

CRYPTOSTAR CORP.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in US dollars)

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MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL REPORTING

Management's Responsibility

To the Shareholders of CryptoStar Corp.:

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

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

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

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

April 29, 2022



KINGSTON
ROSS
PASNAK LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

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April 29, 2022
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CryptoStar Corp.

Opinion

We have audited the consolidated financial statements of CryptoStar Corp. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2021, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021, and the consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Other Matter

The consolidated financial statements for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 30, 2021.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, which includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

(continues)

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

Independent Auditor's Report to the Shareholders of CryptoStar Corp. *(continued)*

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Justin Rousseau.


Kingston Ross Pasmak LLP
Kingston Ross Pasmak LLP
Chartered Professional Accountants

CRYPTOSTAR CORP.
Consolidated Statements of Financial Position
As at December 31, 2021 and 2020
(Expressed in US dollars)

	Note	As at December 31, 2021 \$	As at December 31, 2020 \$
Assets			
Current assets			
Cash		7,050,129	402,409
Accounts receivable and others	14	296,111	—
Deposits and prepaid expenses	5	1,764,747	300,728
Inventory	6	1,064,059	—
Digital currencies	7	5,160,817	1,965
		15,335,863	705,102
Property and equipment	8	15,703,331	5,152,656
Intangible assets	9	1,176,726	2,723,597
Right-of-use assets	10	1,574,306	1,899,327
Deposits	5	246,969	68,007
Long-term receivable	11	2,341,085	—
Goodwill	12	329,722	—
Total assets		36,708,002	10,548,689
Liabilities and shareholders' equity			
Current liabilities			
Trade payable and accrued liabilities		794,572	1,106,712
Advances from customers	13	2,177,000	—
Income tax payable	12 & 19	141,470	—
Payable to related party	14	1,966,604	—
Lease obligations	10	216,224	125,926
Decommission cost	17	50,000	—
Subscription liability	15	—	287,244
Loan	16	—	53,117
		5,345,870	1,572,999
Lease obligations	10	1,848,644	2,064,974
Decommission cost	17	50,000	100,000
Payable to related party	14	—	3,568,623
Total liabilities		7,244,514	7,306,596
Shareholders' equity			
Share capital	18	36,956,205	22,162,835
Shareholder contribution	18	3,292,725	2,844,777
Warrant and option reserve	14 & 18	19,460,020	5,311,528
Subscription receivable		—	(118,318)
Deficit		(30,421,914)	(26,958,729)
Accumulated other comprehensive income		176,452	—
Total shareholders' equity		29,463,488	3,242,093
Total liabilities and shareholders' equity		36,708,002	10,548,689
Nature of operations	1		
Segmented information	23		
Subsequent events	25		

Approved on behalf of the Board of Directors on April 29, 2022

/s/Aly Madhavji

Director

/s/Amelia Jones

Director

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

CRYPTOSTAR CORP.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended December 31, 2021 and 2020
(Expressed in US dollars)

	Note	For the Years Ended December 31,	
		2021	2020
		\$	\$
Revenue			
Digital assets mined	7	3,830,267	435,883
Hosting income		807,910	30,000
Sales of miners		103,548	68,500
		4,741,725	534,383
Cost of revenue			
Cost of miners sold		(65,662)	(54,969)
Site operating costs		(399,408)	(605,280)
Amortization of intangible assets	9	(588,028)	(216,544)
Depreciation of right-of-use assets	10	(325,481)	(383,689)
Depreciation of property and equipment	8	(3,536,354)	(2,912,106)
Gross loss		(173,208)	(3,638,205)
Realized gain / (loss) on digital currencies	7	1,339	(10,093)
Net loss before operating expenses		(171,869)	(3,648,298)
Operating expenses			
Interest and bank charges		10,461	5,791
Management fees, salaries and wages	14	701,765	363,018
Share based compensation	14	1,105,178	255,474
Office and administration		333,708	389,050
Professional fees		854,657	499,662
Total operating expenses		3,005,769	1,512,995
Net loss before other items		(3,177,638)	(5,161,293)
Other income (expense)			
Foreign exchange loss		(178,293)	(13,877)
Interest expense on lease obligations	10	(237,503)	(242,064)
Interest income	14	7,143	—
Other income	16	128,933	—
Revaluation loss on digital currencies	7	—	(494)
Loss on disposal of miners		—	(48,723)
Gain on lease modification		—	263,145
Net loss before tax		(3,457,358)	(5,203,306)
Income tax expense	19	5,827	—
Net loss		(3,463,185)	(5,203,306)
Revaluation gain on digital currencies	7	176,301	—
Currency translation gain		151	—
Net comprehensive loss		(3,286,733)	(5,203,306)
Loss per share, basic and diluted		(0.009)	(0.024)
Weighted average shares, basic and diluted		375,487,991	213,344,044

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

CRYPTOSTAR CORP.
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2021 and 2020
(Expressed in US dollars)

	Note	Share Capital		Shareholder Contribution	Warrant and Option Reserve	Shares to be Issued	Subscription Receivable	Deficit	Accumulated Other Comprehensive Income	Total
		Shares Issued	Amount \$							
As at December 31, 2019		208,752,800	21,453,727	1,406,512	4,475,384	—	—	(21,755,423)	—	5,580,200
Shareholder contribution		—	—	1,438,265	—	—	—	—	—	1,438,265
Private placement		34,000,000	759,858	—	549,599	—	(118,318)	—	—	1,191,139
Issuance cost - cash		—	(51,946)	—	—	—	—	—	—	(51,946)
Share based payment		40,500	1,196	—	4,410	—	—	—	—	5,606
Share based payment		—	—	—	26,661	—	—	—	—	26,661
Share based compensation		—	—	—	255,474	—	—	—	—	255,474
Net loss for the year		—	—	—	—	—	—	(5,203,306)	—	(5,203,306)
As at December 31, 2020		242,793,300	22,162,835	2,844,777	5,311,528	—	(118,318)	(26,958,729)	—	3,242,093
As at December 31, 2020		242,793,300	22,162,835	2,844,777	5,311,528	—	(118,318)	(26,958,729)	—	3,242,093
Private placement	18	143,693,334	13,813,170	—	14,508,395	—	118,318	—	—	28,439,883
Issuance cost		—	(3,098,434)	—	—	—	—	—	—	(3,098,434)
Share based payment	18	5,927,151	—	—	—	1,122,031	—	—	—	1,122,031
Issuance of shares and warrants	18	—	674,083	447,948	—	(1,122,031)	—	—	—	—
Finder fees	18	355,629	62,235	—	41,357	—	—	—	—	103,592
Exercise of warrants and options	18	32,308,390	3,342,316	—	(1,506,438)	—	—	—	—	1,835,878
Share based compensation	14	—	—	—	1,105,178	—	—	—	—	1,105,178
Net loss for the year		—	—	—	—	—	—	(3,463,185)	—	(3,463,185)
Other comprehensive income		—	—	—	—	—	—	—	176,301	176,301
Unrealized gain on currency translation		—	—	—	—	—	—	—	151	151
As at December 31, 2021		425,077,804	36,956,205	3,292,725	19,460,020	—	—	(30,421,914)	176,452	29,463,488

