Fortress Technologies Inc.

(Formerly Fortress Blockchain Corp. and Focused Capital II Corp.)

Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2019

(In Canadian Dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of Fortress Technologies Inc. (formerly Fortress Blockchain Corp.) for the nine months ended September 30, 2019 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of the interim financial statements by an auditor.

Fortress Technologies Inc. (formerly Fortress Blockchain Corp. and Focused Capital II Corp.)

Condensed Consolidated Interim Statements of Financial Position
(In Canadian Dollars)
(Unaudited)

		September 30, 2019		December 31, 2018
Assets				
Current assets				
Cash	$	**10,682,789**	$	10,564,795
Digital currencies *(Note 5)*		**-**		10,408
Receivables and prepaid expenses *(Note 6)*		**116,693**		89,173
Deposit		**119,163**		122,714
		10,918,645		10,787,090
Property and equipment *(Note 7)*		**669,615**		942,025
Total assets	$	**11,588,260**	$	11,729,115
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities *(Note 8)*	$	**208,566**	$	217,793
		208,566		217,793
Equity				
Share capital (Note 10)		**21,367,543**		21,367,543
Reserves (Note 10)		**2,035,173**		1,569,399
Deficit		**(12,023,022)**		(11,425,620)
Total equity		**11,379,694**		11,511,322
Total liabilities and equity	$	**11,588,260**	$	11,729,115

Nature of operations *(Note 1)*

Approved by the Board of Directors and authorized for issue on November 26, 2019:

"Aydin Kilic" Director

"David Jaques" Director

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

Fortress Technologies Inc. (formerly Fortress Blockchain Corp. and Focused Capital II Corp.)

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Loss

(In Canadian Dollars)
(Unaudited)

	Three months ended September 30, 2019	*Three months ended September 30, 2018*	*Nine months ended September 30, 2019*	*Nine months ended September 30, 2018*
Revenues *(Note 5)*	**$ 616,341**	$ 617,034	**$ 1,319,157**	$ 2,235,358
Cost of sales				
Operating costs	**(256,789)**	(232,760)	**(663,223)**	(539,310)
Depreciation *(Note 7)*	**(92,783)**	(284,893)	**(244,163)**	(660,394)
	(349,572)	(517,653)	**(907,386)**	(1,199,704)
Loss on revaluation of digital currencies	**-**	249,704	**-**	(1,646)
Loss on sale of digital currencies	**-**	(250,025)	**-**	(250,025)
General and administrative expenses				
Depreciation *(Note 7)*	**529**	102,922	**1,587**	236,871
Business development	**-**	11,866	**450**	11,866
Management and consulting fees	**48,093**	85,250	**144,281**	241,808
Marketing	**-**	36,114	**5,295**	148,140
Office and administration	**53,032**	132,671	**180,772**	176,065
Professional fees	**50,988**	288,545	**241,654**	522,575
Repairs and maintenance	**-**	-	**-**	22,224
Salaries and wages	**-**	74,102	**5,366**	156,416
Share based compensation *(Note 10)*	**36,388**	263,750	**295,020**	849,487
Travel	**2,289**	22,987	**10,598**	85,124
	(191,319)	(1,018,207)	**(885,023)**	(2,450,576)
Operating income (loss)	**75,450**	(919,147)	**(473,252)**	(1,666,593)
Interest income	**111,784**	41,872	**135,596**	75,691
Interest expense	**-**	(336)	**-**	(336)
Foreign exchange	**(473,827)**	(296,567)	**(259,746)**	160,044
Listing expenses	**-**	(390,694)	**-**	(390,694)
	(362,043)	(645,725)	**(124,150)**	(155,295)
Net loss before tax	**(286,593)**	(1,564,872)	**(597,402)**	(1,821,888)
Income tax expense (recovery)	**-**	(11,723)	**-**	107,140
Net loss for the period	**$ (286,593)**	$ (1,553,149)	**$ (597,402)**	$ (1,929,028)
Other comprehensive income (loss)				
Translation adjustment	**170,754**	(65,161)	**170,754**	51,065
Other comprehensive income (loss)	**170,754**	(65,161)	**170,754**	51,065
Comprehensive loss for the period	**$ (115,839)**	$ (1,618,310)	**$ (426,648)**	$ (1,877,963)
Basic and diluted loss per share	**$ (0.00)**	$ (0.02)	**$ (0.01)**	$ (0.03)
Weighted average number of common shares outstanding - basic and diluted	**71,177,984**	70,207,330	**71,177,984**	67,412,634

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

Fortress Technologies Inc. (formerly Fortress Blockchain Corp. and Focused Capital II Corp.)

