

CRYPTOSTAR CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

(Expressed in US dollars, unless otherwise stated)

**CRYPTOSTAR CORP.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

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MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL REPORTING

Management's Responsibility

To the Shareholders of CryptoStar Corp.:

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

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

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

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

April 29, 2025



KINGSTON
ROSS
PASNAK LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

April 29, 2025
Edmonton, Alberta

To the Shareholders of CryptoStar Corp.

Opinion

We have audited the consolidated financial statements of CryptoStar Corp. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and 2023, and the consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. This matter was addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

Revenue from digital assets mined

We refer to the financial statement summary of material accounting policy information on digital assets mined and related disclosure in Note 7.

For the year ended December 31, 2024, revenue generated from digital asset mining amounted to \$1,205,776. The Company recognizes revenue from the provision of transaction verification services within digital currency blockchains. As consideration for these services, the Company receives digital currency from each specific blockchain in which it participates. Revenue is measured based on the fair value of the coins received.

Revenue from digital currency mined is significant to our audit because mining of digital currency is an emerging industry with unique technological aspects that raise a number of auditing challenges. Given the nature of this revenue stream, significant audit efforts are required.

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

To address the risk for material misstatement on revenue from digital currency mined, our audit procedures included, amongst other procedures:

- Obtained the assistance from professionals with specialized skills in distributed ledger technology, digital currency and cryptography.
- Tested the miners for their performance.
- Conducted substantive analytical procedures, which include tests of the accuracy, valuation and completeness of the underlying data.
- Traced digital currency received and recognized as revenue directly to the blockchain.
- Assessed the recognition and valuation processes and practices.
- Tested the value of digital currency received and recognized as revenue using the daily quoted price from a reputable source

We assessed the adequacy of the Company's disclosures related to revenue recognition.

Impairment assessment for the digital asset mining cash-generating units ("CGUs")

We refer to financial statement summary of material accounting policy information on impairment assessment and considerations and related disclosure in Notes 8 and 9.

At December 31, 2024, the value of mining and mining related equipment amounted to \$3,511,513, (herein referred to as "mining related assets"). The Company reviews indicators of impairment at each statement of financial position date and when events or changes in circumstances indicate that the mining related assets CGUs may be impaired. We identified the Company's impairment assessment of mining related assets CGUs as a key audit matter.

This impairment test is significant to our audit because the Company identified indicators of impairment for its mining related assets CGUs, resulting in a complex analysis of potential impairment of mining related assets. In addition, certain aspects of management's assessment process highly judgmental and is based on assumptions, which are impacted by expected future market or economic conditions, giving rise to high estimation uncertainty.

To address the risk for material misstatement on the impairment assessment of mining related assets, our audit procedures included, amongst other procedures:

- Evaluated the reasonableness of the Company's cash flows by comparing projections to, among others, historical expenses and operations and current business plans.
- Evaluated the assumptions, methodologies and data used by the Company.
- Tested the completeness and accuracy of the underlying data used in the Company's valuation models.
- Performed a sensitivity analysis on significant management assumptions used in the valuation model.

We assessed the adequacy of the Company's disclosures related to impairment assessment of mining related assets.

Other Information

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

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

(continues)

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

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

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

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

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

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

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

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

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

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

(continues)

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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


Kingston Ross Pasmak LLP
Chartered Professional Accountants

CRYPTOSTAR CORP.
Consolidated Statements of Financial Position
As at December 31, 2024 and 2023
(Expressed in US dollars, unless otherwise stated)

		As at December 31, 2024	As at December 31, 2023
	Note	\$	\$
Assets			
Current assets			
Cash		1,973,876	2,180,990
Accounts receivable and others	17	21,113	229,916
Deposits and prepaid expenses	5	—	12,198
Inventory	6	—	209,875
Digital currencies	7	344,870	125,205
		2,339,859	2,758,184
Property and equipment	8	3,511,513	7,259,171
Intangible assets	9	—	19,754
Right-of-use assets	10	1,147,060	1,707,223
Deposits	5	549,592	729,039
Goodwill	9	—	240,279
Total assets		7,548,024	12,713,650
Liabilities and shareholders' equity			
Current liabilities			
Trade payable and accrued liabilities		878,171	802,974
Advances from customers	11	159,999	511,350
Payable to related party	12	393,321	393,321
Lease obligations	10	422,076	401,047
		1,853,567	2,108,692
Lease obligations	10	1,048,799	1,726,889
Decommission cost	13	377,251	377,251
Payable to related party	12	589,981	977,945
Total liabilities		3,869,598	5,190,777
Shareholders' equity			
Share capital	15	37,505,567	37,253,870
Shareholder contribution	15	3,292,725	3,292,725
Warrant and option reserve	11 & 15	19,973,905	19,751,227
Deficit		(57,291,128)	(52,703,010)
Accumulated other comprehensive gain (loss)		197,357	(71,939)
Total shareholders' equity		3,678,426	7,522,873
Total liabilities and shareholders' equity		7,548,024	12,713,650
Nature of operations	1		
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Subsequent events	21		

Approved on behalf of the Board of Directors on April 29, 2025

/s/Christopher Malone

Director

/s/Amelia Jones

Director

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

CRYPTOSTAR CORP.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended December 31, 2024 and 2023
(Expressed in US dollars, unless otherwise stated)

	Note	For the Years Ended December 31,	
		2024	2023
		\$	\$
Revenue			
Digital assets mined	7	1,205,776	2,030,910
Hosting income		876,348	1,595,899
		2,082,124	3,626,809
Cost of revenue			
Site operating costs		(1,234,350)	(2,137,563)
Depreciation of right-of-use assets	10	(354,611)	(435,281)
Depreciation of property and equipment	8	(892,879)	(4,228,293)
Gross loss		(399,716)	(3,174,328)
Realized gain on digital currencies	7	209,505	1,070
Net loss before operating expenses		(190,211)	(3,173,258)
Operating expenses			
Interest and bank charges		17,667	9,146
Interest on related party loan	12	148,919	190,761
Management fees, salaries and wages	12	678,632	683,643
Share based compensation	11 & 15	9,204	116,633
Office and administration		554,886	528,424
Professional fees		375,625	292,181
Total operating expenses		1,784,933	1,820,788
Net loss before other items		(1,975,144)	(4,994,046)
Other (expense) income			
Foreign exchange (loss) gain		(686,701)	113,704
Interest expense on lease obligations	10	(217,693)	(271,080)
Write down of inventory	6	(209,875)	(226,500)
Impairment of property and equipment	8	(1,296,333)	—
Impairment of goodwill	9	(214,389)	(80,043)
Impairment of intangible assets	9	(19,754)	(237,936)
Loss on disposal of property and equipment	8	(380,029)	(163)
Gain on cancellation of lease	10	54,116	12,320
Other income	14	417,811	—
Other expense	14	—	(8,777)
Net loss before tax		(4,527,991)	(5,692,521)
Income tax (expense) recovery	16	(60,127)	79,521
Net loss		(4,588,118)	(5,613,000)
Revaluation gain on digital currencies	7	75,486	25,303
Currency translation gain (loss)		193,810	(94,909)
Net comprehensive loss		(4,318,822)	(5,682,606)
Loss per share, basic and diluted		(0.010)	(0.013)
Weighted average shares, basic and diluted		441,107,006	429,016,069

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

CRYPTOSTAR CORP.
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2024 and 2023
(Expressed in US dollars, unless otherwise stated)

