Fortress Blockchain Corp.

Management Discussion and Analysis

Three months ended March 31, 2018

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand Fortress Blockchain Corp. ("Fortress", "we", "our" or the "Company"), our operations, financial performance, current and future business environment and the opportunities and risks facing the Company. The risks are set out explicitly in Appendix 1 of this MD&A. In addition, certain statements in this report incorporate forward looking information and readers are advised to review the cautionary note regarding forward looking statements in section 13 of this MD&A.

This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the period from January 1, 2018 to March 31, 2018, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts included in the aforementioned financial statements and in this MD&A are expressed in Canadian Dollars unless otherwise noted. The information contained within this MD&A is current to the date of this report. Additional information about the Company is available on SEDAR at www.sedar.com.

Fortress was incorporated under the Business Corporations Act of British Columbia on November 14, 2017. It should be noted that the analysis of financial condition and results of operations are for dissimilar periods – i.e. the quarter ended March 31, 2018 and for the period from November 14, 2017 to December 31, 2017. As such, readers should not annualize the results of these periods.

This MD&A contains information up to and including July 18, 2018.

Contents of the MD&A

1. DESCRIPTION OF BUSINESS

Fortress Blockchain Corp. (the "Company" or "Fortress") is a growth oriented blockchain mining company with operations established in low cost North American green-energy regions. In February 2018, the Company acquired the assets of a cryptocurrency mining facility in Washington state which had an initial capacity of 2MW (the "Flagship Facility"). This Flagship Facility will also serve as a research and development ("R&D") facility to optimize and build out the next generation of highly scalable cryptocurrency mining infrastructure. Fortress Blockchain's resources are dedicated to achieving peak operational efficiency in industrial scale Bitcoin mining with sector-leading performance. Fortress intends to grow by strategically developing state-of-the-art blockchain mining facilities globally.

On February 19, 2018, Fortress entered into a letter of intent with Focused Capital II Corp. ("FCII") and entered into a definitive business combination agreement on March 21, 2018, which sets forth the terms of the business combination of Fortress and FCII and the issuance of securities of FCII in exchange for Fortress Securities.

FCII is a reporting issuer with its shares currently listed on the "NEX" board of the TSX Venture Exchange, under the trading symbol "FAV.H". The consolidated company, Fortress Blockchain Corp., will trade under the symbol "FORT".

2. WEHASH TRANSACTION

In February 2018, the Company completed a transaction with WeHash Technology LLP ("WeHash") whereby the Company acquired certain assets in the WeHash facility. This Flagship Facility had electrical and cooling infrastructure installed, including 2,872 physical outlets to operate up to 2MW of computing hardware in Washington State. The WeHash facility has an extremely desirable all-in power cost of US$0.026/kWh, with a base cost of US$0.018/kWh. The Flagship Facility will have 5MW of total capacity after Fortress upgrades the electrical infrastructure.

In consideration for the assets in the Flagship Facility, the Company paid US$3,000,000 and issued 3,500,000 units which consist of 3,500,000 shares and 3,500,000 warrants, exercisable at $0.50.

The WeHash transaction has been accounted for as a purchase of assets and the costs have been allocated to the cost of the assets acquired on the date of acquisition. The common shares issued as consideration were valued at $0.50 per share, being the price of the most recent equity financing completed by Fortress.

The purchase agreement did not include any of the cryptocurrency mining hardware operated by WeHash. A significant portion of the cryptocurrency mining hardware operated by WeHash was owned by 3rd parties and was being "hosted" by WeHash. The management of Fortress recognized the emergence of Bitcoin as a new digital asset class, and the most popular digital currency based on blockchain technology (colloquially referred to as "cryptocurrency"). Fortress plans to maximize the value of the output of the Flagship Facility by setting it up more efficiently as a Bitcoin mining facility. In doing so, Fortress determined that up to 1,400 ASIC S9 Antminers ("S9 ASIC Hardware") purchased from Bitmain could be operated using the existing 2MW electrical infrastructure. Fortress also decided to own all of the S9 ASIC Hardware it operated in this facility, rather than "host" hardware from 3rd Parties in order to maximize its profitability from mining Bitcoin.

3. OUTLOOK

Fortress intends to strategically acquire sites to develop state-of-the-art mining facilities and build its portfolio to be a leader in the Bitcoin mining sector. The Company has developed sophisticated mathematical tools to accurately model mining on the Bitcoin blockchain and is able to estimate the income and profitability based on input variables such as difficulty variation, Bitcoin price variation, operating cost, and electrical capacity. Fortress believes that these models allow it to create better projections to analyze the metrics of its mining operations, acquisition targets and partnering opportunities.

There are several factors that are critical to maximizing profitability of a Bitcoin mining facility. These include using specialized, current generation mining hardware ("Miners"), low electricity, and other data center costs while maximizing the number of Miners running in the mine based on available power capacity.

Fortress has invested in the latest generation Bitmain S9 ASIC Hardware that is recognized as the leading Bitcoin Miner in the market today. These Miners produce the highest hash rates based on the amount of energy consumed.

