- The deployment of 25,950 MH/s and 9,500 TH/s of Hashrate using the latest generation GPU and ASIC miners was expected to contribute USD\$170,051.98 per month in self-mining revenue for CryptoStar. CryptoStar planned to continue to further expand its self-mining inventory of mining hardware. (Source: <https://whattomine.com/> Mining metrics are calculated based on and ETH - USD exchange rate of 1 ETH = \$1,741.08 and a BTC - USD exchange rate of 1 BTC = \$51,555.55 updated at 2021-03-08 00:46:13 UTC).
- On March 15, 2021, the Company announced that it had 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 were 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.

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**2021 Highlights (continued)**

- 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.

Highlights of the Transaction:

- The Vendor would deliver GPU and ASIC miners capable of an approximate total Hashrate of 25,950 MH/s and 5,510 TH/s respectively.
- It was anticipated that the GPU and ASIC miners will be delivered to CryptoStar's data centres in Alberta, Canada within 14 days.
- The deployment of 25,950 MH/s and 5,510 TH/s of Hashrate using the latest generation GPU and ASIC miners was expected to contribute USD\$138,908.35 per month in self-mining revenue for CryptoStar. CryptoStar planned to continue to further expand its self-mining inventory of mining hardware. (Source: <https://whattomine.com/> Mining metrics are calculated based on and ETH - USD exchange rate of 1 ETH = \$1,836.01 and a BTC - USD exchange rate of 1 BTC = \$58,973.49 updated at 2021-03-30 11:07:01 UTC).

CryptoStar also announced that the Company had purchased additional mining Hashrate from additional suppliers (the "Purchases").

Highlights of the Purchases:

- The additional suppliers would deliver GPU and ASIC miners capable of an approximate total Hashrate of 24,000 MH/s and 11,950 TH/s respectively.
- It was anticipated that the GPU miners would be delivered to CryptoStar's data centres in Alberta within 21 days and the ASIC miners were scheduled for delivery by the end of May 2021.
- The deployment of 24,000 MH/s and 11,950 TH/s of additional mining Hashrate using the latest generation GPU and ASIC miners was expected to contribute an additional USD\$205,021.72 per month in self-mining revenue for CryptoStar. CryptoStar planned to continue to further expand its self-mining inventory of mining hardware. (Source: <https://whattomine.com/> Mining metrics are calculated based on and ETH - USD exchange rate of 1 ETH = \$1,836.01 and a BTC - USD exchange rate of 1 BTC = \$58,973.49 updated at 2021-03-30 11:07:01 UTC).

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**2021 Highlights (continued)**

- The combined total deployment of 49,950 MH/s and 17,460 TH/s of self-mining Hashrate using the latest generation GPU and ASIC miners was expected to contribute USD\$343,930.07 per month in self-mining revenue for CryptoStar. (Source: <https://whattomine.com/> Mining metrics are calculated based on and ETH - USD exchange rate of 1 ETH = \$1,836.01 and a BTC - USD exchange rate of 1 BTC = \$58,973.49 updated at 2021-03-30 11:07:01 UTC).
- 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 Offering is subject to TSX Venture Exchange approval. The securities issued in connection with the Offering are subject to a four-month hold period, in accordance with applicable securities laws.

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.

- On April 26, 2021, the Company announced that it would be featured as a presenting company at the H.C. Wainwright Cryptocurrency, Blockchain & FinTech Conference. The conference was held on April 27, 2021, virtually.

David Jellins, President and Chief Executive Officer of CryptoStar, provided an overview of the Company's business during the presentation. Mr. Jellins was also available to participate in one-on-one meetings with investors who are registered to join the conference.

- On May 3, 2021, the Company announced the appointment of Sean Harris as Chief Financial Officer, effective immediately.

Sean Harris is a seasoned financial professional with nearly a decade of financial consulting and professional service experience gained at Duff & Phelps and PwC. Sean Harris is a Chartered Professional Accountant/Chartered Accountant (CPA, CA) and a Chartered Business Valuator (CBV).

Sean Harris replaced Jing Peng as Chief Financial Officer.

In connection with Sean Harris' appointment as Chief Financial Officer of the Company, the Company granted him an aggregate of 2,000,000 stock options under the Company's stock option plan with an exercise price equal to CAD\$0.28 per stock option. The stock options will vest over a period of two years and are exercisable for a period of ten years from the date of the grant.

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**2021 Highlights (continued)**

- On May 18, 2021, the Company announced that operations had commenced at its data centres in Alberta, Canada and the first containers housing GPU and ASIC miners had been deployed over the prior weeks.

Operations:

- CryptoStar had an aggregate Hashrate of 58,230 MH/s from GPU miners and 13.890 TH/s from ASIC miners running at its data centres.
- The deployment of 58,230 MH/s and 13,890 TH/s of Hashrate using the latest generation GPU and ASIC miners was expected to contribute USD\$313,410.95 per month in self-mining revenue for CryptoStar. (Source: <https://whattomine.com/> Mining metrics are calculated based on and ETH – USD exchange rate of 1 ETH = \$3,489.44 and a BTC – USD exchange rate of 1 BTC = \$45,015.10 updated at 2021-05-18 08:43:40 UTC).
- An additional 21,200 MH/s of GPU Hashrate had been delivered and would be deployed in CryptoStar's data centres by the end of May 2021.

Future Growth:

- CryptoStar would continue to further expand its self-mining inventory of mining hardware. Additional miners had been ordered for delivery in June 2021 and further orders for mining hardware would be placed using astute capital management strategies based upon prevailing market conditions for delivery in Q3 2021 and Q4 2021.
- CryptoStar was currently considering and performing diligence on several potential transactions and opportunities.

Financial Position:

- The Company was in a strong financial position and was well capitalized.
- As at May 18, 2021, CryptoStar held 46.4 ETH, 15.4 BTC and USD\$18.7 million (CAD\$22.5 million) in cash.
- On July 15, 2021, the Company announced that it had executed an equipment hosting agreement (the "Hosting Agreement") effective July 14, 2021 for up to 8 MW of mining capacity at its award-winning data centre facility in Utah, USA. The Company also announced the expansion of its Hashrate and power capacity in Alberta, Canada. Under the terms of the Hosting Agreement, the Company would provide hosting services to the Customer for up to 8 MW of mining capacity at its award-winning data centre in Utah, USA.

Highlights of the Hosting Agreement:

- Annual hosting revenues for the Company of USD\$960,000.
- Initial term of 12 months, renewing month-to-month thereafter.

