

Fortress Technologies Inc.

Consolidated Financial Statements

Year ended December 31, 2020

(In Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Fortress Technologies Inc.

Opinion

We have audited the consolidated financial statements of Fortress Technologies Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in 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.

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

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

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 29, 2021



An independent firm
associated with Moore
Global Network Limited

Fortress Technologies Inc.
Consolidated Statements of Financial Position
(In Canadian Dollars)

	December 31, 2020	December 31, 2019
Assets		
Current assets		
Cash	\$ 7,048,050	\$ 10,293,948
Digital currencies (Note 3)	6,179,792	-
Receivables	17,662	-
Accrued GIC interest receivable	54,450	116,779
Prepaid expenses (Note 4)	37,469	137,539
Deposit (Note 5)	200,174	116,893
	13,537,597	10,665,159
Non-current assets		
Property and equipment (Note 6)	2,747,867	565,011
Right-of-use asset (Note 7)	695,103	-
Total assets	\$ 16,980,567	\$ 11,230,170
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 254,279	\$ 202,131
Current portion of lease liability (Note 7)	119,560	-
	373,839	202,131
Non-current liabilities		
Lease liability (Note 7)	578,927	-
Total liabilities	952,766	202,131
Equity		
Share capital (Note 9)	21,172,219	21,367,543
Reserves (Note 9)	2,288,052	2,147,252
Deficit	(7,432,470)	(12,486,756)
Total equity	16,027,801	11,028,039
Total liabilities and equity	\$ 16,980,567	\$ 11,230,170

Nature of operations (Note 1)

Subsequent events (Note 14)

Approved by the Board of Directors and authorized for issue on April 29, 2021:

"Aydin Kilic" Director

"David Jaques" Director

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

Fortress Technologies Inc.

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

(In Canadian Dollars)

	Year ended December 31, 2020	Year ended December 31, 2019
Revenues (Note 3)	\$ 1,026,329	\$ 1,683,185
Cost of sales		
Operating costs	(943,143)	(916,900)
Depreciation (Notes 6 and 7)	(346,588)	(336,919)
Gross profit (loss)	(263,402)	429,366
Unrealized revaluation gain on digital currencies	3,541,228	-
Loss on sale of digital currencies	-	(8,490)
Operating expenses		
Director fees (Note 10)	168,000	-
Depreciation (Note 6)	2,117	2,117
Interest expense (Note 7)	4,701	-
Management and consulting fees (Note 10)	84,375	377,375
Marketing	-	5,357
Office and administration	197,580	235,369
Professional fees (Note 10)	324,464	302,253
Salaries and wages	-	5,366
Share based compensation (Note 9)	-	303,790
Transaction costs	98,460	-
Travel	523	4,273
	(880,220)	(1,235,900)
Operating income (loss)	2,397,606	(815,024)
Interest income	105,589	173,175
Impairment recovery (Note 6)	2,519,521	-
Foreign exchange loss	(39,407)	(419,287)
Sales tax recovery	70,977	-
	2,656,680	(246,112)
Net income (loss)	5,054,286	(1,061,136)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Translation adjustment	140,800	274,063
Net loss and comprehensive income (loss)	\$ 5,195,086	\$ (787,073)
Basic earnings per share	\$ 0.07	\$ (0.01)
Weighted average number of common shares outstanding - basic	70,110,561	71,177,984
Diluted earnings per share	\$ 0.07	\$ (0.01)
Weighted average number of common shares outstanding - diluted	71,070,628	71,177,984

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

Fortress Technologies Inc.
Consolidated Statements of Changes in Equity
(In Canadian Dollars)

	Number of Shares	Capital Amount	Reserve - Cumulative translation adjustment	Reserve - Equity reserves	Accumulated Deficit	Total
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	-	-	274,063	-	-	274,063
Net loss for the year	-	-	-	-	(1,061,136)	(1,061,136)
Balance, December 31, 2019	71,177,984	\$ 21,367,543	\$ 739,752	\$ 1,407,500	\$ (12,486,756)	\$ 11,028,039
Shares repurchased and cancelled	(1,450,000)	(195,324)	-	-	-	(195,324)
Translation adjustment	-	-	140,800	-	-	140,800
Net income for the year	-	-	-	-	5,054,286	5,054,286
Balance, December 31, 2020	69,727,984	\$ 21,172,219	\$ 880,552	\$ 1,407,500	\$ (7,432,470)	\$ 16,027,801

