CRYPTOSTAR CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

(Expressed in US dollars)

Notice of No Auditors Review of Condensed Interim Consolidated Financial Statements

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

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

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

CRYPTOSTAR CORP.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

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

	Note	As at March 31, 2021 $	As at December 31, 2020 $
Assets			
Current assets			
Cash		20,779,799	402,409
Deposits and prepaid expenses	4	1,874,768	300,728
Digital currencies	5	17,379	1,965
		22,671,946	705,102
Property and equipment	6	4,522,836	5,152,656
Intangible assets	7	2,576,590	2,723,597
Right-of-use assets	8	1,817,992	1,899,327
Deposits	4	68,007	68,007
Total assets		**31,657,371**	**10,548,689**
Liabilities and shareholders' equity			
Current liabilities			
Trade payable and accrued liabilities		956,755	1,106,712
Subscription liability	9	2,333,586	287,244
Loan	10	—	53,117
Lease obligations	8	130,381	125,926
		3,420,722	1,572,999
Lease obligations	8	2,030,800	2,064,974
Decommission cost	11	100,000	100,000
Payable to related party	12	3,520,114	3,568,623
Total liabilities		9,071,636	7,306,596
Shareholders' equity			
Share capital	13	30,592,735	22,162,835
Shareholder contribution	13	2,844,777	2,844,777
Warrant and option reserve	13	18,299,972	5,311,528
Subscription receivable		(694)	(118,318)
Deficit		(29,151,055)	(26,958,729)
		22,585,735	3,242,093
Total liabilities and shareholders' equity		**31,657,371**	**10,548,689**

Nature of operations	1
Segmented information	17
Subsequent events	18

Approved on behalf of the Board of Directors on May 31, 2021

/s/Aly Madhavji — *Director*

/s/Amelia Jones — *Director*

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

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

		Three Months Ended March 31,	
		2021	2020
	Note	$	$
Revenue			
Digital assets mined	5	50,003	218,550
Sale of GPU miners		27,912	—
		77,915	218,550
Cost of revenue			
Cost of GPU miners sold		(25,121)	—
Site operating costs		(36,406)	(302,568)
Amortization of intangible assets	7	(147,007)	(37,547)
Depreciation of right-of-use assets	8	(81,269)	(89,366)
Depreciation of property and equipment	6	(630,418)	(68,871)
Gross loss		(842,306)	(279,802)
Realized gain / (loss) on digital currency	5	1,339	(3,423)
Net mining loss		(840,967)	(283,225)
Operating expenses			
Interest and bank charges		2,779	1,818
Management fees, salaries and wages	12	100,848	169,532
Share based compensation	12	821,091	—
Office and administration		82,031	116,902
Professional fees		207,414	47,752
Total operating expenses		1,214,163	336,004
Net loss before other items		(2,055,130)	(619,229)
Other income (expense)			
Foreign exchange loss		(149,003)	(2,304)
Interest expense on right-of-use assets	8	(60,310)	(63,081)
Gain from disposal from miners		—	160,780
Rent income		19,000	24,207
Other income	10	53,117	—
Net comprehensive loss		(2,192,326)	(499,627)
Loss per share, basic and diluted		(0.01)	(0.002)
Weighted average shares, basic and diluted		271,508,631	208,752,800

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

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

	Note	Share Capital Shares Issued	Share Capital Amount $	Shareholder Contribution $	Warrant and Option Reserve $	Subscription Receivable $	Deficit $	Total $
As at December 31, 2019		208,752,800	21,453,727	1,406,512	4,475,384	—	(21,755,423)	5,580,200
Net loss for the period		—	—	—	—	—	(499,627)	(499,627)
As at March 31, 2020		208,752,800	21,453,727	1,406,512	4,475,384	—	(22,255,050)	5,080,573
As at December 31, 2020		242,793,300	22,162,835	2,844,777	5,311,528	(118,318)	(26,958,729)	3,242,093
Private placement	13	113,618,334	11,298,955	—	12,246,232	117,624	—	23,662,811
Issuance cost		—	(3,098,434)	—	—	—	—	(3,098,434)
Exercise of warrant and options		3,373,390	229,379	—	(78,879)	—	—	150,500
Share based compensation	12	—	—	—	821,091	—	—	821,091
Net loss for the period		—	—	—	—	—	(2,192,326)	(2,192,326)
As at March 31, 2021		359,785,024	30,592,735	2,844,777	18,299,972	(694)	(29,151,055)	22,585,735