Operations:

- The Company had an aggregate Hashrate of 53,334 MH/s from GPU miners and 21,930 TH/s from ASIC miners running at its data centres.

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**2021 Highlights (continued)**

- The deployment of 53,334 MH/s and 21,930 TH/s of existing Hashrate using the latest generation GPU and ASIC miners was contributing USD\$295,539.59 per month in self-mining revenue for CryptoStar. (Source: <https://whattomine.com/> Mining metrics are calculated based on and ETH – USD exchange rate of 1 ETH = \$1,922.34 and a BTC – USD exchange rate of 1 BTC = \$31,640.39 updated at 2021-07-15 20:32:53 UTC).
- An additional 38,500 MH/s of Hashrate from GPU miners was being relocated to the Company's data centres in Alberta, Canada and would be deployed by the end of July 2021. In addition, 10,000 TH/s of Hashrate from ASIC miners had been delivered and would be deployed in the Company's data centres by the end of July 2021.
- Once deployed, the total aggregate Hashrate would be 91,834 MH/s from GPU miners and 31,930 TH/s from ASIC miners, representing an increase in self-mining Hashrate of 16% and 130% from GPU and ASIC miners, respectively, over the past two months.
- The Company was continuing to increase its power capacity at the first data centre location in Alberta, Canada under the existing power supply agreement for 30 MW.

**Future Growth:**

- The Company would continue to further expand its self-mining inventory of mining hardware. Additional miners had been ordered for delivery in Q3 2021 and further orders for mining hardware would be placed using astute capital management strategies based upon prevailing market conditions for delivery in Q3 2021 and Q4 2021
- The Company 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 continued to consider and perform diligence on several potential transactions and opportunities.

**Financial Position:**

- The Company was in a strong financial position and was well capitalized
- As at July 15, 2021, the Company held 136.3 ETH, 35.3 BTC and USD\$16.7 million (CAD\$20.8 million) in cash.
- On July 28, 2021, the Company announced that it had joined the Crypto Climate Accord as a Signatory and Supporter.

The Crypto Climate Accord (CCA) is a private sector-led initiative for the entire crypto and blockchain community focused on decarbonizing the cryptocurrency industry. The CCA provides a platform for any organization that wants to inform, develop, test, and implement new solutions that accelerate crypto's transition to renewable energy.

By becoming a Signatory and Supporter of the CCA, CryptoStar is making a public commitment to achieve net-zero emissions from electricity consumption associated with all of its crypto-related operations by 2030 and to report progress toward this net-zero emissions target using best industry practices.

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**2021 Highlights (continued)**

- On August 12, 2021, the Company announced that it had executed an equipment hosting agreement (the "Hosting Agreement") effective August 11, 2021 for 4 MW of mining capacity at its award-winning data centre facility in Utah, USA. The Company further announced that it and a U.S. based company (the "Alberta Customer") had signed a non-binding letter of intent (the "LOI") effective August 12, 2021 for 10 MW of mining capacity to be deployed in Alberta, Canada. Under the terms of the Hosting Agreement, the Company would provide hosting services to the Utah Customer for 4 MW of mining capacity at its award-winning data centre in Utah, USA.

Highlights of the Hosting Agreement:

- Annual hosting revenues for the Company of USD\$720,000.
- Initial term of 12 months, renewing month-to-month thereafter.

The LOI set out the basic terms and conditions under which the Company would provide hosting services and infrastructure to the Alberta Customer for 10 MW of mining capacity at its data centre locations in Alberta, Canada. The transaction terms outlined in the LOI are subject to the parties successfully entering into a definitive agreement (the "Definitive Agreement"), which was expected to occur within 14 days.

It was expected that the Definitive Agreement will include the following terms:

- Annual hosting and power revenues for the Company of up to USD\$5.3 million.
  - Initial term of 36 months, with the option to renew for an additional 36-month term.
  - Hosting services for the Alberta Customer to commence in Q4, 2021 (see below).
- On August 24, 2021, the Company announced that further to its press releases dated March 8, 2021 and March 30, 2021, the Company and a Hong Kong based company (the "Vendor") had closed on the purchase and sale of GPU and ASIC miners capable of a minimum total Hashrate of 25,950 MH/s and 5,510 TH/s respectively. The Company issued 5,927,151 units ("Units") of the Company to the Vendor at a deemed value of CAD\$1,422,516.24 (the "Transaction") and an additional 355,629 Units (the "Finder's Fee") to Chen Peifeng in connection with Transaction.

Each Unit consisted 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 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.

- On August 31, 2021 the Company announced that it and a U.S. based company (the "Alberta Customer") had executed an equipment hosting agreement (the "Hosting Agreement") effective August 31, 2021 for 5 MW of mining capacity to be deployed in Alberta, Canada. Under the terms of the Hosting Agreement, the Company would provide hosting services and infrastructure to the Alberta Customer for 5 MW of mining capacity at its data centre locations in Alberta, Canada.

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**2021 Highlights (continued)**

Highlights of the Hosting Agreement:

- Annual hosting and power revenues for the Company of up to USD\$2.6 million.
- Initial hosting term of 12 months, with the option to renew for an additional 12-month term.
- Hosting services for the Alberta Customer to commence in Q4, 2021.
- On September 2, 2021, the Company announced that further to its news release dated August 12, 2021, the Company and a U.S. based company (the "Alberta Customer") had executed an equipment hosting agreement (the "Hosting Agreement") effective September 1, 2021 for 10 megawatts (MW) of mining capacity to be deployed in Alberta, Canada. Under the terms of the Hosting Agreement, the Company would provide hosting services and infrastructure to the Alberta Customer for 10 MW of mining capacity at its data centre locations in Alberta, Canada.

Highlights of the Hosting Agreement:

- Annual hosting and power revenues for the Company of up to USD\$5.3 million.
- Initial hosting term of 36 months, with the option to renew for an additional 36-month term.
- Hosting services for the Alberta Customer to commence in Q4, 2021 (see below).
- On September 15, 2021, the Company announced the expansion of its self-mining Hashrate and power capacity in Alberta, Canada.