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

Fortress Technologies Inc.
Consolidated Statements of Cash Flows
(In Canadian Dollars)

	<i>Year ended</i>		<i>Year ended</i>
	<i>December 31, 2020</i>		<i>December 31, 2019</i>
Operating activities			
Net income (loss)	\$ 5,054,286	\$	(1,061,136)
Depreciation	348,705		339,036
Share based compensation	-		303,790
Impairment recovery	(2,519,521)		-
Interest expense	4,701		-
Interest income	(97,821)		(173,175)
Loss on sale of digital currencies	-		8,490
Foreign exchange	(16,864)		419,287
Change in non-cash working capital components			
Deposits	(89,517)		-
Receivables	11,289		-
Prepaid expenses	102,250		(81,786)
Accounts payables and accrued liabilities	53,230		(10,961)
Digital currencies	(6,179,792)		1,823
Cash flows used in operating activities	(3,329,054)		(254,632)
Interest received	131,923		84,623
Net cash flows used in operating activities	(3,197,131)		(170,009)
Financing activities			
Payment on lease liability	(7,172)		-
Shares repurchased and cancelled	(195,324)		-
Cash used in financing activities	(202,496)		-
Change in cash during the year	(3,399,627)		(170,009)
Effect of exchange rate changes on cash	153,729		(100,838)
Cash, beginning of year	10,293,948		10,564,795
Cash, end of year	\$ 7,048,050	\$	10,293,948
Cash and cash equivalents consist of:			
Cash	\$ 512,435	\$	50,700
Guaranteed investment certificate	\$ 6,535,615	\$	10,243,248

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

Fortress Technologies Inc.

Notes to the Consolidated Financial Statements

Year ended December 31, 2020

(In Canadian Dollars)

1. Nature of Operations

Fortress Technologies Inc. (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.

The Company has a cryptocurrency mining operation in Washington State (the “Data Center Operation”), which contains 1,400 ASIC S9 Antminers.

On March 27, 2019, the Company has subleased the Data Center Operation (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 other 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 Consolidated Financial Statements
Year ended December 31, 2020
(In Canadian Dollars)

2. Significant Accounting Policies

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”) and interpretations issued by the International Reporting Interpretation Committee (“IFRIC”) for all periods presented.

The consolidated financial statements were approved by the Board of Directors of the Company on April 29, 2021.

Basis of Presentation

These consolidated 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 consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, which are 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 and transactions are eliminated on consolidation.

As of December 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.

Functional and Presentation Currency

These consolidated 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.

Fortress Technologies Inc.
Notes to the Consolidated Financial Statements
Year ended December 31, 2020
(In Canadian Dollars)

2. Significant Accounting Policies (cont'd)

Critical Accounting Estimates, Judgments and Assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

Significant Judgments

Revenue recognition

The Company recognizes revenue from the provision of transaction verification services within digital currency networks, commonly termed "cryptocurrency mining". As consideration for these services, the Company receives digital currency from each specific network in which it participates ("coins"). Revenue is measured based on the fair value of the coins received. The fair value is determined using the spot price of the coin on the date of receipt, based on the daily average from www.blockchain.info.

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the production and mining of digital currencies, and management has exercised significant judgement in determining appropriate accounting treatment for the recognition of revenue for mining of digital currencies. Management has examined various factors surrounding the substance of the Company's operations and the guidance in IFRS 15, Revenue from Contracts with Customers, including the stage of completion being the completion and addition of block to a blockchain and the reliability of the measurement of the digital currency received. In the event authoritative guidance is enacted by the IASB or IFRIC, the Company may be required to change its policies which could result in a change in the Company's financial position and earnings.

Fortress Technologies Inc.