In addition, the Company believes it is operating its Flagship Facility with industry leading power usage efficiency ("PUE") metrics. PUE is the ratio of the total amount of energy used by a data center facility to the energy consumed by the computing equipment. A PUE of "1" is the theoretical ideal. Fortress has achieved a PUE below 1.05 at its Flagship Facility and is targeting a range of 1.02 to 1.05, much lower than competitors who are operating at higher PUEs. Since less power is consumed by non-productive equipment in data centers with a lower PUE, Fortress projects that it will have more S9 ASIC Hardware installed per MW of power consumed compared to its competitors and expects to generate more Bitcoin per MW using the available power infrastructure. For example, Fortress is able to operate up to 680-700 BitMain S9 Miners per MW, where other companies are typically operate 600-650 BitMain S9 Miners per MW. This results in a higher total Peta-hash per second per MW (PH/s per MW), of up to 9.45 PH/s per MW. The PH/s is a measure of how much Bitcoin can be mined. Therefore, this is how a lower PUE allows more Bitcoin mined per MW.

The most important advantage at the Flagship Facility is the low all-inclusive electricity cost of US$0.026 per KWh compared to many competitors who are paying US$0.04 or higher per KWh for electricity. This will enable Fortress to have favorable gross mining margin (a non-IFRS measure that is described hereunder) since power is the largest single direct cost of a cryptocurrency mining operation. The cost of power is the primary lever in determining the profitability of cryptocurrency mining.

Fortress received its new S9 ASIC Hardware in the first week of March and began installing them in its Flagship Facility on March 7, 2018. All 1,400 Miners were installed by the end of March and the Company was operating the Flagship Facility at its rated 2MW capacity. Consequently, the revenue generated from cryptocurrency mining in the quarter ended March 31, 2018 only represents mining for the period from March 7, 2018 to March 31, 2018 after Fortress plugged in its S9 ASIC Hardware whereas the expenses cover the entire period from January 1, 2018 to March 31, 2018. The price of Bitcoin varied between a low of US$6,800 and a high of US$10,100 from March 7, 2018 to March 31, 2018, with an average of US$8,675.

Another key variable that affects the profitability of mining Bitcoin is the mining difficulty ("Difficulty") set by the network. The difficulty is defined by the time it takes the network to mine two thousand and sixteen blocks which is intended to take exactly fourteen days at ten minutes per block. The network evaluates the time taken to solve two thousand and sixteen blocks and if it took less than fourteen days, the difficulty is increased proportionately to ensure that the next batch of blocks takes the projected amount of time. If it took more than fourteen days, then the difficulty is decreased. The Difficulty is the same for every company mining Bitcoin and is an uncontrollable variable for Fortress. The Difficulty generally increases as more hashpower is applied to the Bitcoin mining network globally. As Difficulty rises, less efficient Bitcoin miners will become unprofitable and cease their mining activities. This should result in a reduction of global hashing power and consequently, smaller increases or even a decrease in the Difficulty rate. Since Fortress has lower mining costs and is running a more efficient mine compared to many competitors, it believes that it will be able to withstand significant price decreases in Bitcoin and increases in Difficulty by continuing to mine Bitcoin with positive gross mining margins.

The Company uses gross mining margin as a key non-IFRS indicator to evaluate the efficiency and profitability of the mine. Gross mining margin is computed by deducting all direct mining costs such as electricity, rent, labour, repairs and maintenance, internet and similar expenses from the revenue generated from mining Bitcoin. Non-cash costs like depreciation are not deducted to arrive at gross mining margin. The gross mining margin provides a clear measure of the cash generated by the mine. This measure does not have a standard meaning and accordingly should not be considered in isolation or as a substitute for other IFRS measures of performance.

The forecasted run rate below shows the Companies expected monthly gross mining margins in US Dollars at its current 2MW operating capacity based on the following parameters:

- The price of Bitcoin ranging from US$1,500 to US$13,500 (currently at $7,500 as of May 31, 2018)
- The Difficulty ranging from 3.50E+12 to 1.5E+13 (currently 4.3E+12 as of May 31, 2018)
- Fortress operating 1,400 S9 ASIC Hardware with a hash rate of 18.9 PH/S
- Power usage of 2MW at an total electricity cost of US$0.026/kWh (this includes the base price of US$0.018/kWh plus demand and transmission charges) and an all-in operating cost of US$0.041/kWh that includes the cost of staffing the mine 24/7, rent, insurance, maintenance and electricity costs.

Monthly Run-Rate Gross Mining Margin for Fortress 2MW Facility

DIFFICULTY	BTC Price (USD)						
	$1,500	$3,500	$5,500	$7,500	$9,500	$11,500	$13,500
3.50E+12	$2,059	$84,617	$167,176	$249,734	$332,292	$414,851	$497,409
4.50E+12	-$11,701	$52,511	$116,723	$180,935	$245,147	$309,359	$373,572
5.50E+12	-$20,457	$32,080	$84,617	$137,154	$189,692	$242,229	$294,766
6.50E+12	-$26,519	$17,935	$62,390	$106,844	$151,299	$195,753	$240,208
7.50E+12	-$30,965	$7,563	$46,090	$84,617	$123,144	$161,672	$200,199
8.50E+12	-$34,364	-$369	$33,625	$67,620	$101,615	$135,609	$169,604
9.50E+12	-$37,048	-$6,632	$23,785	$54,201	$84,617	$115,033	$145,450
1.50E+13	-$45,412	-$26,149	-$6,885	$12,379	$31,642	$50,906	$70,169

At current Bitcoin prices of approximately US$7,500 and a Difficulty rate of less than 4.5E+12, Fortress will generate approximately US$2,160,000 in annual gross mining margin running 1,400 S9 ASIC hardware. The

Company's monthly gross mining margins remain positive at the current Difficulty rate as long as Bitcoin is above US$1,500, demonstrating the robustness of its mining operations and profitability model.