Condensed Consolidated Interim Statements of Changes in Equity

(In Canadian Dollars)

(Unaudited)

	Number of Shares	Capital Amount	Cumulative translation adjustment	Equity reserved	Accumulated Deficit	Total Equity (Deficit)
Balance, January 1, 2018	8,000,002	$ 22,905	$ 40	$ -	$ (66,021)	$ (43,076)
Units issued to WeHash *(Note 4)*	3,500,000	1,750,000	-	-	-	1,750,000
Recapitalization transaction:						
Equity of Focused Capital *(Note 3)*	1,900,003	950,002	-	-	-	950,002
Units issued for cash *(Note 10)*	5,400,000	540,000	-	-	-	540,000
Shares issued for cash *(Note 10)*	47,377,979	19,493,394	-	-	-	19,493,394
Share issuance costs *(Note 10)*	-	(1,413,758)	-	256,902	-	(1,156,856)
Exercise of convertible debenture *(Note 9)*	5,000,000	25,000	-	-	-	25,000
Share based compensation	-	-	-	846,808	-	846,808
Translation adjustment	-	-	465,649	-	-	465,649
Net loss for the year	-	-	-	-	(11,359,599)	(11,359,599)
Balance, December 31, 2018	**71,177,984**	**$ 21,367,543**	**$ 465,689**	**$ 1,103,710**	**$ (11,425,620)**	**$ 11,511,322**
Share based compensation	-	-	-	295,020	-	295,020
Translation adjustment	-	-	170,754	-	-	170,754
Net loss for the period	-	-	-	-	(597,402)	(597,402)
Balance, September 30, 2019	**71,177,984**	**$ 21,367,543**	**$ 636,443**	**$ 1,398,730**	**$ (12,023,022)**	**$ 11,379,694**

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

Fortress Technologies Inc. (formerly Fortress Blockchain Corp. and Focused Capital II Corp.)

Condensed Consolidated Interim Statements of Cash Flows

(In Canadian Dollars)

(Unaudited)

		Nine months ended September 30, 2019		*Nine months ended September 30, 2018*
Operating activities				
Loss for the period	**$**	**(597,402)**	$	(1,929,028)
Depreciation		**245,750**		897,265
Listing expense		**-**		359,982
Share based compensation		**295,020**		849,487
Income tax expense		**-**		107,140
Interest income		**(135,596)**		
Revaluation of digital currencies		**-**		1,646
Loss on sale of digital currencies		**13,380**		250,025
Foreign exchange		**259,746**		(160,044)
Change in non-cash working capital components				
Increase in receivables and prepaid expenses		**26,980**		(128,638)
Increase in accounts payables and accrued liabilities		**(6,110)**		161,513
Increase in deposits		**-**		(116,990)
Increase in digital currencies		**(3,106)**		(1,849,117)
Due to shareholders		**-**		(40,221)
		98,662		(1,596,980)
Interest received		**79,102**		-
Net cash flows provided by (used in) operating activities		**177,764**		(1,596,980)
Investing activities				
Purchase of property and equipment *(Note 7)*		-		(8,932,584)
Deposit		-		(33,000)
Cash used in investing activities		-		(8,965,584)
Financing activities				
Proceeds on issuance of units *(Note 10)*		-		540,000
Proceeds on issuance of shares *(Note 10)*		-		14,931,811
Share issuance costs *(Note 10)*		-		(1,163,005)
Proceeds from sale of digital currencies		-		1,492,029
Cash provided by financing activities		-		15,800,835
Change in cash during the period		**177,764**		5,238,271
Effect of exchange rate changes on cash		**(59,770)**		254,579
Cash, beginning of period		**10,564,795**		5,118,117
Cash, end of period	**$**	**10,682,789**	$	10,610,967
Non-cash transctions				
Shares issued for finder's fees	**$**	**-**	$	256,902
Shares issued to WeHash	**$**	**-**	$	1,750,000
Intangible asset in receivables and prepaid expenses	**$**	**-**	$	33,000

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

1. Nature of Operations

Fortress Technologies Inc., (formerly Fortress Blockchain Corp. and Focused Capital II Corp.) (the "Company" or "Fortress") was incorporated under the Business Corporations Act (Ontario) on July 13, 2011. The Company's head office and registered and records office is located at 320 – 638 Broughton Street, Vancouver, British Columbia, Canada, V6G 3K3. The Company's common shares are listed under the symbol "FORT" on the TSX Venture Exchange.

