MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

(EXPRESSED IN CANADIAN DOLLARS)

The following Management's Discussion and Analysis ("MD&A") constitutes management's assessment of the factors that affected the financial and operating performance of BitRush Corp. ("BitRush", "We" or the "Company") for the years ended December 31, 2018, 2017 and 2016.

This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators. This MD&A should be read in conjunction with the audited financial statements of the Company for the years ended December 31, 2018, 2017 and 2016 (collectively the "2018 Financial Statements"). The Company's 2018 Financial Statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). In preparing this MD&A, management has taken into account information available up to April 29, 2021, and all figures are expressed in Canadian Dollars ("$" or "CAD") unless stated otherwise.

Cautionary Note Regarding Forward Looking Statements

This MD&A contains certain forward-looking information and statements relating, but not limited to, the Company's future financial position and results of operations, strategies, plans, objectives, goals, targets, and future developments in the markets where the Company participates or is seeking to participate. Forward-looking information typically contains statements with words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" or similar words suggesting future outcomes or statements regarding an outlook, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Readers should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements of the Company to differ materially from those suggested by the forward-looking information and statements, some of which may be beyond the control of management.

Factors which could cause actual results to differ materially from current expectations include, but are not limited to: the expectations and assumptions based on which the Company's strategies are founded on; the Company's ability to obtain a partial revocation order on the failure-to-file cease trade order (the "CTO"); the Company's ability to meet its working capital needs for the 12-months period ending December 31, 2019, including the cost and potential impact in complying with existing and proposed laws and regulations; and the impact of the novel coronavirus ("COVID-19") pandemic to the Company's strategies and operations. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements.

Although the Company believes that the expectations, estimates, and projections reflected in such forward-looking information and statements are reasonable, such forward-looking information and statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information and statements. On this basis, readers are cautioned not to place undue reliance on such forward-looking information and statements.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this MD&A are made as of the date hereof and are presented for the purpose of assisting investors and others in understanding BitRush's financial position and results of operations, as well as its objectives and strategic priorities, and may not be appropriate for other purposes. The Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

Description of Business

BitRush was incorporated under the laws of the Province of Ontario and is governed by the Business Corporations Act (Ontario). The Company previously operated an online advertising platform ("AdBit") which uses Bitcoin ("BTC") as a payment method, which has since been disposed of (see "Subsequent Events" for details). The Company is currently looking to adopt a new business plan or an acquisition. The Company's common shares are listed on the Canadian Securities Exchange (the "CSE") under the trading symbol "BRH" but are currently suspended from trading.

The address of the Company's registered office is located at 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada.

Cease Trade Order

The Company is subject to a CTO issued by the Ontario Securities Commission (the "Commission") dated December 2, 2016. The CTO was issued due to the Company's failure to file its certification of the financial information filings for the period ended September 30, 2016 as required by National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings. As a result of the CTO, while BitRush is listed on the CSE, its common shares are currently suspended from trading.

Recent Developments

The Company had recently undertaken a series of corporate measures to address its debt structure and capital needs in order to better position the Company for future opportunities.

Partial Revocation Order

On April 29, 2019, the Company was granted a partial revocation order by the Commission in relation to the CTO, which sought to complete the Private Placement, the Mandated Issuances and the Shares-for-Debt Issuances (as such terms are defined herein).

On October 25, 2019, the Company closed a private placement of 2,889,260 units (the "Private Placement") at a price of $0.05 per unit, for gross proceeds of $144,463. Proceeds from the Private Placement will be used principally to prepare and file with the Commission, the Company's continuous disclosure documents with a view to obtaining a full revocation of the CTO and to pay all filing fees (including late fees) associated with such continuous disclosure documents, among other related expenses.

Further to the partial revocation order, the Company also issued from treasury an aggregate of 10,356,910 common shares as mandated by the order of the Ontario Superior Court of Justice (the "SCJ") dated June 29, 2018 (the "Mandated Issuances") and settled debts of $925,000 owed to certain creditors through the issuance of 18,500,000 common shares (the "Shares-for-Debt Issuances").

Change of officers and directors

On December 19, 2018, Karsten Arend, the President and a director of the Company, was appointed Chief Executive Officer ("CEO") of the Company, and Keith Li was appointed Chief Financial Officer ("CFO") and Secretary.

On December 19, 2018, Edward Boyd was appointed to the Board of Directors (the "Board") of the Company.

Sale of AdBit

On December 31, 2020, the Company entered into an Asset Purchase Agreement (the "APA") with an arm's length third party (the "Buyer") and sold the AdBit platform to the Buyer for the sum of $1 and the assumption by the Buyer of certain liabilities (see "Subsequent Events" for more details).

Outlook and Strategy

Throughout 2017 to 2020, the Company has spent considerable time continuously evaluating developments in the ad tech, blockchain, artificial intelligence and public markets space. Our other main order of business is to lift the CTO to resume the trading of the Company's common shares on the CSE and its operations.