Notes to the Consolidated Financial Statements

Year ended December 31, 2020

(In Canadian Dollars)

2. Significant Accounting Policies (cont'd)

Critical Accounting Estimates, Judgments and Assumptions (cont'd)

Significant Estimates

Fair value of financial instruments

The individual fair value attributed to the different components of a financing transaction is determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of the issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. The valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of the instrument that are not quoted in active market.

Depreciation

Depreciation of the assets in the cryptocurrency data center is based on an estimate of the assets' expected life. In order to determine the useful life of the assets in the cryptocurrency mining center, assumptions are required about a range of computing industry market and economic factors, including global hashrates dedicated to proof of work mining, network difficulty, technological changes, release and availability of newer and more efficient hardware and other inputs, and production costs. Based on the data that management has reviewed, management has determined to use the straight-line method of amortization over three years, to best reflect the current expected useful life of mining equipment. Management will review its estimates and assumptions at each reporting date and will revise its assumptions if new information supports the change.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. These calculations are based on available data, other observable inputs and projections of cash flows, all of which are subject to estimates and assumptions. Recoverable amounts are also sensitive to assumptions about the future usefulness of in-process development and the related marketing rights.

Taxes

The determination of the Company's tax expense for the period and deferred tax assets and liabilities involves significant estimation and judgement by management. In determining these amounts, management interprets tax legislation in a variety of jurisdictions and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities, the deferral and deductibility of certain items and interpretation of the treatment for tax purposes of digital currencies by taxation authorities. Management also makes estimates of future earnings, which affect the extent to which potential future tax benefits may be used. The Company is subject to assessments by various taxation authorities, which may interpret legislation differently. These differences may affect the final amount or the timing of the payments of taxes. The Company provides for such differences where known based on management's best estimate of the probable outcome of these matters.

Fortress Technologies Inc.

Notes to the Consolidated Financial Statements

Year ended December 31, 2020

(In Canadian Dollars)

2. Significant Accounting Policies (cont'd)

Critical Accounting Estimates, Judgments and Assumptions (cont'd)

Significant Estimates (cont'd)

Digital currency valuation

Digital currency denominated assets are included in current assets. Digital currencies are carried at their fair value determined by the spot rate based on the daily average from <https://www.blockchain.com/en/charts/market-price> and <https://finance.yahoo.com/quote/BCH-USD/>. 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.

Share based compensation

The Company utilizes the Black-Scholes Option Pricing Model ("Black-Scholes") to estimate the fair value of stock options granted to directors, officers, employees and consultants. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the calculation of the share-based compensation; however, the most significant estimate is the volatility. Expected future volatility can be difficult to estimate as the Company has had limited history, is in a unique industry, and historical volatility is not necessarily indicative of future volatility.

Revenue recognition

The Company recognizes revenue in accordance with IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). Revenue is recorded at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 are applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligation in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation The Company has concluded that the recognition and measurement of the sale of products in all contracts is consistent with the current revenue recognition practice and therefore does not expect any transitional adjustment.

Mining revenue

The Company recognizes revenue from the provision of transaction verification services within digital currency blockchains, commonly termed "cryptocurrency mining". As consideration for these services, the Company receives digital currency from each specific blockchain in which it participates ("coins"). Revenue is measured based on the fair value of the coins received. The fair value is determined using the spot price of the coin on the date of receipt, based on the daily average from <https://www.blockchain.com/en/charts/market-price> for Bitcoin. A coin is considered earned on the completion and addition of a block to the blockchain, at which time the economic benefit is received and can be reliably measured.

Fortress Technologies Inc.

Notes to the Consolidated Financial Statements

Year ended December 31, 2020

(In Canadian Dollars)

2. Significant Accounting Policies (cont'd)

Revenue recognition (cont'd)

Sublease revenue

The Company earns sublease revenue in exchange for provision of cryptocurrency mining equipment and space at its mining operation. The revenue is recognized based on revenue from the mining operation less operational expenses and consulting fees charged by WeHash.