		Share Capital		Shareholder Contribution \$	Warrant and Option Reserve \$	Deficit \$	Accumulated Other Comprehensive (Loss) Income *	Total \$
	Note	Shares Issued	Amount \$					
As at December 31, 2022		429,016,069	37,253,870	3,292,725	19,634,594	(47,090,010)	(2,333)	13,088,846
Share based compensation	11 & 15	—	—	—	116,633	—	—	116,633
Net loss for the year		—	—	—	—	(5,613,000)	—	(5,613,000)
Other comprehensive gain		—	—	—	—	—	25,303	25,303
Unrealized loss on currency translation		—	—	—	—	—	(94,909)	(94,909)
As at December 31, 2023		429,016,069	37,253,870	3,292,725	19,751,227	(52,703,010)	(71,939)	7,522,873
As at December 31, 2023		429,016,069	37,253,870	3,292,725	19,751,227	(52,703,010)	(71,939)	7,522,873
Private placement - gross cash proceeds	15	14,460,000	304,440	—	229,849	—	—	534,289
Issuance cost - cash	15	—	(39,383)	—	(29,735)	—	—	(69,118)
Issuance of shares - finder's fees	15	433,800	17,695	—	13,360	—	—	31,055
Issuance cost - non-cash	15	—	(31,055)	—	—	—	—	(31,055)
Share based compensation	11 & 15	—	—	—	9,204	—	—	9,204
Net loss for the year		—	—	—	—	(4,588,118)	—	(4,588,118)
Other comprehensive gain		—	—	—	—	—	75,486	75,486
Unrealized gain on currency translation		—	—	—	—	—	193,810	193,810
As at December 31, 2024		443,909,869	37,505,567	3,292,725	19,973,905	(57,291,128)	197,357	3,678,426

* Accumulated other comprehensive (loss) income balance as at December 31, 2024 comprises of revaluation gain on digital currencies amounting to \$100,789 (December 31, 2023: \$25,303) and foreign currency translation loss of \$96,568 (December 31, 2023: loss of \$97,242).

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

CRYPTOSTAR CORP.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023
(Expressed in US dollars, unless otherwise stated)

	For the Years Ended December 31,	
	2024	2023
	\$	\$
Operating activities		
Net loss for the year	(4,588,118)	(5,613,000)
Adjusted for:		
Depreciation of property and equipment	892,879	4,228,293
Income from mining of digital currencies	(1,205,776)	(2,030,910)
Realized gain on digital currencies	(209,505)	(1,070)
Share based compensation	9,204	116,633
Write down of inventory	209,875	226,500
Impairment of property and equipment	1,296,333	—
Impairment of goodwill	214,389	80,043
Impairment of intangible assets	19,754	237,936
Depreciation of right-of-use assets	354,611	435,281
Interest expense on lease obligations	217,693	271,080
Interest expense on payable to related party	148,919	190,761
Foreign exchange loss on right-of-use assets and lease obligations	1,102	2,061
Loss on disposal of property and equipment	380,029	163
Gain on cancellation of Lease	(54,116)	(12,320)
Changes in non-cash working capital items:		
Accounts receivable and others	208,766	(74,005)
Deposits and prepaid expenses	9,205	92,987
Trade payable and accrued liabilities	81,313	(371,634)
Advances from customers	(351,351)	(185,000)
Cash used in operating activities	(2,364,794)	(2,406,201)
Investing activities		
Proceeds from sale of digital currencies	1,271,102	2,007,156
Purchases of property and equipment, net of deposits	2,992	(25,595)
Proceeds from disposal of property and equipment	912,950	835
Deposits	179,448	171,259
Cash provided by investing activities	2,366,492	2,153,655
Financing activities		
Repayment of payable to related party	(536,883)	(786,099)
Payment of lease obligations	(616,188)	(635,976)
Proceeds from private placement, net of issuance cost	465,171	—
Cash used in financing activities	(687,900)	(1,422,075)
Effect of foreign exchange on cash	479,088	(134,772)
Net change in cash during the year	(207,114)	(1,809,393)
Cash, beginning of the year	2,180,990	3,990,383
Cash, end of the year	1,973,876	2,180,990
<i>Supplemental cash flow information:</i>		
Interest paid	(217,693)	(271,080)

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

CRYPTOSTAR CORP.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2024 and 2023
(Expressed in US dollars, unless otherwise stated)

1. NATURE OF OPERATIONS

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

CryptoStar Corp. and its subsidiaries ("CryptoStar" or the "Company") operates in the distributed ledger technology space, utilizing specialized equipment ("miners") to perform computationally intensive cryptographic operations to validate transactions on the Blockchain (a process known as "mining"), receiving digital currencies (primarily Bitcoin and Ethereum). The Company also provides equipment hosting services to customers worldwide, for which services the Company receives monthly hosting fees, as well as sells miners to customers.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These 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.

The Company's ability to continue as a going concern is dependent upon its ability to obtain sufficient additional funding and to generate sufficient revenues and cash flows from its operating activities to meet its obligations and fund its planned investments and operations. The Company anticipates it has sufficient cash on hand to service its liabilities and fund operating costs for the immediate future.

2. BASIS OF PRESENTATION AND CONSOLIDATION

Statement of Compliance

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

The Board of Directors approved these consolidated financial statements on April 29, 2025.

Basis of Measurement

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

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

Functional and Presentation Currency

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

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

CRYPTOSTAR CORP.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2024 and 2023
(Expressed in US dollars, unless otherwise stated)

2. BASIS OF PRESENTATION AND CONSOLIDATION (continued)

Functional and Presentation Currency (continued)

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

Basis of Consolidation

The consolidated financial statements for the year ended December 31, 2024 and 2023, include the accounts of the Company, its wholly owned subsidiaries, and entities over which the Company has control as defined in IFRS 10, all of which also have a December 31 year-end. Entities over which the Company has control are presented on a consolidated basis from the date control commences. Control, as defined in IFRS 10 for purposes of determining the consolidated basis of financial statement presentation, exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power and rights in respect of the entity. All of the consolidated entities were under control, as defined in IFRS 10 for purposes of determining the consolidated basis of financial statement presentation, during the entirety of the periods for which their respective results of operations were included in the consolidated financial statements. All intercompany balances and transactions are eliminated on consolidation. The Company's subsidiaries were CryptoStar Holdings Inc., CryptoStar USA, Inc. (subsidiary of CryptoStar Holdings Inc.) and Neuro Digital Inc. The consolidated financial statements are prepared using uniform accounting policies by all subsidiaries of the Company.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Revenue Recognition

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

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

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

CRYPTOSTAR CORP.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2024 and 2023
(Expressed in US dollars, unless otherwise stated)

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Digital Currencies

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

Decreases in fair value that reverse gains previously recorded in other comprehensive income are recorded in other comprehensive income.

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

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

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

Intangible Assets

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

Property and Equipment

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

Mining equipment is depreciated on a straight-line basis over a 2 or 3 year estimated useful life.

Other property and equipment is depreciated on a straight-line basis over the estimated useful life of the asset. The estimated useful life of mining containers included in other property and equipment is 3 years and the estimated useful life of leasehold improvements is 10 years.

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

CRYPTOSTAR CORP.
Notes to the Consolidated Financial Statements
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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment of Non-Financial Assets

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

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

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

Income Taxes

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

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

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

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

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Fair Value Measurement

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

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

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

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

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

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

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

Financial Instruments

Recognition and Initial Measurement

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial Instruments (continued)

Classification and Subsequent Measurement

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

- a) Amortized cost;
- b) Fair value through the Consolidated Statements of Loss and Comprehensive Loss (FVTPL); and
- c) Fair value through other comprehensive income ("FVTOCI").

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

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

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

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

Asset / Liability	Classification / Measurement
Cash	FVTPL
Accounts receivable and others	Amortized cost
Trade payable and accrued liabilities	Amortized cost
Advances from customers	Amortized cost
Lease obligations	Amortized cost
Payable to related party	Amortized cost

Derecognition

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

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment of Financial Assets

Under IFRS 9, the Company is required to apply an expected credit loss (“ECL”) model to all debt financial assets not held at FVTPL, where credit losses that are expected to transpire in future years are provided for, irrespective of whether a loss event has occurred or not as at the date of the consolidated statement of financial position. For accounts receivable, the Company has applied the simplified approach under IFRS 9 and has calculated ECLs based on lifetime expected credit losses taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions.

Evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It is becoming probable that the borrower will enter bankruptcy or reorganization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statements of loss and comprehensive loss.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statements of loss and comprehensive loss for the period to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Cash

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

Equity

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

Interest Income

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

Provisions

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Segmented Reporting

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

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and liabilities, head office expenses, personnel costs, other income and foreign exchange gains and losses. As at December 31, 2024 and 2023, the Company had two reportable segments based on geographical locations: Canada and the USA, and three reportable segments based on operations: self-mining, hosting and miner sales, along with a Head Office segment.