As the Company continues to assess all types of opportunities, it will likely continue in the ad tech space and intends on raising capital shortly once the CTO is lifted. BitRush believes that a well vetted opportunity will be available for the Company to build on. BitRush also intends on changing its name and ticker symbol after the CTO is lifted.

During the current COVID-19 pandemic, the Board and management of the Company are sensitive to changes in the economy and most businesses. We are also actively looking for opportunities these changes have created. The Board and management will disclose any future plans for the Company if and where they have been decided upon. The Company is also considering adding strength and vision to its ranks by seeking additional board members, advisors and team members who will assist in implementing and executing the future plans of the Company once the CTO is lifted.

Financial Information

Selected annual information

BitRush's selected financial information as at and for the three most recently completed financial years ended December 31 are summarized as follows:

	2018	2017	2016
	$	$	$
Operating expenses	(252,049)	(685,560)	(1,355,887)
Other income (expenses)	261,615	(319,496)	(641,428)
Net income (loss)	9,566	(1,005,056)	(1,997,315)
Cash	3,603	16,530	21,413
Total assets	101,970	80,280	86,439
Total liabilities	1,188,979	1,196,608	270,041
Shareholders' deficiency	(1,087,009)	(1,116,328)	(183,602)

Selected financial information

The Company's selected financial information for the three most recently completed financial years ended December 31 are summarized as follows:

	2018	2017	2016
	$	$	$
Professional fees	143,663	438,842	128,272
Management fees	60,000	60,000	57,355
General and administrative expenses	23,522	69,190	235,277
Business development	7,908	6,000	152,225
Impairment of assets	-	-	(170,422)
Change in value of other liabilities	263,824	(311,456)	(28,487)

Financial Results for the Year ended December 31, 2018

Results of operations

During the years ended December 31, 2018, 2017 and 2016, the Company did not generate any revenues due to inactive operations.

During the year ended December 31, 2018 ("Fiscal 2018"), the Company incurred total operating expenses of $252,049 (2017 – $685,560; 2016 – $1,355,887). The significant decrease in operating expenses in Fiscal 2018 is primarily due to decreases in stock-based compensation on options previously granted in prior years, which continued to vest into Fiscal 2018. Stock-based compensation recorded in Fiscal 2018 was $19,753, as compared to amounts of $72,330 and $762,305 recorded in 2017 and 2016, respectively.

The significant annual decrease in stock-based compensation from 2016 to 2018, is due to the fact that with all currently outstanding options being granted in Fiscal 2016, the majority of the options vested immediately on grant, with their grant date fair value being immediately recognized in profit and loss in 2016. For options which vested on a graded vesting schedule, while they continued to vest into 2017 and 2018, the majority of the stock-based compensation was also recognized upfront, causing the large discrepancies into the latter years.

As the scope of operations diminished, other typical expenses in the normal course of business had also seen significant decreases as follows:

- Professional fees of $143,663 were incurred in Fiscal 2018 (2017 – $438,842; 2016 – $128,272). Professional fees were charged principally on services in the legal, accounting and audit areas. The spike in professional fees noted in Fiscal 2017 was primarily due to legal fees incurred as the Company filed motions and undertook legal actions against a former officer of the Company for breach of fiduciary duties and oppressive actions against BitRush and its shareholders, for which the subsequent verdict was in favour of the Company (see "Loss of Control" for more details).

- General and administrative expenses decreased to $23,522 in Fiscal 2018 (2017 – $69,190; 2016 – $235,277), as such expenses were primarily limited to website services and maintenance fees, with the Company gradually moving toward a virtual office environment to minimize cost; and

- Business development fees of $7,908 were incurred in Fiscal 2018 (2017 – $6,000; 2016 – $152,225). The deceases noted in Fiscal 2018 and 2017 were directly related to the resignation of certain former directors and officers following the CTO issued in 2016, as their compensation for services provided were recorded as business development during a time when the Company was considered a start-up business.

During Fiscal 2018, the total expenses incurred by the Company were offset by other income of $261,615 (2017 – other expenses of $319,496; 2016 – other expenses of $641,428). The Company's other liabilities were measured at their fair value and are affected by changes in the price of BTC. Due to a decrease of BTC prices as at December 31, 2018, a gain of $263,824 in the form of a decrease in other liabilities was recorded (2017 – loss of $311,456 due to increase in other liabilities; 2016 – loss of $28,487 due to increase in other liabilities). In 2016, the Company also recorded a loss of control effective January 1, 2016, and also recorded impairments on certain crypto currency investments and intangible assets of $96,400 and $74,022, respectively.

Net income for Fiscal 2018 was $9,566 ($0.000 per share on a basic and diluted basis), as compared to net losses of $1,005,056 (loss of $0.008 per share on a basic and diluted basis) in 2017 and $1,997,315 (loss of $0.016 per share) in 2016. The decreasing trend of losses is largely a result of the aforementioned decrease in operational scope which had taken place since the CTO was issued toward the latter part of 2016.