Operations:

- As at September 15, 2021, the Company had executed Equipment Hosting Agreements for an aggregate mining capacity of 27 megawatts (MW), with 12 MW of mining capacity located at its award-winning data centre facilities in Utah, USA and 15 MW of mining capacity to be deployed in Alberta, Canada in Q4 2021 (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 15 MW of mining capacity to be deployed in Alberta, Canada in Q4, 2021 (see below) were anticipated to contribute annual power and hosting revenues for the Company of up to USD\$7.9 million.
- The Company was continuing to increase its power capacity in Alberta, Canada, with an additional 10 MWs to be deployed under the existing power supply agreement for 30 MW.
- The Company had an aggregate self-mining Hashrate of 86,160 MH/s from GPU miners and 40,796 TH/s from ASIC miners running at its data centres.
- The 86,160 MH/s and 40,796 TH/s of existing self-mining Hashrate was contributing USD\$607,843.02 per month in self-mining revenue for CryptoStar. (Source: <https://whattomine.com/> Mining metrics are calculated based on and ETH - USD exchange rate of 1 ETH = \$3,405.31 and a BTC - USD exchange rate of 1 BTC = \$47,379.50 updated at 2021-09-15 11:38:48 UTC).

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**2021 Highlights (continued)**

- An additional 10,000 TH/s of Hashrate from ASIC miners had been delivered and would be deployed in the Company's data centres by November 30, 2021.

Infrastructure Project Manager:

- The Company was pleased to announce that it had engaged an Infrastructure Project Manager for its data centres in Alberta, Canada.
- The Infrastructure Project Manager has over 30 years of experience as an oil and gas operations leader, with specific experience including senior management, operations, production and exploitation engineering as well as facility project management. The Infrastructure Project Manager will support CryptoStar's long-term expansion plans in Alberta, Canada.

Future Growth:

- The Company planned to continue to further expand its self-mining inventory of mining hardware. Additional ASIC miners had been ordered for delivery in Q4, 2021 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 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 continued to consider and perform diligence on several potential transactions and opportunities.

Financial Position:

- The Company was in a strong financial position and was well capitalized.
- As at September 15, 2021, the Company held 235.9 ETH, 47.6 BTC and USD\$14.5 million (CAD\$18.3 million) in cash.
- Additionally, the Company had made deposits for infrastructure equipment and engineering services of USD\$1.4 million (CAD\$1.8 million).

Summary:

- The deployment of 86,160 MH/s and 40,796 TH/s of existing Hashrate from GPU and ASIC miners was contributing USD\$7.3 million in annualized self-mining revenue for CryptoStar. (Source: <https://whattomine.com/> Mining metrics are calculated based on and ETH - USD exchange rate of 1 ETH = \$3,405.31 and a BTC - USD exchange rate of 1 BTC = \$47,379.50 updated at 2021-09-15 11:38:48 UTC).
- The Company had executed Equipment Hosting Agreements for an aggregate mining capacity of 27 MW which were expected to contribute up to USD\$9.6 million in annual hosting and power revenues for the Company, with the hosting services in Alberta, Canada expected to commence in Q4, 2021.

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**2021 Highlights (continued)**

- On September 24, 2021, the Company announced that it and a Canadian based company (the "Alberta Customer") had executed an equipment hosting agreement (the "Hosting Agreement") effective September 22, 2021 for 10 megawatts (MW) of mining capacity to be deployed in Alberta, Canada. The Company was also pleased to announce that it had ordered 600 high performance ASIC miners from an affiliate of the Alberta Customer, with a total Hashrate of 52.8 Petahash per second (PH/s) to be used for self-mining for the Company. Under the terms of the Hosting Agreement, the Company would provide hosting services and infrastructure to the Alberta Customer for 10 MW of mining capacity at its data centre locations in Alberta, Canada.

Highlights of the Hosting Agreement:

- Annual hosting and power revenues for the Company of up to USD\$5.3 million.
- Initial hosting term of 36 months, with the option to renew for an additional 36-month term.
- Hosting services for the Alberta Customer to commence in Q1, 2022.

ASIC Miner Purchase:

The Company was proud to build upon its relationship with the Alberta Customer through the purchase of 600 high performance ASIC miners. These 600 miners would 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, along 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 103.6 PH/s, representing an increase in Hashrate of 153% from the existing self-mining Hashrate from ASIC miners announced on September 15, 2021.

The deployment of 103.6 PH/s from ASIC miners would generate approximately 21.1 Bitcoin per month based on then current difficulty levels. (Source: <https://whattomine.com/> Updated at 2021-09-24 11:43:17 UTC).

- 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 was also pleased to announce the expansion of its self-mining Hashrate.

OTCQB Venture Market Listing:

The OTCQB offers transparent trading in entrepreneurial and development stage companies that have met a minimum bid price test, are current in their financial reporting and have undergone an annual verification and management certification process.

Operations:

- 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).

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**2021 Highlights (continued)**

- 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 currently 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 89,050 MH/s and 55.4 PH/s of existing self-mining Hashrate was contributing USD\$805,449.76 per month in self-mining revenue for CryptoStar. (Source: <https://whattomine.com/> Mining metrics are calculated based on and ETH - USD exchange rate of 1 ETH = \$3,467.27 and a BTC - USD exchange rate of 1 BTC = \$57,350.00 updated at 2021-10-12 11:34:35 UTC).

**Future Growth:**

- The Company 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 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 continued to consider and perform diligence on several potential transactions and opportunities.

**Financial Position:**

- 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).

**Summary:**

- The deployment of 89,050 MH/s and 55.4 PH/s of existing Hashrate from GPU and ASIC miners was contributing USD\$9.7 million in annualized self-mining revenue for CryptoStar. (Source: <https://whattomine.com/> Mining metrics are calculated based on and ETH - USD exchange rate of 1 ETH = \$3,467.27 and a BTC - USD exchange rate of 1 BTC = \$57,350.00 updated at 2021-10-12 11:34:35 UTC).

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**2021 Highlights (continued)**

- 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 deployment of 118.2 PH/s from ASIC miners would generate approximately 23.2 Bitcoin per month based on then current difficulty levels. (Source: <https://whattomine.com/> Updated at 2021-10-12 11:34:35 UTC).
- 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).
- 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 was also pleased to announce the expansion of its self-mining Hashrate.

Highlights of the proposed Transaction:

- 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 will acquire 100% of the outstanding shares of Neuro Digital.
- 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.
- 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.
- Neuro Digital currently had an aggregate self-mining Hashrate of 83,162 MH/s from GPU miners running at the Quebec Data Centre.
- The additional 83,162 MH/s of Hashrate from Neuro Digital's GPU miners would add USD\$199,448.78 (CAD\$249,310.98) per month in self-mining revenue for the Company based upon then current market conditions. (Source: <https://whattomine.com/> Mining metrics are calculated based on and ETH - USD exchange rate of 1 ETH = \$4,713.58 updated at 2021-11-15 12:20:35 UTC).

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**2021 Highlights (continued)**

- 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.
- The agreed upon consideration under the proposed Transaction would be satisfied by the payment of CAD\$2.4 million in cash.
- It was anticipated that the Definitive Agreement would be executed no later than December 15, 2021, subject to the completion of due diligence.

