BITRUSH

Unaudited Condensed Interim Financial Statements

For the Three and Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

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

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

BitRush Corp.
Unaudited Condensed Interim Statements of Financial Position
As at September 30, 2021 and December 31, 2020
(Expressed in Canadian Dollars)

	As at September 30, 2021	As at December 31, 2020
	$	$
Assets		
Current Assets		
Cash	**22,033**	20,037
Amounts receivable (Note 4)	**42,408**	27,693
Prepaid expenses	**2,729**	1,973
Total Current Assets	**67,170**	49,703
Investments in cryptocurrency (Note 5)	**-**	160,131
Total Assets	**67,170**	209,834
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	**137,670**	267,123
Due to related parties (Note 13)	**-**	70,500
Total Current Liabilities	**137,670**	337,623
Long-term debt (Note 9)	**59,935**	59,976
Total Liabilities	**197,605**	397,599
Shareholders' Deficiency		
Share capital (Note 10)	**4,734,180**	4,382,211
Reserve for share-based payments (Note 11)	**93,829**	250,453
Contributed surplus	**42,058**	42,058
Accumulated deficit	**(5,000,502)**	(4,972,628)
Accumulated other comprehensive income	**-**	110,141
Total Shareholders' Deficiency	**(130,435)**	(187,765)
Total Liabilities and Shareholders' Deficiency	**67,170**	209,834

Nature of operations and going concern (Note 1)
Contingencies (Note 16)

Approved on behalf of the Board of Directors:

"Karsten Arend" (signed)
Director

"Hansjoerg Wagner" (signed)
Director

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

BitRush Corp.
Unaudited Condensed Interim Statements of Loss and Comprehensive Loss
For the Three and Nine Months Ended September 30, 2021 and 2020
(Expressed in Canadian Dollars)

	Three Months ended September 30, 2021	Three Months ended September 30, 2020	**Nine Months ended September 30, 2021**	Nine Months ended September 30, 2020
	$	$	**$**	$
Expenses				
Management fees (Note 13)	**22,500**	22,500	**192,500**	67,500
Professional fees (Note 13)	**35,246**	11,576	**157,840**	56,777
Filing fees	**3,038**	3,116	**44,507**	9,599
General and administrative	**1,836**	7,135	**6,981**	28,501
Total Expenses	**(62,620)**	(44,327)	**(401,828)**	(162,377)
Other Items				
Gain on disposals of cryptocurrency investment (Note 5)	**-**	-	**124,602**	-
Debt forgiveness (Notes 6 and 8)	**25,317**	187	**97,517**	187
Change in value of other liabilities (Note 7)	**-**	(31,958)	**-**	(86,867)
Interest expense (Notes 8 and 9)	**(685)**	-	**(4,789)**	-
Total Other Items	**24,632**	(31,771)	**217,330**	(86,680)
Net Loss	**(37,988)**	(76,098)	**(184,498)**	(249,057)
Other Comprehensive Loss				
Change in fair value of cryptocurrency investment (Note 5)	**-**	8,683	**(110,141)**	12,978
Comprehensive Loss	**(37,988)**	(67,415)	**(294,639)**	(236,079)
Weighted Average Number of Shares Outstanding				
Basic and diluted	**94,553,159**	89,809,234	**91,407,919**	89,809,234
Net Loss per Share				
Basic and diluted	**(0.000)**	(0.001)	**(0.002)**	(0.003)

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

BitRush Corp.
Unaudited Condensed Interim Statements of Cash Flows
For the Three and Nine Months Ended September 30, 2021 and 2020
(Expressed in Canadian Dollars)