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

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

	Three Months Ended March 31,	
	2021	**2020**
	$	**$**
Operating activities		
Net loss for the period	(2,192,326)	(499,627)
Adjusted for:		
Depreciation of property and equipment	630,418	68,871
Amortization of intangible assets	147,007	37,547
Revaluation of digital assets	(5,402)	(223)
Income from mining of digital currency	(50,003)	(218,550)
Purchase of digital currency	(6,999)	—
Proceeds from sale of digital currency	48,329	200,036
Realized (gain) loss on digital currency	(1,339)	3,423
Gain from disposal from miners	—	(160,780)
Share based compensation	821,091	—
Other income	(53,117)	—
Depreciation of right-of-use assets	81,269	89,366
Interest expense on right-of-use assets	60,310	63,081
Foreign exchange loss on right-of-use assets	119	—
Changes in non-cash working capital items:		
Trade payable and accrued liabilities	(149,957)	(106,849)
Prepayments	282,736	—
Cash used by operating activities	(387,864)	(523,705)
Investing activities		
Proceeds on disposal of miners	—	160,780
Purchases of property and equipment	(598)	(145,987)
Deposits made for mining equipment	(1,856,776)	99,226
Cash used in investing activities	(1,857,374)	114,019
Financing activities		
Advances received from related party	76,760	424,803
Repayment of advances to related party	(125,269)	(21,805)
Payment for finance liabilities	(90,082)	(92,340)
Subscription liability	2,046,342	—
Proceeds from issuance of share units, net of cash issuance costs	20,564,377	—
Proceeds from exercise of warrants and options	150,500	—
Cash provided by financing activities	22,622,628	310,658
Net change in cash during the period	20,377,390	(99,028)
Cash, beginning of the period	402,409	114,881
Cash, end of the period	20,779,799	15,853
Supplemental cash flow information:		
Interest paid	(60,310)	(63,081)

1. NATURE OF OPERATIONS

CryptoStar Corp. (the "Company" or "CryptoStar") was incorporated under the Ontario Business Corporations Act on January 6, 2017.

The Company was incorporated under the Business Corporations Act (Ontario) on January 6, 2017. The registered address and head office of the Company is located at 181 Bay Street, Suite 4400, Toronto, Ontario, Canada M5J 2T3. The Company's common shares are listed on the TSX Venture Exchange ("TSXV") under the trading symbol "CSTR". The Company operates in the distributed ledger technology space, utilizing specialized equipment ("Miners") to perform computationally intensive cryptographic operations to validate transactions on the Blockchain (a process known as "Mining"), receiving digital currencies (primarily Bitcoin and Ethereum).

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. For the three months ended March 31, 2021, the Company has an accumulated deficit of $29,151,055 (December 31, 2020 – $26,958,729) including a loss for the three months ended March 31, 2021 of $2,192,326 (March 31, 2020 - $499,627). 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 our condensed interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in our annual audited consolidated financial statements; thus, our condensed interim consolidated financial statements are referred to as condensed. Our condensed interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2020 and 2019.

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

The condensed interim consolidated financial statements of the Company as at and for the three months ended March 31, 2021 comprise the Company and its wholly owned subsidiaries CryptoStar Holdings Inc. ("CHI") and CryptoStar USA, Inc. ("CryptoStar USA").

The Board of Directors approved these condensed interim consolidated financial statements for the three months ended March 31, 2021 on May 31, 2021.

Basis of Measurement

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

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

2. BASIS OF PRESENTATION (continued)

Functional and Presentation Currency

These condensed interim consolidated financial statements are presented in US dollars, which is the functional currency of the Company's subsidiaries. The functional currency of the Company is the Canadian dollar.