Cash flows

Net cash used in operating activities during Fiscal 2018 was $116,399, as compared to net cash used in operating activities of $251,170 in 2017 and $687,450 in 2016, respectively. As the Company's operations became more and more inactive over the past three years, its costs gradually and substantially decreased in direct proportion to the ever-reducing scope of operations from year to year.

Net cash provided by financing activities during Fiscal 2018 was $103,472, as compared to cash inflows of $246,287 in 2017 and $701,823 in 2016, respectively. In order to fund its operations, the Company had been relying on advances from certain related parties. In Fiscal 2016, the Company raised proceeds of $665,000 from a private placement of units which closed in March 2016.

The Company did not participate in any investing activities in Fiscal 2018 and 2017. In Fiscal 2016, the Company spent over $200,000 in investments which had been subsequently written off.

Working Capital and Liquidity Outlook

The Company's primary need for liquidity is to fund working capital requirements of our business, capital expenditures, debt service and for general corporate purposes. The Company's primary source of liquidity is loans and advances from related parties, as it also relies on private and/or public financing as a source of liquidity for short-term working capital needs. The Company's ability to fund operations, to make planned capital expenditures, to repay or refinance indebtedness depends on our future operating performance and cash flows, which are subject to prevailing economic conditions and financial, business and other factors, some of which are beyond our control.

As at December 31, 2018, the Company had total current assets of $101,970 (December 31, 2017 – $80,280; December 31, 2016 – $86,439), including cash of $3,603 (December 31, 2017 – $16,530; December 31, 2016 – $21,413) to settle current liabilities of $1,188,979 (December 31, 2017 – $1,196,608; December 31, 2016 – $270,041), for a working capital deficiency of $1,087,009 (December 31, 2017 – working capital deficiency of $1,116,328; December 31, 2016 – working capital deficiency of $183,602).

Subsequent to December 31, 2018, the Company had significantly reduced its liabilities by settling debts of $925,000 owed to certain creditors through the Shares-for-Debt Issuances. The Company had also raised funds from the Private Placement for working capital purposes.

Management believes there is sufficient capital in order to meet short-term business obligations, after taking into account cash flow requirements from operations and the Company's cash position as at period-end.

Key Management Compensation, Related Party Transactions and Balances

Key management personnel compensation

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executives, non-executive directors, officers and any employees. Compensation provided to key management personnel during the years ended December 31, 2018, 2017 and 2016 were as follows:

	2018	2017	2016
	$	$	$
Consulting and management fees	**60,000**	60,000	113,355
Stock-based compensation	**19,753**	72,330	500,719
	79,753	132,330	614,074

During the year ended December 31, 2018, Just In-Genius Inc. ("Just In-Genius"), an entity controlled by Karsten Arend, the President, CEO, and a director of the Company, charged $60,000 (2017 – $60,000; 2016 – $44,355) for consulting services provided to BitRush, which are included in management fees. As at December 31, 2018, an aggregate amount of $211,862 (2017 – $89,105; 2016 – $21,305) owing to Just In-Genius, for the consulting fees, the reimbursement of expenses paid on behalf of the Company, and funding of working capital, was included in accounts payables and accrued liabilities. As at December 31, 2018, no balance was owed to the CEO (2017 – $41,701; 2016 – $10,599; included in accounts payables and accrued liabilities for reimbursement of expenses paid on behalf of the Company). These amounts outstanding are unsecured, non-interest bearing and due on demand.

During the year ended December 31, 2018, the CEO received stock-based compensation of $19,753 (2017 – $72,330; 2016 – $156,624), in relation to vesting of the 2,500,000 stock options previously granted to him on April 22, 2016.

During the year ended December 31, 2016, the Applicant recorded consulting fees of $69,000 for services provided by certain former officers and directors of the Applicant, including $53,000 for Werner Bohm, the Former CEO, and $6,000 and $10,000 from Frank Kozich and Peter Lukesch, former directors of the Applicant, respectively. The consulting fees were included in professional fees. As at December 31, 2018, $401 (2017 – $3,042; 2016 – $3,042) owing to former officers and directors, was included in accounts payable and accrued liabilities.

During the year ended December 31, 2016, former officers and directors of the Company received stock-based compensation of $344,095.

Other related party transactions and balances

To fund its working capital, the Company had received advances from HSRC Investments PTE Ltd. ("HSRC"), an entity that controls more than 10% of the Company, of which Hansjoerg Wagner, a director of BitRush, is also a director. During the year ended December 31, 2018, the Company received advances of $103,472 (2017 – $246,287; 2016 – $36,823) from HSRC. As at December 31, 2018, total advances of $420,686 (2017 – $317,214; 2016 – $70,927) owing to HSRC was recorded as due to related party on the statements of financial position. The advances outstanding are unsecured, non-interest bearing and due on demand.