On March 21, 2018, the Company entered into a definitive business combination agreement with Fortress Blockchain Corp. ("Fortress Corp."), a private British Columbia company incorporated on November 14, 2017, whereby the Company acquired all issued and outstanding shares of Fortress Corp on August 16, 2018 on a one-for-one basis (the "RTO"). The RTO was structured as a three-cornered amalgamation pursuant to which Fortress Corp. amalgamated with a wholly owned subsidiary of the Company, 1171054 BC Ltd. to form an amalgamated entity, Fortress Blockchain Holdings Corp.

In February 2018, the Company acquired a cryptocurrency mining facility in Washington State (the "Flagship Facility"), and purchased 1,400 ASIC S9 Antminers.

On March 27, 2019, the Company has subleased The Flagship Facility (the "Sublease Agreement") to WeHash Technology LLP ("WeHash") for US$25,000 payable at every thirty-day period.

On May 16, 2019, the Sublease Agreement was amended whereby the US$25,000 payable at every thirty-day period is replaced by a monthly Consulting Fee (defined below) for the custody, sale of Bitcoin and transferring proceeds from sale of Bitcoin to the Company in US dollars. The Company will receive all cash proceeds from the sale of the all the Bitcoin mined in The Flagship Facility. The Net Profit from the mining operation (revenue less electricity, WeHash Contractor fee, insurance, internet lease costs, regulatory and state taxes collectively as "Operational Expenses") will be determined. From the Net Profit, WeHash will be paid 10% of the Net Profit as consulting fee (the "Consulting Fee"). The Consulting Fee shall not exceed US$10,000 or US$10,000 Bitcoin equivalent per month.

The Company is actively seeking business opportunities to re-establish the Company in the technology sector.

2. Basis of Presentation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting of the International Financial Reporting Standards" ("IFRS") as issued by the International Accounting Standards Board ("IASB"), following the same accounting policies, including estimates and judgments and methods of application as those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2018 except as described in the notes to the condensed consolidated interim financial statements. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2018, which have been prepared in accordance with IFRS.

These condensed consolidated interim financial statements were approved by the Board of Directors of the Company on November 26, 2019.

2. Basis of Presentation (continued)

Basis of Presentation

These condensed consolidated interim financial statements have been prepared on an accrual basis and are based on historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below.

Basis of Consolidation

The condensed consolidated interim financial statements include the financial statements of the Company and its wholly-owned subsidiaries, which is controlled by the Company. Control is achieved when the parent company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has all of the following: (i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect its returns.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company transactions, balances, income and expenses are eliminated on consolidation.

For the period ended September 30, 2019, the Company had two wholly-owned subsidiaries:
- Fortress Blockchain Holdings Corp. incorporated in the province of BC, and
- Fortress Blockchain (US) Holdings Corp. (“Fortress US”) incorporated in Washington, USA.

The functional currency of Fortress and Fortress Blockchain Holdings Corp. is the Canadian dollar while the functional currency of Fortress US is the US dollar.

Functional and Presentation Currency

These condensed consolidated interim financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the Company.

2. Basis of Presentation (continued)

Adoption of new pronouncements

IFRS 16 – *Leases*

The Company adopted IFRS 16 effective January 1, 2019, using the modified retrospective approach. The comparatives for the 2018 reporting period have not been restated and are accounted for under IAS 17 Leases, as permitted under the specific transitional provisions in the standard. The transitional adjustments arising from the adoption are recognized in the opening consolidated financial statement of financial position on January 1, 2019 (refer to the impact of the IFRS 16 transition below).

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

The Company recognizes a lease liability and a right-of-use asset at the lease commencement date. The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- 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 by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the Company expects to exercise an option to terminate the lease.

The lease liability is subsequently measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

2. Basis of Presentation
Adoption of new pronouncements (continued)

The lease liability 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.

The right-of-use asset is initially measured at cost, which comprises the following:

- the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company; and
- an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The right-of-use asset is subsequently measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. It is depreciated in accordance with the Company's accounting policy for property, mill and equipment, from the commencement date to the earlier of the end of its useful life or the end of the lease term. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to net earnings over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are presented as property, mill and equipment and the lease liabilities are presented as loans on the consolidated statement of financial position.

