

Fortress Technologies Inc.

Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2021

(In Canadian Dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of Fortress Technologies Inc. for the six months ended June 30, 2021 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

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

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

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

	June 30, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	\$ 12,095,483	\$ 7,048,050
Digital currencies (Note 3)	6,250,888	6,179,792
Receivables	55,893	17,662
Accrued GIC interest receivable	3,794	54,450
Prepaid expenses (Note 4)	15,231	37,469
Deposits (Note 5)	194,894	200,174
	18,616,183	13,537,597
Property and equipment (Note 6)	8,412,202	2,747,867
Right-of-use asset (Note 7)	608,416	695,103
Total assets	\$ 27,636,801	\$ 16,980,567
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 210,988	\$ 254,279
Lease liability (Note 7)	121,120	119,560
	332,108	373,839
Non-current liabilities		
Lease liability (Note 7)	501,790	578,927
Total liabilities	833,898	952,766
Equity		
Share capital (Note 9)	29,198,461	21,172,219
Reserves (Note 9)	2,997,405	2,288,052
Deficit	(5,392,963)	(7,432,470)
Total equity	26,802,903	16,027,801
Total liabilities and equity	\$ 27,636,801	\$ 16,980,567

Nature of operations (Note 1)
Subsequent events (Note 13)

Approved by the Board of Directors and authorized for issue on August 24, 2021:

“Aydin Kilic” Director

“David Jaques” Director

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

Fortress Technologies Inc.

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

(In Canadian Dollars)

(Unaudited)

	<i>Six months ended</i> <i>June 30, 2021</i>	<i>Six months ended</i> <i>June 30, 2020</i>	<i>Three months</i> <i>ended</i> <i>June 30, 2021</i>	<i>Three months</i> <i>ended</i> <i>June 30, 2020</i>
Revenue (Note 3)	\$ 1,263,555	\$ 572,046	\$ 618,742	\$ 255,235
Cost of revenue				
Operating costs	(401,496)	(517,999)	(208,007)	(252,129)
Depreciation (Notes 6 and 7)	(427,478)	(173,325)	(213,875)	(87,994)
Gross profit (loss)	434,581	(119,278)	196,860	(84,888)
Unrealized revaluation gain on digital currencies	998,329	-	(774,291)	-
Gain (loss) on sale of digital currencies	2,076,303	-	-	-
Operating expenses				
Director fees (Note 10)	87,500	84,000	45,500	84,000
Depreciation (Note 6)	757	1,058	328	529
Interest expense (Note 7)	26,437	-	12,730	-
Management and consulting fees (Note 10)	42,188	42,188	21,094	21,094
Office and administration	174,630	100,456	113,240	48,471
Professional fees (Note 10)	148,464	133,977	92,755	86,315
Share-based compensation (Note 9)	38,015	-	38,015	-
Transaction costs	46,649	-	15,504	-
	(564,640)	(361,679)	(339,166)	(240,409)
Operating income (loss)	2,944,573	(480,957)	(916,597)	(325,297)
Interest income	27,964	64,334	7,165	27,102
Impairment recovery (Note 6)	-	-	-	-
Foreign exchange loss	(933,030)	440,834	(704,659)	(317,860)
Sales tax recovery	-	70,977	-	70,977
	(905,066)	576,145	(697,494)	(219,781)
Net income (loss)	2,039,507	95,188	(1,614,091)	(545,078)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Translation adjustment	92,633	(240,702)	49,412	228,961
	92,633	(240,702)	49,412	228,961
Net income (loss) and comprehensive income (loss)	\$ 2,132,140	\$ (145,514)	\$ (1,564,679)	\$ (316,117)
Basic earnings per share	\$ 0.03	\$ 0.00	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding - basic	77,574,897	71,177,984	84,522,684	71,177,984
Diluted earnings per share	\$ 0.02	\$ 0.00	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding - diluted	99,009,860	71,177,984	113,322,302	71,177,984

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

Fortress Technologies Inc.