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

3. CHANGES IN ACCOUNTING STANDARDS

Standards, Amendments and Interpretations Issued but not yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the three months ended March 31, 2021 and, accordingly, have not been applied in preparing these condensed interim consolidated financial statements.

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

In August 2020, upon completion of the IFRS amendments to facilitate the IBOR reform, the IASB issued Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 ("Phase 2 Amendments"). In relation to changes in financial instruments that are directly required by the IBOR reform, Phase 2 Amendments mainly provide (i) a practical expedient to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by the IBOR reform by updating the effective interest rate of the financial asset or financial liability; (ii) exceptions to the hedge accounting requirements providing relief from discontinuing hedge relationships because of changes to hedge documentation required by the IBOR reform; and (iii) certain additional disclosures on additional information about the Company's exposure to risks arising from the IBOR reform and related risk management activities. IFRS 16 has also been amended to provide a temporary exception addressing situations where lease agreements specifically refer to an IBOR and will need to be amended as a result of the IBOR reform. Lessees are required to remeasure their lease liabilities in a similar fashion to any other change in estimate, rather than as a lease modification. The amount of the remeasurement is recognized as an adjustment to the right-of-use asset. Phase 2 Amendments are effective for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

Insurance Contracts

In May 2017, the International Accounting Standards Board ("IASB") issued IFRS 17 – Insurance Contracts ("IFRS 17"), which replaces IFRS 4 – Insurance Contracts and establishes a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. IFRS 17 is effective for annual periods beginning on or after January 1, 2021. In June 2020, the IASB issued 'Amendments to IFRS 17' to address concerns and implementation challenges that were identified after IFRS 17 was published in 2017. The amendment also deferred the effective date for two years to January 1, 2023. Early adoption is permitted. The Company has assessed that there will be no potential impact of this standard.

Improving accounting policy disclosures and clarifying distinction between accounting policies and accounting estimates (Amendments to IAS 1 and IAS 8)

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

(Expressed in US dollars)

3. CHANGES IN ACCOUNTING STANDARDS (continued)

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

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

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

4. DEPOSITS AND PREPAID EXPENSES

	March 31, 2021 $	December 31, 2020 $
Current:		
Prepayments	—	282,736
Deposits made for mining equipment	1,874,768	17,992
	1,874,768	300,728
Long-term:		
Deposits made for mining equipment	68,007	68,007
	1,942,775	**368,735**

5. DIGITAL CURRENCIES

Digital currencies consist of Bitcoin and Ethereum coins. Below is a continuity of digital currencies mined, acquired through purchase, sold and revalued during the three months ended March 31, 2021.

	March 31, 2021		December 31, 2020	
	Number	**$**	**Number**	**$**
Bitcoin				
Opening balance	0.12	1,965	0.63	4,535
Mined additions	1.09	48,173	45.59	435,883
Non mining additions	—	-	5.10	65,371
Bitcoin sold	(0.96)	(42,268)	(51.20)	(493,237)
Realized gain / (loss) on digital currency	—	1,339	—	(10,093)
Revaluation of digital currency	—	5,402	—	(494)
	0.25	**14,611**	**0.12**	**1,965**
Ethereum				
Opening balance	—	—	—	—
Mined additions	1.02	1,830	—	—
Non mining additions	3.95	6,999	—	—
Ethereum sold	(3.44)	(6,061)	—	—
Realized gain / (loss) on digital currency	—	—	—	—
Revaluation of digital currency	—	—	—	—
	1.53	**2,768**	**—**	**—**

(Expressed in US dollars)

5. DIGITAL CURRENCIES (continued)

The fair value of digital currencies as at March 31, 2021 was $17,379 (December 31, 2020 - $1,965).

During the three months ended March 31, 2021, the Company disposed 0.96 Bitcoins and 3.44 Ethereum coins for $48,329 in cash and realized a gain of $1,339 (December 31, 2020 – loss of $10,093).

