

CRYPTOSTAR CORP.
Management Discussion and Analysis
For the Three and Nine Months Ended September 30, 2023
(Expressed in U.S. dollars)

This management discussion and analysis (“MD&A”) of the results of the operations and financial position of CryptoStar Corp. and its subsidiaries (the “Company” or “CryptoStar”) is dated as of November 27, 2023 and should be read in conjunction with the Company’s condensed interim consolidated financial statements (unaudited) and the related notes for the three and nine months ended September 30, 2023. All amounts are expressed in United States dollars (\$) unless otherwise stated.

Management’s Responsibility

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

Non-IFRS Measures

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

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

- “Net gain from operations” represents gross profit or loss excluding depreciation and amortization.
- “EBITDA” represents net income or loss excluding net finance income or expense, income tax or recovery, depreciation, and amortization.
- “Adjusted EBITDA” represents EBITDA adjusted to exclude non-cash share-based compensation, fair value loss or gain on remeasurement of foreign currency and digital assets, and costs associated with one-time or non-recurring transactions.

The Company uses these non-IFRS measures to supplement the analysis and evaluation of operating performance as it provides an indication of the operational results generated by its business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration asset depreciation and amortization and it excludes items that could affect the comparability of our operational results and could potentially alter the trends analysis in business performance. Excluding these items does not necessarily imply they are non-recurring, infrequent or unusual. Net gain from operations, EBITDA and Adjusted EBITDA are also used by some investors and analysts for the purpose of valuing a company. Investors are cautioned that Net gain from operations, EBITDA and Adjusted EBITDA should not be construed as an alternative to operating earnings or net earnings determined in accordance with IFRS as an indicator of the Company’s financial performance or as a measure of the Company’s liquidity and cash flows. Net gain from operations, EBITDA and Adjusted EBITDA do not take into account the impact of working capital changes, capital expenditures, debt principal reductions and other sources and uses of cash, which are disclosed in the condensed interim consolidated statements of cash flows.

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Non-IFRS Measures (continued)

See “Reconciliation of Non-IFRS Measures” section of this MD&A for reconciliations of non-IFRS measures to IFRS measures.

Description of Business

CryptoStar operates in the distributed ledger technology space, utilizing specialized equipment (“miners”) to perform computationally intensive cryptographic operations to validate transactions on the Blockchain (a process known as “mining”), receiving digital currencies (primarily Bitcoin and Ethereum). CryptoStar has cryptocurrency mining operations with data centres located in Canada and the USA and is currently dedicated to becoming one of the lowest cost cryptocurrency producers in North America. The Company also provides equipment hosting services to customers worldwide, for which services the Company receives hosting fees, as well as sells miners to customers.

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”.

Update on Business and Operations

- During the subsequent period from October 1, 2023 to November 27, 2023, there were no changes to the warrants and stock options outstanding.
- The natural gas power generation site of 611890 Alberta Inc. DBA Avila Energy (the "Alberta Partner") remains shut down. Litigation against the Alberta Partner et al. is ongoing with respect to the non-compliance with terms of the power supply agreement for up to 30 MW and damages arising therefrom.
- As at November 27, 2023, the Company has an aggregate self-mining Hashrate of 79.68 PH/s from ASIC miners running at its data centres. The Company’s self-mining revenue run rate is USD\$184,091/month and its hosting revenue run rate is USD\$118,209/month. Further orders for mining hardware may be placed using astute capital management strategies based upon prevailing market conditions. (Source: <https://whattomine.com/> Mining metrics are calculated based on a BTC - USD exchange rate of 1 BTC = \$37,017 updated at 2023-11-27 21:52:26 UTC).
- The Company plans to continue to further expand its self-mining inventory of mining hardware. Further orders for mining hardware may be placed using astute capital management strategies based upon prevailing market conditions.
- The Company plans 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 continues to consider and perform diligence on several potential transactions and opportunities.
- As at November 27, 2023, the Company is in a strong financial position, is well capitalized and holds 0.98 BTC and USD\$2.4 million (CAD\$3.3 million) in cash. Additionally, the Company has made prepayments and deposits for buildings and infrastructure equipment of USD\$4.6 million (CAD\$6.3 million).