Condensed Consolidated Interim Statements of Changes in Equity

(In Canadian Dollars)

(Unaudited)

	Number of Shares	Capital Amount	Reserve - Cumulative translation adjustment	Reserve - Equity reserved	Accumulated Deficit	Total
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
Balance, December 31, 2020	69,727,984	\$ 21,172,219	\$ 880,552	\$ 1,407,500	\$ (7,432,470)	\$ 16,027,801
Units issued for private placement	14,794,700	9,320,661	-	-	-	9,320,661
Share issuance costs	-	(1,294,419)	-	578,705	-	(715,714)
Share based compensation	-	-	-	38,015	-	38,015
Translation adjustment	-	-	92,633	-	-	92,633
Net income for the year	-	-	-	-	2,039,507	2,039,507
Balance, June 30, 2021	84,522,684	\$ 29,198,461	\$ 973,185	\$ 2,024,220	\$ (5,392,963)	\$ 26,802,903

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

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

	<i>Six months ended June 30, 2021</i>	<i>Six months ended June 30, 2020</i>
Operating activities		
Net income	\$ 2,039,507	\$ 95,188
Depreciation	428,235	174,383
Share-based compensation	38,015	-
Revaluation gain	(998,329)	-
Interest expenses	26,437	-
Interest income	(27,964)	(43,141)
Loss on sale of digital currencies	-	10,026
Foreign exchange	-	(331,926)
Change in non-cash working capital components		
Accrued GIC interest receivable	-	(21,193)
Receivables	(38,223)	(79,626)
Prepaid expenses	21,738	88,831
Accounts payables and accrued liabilities	(41,223)	41,554
Digital currencies	927,233	(765,299)
Cash flows used in operating activities	2,375,426	(831,203)
Interest received	78,615	131,693
Net cash flows used in operating activities	2,454,041	(699,510)
Investing activity		
Purchase of property and equipment	(6,215,718)	-
Cash used in investing activity	(6,215,718)	-
Financing activities		
Payment on lease liability	(83,831)	-
Proceeds on issuance of units	9,320,661	-
Share issuance costs (Note 11)	(715,714)	-
Cash used in financing activities	8,521,116	-
Change in cash during the year	4,759,439	(699,510)
Effect of exchange rate changes on cash	287,994	37,285
Cash, beginning of year	7,048,050	10,293,948
Cash, end of year	\$ 12,095,483	\$ 9,631,723
Cash and cash equivalents consists of:		
Cash	\$ 2,089,088	\$ 1,344,608
Guaranteed investment certificate	\$ 10,006,395	\$ 8,287,115

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

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2021

(In Canadian Dollars)

(Unaudited)

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.

The Company’s has a cryptocurrency mining operation in Louisiana (the “GAM Operation”) which currently house one container containing 180 ASIC miners.

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.

2. Basis of Presentation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting of the International Financial Reporting Standards” (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), following the same accounting policies, including estimates and judgments and methods of application as those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2020 except as described in the notes to the condensed consolidated interim financial statements. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2020, which have been prepared in accordance with IFRS.

These condensed consolidated interim financial statements were approved by the Board of Directors of the Company on August 24, 2021.

Basis of Presentation

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

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2021

(In Canadian Dollars)

(Unaudited)

2. Basis of Presentation (continued)

Basis of Consolidation

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

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

For the period ended June 30, 2021, the Company had three wholly-owned subsidiaries:

- Fortress Blockchain Holdings Corp. incorporated in the province of BC, Canada;
- Fortress Blockchain (US) Holdings Corp. ("Fortress US") incorporated in Washington, USA; and
- The Good Shepherd Land and Livestock Company Limited ("TGS") incorporated in England and Wales, UK.

Functional and Presentation Currency

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

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

3. Digital currencies and Revenue

For the period ended June 30, 2021, the Company recorded revenue of \$1,263,555 (June 30, 2020 - \$572,046) of which \$1,239,488 (June 30, 2020 - \$nil) from mining revenue from the Data Centre Operation, \$24,067 (June 30, 2020 - \$nil) from the GAM Operation and \$nil from sublease revenue (June 30, 2020 - \$572,046).

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>.