On March 15, 2016, HSRC participated in a non-brokered private placement, and subscribed for all 6,650,000 units at a price of $0.10 per unit, for gross proceeds of $665,000.

Capital Management

The Company's objective in managing its capital structure is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Company monitors its capital structure and makes adjustments according to market conditions to meet its objectives given the current outlook of the business and industry in general. The Board of the Company does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the management team to sustain the future development of the business.

As at December 31, 2018, the Company's capital consists of share capital, reserve in share-based payments, reserve in warrants and accumulated deficit.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2018, 2017 and 2016.

The Company is not subject to externally imposed capital requirements.

Financial Instrument Risks

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Cash is held with reputable Canadian chartered banks, which is closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments is minimal. The maximum exposure to credit risk at year-end is limited to the accounts receivable balance.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company manages liquidity risk by ensuring that it has sufficient cash and other financial resources available to meet its needs. The Company forecasts cash flows for a period of 12 months to identify financial requirements. These requirements are met through cash management, dispositions of assets and accessing financing through advances from related parties. As at December 31, 2018, the Company had a cash balance of $3,603 (2017 – $16,530; 2016 – $21,413) to settle current liabilities of $1,188,979 (2017 – $1,196,608; 2016 – $270,041).

Cryptocurrency risk

The Company is exposed to risk with respect to cryptocurrency prices and valuations which are largely based on the supply and demand of BTC and other cryptocurrencies and their acceptance in the financial market. The Company adjusts its other liabilities in BTC to fair value at the end of each reporting period. This process could result in significant changes in the Company's other liabilities over one or more reporting periods, particularly during periods of overall market instability, which could have a significant unfavorable effect on the Company's financial position.

Fair value

Fair value estimates of financial instruments are made at a specific point in time based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. The Company's financial instruments consist of cash, accounts payable, other liabilities and amounts due to related parties. The fair value of cash, accounts payable, other liabilities, and amounts due to related parties are approximately equal to their carrying value due to their short-term nature.

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that include the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Cash	3,603	-	-	3,603
Other liabilities	88,239	-	-	88,239

As at December 31, 2018, the Company's financial instruments carried at fair value consisted of its cash and other liabilities, which have been classified as Level 1. There were no transfers between Levels 2 and 3 for recurring fair value measurements during the year.

Significant Accounting Judgments and Estimates

The preparation of the Company's financial statements in conformity with IFRS, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. These estimates are reviewed periodically, and adjustments are made as appropriate in the period they become known. Items for which actual results may differ materially from these estimates are described as follows:

Going concern

At the end of each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern by reviewing the Company's performance, resources and future obligations.

Investments in and consolidation of subsidiaries

Subsidiaries are entities that the Company controls directly. Control is defined as the exposure, or rights, or variable returns from involvement with a subsidiary and the ability to affect those returns through power over the subsidiary. At each reporting period, management exercises judgment in assessing the Company's ability to control its subsidiaries by assessing whether the Company has the rights and ability to direct the activities of the subsidiaries. Where the Company has control over its subsidiaries, the financial statements are presented on a consolidated basis and all inter-company balances and transactions are eliminated upon consolidation.

During the year ended December 31, 2016, management determined that the Company no longer had the ability to direct the activities of certain of its subsidiaries and as a result recorded a loss on control of these subsidiaries. Therefore, these financial statements have been prepared on a non-consolidated basis.

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the Company's statements of financial position that cannot be derived from active markets, are determined using a variety of techniques including the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Judgments include, but are not limited to, consideration of model inputs such as volatility, estimated life and discount rates.

Warrants and options

Warrants and options are initially recognized at fair value, based on the application of the Black-Scholes valuation model. This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the expected volatility of the share price, expected forfeitures, expected dividend yield, expected term of the warrants or options, and expected risk-free interest rate.

Income taxes

Income taxes and tax exposures recognized in the Company's financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference.

In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate that sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

Summary of Significant Accounting Policies

Financial Instruments

Financial assets and financial liabilities, including derivatives, are recognized on the statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: (a) those to be measured subsequently at fair value through profit or loss ("FVTPL"); (b) those to be measured subsequently at fair value through other comprehensive income ("FVTOCI"); and (c) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are recorded in profit or loss.

The Company reclassifies financial assets when its business model for managing those assets changes. Financial liabilities are not reclassified.

Fair value through profit or loss

This category includes derivative instruments as well as quoted equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVTOCI. This category would also include debt instruments whose cash flow characteristics fail the solely principal and interest ("SPPI") criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in profit or loss.

Financial assets at fair value through other comprehensive income

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in FVTOCI instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at FVTOCI are initially measured at fair value and changes therein are recognized in other comprehensive income (loss).

Amortized cost

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. Financial asset classified in this category are measured at amortized cost using the effective interest method.

The Company's classification of financial assets and financial liabilities is summarized below:

	Classification
Cash	FVTPL
Accounts payable	Amortized cost
Due to related party	Amortized cost
Other liabilities	FVTPL

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (loss) (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income (loss).