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

CRYPTOSTAR CORP.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020
(Expressed in US dollars)

	<u>For the Years Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
	\$	\$
Operating activities		
Net loss for the year	(3,463,185)	(5,203,306)
Adjusted for:		
Depreciation of property and equipment	3,536,354	2,912,106
Amortization of intangible assets	588,028	216,544
Income from mining of digital currencies	(3,830,267)	(435,883)
Purchase of digital currencies	(1,199,452)	—
Proceeds from sale of digital currencies	48,507	493,237
Realized (gain) loss on digital currencies	(1,339)	10,093
Revaluation loss on digital currencies	—	494
Share based compensation	1,105,178	282,135
Other income	(53,117)	—
Depreciation of right-of-use assets	325,481	383,689
Interest expense on lease obligations	237,503	242,064
Foreign exchange (gain) loss on right-of-use assets and lease obligations	(820)	3,114
Income from sales of miners, net of loss on disposal of miners	—	(16,648)
Gain on lease modification	—	(263,145)
Changes in non-cash working capital items:		
Accounts receivable and others	(288,521)	—
Deposits and prepaid expenses	264,001	194,546
Long-term receivable	(1,382,242)	—
Inventory	(1,064,059)	—
Trade payable and accrued liabilities	(396,218)	83,961
Advances from customers	2,177,000	—
Income tax payable	5,827	—
Cash used in operating activities	(3,391,341)	(1,096,999)
Investing activities		
Proceeds from disposal of property and equipment	14,725	—
Purchases of property and equipment	(11,294,034)	(429,969)
Cash paid for business combination, net of cash acquired	(1,713,698)	—
Deposits made for mining equipment	(1,710,674)	—
Deposits	(181,563)	—
Proceeds on disposal of miners	—	324,527
Cash used in investing activities	(14,885,244)	(105,442)
Financing activities		
Advances received from related party	76,760	718,156
Repayment of advances to related party	(1,678,779)	(46,750)
Payment of lease obligations	(363,175)	(379,353)
Subscription liability	(287,244)	—
Proceeds from issuance of share units, net of cash issuance costs	25,341,449	—
Proceeds from exercise of warrants and options	1,835,878	—
Proceeds from share issuance and warrants	—	1,144,799
Loan	—	53,117
Cash provided by financing activities	24,924,889	1,489,969
Effect of foreign exchange on cash	(584)	—
Net change in cash during the year	6,647,720	287,528
Cash, beginning of the year	402,409	114,881
Cash, end of the year	7,050,129	402,409
<i>Supplemental cash flow information:</i>		
Interest paid	(237,503)	(242,064)
<i>Non-cash transactions:</i>		
Property and equipment purchased through share based payment	(1,225,623)	—
Donated intangible assets	—	1,438,265

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

CRYPTOSTAR CORP.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020
(Expressed in US dollars)

1. NATURE OF OPERATIONS

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".

CryptoStar Corp. and its subsidiaries ("CryptoStar" or the "Company") operates in the distributed ledger technology space, utilizing specialized equipment ("miners") to perform computationally intensive cryptographic operations to validate transactions on the Blockchain (a process known as "mining"), receiving digital currencies (primarily Bitcoin and Ethereum). 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.

On December 15, 2021, CryptoStar acquired Neuro Digital Inc. ("Neuro Digital"), making it a wholly owned subsidiary of CryptoStar. Neuro Digital is a data centre operator specialized in GPU mining, Decentralized Finance ("DeFi") and AI solutions with data centre operations in Quebec, Canada.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities which might be necessary should the Company be unable to continue in existence.

2. BASIS OF PRESENTATION AND CONSOLIDATION

Statement of Compliance

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

The Board of Directors approved these consolidated financial statements on April 29, 2022.

Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

Functional and Presentation Currency

These consolidated financial statements are presented in US dollars, which is the functional currency of certain of the Company's subsidiaries. The functional currency of the acquired subsidiary (Neuro Digital) is the Canadian dollar.

Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At each consolidated statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. All gains and losses on translation of these foreign currency transactions are included in profit and loss.

Assets and liabilities of a subsidiary having a functional currency other than the US dollar are translated at the rate of exchange prevailing at the reporting date, and revenues and expenses at average rates during the period. Gains or losses on translation are presented as a translation adjustment under other comprehensive income or loss, a component of equity.

CRYPTOSTAR CORP.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020
(Expressed in US dollars)

2. BASIS OF PRESENTATION AND CONSOLIDATION (continued)

Basis of Consolidation

The financial statements for the year ended December 31, 2021 include the accounts of the Company, its wholly owned subsidiaries, and entities over which the Company has control as defined in IFRS 10, all of which also have a December 31 year-end. Entities over which the Company has control are presented on a consolidated basis from the date control commences. Control, as defined in IFRS 10 for purposes of determining the consolidated basis of financial statement presentation, exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power and rights in respect of the entity. All of the consolidated entities were under control, as defined in IFRS 10 for purposes of determining the consolidated basis of financial statement presentation, during the entirety of the periods for which their respective results of operations were included in the consolidated statements. All intercompany balances and transactions are eliminated on consolidation. The Company's subsidiaries were CryptoStar Holdings Inc., CryptoStar USA, Inc. and Neuro Digital Inc. (acquired during the year), each being wholly owned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

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

The Company also offers hosting and other service contracts. Hosting services provided by the Company include the ownership and management of data centre solutions for other cryptocurrency mining companies. For hosting and other service contracts, the Company has determined that the substance of the service contracts is the provision of services under IFRS 15 Revenue from Contracts with Customers. Revenue is recognized only when the amount of the contract and separate performance obligations are identified, the transaction can be measured reliably, the transaction price can be allocated to the performance obligations, and the performance obligation is satisfied. Accordingly, the Company has determined that revenue should be recognized as the provision of services under the contract is completed.

Revenue from the sale of miners is recognized when the goods are delivered, less an estimate for sales returns. Revenue from the sale of goods is measured at the fair value of the consideration received less an appropriate deduction for returns and discounts, net of sales taxes. Determination of separate elements under the terms of the contract and completion of performance obligation may be subject to significant judgment exercised by management.