Lease

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

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

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

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

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Lease (continued)

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

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

Business Combination

The Company applies the acquisition method in accounting for business combinations by allocating the purchase price to the fair value of the assets acquired at the acquisition date, with any difference recognized as goodwill.

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

Inventory

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

Goodwill

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

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

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Decommission Cost

Decommissioning liabilities are recorded when the underlying activities requiring future decommissioning obligations are incurred. If a reasonable estimate of the expected costs to settle the liability can be determined, the liabilities are measured at the present value, discounted at a current pre-tax rate specific to the liability. In subsequent periods, the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows, or from changes in the discount rate. The accretion of the liability as a result of the passage of time is charged to earnings while changes resulting from the revisions to either the timing, the amount of the original estimate of the undiscounted cash flows, or a change of the discount rate are accounted for as part of the carrying amount of the related lease asset or PPE. The carrying amount of the decommissioning liability is reviewed at each reporting date to reflect current estimates and changes in the discount rate.

Loss Per Share

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

Share Based Compensation

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

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

Other Comprehensive Income or Loss

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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 consolidated 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 consolidated 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) Going Concern

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

(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.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Significant Accounting Judgments and Estimates (continued)

(d) Income Taxes (continued)

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

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

(e) Revenue Recognition

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

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

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

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

(f) Business Combination and Goodwill

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Significant Accounting Judgments and Estimates (continued)

(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 loss, assets and liabilities recognized and disclosures made in the consolidated financial statements.

(h) Impairment of Non – Financial Assets

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

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

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

(i) Digital Currencies Classification

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.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Significant Accounting Judgments and Estimates (continued)

(k) Decommission Cost

The Company makes a number of estimates when calculating the fair value of its asset decommissioning obligation, which represent the present value of future decommissioning costs for its lease assets. Estimates of these costs are dependent on labor and material costs, inflation rates, salvage values, discount rates, the risk specific to the obligation, and the timing of the outlays.

(l) Contingencies

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

4. CHANGES IN ACCOUNTING STANDARDS

New and Amended Accounting Pronouncements

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2024. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16 Amendments – Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 – Leases (“IFRS 16”) relating to sale leaseback transactions for seller-lessees. The amendment adds a requirement that measuring lease payments or revised lease payments shall not result in the recognition of a gain or loss that relates to the right-of-use asset retained by the seller-lessee. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company assessed the impact of the amendment and determined there to be no material impact on the consolidated financial statements.

IAS 1 Amendments – Non-current Liabilities with Covenants

In October 2022, the IASB issued amendments to IAS 1 – Presentation of Financial Statements, which specifies that covenants whose compliance is assessed after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require disclosure of information about these covenants in the notes to the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company assessed the impact of the amendment and determined there to be no material impact on the consolidated financial statements.

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4. CHANGES IN ACCOUNTING STANDARDS (continued)

New and Amended Accounting Pronouncements (continued)

IAS 1 Amendments – Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and must be applied retrospectively. The Company assessed the impact of the amendment and determined there to be no material impact on the consolidated financial statements.

IAS 7 Amendments – Supplier Finance Arrangements

In May 2023, the IASB issued amendments to IAS 7 - Statement of Cash Flows and IFRS 7 - Financial Instruments: Disclosures. The amendments add requirements to disclose information that allows users to assess how supplier finance arrangements affect an entity's liabilities, cash flows, and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company assessed the impact of the amendment and determined there to be no material impact on the consolidated financial statements.

Standards, Amendments and Interpretations Issued but not yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2024, and, accordingly, have not been applied in preparing these consolidated financial statements.

IAS 21 Amendments – Lack of Exchangeability

In August 2023, the IASB issued amendments to IAS 21 - The Effects of Changes in Foreign Exchange Rates in relation to Lack of Exchangeability. The amendments require entities to apply a consistent approach in assessing whether a currency can be exchanged into another currency, and in determining the exchange rate to use and the disclosures to provide when it cannot. These amendments are effective for annual reporting periods beginning on or after January 1, 2025, with early adoption permitted. The Company is assessing the potential impact of these amendments.

Classification and Measurement of Financial Instruments

In May 2024, the IASB issued amendments to IFRS 9 – Financial Instruments and IFRS 7 – Financial Instruments: Disclosures. The amendments relate to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets, including those with Environmental, Social, and Governance (ESG)-linked features. The IASB also amended disclosure requirements relating to investments in equity instruments designated at FVOCI and added disclosure requirements for financial instruments with contingent features. The amendments are effective for annual periods beginning on or after January 1, 2026, with early adoption permitted. The Company is assessing the impacts to the consolidated financial statements.

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4. CHANGES IN ACCOUNTING STANDARDS (continued)

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

Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued the new standard IFRS 18 – Presentation and Disclosure in Financial Statements that will replace IAS 1 – Presentation of Financial Statements. The new standard introduces newly defined subtotals on the income statement, requirements for aggregation and disaggregation of information, and disclosure of Management Performance Measures (MPMs) in the financial statements. The new standard is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The Company is assessing the impacts to the consolidated financial statements.

Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19 – Subsidiaries without Public Accountability: Disclosures. The new standard allows eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. The new standard is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The Company assessed the impact of the amendments and determined there to be no material impact on the consolidated financial statements. The Company is assessing the impact to its subsidiaries.

Annual Improvements

In July 2024, the IASB issued IFRS Accounting Standards Annual Improvements – Volume 11, which clarifies wording, correcting minor consequences, oversights, or conflicts among requirements in the Standards. The amendments affect IFRS 1 - First-time Adoption of International Financial Reporting Standards, IFRS 7 - Financial Instruments: Disclosures, IFRS 9 - Financial Instruments, IFRS 10 - Consolidated Financial Statements, and IAS 7 - Statement of Cash Flows. These amendments will be effective for annual periods beginning on or after January 1, 2026, with early adoption permitted. The Company is assessing the impacts to the consolidated financial statements.

Contracts Referencing Nature- dependent Electricity

In December 2024, the IASB issued amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature dependent Electricity. The amendments apply only to nature-dependent electricity contracts, which are those that generate variable levels based on uncontrollable factors such as weather conditions. These amendments will be effective for annual periods beginning on or after January 1, 2026, with early adoption permitted. The Company is assessing the impacts to the consolidated financial statements.

Canadian Sustainability Reporting Standards (CSDS 1 and CSDS 2)

In December 2024, the Canadian Sustainability Standards Board (“CSSB”), released the final versions of the Canadian Sustainability Reporting Standards, CSDS 1 and CSDS 2 (collectively, the “Canadian Standards”). Currently the adoption of the Canadian Standards remains voluntary. These standards closely align with the ISSB’s international sustainability standards IFRS S1 and IFRS S2, but include certain differences and are applicable from January 1, 2025. Currently the adoption of the Canadian Standards remains voluntary, while the Canadian Securities Administrators are currently evaluating how and to what extent they will be incorporated into future reporting requirements. The impact and costs to comply with these standards has not yet been quantified.

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5. DEPOSITS AND PREPAID EXPENSES

	December 31, 2024 \$	December 31, 2023 \$
Current:		
Prepayments	—	9,205
Deposits made for mining equipment	—	2,993
	—	12,198
Long-term:		
Security deposits on leased premises	549,592	729,039
Total deposits and prepaid expenses	549,592	741,237

6. INVENTORY

Inventory represents mining equipment purchased by the Company with the intention to sell. Accordingly, the mining equipment is classified as inventory. The Company recorded an inventory write down of \$209,875 during the year ended December 31, 2024 (December 31, 2023 – \$226,500).

7. DIGITAL CURRENCIES

Digital currencies consist primarily of Bitcoin and Ethereum. Below is a continuity of digital currencies mined, acquired through purchase, sold and fair valued during the years ended December 31, 2024, and 2023.