Digital Currencies

Digital currencies are generated from the Company's mining activities and purchased through 3rd party exchanges. The Company has assessed that it acts in a capacity as a commodity broker trader as defined in IAS 2, Inventories, in characterizing its digital currencies. If assets held by commodity broker-traders are principally acquired for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin, such assets are accounted for as inventory, and changes in fair value (less costs to sell) are recognized in profit or loss.

Fortress values its Bitcoin based on the price quoted on <https://www.blockchain.com/en/charts/market-price> which is an average of quoted rates from various cryptocurrency exchanges. The principal market or most advantageous market is always unknown. The Company believes any price difference amongst the principal market and the average of quoted rates to be immaterial. Management considers this fair value to be a level 2 input under IFRS 13 fair value measurement fair value hierarchy as the price on this source represents the average quoted prices on multiple digital currency exchange.

The Company's determination to classify its holding of Bitcoin as current assets is based on management's assessment that its Bitcoin held can be considered to be a commodity, the availability of liquid markets to which the Company may sell a portion of its holdings and that the Company is actively selling its digital currencies in the near future to generate a profit from price fluctuations.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. 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. The S9 ASIC Hardware used to mine cryptocurrencies are depreciated on a straight-line basis over a 3-year life and the Cryptocurrency data center assets are depreciated on a straight-line basis over 5 years. Office computer equipment are depreciated on a straight-line basis over a 3 years.

Reserves

Equity reserves include amounts related to share issuance costs, share based compensation and foreign exchange translation adjustments.

Unit Placements

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to their fair value and any residual in the proceeds is allocated to the warrants.

Fortress Technologies Inc.

Notes to the Consolidated Financial Statements

Year ended December 31, 2020

(In Canadian Dollars)

2. Significant Accounting Policies (cont'd)

Impairment of Non-financial Assets

The Company reviews the carrying amounts of its non-financial assets, including property and equipment, 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 to which the asset belongs. Assets carried at fair value, such as digital currencies, are excluded from impairment analysis.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows to be derived from continuing use of asset or cash generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less cost to sell is the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal. When a binding sale agreement is not available, fair value less costs to sell can be 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 cash generating unit is reduced to its recoverable amount, an impairment loss is recognized immediately in the consolidated statement of loss and comprehensive loss. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

Financial Instruments

Financial instruments are accounted for in accordance with IFRS 9, "Financial Instruments: Classification and Measurement". A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

Fortress Technologies Inc.

Notes to the Consolidated Financial Statements

Year ended December 31, 2020

(In Canadian Dollars)

2. Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

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.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash is measured at FVTPL. Deposit and receivables are measured at amortized cost.

Impairment of financial assets

IFRS 9 uses the expected credit loss ("ECL") model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company's receivables.

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable, due to shareholder, and convertible debentures are classified under other financial liabilities and carried on the statement of financial position at amortized cost.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Fortress Technologies Inc.

Notes to the Consolidated Financial Statements

Year ended December 31, 2020

(In Canadian Dollars)

2. Significant Accounting Policies (cont'd)

IFRS 16 – Leases

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 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.

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 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

Fortress Technologies Inc.
Notes to the Consolidated Financial Statements
Year ended December 31, 2020
(In Canadian Dollars)

2. Significant Accounting Policies (cont'd)

IFRS 16 – *Leases (cont'd)*

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 and equipment and the lease liabilities are presented as loans on the consolidated statement of financial position.

3. Digital Currencies and Revenue

For the year ended December 31, 2020, the Company recorded revenue of \$1,026,329 (December 31, 2019 - \$1,683,185) of which \$748,744 (December 31, 2019 - \$262,980) was from mining revenue and \$277,585 was from sublease revenue (December 31, 2019 - \$1,420,205).

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 10), until March 5, 2019.

Bitcoin	Units	Amount
Balance of Bitcoin as at December 31, 2018	1.32	\$ 6,849
Revenue from Bitcoin mined	53.71	262,980
Bitcoin sold	(55.03)	(269,829)
Balance of Bitcoin as at December 31, 2019	-	-
Revenue from Bitcoin mined	52.10	748,744
Bitcoin purchased	116.10	1,889,820
Revaluation of Bitcoin	-	3,541,228
Balance of Bitcoin as at December 31, 2020	168.20	\$ 6,179,792

Bitcoin Cash	Units	Amount
Balance of Bitcoin Cash as at December 31, 2018	17.48	\$ 3,559
Bitcoin Cash sold	(17.48)	(3,559)
Balance of Bitcoin Cash as at December 31, 2019 and 2020	-	\$ -

Fortress Technologies Inc.