The Company is conducting research and development that may enable an upgrade of the existing 2MW infrastructure in the Flagship Facility. The R&D initiatives may allow for implementation of S9 ASIC Hardware to provide improved long-term cost efficiency.

The Company is evaluating the acquisition of additional sites, including a 9MW site with expected all-in power costs of US$0.026/kWh and a 100MW site with expected all-in power costs of US$0.04/kWh, which remain subject to further due diligence.

As potential acquisitions are identified, Fortress will attempt to determine the most cost-effective way to deploy future mining operations to maximize revenue and cash flow, while being cognizant of the capital expenditures required to deliver large quantities of S9 ASIC Hardware (or next-generation ASIC Hardware if introduced to the market over the period of construction).

4. OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

Quarterly Highlights:

Fortress is pleased to report significant progress in closing several financings and establishing our cryptocurrency mining operations during the quarter.

Financing Highlights:

- the Company completed the following financings:
  - a brokered private placement, issuing 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 $99,994 and 3.5% compensation options (1,050,000 compensation options, in aggregate) exercisable for a period of 24 months following the closing.
  - a non-brokered private placement, issuing 13,327,979 common shares at $0.30 per common share for gross proceeds of $3,998,394. In connection with the private placement, the Company incurred $26,707 of share issuance costs.
  - a non-brokered private placement, issuing 450,000 common shares at $0.30 per common share for gross proceeds of $135,000.
  - a non-brokered private placement, issuing 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.
  - a non-brokered private placement, issuing 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.

Expressed in CDN Dollars unless otherwise indicated

- A non-brokered private placement, issuing 3,600,000 common shares at $0.10 per common share for gross proceeds of $360,000.
- A director of the Company exercised and converted $25,000 convertible debenture into 5,000,000 common shares of the Company and 3,846,154 warrants in aggregate.

Operational Highlights:

- Fortress completed the acquisition of the Flagship Facility from WeHash on February 16, 2018.

  The total consideration was finalized as follows:

Consideration:		**Amount:**
Cash payment - US$3,000,000:		
Cash payment in CAD	$	3,617,925
Deposit applied		130,000
Units issued to WeHash - 3,500,000 units of the Company		1,750,000
Transaction expenses		154,156
Total consideration:	$	5,652,081

- Subsequent to closing the acquisition of the WeHash asset purchase, the Company received its shipment of 1,400 S9 ASIC Hardware in the first week of March and deployed all of them by the end of March;
- Fortress has mined 24.4 Bitcoin from March 7, 2018 until March 31, 2018; and
- Executed Letters of Intent and started due diligence on a 9MW and a 100MW facility.

Subsequent to March 31, 2018, Fortress has:

- Executed a service agreement with WeHash to operate its Flagship Facility. Under the terms of the service agreement, WeHash will manage all aspects of the day-to-day operations of the Flagship Facility for a fixed monthly cost.
- Actively scoped opportunities to expand mining capacity, potential acquisitions, partnering and development opportunities; and,
- Worked with the TSX-V and other regulatory bodies to seek approval for our proposed reverse take-over of FC II, upon the completion of which, the resulting issuer will be listed as a Tier 1 technology issuer on the TSX-V.

Financial Highlights:

- Fortress started mining Bitcoin on its S9 ASIC Hardware on March 7, 2018. By the end of the quarter, Fortress had mined 24.4 Bitcoin valued at $264,348 based on the price of Bitcoin ranging from US$6,800 to US$10,100 between March 7, 2018 to March 31, 2018. The average price of Bitcoin was US$8,675 and the average USD/CAD exchange rate was $1.29 during the same period. The value of Bitcoin declined at the end of the month of March, resulting in a negative Bitcoin revaluation adjustment of $45,521 during the quarter.
- Gross mining margin of $203,179 during the quarter. The Company defines gross mining margin (a non-IFRS measure) as the revenue generated from mining activities less direct costs related to mining cryptocurrencies – including rent for the Flagship Facility, power and costs directly relating to running the mine. Depreciation, being a non-cash cost, is not deducted to arrive at the gross mining margin.

Expressed in CDN Dollars unless otherwise indicated

Calculation of Gross Mining Margin	**2018 Q1 ($)**
Revenue	264,348
Less: Operating and Maintenance Costs	(61,169)
Gross Mining Margin	203,179
Less: Depreciation	(93,981)
Gross Margin	109,198

- Loss of $107,138 during the quarter. The largest expenses were non-cash costs for depreciation ($125,235) and share based compensation ($230,025) due to the issuance of 2,102,500 stock options to certain consultants, executives and directors of the Company. The Company is well capitalized with Cash balances of $9,819,767. Total assets were $21,084,101 primarily comprised of assets deployed in the Flagship Facility and cash balances.