	Three Months ended September 30, 2021	Three Months ended September 30, 2020	**Nine Months ended September 30, 2021**	Nine Months ended September 30, 2020
	$	$	**$**	$
Operating Activities				
Net loss for the period	**(37,988)**	(76,098)	**(184,498)**	(249,057)
Adjustments for non-cash items:				
Gain on disposals of cryptocurrency investment (Note 5)	**-**	-	**(124,602)**	-
Debt forgiveness (Notes 6 and 8)	**(25,317)**	(187)	**(97,517)**	(187)
Change in value of other liabilities (Note 7)	**-**	31,958	**-**	86,867
Interest on loans and long-term debt	**685**	180	**2,519**	180
Foreign exchange gain	**-**	-	**(654)**	-
	(62,620)	(44,147)	**(404,752)**	(162,197)
Changes in non-cash working capital:				
Amounts receivables	**(9,154)**	(4,462)	**(14,715)**	(380)
Prepaid expenses	**(2,447)**	(2,537)	**(756)**	3,201
Accounts payable and accrued liabilities	**45,937**	18,864	**231,428**	(2,124)
Cash Flows (used in) Operating Activities	**(28,284)**	(32,282)	**(188,795)**	(161,500)
Financing Activities				
Proceeds from secured loan (Note 8)	**-**	-	**134,474**	-
Proceeds on loan from third party (Note 8)	**-**	-	**16,032**	-
Proceeds from government loan (Note 9)	**-**	40,000	**-**	40,000
Advances from related parties (Note 13)	**-**	10,000	**-**	10,000
Cash Flows provided by Financing Activities	**-**	50,000	**150,506**	50,000
Investing Activities				
Investments in cryptocurrency (Note 5)	**-**	-	**-**	(49,990)
Proceeds from disposals of investments in cryptocurrency (Note 5)	**40,285**	-	**40,285**	-
Cash Flows provided by (used in) Investing Activities	**40,285**	-	**40,285**	(49,990)
Increase (decrease) in cash	**12,001**	17,718	**1,996**	(161,490)
Cash (bank overdraft), beginning of period	**10,032**	(1,549)	**20,037**	177,659
Cash, end of period	**22,033**	16,169	**22,033**	16,169
Supplemental Information				
Secured loan settled with proceeds from disposals of investments in cryptocurrency (Notes 5 and 8)	**134,307**	-	**134,307**	-
Debts settled with issuance of common shares (Note 10)	**351,969**	-	**351,969**	-

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

BitRush Corp.
Unaudited Condensed Interim Statements of Changes in Shareholders' Deficiency
For the Nine Months Ended September 30, 2021 and 2020
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share-Based Payments	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	#	$	$	$	$	$	$
Balance, December 31, 2019	**89,809,234**	**4,382,211**	**250,453**	**42,058**	**(4,914,691)**	**-**	**(239,969)**
Net loss for the period	-	-	-	-	(249,057)	-	(249,057)
Change in fair value of cryptocurrency investments (Note 5)	-	-	-	-	-	12,978	12,978
Balance, September 30, 2020	**89,809,234**	**4,382,211**	**250,453**	**42,058**	**(5,163,748)**	**12,978**	**(476,048)**
Balance, December 31, 2020	**89,809,234**	**4,382,211**	**250,453**	**42,058**	**(4,972,628)**	**110,141**	**(187,765)**
Issuance on debt settlement (Note 10)	7,039,373	351,969	-	-	-	-	351,969
Expiry of options (Note 11)	-	-	(156,624)	-	156,624	-	-
Net loss for the period	-	-	-	-	(184,498)	-	(184,498)
Change in fair value of cryptocurrency investments (Note 5)	-	-	-	-	-	(110,141)	(110,141)
Balance, September 30, 2021	**96,848,607**	**4,734,180**	**93,829**	**42,058**	**(5,000,502)**	**-**	**(130,435)**

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

1. Nature of Operations and Going Concern

BitRush Corp. ("BitRush", or the "Company") 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 used Bitcoin ("BTC") as a payment method, which has since been disposed of. 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.

The Company was previously subject to a cease trade order (the "CTO") imposed by the Ontario Securities Commission (the "OSC") on December 2, 2016. Since the issuance of the CTO, the Company's activities had been minimal. The Company currently has negligible commercial operations and, therefore, no revenue, and is subject to the normal risks and challenges experienced by other start-up companies in a comparable stage of development within the ad tech sector. On May 21, 2021, the OSC had granted BitRush an order fully revoking the CTO.