Digital Currencies

Digital currencies meet the definition of intangible assets in IAS 38 Intangible Assets as they are identifiable non-monetary assets without physical substance. They are initially recorded at the fair value of the acquisition date and the revaluation method is used to measure the digital assets subsequently. Under the revaluation method, increases in fair value are recorded in other comprehensive income, while decreases are recorded in profit or loss. The Company revalues its digital assets at the end of each of its three interim financial reporting periods and at its annual financial reporting period end date. There is no recycling of gains from other comprehensive income to profit or loss. However, to the extent that an increase in fair value reverses a previous decrease in fair value that has been recorded in profit or loss, that increase is recorded in profit or loss. Decreases in fair value that reverse gains previously recorded in other comprehensive income are recorded in other comprehensive income.

CRYPTOSTAR CORP.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020
(Expressed in US dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Digital Currencies (continued)

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

The digital currencies are valued based on the daily weighted closing price obtained from www.bitcoincharts.com and www.coinmarketcap.com at the time the digital currency is mined and at the reporting date for any digital currencies that are held.

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

Intangible Assets

Intangible assets with finite useful lives are measured at cost and are amortized on a straight-line basis over their estimated useful lives. Intangible assets relate to agreements with Tier 1 Solutions Inc. and 611890 Alberta Inc. DBA Avila Energy and have estimated useful lives of 5 years. The estimated useful lives and amortization methods are reviewed annually with the effect of any changes in estimate being accounted for on a prospective basis. Amortization is recognized on a straight-line basis over the term of each agreement.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment. Cost includes all expenditures incurred to bring assets to the location and condition necessary for them to be operated in the manner intended by management.

Mining equipment is amortized on a straight-line basis over a 2 or 3 year estimated useful life, with a 2-year estimated useful life for mining equipment acquired before 2021 and a 3-year estimated useful life for new generation mining equipment acquired in 2021.

During the year, the Company conducted an operational efficiency review of certain of its other property and equipment, consisting primarily of leasehold improvements, which resulted in changes in the expected useful life of that property and equipment. Accordingly, effective October 1, 2021, the Company adjusted the useful life of those assets from 5 years to 10 years from the date of purchase, which is also consistent with certain lease terms. The effect of these changes on the actual and expected depreciation expense of property and equipment are as follows:

	Q4 2021	2022	2023	2024	2025	Later
	\$	\$	\$	\$	\$	\$
(Decrease) increase in depreciation of property and equipment	(460,915)	(1,681,664)	(189,788)	458,598	458,598	985,127

Other property and equipment is amortized on a straight line bases over the estimated useful life of the asset. The estimated useful life of mining containers included in other property and equipment is 3 years, and as described above, the estimated useful life of leasehold improvements is 10 years.

Construction in progress is stated at cost, net of accumulated impairment losses, and is not amortized until placed in use.

CRYPTOSTAR CORP.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020
(Expressed in US dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Receivable

Long-term receivable is recognized when the right to receive the amount is established and the amount can be measured reliably in accordance with the terms of the contract. These receivables are derecognized on repayment, or when written off, or substantially all of the risks and rewards of ownership are transferred.

Impairment of Non-Financial Assets

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

Recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). In assessing VIU, the estimated future cash flows to be derived from continuing use of the asset or CGU are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. FVLCD is the price that would be received to sell an asset or CGU in an orderly transaction between market participants at the measurement date, less the costs of disposal. When a binding sale agreement is not available, FVLCD is estimated using a discounted cash flow approach with inputs and assumptions consistent with those of a market participant. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount.

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

Income Taxes

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

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

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

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

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

Fair Value Measurement

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Recognition and Initial Measurement

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

Classification and Subsequent Measurement

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

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

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

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

These assets are subsequently measured at amortized cost using the effective interest method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired. All financial assets not classified as amortized cost as described above are measured at FVTPL or FVTOCI depending on the business model and cash flow characteristics. The Company has no financial assets measured at FVTOCI.

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

Asset / Liability	Classification / Measurement
Cash	FVTPL
Account receivable and others	Amortized cost
Long-term receivable	Amortized cost
Trade payables and accrued liabilities	Amortized cost
Advances from customers	Amortized cost
Lease obligations	Amortized cost
Payable to related party	Amortized cost
Subscription liability	Amortized cost
Loan	Amortized cost

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Derecognition

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

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

Cash

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

Equity

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

Interest Income

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

Provisions

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

Segmented Reporting

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segmented Reporting (continued)

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and liabilities, head office expenses, personnel costs, other income and foreign exchange gains and losses. As at December 31, 2021 and 2020, the Company had 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.

Lease

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

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

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

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

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

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

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combination

Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. In determining the allocation of the purchase price in a business combination, estimates including market based and appraisal values are used.

The Company measures all assets acquired and liabilities assumed at their acquisition date fair values. Acquisition related costs are recognized as expenses in the periods in which the costs are incurred and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements). The excess of the aggregate of the consideration transferred to obtain control over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

Inventory

Inventories are valued at the lower of cost (determined by the first-in, first-out method) and net realizable value. Management compares the cost of inventories with the net realizable value and an allowance is made for writing down their inventories to net realizable value, if lower. The Company periodically assesses its inventory for slow-moving and/or obsolete items and any change in the allowance is recorded in the cost of revenue in the accompanying consolidated statements of loss and comprehensive loss.

Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those CGUs.

Where goodwill has been allocated to a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Decommission Cost

The Company records a provision for decommissioning costs for site restoration. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss Per Share

Basic loss per share is computed by dividing the net loss for the year by the weighted average number of shares outstanding. Diluted loss per share is calculated in a similar manner, except that the weighted average number of shares outstanding is increased to include potentially issuable shares from the assumed exercise of share purchase options and warrants, if dilutive. The diluted loss per share calculation excludes any potential conversion of options, warrants, and convertible debt that would increase earnings per share or decrease loss per share.

Share Based Compensation

Where equity settled share payments are awarded to management, employees and consultants, the fair value of the equity instruments at the date of grant is charged to the consolidated statements of loss and comprehensive loss. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of shares that eventually vest. Non-vesting conditions are factored into the fair value of the equity instruments granted. The cumulative expense is not adjusted where a non-vesting condition is not satisfied. Where the terms and conditions are modified before they vest, any increase in the fair value of the equity instruments, measured immediately before and after the modification, is also charged to the consolidated statements of loss and comprehensive loss.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received unless that fair value cannot be estimated reliably in which case they are measured at the fair value of the equity instruments granted. Amounts related to the issuance of common shares are recorded as a reduction of share capital. If the fair value of the goods or services received cannot be estimated reliably, the goods or services received, and the corresponding increase in equity are measured, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

Other Comprehensive Income or Loss

Other comprehensive income or loss is the change in equity from transactions and other events and circumstances from non-shareholder sources. Other comprehensive income or loss refers to items recognized in comprehensive income or loss, but that are excluded from net income or loss calculated in accordance with IFRS. The resulting changes from translating the financial statements of foreign operations into US dollars, the Company's presentation currency, and the revaluation of digital currencies are recognized in other comprehensive income or loss for the year.

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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Judgments and Estimates (continued)

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.