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5. SELECTED QUARTERLY INFORMATION

The following table presents selected audited information of the Company for the quarter ended March 31, 2018 and the period from November 14, 2017 until December 31, 2017. As noted earlier, the Company incorporated on November 14, 2017. As a result, the period ended December 31, 2017 includes only a month and a half of operations from November 14, 2017 to December 31, 2017 and is not comparable to the quarter ended March 31, 2018.

	2018 Q1 ($)	**2017 Q4 ($)**
Revenue	264,348	-
Net Loss	(107,138)	(66,021)
Basic and diluted income (loss) per share	(0.0)	(0.04)

The Company began generating revenue at its Flagship Facility in the quarter ended March 31, 2018. Specifically, the revenue generated from cryptocurrency mining in the quarter ended March 31, 2018 only represents mining for the period from March 7, 2018 to March 31, 2018 after Fortress plugged in its S9 ASIC Hardware whereas the expenses cover the entire period from January 1, 2018 to March 31, 2018. There were no cryptocurrency mining operations during the prior period ended December 31, 2017 and the two periods are not comparable. The Company incurred legal, professional and travel costs related to the incorporation of the Company and negotiating the acquisition of its Flagship Facility during the period ended December 31, 2017.

- Revenue from the mining of digital currencies for the three months ended March 31, 2018 was $264,348. The Company mined 24.4 Bitcoin as it ramped up its Bitcoin mining operations in March 2018.
- Professional fees for the period ended March 31, 2018 were $64,615 (December 31, 2017 - $41,604) primarily for legal and accounting fees incurred on financing matters, preparing the TSX-V Filing Statement, the WeHash acquisition and audit fees.
- Marketing fees for the period ended March 31, 2018 were $34,169 (December 31, 2017 - $13,064) for marketing initiatives related to the Company's business.

- Travel fees for the period ended March 31, 2018 were $36,885 (December 31, 2017 - $10,614) incurred in connection with various acquisition, due diligence and financing activities, as well as participating in blockchain conferences and other business events.

6. LIQUIDITY AND CAPITAL RESOURCES

The Company was incorporated on November 14, 2017 and began its cryptocurrency mining operations in March 2018. As at March 31, 2018, the Company had a working capital surplus of $9,962,272 (December 31, 2017 - deficit of $29,041). The Company raised $15.3 million in equity financing during the quarter and currently has sufficient cash balances to fund its current operating and administrative costs.

The net change in the Company's cash position as at March 31, 2018 was an increase of $5,346,140 (December 31, 2017 - $4,711,465) as a result of the following cash flows:

- Cash used in operations of $4,115 (December 31, 2017 - cash provided by operations of $38,353), primarily due to the loss in the quarter and an increase in inventory of digital currencies and prepaid expenses in the quarter;
- Cash used in investing activities of $8,764,701 (December 31, 2017 - $136,415) primarily for the acquisition of the Flagship Facility and S9 ASIC Hardware; and,
- Cash provided by financing activities of $14,114,956 (December 31, 2017 - $4,809,487), due to the proceeds of issuance of units in connection with the $0.50 brokered private placements.

7. OUTSTANDING SHARE DATA

As at the date of this report, 69,277,981 common shares were issued and outstanding, 3,152,500 stock options and 18,200,000 warrants issued and outstanding. There are securities law restrictions on resale, as well as voluntary restrictions, on certain shares.

8. RELATED PARTY TRANSACTIONS

As at March 31, 2018, the Company had an amount owing to the CEO and director of the Company of $Nil (December 31, 2017 - $12,136) for out-of-pocket expenses incurred. The amount is non-interest bearing, has no fixed repayment terms and is payable on demand. The Company also had an amount owing to a director of the Company of $2,588 (December 31, 2017 - $12,518) for out-of-pocket expenses incurred. The amount is non-interest bearing, has no fixed repayment terms and is payable on demand.

As at March 31, 2018, the Company had an outstanding loan payable to the CEO and director of the Company of $Nil (December 31, 2017 - $15,000).

As at March 31, 2018, the Company had payables and accrued liabilities of $28,560 to a company controlled by Fortress' CEO.

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 quarter ended March 31, 2018, key management compensation, including management fees, salaries and wages paid to management was $63,392 and share based compensation of $107,625 to management and directors (December 31, 2017 – Nil).

9. PROPOSED TRANSACTION

On March 2, 2018, the Company has entered into a definitive business combination agreement with FCII pursuant to which FCII will acquire all of the issued and outstanding securities of the Company in consideration for securities of FCII, which will constitute a reverse takeover of FCII by the Company's shareholders (the "Acquisition"). The Company and company to be incorporated as a wholly owned subsidiary of FCII ("FCII sub") will amalgamate to form Fortress Blockchain Holdings Corp. (the "Amalgamation"), which will become a wholly-owned subsidiary of FCII at the time of completion of the Acquisition (the "Resulting Issuer").

