

Fortress Technologies Inc.

Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2020

(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. for the three months ended March 31, 2020 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.

Condensed Consolidated Interim Statements of Financial Position

(In Canadian Dollars)

(Unaudited)

	March 31, 2020	December 31, 2019
Assets		
Current assets		
Cash	\$ 10,439,010	\$ 10,293,948
Digital currencies (Note 3)	42,227	-
Accrued GIC interest receivable	128,158	116,779
Prepaid expenses (Note 4)	111,389	137,539
Deposit (Note 5)	127,564	116,893
	10,848,348	10,665,159
Property and equipment (Note 6)	526,270	565,011
Total assets	\$ 11,374,618	\$ 11,230,170
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 190,679	\$ 202,131
	190,679	202,131
Equity		
Share capital (Note 8)	21,367,543	21,367,543
Reserves (Note 8)	1,662,886	2,147,252
Deficit	(11,846,490)	(12,486,756)
Total equity	11,183,939	11,028,039
Total liabilities and equity	\$ 11,374,618	\$ 11,230,170

Nature of operations (Note 1)

Approved by the Board of Directors and authorized for issue on June 1, 2020:

"Aydin Kilic" Director

"David Jaques" Director

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

Fortress Technologies Inc.

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

(In Canadian Dollars)

(Unaudited)

	<i>Three months ended March 31, 2020</i>	<i>Three months ended March 31, 2019</i>
Revenues (Note 3)	\$ 316,811	\$ 262,980
Cost of sales		
Operating costs	(265,870)	(199,441)
Depreciation (Note 6)	(85,331)	(57,155)
	(351,201)	(256,596)
	(34,390)	6,384
General and administrative expenses		
Depreciation (Note 6)	529	529
Business development	91	240
Management and consulting fees	21,094	48,094
Marketing	-	45
Office and administration	51,425	55,448
Professional fees	47,662	30,778
Salaries and wages	-	4,854
Share based compensation (Note 8)	-	162,993
Travel	469	7,208
	(121,270)	(310,189)
Operating income (loss)	(155,660)	(303,805)
Interest income	37,232	9,510
Foreign exchange	758,694	(41,481)
	795,926	(31,971)
Net income (loss)	640,266	(335,776)
Other comprehensive income (loss)		
Translation adjustment	(469,663)	(22,584)
Other comprehensive loss	(469,663)	(22,584)
Net income (loss) and comprehensive income (loss)	\$ 170,603	\$ (358,360)
Basic and diluted earnings per share	\$ 0.01	\$ (0.00)
Weighted average number of common shares outstanding - basic and diluted	71,177,984	71,177,984

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

Fortress Technologies Inc.

Condensed Consolidated Interim Statements of Changes in Equity

(In Canadian Dollars)

(Unaudited)

	Number of Shares	Capital Amount	Cumulative translation adjustment	Equity reserved	Revaluation gain	Accumulated Deficit	Total Equity (Deficit)
Balance, December 31, 2018	71,177,984	\$ 21,367,543	\$ 465,689	\$ 1,103,710	\$ -	\$ (11,425,620)	\$ 11,511,322
Share based compensation	-	-	-	303,790	-	-	303,790
Translation adjustment	-	-	257,083	-	-	-	257,083
Net loss for the year	-	-	-	-	-	(1,061,136)	(1,061,136)
Balance, December 31, 2019	71,177,984	\$ 21,367,543	\$ 722,772	\$ 1,407,500	\$ -	\$ (12,486,756)	\$ 11,011,059
Balance, December 31, 2019	71,177,984	\$ 21,367,543	\$ 722,772	\$ 1,407,500	\$ -	\$ (12,486,756)	\$ 11,011,059
Translation adjustment	-	-	(469,663)	-	-	-	(469,663)
Revaluation gain	-	-	-	-	2,277	-	2,277
Net loss for the period	-	-	-	-	-	640,266	640,266
Balance, March 31, 2020	71,177,984	\$ 21,367,543	\$ 253,109	\$ 1,407,500	\$ 2,277	\$ (11,846,490)	\$ 11,183,939

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

Fortress Technologies Inc.