	December 31, 2024		December 31, 2023	
	Number	\$	Number	\$
Bitcoin				
Balance, beginning of the year	2.94	124,712	4.51	74,585
Mined additions	20.51	1,205,776	71.61	2,030,910
Non-mining additions	—	—	—	—
Bitcoin sold	(19.76)	(1,271,102)	(73.18)	(2,007,156)
Bitcoin bought	—	—	—	—
Realized gain on digital currency	—	209,505	—	1,070
Revaluation gain on digital currency	—	75,486	—	25,303
Balance, end of the year	3.69	344,377	2.94	124,712
Ethereum				
Balance, beginning of the year	—	493	—	493
Mined additions	—	—	—	—
Ethereum sold	—	—	—	—
Ethereum bought	—	—	—	—
Realized gain (loss) on digital currency	—	—	—	—
Revaluation gain (loss) on digital currency	—	—	—	—
Balance, end of the year	—	493	—	493
Total digital currencies		344,870		125,205

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7. DIGITAL CURRENCIES (continued)

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

During the year ended December 31, 2024, the Company mined digital currencies of \$1,205,776 (December 31, 2023 – \$2,030,910).

During the year ended December 31, 2024, the Company disposed 19.76 Bitcoins and Nil Ethereum for \$1,271,103 and \$Nil respectively in cash and realized a gain of \$209,505 (December 31, 2023 – 73.18 Bitcoins and Nil Ethereum for \$2,007,156 and \$Nil respectively in cash and realized a gain of \$1,070).

During the year ended December 31, 2024, the Company has recorded revaluation gain on digital currencies of \$75,486, included in equity under accumulated other comprehensive income (December 31, 2023 – \$25,303).

8. PROPERTY AND EQUIPMENT

	Mining Equipment \$	Other Property and Equipment \$	Construction in Progress \$	Total \$
Cost				
Balance, December 31, 2022	13,539,900	11,796,702	4,632,397	29,968,999
Additions	25,595	—	—	25,595
Disposals	(3,486)	—	—	(3,486)
Balance, December 31, 2023	13,562,009	11,796,702	4,632,397	29,991,108
Additions	—	—	—	—
Disposals	(6,594,950)	(68,401)	(1,287,277)	(7,950,628)
Balance, December 31, 2024	6,967,059	11,728,301	3,345,120	22,040,480
Accumulated depreciation				
Balance, December 31, 2022	9,247,644	9,290,824	—	18,538,468
Depreciation	3,675,087	553,206	—	4,228,293
Disposals	(2,488)	—	—	(2,488)
Effect of foreign exchange	(32,336)	—	—	(32,336)
Balance, December 31, 2023	12,887,907	9,844,030	—	22,731,937
Depreciation	378,164	514,715	—	892,879
Disposals	(6,594,950)	(62,699)	—	(6,657,649)
Impairment	—	—	1,296,333	1,296,333
Effect of foreign exchange	265,467	—	—	265,467
Balance, December 31, 2024	6,936,588	10,296,046	1,296,333	18,528,967
Net book value				
Balance, December 31, 2024	30,471	1,432,255	2,048,787	3,511,513
Balance, December 31, 2023	674,102	1,952,672	4,632,397	7,259,171

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8. PROPERTY AND EQUIPMENT (continued)

Management assessed the indicators of possible impairment to property and equipment as at December 31, 2024 and 2023, and determined that impairment indicators existed based on the decline in Bitcoin prices (while Bitcoin prices remained relatively strong in 2024) and the market value of mining equipment, volatility in network difficulty levels and the Company's net assets being higher than its market capitalization. Management determined that there is an impairment and has calculated a recoverable amount of each CGU using the greater of value-in-use ("VIU") or fair value less costs of disposal ("FVLCD").

The Company determined the FVLCD for its mining equipment and used the following significant assumptions:

For the year ended December 31, 2024:

- Prices of ASIC mining equipment: \$1,168 to \$2,500 per machine
- Assuming nominal amounts of disposal costs

For the year ended December 31, 2023:

- Prices of ASIC mining equipment: \$805 to \$2,900 per machine
- Prices of GPU mining equipment: \$65 to \$425 per card
- Assuming nominal amounts of disposal costs

As a result of the impairment analysis, the fair value less costs of disposal ("FVLCD") of the mining equipment was greater than the carrying value and accordingly, no impairment loss was recorded during the year ended December 31, 2024 (December 31, 2023 – \$Nil).

Management assessed the indicators of possible impairment to data centres for the years ended December 31, 2024, and 2023, and determined that impairment indicators existed.

Management calculated the VIU for data centres using the following significant assumptions for the years ended December 31, 2023:

- Power allotment: 8.0 and 6.5 MW
- Hosting revenue: \$0.02 per kW/h
- Discount rate: 23%
- Useful life: 6 and 4 years

Management determined that there is no impairment during the year ended December 31, 2023, as the value in use ("VIU") of the data centres exceeded its carrying value.

For the year ended December 31, 2024, management determined the FVLCD for data centres based on appraisal report using Fair Market Value (FMV) methodology. The fair value less costs of disposal ("FVLCD") of the data centres was greater than the carrying value and accordingly, no impairment loss was recorded during the year ended December 31, 2024.

Construction in progress is related to the construction of data centres and data centre components. Management assessed the indicators of possible impairment to the construction in progress for the year ended December 31, 2024, and determined that there is an impairment and has calculated a recoverable amount of each CGU using the fair value less costs of disposal ("FVLCD"). The FVLCD was determined using Fair Market Value (FMV) methodology considering their current market conditions and their potential resale value.

As a result of the impairment analysis, the fair value less costs of disposal ("FVLCD") of the construction in progress was less than the carrying value and accordingly, impairment loss of \$1,296,333 was recorded during the year ended December 31, 2024 (December 31, 2023 – \$Nil).

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9. INTANGIBLE ASSETS

	\$
Cost	
Balance, December 31, 2023 and December 31, 2024	1,501,876
Accumulated amortization	
Balance, December 31, 2022	1,244,186
Amortization	—
Impairment	237,936
Balance, December 31, 2023	1,482,122
Amortization	—
Impairment	19,754
Balance, December 31, 2024	1,501,876
Net book value	
Balance, December 31, 2024	—
Balance, December 31, 2023	19,754

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

The Company agreed to pay CAD\$75,000 upon the execution of the agreement and CAD\$50,000 (totalling US\$95,364) within 30 days from the date of the execution of the agreement. At December 31, 2019, the Company had paid CAD\$75,000 to Tier 1. The Company paid CAD\$50,000 to Tier 1 within 30 days from the date of the execution of the agreement. Subsequent to this agreement, the Company entered into a rental agreement with Tier 1 at one location in Newfoundland and Labrador and a service agreement with Tier 1.

Agreement with Tier 1

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

For the year ended December 31, 2024:

Management assessed the indicators of possible impairment to intangible assets for the year ended December 31, 2024, and determined that impairment indicators existed because the Company and Tier 1 was unable to obtain the power permits in Newfoundland from the local hydro authorities. On November 21, 2024, a settlement agreement was made to cancel the obligations of both parties.

As a result, management recorded an impairment of all intangible assets during the year ended December 31, 2024, amounting to \$19,754.

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9. INTANGIBLE ASSETS (continued)

Agreement with Tier 1 (continued)

For the year ended December 31, 2023:

Management assessed the indicators of possible impairment to intangible assets for the years ended December 31, 2023, and determined that impairment indicators existed based on the delay in the estimated date that the Company and Tier 1 will obtain power in Newfoundland as a result of further communication with the local hydro authorities

Management determined that there is impairment and calculated the VIU for the intangible asset using the following significant assumptions for the year ended December 31, 2023:

- | | |
|--------------------------|--|
| • Power allotment: | 5 MW |
| • Power deployment date: | January 1, 2025 and 2024, respectively |
| • Hosting revenue: | \$0.02 per kW/h |
| • Discount rate: | 40% |
| • Useful life: | 6 and 5 years, respectively |

Management determined that there is an impairment during the year ended December 31, 2023, as the carrying value exceeded its value in use ("VIU") of intangible assets, amounting to \$237,936.