Expected credit loss impairment model

IFRS 9 – Financial Instruments introduced a single expected credit loss ("ECL") impairment model, which is based on changes in credit quality since initial application. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts.

Derecognition

Financial assets

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 the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of income (loss) and comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligation under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive income.

Fair value hierarchy

The determination of fair value requires judgment and is based on market information, where available and appropriate. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Intangible Assets

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. The estimated useful life, amortization method, and residual values are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Amortization on the Company's websites is provided over the estimated useful life.

Impairment

The carrying amounts of the Company's intangible assets are assessed for impairment indicators on at least an annual basis to determine whether there is any indication that these assets have suffered an impairment loss. 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. Should an impairment loss subsequently reverse, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but, limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit and loss.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

As at December 31, 2018, 2017 and 2016, the Company had no material provisions.

Income Taxes

Income tax expense comprises current and deferred tax expense. Current and deferred tax are recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income (loss).

Current tax

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent that future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Share Capital

In situations where the Company issues units, the value of units is bifurcated and the value of warrants is included as a separate reserve of the Company's equity, using the residual method, where the difference between the unit subscription price and the Company's closing share price on the date of closing of the private placement, is allocated to warrants reserves. In cases where there is no difference between the unit subscription price and the closing share price, the entire amount is allocated to share capital. On expiry, the fair value of the warrants is transferred to share capital.

Share Issuance Costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

Income (Loss) per Share

Basic income (loss) per share is computed by dividing the net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted income (loss) per share assumes exercise or contingent issuance of options, warrants and securities only when such exercise or issuance would have a dilutive effect on income (loss) per share. For the years ended December 31, 2018, 2017 and 2016, no potential shares are included in the computation as they are anti-dilutive.

Share-Based Payments

Equity-settled share-based payments to employees (including directors and officers) are measured at the fair value of the equity instruments at the grant date. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which the options vest. The offset to the recorded cost is to reserve for share-based payments. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized on the statements of income (loss) such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserve for share-based payments.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

On expiry, the recorded fair value of the options is transferred to accumulated deficit.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Foreign Currency Transactions

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in profit and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Changes in Accounting Policies

The Company adopted the following standards, effective January 1, 2016. These new standards were made in accordance with the applicable transitional provisions:

<u>IFRS 7 – Financial Instruments: Disclosure ("IFRS 7")</u>

IFRS 7 was amended to require additional disclosures on transition from IAS 39 – Financial Instruments: Recognition and Measurement' ("IAS 39") to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. The Company adopted these amendments as of the effective date and has assessed no significant changes as a result of the adoption of these amendments.

<u>IFRS 9 – Financial Instruments ("IFRS 9")</u>

IFRS 9 was issued by the IASB in July 2014 and replaces IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income (loss), rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

As permitted by the transition provisions of IFRS 9, the Company elected not to restate comparative period results. As such, all comparative period information is presented in accordance with the previous accounting policies. Adjustments to the carrying amounts of financial assets and liabilities, at the date of initial application have been recognized in opening deficit and other components of equity for the current period. New or amended disclosures have been provided for the current period, where applicable, while comparative period disclosures are consistent with those made in prior periods.

The Company also adopted the following amendments, effective January 1, 2018. The amendments were made in accordance with the applicable transitional provisions:

<u>IFRS 2 – Share-based Payments ("IFRS 2")</u>

IFRS 2 was amended to clarify how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Company has adopted these amendments as of the effective date and has assessed no significant changes as a result of the adoption of these amendments.

Recent Accounting Pronouncements

The IASB and the IFRS Interpretations Committee have issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after January 1, 2019. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IFRS 16 – Leases ("IFRS 16")

IFRS 16 was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under 12 months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use ("ROU") asset and a lease liability. The ROU asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the ROU asset at cost less accumulated amortization and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, it is an operating lease.

The Company has reviewed its leasing arrangements outstanding as at December 31, 2018, in respect of the new lease standard, and had assessed that there was no significant impact upon adoption of the new standard on the Company's financial statements.

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23")

IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. The Company has assessed that there was no significant impact upon adoption of the new standard on the Company's financial statements.

Loss of Control

On June 26, 2015, MezzaCap Investments Ltd. ("MezzaCap") acquired control of the Company through the issuance of 24,672,738 common shares and 5,361,363 warrants through a reverse takeover transaction. For financial reporting purposes, the transaction has been accounted for under IFRS 2 and therefore the financial statements of the Company had been prepared as a continuation of MezzaCap through the period ended June 26, 2015 to December 31, 2015. MezzaCap owned approximately 70% of the Company's outstanding shares as of December 31, 2015. MezzaCap is a United Kingdom corporation for which Werner Boehm, a former Chief Executive Officer ("Boehm" or the "Former CEO") of the Company, was the sole director.