For the period ended June 30, 2021, the Company recorded revenue of \$1,263,555 (June 30, 2020 - \$572,046) of which \$1,239,488 (June 30, 2020 - \$nil) from mining revenue from the Data Centre Operation, \$24,067 (June 30, 2020 - \$nil) from the GAM Operation and \$nil from sublease revenue (June 30, 2020 - \$572,046).

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2021

(In Canadian Dollars)

(Unaudited)

3. Digital currencies and Revenue (continued)

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>.

Bitcoin	Units	Amount
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
Revenue from Bitcoin mined	22.49	1,263,555
Bitcoin purchased	80.00	3,342,067
Bitcoin sold	(130.00)	(4,717,331)
Revaluation of Bitcoin	-	182,806
Balance of Bitcoin as at June 30, 2021	140.69	3,685,351

GAM Strategic Venture

On March 29, 2021, the Company entered into a Master and Service Agreement with Great American Mining, LLC ("GAM") whereby GAM will manufacture the Bitcoin mining containers. The Company will acquire the Bitcoin miners to outfit these containers. GAM will operate these containers by converting vented/flared natural gas into electricity.

The Bitcoin mined will be split between the Company and GAM based on the following gross monthly revenue from Bitcoin mined as follows based on 12 containers being operational:

Gross Monthly revenue	Percentage of Bitcoin split or dollar equivalent
Greater than US\$749,450	60% to Fortress
Less than or equal to \$749,450 and greater than \$556,043	\$443,493 to Fortress
Less than or equal to \$556,043 and greater than \$410,989	80% to Fortress
Less than or equal to \$410,989	80% to Fortress

Sublease Revenue

On March 27, 2019, the Company entered into the Sublease Agreement with WeHash which was amended on May 16, 2019 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 the all the Bitcoin mined in the Data Centre Operation. From the net profit from the Data Centre Operation (the "Net Profit") (revenue less electricity, WeHash Contractor fee, insurance, internet lease costs, regulatory and state taxes collectively as "Operational Expenses") is determined. From the Net Profit, WeHash is paid 10% of the Net Profit as consulting fee (the "Consulting Fee"). The Consulting Fee does not exceed US\$10,000 or US\$10,000 Bitcoin equivalent per month.

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2021

(In Canadian Dollars)

(Unaudited)

	June 30, 2021	June 30, 2020
Sublease Revenue	\$ -	\$ 572,046

4. Prepaid expenses

	June 30, 2021	December 31, 2020
Prepaid expenses (Rent and insurance of Bitcoin mine)	\$ 15,231	\$ 37,469

5. Deposits

As of June 30, 2021, the Company has the deposit balance of \$194,894 (December 31, 2020 – \$200,174). This total comprised of \$96,673 deposit held by Grant County Public Utility District, \$96,921 rent and damage deposit for the Data Centre Operation and \$1,300 deposit for the Company's Vancouver office.

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2021

(In Canadian Dollars)

(Unaudited)

6. Property and equipment

	Land (\$)	Facility Asset (\$)	Miners (\$)	Miners (not- available for use) (\$)	Equipment under production (\$)	Office Equipment (\$)	Total (\$)
Cost							
Balance, December 31, 2019	-	442,916	746,577	-	-	6,351	1,195,844
Impairment recovery	-	2,301,446	218,076	-	-	-	2,519,522
Translation adjustment	-	(8,730)	(14,716)	-	-	-	(23,446)
Balance, December 31, 2020	-	2,735,632	949,937	-	-	6,351	3,691,920
Additions	637,627	120,622	1,139,800	3,003,163	1,314,506	-	6,215,718
Translation adjustment	-	(75,503)	(52,418)	(71,667)	(19,333)	-	(218,921)
Balance, June 30, 2021	637,627	2,780,751	2,037,319	2,931,496	1,295,173	6,351	9,688,717
Accumulated depreciation							
Balance, December 31, 2019	-	162,401	464,954	-	-	3,478	630,833
Additions	-	91,467	249,250	-	-	2,117	342,834
Translation adjustment	-	(7,831)	(21,783)	-	-	-	(29,614)
Balance, December 31, 2020	-	246,037	692,421	-	-	5,595	944,053
Additions	-	244,576	114,228	-	-	756	359,560
Translation adjustment	-	(8,103)	(18,995)	-	-	-	(27,098)
Balance, June 30, 2021	-	482,510	787,654	-	-	6,351	1,276,515
Carrying amount							
Balance, December 31, 2020	-	2,489,595	257,516	-	-	756	2,747,867
Balance, June 30, 2021	637,627	2,298,241	1,249,665	2,931,496	1,295,173	-	8,412,202