6. PROPERTY AND EQUIPMENT

	Mining Equipment $	Other Property and Equipment $	Construction in Progress $	Total $
Cost				
Balance, December 31, 2019	22,960,019	6,393,434	—	29,353,453
Additions	138,159	—	291,811	429,970
Disposals	(501,310)	—	—	(501,310)
Net transfer from assets held for sale	—	5,130,937	—	5,130,937
Balance, December 31, 2020	22,596,868	11,524,371	291,811	34,413,050
Additions	—	—	598	598
Balance, March 31, 2021	**22,596,868**	**11,524,371**	**292,409**	**34,413,648**
Accumulated depreciation				
Balance, December 31, 2019	22,437,112	2,299,044	—	24,736,156
Depreciation	235,664	2,676,442	—	2,912,106
Disposals	(128,545)	—	—	(128,545)
Net transfer from assets held for sale	—	1,740,677	—	1,740,677
Balance, December 31, 2020	22,544,231	6,716,163	—	29,260,394
Depreciation	—	630,418	—	630,418
Balance, March 31, 2021	**22,544,231**	**7,346,581**	—	**29,890,812**
Net book value				
As at March 31, 2021	**52,637**	**4,177,790**	**292,409**	**4,522,836**
As at December 31, 2020	52,637	4,808,208	291,811	5,152,656

(Expressed in US dollars)

7. INTANGIBLE ASSETS

	$
Cost	
Balance, December 31, 2019	1,501,876
Addition	1,438,265
Balance, December 31, 2020	2,940,141
Addition	—
Balance, March 31, 2021	**2,940,141**
Accumulated amortization	
Balance, December 31, 2019	—
Amortization	216,544
Balance, December 31, 2020	216,544
Amortization	147,007
Balance, March 31, 2021	**363,551**
Net book value	
As at March 31, 2021	**2,576,590**
As at December 31, 2020	2,723,597

8. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

	March 31, 2021 $	December 31, 2020 $
Cost		
Balance, beginning of the period	2,598,151	2,383,609
Lease modification	—	(278,429)
Lease additions	—	492,971
Balance, end of the period	**2,598,151**	**2,598,151**
Accumulated depreciation		
Balance, beginning of the period	698,824	313,170
Depreciation	81,269	383,689
Exchange loss	66	1,965
Balance, end of the period	**780,159**	**698,824**
Net book value, end of period	**1,817,992**	**1,899,327**

(Expressed in US dollars)

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

	March 31, 2021 $	December 31, 2020 $
Balance, beginning of period	2,190,899	2,475,157
Addition	—	392,971
Interest accretion	60,310	242,064
Lease modification	—	(541,574)
Lease payments	(90,082)	(379,353)
Exchange loss	53	1,635
Balance, end of period	**2,161,181**	**2,190,900**
Current lease liability	130,381	125,926
Non-current lease liability	2,030,800	2,064,974
Balance, end of period	**2,161,181**	**2,190,900**

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

	$
Undiscounted lease obligations	
Less than one year	364,312
One to two years	457,811
Two to three years	447,574
Three to four year	460,530
More than four years	1,463,609
Total undiscounted lease obligations	3,193,836
Impact of discounting	(1,024,584)
Exchange loss	(8,071)
Total lease obligation	**2,161,181**

9. SUBSCRIPTION LIABILITY

Subscription liability consists of amounts received pursuant to private placements announced by the Company but not closed as of period end. The subscription liability recorded as at March 31, 2021 related to the private placement announced on March 8, 2021 and closed on April 22, 2021.

10. LOAN

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

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

11. DECOMMISSION COST

The Company has recorded the decommissioning liability for the site restoration. The Company has 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. No accretion expense has been recorded for the three months ended March 31, 2021 as the related impact is not significant.