Summary of Existing CryptoStar Business (pre-Neuro Digital Transaction):

- The Company 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 deployment of 93,608 MH/s and 67.2 PH/s of existing Hashrate from GPU and ASIC miners was contributing USD\$11.7 million in annualized self-mining revenue for CryptoStar. (Source: <https://whattomine.com/> Mining metrics are calculated based on and ETH - USD exchange rate of 1 ETH = \$4,713.58 and a BTC - USD exchange rate of 1 BTC = \$65,667.99 updated at 2021-11-15 12:20:35 UTC).
  - 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 deployment of a total Hashrate of 120 PH/s from ASIC miners would generate approximately 20.4 Bitcoin per month based on then current difficulty levels. (Source: <https://whattomine.com/> Updated at 2021-11-15 12:20:35 UTC).
  - 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 holds 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.
- On December 15, 2021, the Company announced that it had closed the previously announced acquisition of Neuro Digital Inc. ("Neuro Digital"), pursuant to a share purchase agreement with the shareholders of Neuro Digital dated December 15, 2021, for cash consideration of CAD\$2.4 million, subject to customary purchase price adjustments (the "Transaction").

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## 2021 Highlights (continued)

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. Neuro Digital's current, proof of concept location has a power capacity of 0.5 megawatt with plans for expeditious expansion in various locations that have been identified throughout the province of Quebec. Neuro Digital currently had an aggregate self-mining Hashrate of 83,162 MH/s from GPU miners running in Quebec, Canada.

Philippe Bergeron would remain as Chief Executive Officer of Neuro Digital, and Frederick Angers would remain as Chief Technology Officer of Neuro Digital, and would be responsible for the expansion of CryptoStar's operations in Quebec, Canada.

- On December 20, 2021, the Company provided an update on business operations and recent developments with respect to its power supply agreement ("PSA") for up to 30 megawatts (MW) with 611890 Alberta Inc. DBA Avila Energy (the "Alberta Partner") and its data centres in Alberta, Canada.

On December 1, 2021, the Company filed a Notice of Action and Notice of Motion against the Alberta Partner et al. with the Ontario Superior Court of Justice due to the Alberta Partner's non-compliance with terms of the PSA. On December 8, 2021, the parties agreed to adjourn the Notice of Motion on a returnable basis, in an attempt to resolve the outstanding issues.

The Company and the Alberta Partner were continuing to work to resolve the issues however the Company anticipated delays to the deployment dates for the Company's Equipment Hosting Agreements ("EHAs") for 5 MWs announced on August 31, 2021, 10 MWs announced on September 2, 2021 and 10 MWs announced on September 24, 2021. The impact of the delays would be a deferral of the associated revenues and may include financial credits as set out in the EHAs and temporary reductions in the Company's self-mining Hashrate and associated revenues in the event that equipment is relocated. The Company would provide further updates of any material changes.

- On December 31, 2021, the Company provided an update on business operations and recent developments with respect to its data centre operations in Alberta, Canada.

The Company had been advised by 611890 Alberta Inc. DBA Avila Energy (the "Alberta Partner") that the Alberta Partner's natural gas power generation site in Alberta, Canada had been shut down. The Company continued to attempt to obtain further information from the Alberta Partner in relation to the unexpected shutdown of the Alberta Partner's site. Litigation against the Alberta Partner et al. was ongoing with respect to the non-compliance with terms of the power supply agreement for up to 30 megawatts (MW) as previously announced by the Company on December 20, 2021.

As a result of the shutdown of the Alberta Partner's site, the Company had experienced a reduction in its self-mining Hashrate of 53,514 MH/s from GPU miners and 50.3 PH/s from ASIC miners that were running at the Alberta Partner's site in Alberta, Canada. The Company planned to redeploy its reduced self-mining Hashrate as expeditiously as possible in Q1 2022.

## Subsequent Events & Significant Agreements

- On February 10, 2022, the Company announced that it had signed a letter of intent (the "LOI") with a Kansas, USA based energy company (the "Kansas Partner") effective February 9, 2022 for up to 87.2 megawatts (MW) of power to be supplied at among the lowest electricity rates in North America. The Company also provided an update on operations.

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**Subsequent Events & Significant Agreements (continued)**

Highlights of the proposed Transaction:

- Under the terms of the LOI, it was anticipated that CryptoStar and the Kansas Partner would enter into a power supply agreement (the "Power Supply Agreement") for the first 21.8 MW of power by February 28, 2022.
- It was anticipated that the first 21.8 MW of power would be operational within 60 to 90 days from the execution of the Power Supply Agreement.
- The Kansas Partner currently possesses, controls or has access to certain sites in Kansas, USA and, upon approval by applicable regulatory authorities, intends to generate and supply to CryptoStar an aggregate 87.2 MW of power.
- CryptoStar has the option to enter into power supply agreements for up to an additional 65.4MW of electricity, exercisable in increments of 21.8 MW.
- The Power Supply Agreement would have a term of five (5) years, which shall automatically renew for additional five (5) year terms unless terminated in accordance with the terms thereof.

The Company anticipated commencing operations in Kansas, USA in Q2, 2022.

Alberta Operations and Termination of Equipment Hosting Agreements:

The natural gas power generation site of 611890 Alberta Inc. DBA Avila Energy (the "Alberta Partner") remained shut down. Litigation against the Alberta Partner et al. was ongoing with respect to the non-compliance with terms of the power supply agreement for up to 30 MW and damages arising therefrom.

The Company had terminated the equipment hosting agreements announced on August 31, 2021 for 5 MW and September 2, 2021 for 10 MW of mining capacity to be deployed in Alberta, Canada due to the delays in the deployment of power by the Alberta Partner.

Expansion in Quebec:

The Company's subsidiary, Neuro Digital Inc., had commenced its expansion of operations in Quebec, progressing on its application with Hydro Quebec to secure the first 5 MW of power at its data centre.

Operations:

- As at February 10, 2022, the Company had Equipment Hosting Agreements for an aggregate mining capacity of 12 MW located at its award-winning data centre facilities in Utah, USA.
- As at February 10, 2022, the Company had an aggregate self-mining Hashrate of 103,660 MH/s from GPU miners and 15.6 PH/s from ASIC miners running at its data centres.
- The 103,660 MH/s and 15.6 PH/s of existing self-mining Hashrate was contributing USD \$245,513.30 per month in self-mining revenue for CryptoStar. (Source: <https://whattomine.com/> Mining metrics are calculated based on and ETH - USD exchange rate of 1 ETH = \$3,242.08 and a BTC - USD exchange rate of 1 BTC = \$44,711.51 updated at 2022-02-10 12:27:38 UTC).