Goodwill

Management assessed the indicators of possible impairment to goodwill for the years ended December 31, 2024, and 2023, which was initially recognized as a result of acquisition of Neuro Digital subsidiary during the year ended December 31, 2021, and determined that impairment indicators existed.

In Q3 2024, equipment related to Neuro Digital Inc. were sold, resulting in no remaining equipment in the subsidiary's books. As a consequence, the management has evaluated the carrying value of the goodwill associated with the acquisition and has concluded that goodwill is now fully impaired and a charge of \$214,389 has been recorded in the Consolidated Statements of Loss and Comprehensive Loss for the year ended December 31, 2024.

Management calculated the VIU for goodwill using the following significant assumptions for the year ended December 31, 2023:

- | | |
|--------------------------|-----------------|
| • Power allotment: | 5 MW |
| • Power deployment date: | January 1, 2025 |
| • Hosting revenue: | \$0.02 per kW/h |
| • Discount rate: | 35% |
| • Useful life: | 6 years |

Management determined that there is an impairment during the year ended December 31, 2023, as the carrying value exceeded its value in use ("VIU") of goodwill, amounting to \$80,043.

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10. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

	December 31, 2024	December 31, 2023
	\$	\$
Right-of-use Assets		
Cost		
Balance, beginning of the period	3,500,053	3,648,198
Adjustment due to renewal option not exercised	—	(148,145)
Lease cancellation	(392,971)	—
Balance, end of the year	3,107,082	3,500,053
Accumulated Depreciation		
Balance, beginning of the period	1,792,830	1,416,156
Depreciation	354,611	435,281
Adjustment due to renewal option not exercised	—	(59,972)
Lease cancellation	(188,111)	—
Exchange loss	692	1,365
Balance, end of the year	1,960,022	1,792,830
Net book value, end of the year	1,147,060	1,707,223

The Company has recorded the cost of restoration in 2020. The Company has included the present value of the expected future decommissioning cost in the total cost of the asset.

	December 31, 2024	December 31, 2023
	\$	\$
Lease Obligations		
Balance, beginning of the period	2,127,936	2,592,691
Adjustment due to renewal option not exercised	—	(100,555)
Interest accretion	217,693	271,080
Lease payments	(616,188)	(635,976)
Lease cancellation	(258,976)	—
Exchange loss	410	696
Balance, end of the year	1,470,875	2,127,936
Current lease obligations	422,076	401,047
Non-current lease obligations	1,048,799	1,726,889
Balance, end of the year	1,470,875	2,127,936

As at December 31, 2024, the Company has two leases in total, the monthly gross rent payment was in the range of \$14,175 to \$34,690 and remaining maturity term was in the range of 33 to 37 months.

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

During the year ended and as at December 31, 2023, the management has assessed the impact of non-availability of additional power from hydro Quebec at Stanstead location on its mining operations and decided to cancel the lease on its original end date i.e. December 31, 2023. There is no penalty or legal fee associated with the cancellation of the lease as the same is in line with the terms of the agreement.

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

As the management did not exercise renewal option previously included in the entity's determination of the lease term, consequently the difference of \$12,382 between right of use assets and lease liability was recorded as gain on cancellation of lease in the Consolidated Statements of Loss and Comprehensive loss for the year ended December 31, 2023, in accordance with the requirements of IFRS-16 – Leases.

As on May 1, 2024, the Company entered into a sub lease agreement with Northrop Grumman Systems Corporation (“Sub Lessee”) for the premises located at Building J-8, Freeport Center, Clearfield, Davis, Utah. Refer note 14 for additional details.

As on November 21, 2024, the rent agreement with Tier 1 Solution Inc. has been cancelled and consequently the difference of \$54,116 between right of use assets and lease liability was recorded as gain on cancellation of lease in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2024, in accordance with the requirements of IFRS-16 – Leases.

Management assessed the indicators of possible impairment to right of use assets for the years ended December 31, 2024, and 2023, and determined that impairment indicators existed due to the cancellation of the above lease agreement. Upon analyzing the current market lease rate for leases, it was determined that the market rental rate is higher than the rental rate as per the lease agreement to support the recoverability of the carrying value and concluded that there are no other indicators of impairment.

The following table presents the contractual undiscounted cash flows for lease obligations as at December 31, 2024:

	December 31,
	2024
	\$
Undiscounted lease obligations	
Less than one year	573,381
One to two years	593,728
Two to three years	554,265
Three to four years	34,691
More than four years	—
Total undiscounted lease obligations	1,756,065
Impact of discounting	(285,190)
Exchange loss	—
Total lease obligations	1,470,875

11. ADVANCES FROM CUSTOMERS

The Company received security deposits and prepayments from customers pursuant to various equipment hosting agreements executed by the Company (the “Equipment Hosting Agreements”) in Utah, USA and Alberta, Canada. Under the terms of the Equipment Hosting Agreements, the Company would provide hosting services and infrastructure to the customers. In the year ended December 31, 2022, the Company terminated the Equipment Hosting Agreements related to Alberta, Canada and repaid the security deposits.

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11. ADVANCES FROM CUSTOMERS (continued)

The following table presents the changes in the deposits during the years ended December 31, 2024, and 2023:

	December 31, 2024 \$	December 31, 2023 \$
Balance, beginning of the year	511,350	696,350
Deposits returned	(351,351)	(185,000)
Balance, end of the year	159,999	511,350

12. RELATED PARTY TRANSACTIONS AND BALANCES

Payable to Related Party

The balance of \$983,302 payable to related party as at December 31, 2024 (December 31, 2023 - \$1,371,266) represents the amount advanced under a line of credit provided by A.C.N 117 402 838 PTY LTD ("ACN"). ACN is related to the Company through common control of the CEO in both Companies. During the year ended December 31, 2023, the Company renewed its line of credit with ACN for further 54- month term ending in June 30, 2027. The renewed line of credit is a revolving credit facility available to fund general corporate purposes with a maximum principal amount of \$1,769,943. The unsecured line of credit bears interest at a rate of 12% per annum, payable monthly in arrears, together with a minimum monthly repayment of principal amount outstanding of \$32,777. As consideration for renewing the line of credit, the Company repaid \$196,660 of the principal amount outstanding of \$1,966,604 under the previous line of credit on January 3, 2023.

	December 31, 2024 \$	December 31, 2023 \$
Balance, beginning of the year	1,371,266	1,966,604
Interest	148,919	190,761
Interest paid	(148,919)	(190,761)
Principal repayment	(387,964)	(595,338)
Balance, end of the year	983,302	1,371,266
Current portion of loan	393,321	393,321
Non-current portion of loan	589,981	977,945
Balance, end of the year	983,302	1,371,266

Key Management Remuneration

Management fees, salaries and wages comprise amounts paid to key management personnel, including officers and directors of ACN, for services provided. Key management remuneration paid to key management personnel and directors during the year ended December 31, 2024, was \$366,249 (December 31, 2023 – \$381,915).

On May 3, 2021, the Company granted 2,000,000 stock options under the Company's stock option plan to an officer of the Company. These options have an exercise price of CAD\$0.28 per stock option, and an expiry date of May 3, 2031. The options vest in equal 25% tranches in each of August 2021, March 2022, October 2022 and May 2023. Share based compensation related to these options during the year ended December 31, 2024, was \$Nil (December 31, 2023 – \$22,803).

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12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Key Management Remuneration (continued)

On June 17, 2022, the Company granted 5,000,000 stock options under the Company's stock option plan to an officer of the Company. 2,500,000 of these options have an exercise price of CAD\$0.05 per stock option and 2,500,000 of these options have an exercise price of CAD\$0.10. These options have an expiry date of June 17, 2032. The options vest in equal 25% tranches in each of September 2022, April 2023, November 2023 and June 2024. Share based compensation related to these options during the year ended December 31, 2024, was \$9,204 (December 31, 2023 - \$62,762).

On February 21, 2023, the Company granted 1,200,000 stock options under the Company's stock option plan to directors of the Company. These options have an exercise price of CAD\$0.05 per stock option, and an expiry date of February 21, 2033. The options vested immediately on February 21, 2023. Share based compensation related to these options during the year ended December 31, 2024, was \$Nil (December 31, 2023 - \$31,068).