The Company has used the following assumptions:

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

12. RELATED PARTY TRANSACTIONS AND BALANCES

Payable to Related Party

The balance of $3,520,114 (December 31, 2020 - $3,568,623) payable to related party as at March 31, 2021 represents the amount advanced under a line of credit provided by A.C.N. 117 402 838 PTY LTD ("ACN") on December 22, 2017. The available line of credit totals $4,000,000, is unsecured, bears interest at 12% per annum and is repayable on December 22, 2022. Interest at the time of credit is waived at any point at the sole discretion of ACN. ACN has waived the interest charge on the line of credit for the three months ended March 31, 2021. During the three months ended March 31, 2021, the Company has obtained an additional loan of $76,760 and repaid $125,269.

Key Management Remuneration

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

On February 3, 2021, the Company granted an aggregate of 10,000,000 stock options under the Company's stock option plan to directors of the Company. These options have an exercise price of CAD $0.10 per stock option, and an expiry date of February 3, 2031. All of the options vested immediately. Share based compensation of $821,091 (CAD $1,049,601) was recorded related to these options.

The remuneration of key management personnel paid by ACN on the Company's behalf in the three months ended March 31, 2021 was $76,760 (March 31, 2020 - $65,343).

13. SHARE CAPITAL

Authorized

Unlimited common shares without par value.

Issued and Outstanding

The Company issued a total of 116,991,724 common shares in the three months ended March 31, 2021. The total outstanding number of shares as at March 31, 2021 was 359,785,024.

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

13. SHARE CAPITAL (continued)

On January 28, 2021, the Company issued 10,000,000 units at a price of CAD $0.05 per unit. Each unit consists of one common share and one common share purchase warrants. Each warrant entitles the holder to acquire one common share at a price of CAD $0.075 per common share for a period of eighteen months from the date of issue.

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

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

A.C.N. 117 402 838 PTY LTD acquired 15,000,000 units under the above offering, which constituted as a "related party transaction" as defined under Multilateral Instrument 61-101 Protection of Minority Security holders.

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

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

In the three months ended March 31, 2021, the Company issued 3,373,390 common shares upon exercise of warrants and stock options for gross proceeds of $150,500 (CAD $183,788).

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.

(Expressed in US dollars)

13. SHARE CAPITAL (continued)

On February 3, 2021, the Company granted an aggregate of 10,000,000 stock options under the Company's stock option plan to directors of the Company. These options have an exercise price of CAD $0.10 per stock option, and an expiry date of February 3, 2031. All of the options vested immediately. Share based compensation of $821,091 (CAD $1,049,601) was recorded related to these options.

	Number of Options	Exercise Price CAD$	Expiry Date
Balance, December 31, 2019	14,650,000		
Granted on August 14, 2020	1,200,000	0.05	14-Aug-30
Granted on November 23, 2020	5,000,000	0.05	23-Nov-30
Balance, December 31, 2020	20,850,000		
Granted on February 3, 2021	10,000,000	0.10	03-Feb-31
Exercised on February 18, 2021	(1,200,000)	0.05	20-Dec-28
Exercised on February 19, 2021	(600,000)	0.05	20-Dec-28
Exercised on February 24, 2021	(600,000)	0.05	14-Aug-30
Exercised on March 1, 2021	(122,890)	0.05	20-Dec-28
Balance, March 31, 2021	**28,327,110**		

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

Exercise Price CAD$	Number of Outstanding and Exercisable Options	Expiry Date	Remaining Contractual Life (Years)
0.50	2,600,000	26-Sep-28	7.50
0.05	9,877,110	20-Dec-28	7.73
0.135	250,000	18-Jul-24	3.30
0.05	600,000	14-Aug-30	9.38
0.05	5,000,000	23-Nov-30	9.65
0.10	10,000,000	03-Feb-31	9.85
0.11	28,327,110		8.79

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

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

(Expressed in US dollars)

13. SHARE CAPITAL (continued)

Warrants

During the three months ended March 31, 2021, the Company issued a total of 113,333,334 warrants in connection with the private placement financing described above.

The Company issued a total of 6,118,333 finder/broker warrants in connection with share issuance cost to the private placements on January 28, 2021 and March 15, 2021.