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**Subsequent Events & Significant Agreements (continued)**

- The Company continued to plan to redeploy its previously announced reduced self-mining Hashrate of 53,514 MH/s from GPU miners and 50.3 PH/s from ASIC miners that were previously running at the Alberta Partner's site in Alberta, Canada as expeditiously as possible in Q1, 2022.
- 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, with the first 100 miners in transit to the Company's data centres. 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.

Future Growth:

- The Company planned to continue to further expand its self-mining inventory of mining hardware. Additional ASIC miners had been ordered for delivery in 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 Q2, 2022 and beyond.
- The Company planned to continue to further expand its data centre operations in North America by partnering with large cryptocurrency miners seeking operating locations in North America. The Company continued to consider and perform diligence on several potential transactions and opportunities.

Financial Position:

- The Company was in a strong financial position and was well capitalized.
- As at February 10, 2022, the Company held 461.62 ETH, 80.99 BTC and USD\$5.0 million (CAD\$6.4 million) in cash.
- Additionally, the Company had made payments and deposits for ASIC miners, buildings and infrastructure equipment of USD\$6.1 million (CAD\$7.7 million).
- On April 5, 2022, the Company announced the expansion of its self-mining Hashrate and operations in Quebec, Canada. The Company also provided an update on operations.

Redeployment of Hashrate and Expansion in Quebec:

In March 2022, the Company secured an aggregate mining capacity of 1.5 megawatts (MW) of green, hydro-based power in Quebec, Canada, effective April 1, 2022. As at April 1, 2022, the Company had successfully redeployed 88% of its ASIC self-mining Hashrate equating to 44.35 PH/s and 52% of its GPU self-mining Hashrate equating to 39.16 MH/s from ASIC and GPU miners that were relocated from Alberta, Canada in its data centres in Quebec, Canada.

In addition, through a subsidiary, the Company continued to make progress on its expansion of operations in Quebec, Canada, and on its application with Hydro Quebec to secure an additional 5 MW of power at its data centre.

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**Subsequent Events & Significant Agreements (continued)**

Self-Mining Operations:

- As at April 5, 2022, the Company had received and deployed at its award-winning data centre facilities in Utah, USA, 300 of the 600 high performance ASIC miners previously announced on September 24, 2021, representing an additional self-mining Hashrate of 26.48 PH/s.
- As at April 5, 2022, the Company had an aggregate self-mining Hashrate of 78.8 PH/s from ASIC miners and 121,944 MH/s from GPU miners running at its data centres.
- The 78.8 PH/s and 121,944 MH/s of existing self-mining Hashrate was contributing USD \$674,342.98 per month in self-mining revenue for CryptoStar. (Source: <https://whattomine.com/> Mining metrics are calculated based on a BTC - USD exchange rate of 1 BTC = \$46,609.30 and ETH - USD exchange rate of 1 ETH = \$3,515.04 updated at 2022-04-05 11:07:26 UTC).
- The previously announced purchase of 600 high performance ASIC miners to be delivered in 6 equal tranches of 100 miners during calendar 2022 commencing in January 2022 and ending in June 2022, continued to be delivered with three deliveries remaining. This would increase the Company's self-mining Hashrate from ASIC miners by a further 8.8 PH/s each delivery month.
- The Company anticipated that it would redeploy the remaining self-mining Hashrate of 11.6 PH/s from ASIC miners and 54,826 MH/s from GPU miners that were previously running in Alberta, Canada as expeditiously as possible in Q2, 2022.

Hosting Operations:

- As at April 5, 2022, the Company had Equipment Hosting Agreements for an aggregate mining capacity of 12 MW located at its award-winning data centre facilities in Utah, USA, contributing annual hosting revenues for the Company of USD\$1.7 million.

LOI with Kansas Partner:

- The Company continued to perform diligence on the potential power supply agreement with a Kansas-based energy company as previously announced on February 10, 2022.

Alberta Operations:

- The natural gas power generation site of 611890 Alberta Inc. DBA Avila Energy (the "Alberta Partner") remained shut down. Litigation against the Alberta Partner et al. was ongoing with respect to the non-compliance with terms of the power supply agreement for up to 30 MW and damages arising therefrom.

Future Growth:

- The Company planned to continue to further expand its self-mining inventory of mining hardware. Additional ASIC miners had been ordered for delivery in Q2, 2022 and further orders for mining hardware would be placed using astute capital management strategies based upon prevailing market conditions for delivery in Q2, 2022 and beyond.

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**Subsequent Events & Significant Agreements (continued)**

- The Company planned to continue to further expand its data centre operations in North America by partnering with large cryptocurrency miners seeking operating locations in North America. The Company continued to consider and perform diligence on several potential transactions and opportunities.

Financial Position:

- The Company was in a strong financial position and was well capitalized.
- As at April 5, 2022, the Company held 538.38 ETH, 86.72 BTC and USD\$2.7 million (CAD\$3.4 million) in cash.
- Additionally, the Company had made payments and deposits for ASIC miners, buildings and infrastructure equipment of USD\$4.9 million (CAD\$6.2 million).
- During the subsequent period from January 1, 2022 to April 29, 2022, the Company issued 3,938,265 common shares upon exercise of warrants at CAD\$0.075 for gross proceeds of CAD\$295,370.
- As at April 29, 2022, the Company's self-mining revenue run rate is USD\$561,838/month and its hosting revenue run rate is USD\$145,000/month. Further orders for mining hardware will be placed using astute capital management strategies based upon prevailing market conditions for delivery in Q2 2022 and beyond. (Source: <https://whattomine.com/> Mining metrics are calculated based on a BTC - USD exchange rate of 1 BTC = \$39,757.43 and ETH - USD exchange rate of 1 ETH = \$2,940.38 updated at 2022-04-29 00:03:15 UTC).
- As at April 29, 2022, the Company is in a strong financial position, is well capitalized and holds 577.62 ETH, 94.54 BTC and USD\$2.4 million (CAD\$3.0 million) in cash. Additionally, the Company has made prepayments and deposits for ASIC miners, buildings and infrastructure equipment of USD\$5.1 million (CAD\$6.6 million).