(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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Judgments and Estimates (continued)

(e) Revenue Recognition (continued)

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.

(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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Judgments and Estimates (continued)

(h) Impairment of Assets (continued)

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. Impairment charges recognized during the year ended December 31, 2021 were \$Nil (December 31, 2020 – \$Nil).

(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 and 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. The carrying amount of the provision as at December 31, 2021 was \$100,000 (2020 – \$100,000). The Company used the following assumptions:

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Judgments and Estimates (continued)

(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.

4. CHANGES IN ACCOUNTING STANDARDS

Standards, Amendments and Interpretations Issued but not yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending December 31, 2021 and, accordingly, have not been applied in preparing these consolidated financial statements.

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.

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4. CHANGES IN ACCOUNTING STANDARDS (continued)

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;

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.

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5. DEPOSITS AND PREPAID EXPENSES

	December 31, 2021 \$	December 31, 2020 \$
Current:		
Prepayments	18,735	282,736
Deposits made for mining equipment	1,746,012	17,992
	1,764,747	300,728
Long-term:		
Deposits	246,969	68,007
Total deposits and prepaid expenses	2,011,716	368,735

The Company had made prepaid power payments and payments for commissioning the required infrastructure and equipment of \$1,382,242 to Avila Exploration & Development Canada Ltd. and 611890 Alberta Inc. DBA Avila Energy (“Avila”). During the year ended December 31, 2021, the Company transferred these amounts to a long-term receivable. Refer to Note 11 for further details.

6. INVENTORY

Inventory represents mining equipment purchased by the Company during the year ended December 31, 2021 with the intention to sell. Accordingly, the mining equipment is classified as inventory. There was no inventory write downs in the year ended December 31, 2021 (2020 – Nil).

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7. DIGITAL CURRENCIES

Digital currencies consist primarily of Bitcoin and Ethereum. Below is a continuity of digital currencies mined, acquired through purchase, sold and fair valued during the years ended December 31, 2021 and 2020.

	December 31, 2021		December 31, 2020	
	Number	\$	Number	\$
Bitcoin				
Opening balance	0.12	1,965	0.63	4,535
Mined additions	50.47	2,517,402	45.59	435,883
Non-mining additions	—	—	5.10	65,371
Bitcoin sold	(0.96)	(42,268)	(51.20)	(493,237)
Bitcoin bought	28.57	1,192,453	—	—
Realized gain (loss) on digital currency	—	1,339	—	(10,093)
Revaluation gain (loss) on digital currency	—	21,982	—	(494)
Ending balance	78.20	3,692,873	0.12	1,965
Ethereum				
Opening balance	—	—	—	—
Mined additions	398.93	1,312,865	—	—
Ethereum sold	(3.52)	(6,239)	—	—
Ethereum bought	3.95	6,999	—	—
Revaluation gain on digital currency	—	154,319	—	—
Ending balance	399.36	1,467,944	—	—
Total digital currencies		5,160,817		1,965

Digital currencies are measured based on their fair values, determined using the daily weighted close price for the digital currency on www.bitcoincharts.com and www.coinmarketcap.com.

During the year ended December 31, 2021, the Company mined digital currencies of \$3,830,267 (2020 – \$435,883).

During the year ended December 31, 2021, the Company disposed 0.96 Bitcoins and 3.52 Ethereum for \$42,268 and \$6,239 respectively in cash and realized a gain of \$1,339 (2020 – 51.20 Bitcoins, realized loss of \$10,093).

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8. PROPERTY AND EQUIPMENT

	Mining Equipment \$	Other Property and Equipment \$	Construction in Progress \$	Total \$
Cost				
Balance, December 31, 2019	22,960,019	6,393,434	—	29,353,453
Additions	138,159	—	291,811	429,970
Disposals	(22,902,338)	—	—	(22,902,338)
Net transfer from assets held for sale	—	5,130,937	—	5,130,937
Balance, December 31, 2020	195,840	11,524,371	291,811	12,012,022
Additions	8,666,643	203,911	3,649,103	12,519,657
Disposals	(14,725)	—	—	(14,725)
Assets acquired from business combination (Note 12)	1,513,677	68,420	—	1,582,097
Balance, December 31, 2021	10,361,435	11,796,702	3,940,914	26,099,051
Accumulated depreciation				
Balance, December 31, 2019	22,437,112	2,299,044	—	24,736,156
Depreciation	235,664	2,676,442	—	2,912,106
Disposals	(22,529,573)	—	—	(22,529,573)
Net transfer from assets held for sale	—	1,740,677	—	1,740,677
Balance, December 31, 2020	143,203	6,716,163	—	6,859,366
Depreciation	1,514,899	2,021,455	—	3,536,354
Balance, December 31, 2021	1,658,102	8,737,618	—	10,395,720
Net book value				
As at December 31, 2021	8,703,333	3,059,084	3,940,914	15,703,331
As at December 31, 2020	52,637	4,808,208	291,811	5,152,656

Construction in progress is related to the construction of data centres and data centre components. No depreciation has been charged on the construction in progress as the assets are not in use or are not ready for their intended use as of December 31, 2021 or 2020.

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9. INTANGIBLE ASSETS

	\$
Cost	
Balance, December 31, 2019	1,501,876
Addition	1,438,265
Balance, December 31, 2020	2,940,141
Transfer to long-term receivable	(1,438,265)
Balance, December 31, 2021	1,501,876
Accumulated amortization	
Balance, December 31, 2019	—
Amortization	216,544
Balance, December 31, 2020	216,544
Amortization	588,028
Transfer to long-term receivable	(479,422)
Balance, December 31, 2021	325,150
Net book value	
As at December 31, 2021	1,176,726
As at December 31, 2020	2,723,597

Agreement with Tier 1

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

The Company agreed to pay CAD\$75,000 upon the execution of the agreement and CAD\$50,000 (totalling US\$95,364) within 30 days from the date of the execution of the agreement. At December 31, 2019, the Company had paid CAD\$75,000 to Tier 1. The Company paid CAD\$50,000 to Tier 1 within 30 days from the date of the execution of the agreement.

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

On December 16, 2019, ACN transferred 20,312,500 common shares of CryptoStar to Tier 1 and 8,125,000 common shares of CryptoStar to Twilight Capital Inc. (“Twilight”) on behalf of the Company, to be released in four equal tranches over a period of 12 months. The fair value of the common shares transferred of \$1,406,512 (CAD\$1,848,437) was recorded in the consolidated financial statements as an intangible asset and a donation made in kind and recorded as a shareholder contribution in equity. This donation is not refundable and the asset will be available for sole benefit of the Company.

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9. INTANGIBLE ASSETS (continued)

Agreement with Tier 1 (continued)

Tier 1 is actively pursuing the finalization and allocation of power permits. Tier 1 is also searching for additional sites with allocated power that could be rented and used by the Company. The Company has not received the referenced power permits at the date of issuance of the consolidated financial statements.