To give effect to the Acquisition, Fortress will amalgamate with FCII Sub to form Fortress Blockchain Holdings Corp. and the Fortress securityholders will exchange their Fortress securities for equivalent securities of FCII on the basis of one FCII security for each Fortress security held.

Pursuant to the Amalgamation, each holder of a Fortress security will receive one equivalent security of FCII, having the same terms as the Fortress security being exchanged, for each Fortress security held. As a result of the Amalgamation, it is expected that FCII will issue:

a) an aggregate of 69,277,981 FCII shares issuable in exchange for the outstanding Fortress shares;
b) an aggregate of 18,200,000 replacement warrants issuable in exchange for the outstanding Fortress warrants, each exercisable into one FCII share at a price of $0.50 with expiry dates ranging from January 4, 2019 to January 8, 2023;
c) an aggregate of 1,050,000 replacement broker options issuable in exchange for the outstanding Fortress broker options, each exercisable into one FCII share at a price of $0.50 with expiry an expiry date of January 9, 2020;
d) an aggregate of 2,102,500 replacement options issuable in exchange for the outstanding Fortress options, each exercisable into one FCII share at a price of $0.50 with an expiry date of February 20, 2028;
e) an aggregate of 168,000 options, each exercisable into one FCII share at a price of $[0.60] per share with an expiry date of ten years from the closing date of the Acquisition.

Upon completion of the Acquisition, Fortress Blockchain Holdings Corp. will be a wholly owned subsidiary of the Resulting Issuer.

10. CRITICAL ACCOUNTING ESTIMATES

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.

Fair value of financial instruments
The individual fair values attributed to the different components of a financing transaction or convertible debenture, 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.

Deferred tax liabilities and assets
Deferred tax liabilities and assets are measured at tax rates expected in the period during which the asset is realized or the liability is settled, based on tax rates (and tax laws) that are enacted or substantively enacted at the end of the reporting period of the financial information. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that result from the manner in which the

Company expects, at the end of the reporting period of the financial information, to recover or settle the carrying amount of its assets and liabilities.

<u>New Standards and Interpretations Not Yet Adopted</u>

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC. The following has not yet been adopted by the Company and is being evaluated to determine its impact.

- IFRS 16, which replaces previous lease accounting guidance, effective for annual periods beginning on or after January 1, 2019.

11. FINANCIAL INSTRUMENTS AND FINANCIAL 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 balances and accounts receivable. 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.

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2018, the Company had a cash balance of $9,819,767 to settle current liabilities of $355,526. All of the Company's financial liabilities with the exception of the convertible debentures 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 interest rates, foreign exchange rates, and commodity and equity prices. Currently, the Company believes that it is not exposed to significant risk from interest rates, foreign exchange rates, and commodity and equity prices.

(a) Bitcoin prices

The Company maintains an inventory of digital assets, comprised solely of Bitcoin on March 31, 2018, that is subject to market pricing and price volatility. Based on the value of Bitcoin on the Company's Condensed Interim Consolidated Statements of Financial Position as of March 31, 2018, the Company does not believe it is subject to significant market risk due to Bitcoin price volatility. 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.

(b) 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 of its amount due to shareholder as it is non-interest bearing.

(c) Foreign currency risk
The Company does not hold significant balances in foreign currencies which would give rise to exposure to foreign exchange risk. As such, the Company believes it has limited foreign exchange rate risk.

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 March 31, 2018, cash is assessed as a Level 1 instrument whereas digital currencies are assessed as a Level 2 instrument.

The fair value of trade receivables and prepaid expenses, deposits, payables and accrued liabilities, and due to shareholder are equal to their carrying value due to their short-term maturity.

12. CAUTION REGARDING FORWARD LOOKING INFORMATION

This Management Discussion and Analysis may contain certain "forward-looking information" within the meaning of Canadian securities legislation. Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made and they involve a number of risks and uncertainties. Consequently, there can be no assurances that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

13. MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Forward-looking information in this Management Discussion and Analysis includes information about the Company's expansion into the United States through its Cryptocurrency mine acquisition; the expected electrical consumption in the United States; additional opportunities to be identified in the future to contribute to growth of revenue and computing equipment; the business goals and objectives of the Company, and other forward-looking information including but not limited to information concerning the intentions, plans and future actions of the Company. The forward-looking information in this Management Discussion and Analysis reflects the current expectations, assumptions and/or beliefs of the Company based on information currently available to the Company. In connection with the forward-looking information contained in this Management Discussion and Analysis, the Company has made assumptions about the Company's ability to complete planned expansion into the United States; the ability of the Company to mine digital currencies will be consistent with historical prices; and there will be no regulation or law that will prevent the Company from operating its business. The Company has also assumed that no significant events occur outside of the Company's normal course of business. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

APPENDIX 1

Business Risks and Uncertainties

There are a number of risk factors associated with Fortress and its business. Shareholders should carefully consider each of the risks described below. Fortress' success will depend on a number of things, including the expertise, ability, judgment, discretion, integrity and execution of its management. The risks and uncertainties below are not the only ones facing Fortress. Additional risks and uncertainties not presently known to Fortress or that it currently considers immaterial may also impair our business operations and cause the value of the Company to decline. If any of the following risks actually occur, Fortress' business may be harmed and its financial condition may suffer significantly.

