

CRYPTOSTAR CORP.
Management Discussion and Analysis
For the Three Months Ended March 31, 2022
(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 May 30, 2022 and should be read in conjunction with the Company’s condensed interim consolidated financial statements (unaudited) and the related notes for the three months ended March 31, 2022. 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-GAAP Measures

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

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

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

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

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

Description of Business

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

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Description of Business (continued)

CryptoStar Corp. was incorporated under the Ontario Business Corporations Act on January 6, 2017. The registered and head office of the Company is located at 181 Bay Street, Suite 4400, Toronto, Ontario, Canada M5J 2T3. CryptoStar Corp.'s common shares are listed on the TSX Venture Exchange ("TSXV") under the trading symbol "CSTR" and the OTCQB Venture Market under the trading symbol "CSTXF".

Q1 2022 Highlights

Significant events and operating highlights for the three months ended March 31, 2022 include the following:

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

Highlights of the proposed Transaction:

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

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

Alberta Operations and Termination of Equipment Hosting Agreements:

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

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

Expansion in Quebec:

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

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Q1 2022 Highlights (continued)

Operations:

- As at February 10, 2022, the Company had Equipment Hosting Agreements for an aggregate mining capacity of 12 MW located at its award-winning data centre facilities in Utah, USA.
- As at February 10, 2022, the Company had an aggregate self-mining Hashrate of 103,660 MH/s from GPU miners and 15.6 PH/s from ASIC miners running at its data centres.
- The 103,660 MH/s and 15.6 PH/s of existing self-mining Hashrate was contributing USD \$245,513.30 per month in self-mining revenue for CryptoStar. (Source: <https://whattomine.com/> Mining metrics are calculated based on and ETH - USD exchange rate of 1 ETH = \$3,242.08 and a BTC - USD exchange rate of 1 BTC = \$44,711.51 updated at 2022-02-10 12:27:38 UTC).
- The Company continued to plan to redeploy its previously announced reduced self-mining Hashrate of 53,514 MH/s from GPU miners and 50.3 PH/s from ASIC miners that were previously running at the Alberta Partner's site in Alberta, Canada as expeditiously as possible in Q1, 2022.
- The Company purchased 600 high performance ASIC miners to be delivered in 6 equal tranches of 100 miners during calendar 2022 commencing in January and ending in June, with the first 100 miners in transit to the Company's data centres. This would increase the Company's self-mining Hashrate from ASIC miners by 8.8 PH/s each delivery month, resulting in a total self-mining Hashrate increase from ASIC miners of 52.8 PH/s once deployed.

Future Growth:

- The Company planned to continue to further expand its self-mining inventory of mining hardware. Additional ASIC miners had been ordered for delivery in Q1, 2022 and Q2, 2022 and further orders for mining hardware would be placed using astute capital management strategies based upon prevailing market conditions for delivery in Q2, 2022 and beyond.
- The Company planned to continue to further expand its data centre operations in North America by partnering with large cryptocurrency miners seeking operating locations in North America. The Company continued to consider and perform diligence on several potential transactions and opportunities.

Financial Position:

- The Company was in a strong financial position and was well capitalized.
- As at February 10, 2022, the Company held 461.62 ETH, 80.99 BTC and USD\$5.0 million (CAD\$6.4 million) in cash.
- Additionally, the Company had made payments and deposits for ASIC miners, buildings and infrastructure equipment of USD\$6.1 million (CAD\$7.7 million).

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Subsequent Events

- On April 5, 2022, the Company announced the expansion of its self-mining Hashrate and operations in Quebec, Canada. The Company also provided an update on operations.

Redeployment of Hashrate and Expansion in Quebec:

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

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

Self-Mining Operations:

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

Hosting Operations:

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

LOI with Kansas Partner:

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

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Subsequent Events (continued)

Alberta Operations:

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

Future Growth:

- The Company planned to continue to further expand its self-mining inventory of mining hardware. Additional ASIC miners had been ordered for delivery in Q2, 2022 and further orders for mining hardware would be placed using astute capital management strategies based upon prevailing market conditions for delivery in Q2, 2022 and beyond.
- The Company planned to continue to further expand its data centre operations in North America by partnering with large cryptocurrency miners seeking operating locations in North America. The Company continued to consider and perform diligence on several potential transactions and opportunities.

