



Unaudited Condensed Interim Financial Statements
For the Three Months Ended March 31, 2022 and 2021
(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 March 31, 2022 and December 31, 2021

(Expressed in Canadian Dollars)

| | As at March 31, 2022 | As at December 31, 2021 |
|---|----------------------------|-------------------------------|
| | \$ | \$ |
| <u>Assets</u> | | |
| Current Assets | | |
| Cash | 87,273 | 99,016 |
| Amounts receivable (Note 4) | 6,945 | 49,179 |
| Prepaid expenses | 3,222 | 4,839 |
| Total Assets | 97,440 | 153,034 |
| <u>Liabilities</u> | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities (Note 6) | 128,518 | 132,133 |
| Long-term debt – current portion (Note 8) | 59,940 | - |
| Total Current Liabilities | 188,458 | 132,133 |
| Long-term debt (Note 8) | - | 59,920 |
| Total Liabilities | 188,458 | 192,053 |
| <u>Shareholders' Deficiency</u> | | |
| Share capital (Note 9) | 4,883,249 | 4,883,249 |
| Reserve for share-based payments (Note 10) | 118,453 | 93,829 |
| Contributed surplus | 42,058 | 42,058 |
| Accumulated deficit | (5,134,778) | (5,058,155) |
| Total Shareholders' Deficiency | (91,018) | (39,019) |
| Total Liabilities and Shareholders' Deficiency | 97,440 | 153,034 |

Nature of operations and going concern (Note 1)

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 Income (Loss)

For the Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian Dollars)

| | 2022 | 2021 |
|--|-----------------|-----------------|
| | \$ | \$ |
| <u>Expenses</u> | | |
| Management fees (Note 12) | 22,500 | 22,500 |
| Professional fees (Note 12) | 20,400 | 18,008 |
| Stock-based compensation (Note 10) | 24,624 | - |
| Filing fees | 4,640 | 6,190 |
| General and administrative | 4,539 | 4,486 |
| Total Expenses | (76,703) | (51,184) |
| <u>Other Items</u> | | |
| Interest expense (Note 8) | (703) | (1,157) |
| Other income | 783 | 684 |
| Total Other Items | 80 | (473) |
| Net Loss | (76,623) | (51,657) |
| <u>Other Comprehensive Income (Loss)</u> | | |
| Change in fair value of cryptocurrency investment (Note 5) | - | 163,087 |
| Comprehensive Income (Loss) | (76,623) | 111,430 |
| Weighted Average Number of Shares Outstanding | | |
| Basic and diluted | 99,848,607 | 89,809,234 |
| Net Loss per Share | | |
| Basic and diluted | (0.001) | (0.001) |

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 Months Ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)

| | 2022 | 2021 |
|--|-----------------|-----------------|
| | \$ | \$ |
| <u>Operating Activities</u> | | |
| Net loss for the period | (76,623) | (51,657) |
| Adjustments for non-cash items: | | |
| Gain on loan forgiveness (Note 8) | (684) | (684) |
| Interest on loans and long-term debt (Note 8) | 703 | 1,157 |
| Stock-based compensation (Note 10) | 24,624 | - |
| Foreign exchange loss | - | 79 |
| | (51,980) | (51,105) |
| Changes in non-cash working capital: | | |
| Amounts receivables | 42,234 | 22,574 |
| Prepaid expenses | 1,617 | 845 |
| Accounts payable and accrued liabilities | (3,614) | (31,086) |
| Cash Flows used in Operating Activities | (11,743) | (58,772) |
| <u>Financing Activities</u> | | |
| Proceeds from secured loan (Note 7) | - | 134,474 |
| Proceeds on loan from third party (Note 7) | - | 16,032 |
| Advances from related parties (Note 12) | - | 2,500 |
| Cash Flows provided by Financing Activities | - | 153,006 |
| (Decrease) increase in cash | (11,743) | 94,234 |
| Cash, beginning of period | 99,016 | 20,037 |
| Cash, end of period | 87,273 | 114,271 |

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 Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian Dollars)

| | Number of Shares | Share Capital | Share- Based Payments | Contributed Surplus | Accumulated Deficit | Accumulated Other Comprehensive Income | Total |
|---|---------------------|------------------|-----------------------------|------------------------|------------------------|---|------------------|
| | # | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance, December 31, 2020 | 89,809,234 | 4,382,211 | 250,453 | 42,058 | (4,972,628) | 110,141 | (187,765) |
| Net loss for the period | - | - | - | - | (51,657) | - | (51,657) |
| Change in fair value of cryptocurrency investments (Note 5) | - | - | - | - | - | 163,087 | 163,087 |
| Balance, March 31, 2021 | 89,809,234 | 4,382,211 | 250,453 | 42,058 | (5,024,285) | 273,228 | (76,335) |
| Balance, December 31, 2021 | 99,848,607 | 4,883,249 | 93,829 | 42,058 | (5,058,155) | - | (39,019) |
| Stock-based compensation (Note 10) | - | - | 24,624 | - | - | - | 24,624 |
| Net loss for the period | - | - | - | - | (76,623) | - | (76,623) |
| Balance, March 31, 2022 | 99,848,607 | 4,883,249 | 118,453 | 42,058 | (5,134,778) | - | (91,018) |

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

BitRush Corp.