While the Company's current objective is to resume its operations, it is dependent on its ability to obtain the necessary financing to develop and establish a future development into a profitable commercial operation. As at September 30, 2021, the Company had a working capital deficiency of $70,500 (December 31, 2020 – $287,920).

These unaudited condensed interim financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the settlement of liabilities in the normal course of business. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, the ability of the Company to obtain necessary financing, and the ability of the Company to identify, evaluate, and negotiate an acquisition of assets or businesses. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. These conditions, including the impact from the continued evolution of the novel coronavirus ("COVID-19") pandemic, represent material uncertainties which may cast significant doubt on the Company's ability to continue as a going concern.

These unaudited condensed interim financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material.

2. Basis of Presentation

2.1 Statement of Compliance

The Company's unaudited condensed interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standards 34 – Interim Financial Reporting ("IAS 34").

These unaudited condensed interim financial statements have been prepared in accordance with the same accounting policies, critical estimates and methods described in the Company's annual financial statements, except for the adoption of new accounting standards or amendments identified in Note 3. Given that certain information and footnote disclosures, which are included in the annual financial statements, have been condensed or excluded in accordance with IAS 34, these unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements as at and for the year ended December 31, 2020, including the accompanying notes thereto.

These unaudited condensed interim financial statements were reviewed, approved and authorized for issuance by the Board of Directors (the "Board") of the Company on November 11, 2021.

2. Basis of Presentation (continued)

2.2 Basis of Measurement

These unaudited condensed interim financial statements were prepared under the historical cost basis except for financial instruments which are measured at fair value. In addition, these unaudited condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2.3 Functional Currency

Items included in these unaudited condensed interim financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is the Canadian Dollar ("$" or "CAD").

2.4 Significant Accounting Judgments and Estimates

The preparation of these unaudited condensed interim 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 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.

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the 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. The judgments include, but are not limited to, consideration of model inputs such as volatility, estimated life and discount rates.

Holdings of cryptocurrency

As there is currently no specific definitive guidance in IFRS or alternative accounting framework for the accounting for holdings of cryptocurrency, management is required to exercise significant judgement in determining the appropriate accounting treatment for the classification of its investments in cryptocurrency. Management also exercises judgment in assessing whether a holding of cryptocurrency meets the definition of an intangible asset in IAS 38 – Intangible Assets ("IAS 38") on the grounds that: (i) it is capable of being separated from the holder and sold or transferred individually; and (ii) it does not give the holder a right to receive a fixed or determinable number of units of currency. Holdings of cryptocurrency are accounted for under IAS 38. Management has concluded that its investments in cryptocurrency are not held for sale in the ordinary course of business and has therefore accounted for the holdings of cryptocurrency as an intangible asset.

Cryptocurrency valuation

Cryptocurrencies consist of cryptocurrency-denominated assets and are included in long-term assets. Digital currency is carried at their fair market value determined by the spot rate from www.coindesk.com. The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies would have a significant impact on the Company's earnings and financial position. In addition, management estimates that selling costs will be nominal.

2. Basis of Presentation (continued)

2.4 Significant Accounting Judgments and Estimates (continued)

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 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 the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

3. Summary of Significant Accounting Policies

The accounting policies applied by the Company in these unaudited condensed interim financial statements are the same as those noted in the Company's audited financial statements for the year ended December 31, 2020, unless otherwise noted below.

3.1 Changes in Accounting Policies

The Company adopted the following amendments, effective January 1, 2021. There was no material impact upon adoption of these amendments on the Company's unaudited condensed interim financial statements:

Amendments to IAS 1 – Presentation of Financial Statements ("IAS 1")

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity.

The amendments clarify existing requirements, rather than make changes to the requirements, and so are not expected to have a significant impact on an entity's financial statements. However, the clarifications may result in reclassification of some liabilities from current to non-current or vice-versa, which could impact an entity's loan covenants. Because of this impact, the IASB has provided a longer effective date to allow entities to prepare for these amendments.

