



Financial Statements
Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of BitRush Corp.

Opinion

We have audited the financial statements of BitRush Corp. (the "Company") which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of loss and comprehensive loss, cash flows and changes in shareholders' deficiency for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current year. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our auditors' report.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Waseem Javed.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada

April 17, 2023

BitRush Corp.

Statements of Financial Position
As at December 31, 2022 and 2021
(Expressed in Canadian Dollars)

	As at December 31, 2022	As at December 31, 2021
	\$	\$
<u>Assets</u>		
Current Assets		
Cash	13,880	99,016
Amounts receivable (Note 4)	6,040	49,179
Prepaid expenses	4,985	4,839
Total Assets	24,905	153,034
<u>Liabilities</u>		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	205,415	132,133
Long-term debt – current portion (Note 8)	60,000	-
Total Current Liabilities	265,415	132,133
Long-term debt (Note 8)	-	59,920
Total Liabilities	265,415	192,053
<u>Shareholders' Deficiency</u>		
Share capital (Note 9)	4,883,249	4,883,249
Reserve for share-based payments (Note 10)	135,204	93,829
Contributed surplus	42,058	42,058
Accumulated deficit	(5,301,021)	(5,058,155)
Total Shareholders' Deficiency	(240,510)	(39,019)
Total Liabilities and Shareholders' Deficiency	24,905	153,034

Nature of operations and going concern (Note 1)

Approved on behalf of the Board of Directors:

"Karsten Arend" (signed)
Director

"Harold Morgan" (signed)
Director

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

BitRush Corp.

Statements of Loss and Comprehensive Loss
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

	2022	2021
	\$	\$
<u>Expenses</u>		
Management fees (Note 12)	90,000	215,000
Professional fees (Note 12)	82,204	180,236
Stock-based compensation (Notes 10 and 12)	41,375	-
General and administrative	17,566	8,800
Filing fees	11,741	55,458
Total Expenses	(242,886)	(459,494)
<u>Other Items</u>		
Gain on disposals of cryptocurrency investments (Note 5)	-	124,602
Gain on debt forgiveness (Notes 6 and 7)	-	95,442
Interest expense (Note 8)	(2,852)	(5,474)
Other income	2,872	2,773
Total Other Items	20	217,343
Net Loss	(242,866)	(242,151)
<u>Other Comprehensive Loss</u>		
Change in fair value of cryptocurrency investment (Note 5)	-	(110,141)
Comprehensive Loss	(242,866)	(352,292)
Weighted Average Number of Shares Outstanding		
Basic and diluted	99,848,607	92,984,750
Net Loss per Share		
Basic and diluted	\$ (0.002)	\$ (0.003)

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

BitRush Corp.

Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

	2022	2021
	\$	\$
<u>Operating Activities</u>		
Net loss for the year	(242,866)	(242,151)
Adjustments for non-cash items:		
Gain on disposals of cryptocurrency investment (Note 5)	-	(124,602)
Gain on debt forgiveness (Notes 6 and 7)	-	(95,442)
Interest on loans and long-term debt (Note 8)	80	430
Stock-based compensation (Note 10)	41,375	-
Foreign exchange gain	-	(654)
	(201,411)	(462,419)
Changes in non-cash working capital:		
Amounts receivables	43,139	(21,486)
Prepaid expenses	(146)	(2,866)
Accounts payable and accrued liabilities	73,282	225,890
Cash Flows used in Operating Activities	(85,136)	(260,881)
<u>Financing Activities</u>		
Proceeds from secured loan (Note 7)	-	134,474
Proceeds on loan from third party (Note 7)	-	16,032
Proceeds from government loan (Note 8)	-	150,000
Proceeds from private placement (Note 9)	-	(931)
Cash Flows provided by Financing Activities	-	299,575
<u>Investing Activities</u>		
Proceeds from disposals of investments in cryptocurrency (Note 5)	-	40,285
Cash Flows provided by Investing Activities	-	40,285
(Decrease) increase in cash	(85,136)	78,979
Cash, beginning of year	99,016	20,037
Cash, end of year	13,880	99,016
Supplemental Information		
Secured loan settled with proceeds from disposals of		
Investments in cryptocurrency (Notes 5 and 7)	-	134,307
Debts settled with issuance of common shares (Notes 9 and 12)	-	351,969

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

BitRush Corp.

