

**CRYPTOSTAR CORP.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**  
**(Expressed in US dollars)**

## **Notice of No Auditors Review of Condensed Interim Consolidated Financial Statements**

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

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

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

**CRYPTOSTAR CORP.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

**Condensed Interim Consolidated Financial Statements (Unaudited)**

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**CRYPTOSTAR CORP.**  
**Condensed Interim Consolidated Statements of Financial Position (Unaudited)**  
**As at September 30, 2023 and December 31, 2022**  
(Expressed in US dollars)

	Note	As at September 30, 2023 \$	As at December 31, 2022 \$
<b>Assets</b>			
Current assets			
Cash		2,470,885	3,990,383
Accounts receivable and others	15	223,056	155,930
Deposits and prepaid expenses	4	105,326	105,185
Inventory	5	436,375	436,375
Digital currencies	6	16,308	75,078
		3,251,950	4,762,951
Property and equipment	7	7,797,291	11,430,531
Intangible assets	8	161,056	257,690
Right-of-use assets	9	1,905,672	2,232,042
Deposits	4	732,533	900,298
Goodwill		313,356	312,801
<b>Total assets</b>		<b>14,161,858</b>	<b>19,896,313</b>
<b>Liabilities and shareholders' equity</b>			
Current liabilities			
Trade payable and accrued liabilities		751,306	1,174,571
Advances from customers	10	511,350	696,350
Income tax payable		79,386	—
Payable to related party	11	393,321	1,966,604
Lease obligations	9	411,501	273,510
		2,146,864	4,111,035
Lease obligations	9	1,913,941	2,319,181
Decommission cost	12	377,251	377,251
Payable to related party	11	1,076,275	—
<b>Total liabilities</b>		<b>5,514,331</b>	<b>6,807,467</b>
<b>Shareholders' equity</b>			
Share capital	14	37,253,870	37,253,870
Shareholder contribution	14	3,292,725	3,292,725
Warrant and option reserve	11 & 14	19,742,364	19,634,594
Deficit		(51,585,546)	(47,090,010)
Accumulated other comprehensive loss		(55,886)	(2,333)
<b>Total shareholders' equity</b>		<b>8,647,527</b>	<b>13,088,846</b>
<b>Total liabilities and shareholders' equity</b>		<b>14,161,858</b>	<b>19,896,313</b>
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Approved on behalf of the Board of Directors on November 27, 2023

/s/Christopher Malone

Director

/s/Amelia Jones

Director

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

**CRYPTOSTAR CORP.**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Unaudited)**  
**For the Three and Nine Months Ended September 30, 2023 and 2022**  
(Expressed in US dollars)

	Note	Three Months Ended September 30,		Nine Months Ended September 30,	
		2023 \$	2022 \$	2023 \$	2022 \$
<b>Revenue</b>					
Digital assets mined	6	480,868	882,505	1,462,057	2,872,785
Hosting income		412,984	538,141	1,237,428	1,502,953
Sales of miners		—	—	—	14,454
		893,852	1,420,646	2,699,485	4,390,192
<b>Cost of revenue</b>					
Cost of miners sold		—	—	—	(8,543)
Site operating costs		(574,334)	(743,843)	(1,606,103)	(1,537,900)
Amortization of intangible assets	8	(32,211)	(75,093)	(96,634)	(225,281)
Depreciation of right-of-use assets	9	(108,918)	(107,560)	(326,610)	(286,313)
Depreciation of property and equipment	7	(1,102,443)	(1,298,494)	(3,651,381)	(3,593,650)
<b>Gross loss</b>		(924,054)	(804,344)	(2,981,243)	(1,261,495)
Realized (loss) gain on digital currencies	6	(2,718)	(540,540)	13,856	(2,185,134)
<b>Net loss before operating expenses</b>		(926,772)	(1,344,884)	(2,967,387)	(3,446,629)
<b>Operating expenses</b>					
Interest and bank charges	11	44,260	2,219	154,736	6,550
Management fees, salaries and wages	11	164,038	203,616	534,695	628,037
Share based compensation	11 & 14	49,035	82,898	107,770	196,098
Office and administration		62,866	241,922	407,477	489,160
Professional fees		34,712	138,054	95,182	397,202
<b>Total operating expenses</b>		354,911	668,709	1,299,860	1,717,047
<b>Net loss before other items</b>		(1,281,683)	(2,013,593)	(4,267,247)	(5,163,676)
<b>Other (expense) income</b>					
Foreign exchange (loss) gain		(135,026)	8,215	(18,633)	(136,542)
Interest expense on lease obligations	9	(66,589)	(70,537)	(207,249)	(191,499)
Write down of inventory		—	—	—	(266,015)
Revaluation (loss) gain on digital currencies	6	(2,223)	732,487	6,533	(1,591,029)
Loss on disposal of property and equipment		—	—	(163)	—
Other income (expense)	13	145,614	—	(8,777)	—
Interest expense, net		—	(52,733)	—	(48,155)
<b>Net loss before tax</b>		(1,339,907)	(1,396,161)	(4,495,536)	(7,396,916)
Income tax expense		—	—	—	—
<b>Net loss</b>		(1,339,907)	(1,396,161)	(4,495,536)	(7,396,916)
Revaluation loss on digital currencies	6	—	—	—	(176,301)
Currency translation loss		(22,582)	(60,881)	(53,553)	(41,930)
<b>Net comprehensive loss</b>		(1,362,489)	(1,457,042)	(4,549,089)	(7,615,147)
<b>Loss per share, basic and diluted</b>		(0.003)	(0.003)	(0.010)	(0.017)
<b>Weighted average shares, basic and diluted</b>		429,016,069	429,016,069	429,016,069	427,626,093

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

**CRYPTOSTAR CORP.**  
**Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)**  
**For the Nine Months Ended September 30, 2023 and 2022**  
(Expressed in US dollars)