In July 2020, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2023 due to the impact of COVID-19. The Company early-adopted these amendments as permitted.

3. Summary of Significant Accounting Policies (continued)

3.2 Recent Accounting Pronouncements

As at the date of authorization of these unaudited condensed interim financial statements, the IASB and the IFRS Interpretations Committee had issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after January 1, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently assessing the impact of adopting the following amendments on its financial statements:

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")

In May 2020, the IASB issued amendments to update IAS 37. The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract. These amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted.

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

In February 2021, the IASB issued *Definition of Accounting Estimates*, which amended IAS 8. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments to IAS 8 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.

4. Amounts Receivable

The Company's amounts receivable balance represents amounts due from government taxation authorities in respect of the Harmonized Sales Tax. The Company anticipates full recovery of these amounts and therefore no credit loss has been recorded against these receivables, which are due in less than one year.

5. Investments in Cryptocurrency

On January 22, 2020, the Company purchased 4.37549234 BTC for $49,990. These investments in BTC are classified as intangible assets and are revalued at each reporting period based on the fair market value of the price of BTC on the reporting date.

On May 23, 2021, the Company disposed of 3.50081676 BTC to pay off the outstanding balance under the Loan (defined hereafter) of $134,307 (USD $111,356) with a lender (the "Lender"), a cryptocurrency digital products platform based in Toronto, Ontario.

On June 29, 2021, the Company disposed of the remaining BTC for $40,285, of which the proceeds were received by the Company on July 2, 2021.

During the three and nine months ended September 30, 2021, the Company recorded a gain of $nil and $124,602 (2020 – $nil and $nil) on the disposals of the investments in cryptocurrency, respectively. During the same periods, a revaluation loss on the investments in cryptocurrency of $nil and $110,141 (2020 – revaluation gains of $8,683 and $12,978), respectively, had also been recorded in other comprehensive loss.

(Expressed in Canadian Dollars)

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding incurred in the normal course of business. The usual credit period taken for trade purchases is between 30 to 90 days.

	September 30, 2021	December 31, 2020
	$	$
Trade payable	**115,170**	234,123
Accrued liabilities	**22,500**	33,000
	137,670	267,123

During the period ended September 30, 2021, the Company determined that an amount of $79,411 was recoverable due to exceeding statue barred limitations for collections. This amount has been recognized into income, under debt forgiveness, during the nine months ended September 30, 2021.

7. 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. The balances on account comprised of (i) BTC deposited by advertisers to pay for ads, and (ii) Ad Credits which could not be withdrawn from a user's account, of which the Company remained liable for the maintenance of these Ad Credits for spending on the platform.

These BTC and Ad Credits were classified as financial liabilities. The effect was that the BTC liabilities were measured at fair value based on the underlying price of a BTC, with changes in value being recorded in profit or loss. During the three and nine months ended September 30, 2020, and a fair value increase of $31,958 and $86,867 had been recorded in profit or loss, respectively.

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

8. Loans Payable

Secured loan

On March 21, 2021, the Company entered into a Bitcoin-backed loan and security agreement with the Lender and received proceeds of $134,474 (USD$ 107,000) (the "Loan") from the Lender. The Loan is secured by the Company's investments in cryptocurrency into the Lender's cryptocurrency wallet, bears interest at a rate of 12% per annum and matures on March 21, 2022.

On May 23, 2021, the total outstanding balance under the Loan of $134,307 (USD $111,356), including accrued interest of $2,673 (USD $2,216) and a loan administration fee of $2,581 (USD$ 2,140) was paid off through the disposal of 3.50081676 BTC.

Other loan

On February 4, 2021, the Company received an advance of $16,032 from an arm's length third party. On July 13, 2021, the arm's length third party had agreed to forgo the advance. This amount has been recognized into income, under debt forgiveness, during the nine months ended September 30, 2021.

(Expressed in Canadian Dollars)

9. Long-Term Debt

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 Loan expansion program.