Financial Position:

- The Company was in a strong financial position and was well capitalized.
- As at April 5, 2022, the Company held 538.38 ETH, 86.72 BTC and USD\$2.7 million (CAD\$3.4 million) in cash.
- Additionally, the Company had made payments and deposits for ASIC miners, buildings and infrastructure equipment of USD\$4.9 million (CAD\$6.2 million).
- During the subsequent period from April 1, 2022 to May 30, 2022, the Company issued 3,938,265 common shares upon exercise of warrants at CAD\$0.075 for gross proceeds of CAD\$295,370.
- As at May 30, 2022, the Company's self-mining revenue run rate is USD\$463,399/month and its hosting revenue run rate is USD\$145,000/month. Further orders for mining hardware will be placed using astute capital management strategies based upon prevailing market conditions for delivery in Q2 2022 and beyond. (Source: <https://whattomine.com/> Mining metrics are calculated based on a BTC - USD exchange rate of 1 BTC = \$30,630.97 and ETH - USD exchange rate of 1 ETH = \$1,897.01 updated at 2022-05-30 11:16:48 UTC).
- As at May 30, 2022, the Company is in a strong financial position, is well capitalized and holds 104.89 BTC, 623.69 ETH and USD\$1.7 million (CAD\$2.2 million) in cash. Additionally, the Company has made prepayments and deposits for ASIC miners, buildings and infrastructure equipment of USD\$5.0 million (CAD\$6.4 million).

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Overall Operational Performance and Results

	For the Three Months Ended March 31,	
	2022	2021
	\$	\$
Income from operations		
Digital assets mined	687,522	50,003
Hosting income	517,719	19,000
Sales of miners	—	27,912
Realized gain of digital currency	—	1,339
Cost of revenue	(265,943)	(61,527)
Net gain from operations	939,298	36,727
Operating expenses	(405,616)	(393,072)
Net gain (loss) before other items	533,682	(356,345)
Depreciation of property and equipment	(1,391,536)	(630,418)
Amortization of intangible assets	(75,094)	(147,007)
Depreciation of right-of-use assets	(89,376)	(81,269)
Foreign exchange loss	(54,985)	(149,003)
Interest expense on lease obligations	(60,911)	(60,310)
Share based compensation	(63,778)	(821,091)
Interest income	2,194	—
Other income	—	53,117
Net loss before tax	(1,199,804)	(2,192,326)
Income tax expense	(24,671)	—
Net loss	(1,224,475)	(2,192,326)
Revaluation loss on digital currencies	(143,360)	—
Currency translation gain	22,841	—
Net comprehensive loss	(1,344,994)	(2,192,326)
Adjusted EBITDA	533,682	(356,345)
Loss per share, basic and diluted	(0.003)	(0.008)
Weighted average shares, basic and diluted	425,077,804	271,508,631
Bitcoin mined	7.23	1.09
Ethereum mined	131.32	1.02
Average Bitcoin price when mined during the period	41,392	44,030
Average Ethereum price when mined during the period	2,957	1,762

Financial and Operational Results

The Company recorded a net loss before tax of \$1,199,804 in the three months ended March 31, 2022 (March 31, 2021 – \$2,192,326).

The Company's revenue from operations was \$1,205,241 in the three months ended March 31, 2022 (March 31, 2021 – \$96,915). In 2021, the Company progressed in its transition from a self-mining, Bitcoin only, company to a one-stop shop for cryptocurrency mining clients. Future growth will be driven through self-mining Bitcoin and Ethereum, in addition to offering high quality GPU and ASIC miners, logistics and shipping and hosting solutions for customers worldwide, at low power rate data centres in North America.

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Financial and Operational Results (continued)

The Company's direct cost of revenue was \$265,943 in the three months ended March 31, 2022 (March 31, 2021 – \$61,527). Direct cost of revenue consisted of site operating costs.

The Company incurred non-cash expenses consisting of depreciation and amortization of \$1,556,006 and share based compensation of \$63,778 in the three months ended March 31, 2022 (March 31, 2021 – \$858,694 and \$821,091).