The Company incurred directors' fees during the year ended December 31, 2024, of \$55,874 (December 31, 2023 - \$48,854).

Included in trade payable and accrued liabilities was \$3,397 payable to the directors of the Company for the director fees for the year ended December 31, 2024 (December 31, 2023 - \$27,170).

The remuneration of key management personnel paid by ACN on the Company's behalf during the year ended December 31, 2024, was \$279,343 (December 31, 2023 - \$277,983).

13. DECOMMISSION COST

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

During the year ended December 31, 2022, the Company amended the extension clause of one of its lease agreements in Utah, USA. Pursuant to the amendment, the lease period was extended from September 30, 2022, to September 30, 2027, with a further five-year extension option available. Due to the lease amendment described above, the Company reassessed and revised the expected cost to settle the obligation using the estimated cash outflows.

Accordingly, the Company increased the decommission liability by \$277,251 with a corresponding increase in right-of-use assets, to be amortized over the term of the lease. As a result, the Company has reclassified the associated decommission liability from current to long-term.

	December 31, 2024 \$	December 31, 2023 \$
Balance, beginning of the period	377,251	377,251
Addition	—	—
Balance, end of the period	377,251	377,251
Short-term	—	—
Long-term	377,251	377,251
Total decommission cost	377,251	377,251

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13. DECOMMISSION COST (continued)

For the years ended December 31, 2024, and 2023, the Company has used the following assumptions to calculate and reassess the liability:

	December 31, 2024	December 31, 2023
Inflation rate (based on useful life)	1.6% to 2.9%	2.7% to 6.9%
Discount rate	2.74% to 3.64%	3.02% to 4.25%
Useful life	3.75 to 6 years	3.75 to 6 years

No further adjustment has been recorded for the year ended December 31, 2024, as the related impact is not significant.

14. OTHER (EXPENSE) INCOME

The Company incurred a net other expense of \$8,777 during the year ended December 31, 2023 in connection with litigation which was paid and settled during the year.

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

As disclosed in note 9, other income amounting to \$251,415 was recorded in the consolidated statements of loss and comprehensive loss as a result of the settlement with Tier 1 Solution Inc.

As on May 1, 2024, the Company entered into a sub lease agreement with Northrop Grumman Systems Corporation ("Sub Lessee") for the premises located at Building J-8, Freeport Center, Clearfield, Davis, Utah. As the sub lease has been classified as an operating lease, hence the rental income including additional rent; pro rata share of property taxes and insurance premium received during the year ended December 31, 2024 amounting to \$166,396 was recognized as other income in the Consolidated Statements of Loss and Comprehensive loss for the year ended December 31, 2024.

15. SHARE CAPITAL

Authorized

Unlimited common shares without par value.

Issued and Outstanding

The Company issued a total of 14,893,800 common shares during the year ended December 31, 2024. The total outstanding number of shares as at December 31, 2024 was 443,909,869 (December 31, 2023 – 429,016,069).

During March 2024, the Company completed private placements through issuance of 14,893,800 units at CAD 0.05 per unit for gross proceeds of CAD 720,500 (\$534,289). Each unit is comprised of one common share and one share purchase warrant, with each full share purchase warrant exercisable for one common share at CAD 0.07 per share for a period of 36 months from the issuance of the warrants. The common shares and share purchase warrants were valued at \$304,440 and \$229,849 respectively, using the relative fair value method.

In connection with the above private placements, the company issued 433,800 finder's warrant units. Each finder's warrant unit comprises of one common share and one warrant which is exercisable at CAD 0.07 per share for a period of 36 months from the issuance of the finder's warrant units. The common shares and warrants were valued at \$17,645 and \$13,324, respectively.

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15. SHARE CAPITAL (continued)

Issued and Outstanding (continued)

The stand-alone value of share purchase warrants and finder's warrant units were valued using the Black-Scholes valuation model, for the assumptions used refer the warrants section within note 13.

The company incurred cash issuance cost of \$69,118, which is allocated between share capital (\$39,383) and warrant reserve (\$29,735) using the relative fair value method.

Stock Option Plan

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

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

On May 3, 2021, the Company granted 2,000,000 stock options under the Company's stock option plan to an officer of the Company. These options have an exercise price of CAD\$0.28 per stock option, and an expiry date of May 3, 2031. The options vest in equal 25% tranches in each of August 2021, March 2022, October 2022, and May 2023. Share based compensation related to these options during the year ended December 31, 2024, was \$Nil (December 31, 2023 – \$22,803).

On June 17, 2022, the Company granted 5,000,000 stock options under the Company's stock option plan to an officer of the Company. 2,500,000 of these options have an exercise price of CAD\$0.05 per stock option and 2,500,000 of these options have an exercise price of CAD\$0.10. These options have an expiry date of June 17, 2032. The options vest in equal 25% tranches in each of September 2022, April 2023, November 2023, and June 2024. Share based compensation related to these options during the year ended December 31, 2024, was \$9,204 (December 31, 2023 - \$62,762).

On February 21, 2023, the Company granted 1,200,000 stock options under the Company's stock option plan to an officer of the Company. These options have an exercise price of CAD\$0.05 per stock option, and an expiry date of February 21, 2033. The options were vested immediately on February 21, 2023. Share based compensation related to these options during the year ended December 31, 2024, was \$Nil (December 31, 2023 – \$31,068).

The total share-based compensation related to above options during the year ended December 31, 2024 and 2023 are as follows:

Grant Date	Number of Options	Year Ended December 31,	
		2024	2023
		\$	\$
May 3, 2021	2,000,000	—	22,803
June 17, 2022	5,000,000	9,204	62,762
February 21, 2023	1,200,000	—	31,068
	8,200,000	9,204	116,633

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15. SHARE CAPITAL (continued)

Stock Option Plan (continued)

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

Option grant date	February 21, 2023	June 17, 2022	June 17, 2022
Stock options granted	1,200,000	2,500,000	2,500,000
Share price on grant date (in CAD):	\$ 0.035	\$ 0.040	\$ 0.100
Exercise price (in CAD):	\$ 0.050	\$ 0.050	\$ 0.100
Risk-free interest rate:	3.43%	3.41%	3.41%
Forfeiture rate:	0.00%	0.00%	0.00%
Expected dividend yield:	0.00%	0.00%	0.00%
Expected option life (years)	10	10	10
Expected stock price volatility	237.14%	235.33%	235.33%

	Number of Options	Exercise Price CAD\$	Expiry Date
Balance, December 31, 2022	17,290,000		
Granted on February 21, 2023	1,200,000	0.05	21-Feb-33
Forfeited on February 28, 2023	(7,800,000)	0.10	03-Feb-31
Forfeited on February 28, 2023	(1,000,000)	0.50	26-Sep-28
Balance, December 31, 2023	9,690,000		
Expired on July 14, 2024	(250,000)	0.14	18-Jul-24
Balance, December 31, 2024	9,440,000		

The following table summarizes the stock options exercisable as at December 31, 2024:

Exercise Price CAD\$	Number of Outstanding Options	Number of Exercisable Options	Expiry Date	Remaining Contractual Life (Years)
0.500	1,240,000	1,240,000	26-Sep-28	3.74
0.280	2,000,000	2,000,000	03-May-31	6.34
0.050	2,500,000	1,250,000	17-Jun-32	7.47
0.100	2,500,000	1,250,000	17-Jun-32	7.47
0.050	600,000	600,000	21-Feb-33	8.15
0.050	600,000	600,000	21-Feb-33	8.15
0.171	9,440,000	6,940,000		6.82

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15. SHARE CAPITAL (continued)

Stock Option Plan (continued)

The following table summarizes the stock options exercisable as at December 31, 2023:

Exercise Price CAD\$	Number of Outstanding Options	Number of Exercisable Options	Expiry Date	Remaining Contractual Life (Years)
0.135	250,000	250,000	18-Jul-24	0.55
0.500	1,240,000	1,240,000	26-Sep-28	4.74
0.280	2,000,000	2,000,000	03-May-31	7.34
0.050	2,500,000	1,250,000	17-Jun-32	8.47
0.100	2,500,000	1,250,000	17-Jun-32	8.47
0.050	600,000	600,000	21-Feb-33	9.15
0.050	600,000	600,000	21-Feb-33	9.15
0.170	9,690,000	7,190,000		7.64

Warrants

During the year ended December 31, 2024, the Company issued a total of 14,460,000 warrants and 433,800 finder's warrants in connection with the private placement (December 31, 2023 – Nil).