1. Completion of the Acquisition

There are risks associated with the Acquisition including (i) market reaction to the Acquisition and the future trading prices of the shares of the Resulting Issuer cannot be predicted; (ii) uncertainty as to whether the Acquisition will have a positive impact on the entities involved therein; and (iii) there is no assurance that required approvals will be received.

2. Liquidity and Future Financing Risk

Fortress may require additional financing in order to fund future operations and expansion plans. The Company's ability to secure any required financing to sustain operations and expansion plans will depend in part upon prevailing capital market conditions and business success. There can be no assurance that Fortress will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management. Moreover, future activities may require the Company to alter its capitalization significantly and, if additional financing is raised by issuance of additional shares from treasury, control may change and shareholders will suffer dilution. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition and results of operations.

3. Going Concern Risk

The Fortress Financial Statements have been prepared using accounting principles applicable to a going concern which assumes an entity will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Fortress' future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations. There can be no assurances that the Company will be successful in completing equity or debt financing or in achieving its growth plans. The Fortress Financial Statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should it be unable to continue as a going concern.

4. Risks Related to Fortress' Business

The Company's cryptocurrency inventory may be exposed to cybersecurity threats and hacks

As with any other computer code, flaws in the cryptocurrency codes are continuously being exposed by certain malicious actors. Several errors and defects have been found and corrected, including those that disabled some functionality for users and exposed users' information. Discovery of flaws in or exploitations of the source code that allow malicious actors to take or create money have been relatively rare. For example, a recent Ethereum cryptocurrency hack occurred in late July of 2017, where an unknown hacker exploited a critical flaw in the Parity multi-signature wallet on the Ethereum network and drained three large wallets that had a combined total of over $31 million worth of Ethereum cryptocurrency. If left undetected, the hacker could potentially have stolen an additional $150 million of Ethereum cryptocurrency. The loss was limited to the $31 million of Ethereum cryptocurrency as white-hat hackers acted swiftly to protect the remaining accounts at risk.

Regulatory changes or actions may alter the nature of an investment in Fortress or restrict the use of cryptocurrencies in a manner that adversely affects our operations

As cryptocurrencies have grown in both popularity and market size, governments around the world have reacted differently to cryptocurrencies with certain governments deeming them illegal while others have allowed their use and trade. Ongoing and future regulatory actions may alter, perhaps to a materially adverse extent, the ability of Fortress to continue to operate as a cryptocurrency miner. The effect of any future regulatory change on Fortress or any cryptocurrency that we may mine is impossible to predict, but such change could be substantial and have a material adverse effect on the Company.

Governments may in the future curtail or outlaw the acquisition, use or redemption of cryptocurrencies. Ownership of, holding or trading in cryptocurrencies may then be considered illegal and subject to sanction. Governments may also take regulatory action that may increase the cost and/or subject cryptocurrency companies to additional regulation.

Governments may in the future take regulatory actions that prohibit or severely restrict the right to acquire, own, hold, sell, use or trade cryptocurrencies or to exchange cryptocurrencies for fiat currency. By extension, similar actions by other governments, may result in the restriction of the acquisition, ownership, holding, selling, use or trading in the securities of the Company. Such a restriction could result in Fortress liquidating its Bitcoin and other cryptocurrency inventory at unfavorable prices and may adversely affect the Company's shareholders.

The value of cryptocurrencies may be subject to momentum pricing risk

Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. Cryptocurrency market prices are determined primarily using data from various exchanges, over-the-counter markets, and derivative platforms. Momentum pricing may have resulted, and may continue to result, in speculation regarding future appreciation in the value of cryptocurrencies, inflating and making their market prices more volatile. As a result, they may be more likely to fluctuate in value due to changing investor confidence in future appreciation (or depreciation) in their market prices, which could adversely affect the value of our cryptocurrency inventory and thereby affect our shareholders.

Cryptocurrency exchanges and other trading venues are relatively new and, in most cases, largely unregulated and may therefore be more exposed to fraud and failure

To the extent that cryptocurrency exchanges or other trading venues are involved in fraud or experience security failures or other operational issues, this could result in a reduction in cryptocurrency prices.

Cryptocurrency market prices depend, directly or indirectly, on the prices set on exchanges and other trading venues, which are new and, in most cases, largely unregulated as compared to established, regulated exchanges for securities, derivatives and other currencies. For example, during the past three years, a number of Bitcoin exchanges have been closed due to fraud, business failure or security breaches. In many of these instances, the customers of the closed exchanges were not compensated or made whole for the partial or complete losses of their account balances in such exchanges. While smaller exchanges are less likely to have the infrastructure and capitalization that provide larger exchanges with additional stability, larger exchanges may be more likely to be appealing targets for hackers and "malware" (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems) and may be more likely to be targets of regulatory enforcement action.