	Note	Share Capital		Shareholder Contribution \$	Warrant and Option Reserve \$	Deficit \$	Accumulated Other Comprehensive (Loss) Income \$	Total \$
		Shares Issued	Amount \$					
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
Share based compensation		—	—	—	196,098	—	—	196,098
Exercise of options and warrants		3,938,265	297,665	—	(62,992)	—	—	234,673
Net loss for the period		—	—	—	—	(7,396,916)	—	(7,396,916)
Other comprehensive loss		—	—	—	—	—	(176,301)	(176,301)
Unrealized loss on currency translation		—	—	—	—	—	(41,930)	(41,930)
<b>As at September 30, 2022</b>		<b>429,016,069</b>	<b>37,253,870</b>	<b>3,292,725</b>	<b>19,593,126</b>	<b>(37,818,830)</b>	<b>(41,779)</b>	<b>22,279,112</b>
As at December 31, 2022		429,016,069	37,253,870	3,292,725	19,634,594	(47,090,010)	(2,333)	13,088,846
Share based compensation	11 & 14	—	—	—	107,770	—	—	107,770
Net loss for the period		—	—	—	—	(4,495,536)	—	(4,495,536)
Unrealized loss on currency translation		—	—	—	—	—	(53,553)	(53,553)
<b>As at September 30, 2023</b>		<b>429,016,069</b>	<b>37,253,870</b>	<b>3,292,725</b>	<b>19,742,364</b>	<b>(51,585,546)</b>	<b>(55,886)</b>	<b>8,647,527</b>

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

**CRYPTOSTAR CORP.**  
**Condensed Interim Consolidated Statements of Cash Flows (Unaudited)**  
**For the Nine Months Ended September 30, 2023 and 2022**  
(Expressed in US dollars)

	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Net loss for the period	(4,495,536)	(7,396,916)
Adjusted for:		
Depreciation of property and equipment	3,651,381	3,593,650
Amortization of intangible assets	96,634	225,281
Income from mining of digital currencies	(1,462,057)	(2,872,785)
Proceeds from sale of digital currencies	1,541,216	1,826,004
Realized (gain) loss on digital currencies	(13,856)	2,185,134
Revaluation (gain) loss on digital currencies	(6,533)	1,591,029
Share based compensation	107,770	196,098
Write down of inventory	—	266,015
Depreciation of right-of-use assets	326,610	286,313
Interest expense on lease obligations	207,249	191,499
Accretion expense	—	52,733
Interest expense on payable to related party	147,495	—
Foreign exchange gain on right-of-use assets and lease obligations	(366)	(984)
Loss on disposal of property and equipment	163	—
Changes in non-cash working capital items:		
Accounts receivable and others	(67,170)	272,393
Deposits and prepaid expenses	(141)	(115,549)
Inventory	—	8,543
Trade payable and accrued liabilities	(422,677)	(448,783)
Advances from customers	(185,000)	(1,480,650)
Income tax payable	79,758	(139,816)
<b>Cash used in operating activities</b>	<b>(495,060)</b>	<b>(1,760,791)</b>
<b>Investing activities</b>		
Purchases of property and equipment, net of deposits	(15,395)	(2,101,434)
Proceeds from disposal of property and equipment	835	—
Deposits	167,765	(719,554)
<b>Cash from (used in) investing activities</b>	<b>153,205</b>	<b>(2,820,988)</b>
<b>Financing activities</b>		
Repayment of advances to related party	(644,503)	—
Payment of lease obligations	(474,372)	(357,459)
Proceeds from share issuance and warrants	—	234,673
<b>Cash used in financing activities</b>	<b>(1,118,875)</b>	<b>(122,786)</b>
Effect of foreign exchange on cash	(58,768)	107,709
Net change in cash during the period	(1,519,498)	(4,596,856)
Cash, beginning of the period	3,990,383	7,050,129
<b>Cash, end of the period</b>	<b>2,470,885</b>	<b>2,453,273</b>
<i>Supplemental cash flow information:</i>		
Interest paid	(207,249)	(191,499)

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

**CRYPTOSTAR CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**  
**For the Three and Nine Months Ended September 30, 2023 and 2022**  
(Expressed in US dollars)

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## **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 hosting fees, as well as sells miners to customers.

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

## **2. BASIS OF PRESENTATION**

### **Statement of Compliance**

The notes presented in these condensed interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in the annual audited consolidated financial statements; thus, these condensed interim consolidated financial statements are referred to as condensed. These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2022 and 2021.

These condensed interim consolidated financial statements for the three and nine months ended September 30, 2023 are expressed in US dollars and follow the same accounting policies and methods of their application as set out in the audited consolidated financial statements for the years ended December 31, 2022 and 2021. These condensed interim consolidated financial statements comply with International Accounting Standard 34, Interim Financial Reporting of the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and reflect all adjustments which are necessary for a fair statement of the results for the interim periods presented.

The condensed interim consolidated financial statements of the Company as at and for the three and nine months ended September 30, 2023 comprise the Company and its wholly owned subsidiaries: CryptoStar Holdings Inc. ("CHI"), CryptoStar USA, Inc. ("CryptoStar USA") and Neuro Digital Inc. ("Neuro Digital").

The Board of Directors approved these condensed interim consolidated financial statements for the three and nine months ended September 30, 2023 on November 27, 2023.

### **Basis of Measurement**

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

For comparative purposes, the Company has reclassified certain immaterial items to conform with the current period's presentation.

**CRYPTOSTAR CORP.**  
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**For the Three and Nine Months Ended September 30, 2023 and 2022**  
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## **2. BASIS OF PRESENTATION (continued)**

### **Functional and Presentation Currency**

These condensed interim consolidated financial statements are presented in US dollars, which is the functional currency of 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 condensed interim 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 the condensed interim consolidated statements of loss and comprehensive 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.

### **Basis of Consolidation**

These condensed interim consolidated financial statements for the three and nine months ended September 30, 2023 include the accounts of the Company, its wholly owned subsidiaries, and entities over which the Company has control as defined in IFRS 10. 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 condensed interim 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., each being wholly owned.