During the year ended December 31, 2024, and 2023, no warrants were exercised

The following table summarizes the warrants issued and outstanding as at December 31, 2024 and 2023:

Warrants - Issued and Outstanding	Number
Balance, December 31, 2022	95,449,447
Addition	—
Expired	(6,282,780)
Exercised	—
Balance, December 31, 2023	89,166,667
Addition	14,893,800
Expired	(89,166,667)
Balance, December 31, 2024	14,893,800

The following table summarizes the warrants exercisable as at December 31, 2024:

Exercise price CAD\$	Number of Outstanding and Exercisable Warrants	Expiry Date	Remaining Contractual Life (Years)
0.070	14,842,300	08-Mar-27	2.18
0.070	51,500	27-Mar-27	2.24
0.070	14,893,800		2.18

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15. SHARE CAPITAL (continued)

Warrants (continued)

The following table summarizes the warrants exercisable as at December 31, 2023:

Exercise Price CAD\$	Number of Outstanding and Exercisable Warrants	Expiry Date	Remaining Contractual Life (Years)
0.400	83,333,334	16-Sep-24	0.71
0.375	5,833,333	16-Sep-24	0.71
0.398	89,166,667		0.71

The fair valuation of warrants granted on March 8, 2024, and March 27, 2024, was calculated using the Black-Scholes option pricing model with the following assumptions:

Warrant grant date	March 8, 2024	March 27, 2024
Number of warrants and finder warrants granted	14,842,300	51,500
Share price on grant date (in CAD):	\$ 0.055	\$ 0.045
Exercise price (in CAD):	\$ 0.070	\$ 0.070
Risk-free interest rate:	4.07%	4.16%
Forfeiture rate:	0.00%	0.00%
Expected dividend yield:	0.00%	0.00%
Expected option life (years)	3	3
Expected stock price volatility	138.37%	137.26%

Shareholder contribution

There were no movements in shareholder contributions during the years ended December 31, 2024, and 2023. The balance remained unchanged at \$3,292,725.

16. INCOME TAXES

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

	December 31, 2024 \$	December 31, 2023 \$
Net loss before recovery of income taxes	(4,527,991)	(5,692,521)
Statutory tax rate	25.87%	26.03%
Expected income tax recovery	(1,171,390)	(1,482,030)
Tax rate changes and other adjustments	—	—
Temporary differences	877,302	2,151,578
Non-deductible expenses and other permanent differences	418,572	124,055
Changes in deferred taxes not recognized	(64,357)	(793,603)
Income tax expense	60,127	—

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16. INCOME TAXES (continued)

Income tax recovery of \$79,521, presented in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2023, represents refund in connection with the finalization of prior periods assessments from taxation authority.

The Company's income tax expense/(recovery) is allocated as follows:

	December 31, 2024 \$	December 31, 2023 \$
Current income tax expense	60,127	—
Deferred income tax expense	—	—
Income tax expense	60,127	—

The following table summarizes the components of deferred tax:

	December 31, 2024 \$	December 31, 2023 \$
Property and equipment	45,800	(1,383,849)
Non-capital losses carried forward - Canada & USA	6,114,338	11,916,688
Digital assets	(89,218)	(32,597)
ROU assets and Lease liabilities	83,771	109,482
Deferred tax assets not recognized	(6,154,691)	(10,609,724)
Net deferred tax assets (liabilities)	—	—

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

Operating losses from operations in Canada of \$7,096,195 (2023: \$28,252,341) may be carried forward to offset future taxable income in Canada and expire as follows:

	\$
2037	57,338
2038	757,042
2039	363,660
2040	714,198
2041	1,166,978
2042	57,495
2043	1,946,778
2044	2,032,706

Operating losses from operations in the United States of \$16,538,700 (2023: \$17,565,079) may be carried forward to offset future taxable income in the United States. Of these losses, \$2,153,064 expires in 2037; the remaining losses are carried forward indefinitely.

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17. 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 expected credit loss provision for potential doubtful receivables is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on delinquent receivables.

The Company is exposed to credit risk on its accounts receivable and others which has a balance of \$21,113 as at December 31, 2024 (December 31, 2023 – \$229,916).

As at December 31, 2024, 52% of the Company's accounts receivable and others balance was due from a customer, (December 31, 2023 – 62% of the Company's accounts receivable and others balance was due from a customer).

As at December 31, 2024, the accounts receivable and others were as follows:

	0-30 days	31-90 days	91+ days	Total
Accounts receivable and others	6,734	—	14,379	21,113

As at December 31, 2023, the accounts receivable and others were as follows:

	0-30 days \$	31-90 days \$	91+ days \$	Total \$
Accounts receivable and others	4,031	154,021	71,864	229,916

An expected credit loss provision for potential doubtful receivables is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on delinquent receivables. As at December 31, 2024, the Company uses simplified provision matrix to determine expected credit losses amounting to \$Nil (December 31, 2023 – \$Nil).

Liquidity Risk

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

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17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity Risk (continued)

As at December 31, 2024, the contractual maturities of financial liabilities were as follows:

	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4+ Years
	\$	\$	\$	\$	\$	\$	\$
Trade payable and accrued liabilities	878,171	878,171	878,171	—	—	—	—
Lease obligations	1,470,875	1,756,065	573,381	593,728	554,265	34,691	—
Payable to related party	983,302	1,135,713	489,684	442,486	203,543	—	—
Decommission cost	377,251	445,000	—	—	445,000	—	—
Total	3,709,599	4,214,949	1,941,236	1,036,214	1,202,808	34,691	—

As at December 31, 2023, the contractual maturities of financial liabilities were as follows:

	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4+ Years
	\$	\$	\$	\$	\$	\$	\$
Trade payable and accrued liabilities	802,974	802,974	802,974	—	—	—	—
Lease obligations	2,127,936	2,676,701	620,894	630,979	652,478	614,190	158,160
Payable to related party	1,371,266	1,672,597	536,883	489,684	442,486	203,544	—
Decommission cost	377,251	445,000	—	—	—	350,000	95,000
Total	4,679,427	5,597,272	1,960,751	1,120,663	1,094,964	1,167,734	253,160

Foreign Currency Risk

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

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

The following table summarizes the Canadian dollar-based assets and liabilities as at December 31, 2024, and 2023:

	December 31, 2024	December 31, 2023
	\$	\$
Cash	1,713,024	2,104,847
Accounts receivable and others	3,536	141,133
Deposits	—	179,447
Trade payable and accrued liabilities	(388,708)	(337,766)
Lease obligations	—	(290,210)
Total	1,327,852	1,797,451

The overall effect on earnings before tax of a 10% strengthening or weakening of the Canadian dollar against the US dollar as at December 31, 2024 on the above net assets, with all other variables held constant, is \$181,889 (December 31, 2023 – \$242,571).

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17. 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 relates to its right of use assets, discounting of financial instruments and its ability to earn interest income on cash balances at variable rates. Changes in short-term interest rates will not have a significant effect on the fair value of the Company's cash account.

Fair Value

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

Financial Hierarchy

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

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

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

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

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

During the year ended December 31, 2024, no assets were transferred between levels (December 31, 2023 – no transfers).

18. DIGITAL CURRENCY AND RISK MANAGEMENT

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

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

Digital currencies have a limited history, and the fair value historically has been very volatile. Historical performances of digital currencies are not indicative of their future price performance. The Company's digital currencies consist primarily of Bitcoin and Ethereum. The impact of a 25% variance in the price of this digital currency on the Company's earnings before tax, based on their closing prices at December 31, 2024, would be \$86,205 (December 31, 2023 – \$31,072).