Impact of Accounting Policy Changes – IFRS 16 Transition

The Company has applied IFRS 16 using the modified retrospective approach which requires the cumulative effect of initial application to be recognized in retained earnings at January 1, 2019. On adoption of IFRS 16, the Company recognized lease liabilities for leases previously classified as an operating lease under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's applicable incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 is 7.0%. For leases previously classified as finance leases under IAS 17, the carrying amount of the lease asset and lease liability immediately before transition was recognized as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

The Company has applied the following practical expedients permitted by IFRS 16:

- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2. Basis of Presentation
Adoption of new pronouncements (continued)

The Company exercised judgment regarding whether it was reasonably certain that the Company would exercise an option to extend a lease. The associated right-of-use assets were measured at the amount equal to the lease liability. As the Company's lease agreement for its cryptocurrency mine facility is ending on August 31, 2019, the Company was able to further extend its lease to December 13, 2019 while the Company is still evaluating future business opportunities. There was no material impact of the transition to IFRS 16 on the Company's statement of financial position.

IFRIC Interpretation 23

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments* ("IFRIC 23") was issued by the IASB on June 7, 2017. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. There was no impact on the Company's condensed consolidated interim financial statements upon the adoption of the interpretation.

3. Reverse Take-over

On August 16, 2018 ("RTO Date"), the Company completed an RTO with Fortress Corp., whereby the Company acquired 100% of the issued and outstanding common shares of Fortress Corp. on a one-for-one basis in exchange for 69,277,981 common shares of the Company. The Company did not constitute a business as defined under IFRS 3; therefore, the RTO is accounted under IFRS 2, where the difference between the consideration given to acquire the Company and the net asset value of the Company is recorded as a listing expense to net loss. The accounting for this transaction resulted in the following:

(i) The consolidated financial statements of the combined entity are issued under the legal parent, Fortress Technologies Inc., but are considered a continuation of the financial statements of the legal subsidiary, Fortress Corp.

(ii) As Fortress Corp. is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.

The shares allocated to the former shareholders of Fortress Corp., on closing the RTO, and considered within the scope of IFRS 2, whereby the value in excess of the net identifiable assets or obligations of the Company acquired on closing was expensed to profit or loss as a listing expense. The fair value of the 1,900,003 common shares for all of Focused Capital was determined to be $950,002.

(In Canadian Dollars)

3. Reverse Take-over (continued)

The fair value of the consideration given and charged to listing expense was comprised of:

Consideration - fair value of the common shares	$	950,002
Legal and professional fees related to RTO		232,143
		1,182,145
Fair value of the Company acquired, net of liabilities		
Cash		457,671
Cash held in trust		59,340
Prepaid expenses		1,412
Trade payables and accrued liabilities		(9,498)
		508,925
Listing expenses	$	673,320

4. Asset Purchase Agreement

On November 1, 2017, prior to the incorporation of Fortress Corp., the directors of Fortress Corp. entered into an asset purchase agreement with WeHash to acquire the Flagship Facility that was used to host customers who mined cryptocurrencies (the “Agreement”). In accordance with the Agreement, the directors acquired the Flagship Facility and assumed the lease of real property and electrical utility rates. On December 22, 2017, the Agreement was amended and the rights and obligations under the Agreement were assigned to Fortress Corp. The transaction was completed on February 16, 2018.

The total consideration was as follows:

Considerations		
Cash payment – US$3,000,000	$	3,747,925
Units issued to WeHash – 3,500,000 units (Note 11)		1,750,000
Transaction expenses		154,156
Considerations fully allocated to facility	$	5,652,081

The fair value of 3,500,000 units of the Company was estimated to be $0.50 per unit using the price of a financing that was completed prior to the closing of the acquisition of the Flagship Facility.

(In Canadian Dollars)

5. Digital currencies and revenue

For the nine months period ended September 30, 2019, the Company recorded revenue of $1,319,157 of which $262,980 from mining revenue and $1,056,177 from sublease revenue (September 30, 2018 - $2,235,358).

Mining Revenue

Digital currencies are recorded at their fair value on the date they are received as revenues and are revalued to their current market value at each reporting date. Fair value is determined by using the daily price of Bitcoin from https://www.blockchain.com/en/charts/market-price and the daily price of Bitcoin Cash from https://finance.yahoo.com/quote/BCH-USD/history/.

The Company established a policy to sell its digital currencies to Goldmoney, a related party (Note 11), until March 5, 2019.