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**Overall Operational Performance and Results**

	<b>For the Years Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Income from operations</b>		
Digital assets mined	3,830,267	435,883
Hosting income	807,910	30,000
Sales of miners	103,548	68,500
Realized gain (loss) of digital currency	1,339	(10,093)
Cost of revenue	(465,070)	(660,249)
<b>Net gain (loss) from operations</b>	<b>4,277,994</b>	<b>(135,959)</b>
Loss from disposal from miners	—	(48,723)
Operating expenses	(1,900,591)	(1,257,521)
<b>Net gain (loss) before other items</b>	<b>2,377,403</b>	<b>(1,442,203)</b>
Depreciation of property and equipment	(3,536,354)	(2,912,106)
Amortization of intangible assets	(588,028)	(216,544)
Depreciation of right-of-use assets	(325,481)	(383,689)
Foreign exchange loss	(178,293)	(13,877)
Revaluation loss on digital assets	(237,503)	(242,064)
Interest expense on lease obligations	7,143	—
Share based compensation	(1,105,178)	(255,474)
Interest income	128,933	—
Other income	—	(494)
Gain on lease modification	—	263,145
<b>Net loss before tax</b>	<b>(3,457,358)</b>	<b>(5,203,306)</b>
Income tax expense	(5,827)	—
<b>Net loss</b>	<b>(3,463,185)</b>	<b>(5,203,306)</b>
Revaluation gain on digital currencies	176,301	—
Currency translation gain	151	—
<b>Net comprehensive loss</b>	<b>(3,286,733)</b>	<b>(5,203,306)</b>
<b>Adjusted EBITDA</b>	<b>2,377,403</b>	<b>(1,442,203)</b>
Loss per share, basic and diluted	(0.009)	(0.024)
Weighted average shares, basic and diluted	375,487,991	213,344,044
Bitcoin mined	50.47	45.59
Ethereum mined	398.93	—
Average Bitcoin price when mined during the period	49,882	9,561
Average Ethereum price when mined during the period	3,291	—

**Financial and Operational Results**

The Company recorded a net loss before tax of \$3,457,358 in the year ended December 31, 2021 (2020 – \$5,203,306).

The Company's revenue from operations was \$4,741,725 in the year ended December 31, 2021 (2020 – \$534,383). In 2021, the Company progressed in its transition from a self-mining, Bitcoin only, company to a one-stop shop for cryptocurrency mining clients. Future growth will be driven through self-mining Bitcoin and Ethereum, 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.

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**Financial and Operational Results (continued)**

The Company's direct cost of revenue was \$465,070 in the year ended December 31, 2021 (2020 – \$660,249). Direct cost of revenue consisted of site operating costs.

The Company incurred non-cash expenses consisting of depreciation and amortization of \$4,449,863 and share based compensation of \$1,105,178 in the year ended December 31, 2021 (2020 – \$3,512,339 and \$255,474).

The Company's operating expenses in the year ended December 31, 2021 totaled \$1,900,591 (2020 – \$1,257,521). Operating expenses were comprised of:

	<b>For the Years Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Interest and bank charges	10,461	5,791
Management fees, salaries and wages	701,765	363,018
Share based compensation	1,105,178	255,474
Office and administration	333,708	389,050
Professional fees	854,657	499,662
<b>Total operating expenses</b>	<b>3,005,769</b>	<b>1,512,995</b>

The Company's revenue from mining digital currencies is highly dependent upon the market price of digital currencies and the Company's ability to transact with and convert digital currencies. Management monitors the legal and regulatory environment surrounding digital currencies on an ongoing basis.

**Outstanding Share Data**

As of the date of this MD&A, the Company has the following securities issued and outstanding:

1. 429,016,069 common shares;
2. 167,386,182 common share purchase warrants; and
3. 16,417,110 options to purchase common shares issued.

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**Summary of Quarterly Results**

	<b>For the Three Months Ended</b>			
	<b>March 31, 2021</b>	<b>June 30, 2021</b>	<b>September 30, 2021</b>	<b>December 31, 2021</b>
	\$	\$	\$	\$
Revenue	96,915	555,280	1,498,982	2,590,548
Net income (loss) for the period	(2,192,326)	(1,166,871)	(321,499)	217,511
Income (loss) per share for the period, basic and diluted	(0.010)	(0.003)	(0.001)	0.001

	<b>For the Three Months Ended</b>			
	<b>March 31, 2020</b>	<b>June 30, 2020</b>	<b>September 30, 2020</b>	<b>December 31, 2020</b>
	\$	\$	\$	\$
Revenue	221,550	177,591	34,113	101,129
Net loss for the period	(499,627)	(520,140)	(678,658)	(3,504,881)
Loss per share for the period, basic and diluted	0.002	0.002	0.003	0.015

The net income for the quarter ended December 31, 2021 amounted to \$217,511 as compared to a loss of \$3,504,881 in the corresponding period of last year and a loss of \$321,499 in the previous quarter of fiscal 2021. The income recognized in the quarter ended December 31, 2021 is mainly due to higher self-mining revenues as compared to prior periods.

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**Segmented Information**

The Company has two reportable segments based on geographical locations: Canada and the USA, and three reportable segments based on operations: self-mining, hosting and miner sales, along with a Head Office segment. The disclosures with regards to the Company's aforementioned segments for the years ended December 31, 2021 and 2020 are listed below:

	For the Year Ended December 31, 2021							Total \$
	Canada		USA			Head Office	Total	
	Mining \$	Hosting \$	Mining \$	Hosting \$	Miner Sales \$	\$		
<b>Income from operations</b>								
Digital assets mined	2,980,830	—	849,437	—	—	—	3,830,267	
Hosting income	—	—	—	807,910	—	—	807,910	
Sales of miners	—	—	—	—	103,548	—	103,548	
Cost of miners sold	—	—	—	—	(65,662)	—	(65,662)	
Site operating costs	(209,806)	—	(134,667)	(54,935)	—	—	(399,408)	
Depreciation of right-of-use assets	(39,446)	—	(39,453)	(246,582)	—	—	(325,481)	
Depreciation of property and equipment	(1,482,151)	—	(283,338)	(1,770,865)	—	—	(3,536,354)	
Amortization of intangible assets	(588,028)	—	—	—	—	—	(588,028)	
Realized gain on digital currencies	1,339	—	—	—	—	—	1,339	
<b>Net income (loss) before operating expenses</b>	662,738	—	391,979	(1,264,472)	37,886	—	(171,869)	
<b>Operating and other expenses (income)</b>								
Interest and bank charges	445	—	225	214	27	9,550	10,461	
Interest expense on lease obligations	31,208	—	28,454	177,841	—	—	237,503	
Management fees, salaries and wages	92,269	—	75,275	71,595	9,176	453,450	701,765	
Office and administration	200,217	—	46,389	44,121	5,655	37,326	333,708	
Professional fees	1,926	—	94,957	—	—	757,774	854,657	
Share based compensation	—	—	—	—	—	1,105,178	1,105,178	
Interest income	—	—	—	—	—	(7,143)	(7,143)	
Other income	—	—	(62,196)	(59,155)	(7,582)	—	(128,933)	
Foreign exchange loss	—	—	—	—	—	178,293	178,293	
Total operating and other expenses	326,065	—	183,104	234,616	7,276	2,534,428	3,285,489	
<b>Net income (loss) before tax</b>	336,673	—	208,875	(1,499,088)	30,610	(2,534,428)	(3,457,358)	
Income tax expense	5,827	—	—	—	—	—	5,827	
<b>Net income (loss)</b>	330,846	—	208,875	(1,499,088)	30,610	(2,534,428)	(3,463,185)	
Revaluation gain on digital assets	—	—	—	—	—	176,301	176,301	
Currency translation gain	—	—	—	—	—	151	151	
<b>Net comprehensive income (loss)</b>	330,846	—	208,875	(1,499,088)	30,610	(2,357,976)	(3,286,733)	
<b>Total assets</b>	11,019,701	5,416,951	3,219,590	3,785,376	1,064,059	12,202,325	36,708,002	
<b>Total liabilities</b>	534,733	2,429,915	41,601	1,898,966	—	2,339,299	7,244,514	