Agreement with Avila

On April 17, 2020, the Company entered into a power supply agreement with Avila, whereas Avila has access to the sites suitable for set-up of crypto mining operations and control to supply power of up to 30 MW to these sites. This agreement was then re-assigned from Avila Exploration & Development Canada Ltd. to 611890 Alberta Inc. DBA Avila Energy. As a result of this agreement, CryptoStar would receive the right to use the sites for its crypto mining operations and would benefit from lower cost of utilities compared to other market rates.

For the duration of the term, power could be obtained incrementally upon the upfront payment by the Company per 10 MW, with the upfront payment being scaled pro rata for the amount of power obtained. Each upfront payment shall be allotted for prepaid power costs for the first six months of supply and commissioning the required infrastructure and equipment.

On June 18, 2020, ACN transferred 20,312,500 common shares of CryptoStar to Avila Investments Ltd., to be released in four equal tranches over a period of 12 months. On June 16, 2020, ACN transferred 12,187,500 common shares of CryptoStar to Twilight, to be released in four equal tranches over a period of 12 months. The fair value of the common shares transferred of \$1,438,265 (CAD\$1,950,000) was recorded in the consolidated financial position as an intangible asset and a donation made in kind and recorded as a shareholder contribution in equity.

During the year ended December 31, 2021, the Company transferred the net book value of the intangible asset related to Avila of \$958,843 to a long-term receivable. Refer to Note 11 for further details.

10. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

	December 31, 2021	December 31, 2020
	\$	\$
Right-of-use Assets		
Cost		
Balance, beginning of the year	2,598,151	2,383,609
Lease modification	—	(278,429)
Lease additions	—	492,971
Balance, end of the year	2,598,151	2,598,151
Accumulated Depreciation		
Balance, beginning of the year	698,824	313,170
Depreciation	325,481	383,689
Exchange (gain) loss	(460)	1,965
Balance, end of the year	1,023,845	698,824
Net book value, end of year	1,574,306	1,899,327

The Company has recorded the cost of restoration in 2020 (refer to Note 17). The Company has included the present value of the expected future decommissioning cost in the total cost of the asset.

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

	December 31, 2021	December 31, 2020
	\$	\$
Lease Obligations		
Balance, beginning of period	2,190,900	2,475,157
Addition	—	392,971
Interest accretion	237,503	242,064
Lease modification	—	(541,574)
Lease payments	(363,175)	(379,353)
Exchange (gain) loss	(360)	1,635
Balance, end of the year	2,064,868	2,190,900
Current lease obligation	216,224	125,926
Non-current lease obligation	1,848,644	2,064,974
Balance, end of the year	2,064,868	2,190,900

When measuring lease obligations, the Company discounted lease payments using its incremental borrowing rate. The weighted average rate applied was in the range of 8% to 12%.

The following table presents the contractual undiscounted cash flows for lease obligations as at December 31, 2021:

	\$
Undiscounted lease obligations	
Less than one year	439,043
One to two years	444,241
Two to three years	459,311
Three to four year	461,669
More than four years	1,118,642
Total undiscounted lease obligations	2,922,906
Impact of discounting	(858,035)
Exchange gain	(3)
Total lease obligation	2,064,868

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

	\$
Undiscounted lease obligations	
Less than one year	362,936
One to two years	438,799
Two to three years	443,992
Three to four year	459,057
More than four years	1,578,962
Total undiscounted lease obligations	3,283,746
Impact of discounting	(1,084,455)
Exchange gain	(8,391)
Total lease obligation	2,190,900

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11. LONG-TERM RECEIVABLE

The Company transferred \$2,341,085 of amounts related to Avila that were previously included in prepaid expenses (\$1,382,242) and intangible assets (\$958,843) to long-term receivable at the year ended December 31, 2021.

On December 1, 2021, the Company commenced litigation against Avila et al. with respect to the non-compliance with terms of the power supply agreement as a result of delays to the deployment dates and failure to delivery power pursuant to the power supply agreement.

As at December 31, 2021, the Company was advised by Avila that Avila's natural gas power generation site in Alberta, Canada had been shut down.

Litigation against Avila et al. is ongoing with respect to the non-compliance with terms of the power supply agreement.

The Company anticipates that it will recover amounts included in long-term receivables in the form of damages.

Refer to Note 25 for subsequent events and further details on Avila and the Alberta operations.

12. BUSINESS COMBINATION

On December 15, 2021, the Company acquired Neuro Digital (the "Acquisition"). Upon the closing of the Acquisition, the Company paid cash consideration of \$1,883,650 (CAD\$2,420,379) to Neuro Digital shareholders and other related costs, subject to customary purchase price adjustments.

The Company allocated the purchase price to the individual assets acquired and liabilities assumed using the acquisition method and assigned the following fair values:

	Fair Value
	\$
Cash and cash equivalent	169,952
Accounts receivable and others	7,534
Prepaid expenses	9,530
Security deposit	5,287
Property and equipment	1,582,097
Goodwill	329,722
Total assets	2,104,122
Total accounts payable	84,882
Income taxes payable	135,590
Total liabilities	220,472
Net assets acquired	1,883,650
Consideration paid in cash	1,883,650

The Company recorded revenues of \$74,875 and net income of \$41,950 from Neuro Digital in the consolidated statements of loss and comprehensive loss in 2021 as a result of the acquisition.

If the acquisition had occurred on January 1, 2021, revenue for the year ended December 31, 2021 would have been \$2,171,219 and the net income would have been \$1,189,709 from the acquired operations.

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13. ADVANCES FROM CUSTOMERS

The Company received prepayments from customers pursuant to various equipment hosting agreements executed by the Company (the "Equipment Hosting Agreements"). Under the terms of the Equipment Hosting Agreements, the Company would provide hosting services and infrastructure to the customers. Subsequent to the year end December 31, 2021, the Company terminated the Equipment Hosting Agreements related to Alberta, Canada. Refer to Note 25 for further details.

14. RELATED PARTY TRANSACTIONS AND BALANCES

Payable to Related Party

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.

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 August 14, 2020, the Company granted an aggregate of 1,200,000 stock options under the Company's stock option plan to directors of the Company. These options have an exercise price of CAD\$0.05 per stock option, and expiry date of August 14, 2030. All of the options vested immediately. Share based compensation of \$45,280 was recorded related to these options during the year ended December 31, 2020.

On November 23, 2020, the Company granted 5,000,000 stock options under the Company's stock option plan to an employee of the Company. These options have an exercise price of CAD\$0.05 per stock option, and expiry date of November 23, 2030. All of the options vested immediately. Share based compensation of \$210,194 was recorded related to these options during the year ended December 31, 2020.

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.

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).

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14. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related Party Transactions

On March 4, 2021, the Company issued 20,000,000 units at a price of CAD\$0.10 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of CAD\$0.15 per common share for a period of eighteen months from the date of issue. The securities issued in connection with the offering were subject to a four-month hold period, in accordance with applicable securities laws.