Warrants - Issued and Outstanding	**Number**
Balance, December 31, 2019	13,204,700
Addition	31,750,500
Expired	(3,204,700)
Balance, December 31, 2020	**41,750,500**
Balance, December 31, 2020	41,750,500
Addition	119,451,667
Expired	(10,000,000)
Exercised	(850,500)
Balance, March 31, 2021	**150,351,667**

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

Exercise Price CAD$	**Number of Outstanding and Exercisable Warrants**	**Expiry Date**	**Remaining Contractual Life (Years)**
0.075	2,000,000	15-Jul-21	0.29
0.075	5,000,000	07-Apr-22	1.02
0.075	4,000,000	09-Jun-22	1.19
0.075	20,000,000	23-Jun-22	1.23
0.075	9,900,000	29-Jul-22	1.33
0.075	285,000	29-Jan-22	0.83
0.150	20,000,000	04-Sep-22	1.43
0.400	83,333,334	16-Sep-24	3.47
0.375	5,833,333	16-Sep-24	3.47
0.277	150,351,667		2.57

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

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

13. SHARE CAPITAL (continued)

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

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

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

- Share price on grant date – CAD $ 0.23
- Exercise price – CAD $ 0.150
- Risk-free interest rate – 0.30%
- Forfeiture rate – 0%
- Expected dividend yield – 0%
- Expected option life (years) – 1.5
- Expected stock price volatility – 223.93%

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

- Share price on grant date – CAD $ 0.335
- Exercise price – CAD $ 0.400
- Risk-free interest rate – 0.31%
- Forfeiture rate – 0%
- Expected dividend yield – 0%
- Expected option life (years) – 3.5
- Expected stock price volatility – 223.70%

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

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

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from the possibility of asset impairment occurring because 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.

Liquidity risk

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

As at March 31, 2021, the contractual maturities of financial liabilities are as follows:

	Carrying Amount $	Contractual Cash Flows $	Within 1 Year $	1 to 2 Years $	2 to 3 Years $	3 to 4 Years $	4+ Years $
Trade payable and accrued liabilities	956,755	956,755	956,755	—	—	—	—
Lease obligations	2,161,181	3,193,836	364,312	457,811	447,574	460,530	1,463,609
Payable to related parties	3,520,114	3,520,114	—	3,520,114	—	—	—
Decommission cost	100,000	100,000	—	50,000	50,000	—	—
	6,738,050	7,770,705	1,321,067	4,027,925	497,574	460,530	1,463,609

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.

(Expressed in US dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk

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

Fair value

The fair values of the Company's cash, trade payables and payables to related party approximate their carrying values due to the short-term nature of these instruments.

Financial hierarchy:

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

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

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

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

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

	Level 1	Level 2	Level 3
	$	$	$
December 31, 2020			
Fair value through profit and loss			
Cash	402,409	—	—
Digital currencies	—	1,965	—
	402,409	1,965	—
March 31, 2021			
Fair value through profit and loss			
Cash	20,779,799	—	—
Digital currencies	—	17,379	—
	20,779,799	17,379	—

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

15. DIGITAL CURRENCY AND RISK MANAGEMENT

Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is directly related to the current and future market price of digital currencies; in addition, the Company may not be able to liquidate its inventory of digital currency at its desired price if required. A decline in the market prices for digital currencies could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its digital currency sales.

Digital currencies have a limited history and the fair value historically has been very volatile. Historical performances of digital currencies are not indicative of their future price performance. The Company's digital currencies currently consist of Bitcoin and Ethereum. The impact of a 25% variance in the price of these digital currencies on the Company's earnings before tax, based on their closing prices as of March 31, 2021 would be $4,345.

COVID-19

The recent outbreak of COVID-19 has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the pandemic continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the pandemic may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. The effect that these events will have on the price of digital currencies, the ability for the Company to raise capital, the ability for the Company to obtain additional power permits and the supply of upgraded equipment are highly uncertain and as such, the Company is unable to determine the corresponding financial impact at this time.