## **3. CHANGES IN ACCOUNTING STANDARDS**

### **Standards, Amendments and Interpretations Issued**

#### *Clarifying Distinction Between Accounting Policies and Accounting Estimates*

In February 2021, the IASB issued narrow-scope amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”). The amendments to IAS 8 clarify how companies distinguish changes in accounting policies from changes 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 Company assessed the impact of the amendment and determined there to be no material impact on the condensed interim consolidated financial statements.

#### *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2*

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

**CRYPTOSTAR CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**  
**For the Three and Nine Months Ended September 30, 2023 and 2022**  
(Expressed in US dollars)

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

**Standards, Amendments and Interpretations Issued (continued)**

*Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (continued)*

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Company's interim condensed consolidated financial statements but are expected to affect the accounting policy disclosures in the Company's annual consolidated financial statements.

**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, 2023 and, accordingly, have not been applied in preparing these condensed interim consolidated financial statements.

*Lease Liability in a Sale and Leaseback*

In September 2022, the IASB issued amendments to IFRS 16 – Leases ("IFRS 16") relating to sale leaseback transactions for seller-lessees. The amendment adds a requirement that measuring lease payments or revised lease payments shall not result in the recognition of a gain or loss that relates to the right-of-use asset retained by the seller-lessee. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company is assessing the potential impact of these amendments.

*Non-current Liabilities with Covenants*

In October 2022, the IASB issued amendments to IAS 1 – Presentation of Financial Statements, which specifies that covenants whose compliance is assessed after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require disclosure of information about these covenants in the notes to the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company is assessing the potential impact of these amendments.

**4. DEPOSITS AND PREPAID EXPENSES**

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
	<b>\$</b>	<b>\$</b>
Current:		
Prepayments	102,333	102,192
Deposits made for mining equipment	2,993	2,993
	<b>105,326</b>	<b>105,185</b>
Long-term:		
Deposits	732,533	900,298
<b>Total deposits and prepaid expenses</b>	<b>837,859</b>	<b>1,005,483</b>

**CRYPTOSTAR CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**  
**For the Three and Nine Months Ended September 30, 2023 and 2022**  
(Expressed in US dollars)

**5. INVENTORY**

Inventory represents mining equipment purchased by the Company with the intention to sell. Accordingly, the mining equipment is classified as inventory.

**6. 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 three and nine months ended September 30, 2023 and the year ended December 31, 2022.

	September 30, 2023		December 31, 2022	
	Number	\$	Number	\$
<b>Bitcoin</b>				
Balance, beginning of the period	4.51	74,585	78.20	3,692,873
Mined additions	55.93	1,462,057	99.61	2,516,931
Bitcoin sold	(59.85)	(1,541,216)	(173.30)	(3,266,739)
Realized gain (loss) on digital currency	—	13,856	—	(1,136,466)
Revaluation gain (loss) on digital currency	—	6,533	—	(1,732,014)
<b>Balance, end of the period</b>	<b>0.59</b>	<b>15,815</b>	<b>4.51</b>	<b>74,585</b>
<b>Ethereum</b>				
Balance, beginning of the period	0.37	493	399.36	1,467,944
Mined additions	—	—	390.21	884,197
Ethereum sold	—	—	(789.20)	(988,876)
Realized loss on digital currency	—	—	—	(367,319)
Revaluation loss on digital currency	—	—	—	(995,453)
<b>Balance, end of the period</b>	<b>0.37</b>	<b>493</b>	<b>0.37</b>	<b>493</b>
<b>Total digital currencies</b>		<b>16,308</b>		<b>75,078</b>

Digital currencies are measured based on their fair values, determined using the daily weighted close price for the digital currency on [www.bitcoincharts.com](http://www.bitcoincharts.com) and [www.coinmarketcap.com](http://www.coinmarketcap.com).

During the three and nine months ended September 30, 2023, the Company mined digital currencies of \$480,868 (September 30, 2022 – \$882,505) and \$1,462,057 (September 30, 2022 – \$2,872,785), respectively.

As at September 30, 2023, there was a revaluation gain on digital currencies of \$6,533, which was recorded as a gain in the condensed interim consolidated statements of loss and comprehensive loss, representing a reversal to the extent unrealized loss is recognised (September 30, 2022: revaluation loss of \$1,767,330, which was adjusted against revaluation gain of \$176,301 included in equity under accumulated other comprehensive income and the remaining balance of \$1,591,029 was recorded as a loss in the condensed interim consolidated statements of loss and comprehensive loss).

During the three months ended September 30, 2023, the Company disposed of 17.16 Bitcoins for \$480,050, and realized a loss of \$2,718 (September 30, 2022 – 32.92 Bitcoins and 71.52 Ethereum for \$722,265 and \$113,975, respectively, and realized a loss of \$540,540). During the nine months ended September 30, 2023, the Company disposed of 59.85 Bitcoins for \$1,541,216, and realized a gain of \$13,856 (September 30, 2022 – 72.17 Bitcoins and 238.66 Ethereum for \$1,527,758 and \$298,246, respectively, and realized a loss of \$2,185,134).

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**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**  
**For the Three and Nine Months Ended September 30, 2023 and 2022**  
(Expressed in US dollars)

**7. PROPERTY AND EQUIPMENT**

	Mining Equipment \$	Other Property and Equipment \$	Construction in Progress \$	Total \$
<b>Cost</b>				
Balance, December 31, 2021	10,361,435	11,796,702	3,940,914	26,099,051
Additions	3,178,465	—	691,483	3,869,948
Balance, December 31, 2022	13,539,900	11,796,702	4,632,397	29,968,999
Additions	15,395	—	—	15,395
Disposals	(3,486)	—	—	(3,486)
<b>Balance, September 30, 2023</b>	<b>13,551,809</b>	<b>11,796,702</b>	<b>4,632,397</b>	<b>29,980,908</b>
<b>Accumulated depreciation</b>				
Balance, December 31, 2021	1,658,102	8,737,618	—	10,395,720
Depreciation	4,355,819	553,206	—	4,909,025
Impairment	3,466,852	—	—	3,466,852
Effect of foreign exchange	(233,129)	—	—	(233,129)
Balance, December 31, 2022	9,247,644	9,290,824	—	18,538,468
Depreciation	3,236,476	414,905	—	3,651,381
Disposals	(2,488)	—	—	(2,488)
Effect of foreign exchange	(3,744)	—	—	(3,744)
<b>Balance, September 30, 2023</b>	<b>12,477,888</b>	<b>9,705,729</b>	<b>—</b>	<b>22,183,617</b>
<b>Net book value</b>				
<b>Balance, September 30, 2023</b>	<b>1,073,921</b>	<b>2,090,973</b>	<b>4,632,397</b>	<b>7,797,291</b>
Balance, December 31, 2022	4,292,256	2,505,878	4,632,397	11,430,531

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 September 30, 2023 and December 31, 2022.