Depreciation expense of \$427,482 (June 30, 2020 - \$174,383) is included in cost of revenue.

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2021

(In Canadian Dollars)

(Unaudited)

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.

Data Center Operation		Total
Cost		
Balance, December 31, 2019	\$	-
Additions		700,394
Translation adjustment		(550)
Balance, December 31, 2020		700,944
Additions		-
Translation adjustment		18,608
Balance, June 30, 2021		682,336
Depreciation		
Balance, December 31, 2019		-
Additions		5,876
Translation adjustment		35
Balance, December 31, 2020	\$	5,841
Additions		68,679
Translation adjustment		(5,241)
Balance, June 30, 2021	\$	73,920
Net book value		
Balance, December 31, 2020	\$	695,103
Balance, June 30, 2021	\$	608,416

Depreciation expense of \$68,679 (June 30, 2020 - \$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, 2020	\$	698,487
Additions		-
Interest expense on lease liability		26,437
Payments on lease liability		(57,394)
Translation adjustment		(44,620)
Balance, June 30, 2021		622,910
Less: Current portion		121,120
Balance, June 30, 2021	\$	501,790

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2021

(In Canadian Dollars)

(Unaudited)

7. Right-of-use asset and lease liability (continued)

Lease liability	
Balance, December 31, 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 June 30, 2021, the Company is committed to minimum lease payments as follows:

Maturity analysis	June 30, 2021	
Less than one year	\$	166,575
One to three years		166,575
Three to five years		409,498
Total undiscounted lease liabilities		742,648
Amount representing implicit interest		(119,738)
Lease liability	\$	622,910

8. Accounts payable and accrued liabilities

	June 30, 2021		December 31, 2020	
Accounts payable	\$	108,555	\$	108,568
Accrued liabilities		102,433		145,711
	\$	210,988	\$	254,279

9. Share Capital

a. Authorized

Unlimited number of common shares without par value

b. Issued and outstanding

On March 26, 2021, the Company 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.

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2021

(In Canadian Dollars)

(Unaudited)

9. Share Capital (continued)

b. Issued and outstanding (continued)

As consideration for the services of the broker, the Company issued 887,682 broker warrants. Each broker warrant entitles the holder to acquire an additional unit at a price of \$.63 for a period of 60 months, expiring on March 26, 2026. 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 March 26, 2026. The value of the broker warrants was estimated at \$578,704 using the relative fair value model. In addition, the Company paid cash commissions the brokers of \$559,240 and other cash share issuance costs of \$156,474.

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.

c. Escrow shares

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

As of June 30, 2021, the Company has 750,000 common shares in escrow (December 31, 2020 – 750,000).

d. Stock options

During the period ended June 30, 2021, the Company granted 100,000 stock options exercisable at \$0.51 expiring three years from the date of the grant vesting immediately to the CFO of the Company. The fair value per options granted was \$0.38 and the share based compensation expense recognized for the six months ended June 30, 2021 was \$38,015.