16. CAPITAL MANAGEMENT

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

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

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

(Expressed in US dollars)

17. SEGMENTED INFORMATION

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

	Three Months Ended March 31, 2021			
	Canada	**USA**	**Head Office**	**Total**
	$	**$**	**$**	**$**
Income from mining of digital currency				
Income from mining of digital currency	50,003	—	—	50,003
Income from sale of GPU miners	27,912	—	—	27,912
Cost of GPU miners sold	(25,121)	—	—	(25,121)
Site operating costs	(5,580)	(30,826)	—	(36,406)
Depreciation of right-of-use assets	(9,941)	(71,328)	—	(81,269)
Depreciation of property and equipment	—	(630,418)	—	(630,418)
Amortization of intangible assets	(147,007)	—	—	(147,007)
Realized gain on digital currency	1,339	—	—	1,339
Net mining loss	(108,395)	(732,572)	—	(840,967)
Operating and other expenses (income)				
Interest and bank charges	—	140	2,639	2,779
Interest expense on right-of-use assets	7,918	52,392	—	60,310
Management fees, salaries and wages	—	38,322	62,526	100,848
Office and administration	—	—	82,031	82,031
Professional fees	—	22,351	185,063	207,414
Rent income	—	—	(19,000)	(19,000)
Share based compensation	—	—	821,091	821,091
Other income	—	(53,117)	—	(53,117)
Foreign exchange loss	—	—	149,003	149,003
Total operating and other expenses	7,918	60,088	1,283,353	1,351,359
Net comprehensive loss	(116,313)	(792,660)	(1,283,353)	(2,192,326)
Total assets	23,657,946	7,691,181	308,244	31,657,371
Total liabilities	722,186	8,122,909	226,541	9,071,636

(Expressed in US dollars)

17. SEGMENTED INFORMATION (continued)

	Three Months Ended March 31, 2020			
	Canada	**USA**	**Head Office**	**Total**
	$	**$**	**$**	**$**
Income from mining of digital currency				
Income from mining of digital currency	—	218,550	—	218,550
Site operating costs	(5,196)	(297,372)	—	(302,568)
Depreciation of right-of-use assets	(12,502)	(76,864)	—	(89,366)
Depreciation of property and equipment	—	(68,871)	—	(68,871)
Amortization of intangible assets	—	(37,547)	—	(37,547)
Realized loss on digital currency	—	(3,423)	—	(3,423)
Net mining loss	(17,698)	(265,527)	—	(283,225)
Operating and other expenses (income)				
Interest and bank charges	—	1,818	—	1,818
Interest expense on right-of-use assets	10,615	52,466	—	63,081
Management fees, salaries and wages	—	64,422	105,110	169,532
Office and administration	—	—	116,902	116,902
Professional fees	—	16,236	31,516	47,752
Gain from disposal from miners	—	(160,780)	—	(160,780)
Rent income	—	—	(24,207)	(24,207)
Foreign exchange loss	—	—	2,304	2,304
Total operating and other expenses (income)	10,615	(25,838)	231,625	216,402
Net comprehensive loss	(28,313)	(239,689)	(231,625)	(499,627)
Total assets	495,671	11,789,062	245,445	12,530,178
Total liabilities	493,710	6,747,457	208,438	7,449,605

18. SUBSEQUENT EVENTS

On March 30, 2021, the Company announced that, further to the execution of a definitive agreement announced on March 8, 2021, the Company and a Hong Kong based company (the “Vendor”) had renegotiated an equipment purchase agreement (the “Definitive Agreement”) effective March 7, 2021 to acquire a combination of GPU and ASIC miners in exchange for 5,927,151 units (“Units”) of the Company at a deemed value of CAD $1,422,516.24 (the “Transaction”). The Company will issue an additional 355,629 Units (the “Finder’s Fee”) to Chen Peifeng in connection with Transaction. As compared to the terms announced on March 8, 2021, the renegotiation represents a 25.5% reduction in the deemed value of the Definitive Agreement and a 25.5% reduction in the number of Units to be exchanged. Each Unit consists of one common share of CryptoStar (a “Common Share”) and one common share purchase warrant of CryptoStar (a “Warrant”). Each Warrant entitles the holder to acquire one Common Share at a price of CAD $0.36 per Common Share for a period of 18 months from the date of issue. The Transaction, including payment of the Finder’s Fee, is subject to TSX Venture Exchange (the “TSXV”) approval. Deployment of GPU and ASIC miners started in early May 2021. The Units have not been issued since all of the equipment has not been received. Final acceptance from TSXV is still pending.