The Company's operating expenses, including non-cash share based compensation, in the three months ended March 31, 2022 totaled \$469,394 (March 31, 2021 – \$1,214,163). Operating expenses were comprised of:

	For the Three Months Ended March 31,	
	2022	2021
	\$	\$
Interest and bank charges	1,958	2,779
Management fees, salaries and wages	168,430	100,848
Share based compensation	63,778	821,091
Office and administration	95,022	82,031
Professional fees	140,206	207,414
Total operating expenses	469,394	1,214,163

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

Outstanding Share Data

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

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

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Summary of Financial Results for the Trailing Four Quarters

	For the Three Months Ended			
	June 30,	September 30,	December 31,	March 31,
	2021	2021	2021	2022
	\$	\$	\$	\$
Revenue	555,280	1,498,982	2,590,548	1,205,241
Net income (loss) for the period	(1,166,871)	(321,499)	217,511	(1,224,475)
Income (loss) per share for the period, basic and diluted	(0.003)	(0.001)	0.001	(0.003)

The net loss for the quarter ended March 31, 2022 amounted to \$1,224,475 as compared to income of \$217,511 in the previous quarter ended December 31, 2021. The loss recognized in the quarter ended March 31, 2022 is mainly due to the shutdown of the Alberta Partner's site at the end of 2021.

As stated earlier, on April 1, 2022, the Company successfully redeployed the majority of its ASIC and GPU self-mining Hashrate from miners that were relocated from Alberta, Canada in its data centres in Quebec, Canada.

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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 months ended March 31, 2022 and 2021 are listed below:

	For the Three Months Ended March 31, 2022						
	Canada		USA			Head Office	Total
	Mining	Hosting	Mining	Hosting	Miner Sales		
	\$	\$	\$	\$	\$	\$	\$
Income from operations							
Digital assets mined	325,922	—	361,600	—	—	—	687,522
Hosting income	—	—	—	517,719	—	—	517,719
Site operating costs	(128,111)	—	(128,701)	(9,131)	—	—	(265,943)
Depreciation of right-of-use assets	(9,861)	—	(10,968)	(68,547)	—	—	(89,376)
Depreciation of property and equipment	(948,148)	—	(61,157)	(382,231)	—	—	(1,391,536)
Amortization of intangible assets	(75,094)	—	—	—	—	—	(75,094)
Net income (loss) before operating expenses	(835,292)	—	160,774	57,810	—	—	(616,708)
Operating and other expenses (income)							
Interest and bank charges	308	—	7	10	—	1,633	1,958
Interest expense on lease obligations	7,462	—	7,372	46,077	—	—	60,911
Management fees, salaries and wages	90,321	—	10,941	15,664	—	51,504	168,430
Office and administration	12,729	—	18,511	26,502	—	37,280	95,022
Professional fees	3,633	—	—	—	—	136,573	140,206
Share based compensation	—	—	—	—	—	63,778	63,778
Interest income	—	—	—	—	—	(2,194)	(2,194)
Foreign exchange loss	—	—	—	—	—	54,985	54,985
Total operating and other expenses	114,453	—	36,831	88,253	—	343,559	583,096
Net income (loss) before tax	(949,745)	—	123,943	(30,443)	—	(343,559)	(1,199,804)
Income tax expense	24,671	—	—	—	—	—	24,671
Net income (loss)	(974,416)	—	123,943	(30,443)	—	(343,559)	(1,224,475)
Revaluation loss on digital assets	—	—	—	—	—	(143,360)	(143,360)
Currency translation gain	—	—	—	—	—	22,841	22,841
Net comprehensive income (loss)	(974,416)	—	123,943	(30,443)	—	(464,078)	(1,344,994)
Total assets	9,989,067	4,910,323	2,918,473	3,431,343	964,541	11,061,084	33,274,831
Total liabilities	375,893	1,708,119	29,244	1,334,885	—	1,644,418	5,092,559

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Segmented Information (continued)