On January 1, 2021, the balance remaining on the CEBA Loan automatically converted to a non-revolving term loan with a maturity date of December 31, 2022. Effective January 1, 2023, any outstanding balance on the term loan shall bear interest at a rate of 5% per annum. If 75% of the outstanding balance of the CEBA Loan is repaid on or before December 31, 2022, the remaining 25% of the balance shall be forgiven. The CEBA Loan must be repaid in full by no later than December 31, 2025.

The CEBA Loans were measured at an aggregate present value of $59,323 on initial recognition. During the three and nine months ended September 30, 2021, accretion of $685 and $2,032 had been recorded in profit or loss, respectively.

10. Share Capital

Authorized share capital

The Company is authorized to issue an unlimited number of common shares and preferred shares.

Common shares issued and outstanding as at September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
	$	$
Issued: 96,848,607 (December 31, 2020 – 89,809,234 common shares)	**4,734,180**	4,382,211

Share capital transactions for the nine months ended September 30, 2021

On July 30, 2021, the Company settled an aggregate amount of $351,969 comprised of certain outstanding fees for services provided to the Company by creditors, loans made to the Company by creditors and/or reimbursement of certain expenses paid for by creditors on behalf of the Company, through the issuance of 7,039,373 common shares of the Company (the "Shares-for-Debt Issuances") at a price of $0.05 per common shares.

Share capital transactions for the nine months ended September 30, 2020

There were no share capital transactions during the nine months ended September 30, 2020.

11. Stock Options

On August 19, 2021, shareholders of the Company approved the adoption of an omnibus equity incentive plan (the "Omnibus Incentive Plan"), which replaced the existing option plan. The Omnibus Incentive Plan will be administered by the Board (or a committee thereof) and will provide that the Board may from time to time, in its discretion, and in accordance with CSE requirements or any other stock exchange on which the common shares are listed, grant to eligible participants, non-transferable awards which will include options, restricted share units, deferred share units and performance share units. Subject to adjustment, the number of common shares reserved for issuance to participants under the Omnibus Incentive Plan, together with common shares reserved for issuance under any other share compensation arrangements of the Company, shall not exceed 20% of the total number of common shares issued and outstanding.

(Expressed in Canadian Dollars)

11. Stock Options (continued)

On April 22, 2021, 2,500,000 options exercisable at $0.10 expired unexercised. No other options were granted, exercised, cancelled or forfeited during the three and nine months ended September 30, 2021 and 2020.

As at September 30, 2021, the Company has 19,369,721 common shares that are issuable under the Omnibus Incentive Plan.

12. Warrants

The following table summarizes information of warrants outstanding as at September 30, 2021:

Date of expiry	**Number of options outstanding**	**Exercise price**	**Weighted average remaining life**
	#	**$**	**Years**
October 25, 2022	2,889,260	0.10	1.07
	2,889,260	**0.10**	**1.07**

13. Related Party Transactions

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 three and nine months ended September 30, 2021 and 2020 were as follows:

	Three Months ended September 30, 2021	Three Months ended September 30, 2020	**Nine Months ended September 30, 2021**	Nine Months ended September 30, 2020
	$	$	**$**	$
Management fees	**22,500**	22,500	**192,500**	67,500
Professional fees	**15,000**	4,125	**87,000**	12,875
	37,500	26,625	**279,500**	80,375

On November 1, 2019, the Company and Just In-Genius Inc. ("Just In-Genius"), an entity controlled by the President, Chief Executive Officer ("CEO"), and a director of the Company, entered into a consulting agreement, for a monthly remuneration of $7,500 in consideration of the CEO's services provided to BitRush. On November 1, 2020, the consulting agreement was renewed to October 31, 2021. During the three and nine months ended September 30, 2021, Just In-Genius charged $22,500 and $192,500 including a one-time fee of $125,000 related to work performed from 2016 to 2021 (2020 – $22,500 and $67,500), respectively, for consulting services provided to the Company, which are included in management fees.