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**Segmented Information (continued)**

	For the Year Ended December 31, 2020						Head Office	Total	
	Canada		USA						
	Mining	Miner Sales	Mining	Hosting	Miner Sales				
	\$	\$	\$	\$	\$	\$	\$		
<b>Income from operations</b>									
Digital assets mined	40,587	—	395,296	—	—	—	435,883		
Hosting income	—	—	—	30,000	—	—	30,000		
Sales of miners	—	68,500	—	—	—	—	68,500		
Cost of miners sold	—	(54,969)	—	—	—	—	(54,969)		
Site operating costs	(19,802)	—	(544,179)	(41,299)	—	—	(605,280)		
Depreciation of right-of-use assets	(39,276)	—	(320,118)	(24,295)	—	—	(383,689)		
Depreciation of property and equipment	—	—	(2,706,689)	(205,417)	—	—	(2,912,106)		
Amortization of intangible assets	(216,544)	—	—	—	—	—	(216,544)		
Realized loss on digital currency	(940)	—	(9,153)	—	—	—	(10,093)		
<b>Net income (loss) before operating expenses</b>	<b>(235,975)</b>	<b>13,531</b>	<b>(3,184,843)</b>	<b>(241,011)</b>	<b>—</b>	<b>—</b>	<b>(3,648,298)</b>		
<b>Operating and other expenses (income)</b>									
Interest and bank charges	—	—	3,209	—	—	2,582	5,791		
Interest expense on lease obligations	31,032	—	167,370	43,662	—	—	242,064		
Management fees, salaries and wages	—	—	128,216	9,731	—	225,071	363,018		
Office and administration	—	—	—	—	—	389,050	389,050		
Professional fees	—	—	72,041	5,467	—	422,154	499,662		
Share based compensation	—	—	—	—	—	255,474	255,474		
Loss from disposal from miners	—	4,537	—	—	44,186	—	48,723		
Gain on lease modification	—	—	(244,583)	(18,562)	—	—	(263,145)		
Revaluation loss on digital assets	—	—	—	—	—	494	494		
Foreign exchange loss	—	—	—	—	—	13,877	13,877		
Total operating and other expenses	31,032	4,537	126,253	40,298	44,186	1,308,702	1,555,008		
<b>Net comprehensive income (loss)</b>	<b>(267,007)</b>	<b>8,994</b>	<b>(3,311,096)</b>	<b>(281,309)</b>	<b>(44,186)</b>	<b>(1,308,702)</b>	<b>(5,203,306)</b>		
<b>Total assets</b>	<b>3,463,546</b>	<b>—</b>	<b>6,298,863</b>	<b>478,036</b>	<b>—</b>	<b>308,244</b>	<b>10,548,689</b>		
<b>Total liabilities</b>	<b>731,450</b>	<b>—</b>	<b>5,900,780</b>	<b>447,825</b>	<b>—</b>	<b>226,541</b>	<b>7,306,596</b>		

**Liquidity and Capital Resources**

	For the Years Ended December 31,	
	2021	2020
	\$	\$
<b>Cash provided by (used in):</b>		
Operating activities	(3,391,341)	(1,096,999)
Investment activities	(14,885,244)	(105,442)
Cash provided by financing activities	24,924,889	1,489,969
Effect of foreign exchange on cash	(584)	—
<b>Increase in cash</b>	<b>6,647,720</b>	<b>287,528</b>

As at December 31, 2021, the Company had current assets of \$15,335,863 and current liabilities of \$5,345,870, resulting in a working capital surplus of \$9,989,993 (2020 – working capital deficit of \$867,897).

**Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements as at the date of this MD&A.

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### **Related Party Transactions**

During the year ended December 31, 2021, certain expenses were paid on the Company's behalf by A.C.N. 117 402 838 PTY LTD ("ACN"), which is a related party by virtue of its shareholdings in the Company.

The balance of \$1,966,604 payable to related party as at December 31, 2021 represents the amount advanced under a line of credit provided by ACN on December 22, 2017 (2020 – \$3,568,623). 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 can be waived at any point at the sole discretion of ACN. ACN has waived the interest charge on the line of credit for the year ended December 31, 2021. During the year, the Company obtained an additional loan of \$76,760 and repaid \$1,678,779.

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 December 31, 2021, \$205,742 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 year ended December 31, 2021, the Company earned \$7,143 of interest income related to this loan.

### **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 year ended December 31, 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 \$284,087 was recorded related to these options during the year ended December 31, 2021.

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**Key Management Remuneration (continued)**

The Company paid directors fees of \$49,288 during the year ended December 31, 2021 (2020 – \$136,450).

Included in trade payable was \$16,219 payable to the directors of the Company for the director fees for the year ended December 31, 2021 (2020 - \$49,170).

The remuneration of key management personnel paid by ACN on the Company's behalf during the year ended December 31, 2021 was \$307,740 (2020 – \$87,279).

**Business Risks and Uncertainties**

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

*Credit Risk*

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

The Company's maximum exposure to credit risk at the end of any period is equal to the carrying amount of these financial assets as recorded in the consolidated statement of financial position. As at December 31, 2021, no amounts were held as collateral.

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company scaling to become profitable or raising additional equity in excess of anticipated cash needs. The Company's cash is held in corporate bank accounts available on demand.