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Overall Operational Performance and Results

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Income from operations				
Digital assets mined	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
Cost of revenue	(574,334)	(743,843)	(1,606,103)	(1,546,443)
Net gain from operations	319,518	676,803	1,093,382	2,843,749
Realized (loss) gain on digital currencies	(2,718)	(540,540)	13,856	(2,185,134)
Operating expenses	(305,876)	(585,811)	(1,192,090)	(1,520,949)
Net income (loss) before other items	10,924	(449,548)	(84,852)	(862,334)
Depreciation of property and equipment	(1,102,443)	(1,298,494)	(3,651,381)	(3,593,650)
Amortization of intangible assets	(32,211)	(75,093)	(96,634)	(225,281)
Depreciation of right-of-use assets	(108,918)	(107,560)	(326,610)	(286,313)
Foreign exchange (loss) gain	(135,026)	8,215	(18,633)	(136,542)
Interest expense on lease obligations	(66,589)	(70,537)	(207,249)	(191,499)
Share based compensation	(49,035)	(82,898)	(107,770)	(196,098)
Write down of inventory	—	—	—	(266,015)
Revaluation (loss) gain on digital currencies	(2,223)	732,487	6,533	(1,591,029)
Loss on disposal of property and equipment	—	—	(163)	—
Other income (expense)	145,614	—	(8,777)	—
Interest expense, net	—	(52,733)	—	(48,155)
Net loss	(1,339,907)	(1,396,161)	(4,495,536)	(7,396,916)
Revaluation loss on digital currencies	—	—	—	(176,301)
Currency translation loss	(22,582)	(60,881)	(53,553)	(41,930)
Net comprehensive loss	(1,362,489)	(1,457,042)	(4,549,089)	(7,615,147)
Adjusted EBITDA	13,642	90,992	(98,708)	1,322,800
Loss per share, basic and diluted	(0.003)	(0.003)	(0.010)	(0.017)
Weighted average shares, basic and diluted	429,016,069	429,016,069	429,016,069	427,626,093
Bitcoin mined	17.09	34.03	55.93	71.74
Ethereum mined	—	117.70	—	390.21
Average Bitcoin price when mined during the period	28,137	21,288	25,262	28,029
Average Ethereum price when mined during the period	—	1,343	—	2,209

Financial and Operational Results

The Company recorded a net loss of \$1,339,907 in the three months ended September 30, 2023 (September 30, 2022 – \$1,396,161).

The Company's revenue from operations was \$893,852 in the three months ended September 30, 2023 (September 30, 2022 – \$1,420,646).

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Financial and Operational Results (continued)

The Company's direct cost of revenue was \$574,334 in the three months ended September 30, 2023 (September 30, 2022 – \$743,843). Direct cost of revenue consisted of site operating costs and cost of miners sold.

The Company incurred non-cash expenses consisting of depreciation and amortization of \$1,243,572 and share based compensation of \$49,035 in the three months ended September 30, 2023 (September 30, 2022 – \$1,481,147 and \$82,898, respectively).

The Company's operating expenses, including non-cash share based compensation, in the three months ended September 30, 2023 totaled \$354,911 (September 30, 2022 – \$668,709) and were comprised of:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Interest and bank charges	44,260	2,219	154,736	6,550
Management fees, salaries and wages	164,038	203,616	534,695	628,037
Share based compensation	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
Total operating expenses	354,911	668,709	1,299,860	1,717,047

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

Summary of Financial Results for the Trailing Four Quarters

	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023
	\$	\$	\$	\$
Revenue	1,030,780	874,092	931,541	893,852
Net loss for the period	(9,271,180)	(1,564,161)	(1,591,468)	(1,339,907)
Loss per share for the period, basic and diluted	(0.022)	(0.004)	(0.004)	(0.003)

The net loss for the three months ended September 30, 2023 amounted to \$1,339,907 and was primarily related to the reduced prices of digital currencies. The reduction in the prices of digital currencies negatively impacted the income recognized from the digital assets mined by the Company.

Reconciliation of Non-IFRS Measures

This MD&A presents certain non-IFRS ("IFRS" refers to International Financial Reporting Standards) financial measures to assist readers in understanding the Company's performance. These non-IFRS measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

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Reconciliation of Non-IFRS Measures (continued)

The Company uses these non-IFRS measures including “Net gain from operations” and “Adjusted EBITDA” to supplement the analysis and evaluation of operating performance and should not be viewed as alternatives to, or replacements of, measures of operating results and liquidity presented in accordance with IFRS.