On December 7, 2016, the Company's Board terminated the Former CEO for being in breach of his fiduciary duty to the Company. Motions were subsequently filed with the SCJ applying for relief under the oppression remedy against the Former CEO, MezzaCap and related parties. As the Former CEO repeatedly failed to deliver the corporate assets and property of BitRush and its subsidiaries, which included important financial information of the Company and its subsidiaries, the Company was not in a position to prepare and finalize its audited financial statements for the year ended December 31, 2016. As a result, the Board had determined there was effectively a loss of control of the Company's subsidiaries as of January 1, 2016, shortly after the time when Boehm was appointed CEO of BitRush. Accordingly, the Company recorded a charge of $441,725 to the statements of income (loss) and comprehensive income (loss) for the year ended December 31, 2016, related to the loss of the Company's investment in and advances to the previously controlled subsidiaries.

On November 14, 2017, the SCJ declared that the Former CEO had breached his fiduciary duties to BitRush and caused the affairs of the Company to be conducted in an oppressive manner that unfairly disregarded and was unfairly prejudicial to the Company and its shareholders. The SCJ ordered, among other things, that Boehm and MezzaCap repay $561,373 that had been misappropriated and ordered costs of $225,956 payable to the Company. In the event if the damage of $561,373 was not repaid, the SCJ ordered that the Company could cancel shares held by MezzaCap of equivalent value.

On June 29, 2018, the SCJ amended its decision of November 14, 2017 to deem the appropriate share price for the cancellation of BitRush shares held by MezzaCap at $0.005, which resulted in an order for the cancellation of up to 112,274,600 shares held by MezzaCap. MezzaCap was the registered shareholder of 68,894,175 shares of the Company, all of which were cancelled pursuant to the order effective August 1, 2018.

Other Liabilities

In 2015, the Company purchased the AdBit business from a third-party for USD $80,000. AdBit runs on the interface of the Adbit.biz website, an online advertising platform, where individual users can pay for showing their advertising on the network as an advertiser, or register their website as a publisher and get paid to show the advertising of others.

User balances are recorded in two categories:

- BTC, the digital currency, is the only currency used for deposits, withdrawals and balance records. As advertisers deposit BTC to pay for ads, publishers can withdraw BTC as their earnings from displaying the ads. The balances for each user are recorded for available spending on advertisements or withdrawals. The account balances are adjusted based on deposits, ad spending and or ad earnings.
- Ad Credits were an incentive priced in BTC which started in 2016, and cannot be withdrawn from a user's account, as they can only be spent on advertising on the platform. Although the Ad Credits incentive program was discontinued, the Company remains liable for the maintenance of these Ad Credits for spending on the platform. Management believes it to be highly unlikely that a material amount of the Ad Credits will be spent on the platform going forward and does not see this liability as a material risk.

As at December 31, 2018, the Company's outstanding BTC liability balance is comprised of 17.5310124 BTC (December 31, 2017 – 20.56925097 BTC; December 31, 2016 – 31.75696571 BTC), as follows:

	Number of BTC	**Fair value of BTC liabilities**
	#	**$**
2016		
Outstanding user balances (BTC)	20.71062208	USD 19,726
Outstanding user Ad Credit balances (priced in BTC)	11.0434363	USD 10,521
Balance, December 31, 2016	**31,75696571**	**USD 30,247**
Adjusted for F/X translation		**CAD 40,607**
2017		
Outstanding user balances (BTC)	13.18023734	USD 179,827
Outstanding user Ad Credit balances (priced in BTC)	7.389013631	USD 100,813
Balance, December 31, 2017	**20.56925097**	**USD 280,640**
Adjusted for F/X translation		**CAD 352,063**
2018		
Outstanding user balances (BTC)	11.35732877	USD 41,904
Outstanding user Ad Credit balances (priced in BTC)	6.173683631	USD 22,778
Balance, December 31, 2018	**17.5310124**	**USD 64,682**
Adjusted for F/X translation		**CAD 88,239**

The BTC liabilities are classified as financial liabilities. The effect is that the BTC liabilities are measured at fair value based on the underlying price of a BTC, with changes in value being recorded in profit or loss.

For the years ended December 31, 2018, 2017 and 2016, the changes to the BTC liabilities are as follows:

	$
Balance, January 1, 2016	**12,120**
Fair value changes of Bitcoin liabilities	28,487
Balance, December 31, 2016	**40,607**
Fair value changes of Bitcoin liabilities	311,456
Balance, December 31, 2017	**352,063**
Fair value changes of Bitcoin liabilities	(263,824)
Balance, December 31, 2018	**88,239**

Issued and Outstanding Share Capital

As at April 29, 2021, the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of BitRush are as follows:

Common Shares	**Number Outstanding**
Issued and outstanding	89,809,234
Issuable under warrants	2,889,260

Off-Balance Sheet Arrangements

As at December 31, 2018 and the date of this MD&A, the Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the results of operations or financial condition of the Company.

Subsequent Events

Partial Revocation Order

On April 29, 2019, the Company was granted a partial revocation order by the Commission in relation to the CTO issued by the Commission on December 2, 2016.