**CRYPTOSTAR CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**  
**For the Three and Nine Months Ended September 30, 2023 and 2022**  
(Expressed in US dollars)

**8. INTANGIBLE ASSETS**

	<b>\$</b>
<b>Cost</b>	
<b>Balance, December 31, 2022 and September 30, 2023</b>	1,501,876
<b>Accumulated amortization</b>	
Balance, December 31, 2021	325,150
Amortization	300,375
Impairment	618,661
Balance, December 31, 2022	1,244,186
Amortization	96,634
<b>Balance, September 30, 2023</b>	<b>1,340,820</b>
<b>Net book value</b>	
<b>Balance, September 30, 2023</b>	<b>161,056</b>
Balance, December 31, 2022	257,690

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Right-of-use Assets</b>		
<b>Cost</b>		
Balance, beginning of the period	3,648,198	2,598,151
Lease additions	—	1,050,047
<b>Balance, end of the period</b>	<b>3,648,198</b>	<b>3,648,198</b>
<b>Accumulated Depreciation</b>		
Balance, beginning of the period	1,416,156	1,023,845
Depreciation	326,610	395,097
Exchange gain	(240)	(2,786)
<b>Balance, end of the period</b>	<b>1,742,526</b>	<b>1,416,156</b>
<b>Net book value, end of the period</b>	<b>1,905,672</b>	<b>2,232,042</b>

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

	September 30, 2023	December 31, 2022
	\$	\$
<b>Lease Obligations</b>		
Balance, beginning of the period	2,592,691	2,064,868
Addition	—	772,796
Interest accretion	207,249	264,589
Lease payments	(474,372)	(507,960)
Exchange gain	(126)	(1,602)
<b>Balance, end of the period</b>	<b>2,325,442</b>	<b>2,592,691</b>
Current lease obligations	411,501	273,510
Non-current lease obligations	1,913,941	2,319,181
<b>Balance, end of the period</b>	<b>2,325,442</b>	<b>2,592,691</b>

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 September 30, 2023:

	\$
<b>Undiscounted lease obligations</b>	
Less than one year	649,988
One to two years	665,660
Two to three years	685,226
Three to four years	668,646
More than four years	274,191
<b>Total undiscounted lease obligations</b>	<b>2,943,711</b>
Impact of discounting	(638,699)
Exchange loss	20,430
<b>Total lease obligations</b>	<b>2,325,442</b>

The following table presents the contractual undiscounted cash flows for lease obligations as at December 31, 2022:

	\$
<b>Undiscounted lease obligations</b>	
Less than one year	638,372
One to two years	660,764
Two to three years	672,741
Three to four years	696,226
More than four years	777,178
<b>Total undiscounted lease obligations</b>	<b>3,445,281</b>
Impact of discounting	(853,319)
Exchange loss	729
<b>Total lease obligations</b>	<b>2,592,691</b>

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**10. ADVANCES FROM CUSTOMERS**

The Company received security deposits and prepayments from customers pursuant to various equipment hosting agreements executed by the Company (the "Equipment Hosting Agreements") in Utah, USA and Alberta, Canada. Under the terms of the Equipment Hosting Agreements, the Company would provide hosting services and infrastructure to the customers. In the year ended December 31, 2022, the Company terminated the Equipment Hosting Agreements related to Alberta, Canada and repaid the security deposits. During the three and nine months ended September 30, 2023, the Company returned \$185,000 of security deposits to customers.

The following table presents the changes in the deposits during the nine months ended September 30, 2023 and the year ended December 31, 2022:

	September 30, 2023 \$	December 31, 2022 \$
Balance, beginning of the period	696,350	2,177,000
New deposits	—	351,361
Deposits returned	(185,000)	(1,832,011)
<b>Balance, end of the period</b>	<b>511,350</b>	<b>696,350</b>

**11. RELATED PARTY TRANSACTIONS AND BALANCES**

**Payable to Related Party**

The balance of \$1,469,596 payable to related party as at September 30, 2023 (December 31, 2022 – \$1,966,604) represents the amount advanced under a line of credit provided by A.C.N 117 402 838 PTY LTD ("ACN"). During the nine months ended September 30, 2023, the Company renewed its line of credit with ACN for a further 54-month term ending in June 30, 2027. The renewed line of credit is a revolving credit facility available to fund general corporate purposes with a maximum principal amount of \$1,769,943. The line of credit bears interest at a rate of 12% per annum, payable monthly in arrears, together with a minimum monthly repayment of principal amount outstanding of \$32,777. As consideration for renewing the line of credit, the Company repaid \$196,660 of the principal amount outstanding of \$1,966,604 under the previous line of credit on January 3, 2023.

During the nine months ended September 30, 2023, the Company made principal repayments of \$497,008. During the three and nine months ended September 30, 2023, the Company recorded interest expense of \$41,298 and \$147,495 (three and nine months ended September 30, 2022 – \$Nil).

**Key Management Remuneration**

Management fees, salaries and wages comprise amounts paid to key management personnel, including officers and directors of ACN, for services provided. Key management remuneration paid to key management personnel and directors during the three and nine months ended September 30, 2023 was \$92,624 (September 30, 2022 – \$114,443) and \$296,288 (September 30, 2022 – \$364,503), respectively.

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 related to these options during the three and nine months ended September 30, 2023 was \$Nil (September 30, 2022 – \$32,684) and \$22,803 (September 30, 2022 – \$129,145), respectively.