*Market Risk*

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

*Interest Rate Risk*

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

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**Business Risks and Uncertainties (continued)**

*Foreign Currency Risk*

As at December 31, 2021, portions of the Company's financial assets and liabilities are held in USD and CAD. The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in Canadian dollars. The Company does not currently use foreign exchange contracts to hedge its exposure of its foreign currency cash flows as management has determined that this risk is not significant at this point in time. The following amounts are presented in USD to demonstrate the effect of changes in foreign exchange rates:

	<b>December 31, 2021</b>
	<b>\$</b>
Canadian dollar-based net assets	<u>5,760,729</u>
Effect of +/- 10% change in exchange rate	<u><b>728,108</b></u>

*Digital Currency and Risk Management*

Digital currencies are measured based on their fair values, determined using the daily weighted close price for the digital currency on [www.bitcoincharts.com](http://www.bitcoincharts.com) and [www.coinmarketcap.com](http://www.coinmarketcap.com). Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is directly related to the current and future market price of 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.

*Price Risk*

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

*Market Risk for Securities*

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

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**Business Risks and Uncertainties (continued)**

*Global Economic Risk*

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

*Share Price Volatility Risk*

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

**Covid-19**

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

**Capital Management**

The Company's objectives when managing its capital are:

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

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

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**Current Market Conditions**

The weighted price of Bitcoin increased in Q4 2021, with the weighted price rising from \$43,287 as at September 30, 2021 to \$47,226 as at December 31, 2021.



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

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

Bitcoin difficulty increased in Q4 2021 and is expected to increase going forward.



(Source <https://bitinfocharts.com/comparison/bitcoin-difficulty.html>).

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

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### **Critical Accounting Policies and Estimates**

The Company has prepared the accompanying consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”). Significant accounting policies and estimates are described in Note 3 of the Company’s consolidated financial statements as at and for the year ended December 31, 2021.

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

### **Significant Accounting 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:

(a) Useful Lives and Residual Values of Property and Equipment

Management determines the estimated useful lives and residual values of property 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) Long-Term Receivable

Management determines the estimated amount of long-term receivable based on its understanding and estimate of the damages recoverable pursuant to the non-compliance by its supplier with terms of the power supply agreement and the supplier’s failure to deliver power in accordance with the stipulated terms.

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**Significant Accounting Judgments and Estimates (continued)**

(c) 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 equity instrument with a term equal to the expected life of the option, and the expected forfeiture rate.

(d) Income Taxes

The Company is subject to income tax assessment in multiple jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken in the ordinary course of business for which the ultimate tax determination is uncertain.

The Company recognizes liabilities based on the Company's current understanding of tax laws as applied to the Company's circumstances.

Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

The Company computes an income tax provision in each of the jurisdictions in which it operates. Actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of these consolidated financial statements. Additionally, estimating income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions against future taxable income before such deductions expire. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.

(e) Revenue Recognition

The Company recognizes revenue from the provision of transaction verification services withing digital currency networks, commonly described as "mining". As consideration for these services, the Company receives digital currencies from the mining pools in which it participates. Revenue is recognized when the Company receives payouts from the mining pools in which it participates.

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.

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

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**Significant Accounting Judgments and Estimates (continued)**

(f) Business Combination and Goodwill

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. Goodwill is assessed for indicators of impairment at each reporting date and is tested annually or whenever events or changes in circumstances indicate that the carrying amount of goodwill exceeds its recoverable amount.

(g) 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.

(h) Impairment of Assets

The Company uses judgment in determining the grouping of assets to identify its CGUs for the 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 consolidated statement of comprehensive income.

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**Significant Accounting Judgments and Estimates (continued)**

(i) Digital Currencies

Digital currencies generally meet the relatively wide definition of an intangible asset, as they are identifiable, lack physical substance, are controlled by the holder and give rise to future economic benefits for the holder.

Intangible assets should be accounted for under IAS 38, except when they are within the scope of another standard (e.g., crypto-assets that meet the definition of a financial asset under IAS 32 or crypto-assets held for sale in the ordinary course of business under IAS 2).

(j) Digital Currencies Valuation

Management has determined that revenues should be recognized as the fair value of digital currencies received in exchange for mining services on the date that digital currencies are received and subsequently measured as an intangible asset. Digital currencies consist of cryptocurrency denominated assets and are included in current assets. Digital currencies are carried at their fair value determined by the spot rate less costs to sell. The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies would have a significant impact on the Company's earnings and financial position. Fair value is determined by taking the price of the digital currencies from [www.bitcoincharts.com](http://www.bitcoincharts.com) and [www.coinmarketcap.com](http://www.coinmarketcap.com).

(k) Decommission Cost

The Company has recognized a provision for decommissioning obligations associated with the lease assets. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle from the site and the expected timing of those costs.

(l) Contingencies

Contingencies can be either possible assets or liabilities arising from past events which, by their nature, will be resolved only when one or more uncertain future events occur or fail to occur. Such contingencies include, but are not limited to, litigation, regulatory proceedings, tax matters and losses resulting from other events and developments. The assessment of the existence and potential impact of contingencies inherently involves the exercise of significant judgement regarding the outcome of future events.

**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, 2021 and, accordingly, have not been applied in preparing these consolidated financial statements.

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**Changes in Accounting Standards (continued)**

Standards, Amendments and Interpretations Issued but not yet Adopted (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.

*IAS 12: Amendment to IAS 12, Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*

In May 2021, the IASB issued targeted amendments to IAS 12 – Income Taxes to specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Company is assessing the potential impact of the amendment.

New and Amended Accounting Pronouncements

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;

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**Changes in Accounting Standards (continued)**

New and Amended Accounting Pronouncements (continued)

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

Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and

Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

*Covid-19-Related Rent Concessions beyond June 30, 2021 Amendments to IFRS 16*

On May 28, 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 31, 2021, the IASB extended the period of application of the practical expedient to June 30, 2022. The amendment applies to annual reporting periods beginning on or after April 1, 2021.

However, the Company has not received Covid-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.

**Forward-Looking Statements**

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

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

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**Forward-Looking Statements (continued)**

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

- i. That the information is of a preliminary nature and may be subject to further adjustment;
- ii. The possible unavailability of financing;
- iii. Start-up risks,
- iv. General operating risks;
- v. Dependence on third parties;
- vi. Changes in government regulation;
- vii. The effects of competition;
- viii. Dependence on senior management;
- ix. Impact of global economic conditions;
- x. Fluctuations in currency exchange rates and interest rates; and
- xi. Fluctuations in cryptocurrency prices.

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