Condensed Consolidated Interim Statements of Cash Flows

(In Canadian Dollars)

(Unaudited)

	<i>Three months ended</i> <i>March 31,</i> <i>2020</i>	<i>Three months ended</i> <i>March 31,</i> <i>2019</i>
Operating activities		
Net income (loss)	\$ 640,266	\$ (337,708)
Depreciation (<i>Note 6</i>)	85,860	57,919
Share based compensation (<i>Note 8</i>)	-	162,993
Interest income	(37,232)	-
Loss on sale of digital currencies	10,026	235
Foreign exchange	-	-
Change in non-cash working capital components		
Decrease in receivables	21,837	39,689
Decrease in prepaid expenses	35,312	-
Increase in accounts payables and accrued liabilities	(19,071)	(105,949)
(Increase) decrease in digital currencies	(47,501)	9,910
Decrease in unearned revenue	-	33,238
Cash flows used in operating activities	689,497	(139,673)
Interest received	5,400	-
Net cash flows provided used in operating activities	694,897	(139,673)
Change in cash during the period	694,897	(139,673)
Effect of exchange rate changes on cash	(549,835)	56,715
Cash, beginning of period	10,293,948	10,509,996
Cash, end of period	\$ 10,439,010	\$ 10,427,038
Non-cash transactions		
Revaluation gain on digital currencies	\$ 2,277	\$ -

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

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2020

(In Canadian Dollars)

(Unaudited)

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 (the “Consulting Fee”) for the custody, sale of Bitcoin and transferring proceeds from sale of Bitcoin to the Company in US dollars (Note 3).

The Company is actively seeking business opportunities in the technology sector.

The recent outbreak of the coronavirus, also known as “COVID-19,” has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company’s business activities. The extent to which the coronavirus may impact the Company’s business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. The effect that these events will have on the price of Bitcoin, the ability for the Company to raise capital and the supply of upgraded equipment are highly uncertain and as such, the Company cannot determine the corresponding financial impacts at this time.

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2020

(In Canadian Dollars)

(Unaudited)

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, 2019 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, 2019, 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 June 1, 2020.

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 accounts 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 these financial statements from the date that control commences until the date that control ceases. All significant inter-company balances, income and expenses are eliminated on consolidation.

For the period ended March 31, 2020, 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.

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2020

(In Canadian Dollars)

(Unaudited)

2. Basis of Presentation (continued)

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.

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.

3. Digital currencies and Revenue

For the period ended March 31, 2020, the Company recorded revenue of \$316,811 (March 31, 2019 - \$262,980) of which \$nil (March 31, 2019 - \$262,980) from mining revenue and \$316,811 from sublease revenue (March 31, 2019 - \$nil).

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 Inc. ("Goldmoney"), a related party (Note 9), until March 5, 2019.

Bitcoin	Units	US Dollars (functional currency)	Cdn Dollars (presentation currency)
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 as at December 31, 2019	-	-	-
Revenue from Bitcoin mined	53.71	198,217	262,980
Bitcoin sold	(55.03)	(203,238)	(269,829)
Balance of Bitcoin as at March 31, 2020	-	-	-

Bitcoin Cash	Units	US Dollars (functional currency)	Cdn Dollars (presentation currency)
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 December 31, 2019 and March 31, 2020	-	-	-

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2020

(In Canadian Dollars)

(Unaudited)

3. Digital currencies and Revenue (continued)

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).

Sublease Revenue

On March 27, 2019, the Company entered into the Sublease Agreement with WeHash to lease the Flagship Facility 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 the Consulting Fee for the custody, sale of Bitcoin and transferring proceeds from sale of Bitcoin to the Company in US dollars. The Company receives all cash proceeds from the sale of the all the Bitcoin mined in the Flagship Facility. The net profit from the mining operation (the “Net Profit”) (revenue less electricity, WeHash Contractor fee, insurance, internet lease costs, regulatory and state taxes collectively as “Operational Expenses”) is determined. From the Net Profit, WeHash is paid 10% of the Net Profit as consulting fee (the “Consulting Fee”). The Consulting Fee does not exceed US\$10,000 or US\$10,000 Bitcoin equivalent per month.