Notes to the Consolidated Financial Statements

Year ended December 31, 2020

(In Canadian Dollars)

3. Digital Currencies and Revenue (cont'd)

Sublease Revenue

On March 27, 2019, the Company entered into the Sublease Agreement with WeHash to lease the Data Center Operation to WeHash for a fixed fee of 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, mining of Bitcoin, 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 all the Bitcoin mined in the Data Center Operation. From the net profit from the mining operations (revenue less electricity, WeHash fee, insurance, internet lease costs, regulatory and state taxes), WeHash is paid a 10% consulting fee (the "Consulting Fee"). The Consulting Fee does not exceed US\$10,000 or US\$10,000 Bitcoin equivalent per month.

	December 31, 2020	December 31, 2019
Sublease Revenue	\$ -	\$ 66,345
Revenue from WeHash amended arrangement*	\$ 277,585	\$ 1,353,860

* Revenue from the WeHash amended arrangement is recorded based on the fair value of Bitcoins mined by WeHash at the time they are received.

4. Prepaid Expenses

	December 31, 2020	December 31, 2019
Prepaid expenses (Rent and insurance of Bitcoin mine)	\$ 37,469	\$ 137,539

5. Deposits

As of December 31, 2020, the Company has a deposit balance of \$200,174 (December 31, 2019 – \$116,893). The total is comprised of a \$99,310 (December 31, 2019 - \$101,306) deposit held by Grant County Public Utility District, a \$99,564 (December 31, 2019 - \$14,287) rent and damage deposit for the Data Center Operation and a \$1,300 (December 31, 2019 - \$1,300) deposit for the Company's Vancouver office.

Fortress Technologies Inc.

Notes to the Consolidated Financial Statements

Year ended December 31, 2020

(In Canadian Dollars)

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	(22,303)	(37,593)	-	(59,896)
Balance, December 31, 2019	442,916	746,577	6,351	1,195,844
Impairment recovery	2,301,446	218,075	-	2,519,521
Translation adjustment	(8,730)	(14,715)	-	(23,445)
Balance, December 31, 2020	2,735,632	949,937	6,351	3,691,920
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	91,467	249,245	2,117	342,829
Translation adjustment	(7,831)	(21,778)	-	(29,609)
Balance, December 31, 2020	246,037	692,421	5,595	944,053
Carrying amount				
Balance, December 31, 2019	280,515	281,623	2,873	565,011
Balance, December 31, 2020	2,489,595	257,516	756	2,747,867

Depreciation expense of \$340,712 (2019 - \$336,919) is included in cost of revenue.

During the year-ended December 31, 2020, the Company tested its Cash Generating Unit for impairment (“CGU”). Management determined the recoverable amount of the CGU by calculating the higher of the fair value less costs of disposal and value in use and determined that the events and circumstances which led to previous years’ impairment charges no longer exist. Consequently, at December 31, 2020, the Company recorded a reversal of prior years’ impairment charges of \$2,519,521.

Fortress Technologies Inc.

Notes to the Consolidated Financial Statements

Year ended December 31, 2020

(In Canadian Dollars)

7. Right-of-use asset and lease liability

On December 15, 2020, the Company extended its lease for its Data Center Operation for an additional five years. Depreciation of right-of-use assets is calculated using the straight-line method over the remaining lease term.

Flagship Facility		Total
Cost		
Balance, December 31, 2018 and 2019	\$	-
Additions		700,394
Translation adjustment		550
Balance, December 31, 2020	\$	700,944
Depreciation		
Balance, December 31, 2018 and 2019	\$	-
Additions		5,876
Translation adjustment		(35)
Balance, December 31, 2020	\$	5,841
Net book value		
Balance, December 31, 2019	\$	-
Balance, December 31, 2020	\$	695,103

Depreciation expense of \$5,876 (2019 - \$Nil) is included in cost of revenue.