Banks may not provide banking services, or may cut off banking services, to businesses that provide cryptocurrency-related services or that accept cryptocurrencies as payment

A number of companies that provide Bitcoin and/or other cryptocurrency-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. Similarly, a number of such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to Bitcoin and/or other cryptocurrency-related companies or companies that accept cryptocurrencies for a number of reasons, such as perceived compliance risks or costs. The difficulty that many businesses that provide Bitcoin and/or other cryptocurrency-related services have and may continue to have in finding banks willing to provide them with bank accounts and other banking services may be currently decreasing the usefulness of cryptocurrencies as a payment system and harming public perception of cryptocurrencies or could decrease its usefulness and harm its public perception in the future. Similarly, the usefulness of cryptocurrencies as a payment system and the public perception of cryptocurrencies could be damaged if banks were to close the accounts of key businesses providing Bitcoin and/or other cryptocurrency-related services. This could decrease the market prices of cryptocurrencies and adversely affect the value of the Company's cryptocurrency inventory.

The impact of geopolitical events on the supply and demand for cryptocurrencies is uncertain

Crises may motivate large-scale purchases of cryptocurrencies which could increase the price of cryptocurrencies rapidly. This may increase the likelihood of a subsequent price decrease as crisis-driven purchasing behavior wanes, adversely affecting the value of the Resulting Issuer's cryptocurrency inventory. The possibility of large-scale purchases of cryptocurrencies in times of crisis may have a short-term positive impact on the price of Bitcoin. For example, in March 2013, a report of uncertainty in the economy of the Republic of Cyprus and the imposition of capital controls by Cypriot banks motivated individuals in Cyprus and other countries with similar economic situations to purchase Bitcoin. This resulted in a significant short-term positive impact on the price of cryptocurrencies. However, as the purchasing activity of individuals in this situation waned, speculative investors engaged in significant sales of cryptocurrencies, which significantly decreased the price of cryptocurrencies. Crises of this nature in the future may erode investors' confidence in the stability of cryptocurrencies and may impair their price performance which would, in turn, adversely affect the Company.

As an alternative to fiat currencies that are backed by central governments, cryptocurrencies, which are relatively new, are subject to supply and demand forces based upon the desirability of an alternative, decentralized means of buying and selling goods and services, and it is unclear how such supply and demand will be impacted by geopolitical events. Nevertheless, political or economic crises may motivate large-scale acquisitions or sales of cryptocurrencies either globally or locally. Large-scale sales of cryptocurrencies would result in a reduction in their market prices and adversely affect the Resulting Issuer's operations and profitability.

The further development and acceptance of the cryptographic and algorithmic protocols governing the issuance of and transactions in cryptocurrencies is subject to a variety of factors that are difficult to evaluate

The use of cryptocurrencies to, among other things, buy and sell goods and services and complete other transactions, is part of a new and rapidly evolving industry that employs digital assets based upon a computer-generated mathematical and/or cryptographic protocol. The growth of this industry in general, and the use of cryptocurrencies in particular, is subject to a high degree of uncertainty, and the slowing, or stopping of the development or acceptance of developing protocols may adversely affect the Company's operations. The factors affecting the further development of the industry, include, but are not limited to:

- Continued worldwide growth in the adoption and use of cryptocurrencies;
- Governmental and quasi-governmental regulation of cryptocurrencies and their use, or restrictions on or regulation of access to and operation of the network or similar cryptocurrency systems;
- Changes in consumer demographics and public tastes and preferences;

- The maintenance and development of the open-source software protocol of the network;
- The availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- General economic conditions and the regulatory environment relating to digital assets; and
- Negative consumer sentiment and perception of cryptocurrencies specifically and cryptocurrencies generally.

Acceptance and/or widespread use of cryptocurrency is uncertain

Currently, there is relatively small use of Bitcoin and/or other cryptocurrencies in the retail and commercial marketplace in comparison to relatively large use by speculators, thus contributing to price volatility that could adversely affect Fortress' operations, investment strategies, and profitability.

As relatively new products and technologies, Bitcoin, the Bitcoin network, and its other cryptocurrency counterparts have not been widely adopted as a means of payment for goods and services by major retail and commercial outlets. Conversely, a significant portion of cryptocurrency demand is generated by speculators and investors seeking to profit from the short-term or long-term holding of cryptocurrencies.

The relative lack of acceptance of cryptocurrencies in the retail and commercial marketplace limits the ability of end-users to use them to pay for goods and services. A lack of expansion by cryptocurrencies into retail and commercial markets, or a contraction of such use, may result in increased volatility or a reduction in their market prices, either of which could adversely impact the Company's operations, investment strategies, and profitability.

Fortress may be required to sell its coins to pay for expenses

The Company may sell its coins to pay for expenses incurred, irrespective of then-current coin prices. Consequently, Fortress' coins may be sold at a time when the price is low, resulting in a negative effect on its profitability.

Fortress' coins may be subject to loss, theft or restriction on access

There is a risk that some or all of the Company's coins could be lost or stolen. Access to Fortress' coins could also be restricted by cybercrime (such as a denial of service attack) against a service at which the Company maintains a hosted online wallet. Any of these events may adversely affect our operations and, consequently, our profitability. The loss or destruction of a private key required to access Fortress' digital wallets may be irreversible. The loss of access to the private keys or of a data loss relating to Fortress' digital wallets could adversely affect its investments.