The following tables and definitions reconcile non-IFRS measures used by the Company to analyze the operational performance of the Company to their nearest IFRS measure and should be read in conjunction with the condensed interim consolidated financial statements (unaudited) for the three and six months ended September 30, 2023.

Net Gain from Operations

“Net gain from operations” represents gross profit or loss excluding depreciation and amortization. Net gain from operations shows the profitability of the Company’s operations without the impact of non-cash depreciation and amortization expense. Net gain from operations provides the investors the ability to assess the profitability of the Company’s operations exclusive of operating expenses.

The following table reconciles gross loss to the non-IFRS measure, net gain from operations:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Gross loss	(924,054)	(804,344)	(2,981,243)	(1,261,495)
Add:				
Amortization of intangible assets	32,211	75,093	96,634	225,281
Depreciation of right-of-use assets	108,918	107,560	326,610	286,313
Depreciation of property and equipment	1,102,443	1,298,494	3,651,381	3,593,650
Net gain from operations	319,518	676,803	1,093,382	2,843,749

Adjusted EBITDA

“Adjusted EBITDA” represents EBITDA (net income or loss excluding net finance income or expense, income tax or recovery, depreciation, and amortization) adjusted to exclude non-cash share-based compensation, fair value loss or gain on remeasurement of foreign currency and digital assets, and costs associated with one-time or non-recurring transactions. Adjusted EBITDA is used to assess the profitability without the impact of non-cash accounting policies, capital structure and one-time or non-recurring transactions.

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Reconciliation of Non-IFRS Measures (continued)

Adjusted EBITDA (continued)

The following table reconciles net loss before taxes to the non-IFRS measure, adjusted EBITDA:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Net loss	(1,339,907)	(1,396,161)	(4,495,536)	(7,396,916)
Add (deduct):				
Interest expense on lease obligations	66,589	70,537	207,249	191,499
Interest expense, net	—	52,733	—	48,155
Amortization of intangible assets	32,211	75,093	96,634	225,281
Depreciation of right-of-use assets	108,918	107,560	326,610	286,313
Depreciation of property and equipment	1,102,443	1,298,494	3,651,381	3,593,650
EBITDA	(29,746)	208,256	(213,662)	(3,052,018)
Add (deduct):				
Realized loss (gain) on digital currencies	2,718	540,540	(13,856)	2,185,134
Foreign exchange loss (gain)	135,026	(8,215)	18,633	136,542
Share based compensation	49,035	82,898	107,770	196,098
Write down of inventory	—	—	—	266,015
Revaluation loss (gain) on digital currencies	2,223	(732,487)	(6,533)	1,591,029
Loss on disposal of property and equipment	—	—	163	—
Other (income) expense	(145,614)	—	8,777	—
Adjusted EBITDA	13,642	90,992	(98,708)	1,322,800

Outstanding Share Data

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

1. 429,016,069 common shares;
2. 89,166,667 common share purchase warrants; and
3. 9,690,000 options to purchase common shares.

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Segmented Information

The Company has two reportable segments based on geographical locations: Canada and the USA, and three reportable segments based on operations: self-mining, hosting and miner sales, along with a Head Office segment. The disclosures with regards to the Company's aforementioned segments for the three and six months ended September 30, 2023 and 2022 are listed below.

	Three Months Ended September 30, 2023				
	Canada	USA		Head	Total
	Mining	Mining	Hosting	Office	
	\$	\$	\$	\$	\$
Income from mining of digital currency					
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)
Net (loss) income before operating expenses	(1,110,456)	(229,300)	412,984	—	(926,772)
Operating and other expenses (income)					
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
Net (loss) income before tax	(1,165,879)	(408,207)	393,862	(159,683)	(1,339,907)
Income tax expense	—	—	—	—	—
Net (loss) income	(1,165,879)	(408,207)	393,862	(159,683)	(1,339,907)
Currency translation loss	—	—	—	(22,582)	(22,582)
Net comprehensive (loss) income	(1,165,879)	(408,207)	393,862	(182,265)	(1,362,489)

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Segmented Information (continued)