On October 25, 2019, the Company closed the Private Placement of 2,889,260 units at a price of $0.05 per unit, for gross proceeds of $144,463. Each unit is comprised of one common share of the Company and one common share purchase warrant, exercisable at $0.10 to purchase one additional common share of the Company on or before the date that is three years from the date the common shares resume trading on the CSE, subject to acceleration if the closing trading price of the common shares on the CSE is not less than $0.15 for 10 consecutive trading days.

Further to the partial revocation order, the Company also issued from treasury an aggregate of 10,356,910 common shares of BitRush as mandated by the order of the SCJ dated June 29, 2018 and certain shares-for-debt issuances from treasury to creditors in full satisfaction of the debts owed to such parties. In the Shares-for-Debt Issuances, $925,000 of debt was exchanged for 18,500,000 common shares of the Company, representing an exchange price of $0.05 per share. All securities of the Company, including the aforementioned securities, will remain subject to the CTO until such time as the CTO has been revoked in its entirety.

BTC Purchases

On January 22, 2020, the Company purchased 4.37549234 BTC as investments.

COVID-19

On January 30, 2020, the World Health Organization declared COVID-19 a "Public Health Emergency of International Concern" and on March 10, 2020, declared COVID-19 a pandemic. As of the date of these financial statements, the extent to which the COVID-19 pandemic impacts the Company's financial results will depend on future developments, remain highly uncertain and cannot be predicted, including new information which emerge concerning the severity of the COVID-19 pandemic and actions taken to contain it or its impact, among others.

CEBA Loans

On August 24, 2020, the Company received $40,000 in revolving credit (the "CEBA Loan") from the Government of Canada under the Canada Emergency Business Account (CEBA) COVID-19 Economic Response Plan. The funding is granted in the form of an interest-free loan of which up to $40,000 may be drawn. On December 21, 2020, the Company received an additional CEBA Loan in the amount of $20,000 under the CEBA expansion program.

Sale of AdBit

On December 31, 2020, the Company entered into the APA with the Buyer and sold the AdBit platform to the Buyer for the sum of $1 and the assumption by the Buyer of certain liabilities. Pursuant to the APA, the Company will receive, as additional consideration for the sale of the AdBit platform, 25% of all monthly net revenue in excess of a monthly net revenue of $10,000 generated via the AdBit platform (including any rebranded, further developed, new versions or white-labeled versions of the AdBit platform), to be paid to the Company on a quarterly basis. Furthermore, if the Buyer sells, transfers or otherwise monetizes all or part of the AdBit platform, including, but not limited to the platform code, domain name and/or database relating to the current or any further developed or new versions of the AdBit platform to a bona fide third party at any time after the date hereof for a sale price in excess of $1, the Buyer will pay 50% of such excess amount to the Company upon the closing of such third party sale.

Pursuant to the APA, the Buyer assumed all user BTC balances totalling 11.16590343 BTC and Ad Credit balances valued at 6.14876311 BTC of Ad Credit.

Secured funding

On March 21, 2021, the Company entered into a Bitcoin-backed loan and security agreement with a lender (the "Lender"). The loan is secured by the Company's cryptocurrency investments into the Lender's cryptocurrency wallet. On March 22, 2021, the Company received proceeds of $131,784 (USD $107,000) from the loan.

Options expiry

On April 22, 2021, 2,500,000 options exercisable at $0.10, expired unexercised.

Risk Factors

The Company faces exposure to risk factors and uncertainties relating to its business that could significantly negatively impact the Company's operations and financial results. Additional risks and uncertainties not presently known to the Company or currently deemed immaterial by the Company may also impair the Company's operations. If any such risks actually occur, shareholders of the Company could lose all or part of their investment and the business, financial condition, liquidity, results of operations and prospects of the Company could also be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. The following is a summary of risk factors that could be applicable to the business of the Company:

Additional financing

The Company believes that its raised capital is sufficient to meet its presently anticipated working capital and capital expenditure requirements for the near future. This belief is based on its operating plan which, in turn, is based on assumptions, which may prove to be incorrect. In addition, the Company may need to raise significant additional funds sooner to support its growth, respond to competitive pressures, acquire or invest in complementary or competitive businesses or technologies, or take advantage of unanticipated opportunities. If its financial resources are insufficient, it will require additional financing to meet its plans for expansion. The Company cannot be sure that this additional financing, if needed, will be available on acceptable terms or at all.

Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders. If adequate funds are not available on acceptable terms or at all, the Company may be unable to develop or enhance its services and products, take advantage of future opportunities, repay debt obligations as they become due, or respond to competitive pressures, any of which could have a material adverse effect on its business, prospects, financial condition, and results of operations.