As of March 16, 2020, the Company directed WeHash to retain Bitcoin generated from the Grant County Sublease (the “Sublease”). As at March 31, 2020, the Company had 4.65 Bitcoin (\$29,764) held by WeHash.

The Company decided to increase its inventory of Bitcoin with the halving event approaching, and the potential for increase in value. The Company accomplished this by accruing Bitcoin generated from the Sublease and also acquiring Bitcoin. To acquire Bitcoin, the Company used DVeX Ltd, a regulated Canadian digital asset exchange (“DVeX”). DVeX is a member of the Financial Transactions and Reports Analysis Centre of Canada (“FINTRAC”) and is an affiliate company to DV Trading and Independent Trading Group (“ITG”), Inc., an IIROC Registered Broker Dealer in Canada.

During the first week of May 2020, the Company acquired 39.6 Bitcoin for \$500,000 through DVeX. As of the date of reporting, Fortress holds an inventory of 60.2 Bitcoin, which includes the acquisitions made through DVeX and 20.6 Bitcoin accumulated through the Sublease with WeHash.

	March 31, 2020	March 31, 2019
Sublease Revenue	\$ 316,811	\$ -

4. Prepaid expenses

	March 31, 2020	December 31, 2019
Prepaid expenses (Rent and insurance of Bitcoin mine)	\$ 111,389	\$ 137,539
	\$ 111,389	\$ 137,539

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2020

(In Canadian Dollars)

(Unaudited)

5. Deposits

As of March 31, 2020, the Company has the deposit balance of \$127,564 (December 31, 2019 – \$116,893). This total comprised of \$110,659 deposit held by Grant County Public Utility District, \$15,605 rent and damage deposit for the Flagship Facility and \$1,300 deposit for the Company's Vancouver office.

6. Property and equipment

	Facility Asset	Miners	Office Equipment	Total
Cost				
Balance, December 31, 2018	465,219	784,170	6,351	1,255,740
Translation adjustment	(37,593)	(22,303)	-	(59,896)
Balance, December 31, 2019	427,626	761,867	6,351	1,195,844
Additions	-	-	-	-
Translation adjustment	40,889	68,921	-	109,810
Balance, March 31, 2020	468,515	830,788	6,351	1,305,654
Accumulated depreciation				
Balance, December 31, 2018	77,536	234,817	1,361	313,714
Additions	90,447	246,472	2,117	339,036
Translation adjustment	(5,582)	(16,335)	-	(21,917)
Balance, December 31, 2019	162,401	464,954	3,478	630,833
Additions	22,907	62,424	529	85,860
Translation adjustment	16,275	46,416	-	62,691
Balance, March 31, 2020	201,583	573,794	4,007	779,384
Carrying amount				
Balance, December 31, 2018	387,683	549,353	4,990	942,026
Balance, December 31, 2019	265,225	296,913	2,873	565,011
Balance, March 31, 2020	266,932	256,994	2,344	526,270

7. Accounts payable and accrued liabilities

	March 31, 2020	December 31, 2019
Accounts payable	\$ 44,324	\$ 88,087
Accrued liabilities	146,359	114,044
	\$ 190,683	\$ 202,131

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2020

(In Canadian Dollars)

(Unaudited)

8. Share Capital

a. Authorized

Unlimited number of common shares without par value

b. Issued and outstanding

There were no transactions during the period ended March 31, 2020 and year ended December 31, 2019.

b. Escrow shares

Pursuant to the RTO dated August 16, 2018, 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 were released 25% respectively on August 20, 2018 and 6 and 12 months after the date of the Final Exchange Bulletin respecting the RTO and the remaining 25% will be released 18 months thereafter.

As of March 31, 2020, the Company has 2,250,000 common shares in escrow (December 31, 2019 – 6,731,727).

c. Stock options

During the year ended December 31, 2019, the Company:

- granted 500,000 stock options with an exercise price of \$0.12 per share and 3,000,000 stock options with an exercise price of \$0.15 per share to the directors of the Company. The options expire three years from the date of the grant and vested over a period of nine months. The fair value per options granted was \$0.07 using the Black-Scholes Option Pricing model.
- granted 100,000 stock options with an exercise price at \$0.18 per share to an officer of the Company. The options expire three years from the date of the grant and fully vested upon grant. The fair value per option granted was \$0.12 using the Black-Scholes Option Pricing model.
- recognized share-based compensation of \$263,858 pertaining to vesting of the stock options.