Notes to the Unaudited Condensed Interim Financial Statements
For the Three Months Ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)

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 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 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 March 31, 2022, the Company had an accumulated deficit of \$5,134,778 (December 31, 2021 – 5,058,155).

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, 2021, 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 May 17, 2022.

BitRush Corp.

Notes to the Unaudited Condensed Interim Financial Statements
For the Three Months Ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)

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 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”), which is also the presentation currency of these financial statements, unless otherwise noted.

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. The conclusion that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budgets, expected profitability, investment and financing activities and management’s strategic planning. The assumptions used in management’s going concern assessment are derived from actual operating results along with industry and market trends. Management believes there is sufficient capital to meet the Company’s business obligations for at least the next 12 months, after taking into account expected cash flows, future financings and the Company’s cash position at period-end.

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.

Warrants and options

Warrants and options are initially recognized at fair value, based on the application of the Black-Scholes valuation model (“Black-Scholes”). 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.

BitRush Corp.

Notes to the Unaudited Condensed Interim Financial Statements
For the Three Months Ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)

2. Basis of Presentation (continued)

2.4 Significant Accounting Judgments and Estimates (continued)

Income taxes (continued)

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.

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, 2021, unless otherwise noted below.

3.1 Changes in Accounting Policies

The Company adopted the following amendments, effective January 1, 2022. There was no material impact upon adoption of these amendments on the Company's unaudited condensed interim 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.

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. The Company early-adopted these amendments as 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 with any changes in value recorded as other comprehensive income (loss).

As at and during the three months ended March 31, 2021, these investments in cryptocurrency were valued at \$323,218, and a revaluation gain on the investments in cryptocurrency of \$163,087 had been recorded in other comprehensive income.

Subsequent to March 31, 2021, the Company disposed of the BTC to pay off the outstanding balance under the Loan (defined hereafter), and for working capital purposes.

BitRush Corp.

Notes to the Unaudited Condensed Interim Financial Statements
For the Three Months Ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities of the Company are primarily 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.

| | March 31, 2022 | December 31, 2021 |
|---------------------|-------------------|----------------------|
| | \$ | \$ |
| Trade payable | 109,118 | 104,633 |
| Accrued liabilities | 19,400 | 27,500 |
| | 128,518 | 132,133 |

7. 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 was 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.

Subsequent to March 31, 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. During the year ended December 31, 2021, this amount has been recognized into income, under gain on debt forgiveness, on the statements of income (loss).

8. 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.

On January 12, 2022, the Government of Canada announced the extension of the CEBA Loan repayment deadline and interest-free period to December 31, 2023.

During the three months ended March 31, 2022, accretion of \$703 (2021 – \$670) had been recorded in profit or loss, respectively.

During the three months ended March 31, 2022, the amortized amount of the forgivable portion of the CEBA Loans recognized in the statements of loss and comprehensive loss was \$684 (2021 – \$684).

BitRush Corp.

Notes to the Unaudited Condensed Interim Financial Statements
For the Three Months Ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)

9. 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 March 31, 2022 and December 31, 2021:

| | March 31, 2022 | December 31, 2021 |
|--|---------------------------|----------------------|
| | \$ | \$ |
| Issued: 99,848,607 (December 31, 2021 – 99,848,607 common shares) | 4,883,249 | 4,883,249 |

There were no share capital transactions during the three months ended March 31, 2022 and 2021.

10. 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.

As at March 31, 2022, the Company has 19,469,721 common shares that are issuable under the Omnibus Incentive Plan.