Volatile global financial and economic conditions

Current global financial and economic conditions remain extremely volatile. Access to public and private capital and financing can be negatively impacted by many factors as a result of a global financial crisis or recession. Such factors may impact the Company's ability to obtain financing in the future on favorable terms or obtain any financing at all. Additionally, unfavourable global economic conditions may cause a long-term decrease in asset values. If such global volatility, market turmoil and the global recession continue, the Company's operations and financial condition could be adversely impacted.

The market price of securities is volatile and may not accurately reflect the long-term value of the Company

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of shares to sell their securities at an advantageous price. Market price fluctuations in the shares may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the shares.

Financial markets historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the shares may decline even if the Company's investment results, underlying asset values or prospects have not changed.

Additionally, these factors, as well as other related factors, may cause decreases in investment values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the shares may be materially adversely affected.

Limited market for securities

There can be no assurance that an active and liquid market for the Company's shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company.

Operating risk and insurance coverage

The Company's insurance coverage is intended to address all material risks to which it is exposed and is adequate and customary in its current state of operations. However, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Reliance on management

The success of the Company is dependent on the performance of its senior management. The loss of services of these persons would have a material adverse effect on the Company's business and prospects in the short-term. There is no assurance the Company can maintain the services of its officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

Digital asset and crypto currency

Since the introduction of BTC over 10 years ago, it has proven to be a highly volatile asset. All manner of theft in the form of hacking exchanges and user wallets has occurred. For many users, the best practices for safeguarding their BTC are not practical. This often opens the door to theft.

Predicting the price movements and assessing the risk of holding these assets or being liable for them is challenging. Risks in this class of asset include but are not limited to government intervention, 51% attacks and many others. As at today's date, no such threat has proven successful.

As with all new asset classes, the risks are high and prices are affected by various pressures including supply and demand, global political and economic conditions, regulation, sentiment and market structures such as availability of sending cash from banks to exchanges and the reverse.

Reliance on information technology and vulnerability to cyber-attacks

The Company will be reliant on information technology systems and may be subject to damaging cyber-attacks. Every business is subject to cyber-attacks, however, internet businesses are particularly vulnerable given the relatively vast size of the online market for, and therefore resources available to, specific information technology providers. As such, specific information technology may be less able to thwart attempted breaches and misuses of information technology systems. A breach of the Company's computers could give rise to liabilities that result in material adverse effects to the financial condition of the Company.

Management of growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Internal controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and materially adversely affect the trading price of the Company's common shares.

Liability for activity of employees, contractors and consultants

The Company could be liable for fraudulent or illegal activity by its contractors and consultants resulting in significant financial losses to claims or regulatory enforcement actions against the Company. Failure to comply with relevant laws could result in fines, suspension of licenses and civil or criminal action being taken against the Company. Consequently, the Company is subject certain risks, including that contractors and consultants may inadvertently fail to follow the law or purposefully neglect to follow the law, either of which could result in material adverse effects to the financial condition of the Company.

Disruption of business

Conditions or events including, but not limited to, those listed below could disrupt the Company's operations, increase operating expenses, resulting in delayed performance of contractual obligations or require additional expenditures to be incurred: (i) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.; (ii) a local, regional, national or international outbreak of a contagious disease, including the COVID-19 coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness could result in a general or acute decline in economic activity (see also, "Public Health Crises, including COVID-19"); (iii) political instability, social and labour unrest, war or terrorism; or (iv) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road.

Public health crises

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises beyond our control, including the current outbreak of COVID-19. On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a global health emergency. Many governments have likewise declared that the COVID-19 outbreak in their jurisdictions constitutes an emergency. Reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, business closures, quarantines and a general reduction in business and consumer activity. While these effects are expected to be temporary, the duration of the business disruptions and related financial impact cannot be reasonably estimated at this time.

Such public health crises can result in volatility and disruptions in the supply and demand for various products and services, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect interest rates, credit ratings, credit risk and inflation. The risks to the Company of such public health crises also include risks to management health and safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak. At this point, the extent to which COVID-19 may impact the Company is uncertain; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition.

Disclosure of Internal Controls over Financial Reporting

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements; and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to non-venture issuers, this MD&A does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). In particular, management is not making any representations relating to the establishment and maintenance of: controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its filings or other reports or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Investors should be aware that inherent limitations on the ability of management of the Company to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of filings and other reports provided under securities legislation.

Management's Responsibility for Financial Information

Management is responsible for all information contained in this MD&A. The Company's financial statements have been prepared in accordance with IFRS and include amounts based on management's informed judgments and estimates. The financial and operating information included in this MD&A is consistent with that contained in the Company's 2018 Financial Statements in all material aspects.

The Audit Committee has reviewed the 2018 Financial Statements and this MD&A with management of the Company. The Board has approved the 2018 Financial Statements and this MD&A on the recommendation of the Audit Committee.

Approval

The Board of the Company has approved the disclosure contained in this MD&A.

Additional Information

Additional information relating to BitRush can be found on the Company's SEDAR profile at www.sedar.com, or its website at www.bitrush.com.

April 29, 2021

Karsten Arend
Chief Executive Officer