Statements of Changes in Shareholders' Deficiency

For the Years Ended December 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)
Issuance on debt settlement (Note 9)	7,039,373	351,969	-	-	-	-	351,969
Issuance on private placement (Note 9)	3,000,000	150,000	-	-	-	-	150,000
Share issuance costs (Note 9)	-	(931)	-	-	-	-	(931)
Expiry of stock options (Note 10)	-	-	(156,624)	-	156,624	-	-
Net loss for the year	-	-	-	-	(242,151)	-	(242,151)
Change in fair value of cryptocurrency investments (Note 5)	-	-	-	-	-	(110,141)	(110,141)
Balance, December 31, 2021	99,848,607	4,883,249	93,829	42,058	(5,058,155)	-	(39,019)
Stock-based compensation (Note 10)	-	-	41,375	-	-	-	41,375
Net loss for the year	-	-	-	-	(242,866)	-	(242,866)
Balance, December 31, 2022	99,848,607	4,883,249	135,204	42,058	(5,301,021)	-	(240,510)

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

BitRush Corp.

Notes to the Financial Statements

For the Years Ended December 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 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.

For the year ended December 31, 2022, the Company incurred a net loss of \$242,866 and negative cash flow from operations of \$85,136, and as at December 31, 2022, the Company had an accumulated deficit of \$5,301,021 (December 31, 2021 – deficit of \$5,058,155). These 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 represent material uncertainties which may cast significant doubt on the Company’s ability to continue as a going concern.

These 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 financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The accounting policies set out below were consistently applied to all periods presented unless otherwise noted.

These financial statements were reviewed, approved and authorized for issuance by the Board of Directors (the “Board”) of the Company on April 17, 2023.

2.2 Basis of Measurement

These financial statements were prepared under the historical cost basis except for financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these 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 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.

BitRush Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

2. Basis of Presentation (continued)

2.4 Significant Accounting Judgments and Estimates (continued)

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 year-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.

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

3.1 Financial Instruments

The Company classifies and measures financial instruments in accordance with IFRS 9 – Financial Instruments ("IFRS 9"). A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. 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.

BitRush Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

3.1 Financial Instruments (continued)

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 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
Long-term debt	Amortized cost

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.

BitRush Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

3.1 Financial Instruments (continued)

Measurement (continued)

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 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 loss.

Expected credit loss impairment model

IFRS 9 introduced a single expected credit loss 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

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 loss and comprehensive loss.

The Company derecognizes financial liabilities only when its obligation under the financial liabilities is 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 loss.

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).

3.2 Investments in Cryptocurrency

Investments in cryptocurrency are accounted for as intangible assets and are measured initially at cost. As the Company applies the revaluation model under IAS 38 – Intangible Assets, the investments in cryptocurrency are subsequently measured at the revalued amount, being its fair value at the date of the revaluation less any accumulated amortization and impairment.

BitRush Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

3.2 Investments in Cryptocurrency (continued)

At each reporting date, increases in the carrying amount of the investments in cryptocurrency as a result of a revaluation are recognized in other comprehensive loss and accumulated in equity. However, the increases are recognized in profit or loss to the extent that it reverses a revaluation decrease previously recognized in profit or loss. Decreases in the carrying amount as a result of a revaluation are recognized in profit or loss. However, the decreases are recognized in other comprehensive loss to the extent of any credit balance accumulated in equity in respect of the investments in cryptocurrency.

3.3 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, 2022 and 2021, the Company had no material provisions.

3.4 Government Loans

The benefit of a government loan at a below-market interest rate is generally accounted for as a government grant under IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance. The Company accounts for government loans at below-market interest rates in accordance with IFRS 9. The benefit that is the government grant is measured as the difference between the fair value of the loan on initial recognition and the amount received.