18. SUBSEQUENT EVENTS (continued)

On April 22, 2021, the Company announced that it had closed the private placement announced on March 8, 2021, consisting of the issuance of 30,075,000 units ("Units") of the Company to raise CAD $6,015,000 at a price of CAD $0.20 per Unit by way of a non-brokered private placement (the "Offering"). Each Unit consists of one common share of CryptoStar (a "Common Share") and one common share purchase warrant of CryptoStar (a "Warrant"). Each Warrant entitles the holder to acquire one Common Share at a price of CAD $0.27 per Common Share for a period of 18 months from the date of issue. The securities issued in connection with the Offering are subject to a four-month hold period, in accordance with applicable securities laws. A.C.N. 117 402 838 PTY LTD ("ACN"), an insider of the Company, participated in the Offering, thereby making the Offering a "related party transaction" as defined under Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). ACN purchased 16,157,500 Units, and after the completion of the Private Placement owned 102,624,235 common shares of approximately 26.3% of the total common shares issued and outstanding. The Offering is exempt from the need to obtain minority shareholder and a formal valuation as required by MI 61-101 as neither the fair market value of any units to insiders nor the consideration paid by insiders of the Company exceeds 25% of the Company's market capitalization. No new insiders were created, nor did any change of control result from the Offering.

On May 3, 2021, the Company announced that it had appointed Sean Harris as Chief Financial Officer, effective immediately. Sean Harris is a seasoned financial professional with nearly a decade of financial consulting and professional service experience gained at Duff & Phelps and PwC. Sean Harris is a Chartered Professional Accountant/Chartered Accountant (CPA, CA) and a Chartered Business Valuator (CBV). Sean Harris replaced Jing Peng as Chief Financial Officer. In connection with Sean Harris' appointment as Chief Financial Officer of the Company, the Company granted him the option (the "Stock Option") to purchase 2,000,000 shares of the Company's common stock ("Optioned Shares") with an exercise equal to CAD $0.28. The Stock Option will vest over a period of two years and will be subject to the terms of the Company's stock option plan.

On May 18, 2021, the Company announced that operations had commenced in Alberta, Canada and the first containers housing GPU and ASIC miners have been gradually deployed over the prior weeks. The Company further announced that it currently had an aggregate Hashrate of 58,230 MH/s from GPU miners and 13,890 TH/s from ASIC miners running at its data centres. An additional 21,200 MH/s of GPU Hashrate had been delivered and would be deployed in CryptoStar's data centres by the end of May 2021. The Company would continue to further expand its self-mining inventory of mining hardware. Additional miners had been ordered for delivery in June 2021 and further orders for mining hardware would be placed using astute capital management strategies based upon prevailing market conditions for delivery in Q3 2021 and Q4 2021. The Company was considering and performing diligence on several potential transactions and opportunities. The Company was in a strong financial position and was well capitalized. As at May 18, 2021, CryptoStar held 46.6 ETH, 15.4 BTC and $18.7 million (CAD $22.5 million) in cash. David Jellins, President and Chief Executive Officer of CryptoStar stated, "We are delighted to have relaunched our operations at amongst the lowest power rates available in North America, and we are looking forward to self-mining on a larger scale, taking full advantage of our first power supply agreement in Alberta providing for up to 30 MW of power."

During the subsequent period from April 1, 2021 to May 31, 2021, the Company issued 10,000,000 common shares upon exercise of stock options at CAD $0.05 for gross proceeds of CAD $500,000 and 2,500,000 common shares upon exercise of warrants at CAD $0.075 for gross proceeds of CAD $187,500.