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19. CAPITAL MANAGEMENT

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

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

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management is consistent with the year ended December 31, 2023.

20. SEGMENTED INFORMATION

The Company has two reportable segments based on geographical locations: Canada and the USA, and three reportable segments based on operations: self-mining, hosting and miner sales, along with a Head Office segment. The disclosures with regards to the Company's aforementioned segments for the years ended December 31, 2024 and 2023 are listed below.

	For The Year Ended December 31, 2024						
	Canada		USA			Head Office	Total
	Mining	Hosting	Mining	Hosting	Miner Sales		
	\$	\$	\$	\$	\$	\$	\$
Income from mining of digital currency							
Digital assets mined	699,134	—	506,642	—	—	—	1,205,776
Hosting income	—	2,129	—	874,219	—	—	876,348
Site operating costs	(738,536)	—	(495,814)	—	—	—	(1,234,350)
Depreciation of right-of-use assets	(24,223)	—	(330,388)	—	—	—	(354,611)
Depreciation of property and equipment	(749,048)	—	(143,831)	—	—	—	(892,879)
Realized gain on digital currencies	209,505	—	—	—	—	—	209,505
Net (loss) income before operating expenses	(603,168)	2,129	(463,391)	874,219	—	—	(190,211)
Operating and other expenses (income)							
Interest and bank charges	1,889	—	6,203	—	—	9,575	17,667
Interest on related party loan	42,269	—	41,122	65,528	—	—	148,919
Interest expense on lease obligations	7,712	—	209,981	—	—	—	217,693
Management fees, salaries and wages	127,421	—	119,891	—	—	431,320	678,632
Office and administration	120,988	—	290,342	—	—	143,556	554,886
Professional fees	7,600	—	78,973	—	—	289,052	375,625
Share based compensation	—	—	—	—	—	9,204	9,204
Write down of inventory	—	—	—	—	209,875	—	209,875
Impairment of property and equipment	259,273	1,037,060	—	—	—	—	1,296,333
Impairment of goodwill	42,879	171,510	—	—	—	—	214,389
Impairment of intangible assets	—	19,754	—	—	—	—	19,754
Loss on disposal of property and equipment	380,029	—	—	—	—	—	380,029
Gain on cancellation of lease	(10,821)	(43,295)	—	—	—	—	(54,116)
Other income	—	—	—	—	—	(417,811)	(417,811)
Foreign exchange loss	89,525	79,581	211,960	22,868	—	282,767	686,701
Total operating and other expenses	1,068,764	1,264,610	958,472	88,396	209,875	747,663	4,337,780
Net (loss) income before tax	(1,671,932)	(1,262,481)	(1,421,863)	785,823	(209,875)	(747,663)	(4,527,991)
Income tax expense	—	—	—	—	—	60,127	60,127
Net (loss) income	(1,671,932)	(1,262,481)	(1,421,863)	785,823	(209,875)	(807,790)	(4,588,118)
Revaluation gain on digital currencies	—	—	75,486	—	—	—	75,486
Currency translation gain	—	—	—	—	—	193,810	193,810
Net comprehensive (loss) income	(1,671,932)	(1,262,481)	(1,346,377)	785,823	(209,875)	(613,980)	(4,318,822)

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20. SEGMENTED INFORMATION (continued)

	For The Year Ended December 31, 2023						
	Canada		USA			Head Office	Total
	Mining	Hosting	Mining	Hosting	Miner Sales		
	\$	\$	\$	\$	\$	\$	\$
Income from mining of digital currency							
Digital assets mined	1,177,563	—	853,347	—	—	—	2,030,910
Hosting income	—	3,877	—	1,592,022	—	—	1,595,899
Site operating costs	(1,278,946)	—	(858,617)	—	—	—	(2,137,563)
Depreciation of right-of-use assets	(29,733)	—	(405,548)	—	—	—	(435,281)
Depreciation of property and equipment	(3,547,172)	—	(681,121)	—	—	—	(4,228,293)
Realized gain on digital currencies	1,070	—	—	—	—	—	1,070
Net (loss) income before operating expenses	(3,677,218)	3,877	(1,091,939)	1,592,022	—	—	(3,173,258)
Operating and other expenses (income)							
Interest and bank charges	978	—	3,211	—	—	4,957	9,146
Interest on related party loan	54,145	—	52,676	83,940	—	—	190,761
Interest expense on lease obligations	9,603	—	261,477	—	—	—	271,080
Management fees, salaries and wages	128,362	—	120,776	—	—	434,505	683,643
Office and administration	115,218	—	276,496	—	—	136,710	528,424
Professional fees	5,912	—	61,429	—	—	224,840	292,181
Share based compensation	—	—	—	—	—	116,633	116,633
Write down of inventory	—	—	—	—	—	226,500	226,500
Impairment of goodwill	16,009	64,034	—	—	—	—	80,043
Impairment of intangible assets	—	237,936	—	—	—	—	237,936
Loss on disposal of property and equipment	163	—	—	—	—	—	163
Gain on cancellation of lease	(2,464)	(9,856)	—	—	—	—	(12,320)
Other expense	—	—	—	—	—	8,777	8,777
Foreign exchange gain	—	—	—	—	—	(113,704)	(113,704)
Total operating and other expenses	327,926	292,114	776,065	83,940	—	1,039,218	2,519,263
Net (loss) income before tax	(4,005,144)	(288,237)	(1,868,004)	1,508,082	—	(1,039,218)	(5,692,521)
Income tax recovery	—	—	—	—	—	(79,521)	(79,521)
Net (loss) income	(4,005,144)	(288,237)	(1,868,004)	1,508,082	—	(959,697)	(5,613,000)
Revaluation gain on digital currencies	—	—	25,303	—	—	—	25,303
Currency translation loss	—	—	—	—	—	(94,909)	(94,909)
Net comprehensive (loss) income	(4,005,144)	(288,237)	(1,842,701)	1,508,082	—	(1,054,606)	(5,682,606)

The disclosures with regards to the Company's aforementioned segments as at December 31, 2024 and December 31, 2023 are listed below:

	Canada		USA			Head Office	Total
	Mining	Hosting	Mining	Hosting	Miner Sales		
	\$	\$	\$	\$	\$	\$	\$
As at December 31, 2024							
Total assets	386,675	1,707,323	1,619,752	1,589,281	—	2,244,993	7,548,024
Total non-current assets	341,465	1,707,323	1,594,924	1,564,453	—	—	5,208,165
Total liabilities	160,685	232,503	1,166,555	1,326,554	—	983,301	3,869,598
As at December 31, 2023							
Total assets	5,847,127	420,723	2,519,624	2,201,279	209,875	1,515,022	12,713,650
Total non-current assets	4,578,612	329,449	2,137,343	1,723,719	—	1,186,343	9,955,466
Total liabilities	2,387,286	171,775	1,114,410	898,747	—	618,559	5,190,777

CRYPTOSTAR CORP.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2024 and 2023
(Expressed in US dollars, unless otherwise stated)

21. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events up to April 29, 2025, the date the consolidated financial statements were issued and determined the following significant events to report:

Post year end, the United States and Canadian governments levied new tariffs on imported goods. This has resulted in considerable economic uncertainty and market volatility. The company continues to monitor ongoing trade negotiations and assess the direct and indirect impacts on the Company's future financial results, if any, which are currently uncertain. The company is also assessing additional cost-saving measures to offset potential tariff-related expenses.

On January 23, 2025, the Company received a copy of a Statement of Claim filed digitally in the Court of King's Bench of Alberta in connection with a contractual dispute by Hydra Fabricators Ltd. ("Hydra"), naming the Company as the defendant. In the Statement of Claim, Hydra is seeking judgment against the defendant in the amount of \$443,096 plus interest thereon in the amount of 8% per month or in the alternative in accordance with the Judgment Interest Act, R.S.A. 2000, Chapter J-1 and amendments thereto, plus storage costs in the amount of \$800 per unit per month, such further and other relief as the Court determines and costs of the action as ordered by the Court. The outcome of the proceeding is not determinable at this time.