Cryptocurrencies are controllable only by the possessor of both the unique public and private keys relating to the local or online digital wallet in which they are held, which wallet's public key or address is reflected in the network's public Blockchain. The Company publishes the public key relating to its digital wallets when it verifies the receipt of cryptocurrency transfers and disseminates such information into the network but needs to safeguard the private keys relating to such digital wallets. To the extent such private keys are lost, destroyed or otherwise compromised, we will be unable to access our coins and such private keys cannot be restored. Any loss of private keys relating to our digital wallets could adversely affect our investments and profitability.

Incorrect or fraudulent coin transactions may be irreversible

Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred coins may be irretrievable. As a result, any incorrectly executed or fraudulent coin transactions could adversely affect the Company's investments.

Coin transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction. Once a transaction has been verified and recorded in a block that is added to the Blockchain, an incorrect transfer of a coin or a theft of coin generally will not be reversible and the Company may not be able to be compensated for any such transfer or theft. Although our transfer of coins will regularly be made by experienced members of the management team, it is possible that, through computer or human error, or through theft or criminal action, our coins could be transferred in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts.

If the award of coins for solving Blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue Mining and may cease their Mining operations

As the number of coins awarded for solving a block in the Blockchain decreases, the incentive for miners to continue to contribute processing power to the network will transition from a set reward to transaction fees. Either the requirement from miners of higher transaction fees in exchange for recording transactions in the Blockchain or a software upgrade that automatically charges fees for all transactions may decrease demand for the relevant coins and prevent the expansion of the network to retail merchants and commercial businesses, resulting in a reduction in the price of the relevant cryptocurrency that could adversely impact our financial results.

If the award of coins for solving blocks and transaction fees for recording transactions are not sufficiently high to incentivize miners, miners may cease expending processing power to solve Blocks and confirmations of transactions on the Blockchain could be slowed temporarily. A reduction in the processing power expended by miners could increase the likelihood of a malicious actor or botnet obtaining control in excess of 50 percent of the processing power active on the Blockchain, potentially permitting such actor or botnet to manipulate the Blockchain in a manner that adversely affects the Company's mining activities. Any reduction in confidence in the confirmation process or processing power of the network may adversely impact Fortress' mining activities, inventory of coins, and future investment strategies.

The price of coins may be affected by the sale of coins by other vehicles investing in coins or tracking cryptocurrency markets

To the extent that other vehicles investing in coins or tracking cryptocurrency markets form and come to represent a significant proportion of the demand for coins, large redemptions of the securities of those vehicles and the subsequent sale of coins by such vehicles could negatively affect cryptocurrency prices and therefore affect the value of the inventory held by Fortress.

Risk related to technological obsolescence and difficulty in obtaining hardware

To remain competitive, Fortress will continue to invest in hardware and equipment required for its mining activities. Should competitors introduce new services/software embodying new technologies, our hardware, equipment and technology may become obsolete and require substantial capital to upgrade or replace.

Management Experience and Dependence on Key Personnel

Our success is largely dependent on the performance of our proposed directors and officers. Certain members of our management team have experience in the cryptocurrency industry, while others have experience in other areas including financial management, corporate finance and sales and marketing. The experience of these individuals are expected to contribute to our continued success and growth. Fortress will be relying on its directors and officers, as well as independent consultants and advisory board, for various aspects of our business. The amount of time and expertise expended on our affairs by our management team, consultants, advisory board members and directors will vary according to Fortress' needs. The Company does not intend to acquire any key man insurance policies and there is, therefore, a risk that the death or departure of any director and officer, key employee or consultant, could have a material adverse effect on its operations.

Uncertainty of Additional Funding
Acquisitions of additional miners and mining facilities will require additional capital. There is no assurance that the Company will be successful in obtaining any required financing or that such financing will be available on terms acceptable to the Company. Any future financing will also be dilutive to the current shareholders.

Negative Cash Flow
Fortress has a limited history of operations, and no history of earnings, cash flow or profitability. Fortress has had negative operating cash flow since its inception, and it may continue to have negative operating cash flow for the foreseeable future. No assurance can be given that the Company will attain positive cash flow or profitability or that additional funding will be available for operations.

Uninsured or Uninsurable Risks
The Company intends to insure its operations in accordance with business practices. However, given the novelty of cryptocurrency mining and associated businesses, such insurance may not be available, uneconomical or the nature or level may be insufficient to provide adequate insurance cover. The Company may become subject to liability for hazards against which we cannot insure or against which we may elect not to insure because of high premium costs or for other reasons. The payment of such liabilities would reduce or eliminate the funds available for operations. Payments of liabilities for which we do not carry insurance may have a material adverse effect on our financial position.

Contractual Risk
The Company is a party to various contracts and it is always possible that the other contracting parties may not fully perform their obligations.

Unforeseen Expenses
While the Company is not aware of any expenses that may need to be incurred that has not been taken into account, if such expenses were subsequently incurred, the Company's forecasted uses of funds and other budgets may be adversely affected.