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

**Key Management Remuneration (continued)**

On June 17, 2022, the Company granted 5,000,000 stock options under the Company's stock option plan to an officer of the Company. 2,500,000 of these options have an exercise price of CAD\$0.05 per stock option and 2,500,000 of these options have an exercise price of CAD\$0.10. These options have an expiry date of June 17, 2032. The options vest in equal 25% tranches in each of September 2022, April 2023, November 2023 and June 2024. Share based compensation related to these options during the three and nine months ended September 30, 2023 was \$17,967 (September 30, 2022 - \$50,214) and \$53,899 (September 30, 2022 - \$66,953), respectively.

On February 21, 2023, the Company granted 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 an expiry date of February 21, 2033. The options vested immediately on February 21, 2023. Share based compensation related to these options during the three and nine months ended September 30, 2023 was \$31,068 and \$31,068, respectively.

The Company incurred directors' fees during the three and nine months ended September 30, 2023 of \$16,181 (September 30, 2022 - \$14,956) and \$41,059 (September 30, 2022 - \$47,540), respectively.

Included in trade payable and accrued liabilities was \$22,443 payable to the directors of the Company for the director fees as at September 30, 2023 (December 31, 2022 - \$2,211).

The remuneration of key management personnel paid by ACN on the Company's behalf during the three and nine months ended September 30, 2023 was \$67,510 (September 30, 2022 - \$67,277) and \$205,881 (September 30, 2022 - \$215,242), respectively.

**12. DECOMMISSION COST**

The Company has recorded the decommissioning liability for the site restoration. The Company recorded a liability with a corresponding adjustment to the cost of the right-of-use assets. The amount and timing of settlement in respect of these provisions are uncertain and dependent on various factors that are not always within management's control. Reviews of estimated future decommissioning and restoration costs and the discount rate applied are carried out regularly.

During the year ended December 31, 2022, the Company amended the extension clause of one of its lease agreements in Utah, USA. Pursuant to the amendment, the lease period was extended from September 30, 2022, to September 30, 2027, with a further five-year extension option available.

Due to the lease amendment described above, the Company reassessed and revised the expected cost to settle the obligation using the estimated cash outflows. Accordingly, the Company increased the decommission liability by \$277,251 with a corresponding increase in right-of-use assets, to be amortized over the term of the lease. As a result, the Company has reclassified the associated decommission liability from current to long-term.

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**12. DECOMMISSION COST (continued)**

The following table presents the changes in the decommission cost during the nine months ended September 30, 2023 and the year ended December 31, 2022:

	September 30, 2023 \$	December 31, 2022 \$
Balance, beginning of the period	377,251	100,000
Addition	—	277,251
<b>Balance, end of the period</b>	<b>377,251</b>	<b>377,251</b>
Short-term	—	—
Long-term	377,251	377,251
<b>Total decommission cost</b>	<b>377,251</b>	<b>377,251</b>

For the three and nine months ended September 30, 2023 and the year ended December 31, 2022, the Company has used the following assumptions to calculate and reassess the liability:

- Inflation rate – 2.7% to 6.9% based on useful life
- Discount rate – 3.02% to 4.25%
- Useful life – 4 to 6 years

No adjustment has been made as at September 30, 2023 in connection with the assessment of the original liability as the related impact was not significant.

**13. OTHER INCOME (EXPENSE)**

In 2021, the Company was advised by 611890 Alberta Inc. DBA Avila Energy (“Avila”) that Avila’s natural gas power generation site in Alberta, Canada had been shut down. 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. In the three months ended June 30, 2023, the Company recorded under other expense \$154,391 (CAD\$204,414) representing a portion of costs in connection with the litigation, which was paid during the three months ended September 30, 2023. In addition, during the three months ended September 30, 2023, the Company reversed the previous liability recorded in the year ended December 31, 2022 of \$145,614 as the amount was no longer payable and recognized the amount as other income. Litigation against Avila et al. is ongoing with respect to the non-compliance with terms of the power supply agreement.

**14. SHARE CAPITAL**

**Authorized**

Unlimited common shares without par value.

**Issued and Outstanding**

The Company did not issue common shares during the three and nine months ended September 30, 2023. The total outstanding number of shares as at September 30, 2023 was 429,016,069 (December 31, 2022 – 429,016,069).

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**14. 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 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 related to these options during the three and nine months ended September 30, 2023 was \$Nil (September 30, 2022 – \$32,684) and \$22,803 (September 30, 2022 – \$129,145), respectively.

On June 17, 2022, the Company granted 5,000,000 stock options under the Company's stock option plan to an officer of the Company. 2,500,000 of these options have an exercise price of CAD\$0.05 per stock option and 2,500,000 of these options have an exercise price of CAD\$0.10. These options have an expiry date of June 17, 2032. The options vest in equal 25% tranches in each of September 2022, April 2023, November 2023 and June 2024. Share based compensation related to these options during the three and nine months ended September 30, 2023 was \$17,967 (September 30, 2022 - \$50,214) and \$53,899 (September 30, 2022 - \$66,953), respectively.

On February 21, 2023, the Company granted 1,200,000 stock options under the Company's stock option plan to an officer of the Company. These options have an exercise price of CAD\$0.05 per stock option, and an expiry date of February 21, 2033. The options were vested immediately on February 21, 2023. Share based compensation related to these options during the three and nine months ended September 30, 2023 was \$31,068 and \$31,068 (September 30, 2022 – \$Nil), respectively. The fair value of the options granted on February 21, 2023 was calculated using the Black-Scholes option pricing model with the following assumptions:

- Share price on grant date: CAD\$0.035
- Exercise price: CAD\$0.05
- Risk-free interest rate: 3.43%
- Forfeiture rate: 0%
- Expected dividend yield: 0%
- Expected option life (years): 10 years
- Expected stock price volatility: 237.14%

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**14. SHARE CAPITAL (continued)**