Bitcoin	Units	US Dollars (functional currency)	Cdn Dollars (presentation currency)
Opening Balance at January 1, 2018	-	-	-
Revenue from Bitcoin mined	247.54	1,700,315	2,207,703
Bitcoin sold	(246.22)	(1,695,013)	(2,201,314)
Fair value revaluation of Bitcoin	-	(281)	(364)
Translation adjustment	-	-	824
Balance of Bitcoin as at December 31, 2018	1.32	5,021	6,849
Revenue from Bitcoin mined	53.71	198,217	262,980
Bitcoin sold	(55.03)	(203,238)	(269,829)
Balance of Bitcoin Cash as at September 30, 2019	-	-	-

Bitcoin Cash	Units	US Dollars (functional currency)	Cdn Dollars (presentation currency)
Opening Balance at January 1, 2018	-	-	-
Revenue from Bitcoin Cash mined	99.68	74,037	98,960
Bitcoin Cash sold	(82.20)	(54,229)	(70,538)
Fair value revaluation of Bitcoin Cash	-	(17,199)	(24,303)
Translation adjustment	-	-	(560)
Balance of Bitcoin Cash as at December 31, 2018	17.48	2,609	3,559
Bitcoin Cash sold	(17.48)	(2,609)	(3.559)
Balance of Bitcoin Cash as at September 30, 2019	-	-	-

On March 5, 2019, the Company deactivated all crypto-currency mining hardware at the Flagship Facility. As at March 5, 2019, the Company does not hold any digital currencies (December 31, 2018 – 1.32 Bitcoin at US$5,021 (Cdn$6,849) and 17.48 Bitcoin Cash at US$2,609 (Cdn$3,559).

5. Digital currencies and revenue (continued)

Sublease Revenue

On March 27, 2019, the Company has subleased The Flagship Facility (the "Sublease Agreement") to WeHash for US$25,000 payable at every thirty-day period.

On May 16, 2019, the Sublease Agreement was amended whereby the US$25,000 payable at every thirty-day period is replaced by a monthly Consulting Fee (defined below) for the custody, sale of Bitcoin and transferring proceeds from sale of Bitcoin to the Company in US dollars. The Company will receive all cash proceeds from the sale of the all the Bitcoin mined in The Flagship Facility. The Net Profit from the mining operation (revenue less electricity, WeHash Contractor fee, insurance, internet lease costs, regulatory and state taxes collectively as "Operational Expenses") will be determined. From the Net Profit, WeHash will be paid 10% of the Net Profit as consulting fee (the "Consulting Fee"). The Consulting Fee shall not exceed US$10,000 or US$10,000 Bitcoin equivalent per month.

	September 30, 2019	December 31, 2018
Sublease Revenue	**$ 1,056,177**	$ -
	$ 1,056,177	$ -

6. Receivables and prepaid expenses

	September 30, 2019	December 31, 2018
Prepaid expenses (Rent and insurance of Bitcoin mine)	**$ 49,353**	$ 89,173
Accrued interest income	**56,494**	-
Receivables	**10,846**	-
	$ 116,693	$ 89,173

(In Canadian Dollars)

7. Property and equipment

	Facility Asset Purchase	Miners	Office Equipment	Total
Cost				
Balance, December 31, 2017	6,415	-	-	6,415
Additions	5,702,192	4,605,780	6,351	10,314,323
Impairment	(5,405,894)	(3,973,129)	-	(9,379,023)
Translation adjustment	162,506	151,519	-	314,025
Balance, December 31, 2018	**465,219**	**784,170**	**6,351**	**1,255,740**
Additions	-	-	-	-
Translation adjustment	(22,935)	(13,607)	-	(36,542)
Balance, September 30, 2019	**442,284**	**770,563**	**6,351**	**1,219,198**
Accumulated depreciation				-
Balance, December 31, 2017	-	-		-
Additions	968,366	1,403,715	1,361	2,373,442
Impairment	(900,983)	(1,191,100)	-	(2,092,083)
Translation adjustment	10,153	22,202	-	32,355
Balance, December 31, 2018	**77,536**	**234,817**	**1,361**	**313,714**
Additions	65,434	178,731	1,588	245,753
Translation adjustment	(2,469)	(7,415)	-	(9,884)
Balance, September 30, 2019	**140,501**	**406,133**	**2,949**	**549,583**
Carrying amount				
Balance, December 31, 2017	6,415	-	-	6,415
Balance, December 31, 2018	387,683	549,353	4,990	942,026
Balance, September 30, 2019	**301,783**	**364,430**	**3,402**	**669,615**

8. Accounts payable and accrued liabilities

	September 30, 2019	December 31, 2018
Accounts payable	**$ 116,123**	$ 144,259
Accrued liabilities	**92,443**	73,534
	$ 208,566	$ 217,793

9. Convertible Debenture

On November 15, 2017, the Company entered into two unsecured convertible debentures of $25,000, bearing no interest and maturing on November 15, 2019 each to the Chief Executive Officer (the "CEO") and a former director of the Company. Each debenture was convertible into units of the Company at $0.005 per unit. Each unit consists of one common share of the Company and 0.7692308 of one warrant. Each warrant entitled the holder to acquire one common share of the Company at $0.50 per share for 60 months following the issue date.