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

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

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

On May 4, 2021, an employee of the Company exercised 10,000,000 stocks options. These options had an exercise price of CAD\$0.05 per stock option. As at 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.

During the year ended December 31, 2020, the Company received 2.199 Bitcoin from a related party for the sale of 10 GPU miners valued at \$33,850.

15. SUBSCRIPTION LIABILITY

Subscription liability consists of amounts received pursuant to private placements announced by the Company but not closed as of December 31, 2020.

16. LOAN

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

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

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17. DECOMMISSION COST

The Company has recorded the decommissioning liability for site restoration. The Company has recorded a liability with a corresponding adjustment in the cost of the right-of-use assets. The amount and timing of settlement in respect of these provisions are uncertain and dependent on various factors that are not always within management's control. Reviews of estimated future decommissioning and restoration costs and the discount rate applied are carried out regularly. No accretion expense has been recorded for the year ended December 31, 2021 as the related impact is not significant (2020 – \$Nil).

The Company has used the following assumptions:

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

18. SHARE CAPITAL

Authorized

Unlimited common shares without par value.

Issued and Outstanding

The Company issued a total 182,284,504 common shares during the year ended December 31, 2021 (2020 – 34,040,500). The total outstanding number of common shares as at December 31, 2021 was 425,077,804 (2020 – 242,793,300).

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

On July 15, 2020, the Company issued 5,000,000 units at a price of CAD\$0.05 per unit. Each unit consists of one common share and one half of a common share purchase 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 twelve months from the date of issue. The agents received a cash fee equal to CAD\$15,225 for the private placement. In addition, the agents also received 40,500 common shares which were valued at a market price of CAD\$0.04 and 250,500 common share purchase warrants at an exercise price of CAD\$0.075 for a period of twelve months from the date of issue.

On October 7, 2020, the Company issued 5,000,000 units at a price of CAD\$0.05 per unit. Each unit consists of one common share and one common share purchase 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 eighteen months from the date of issue.

ACN acquired 1,061,735 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 December 9, 2020, the Company issued 4,000,000 units at a price of CAD\$0.05 per unit. Each unit consists of one common share and one common share purchase 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 eighteen months from the date of issue.

On December 23, 2020, the Company issued 20,000,000 units at a price of CAD\$0.05 per unit. Each unit consists of one common share and one common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of CAD\$0.075 per common share for a period of eighteen months from the date of issue.

ACN was the sole participant in the above offering, which constituted as a "related party transaction" as defined under Multilateral Instrument 61-101 Protection of Minority Security holders.

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18. SHARE CAPITAL (continued)

Issued and Outstanding (continued)

On January 28, 2021, the Company issued 10,000,000 units at a price of CAD\$0.05 per unit. Each unit consists of one common share and one common share purchase 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 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.

On February 5, 2021, the Company paid cash equal to CAD\$33,250, 285,000 common shares and 285,000 finder's warrants to EMD Financial Inc. Each finders' warrant entitles the holder to acquire one common share at a price of CAD\$0.075 per common share for a period of twelve months from the date of issue. The securities issued in connection with the offering were subject to a four-month hold period, in accordance with applicable securities laws.

On March 4, 2021, the Company issued 20,000,000 units at a price of CAD\$0.10 per unit. Each unit consists of one common share and one common share purchase 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 March 15, 2021, the Company issued 83,333,334 units at a price of CAD\$0.30 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of CAD\$0.40 per common share for a period of three and one half (3.5) years following the closing date of private placement. The securities issued were subject to resale restrictions in the United States under applicable U.S federal and state securities laws with no resale restrictions in Canada.

The Company paid cash equal to 7.0% of the gross proceeds of the above private placement, and 5,833,333 Broker Warrants to H.C. Wainwright & Co. Each Broker Warrant entitles the holder to acquire one common share at a price of CAD\$0.375 per common share for a period of three and one half (3.5) years following the closing date of private placement. The securities issued were subject to resale restrictions in the United States under applicable U.S federal and state securities laws with no resale restrictions in Canada.

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

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

During the year ended December 31, 2021, the Company acquired property and equipment in a transaction in exchange for common shares and common share purchase warrants. Upon the closing of the transaction, the Company will issue 5,927,151 units at a price of CAD\$0.24 and an additional 355,629 units as finder fees. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of CAD\$0.36 per common share for a period of eighteen months from the date of issue. The fair value of these warrants was determined using the Black-Scholes pricing model. The warrants and common share value was assigned based on the relative fair value method.

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18. SHARE CAPITAL (continued)

Stock Option Plan

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX Venture Exchange requirements, grant stock options to key management personnel, including officers and directors.

In connection with the foregoing options, the number of common shares reserved for issuance to any individual will not exceed five percent (5%) of the issued and outstanding common shares and to an Insider will not exceed ten percent (10%) of the issued and outstanding common shares. In the event of consultants and individuals conducting investor relations, the number of common shares reserved for issuance will not exceed two percent (2%) of the issued and outstanding common shares.

On August 14, 2020, the Company granted an aggregate of 1,200,000 stock options under the Company's stock option plan to directors of the Company. These options have an exercise price of CAD\$0.05 per stock option, and expiry date of August 14, 2030. All of the options vested immediately. Share based compensation of \$45,280 was recorded related to these options during the year ended December 31, 2020.

On November 23, 2020, the Company granted 5,000,000 stock options under the Company's stock option plan to an employee of the Company. These options have an exercise price of CAD\$0.05 per stock option, and expiry date of November 23, 2030. All of the options vested immediately. Share based compensation of \$210,194 was recorded related to these options during the year ended December 31, 2020.

On February 3, 2021, the Company granted an aggregate of 10,000,000 stock options under the Company's stock option plan to directors of the Company. These options have an exercise price of CAD\$0.10 per stock option, and an expiry date of February 3, 2031. All of the options vested immediately. The fair value of these stock options of \$821,091 was determined using the Black-Scholes pricing model. Share based compensation of \$821,091 was recorded related to these options during the year ended December 31, 2021.

On May 3, 2021, the Company granted an aggregate of 2,000,000 stock options under the Company's stock option plan to an officer of the Company. These options have an exercise price of CAD\$0.28 per stock option, and an expiry date of May 3, 2031. The options vest equally over four dates in August 2021, March 2022, October 2022 and May 2023. The fair value of these stock options of \$456,050 was determined using the Black-Scholes pricing model. Share based compensation of \$284,087 was recorded related to these options during the year ended December 31, 2021.