**Stock Option Plan (continued)**

	Number of Options	Exercise Price CAD\$	Expiry Date
Balance, December 31, 2021	16,417,110		
Granted on June 17, 2022	2,500,000	0.05	17-Jun-32
Granted on June 17, 2022	2,500,000	0.10	17-Jun-32
Forfeited on December 31, 2022	(4,127,110)	0.05	20-Dec-28
Balance, December 31, 2022	17,290,000		
Granted on February 21, 2023	1,200,000	0.05	21-Feb-33
Forfeited on February 28, 2023	(7,800,000)	0.10	03-Feb-31
Forfeited on February 28, 2023	(1,000,000)	0.50	26-Sep-28
<b>Balance, September 30, 2023</b>	<b>9,690,000</b>		

The following table summarizes the stock options exercisable as at September 30, 2023:

Exercise Price CAD\$	Number of Outstanding Options	Number of Exercisable Options	Expiry Date	Remaining Contractual Life (Years)
0.135	250,000	250,000	18-Jul-24	0.80
0.500	1,240,000	1,240,000	26-Sep-28	4.99
0.280	2,000,000	2,000,000	03-May-31	7.59
0.050	2,500,000	1,250,000	17-Jun-32	8.72
0.100	2,500,000	1,250,000	17-Jun-32	8.72
0.050	600,000	600,000	21-Feb-33	9.40
0.050	600,000	600,000	21-Feb-33	9.40
0.170	9,690,000	7,190,000		7.89

The following table summarizes the stock options exercisable as at December 31, 2022:

Exercise Price CAD\$	Number of Outstanding Options	Number of Exercisable Options	Expiry Date	Remaining Contractual Life (Years)
0.135	250,000	250,000	18-Jul-24	1.55
0.500	2,240,000	2,240,000	26-Sep-28	5.74
0.100	7,800,000	7,800,000	03-Feb-31	8.10
0.280	2,000,000	1,000,000	03-May-31	8.34
0.050	2,500,000	625,000	17-Jun-32	9.47
0.100	2,500,000	625,000	17-Jun-32	9.47
0.166	17,290,000	12,540,000		8.12

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**14. SHARE CAPITAL (continued)**

**Warrants**

During the three and nine months ended September 30, 2023, no new warrants were issued.

<b>Warrants - Issued and Outstanding</b>	<b>Number</b>
Balance, December 31, 2021	171,324,447
Addition	—
Expired	(71,936,735)
Exercised	(3,938,265)
Balance, December 31, 2022	95,449,447
Addition	—
Expired	(6,282,780)
Exercised	—
<b>Balance, September 30, 2023</b>	<b>89,166,667</b>

The following table summarizes the warrants exercisable as at September 30, 2023:

Exercise price CAD\$	Number of Outstanding and Exercisable Warrants	Expiry Date	Remaining Contractual Life (Years)
0.400	83,333,334	16-Sep-24	0.96
0.375	5,833,333	16-Sep-24	0.96
0.398	89,166,667		0.96

The following table summarizes the warrants exercisable as at December 31, 2022:

Exercise Price CAD\$	Number of Outstanding and Exercisable Warrants	Expiry Date	Remaining Contractual Life (Years)
0.360	6,282,780	24-Feb-23	0.15
0.400	83,333,334	16-Sep-24	1.71
0.375	5,833,333	16-Sep-24	1.71
0.396	95,449,447		1.61

**15. 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.

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

**Credit Risk and Concentration of Credit Risk (continued)**

The Company is exposed to credit risk on its accounts receivable and others which has a balance of \$223,056 as at September 30, 2023 (December 31, 2022 – \$155,930).

As at September 30, 2023, 62% of the Company's accounts receivable and others balance was due from a customer, (December 31, 2022 – 88% of the Company's accounts receivable and others balance was due from a customer).

As at September 30, 2023, the accounts receivable and others were as follows:

	0-30 days	31-90 days	91+ days	Total
	\$	\$	\$	\$
Accounts receivable and others	167,746	44,467	10,843	223,056

As at December 31, 2022, the accounts receivable and others were as follows:

	0-30 days	31-90 days	91+ days	Total
	\$	\$	\$	\$
Accounts receivable and others	1,110	136,748	18,072	155,930

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. As at September 30, 2023, the allowance for doubtful receivables was \$Nil (December 31, 2022 – \$Nil).

**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 September 30, 2023, 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	751,306	751,306	751,306	—	—	—	—
Lease obligations	2,325,442	2,943,711	649,988	665,660	685,226	668,646	274,191
Payable to related party	1,469,596	1,814,191	548,682	501,484	454,285	309,740	—
Decommission cost	377,251	445,000	—	—	—	350,000	95,000
<b>Total</b>	<b>4,923,595</b>	<b>5,954,208</b>	<b>1,949,976</b>	<b>1,167,144</b>	<b>1,139,511</b>	<b>1,328,386</b>	<b>369,191</b>

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

**Liquidity Risk (continued)**

As at December 31, 2022, 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	1,174,571	1,174,571	1,174,571	—	—	—	—
Lease obligations	2,592,691	3,445,281	638,372	660,764	672,741	696,226	777,178
Payable to related party	1,966,604	1,966,604	1,966,604	—	—	—	—
Decommission cost	377,251	377,251	—	—	—	—	377,251
<b>Total</b>	<b>6,111,117</b>	<b>6,963,707</b>	<b>3,779,547</b>	<b>660,764</b>	<b>672,741</b>	<b>696,226</b>	<b>1,154,429</b>

**Foreign Currency Risk**

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

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

The following table summarizes the Canadian dollar-based assets and liabilities as at September 30, 2023 and December 31, 2022:

	September 30, 2023 \$	December 31, 2022 \$
Cash	2,410,213	3,802,368
Deposits	276,069	306,097
Trade payable and accrued liabilities	(470,537)	(753,870)
Income tax payable	(79,386)	—
Lease obligations	(406,179)	(446,995)
<b>Total</b>	<b>1,730,180</b>	<b>2,907,600</b>

The overall effect on earnings before tax of a 10% strengthening or weakening of the Canadian dollar against the US dollar as at September 30, 2023 on the above net assets, with all other variables held constant, is \$233,998 (December 31, 2022 – \$378,003).