On December 22, 2017, the CEO converted the $25,000 convertible debenture into 5,000,000 common shares of the Company and 3,846,154 warrants.

On January 8, 2018, a former director converted the $25,000 convertible debenture into 5,000,000 common shares of the Company and 3,846,154 warrants.

10. Share Capital

a. Authorized
Unlimited number of common shares without par value

b. Issued and outstanding
During the year ended December 31, 2018, the Company completed the following transactions:

(i) Immediately prior to the closing of the RTO on August 16, 2018, the Company completed a consolidation of its common shares on the basis of 3.25 pre-consolidation shares to one post-consolidation common share for a pre-RTO balance of 1,900,003 common shares outstanding in the Company (Note 3).

(ii) Upon completion of the RTO (Note 3), the Company issued a total of 1,900,003 common replacement shares to the previous shareholders of Focused Capital II Corp.

(iii) On August 16, 2018, in accordance with the RTO (Note 1), 69,277,981 common shares of Fortress were issued to the shareholders of Fortress Corp. as consideration for 100% of the issued and outstanding shares of Fortress Corp.

Prior to the RTO, the Company completed the following transactions:

On January 4, 2018, the Company completed a non-brokered private placement, issued 4,000,000 units at $0.10 per unit for gross proceeds of $400,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant shall be exercisable at $0.50 per warrant to acquire one additional common share of the Company during a period of 12 months following the date of issue. The Company incurred $30 of share issuance costs.

10. Share Capital (continued)

On January 4, 2018, the Company completed a non-brokered private placement, issued 1,400,000 units at $0.10 per unit for gross proceeds of $140,000. Each unit consists of one common share of the Company and one-half common share purchase warrant. Each warrant shall be exercisable at $0.50 per warrant to acquire one additional common share of the Company during a period of 36 months following the date of issue.

On January 4, 2018, the Company completed a non-brokered private placement, issuing 3,600,000 common shares for proceeds of $360,000.

On January 5, 2018, the Company completed a non-brokered private placement, issued 13,327,979 common shares at $0.30 per common share for gross proceeds of $3,998,394. The Company incurred $26,707 of share issuance costs.

On January 8, 2018, the Company issued 450,000 common shares for proceeds of $135,000.

On January 9, 2018, the Company completed a brokered private placement, issued 30,000,000 common shares at $0.50 per share for gross proceeds of $15,000,000. In connection with the private placement, the Company paid agents' fees of $1,029,000, other share issuance costs of $101,119 and 3.5% compensation option with a fair value of $256,902 (1,050,000 compensation options, in aggregate) exercisable at a price of $0.50 per share for a period of 24 months following the closing.

On February 16, 2018, the Company completed the WeHash asset purchase agreement as disclosed in Note 3. As part of the purchase price, the Company issued 3,500,000 units at $0.50 per share. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant shall be exercisable at $0.50 per warrant to acquire one additional common share of the Company during a period of 12 months following the date of issue.

b. Escrow shares

Pursuant to the RTO dated August 16, 2018 (Note 3), a portion of the common shares, warrants and options issued as part of the transaction are subject to escrow restrictions. Pursuant to the escrow agreements, the shares will be released as follows: 25% on the date of the Final Exchange Bulletin respecting the RTO (August 20, 2018) and 25% will be released 6, 12, and 18 months thereafter.

As of September 30, 2019, the Company has 6,731,727 common shares in escrow (2018 – 14,050,180).

c. Stock options

During the nine months period ended September 30, 2019, the Company:

- Granted 500,000 stock options exercisable at a price of $0.12 and 3,000,000 stock options exercisable at a price of $0.15 expiring three years from the date of the grant and will vest over nine months to the directors of the Company. The fair value per options granted was $0.07 and the share based compensation expense recognized for the vesting of these options for the nine months ended September 30, 2019 was $243,579.