As at September 30, 2021, an aggregate amount of $29,034 (December 31, 2020 – $72,824), 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. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the three and nine months ended September 30, 2021, Branson Corporate Services Ltd. ("Branson"), where the Company's Chief Financial Officer ("CFO") is employed, charged $15,000 and $87,000 (2020 – $4,125 and $12,875), respectively, for CFO, accounting and other administrative services to the Company, which are included in professional fees. As at September 30, 2021, an amount of $50,850 (December 31, 2020 – $42,831) owing to Branson was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

13. Related Party Transactions (continued)

Key management personnel compensation (continued)

During the three and nine months ended September 30, 2021, a director of BitRush charged a one-time success fee of $nil and $50,000 (2020 – $nil and $nil), respectively, to the Company, which are included in professional fees. The balance was settled through the issuance of 1,000,000 common shares of the Company in pursuant to the Shares-for-Debt Issuance as disclosed in Note 10. As at September 30, 2021, no balance was owed to the director (December 31, 2020 – $nil).

Other related party transactions and balances

To fund its working capital, the Company had previously received advances from HSRC Investments PTE Ltd. ("HSRC"), an entity that controls more than 10% of the Company, of which the principal is also a director of BitRush. On July 30, 2021, the Company entered into the Shares-for-Debt Issuances with the director and HSRC, as an aggregate amount of $69,500 previously owed to HSRC were settled and exchanged for 1,390,000 common shares based on the exchange price of $0.05 per share.

On July 30, 2021, the Company also entered into the Shares-for-Debt Issuances with Just In-Genius and Branson, as aggregate amounts for outstanding fees for services of $229,439, were settled and exchanged for 3,944,648 common shares for Just In-Genius and 644,100 common shares to Branson, respectively, based on the exchange price of $0.05 per share.

14. 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 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 September 30, 2021, the Company's capital consists of share capital, reserve in share-based payments, 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 nine months ended September 30, 2021 and the year ended December 31, 2020.

The Company is not subject to externally imposed capital requirements.

15. Financial Instruments

The Company is exposed to various risks as it relates to financial instruments. Management, in conjunction with the Board, mitigates these risks by assessing, monitoring and approving the Company's risk management process. There have not been any changes in the nature of these risks or the process of managing these risks from the previous reporting periods.

Credit risk

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

(Expressed in Canadian Dollars)

15. Financial Instruments (continued)

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 and third parties. As at September 30, 2021, the Company had a cash balance of $22,033 (December 31, 2020 – $20,037) to settle current liabilities of $137,670 (December 31, 2020 – $337,623).

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities as at September 30, 2021:

	Carrying	Contractual maturities		
	amount	**Year 1**	**Year 2 to 3**	**Year 4 to 5**
	$	**$**	**$**	**$**
Accounts payable	137,670	137,670	-	-
Long-term debt	60,000	-	60,000	-

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows for a rolling period of 12 months to identify financial requirements. Where insufficient liquidity may exist, the Company may pursue various debt and equity instruments for short or long-term financing of its operations.

During the nine months ended September 30, 2021, the Company completed the Shares-for-Debt Issuances in order to improve its solvency and liquidity position. With the Shares-for-Debt Issuances in place, management believes there will be sufficient capital to meet short-term business obligations, after taking into account cash flows requirements from operations and the Company's cash position as at period-end. However, management understands that the Company is dependent on additional capital in order to fund its operations for the next 12 months.

Cryptocurrency risk

The Company is no longer 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 previously adjusted 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, amounts due to related parties and long-term debt. The fair value of cash, accounts payable, 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).

(Expressed in Canadian Dollars)

15. Financial Instruments (continued)

Fair value (continued)

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	22,033	-	-	22,033

As at September 30, 2021, the Company's financial instruments carried at fair value consisted of its cash, which have been classified as Level 1. There were no transfers between Levels 2 and 3 for recurring fair value measurements during the nine months ended September 30, 2021 and the year ended December 31, 2020.

16. Contingencies

On June 26, 2015, 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. 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 Board of the Company terminated the Former CEO for being in breach of his fiduciary duty to the Company. Motions were subsequently filed with the Ontario Superior Court of Justice (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.