**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 relates to its right of use assets, discounting of financial instructions and 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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**15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

**Fair Value**

The fair values of the Company's cash, accounts receivable and others, trade payables and accrued liabilities, advances from customers and 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 fair value through profit or loss ("FVTPL").

During the three and nine months ended September 30, 2023, no assets were transferred between levels (December 31, 2022 – no transfers).

**16. DIGITAL CURRENCY AND RISK MANAGEMENT**

Digital currencies are measured based on their fair values, determined using the daily weighted close price for the digital currency on [www.bitcoincharts.com](http://www.bitcoincharts.com) and [www.coinmarketcap.com](http://www.coinmarketcap.com).

Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is directly related to the current and future market price of digital currencies; in addition, the Company may not be able to liquidate its inventory of digital 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 September 30, 2023 would be \$3,965 (December 31, 2022 – \$18,647).

**17. CAPITAL MANAGEMENT**

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

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.

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**17. CAPITAL MANAGEMENT (continued)**

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, 2022.

**18. 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 three and nine months ended September 30, 2023 and 2022 are listed below.

	Three Months Ended September 30, 2023				
	Canada	USA		Head Office	Total
	Mining	Mining	Hosting		
	\$	\$	\$	\$	\$
<b>Income from mining of digital currency</b>					
Digital assets mined	205,108	275,760	—	—	480,868
Hosting income	—	—	412,984	—	412,984
Site operating costs	(307,640)	(266,694)	—	—	(574,334)
Depreciation of right-of-use assets	(8,854)	(100,064)	—	—	(108,918)
Depreciation of property and equipment	(964,141)	(138,302)	—	—	(1,102,443)
Amortization of intangible assets	(32,211)	—	—	—	(32,211)
Realized loss on digital currencies	(2,718)	—	—	—	(2,718)
<b>Net (loss) income before operating expenses</b>	<b>(1,110,456)</b>	<b>(229,300)</b>	<b>412,984</b>	<b>—</b>	<b>(926,772)</b>
<b>Operating and other expenses (income)</b>					
Interest and bank charges	9,607	14,274	19,122	1,257	44,260
Interest expense on lease obligations	6,087	60,502	—	—	66,589
Management fees, salaries and wages	32,660	27,270	—	104,108	164,038
Office and administration	4,407	60,745	—	(2,286)	62,866
Professional fees	439	16,116	—	18,157	34,712
Share based compensation	—	—	—	49,035	49,035
Revaluation loss on digital currencies	2,223	—	—	—	2,223
Other income	—	—	—	(145,614)	(145,614)
Foreign exchange loss	—	—	—	135,026	135,026
Total operating and other expenses	55,423	178,907	19,122	159,683	413,135
<b>Net (loss) income before tax</b>	<b>(1,165,879)</b>	<b>(408,207)</b>	<b>393,862</b>	<b>(159,683)</b>	<b>(1,339,907)</b>
Income tax expense	—	—	—	—	—
<b>Net (loss) income</b>	<b>(1,165,879)</b>	<b>(408,207)</b>	<b>393,862</b>	<b>(159,683)</b>	<b>(1,339,907)</b>
Currency translation loss	—	—	—	(22,582)	(22,582)
<b>Net comprehensive (loss) income</b>	<b>(1,165,879)</b>	<b>(408,207)</b>	<b>393,862</b>	<b>(182,265)</b>	<b>(1,362,489)</b>

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**18. SEGMENTED INFORMATION (continued)**

	Three Months Ended September 30, 2022				
	Canada	USA		Head Office	Total
	Mining	Mining	Hosting		
	\$	\$	\$	\$	\$
<b>Income from mining of digital currency</b>					
Digital assets mined	610,769	271,736	—	—	882,505
Hosting income	—	—	538,141	—	538,141
Site operating costs	(527,698)	(202,071)	(14,074)	—	(743,843)
Depreciation of right-of-use assets	(9,861)	(13,476)	(84,223)	—	(107,560)
Depreciation of property and equipment	(804,478)	(374,789)	(119,227)	—	(1,298,494)
Amortization of intangible assets	(75,093)	—	—	—	(75,093)
Realized loss on digital currencies	(540,540)	—	—	—	(540,540)
<b>Net (loss) income before operating expenses</b>	<b>(1,346,901)</b>	<b>(318,600)</b>	<b>320,617</b>	<b>—</b>	<b>(1,344,884)</b>
<b>Operating and other expenses (income)</b>					
Interest and bank charges	357	176	258	1,428	2,219
Interest expense on lease obligations	7,164	8,741	54,632	—	70,537
Management fees, salaries and wages	32,477	20,516	36,180	114,443	203,616
Office and administration	55,744	48,690	78,872	58,616	241,922
Professional fees	19,788	208	—	118,058	138,054
Revaluation gain on digital currencies	(732,487)	—	—	—	(732,487)
Share based compensation	—	—	—	82,898	82,898
Interest expense	—	16,226	36,507	—	52,733
Foreign exchange gain	—	—	—	(8,215)	(8,215)
Total operating and other expenses (income)	(616,957)	94,557	206,449	367,228	51,277
<b>Net (loss) income before tax</b>	<b>(729,944)</b>	<b>(413,157)</b>	<b>114,168</b>	<b>(367,228)</b>	<b>(1,396,161)</b>
Income tax expense	—	—	—	—	—
<b>Net (loss) income</b>	<b>(729,944)</b>	<b>(413,157)</b>	<b>114,168</b>	<b>(367,228)</b>	<b>(1,396,161)</b>
Currency translation loss	—	—	—	(60,881)	(60,881)
<b>Net comprehensive (loss) income</b>	<b>(729,944)</b>	<b>(413,157)</b>	<b>114,168</b>	<b>(428,109)</b>	<b>(1,457,042)</b>

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**18. SEGMENTED INFORMATION (continued)**