(In Canadian Dollars)

10. Share Capital (continued)

- Granted 100,000 stock options exercisable at $0.18 expiring three years from the date of the grant vesting immediately to an officer of the Company. The fair value per options granted was $0.12 and the share based compensation expense recognized for the nine months ended September 30, 2019 was $11,508.

During the year ended December 31, 2018, the Company:

- Granted 1,050,000 brokers' options with an exercise price of $0.50 per share and an expiry date of January 9, 2020, which vested immediately; the fair value per option granted was $0.25 with a share based compensation expense recorded as share issuance costs of $256,902.

- Granted 72,500 stock options with an exercise price of $0.50 per share and an expiry date of February 20, 2028, which vested immediately; the fair value per option granted was $0.43 with a share based compensation expense of $31,408.

- Granted 480,000 stock options with an exercise price of $0.50 per share and an expiry date of February 20, 2028, which vested quarterly on May 20, 2018 and then a further 1/4 every three months thereafter with the final tranche vesting on February 20, 2019; the fair value per option granted was $0.43 per option and the share based compensation expense recognized for the vesting of these options for the nine months ended September 30, 2019 was $4,722 (year ended December 31, 2018 - $166,834).

- Granted 1,550,000 stock options with an exercise price of $0.60 per share and an expiry date of February 20, 2028, which vested quarterly on May 20, 2018 and then a further 1/4 every three months thereafter with the final tranche vesting on February 20, 2019; the fair value per option granted was $0.43 per option and the share based compensation expense recognized for the vesting of these options for the nine months ended September 30, 2019 was $17,886 (year ended December 31, 2018 - $568,828).

- Granted 233,000 stock options with an exercise price of $0.60 per share and an expiry date of August 15, 2028 which vested quarterly on November 16, 2018 and then a further 1/4 every three months thereafter with the final tranche vesting on August 16, 2019; the fair value per option granted was $0.28 per option and the share based compensation expense recognized for the vesting of these options for the nine months ended September 30, 2019 was $17,325 (year ended December 31, 2018 - $32,956).

- Granted 138,428 stock options with an exercise price of $0.65 per share and an expiry date of December 20, 2021, which vested immediately; the fair value per option granted was $0.28 with a share based compensation expense of $46,782.

	2019	2018
Risk-free interest rate	**1.49% - 1.77%**	1.79% - 2.32%
Expected life (years)	**3**	2 - 10
Annualized volatility	**97% - 104%**	91% - 114%
Dividend rate	**0.00%**	0.00%

(In Canadian Dollars)

10. Share Capital (continued)

The following is a summary of changes in stock options outstanding for the period ended September 30, 2019:

	Options outstanding	Weighted-average exercise price ($)
Balance, December 31, 2017	-	0.00
Issued - Brokers' options	1,050,000	0.50
Issued - consultants, management and directors' options	2,473,928	0.58
Forfeited	(384,000)	0.58
Balance, December 31, 2018	3,139,928	0.55
Issued - management and directors' options	3,600,000	0.15
Cancelled	(85,500)	0.15
Forfeited	(4,500)	0.15
Balance, September 30, 2019	6,649,928	0.34

The stock options outstanding and exercisable as at September 30, 2019, are as follows:

Outstanding	Exercisable	Exercise price ($)	Expiry date
1,050,000	1,050,000	0.500	January 8, 2020
459,500	459,500	0.500	February 19, 2028
1,300,000	1,300,000	0.600	February 19, 2028
102,000	102,000	0.600	August 15, 2028
138,428	138,428	0.650	December 20, 2021
500,000	375,000	0.125	February 6, 2022
3,000,000	2,250,000	0.150	February 6, 2022
100,000	100,000	0.180	May 29, 2022
6,649,928	5,774,928		

e. Warrants

Following is a summary of changes in warrants outstanding for the period ended September 30, 2019:

	Warrants	Weighted-average exercise price ($)
Balance, December 31, 2017	6,153,846	0.00
Issued	12,046,154	0.50
Balance, December 31, 2018	18,200,000	0.50
Expired	(8,200,000)	0.50
Balance, September 30, 2019	10,000,000	0.50

(In Canadian Dollars)

10. Share Capital (continued)

The warrants outstanding as at September 30, 2019, are as follows:

Outstanding	Exercise price ($)	Expiry date
2,307,692	0.50	November 29, 2020
3,846,154	0.50	December 21, 2022
3,846,154	0.50	January 7, 2023
10,000,000	0.50	

11. Related Party Transactions

Payments to Goldmoney Inc.
The Company formerly had an account with Goldmoney Inc. (“Goldmoney”) to sell its digital currencies. Mr. Roy Sebag, the Founder, CEO and a major shareholder of Goldmoney is also the Chairman of the Board of Directors of Fortress. The Company paid US$1,023 (Cdn$1,366) to Goldmoney for the three months period ended March 31, 2019 (year ended December 31, 2018 - US$7,193 (Cdn$9,395)) as commissions payable for the sale of digital currencies (55.29 Bitcoin and 15.78 Bitcoin Cash) through Goldmoney (Note 5).