The present value of future lease payments was measured using an incremental borrowing rate of 8% per annum.

Lease liability		
Balance, December 31, 2018 and 2019	\$	-
Additions		700,394
Interest expense on lease liability		4,701
Payments on lease liability		(7,172)
Translation adjustment		564
Balance, December 31, 2020		698,487
Less: Current portion		119,560
Balance, December 31, 2020	\$	578,927

At December 31, 2020, the Company is committed to minimum lease payments as follows:

Maturity analysis	December 31, 2020	
Less than one year	\$	171,118
One to three years		513,354
Three to five years		163,988
Total undiscounted lease liabilities		848,460
Amount representing implicit interest		(149,973)
Lease liability	\$	698,487

Fortress Technologies Inc.
Notes to the Consolidated Financial Statements
Year ended December 31, 2020
(In Canadian Dollars)

8. Accounts payable and accrued liabilities

	December 31, 2020	December 31, 2019
Accounts payable	\$ 108,568	\$ 88,087
Accrued liabilities	145,711	114,044
	\$ 254,279	\$ 202,131

9. Share Capital

a. Authorized

Unlimited number of common shares without par value

b. Issued and outstanding

On July 27, 2020, the Company announced its intention to commence a normal course issuer bid (the "NCIB") to purchase up to 5,688,227 of its common shares representing 8% of its 71,177,984 common shares issued and outstanding as of July 27, 2020. The NCIB commenced on July 29, 2020 and will terminate upon the earliest of (i) the Company purchasing 5,688,227 common shares, (ii) the Company providing notice of termination of the NCIB, and (iii) July 28, 2021.

During the year ended December 31, 2020, the Company repurchased and cancelled 1,450,000 common shares for \$195,324 including \$5,051 of transaction fees.

There were no transactions during the year ended December 31, 2019.

b. Escrow shares

Pursuant to the reverse takeover transaction ("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 at December 31, 2020, the Company has 750,000 common shares in escrow (December 31, 2019 – 6,731,727).

c. Stock options

During the year ended December 31, 2020, the Company did not grant any 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.

Fortress Technologies Inc.
Notes to the Consolidated Financial Statements
Year ended December 31, 2020
(In Canadian Dollars)

9. Share Capital (cont'd)

c. Stock options (cont'd)

- 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.

The following weighted average assumptions were used in the valuation of stock options granted in the Black-Scholes Option Pricing model:

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

The following is a summary of changes in stock options:

	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, December 31, 2020	5,424,928	0.29

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

Outstanding	Exercisable	Exercise price (\$)	Expiry date
384,500	384,500	0.500	February 19, 2028
1,200,000	1,200,000	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
5,424,928	5,424,928		

For the year ended December 31, 2020, the Company recognized share-based compensation expense of \$Nil (2019 - \$303,790). The weighted average remaining life of the stock options is 2.99 years.

Fortress Technologies Inc.

Notes to the Consolidated Financial Statements

Year ended December 31, 2020

(In Canadian Dollars)

9. Share Capital (cont'd)

d. Warrants

Following is a summary of changes in warrants outstanding for the year ended December 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	10,000,000	0.50
Expired	(2,307,692)	0.50
Balance, December 31, 2020	7,692,308	0.50

The warrants outstanding as at December 31, 2020, are as follows:

Outstanding	Exercise price (\$)	Expiry date
3,846,154	0.50	December 21, 2022
3,846,154	0.50	January 7, 2023
7,692,308	0.50	

The weighted average remaining life of the warrants is 2 years.

10. 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.

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 year ended December 31, 2020 key management compensation included \$84,375 (December 31, 2019 - \$192,375) as management and consulting fees, \$nil as bonus (December 31, 2019 - \$35,000), and \$nil as a contract material change fee (December 31, 2019 - \$150,000) to a company controlled by the CEO of the Company. These fees include the provision of office space and a corporate boardroom, a dedicated office telephone landline, along with computing and printing resources.

During the year ended December 31, 2020, the Company paid \$168,000 to its independent directors. Each independent director will receive a monthly compensation of \$3,500.