	Nine Months Ended September 30, 2023				
	Canada	USA		Head Office	Total
	Mining	Mining	Hosting		
	\$	\$	\$	\$	\$
<b>Income from mining of digital currency</b>					
Digital assets mined	783,733	678,324	—	—	1,462,057
Hosting income	—	—	1,237,428	—	1,237,428
Site operating costs	(987,577)	(618,526)	—	—	(1,606,103)
Depreciation of right-of-use assets	(27,739)	(298,871)	—	—	(326,610)
Depreciation of property and equipment	(3,236,477)	(414,904)	—	—	(3,651,381)
Amortization of intangible assets	(96,634)	—	—	—	(96,634)
Realized gain on digital currencies	13,856	—	—	—	13,856
<b>Net (loss) income before operating expenses</b>	<b>(3,550,838)</b>	<b>(653,977)</b>	<b>1,237,428</b>	<b>—</b>	<b>(2,967,387)</b>
<b>Operating and other expenses (income)</b>					
Interest and bank charges	43,780	39,622	67,611	3,723	154,736
Interest expense on lease obligations	18,675	188,574	—	—	207,249
Management fees, salaries and wages	136,247	97,756	—	300,692	534,695
Office and administration	14,604	305,657	—	87,216	407,477
Professional fees	6,638	19,236	—	69,308	95,182
Share based compensation	—	—	—	107,770	107,770
Revaluation gain on digital currencies	(6,533)	—	—	—	(6,533)
Loss on disposal of property and equipment	163	—	—	—	163
Other expense	—	—	—	8,777	8,777
Foreign exchange loss	—	—	—	18,633	18,633
Total operating and other expenses	213,574	650,845	67,611	596,119	1,528,149
<b>Net (loss) income before tax</b>	<b>(3,764,412)</b>	<b>(1,304,822)</b>	<b>1,169,817</b>	<b>(596,119)</b>	<b>(4,495,536)</b>
Income tax expense	—	—	—	—	—
<b>Net (loss) income</b>	<b>(3,764,412)</b>	<b>(1,304,822)</b>	<b>1,169,817</b>	<b>(596,119)</b>	<b>(4,495,536)</b>
Currency translation loss	—	—	—	(53,553)	(53,553)
<b>Net comprehensive (loss) income</b>	<b>(3,764,412)</b>	<b>(1,304,822)</b>	<b>1,169,817</b>	<b>(649,672)</b>	<b>(4,549,089)</b>

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**18. SEGMENTED INFORMATION (continued)**

	Nine Months Ended September 30, 2022					
	Canada	USA			Head Office	Total
	Mining	Mining	Hosting	Miner Sales		
	\$	\$	\$	\$	\$	\$
<b>Income from mining of digital currency</b>						
Digital assets mined	1,815,137	1,057,648	—	—	—	2,872,785
Hosting income	—	—	1,502,953	—	—	1,502,953
Sales of miners	—	—	—	14,454	—	14,454
Cost of miners sold	—	—	—	(8,543)	—	(8,543)
Site operating costs	(944,233)	(553,218)	(40,449)	—	—	(1,537,900)
Depreciation of right-of-use assets	(29,584)	(35,411)	(221,318)	—	—	(286,313)
Depreciation of property and equipment	(2,285,453)	(950,519)	(357,678)	—	—	(3,593,650)
Amortization of intangible assets	(225,281)	—	—	—	—	(225,281)
Realized loss on digital currencies	(2,185,134)	—	—	—	—	(2,185,134)
<b>Net (loss) income before operating expenses</b>	(3,854,548)	(481,500)	883,508	5,911	—	(3,446,629)
<b>Operating and other expenses (income)</b>						
Interest and bank charges	1,367	215	306	—	4,662	6,550
Interest expense on lease obligations	21,940	23,387	146,172	—	—	191,499
Management fees, salaries and wages	158,489	56,847	80,781	—	331,920	628,037
Office and administration	91,855	98,753	140,331	—	158,221	489,160
Professional fees	23,709	4,000	—	—	369,493	397,202
Write down of inventory	—	—	—	266,015	—	266,015
Revaluation loss on digital currencies	1,591,029	—	—	—	—	1,591,029
Share based compensation	—	—	—	—	196,098	196,098
Interest expense (income)	—	16,226	36,507	—	(4,578)	48,155
Foreign exchange loss	—	—	—	—	136,542	136,542
Total operating and other expenses	1,888,389	199,428	404,097	266,015	1,192,358	3,950,287
<b>Net (loss) income before tax</b>	(5,742,937)	(680,928)	479,411	(260,104)	(1,192,358)	(7,396,916)
Income tax expense	—	—	—	—	—	—
<b>Net (loss) income</b>	(5,742,937)	(680,928)	479,411	(260,104)	(1,192,358)	(7,396,916)
Revaluation loss on digital currencies	—	—	—	—	(176,301)	(176,301)
Currency translation loss	—	—	—	—	(41,930)	(41,930)
<b>Net comprehensive (loss) income</b>	(5,742,937)	(680,928)	479,411	(260,104)	(1,410,589)	(7,615,147)

The disclosures with regards to the Company's aforementioned segments as at September 30, 2023 and December 31, 2022 are listed below:

	Canada		USA			Head Office	Total
	Mining	Hosting	Mining	Hosting	Miner Sales		
	\$	\$	\$	\$	\$	\$	\$
<b>As at September 30, 2023</b>							
Total assets	1,979,850	3,617,484	2,026,311	3,208,112	436,375	2,893,726	14,161,858
Total non-current assets	1,921,619	3,790,492	2,052,316	3,145,481	—	—	10,909,908
Total liabilities	189,077	647,661	376,683	2,384,279	—	1,916,631	5,514,331
<b>As at December 31, 2022</b>							
Total assets	2,781,536	5,258,982	2,846,810	4,507,149	436,375	4,065,461	19,896,313
Total non-current assets	2,665,518	5,257,872	2,846,810	4,363,162	—	—	15,133,362
Total liabilities	233,416	799,540	465,017	2,943,404	—	2,366,090	6,807,467

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**19. SUBSEQUENT EVENTS**

The Company's management has evaluated subsequent events up to November 27, 2023, the date the condensed interim consolidated financial statements were issued and determined that there are no significant events to report.