	For the Three Months Ended March 31, 2021				
	Canada		USA	Head Office	Total
	Mining	Miner Sales	Hosting		
	\$	\$	\$	\$	\$
Income from operations					
Digital assets mined	50,003	—	—	—	50,003
Hosting income	—	—	19,000	—	19,000
Sales of miners	—	27,912	—	—	27,912
Cost of 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 income (loss) before operating expenses	(111,186)	2,791	(713,572)	—	(821,967)
Operating and other expenses (income)					
Interest and bank charges	—	—	140	2,639	2,779
Interest expense on lease obligations	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
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	1,302,353	1,370,359
Net comprehensive income (loss)	(119,104)	2,791	(773,660)	(1,302,353)	(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

Liquidity and Capital Resources

	For the Three Months Ended March 31,	
	2022	2021
	\$	\$
Cash provided by (used in):		
Operating activities	(2,512,055)	(387,864)
Investment activities	(1,654,825)	(1,857,374)
Cash provided by financing activities	(100,220)	22,622,628
Effect of foreign exchange on cash	16,653	—
Net change in cash during the period	(4,250,447)	20,377,390

As at March 31, 2022, the Company had current assets of \$10,991,404 and current liabilities of \$3,073,919, resulting in a working capital surplus of \$7,917,485 (December 31, 2021 – working capital surplus of \$9,989,993).

Off-Balance Sheet Arrangements

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

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Related Party Transactions

During the three months ended March 31, 2022, certain expenses were paid on the Company's behalf by A.C.N. 117 402 838 PTY LTD ("ACN"), which is a related party by virtue of its shareholdings in the Company.

The balance of \$1,966,604 payable to related party as at March 31, 2022 and December 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 on the time of credit can be waived at any point at the sole discretion of ACN. ACN waived the interest charge on the line of credit for the three months ended March 31, 2022. During the three months ended March 31, 2022, the Company has not obtained an additional loan or made repayments.

On May 4, 2021, an employee of the Company exercised 10,000,000 stocks options. These options had an exercise price of CAD \$0.05 per stock option. As at March 31, 2022, \$207,936 was payable by the employee to the Company. The Company has classified the amount receivable as current as the amount shall be repaid in full no later than May 2022, and is included in accounts receivable and others. Interest equal to 2% above the prime rate of interest charged by Royal Bank of Canada on Canadian dollar commercial loans is being charged by the Company to the employee on the amount receivable. During the three months ended March 31, 2022, the Company earned \$2,194 of interest income related to this loan.

Key Management Remuneration

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

On May 3, 2021, the Company granted 2,000,000 stock options under the Company's stock option plan to an officer of the Company. These options have an exercise price of CAD\$0.28 per stock option, and an expiry date of May 3, 2031. The options vest in equal 25% tranches in each of August 2021, March 2022, October 2022 and May 2023. Share based compensation of \$63,778 was recorded related to these options during the three months ended March 31, 2022.

The Company paid directors fees during the three months ended March 31, 2022 of \$16,190 (March 31, 2021 – \$Nil).

Included in trade payable was \$16,297 payable to the directors of the Company for the director fees for the three months ended March 31, 2022 (March 31, 2021 – \$Nil).

The remuneration of key management personnel paid by ACN on the Company's behalf during the three months ended March 31, 2022 was \$112,851 (March 31, 2021 – \$76,760).

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.

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Business Risks and Uncertainties (continued)

Credit Risk

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

The Company's maximum exposure to credit risk at the end of any period is equal to the carrying amount of these financial assets as recorded in the consolidated statement of financial position. As at March 31, 2022, no amounts were held as collateral.

Liquidity Risk

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

Market Risk

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

Interest Rate Risk

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

Foreign Currency Risk

As at March 31, 2022, 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:

	March 31, 2022
	\$
Canadian dollar-based net assets	2,437,864
Effect of a +/- 10% change in exchange rate	304,619

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Business Risks and Uncertainties (continued)

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.

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.