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18. SHARE CAPITAL (continued)

Stock Option Plan (continued)

	Number of Options	Exercise Price CAD\$	Expiry Date
Balance, December 31, 2019	14,650,000		
Granted on August 14, 2020	1,200,000	0.05	14-Aug-30
Granted on November 23, 2020	5,000,000	0.05	23-Nov-30
Balance, December 31, 2020	20,850,000		
Granted on February 3, 2021	10,000,000	0.10	03-Feb-31
Granted on May 3, 2021	2,000,000	0.28	03-May-31
Expired on August 14, 2021	(360,000)	0.50	14-Aug-21
Exercised on February 18, 2021	(1,200,000)	0.05	14-Aug-21
Exercised on February 19, 2021	(600,000)	0.05	14-Aug-21
Exercised on February 24, 2021	(600,000)	0.05	14-Aug-21
Exercised on March 1, 2021	(122,890)	0.05	20-Dec-28
Exercised on May 4, 2021	(5,000,000)	0.05	20-Dec-28
Exercised on May 4, 2021	(5,000,000)	0.05	23-Nov-30
Exercised on June 25, 2021	(600,000)	0.05	14-Aug-30
Exercised on June 25, 2021	(2,200,000)	0.10	03-Feb-31
Exercised on August 31, 2021	(750,000)	0.05	20-Dec-28
Balance, December 31, 2021	16,417,110		

The following table summarizes the stock options exercisable as at December 31, 2021:

Exercise Price CAD\$	Number of Outstanding Options	Number of Exercisable Options	Expiry Date	Remaining Contractual Life (Years)
0.50	2,240,000	2,240,000	26-Sep-28	6.74
0.05	4,127,110	4,127,110	20-Dec-28	6.98
0.135	250,000	250,000	18-Jul-24	2.55
0.10	7,800,000	7,800,000	03-Feb-31	9.10
0.28	2,000,000	500,000	03-May-31	9.34
0.16	16,417,110	14,917,110		8.17

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18. SHARE CAPITAL (continued)

Stock Option Plan (continued)

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

Exercise Price CAD\$	Number of Outstanding Options	Number of Exercisable Options	Expiry Date	Remaining Contractual Life (Years)
0.50	360,000	360,000	14-Aug-21	0.62
0.50	2,240,000	2,240,000	26-Sep-28	7.75
0.05	1,800,000	1,800,000	14-Aug-21	0.62
0.05	10,000,000	10,000,000	20-Dec-28	7.98
0.135	250,000	250,000	18-Jul-24	3.55
0.05	1,200,000	1,200,000	14-Aug-30	9.63
0.05	5,000,000	5,000,000	23-Nov-30	9.90
0.11	20,850,000	20,850,000		7.69

The fair value of options granted on August 14, 2020 was calculated using the Black-Scholes option pricing model with the following assumptions:

- Share price on grant date – CAD\$0.05
- Exercise price – CAD\$0.05
- Risk-free interest rate – 0.5%
- Forfeiture rate – 0%
- Expected dividend yield – 0%
- Expected option life (years) – 10
- Expected stock price volatility – 254.21%

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

- Share price on grant date – CAD\$0.055
- Exercise price – CAD\$0.05
- Risk-free interest rate – 0.59%
- Forfeiture rate – 0%
- Expected dividend yield – 0%
- Expected option life (years) – 10
- Expected stock price volatility – 246.80%

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

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

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18. SHARE CAPITAL (continued)

Stock Option Plan (continued)

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

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

Warrants

During the year ended December 31, 2021, the Company issued a total of 155,809,447 warrants in connection with the private placement financing and equipment acquisition as described above (2020 – 31,750,500).

The Company issued a total of 6,473,962 finder/broker warrants in connection with share issuance cost to the private placements on January 28, 2021 and March 15, 2021 and equipment acquisition (July 15, 2020 – 210,500).

Warrants - Issued and Outstanding	Number
Balance, at December 31, 2019	13,204,700
Addition	31,750,500
Expired	(3,204,700)
Balance, at December 31, 2020	41,750,500
Balance, at December 31, 2020	41,750,500
Addition	155,809,447
Expired	(10,000,000)
Exercised	(16,235,500)
Balance, at December 31, 2021	171,324,447

The following table summarizes the warrants exercisable as at December 31, 2021:

Exercise price CAD\$	Number of Outstanding and Exercisable Warrants	Expiry Date	Remaining Contractual Life (Years)
0.075	5,000,000	07-Apr-22	0.27
0.075	20,000,000	23-Jun-22	0.48
0.075	2,800,000	29-Jul-22	0.58
0.150	18,000,000	04-Sep-22	0.68
0.400	83,333,334	16-Sep-24	2.71
0.375	5,833,333	16-Sep-24	2.71
0.270	30,075,000	21-Oct-22	0.81
0.360	6,282,780	24-Feb-23	1.15
0.296	171,324,447		1.74

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18. SHARE CAPITAL (continued)

Warrants (continued)

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

Exercise price CAD\$	Number of Outstanding and Exercisable Warrants	Expiry Date	Remaining Contractual Life (Years)
0.500	10,000,000	04-Jan-21	0.01
0.075	2,750,500	15-Jul-21	0.54
0.075	5,000,000	07-Apr-22	1.27
0.075	4,000,000	09-Jun-22	1.44
0.075	20,000,000	23-Jun-22	1.48
0.177	41,750,500		1.04

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

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

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

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

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

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

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18. SHARE CAPITAL (continued)

Warrants (continued)

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

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

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

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

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

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

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

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

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18. SHARE CAPITAL (continued)

Warrants (continued)

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

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

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

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

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

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

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

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

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19. INCOME TAXES

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

	December 31, 2021	December 31, 2020
	\$	\$
Statutory tax rate	24%	27%
Net loss before income taxes	(3,457,358)	(5,203,306)
Expected tax recovery	(830,841)	(1,404,843)
Permanent items	284,946	(955,157)
Change in tax benefits not recognized	551,722	2,360,000
Income tax expense	5,827	—

The Company's income tax expense is allocated as follows:

	December 31, 2021	December 31, 2020
	\$	\$
Current income tax expense	5,827	—
Deferred income tax expense	—	—
Income tax expense	5,827	—

The following table summarizes the components of deferred tax:

	December 31, 2021	December 31, 2020
	\$	\$
Property and equipment	2,121,000	2,482,000
Share issuance costs	819,000	107,000
Non-capital losses carried forward	4,460,000	4,839,000
Digital assets	(1,240,000)	(1,000)
Intangible assets and others	118,000	149,000
Tax assets not recognized	(6,278,000)	(7,576,000)
Net deferred assets (liabilities)	—	—

As at December 31, 2021, the Company has approximately \$18,560,000 (2020 - \$18,038,000) of non-capital loss carry forwards available to reduce taxable income for future years. These losses will expire in 2039 to 2041.

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20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed, in varying degrees, to a variety of financial related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from the possibility of asset impairment occurring because counter parties cannot meet their obligations in transactions involving financial instruments. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular segment of customers. The bank balances are deposited with high credit rated banks; therefore, the credit risk is limited. The Company has established procedures to manage credit exposure including credit approvals and credit limits. These procedures are mainly due to the Company's internal guidelines. An allowance for potential doubtful receivables is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on delinquent receivables.