The following summarizes the options activity for the three months ended March 31, 2022 and 2021:

| | March 31, 2022 | | March 31, 2021 | |
|---|------------------------------|--|----------------------|---------------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| | # | \$ | # | \$ |
| Outstanding, beginning of period | - | - | 2,500,000 | 0.10 |
| Granted | 500,000 | 0.05 | - | - |
| Outstanding, end of period | 500,000 | 0.05 | 2,500,000 | 0.10 |

Options grants for the three months ended March 31, 2022

On March 2, 2022, the Company granted 500,000 stock options to various officers, directors and consultants. The stock options are exercisable at a price of \$0.05 per common share for a period of four years, and vested immediately on grant. The options were valued using Black-Scholes with the following assumptions: expected historical volatility of 242%, expected dividend yield of 0%, risk-free interest rate of 1.58% and an expected life of four years. The grant date fair value attributable to these options of \$24,624 was recorded as stock-based compensation in connection with the vesting of options during the three months ended March 31, 2022.

Options grants for the three months ended March 31, 2021

No options were granted, exercised, expired, cancelled or forfeited during the three months ended March 31, 2021.

BitRush Corp.

Notes to the Unaudited Condensed Interim Financial Statements
For the Three Months Ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)

10. Stock Options (continued)

The following table summarizes information of stock options outstanding and exercisable as at March 31, 2022:

| Date of expiry | Number of options outstanding | Number of options exercisable | Exercise price | Weighted average remaining contractual life |
|----------------|-------------------------------|-------------------------------|----------------|---|
| | # | # | \$ | Years |
| March 2, 2026 | 500,000 | 500,000 | 0.05 | 3.92 |
| | 500,000 | 500,000 | 0.05 | 3.92 |

11. Warrants

The following table summarizes information of warrants outstanding as at March 31, 2022:

| Date of expiry | Number of options outstanding | Exercise price | Weighted average remaining life |
|------------------|-------------------------------|----------------|---------------------------------|
| | # | \$ | Years |
| October 25, 2022 | 2,889,260 | 0.10 | 0.57 |
| December 6, 2024 | 3,000,000 | 0.10 | 2.68 |
| | 5,889,260 | 0.10 | 1.65 |

12. 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 months ended March 31, 2022 and 2021 were as follows:

| | 2022 | 2021 |
|--------------------------|---------------|---------------|
| | \$ | \$ |
| Management fees | 22,500 | 22,500 |
| Professional fees | 13,500 | 6,000 |
| Stock-based compensation | 14,774 | - |
| | 50,774 | 28,500 |

During the three months ended March 31, 2022, Just In-Genius Inc. (“Just In-Genius”), an entity controlled by the President, Chief Executive Officer, and a director of the Company, charged \$22,500 (2021 – \$22,500) for consulting services provided to the Company, which are included in management fees. As at March 31, 2022, an aggregate amount of \$27,925 (December 31, 2021 – \$36,825), owing to Just In-Genius, for the consulting fees, the reimbursement of expenses paid on behalf of the Company, was included in accounts payables and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the three months ended March 31, 2022, Branson Corporate Services Ltd. (“Branson”), where the Company’s Chief Financial Officer (“CFO”) is employed, charged \$13,500 (2021 – \$6,000) for CFO, accounting and other administrative services to the Company, which are included in professional fees. As at March 31, 2022, an amount of \$59,123 (December 31, 2021 – \$57,800) owing to Branson was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

BitRush Corp.

Notes to the Unaudited Condensed Interim Financial Statements
For the Three Months Ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)

12. Related Party Transactions (continued)

Stock-based compensation

On March 2, 2022, the Company granted 300,000 stock options to various officers and directors, at an exercise price of \$0.05 per common share for a period of four years, which vested immediately on grant. During the three months ended March 31, 2022, stock-based compensation of \$14,774 attributable to these options was recorded in connection with the vesting of options.

13. Capital Management

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern and to maintain optimal returns to shareholders and benefits for its stakeholders. While the Company does not yet have any revenues, management 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.

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 since the Company's most recent financial reporting period.

The Company is not subject to any externally imposed capital requirements.

14. 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.

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 March 31, 2022, the Company had a cash balance of \$87,273 (December 31, 2021 – \$99,016) to settle current liabilities of \$188,458 (December 31, 2021 – \$132,133).

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities as at March 31, 2022:

| | Carrying amount | Contractual maturities | | |
|------------------|--------------------|------------------------|-------------|-------------|
| | | Year 1 | Year 2 to 3 | Year 4 to 5 |
| | \$ | \$ | \$ | \$ |
| Accounts payable | 128,518 | 128,518 | - | - |
| Long-term debt | 59,940 | 59,940 | - | - |

BitRush Corp.

Notes to the Unaudited Condensed Interim Financial Statements
For the Three Months Ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)

14. Financial Instruments (continued)

Liquidity risk (continued)

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.

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.

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).

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 | \$ 87,273 | \$ - | \$ - | \$ 87,273 |

As at March 31, 2022 and December 31, 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 three months ended March 31, 2022.