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

Relative fair value of stock options was estimated using Black-Scholes Option pricing model with the following assumptions:

Dividend yield	0%
Expected volatility	131.04%
Risk-free rate	0.48%
Expected life	3 years
Share price	\$0.51

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2021

(In Canadian Dollars)

(Unaudited)

9. Share Capital (continued)

d. Stock options

The following is a summary of changes in stock options outstanding for the period ended June 30, 2021:

	Options outstanding	Weighted-average exercise price (\$)
Balance, December 31, 2020	5,424,928	0.33
Granted	100,000	0.51
Balance, June 30, 2021	5,524,928	0.33

	Options outstanding	Weighted-average exercise price (\$)
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 June 30, 2021, 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	1,100,000	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
100,000	100,000	0.510	May 3, 2024
5,524,928	6,522,928		

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2021

(In Canadian Dollars)

(Unaudited)

9. Share Capital (continued)

e. Warrants

Following is a summary of changes in warrants outstanding for the period ended June 30, 2021:

	Warrants	Weighted-average exercise price (\$)
Balance, December 31, 2019	10,000,000	0.50
Expired	(2,307,692)	0.50
Balance, December 31, 2020	7,692,308	0.50
Addition	15,682,382	0.81
Balance, June 30, 2021	23,374,690	0.71

Relative fair value of warrants was estimated using Black-Scholes option-pricing model with the following assumptions:

Dividend yield	0%
Expected volatility	222.61%
Risk-free rate	0.93%
Expected life	5
Share price	\$ 0.66

The warrants outstanding as at June 30, 2021, are as follows:

Outstanding	Exercise price (\$)	Expiry date
3,846,154	0.50	December 21, 2022
3,846,154	0.50	January 7, 2023
14,794,700	0.82	March 26, 2026
887,682	0.63	March 26, 2026
23,374,690	0.71	

10. Related Party Transactions

Key Management Compensation

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

During the period ended June 30, 2021, key management compensation included \$42,188 (June 30, 2020 - \$42,188) as management and consulting fees for executive services provided by a company controlled by the CEO of the Company. These fees include provision of office space and a corporate boardroom, a dedicated office telephone landline, along with computing and printing resources.

During the period ended June 30, 2021, the Company paid \$87,500 (June 30, 2020 - \$84,000) to its directors. Each director will receive a monthly compensation of \$3,500.

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2021

(In Canadian Dollars)

(Unaudited)

10. Related Party Transactions

During the period ended June 30, 2021, the Company paid professional fees of \$30,000 (June 30, 2020 - \$30,000) to a company controlled by the CFO of the Company for the accounting services. In addition, the Company also granted 100,000 stock options exercisable at \$0.51 expiring three years from the date of the grant vesting immediately to the CFO of the Company. The fair value per options granted was \$0.38 and the share based compensation expense recognized for the six months ended June 30, 2021 was \$38,015.

11. Financial Instruments

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

Credit risk

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

	June 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 12,095,483	\$ 7,048,050
Deposit	194,894	200,174
Receivables	55,893	17,662
	\$ 12,346,270	\$ 7,265,886

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 June 30, 2021, the Company had a working capital surplus of \$18,286,466, the majority of which is comprised of a cash and cash equivalents balance of \$12,095,483 and digital currencies balance of \$6,250,888 to settle current liabilities of \$210,988. All of the Company's financial liabilities sounds have contractual maturities of less than 30 days and are subject to normal trade terms.

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2021

(In Canadian Dollars)

(Unaudited)

11. Financial Instruments (continued)

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 prices

The Company has an inventory of digital currencies, Bitcoin, on June 30, 2021, that is subject to market pricing and price volatility. The Company recorded a gain on revaluation of digital currencies in the amount of \$998,329 during the period ended June 30, 2021 (June 30, 2020 - \$50,070). 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 period end, the Company's net loss and comprehensive loss after taxes would change by approximately \$19,000, resulting from the translation of the US dollar denominated financial instruments.

Fair value hierarchy

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

The three levels are defined as follows:

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

Fortress Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2021

(In Canadian Dollars)

(Unaudited)

11. Financial Instruments (continued)

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>, 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.

12. 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.

13. Segmented Information

June 30, 2021	Canada	USA	UK	Total
Revenue	\$ -	\$ 1,263,555	\$ -	\$ 1,263,555
Non-current assets	\$ -	\$ 8,382,991	\$ 637,627	\$ 9,020,618

14. Subsequent Event

Subsequent to June 30, 2021, the Company:

- Purchased 1,440 ASIC miners for US\$5,598,486.