	Three Months Ended September 30, 2022				
	Canada	USA		Head	Total
	Mining	Mining	Hosting	Office	
	\$	\$	\$	\$	\$
Income from mining of digital currency					
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)
Net (loss) income before operating expenses	(1,346,901)	(318,600)	320,617	—	(1,344,884)
Operating and other expenses (income)					
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
Net (loss) income before tax	(729,944)	(413,157)	114,168	(367,228)	(1,396,161)
Income tax expense	—	—	—	—	—
Net (loss) income	(729,944)	(413,157)	114,168	(367,228)	(1,396,161)
Currency translation loss	—	—	—	(60,881)	(60,881)
Net comprehensive (loss) income	(729,944)	(413,157)	114,168	(428,109)	(1,457,042)

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Segmented Information (continued)

	Nine Months Ended September 30, 2023				
	Canada	USA		Head	Total
	Mining	Mining	Hosting	Office	
\$	\$	\$	\$	\$	
Income from mining of digital currency					
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
Net (loss) income before operating expenses	(3,550,838)	(653,977)	1,237,428	—	(2,967,387)
Operating and other expenses (income)					
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
Net (loss) income before tax	(3,764,412)	(1,304,822)	1,169,817	(596,119)	(4,495,536)
Income tax expense	—	—	—	—	—
Net (loss) income	(3,764,412)	(1,304,822)	1,169,817	(596,119)	(4,495,536)
Currency translation loss	—	—	—	(53,553)	(53,553)
Net comprehensive (loss) income	(3,764,412)	(1,304,822)	1,169,817	(649,672)	(4,549,089)

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Segmented Information (continued)

	Nine Months Ended September 30, 2022						
	Canada		USA			Head	Total
	Mining		Mining	Hosting	Miner Sales	Office	
	\$	\$	\$	\$	\$	\$	
Income from mining of digital currency							
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)
Net (loss) income before operating expenses	(3,854,548)	(481,500)	883,508	5,911	—	—	(3,446,629)
Operating and other expenses (income)							
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	
Net (loss) income before tax	(5,742,937)	(680,928)	479,411	(260,104)	(1,192,358)	(7,396,916)	
Income tax expense	—	—	—	—	—	—	—
Net (loss) income	(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)
Net comprehensive (loss) income	(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	Total
	Mining	Hosting	Mining	Hosting	Miner Sales	Office	
	\$	\$	\$	\$	\$	\$	\$
As at September 30, 2023							
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
As at December 31, 2022							
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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Liquidity and Capital Resources

	Nine Months Ended	
	September 30,	
	2023	2022
	\$	\$
Cash from (used in):		
Operating activities	(495,060)	(1,760,791)
Investing activities	153,205	(2,820,988)
Financing activities	(1,118,875)	(122,786)
Effect of foreign exchange on cash	(58,768)	107,709
Net change in cash during the period	(1,519,498)	(4,596,856)

As at September 30, 2023, the Company had current assets of \$3,251,950 and current liabilities of \$2,146,864, resulting in a working capital surplus of \$1,105,086 (December 31, 2022 – working capital surplus of \$651,916).

Off-Balance Sheet Arrangements

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

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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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.

Business Risks and Uncertainties

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

Credit Risk

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

The Company's maximum exposure to credit risk at the end of any period is equal to the carrying amount of these financial assets as recorded in the condensed interim consolidated statements of financial position. As at September 30, 2023, no amounts were held as collateral.

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Business Risks and Uncertainties (continued)

Liquidity Risk

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

Market Risk

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

Interest Rate Risk

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

Foreign Currency Risk

As at September 30, 2023, portions of the Company's financial assets and liabilities are held in USD and CAD. The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in Canadian dollars. The Company does not currently use foreign exchange contracts to hedge its exposure of its foreign currency cash flows as management has determined that this risk is not significant at this point in time. The following amounts are presented in USD to demonstrate the effect of changes in foreign exchange rates:

	September 30, 2023
	\$
Canadian dollar-based net assets	1,730,180
Effect of a +/- 10% change in exchange rate	233,998

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

Price Risk

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

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Business Risks and Uncertainties (continued)

Market Risk for Securities

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

Global Economic Risk

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

Share Price Volatility Risk

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

Capital Management

The Company's objectives when managing its capital are:

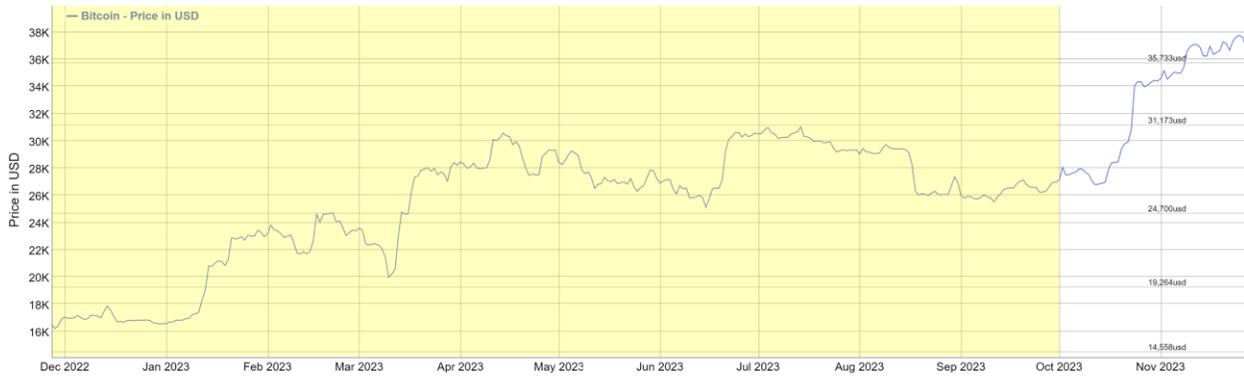
1. To maintain a flexible capital structure that optimizes the cost of capital at acceptable risk while providing an appropriate return to its shareholders;
2. To maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;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

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

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Current Market Conditions

The average price of Bitcoin decreased in Q3 2023, with the average price decreasing from \$30,578 as at June 30, 2023 to \$26,972 as at September 30, 2023.



(Source: <https://bitinfocharts.com/comparison/bitcoin-price.html#1y>).
*The Company holds no liability for any inaccurate data.

Bitcoin difficulty increased in Q3 2023.



(Source: <https://bitinfocharts.com/comparison/bitcoin-difficulty.html#1y>).
*The Company holds no liability for any inaccurate data.

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Critical Accounting Policies and Estimates

The Company has prepared the accompanying condensed interim consolidated financial statements (unaudited) in accordance with International Financial Reporting Standards (“IFRS”). Significant accounting policies and estimates are described in Note 3 of the Company’s consolidated financial statements for the years ended December 31, 2022 and 2021.

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

Significant Accounting Judgments and Estimates

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

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

Information about estimates made in applying accounting policies that could potentially have an effect on the amounts recognized in the condensed interim consolidated financial statements (unaudited), 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) *Going concern*

The assessment of the Company’s ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and to meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

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Significant Accounting Judgments and Estimates (continued)

(c) Share Based Compensation

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

(d) Income Taxes

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

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

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

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

(e) Revenue Recognition

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

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

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

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

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Significant Accounting Judgments and Estimates (continued)

(f) Business Combination and Goodwill

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

(g) Functional Currency

The functional currency of the Company and its subsidiaries has been assessed by management based on consideration of the currency and economic factors that mainly influence the Company's digital currencies, production and operating costs, financing and related transactions. Specifically, the Company considers the currencies in which digital currencies are most commonly denominated and expenses are settled by each entity as well as the currency in which each entity receives or raises financing. Changes to these factors may have an impact on the judgment applied in the determination of the Company's functional currency. The application of the Company's accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the condensed interim consolidated financial statements (unaudited).

(h) Impairment of Non – Financial Assets

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

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

When required, the determination of FVLCD and VIU requires management to make estimates and assumptions about digital currency prices, required computing power, technological changes and operating costs, such as electricity. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the condensed interim consolidated statement of loss and comprehensive loss.

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Significant Accounting Judgments and Estimates (continued)

(i) Digital Currencies

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

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

(j) Digital Currencies Valuation

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

(l) Contingencies

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

Changes in Accounting Standards

Standards, Amendments and Interpretations Issued

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 (unaudited).

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Changes in Accounting Standards (continued)

Standards, Amendments and Interpretations Issued (continued)

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.

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 (unaudited).

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.

Forward-Looking Statements

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

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Forward-Looking Statements (continued)

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

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

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

Additional information relating to the Company is available on SEDAR at www.sedar.com.