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Covid-19

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

Capital Management

The Company's objectives when managing its capital are:

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

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

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Current Market Conditions

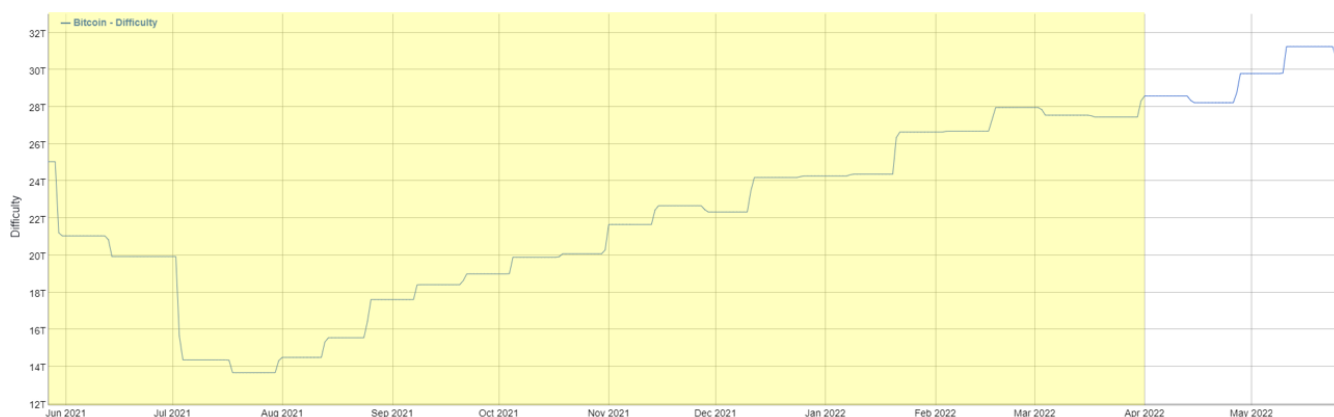
The average price of Bitcoin decreased slightly in Q1 2022, with the average price falling from \$47,226 as at December 31, 2021 to \$46,673 as at March 31, 2022.



(Source: <https://bitinfocharts.com/comparison/bitcoin-price.html#1y>).

*The Company holds no liability for any inaccurate data.

Bitcoin difficulty increased in Q1 2022 and is expected to increase going forward.



(Source: <https://bitinfocharts.com/comparison/bitcoin-difficulty.html#1y>).

*The Company holds no liability for any inaccurate data.

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Current Market Conditions (continued)

The average price of Ethereum decreased slightly in Q1 2022, with the average price falling from \$3,738 as at December 31, 2021 to \$3,365 as at March 31, 2022.



(Source: <https://bitinfocharts.com/comparison/ethereum-price.html#1y>).

*The Company holds no liability for any inaccurate data.

Ethereum difficulty increased in Q1 2022 and is expected to increase going forward.



(Source: <https://bitinfocharts.com/comparison/ethereum-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 as at and for the year ended December 31, 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 financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Significant Accounting Judgments and Estimates

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

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

Information about estimates made in applying accounting policies that could potentially have an effect on the amounts recognized in the financial statements, are discussed below:

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

Management determines the estimated useful lives and residual values of property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the useful lives and residual value annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

(b) Long-Term Receivable

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

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Significant Accounting Judgments and Estimates (continued)

(c) Share Based Compensation

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

(d) Income Taxes

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

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

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

The Company computes an income tax provision in each of the jurisdictions in which it operates. Actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of these 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 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 fair value less costs of disposition and value in use requires management to make estimates and assumptions about digital currency prices, required computing power, technological changes and operating costs, such as electricity. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the consolidated statement of comprehensive income.

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Significant Accounting Judgments and Estimates (continued)

(i) Digital Currencies

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

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

(j) Digital Currencies Valuation

Management has determined that revenues should be recognized as the fair value of digital currencies received in exchange for mining services on the date that digital currencies are received and subsequently measured as an intangible asset. Digital currencies consist of cryptocurrency denominated assets and are included in current assets. Digital currencies are carried at their fair value determined by the spot rate less costs to sell. The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies would have a significant impact on the Company's earnings and financial position. Fair value is determined by taking the price of the digital currencies from www.bitcoincharts.com 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 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, 2022 and, accordingly, have not been applied in preparing these condensed interim consolidated financial statements (unaudited).

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Changes in Accounting Standards (continued)

Standards, Amendments and Interpretations Issued but not yet Adopted (continued)

Improving Accounting Policy Disclosures and Clarifying Distinction between Accounting Policies and Accounting Estimates (Amendments to IAS 1 and IAS 8)

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

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

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

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

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

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

Forward-Looking Statements

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

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

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Forward-Looking Statements (continued)

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

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

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