Grants are recognized at their fair value where there is reasonable assurance that the grant will be received, and the Company will comply with all the attached conditions. Fair value signifies the amount received in cash.

3.5 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 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.

BitRush Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

3.6 Share Capital

In situations where the Company issues units (“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.

3.7 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.

3.8 Loss per Share

Basic loss per share is computed by dividing the net 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, 2022 and 2021, no potential shares are included in the computation as they are anti-dilutive.

3.9 Share-Based Payments

Equity-settled share-based payments to directors and officers, consultants and employees 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 (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.

3.10 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.

BitRush Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

3.11 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.

3.12 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 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 Bitcoins (“BTC”) for \$49,990. These investments in BTC were classified as intangible assets and were 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 loss.

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 year ended December 31, 2021, the Company recorded a gain of \$124,602 on the disposal of the investments in cryptocurrency. A revaluation loss on the investments in cryptocurrency of \$110,141 has also been recorded in other comprehensive loss.

BitRush Corp.

Notes to the Financial Statements

For the Years Ended December 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.

	December 31, 2022	December 31, 2021
	\$	\$
Trade payable	176,702	104,633
Accrued liabilities	28,713	27,500
	205,415	132,133

During the year ended December 31, 2022, the Company recorded a recovery of \$nil (2021 – \$79,411) related to accounts payable that were written off. These amounts have been recognized into income, under gain on debt forgiveness, on the statements of loss and comprehensive loss.

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, bore interest at a rate of 12% per annum and matured 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 as described in Note 5.

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 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. 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. 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 year ended December 31, 2022, accretion of \$2,852 (2021 – \$2,717) had been recorded in profit or loss, respectively.

BitRush Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

8. Long-Term Debt (continued)

During the year ended December 31, 2022, the amortized amount of the forgivable portion of the CEBA Loans recognized in the statements of loss and comprehensive loss was \$2,773 (2021 – \$2,773).

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 December 31, 2022 and 2021:

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

Share capital transactions for the year ended December 31, 2022

There were no share capital transactions during the year ended December 31, 2022.

Share capital transactions for the year ended December 31, 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 fair value of \$0.05 per common shares.

On December 6, 2021, the Company closed a private placement of 3,000,000 Units (the “Private Placement”) at a price of \$0.05 per Unit, for gross proceeds of \$150,000. Each Unit is comprised of one common share of the Company and one common share purchase warrant (each a “Warrant”). Each Warrant entitles the holder thereof to purchase one common share of the Company at an exercise price of \$0.10 per common share for a period of 36 months following the date on which the Company’s common shares are reinstated for trading on the CSE. In connection with the Private Placement, the Company paid issuance costs of \$931.

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 is administered by the Board (or a committee thereof) and provides 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 December 31, 2022, the Company has 19,069,721 common shares that are issuable under the Omnibus Incentive Plan.

BitRush Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

10. Stock Options (continued)

The following summarizes the options activity for the years ended December 31, 2022 and 2021:

	December 31, 2022		December 31, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	#	\$	#	\$
Outstanding, beginning of year	-	-	2,500,000	0.10
Granted	900,000	0.05	-	-
Expired	-	-	(2,500,000)	0.10
Outstanding, end of year	900,000	0.05	-	-

Options activities for the year ended December 31, 2022

On March 2, 2022, the Company granted 500,000 stock options to certain 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 year ended December 31, 2022.

On June 8, 2022, the Company granted 250,000 stock options to certain advisors. The stock options are exercisable at a price of \$0.05 per common share for a period of four years. 25% of the options vested immediately on grant, with the remaining options vesting in equal increment on a quarterly basis up to one year after the grant date. 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 3.17% and an expected life of four years. The grant date fair value attributable to these options was \$12,318, of which \$10,745 was recorded as stock-based compensation in connection with the vesting of options during the year ended December 31, 2022.

On August 19, 2022, the Company granted 100,000 stock options to a director. 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 3.18% and an expected life of four years. The grant date fair value attributable to these options of \$4,927 was recorded as stock-based compensation in connection with the vesting of options during the year ended December 31, 2022.