	2019
Risk-free interest rate	1.49% - 1.77%
Expected life (years)	3
Annualized volatility	97% - 104%
Dividend rate	0.00%

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2020

(In Canadian Dollars)

(Unaudited)

8. Share Capital (continued)

The following is a summary of changes in stock options outstanding for the period ended March 31, 2020:

	Options outstanding	Weighted-average exercise price (\$)
Balance, December 31, 2018	3,139,928	0.55
Issued - management and directors' options	3,600,000	0.15
Cancelled	(260,500)	0.56
Forfeited	(4,500)	0.60
Balance, December 31, 2019	6,474,928	0.33
Expired	(1,050,000)	0.50
Balance, March 31, 2020	5,424,928	0.29

The stock options outstanding and exercisable as at March 31, 2020, are as follows:

Outstanding	Exercisable	Exercise price (\$)	Expiry date
309,500	309,500	0.500	February 19, 2028
1,100,000	1,100,000	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	500,000	0.125	February 6, 2022
3,000,000	3,000,000	0.150	February 6, 2022
100,000	100,000	0.180	May 29, 2022
5,249,928	5,249,928		

e. Warrants

Following is a summary of changes in warrants outstanding for the period ended March 31, 2020:

	Warrants	Weighted-average exercise price (\$)
Balance, December 31, 2018	18,200,000	0.50
Expired	(8,200,000)	0.50
Balance, December 31, 2019 and March 31, 2020	10,000,000	0.50

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2020

(In Canadian Dollars)

(Unaudited)

8. Share Capital (continued)

The warrants outstanding as at March 31, 2020, 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	

9. 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. During the year ended December 31, 2019, the Company paid \$1,366 (US\$1,023) to Goldmoney as commissions payable for the sale of digital currencies through Goldmoney (Note 3).

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.

During the period ended March 31, 2020, key management compensation included \$21,094 (March 31, 2019 - \$48,094) as management and consulting fees for executive services provided by a company controlled by the CEO of the Company. These fees include provision of office space and a corporate boardroom, a dedicated office telephone landline, along with computing and printing resources.

During the period ended March 31, 2020, the Company paid professional fees of \$15,750 (March 31, 2019 - \$15,750) to a company controlled by the CFO of the Company for the accounting services.

During the period ended March 31, 2020, the Company recorded shared-based compensation of \$nil (March 31, 2019 - \$11,633) to directors and management.

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2020

(In Canadian Dollars)

(Unaudited)

10. 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.

	March 31, 2020	December 31, 2019
Cash	\$ 10,439,010	\$ 10,293,948
Deposit	127,564	116,893
	\$ 10,566,574	\$ 10,410,841

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 March 31, 2020, the Company had a working capital surplus of \$10,657,666, the majority of which is comprised of a cash balance of \$10,559,394 to settle current liabilities of \$190,682. 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 prices

The Company has an inventory of digital currencies, comprised of Bitcoin, on March 31, 2020, that is subject to market pricing and price volatility. The Company recorded a gain on revaluation of digital currencies in the amount of \$2,277 during the period ended March 31, 2020 (December 31, 2019 - \$nil). 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.

The Company does not hedge its Bitcoin balances but will actively monitor Bitcoin pricing, market volatility and its own balance of Bitcoin to determine an appropriate risk mitigation strategy.

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2020

(In Canadian Dollars)

(Unaudited)

10. 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 \$149,525, 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.

The Company's cash is measured at level 1 fair value.

The Company's digital currencies are measured using level 2 fair value, determined by taking quoted price, per <https://www.blockchain.com/en/charts/market-price> and <https://finance.yahoo.com/quote/BCH-USD/>, with no adjustment.

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2020

(In Canadian Dollars)

(Unaudited)

11. 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.