The Company is exposed to credit risk on its trade and other receivables which has a balance of \$296,111 as at December 31, 2021 (2020 – \$Nil).

As at December 31, 2021, 90% of the Company's trade and other receivables balance was due from a customer (20%) and an employee (70%), each representing more than 10% of trade and other receivables (2020 – Nil).

	0-30 days \$	31-90 days \$	91+ days \$	Total \$
Accounts receivable and others	92,568	—	203,543	296,111

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining cash balances to ensure that it is able to meet its short term and long-term obligations as and when they fall due. The Company manages Company-wide cash projections centrally and regularly updates projections for changes in business and fluctuations caused in digital currency prices and exchange rates. In recent years, the digital currency markets experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

As at December 31, 2021, the contractual maturities of financial liabilities were as follows:

	Carrying Amount \$	Contractual Cash Flows \$	Within 1 Year \$	1 to 2 Years \$	2 to 3 Years \$	3 to 4 Years \$	4+ Years \$
Trade payable and accrued liabilities	794,572	794,572	794,572	—	—	—	—
Lease obligations	2,064,868	2,922,906	439,043	444,241	459,311	461,669	1,118,642
Payable to related parties	1,966,604	1,966,604	1,966,604	—	—	—	—
Decommission cost	100,000	100,000	50,000	50,000	—	—	—
Total	4,926,044	5,784,082	3,250,219	494,241	459,311	461,669	1,118,642

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20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity Risk (continued)

As at December 31, 2020, the contractual maturities of financial liabilities were as follows:

	Carrying Amount \$	Contractual Cash Flows \$	Within 1 Year \$	1 to 2 Years \$	2 to 3 Years \$	3 to 4 Years \$	4+ Years \$
Trade payable and accrued liabilities	1,106,712	1,106,712	1,106,712	—	—	—	—
Lease obligations	2,190,900	3,283,746	362,936	438,799	443,992	459,057	1,578,962
Payable to related parties	3,568,623	3,568,623	—	3,568,623	—	—	—
Decommission cost	100,000	100,000	—	50,000	50,000	—	—
Total	6,966,235	8,059,081	1,469,648	4,057,422	493,992	459,057	1,578,962

Foreign Currency Risk

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

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

The following table summarizes the Canadian dollar-based assets and liabilities as at December 31, 2021 and 2020:

	December 31, 2021 \$	December 31, 2020 \$
Cash	6,463,186	386,254
Accounts receivable and others	207,534	—
Deposits	14,817	—
Trade payable and accrued liabilities	(341,673)	(360,005)
Income tax payable	(141,470)	—
Lease obligations	(441,665)	(472,937)
Total	5,760,729	(446,688)

The overall effect on earnings before tax of a 10% strengthening or weakening of the Canadian dollar against the US dollar at the balance sheet date on the above net assets, with all other variables held constant, is \$728,108 (2020 – \$56,863).

Interest Rate Risk

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

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20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair Value

The fair values of the Company's cash, accounts receivable and others, long-term receivable, trade payables and accrued liabilities, advances from customers, decommission cost, payable to related party approximate their carrying values due to the short-term nature of these instruments.

Financial Hierarchy

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

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

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

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

The Company's cash has been classified as Level 1 and is accounted for through FVTPL.

21. 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 and 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 currencies at its desired price if required. A decline in the market prices for digital currencies could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its digital currency sales.

Digital currencies have a limited history, and the fair value historically has been very volatile. Historical performances of digital currencies are not indicative of their future price performance. The Company's digital currencies consist primarily of Bitcoin and Ethereum. The impact of a 25% variance in the price of this digital currency on the Company's earnings before tax, based on their closing prices at December 31, 2021 would be \$1,290,204.

Covid-19

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

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22. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued share capital, shareholder contribution, warrant and option reserve, deficit and accumulated other comprehensive income.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management is consistent with the year ended December 31, 2020.

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23. 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						
	Canada		USA			Head Office	Total
	Mining	Hosting	Mining	Hosting	Miner Sales	Office	Total
	\$	\$	\$	\$	\$	\$	\$
Income from operations							
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
Net income (loss) before operating expenses	662,738	—	391,979	(1,264,472)	37,886	—	(171,869)
Operating and other expenses (income)							
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
Net income (loss) before tax	336,673	—	208,875	(1,499,088)	30,610	(2,534,428)	(3,457,358)
Income tax expense	5,827	—	—	—	—	—	5,827
Net income (loss)	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
Net comprehensive income (loss)	330,846	—	208,875	(1,499,088)	30,610	(2,357,976)	(3,286,733)
Total assets	11,019,701	5,416,951	3,219,590	3,785,376	1,064,059	12,202,325	36,708,002
Total liabilities	534,733	2,429,915	41,601	1,898,966	—	2,339,299	7,244,514

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23. SEGMENTED INFORMATION (continued)

	For the Year Ended December 31, 2020						
	Canada		USA			Head Office	Total
	Mining	Miner Sales	Mining	Hosting	Miner Sales	Office	Total
	\$	\$	\$	\$	\$	\$	\$
Income from operations							
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)
Net income (loss) before operating expenses	(235,975)	13,531	(3,184,843)	(241,011)	—	—	(3,648,298)
Operating and other expenses (income)							
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
Net comprehensive income (loss)	(267,007)	8,994	(3,311,096)	(281,309)	(44,186)	(1,308,702)	(5,203,306)
Total assets	3,463,546	—	6,298,863	478,036	—	308,244	10,548,689
Total liabilities	731,450	—	5,900,780	447,825	—	226,541	7,306,596

24. COMPARATIVES

Certain comparative information has been rearranged wherever necessary for the purpose of comparison.

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25. SUBSEQUENT EVENTS

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.

Highlights of the proposed transaction: (i) 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; (ii) 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; (iii) 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; (iv) CryptoStar has the option to enter into power supply agreements for up to an additional 65.4 MW of electricity, exercisable in increments of 21.8 MW; and (v) 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.

The Company announced that 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 also announced that it 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.

The Company announced that its 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.

The Company announced that it had Equipment Hosting Agreements for an aggregate mining capacity of 12 MW located at its award-winning data centre facilities in Utah, USA. 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 Company announced that it 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 announced that it had previously 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 delivered.

The Company planned to continue to further expand its self-mining inventory of mining hardware, with additional ASIC miners 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.

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).

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25. SUBSEQUENT EVENTS (continued)

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.

The Company announced that 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.

The Company announced that it 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.

The Company announced that it 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 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.

The Company announced that it 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.

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

The Company announced that 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 planned to continue to further expand its self-mining inventory of mining hardware, with additional ASIC miners 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. 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.

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).