During the year ended December 31, 2020, the Company paid professional fees of \$60,000 (December 31, 2019 - \$60,000) to a company controlled by the CFO of the Company for the accounting services.

Fortress Technologies Inc.

Notes to the Consolidated Financial Statements

Year ended December 31, 2020

(In Canadian Dollars)

10. Related Party Transactions (cont'd)

During the year ended December 31, 2020, the Company recorded shared-based compensation of \$nil (December 31, 2019 - \$282,198) to directors and management.

11. Income Taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Year ended December 31, 2020		Year ended December 31, 2019	
Net income (loss)	\$	5,054,286	\$	(1,061,136)
- Statutory tax rate		27.0%		27.0%
- Expected income tax expense (recovery) at the statutory tax rate	\$	1,364,658	\$	(286,507)
Non-deductible items and other				
- Change in statutory, foreign tax, foreign exchange rates and other		526,101		199,813
- Permanent difference		(376)		82,300
- Utilization of non-capital losses		(132,246)		
- Change in deferred tax benefits not recognized		(1,927,611)		132,275
- Adjustment to prior years provision versus statutory tax returns		169,474		(127,881)
Income tax expense	\$	-	\$	-

The Company has the following temporary differences for which no deferred tax asset has been recognized:

	December 31, 2020	Expiry date range	December 31, 2019	Expiry date range
Deferred tax liabilities				
Digital currencies	\$ (3,538,809)	No expiry	\$ -	No expiry
Deferred tax assts				
Property and equipment	\$ 192,427	No expiry	\$ 598,510	No expiry
Share issuance costs	\$ 471,590	2034 to 2040	\$ 707,610	2034 to 2039
Non-capital losses				
Canada	\$ 2,088,637	2038 to 2040	\$ 2,825,573	2038 to 2039
USA	\$ 5,299,685	No expiry	\$ 3,896,554	No expiry

12. Financial Instruments and Risk Management

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 deposits with Tier-1 Canadian financial institutions. All the receivables are current. The carrying amount of financial assets represents the maximum credit exposure.

Fortress Technologies Inc.
Notes to the Consolidated Financial Statements
Year ended December 31, 2020
(In Canadian Dollars)

12. Financial Instruments and Risk Management (cont'd)

	December 31, 2020	December 31, 2019
Cash	\$ 7,048,050	\$ 10,293,948
Deposit	200,174	116,893
Receivables	17,662	-
	\$ 7,265,886	\$ 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 December 31, 2020, the Company had a working capital surplus of \$13,163,758, the majority of which is comprised of a cash balance of \$7,048,050 and digital currencies balance of \$6,179,792 to settle current liabilities of \$373,839. 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 prices, interest rates, foreign exchange rates and equity prices.

Bitcoin

The Company has an inventory of digital currencies, Bitcoin, on December 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 \$3,541,228 during the year ended December 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.

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.

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 year end, the Company's net loss and comprehensive loss after taxes would change by approximately \$70,088, resulting from the translation of the US dollar denominated financial instruments.

Fortress Technologies Inc.
Notes to the Consolidated Financial Statements
Year ended December 31, 2020
(In Canadian Dollars)

12. Financial Instruments and Risk Management (cont'd)

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.

The carrying value of the Company's receivables, deposits and accounts payable approximates fair value because of the relatively short periods to maturity of these instruments and the low credit risk.

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.

Fortress Technologies Inc.
Notes to the Consolidated Financial Statements
Year ended December 31, 2020
(In Canadian Dollars)

14. Subsequent Events

Subsequent to December 31, 2020, the Company:

- a) sold 130 Bitcoin for total proceeds of \$6,852,530;
- b) purchased 235 ASIC miners for US\$897,692; and
- c) completed a private placement for total gross proceeds of \$9,300,000 in exchange for 14,794,700 units of the company. Each unit is composed of one common share of the Company and one common share purchase warrant ("Warrant"). Each Warrant is exercisable to acquire one common share at a price of \$0.82 per Warrant at any time on or before the date which is 60 months after the closing date of the offering.