Key Management Compensation
Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of the Company’s corporate officers.

For the nine months period ended September 30, 2019, key management compensation includes management and consulting fees paid for the amount of $151,495 (December 31, 2018 - $257,825) in relation to management consulting fees and $nil (December 31, 2018 - $42,716) for executive assistant and business consultant services provided by a company controlled by the CEO of the Company. These fees include services provided by two people, as well as the provision of office space and a corporate boardroom, a dedicated office telephone landline, along with computing and printing resources. The Company paid key management and accounting services to the company controlled by the CFO of the Company for the amount of $47,250 (December 31, 2018 - $15,750). For the year ended December 31, 2018, the Company paid key management salaries for the amount of $229,387 to the former CFO and former CTO. The Company incurred shared based compensation of $266,720 (December 31, 2018 - $400,451) to directors and management.

(In Canadian Dollars)

12. Financial Instruments

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and commodity price risk.

Credit risk
Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The financial instruments that represent a potential concentration of credit risk consist primarily of cash, digital currencies and receivables and prepaid expenses. The Company limits its exposure to credit loss by placing its cash with Tier-1 Canadian financial institutions. All the receivables are current. The carrying amount of financial assets represents the maximum credit exposure.

	September 30, 2019	December 31, 2018
Cash	**$ 10,682,789**	$ 10,564,795
Deposit	**119,163**	122,714
	$ 10,801,952	$ 10,687,509

The Company believes it has no significant credit risk.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations. The Company manages its liquidity risk by ensuring that it has enough cash to meet its financial liabilities. As at September 30, 2019, the Company had a working capital surplus of $10,710,079, the majority of which is comprised of a cash balance of $10,682,789 to settle current liabilities of $208,566. All of the Company's financial liabilities sounds have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as Bitcoin and Bitcoin Cash prices, interest rates, foreign exchange rates and equity prices.

Based on the current balances of digital currencies, the Company believes that it is not exposed to significant risk from commodity pricing, interest rates and foreign exchange rates.

Bitcoin and Bitcoin Cash prices
Digital currencies have a limited history and have had a high degree of price volatility. The historical performance of digital currencies may not be indicative of their future performance. A decline in the fair value of these digital currencies could have a significant impact on the Company's earnings. In addition, the Company may not be able to liquidate its inventory of digital currency at its desired price if required.

Based on the current balances of digital currencies, the Company believes that it is not exposed to significant risk from the volatility in Bitcoin and Bitcoin Cash prices.

12. Financial Instruments (continued)

Interest rate risk
The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The interest rate risk on bank deposits is insignificant as the deposits are short term. The Company is not exposed to interest rate risk in respect to amounts due to shareholder and convertible debenture as both are non-interest bearing.

Foreign currency risk
Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to currency risk as the entities operated in Canada holds financial assets in US dollars while its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

If the US dollar had changed against the Canadian dollar by 10% at period end, the Company's net loss and comprehensive loss after taxes would change by approximately $238,932, resulting from the translation of the US dollar denominated financial instruments.

Fair value hierarchy

The Company applied the following fair value hierarchy for financial instruments that are carried at fair value. The hierarchy prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels:

The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As at September 30, 2019, cash is assessed as a Level 1 instrument while digital currencies are assessed as a Level 2 instrument.

The Companies financial instruments have been classified as follows:

	Level 1	Level 2	Level 3
Fair value:			
Financial assets			
Cash	$ 10,682,789	$ -	$ -
Deposit	$ 119,163	$ -	$ -
Financial liabilities			
Accounts payable	$ 208,566	$ -	$ -

13. Capital Management

The Company's objective when managing capital is to maintain liquidity while providing returns to shareholders and benefits for other stakeholders.

The Company includes equity, comprised of share capital and deficit in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources for its operations and to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The Company monitors capital on the basis of maintaining sufficient cash flow to comply with financial obligations.