On November 17, 2022, granted 50,000 stock options to another advisor. The stock options are exercisable at a price of \$0.05 per common share for a period of four years. 25% of the options vested immediately on grant, with the remaining options vesting in equal increment on a quarterly basis up to one year after the grant date. 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 3.47% and an expected life of four years. The grant date fair value attributable to these options was \$2,464, of which \$1,079 was recorded as stock-based compensation in connection with the vesting of options during the year ended December 31, 2022.

Options activities for the year ended December 31, 2021

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 year ended December 31, 2021.

BitRush Corp.

Notes to the Financial Statements

For the Years Ended December 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 December 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	3.17
June 8, 2026	250,000	156,250	0.05	3.44
August 19, 2026	100,000	100,000	0.05	3.64
November 17, 2026	50,000	12,500	0.05	3.88
	900,000	768,750	0.05	3.34

11. Warrants

Warrant issuances for the year ended December 31, 2022

There were no warrant issuances during the year ended December 31, 2022.

Warrant issuances for the year ended December 31, 2021

In connection with the Private Placement which closed on December 6, 2021 (see Note 9), the Company issued 3,000,000 Warrants at an exercise price of \$0.10 per share for a period of 36 months following the date on which the Company's common shares are reinstated for trading on the CSE. No value was allocated to the Warrants under the residual method.

As at December 31, 2022, the Company had a total of 5,889,260 warrants outstanding as follows:

Date of issuance	Number of warrants outstanding	Exercise price
	#	\$
October 25, 2019	2,889,260	0.10
December 6, 2021	3,000,000	0.10
	5,889,260	0.10

All warrants are exercisable for a period of 36 months following the date on which BitRush's common shares are reinstated for trading on the CSE.

12. Related Party Transactions

In accordance with IAS 24 – Related Party Disclosures, key management personnel, including companies controlled by them, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. Compensation provided to key management personnel during the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
	\$	\$
Management fees	90,000	215,000
Professional fees	45,000	102,000
Stock-based compensation	19,702	-
	154,702	317,000

BitRush Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

12. Related Party Transactions (continued)

During the year ended December 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 \$90,000 (2021 – \$215,000, including a one-time fee of \$125,000 related to work performed from 2016 to 2021), for consulting services provided to the Company, which are included in management fees. As at December 31, 2022, an aggregate amount of \$74,975 (December 31, 2021 – \$36,825), owing to Just In-Genius, for the consulting fees and 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 year ended December 31, 2022, Branson Corporate Services Ltd. (“Branson”), where the Company’s Chief Financial Officer (“CFO”) is employed, charged \$45,000 (2021 – \$52,000) for CFO, accounting and other administrative services to the Company, which are included in professional fees. As at December 31, 2022, an amount of \$74,943 (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.

During the year ended December 31, 2021, a former director of BitRush charged a one-time success fee of \$50,000 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 (see Note 9). As at December 31, 2022, no balance was owed to the former director (December 31, 2021 – \$nil).

Stock-based compensation

During the year ended December 31, 2022, the Company had granted various options to its directors. Stock-based compensation of \$19,702 (2021 – \$nil) was recorded in connection with the vesting of these options.

Other related party transactions

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.

13. Income Taxes

Provision for income taxes

Major items causing the Company’s effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2021 – 26.5%) were as follows:

	2022	2021
	\$	\$
Net loss before income taxes	(242,866)	(242,151)
Expected income tax recovery based on statutory rate	(64,000)	(64,000)
Permanent differences and others	143,000	(1,000)
Changes in unrecognized deferred tax assets	(79,000)	65,000
Income tax (recovery) provision	-	-

BitRush Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

13. Income Taxes (continued)

Deferred income tax

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2022	2021
	\$	\$
Non-capital loss carry-forwards	743,000	828,000
Share issue costs and others	17,000	11,000
Deferred tax assets not recognized	(760,000)	(839,000)
	-	-

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

The Company has non-capital tax losses totaling \$2,804,000, which begins expiring in 2035. The other temporary differences do not expire under current legislation.

14. Capital Management

The Company's objective 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.

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 year-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.

BitRush Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2022 and 2021

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15. Financial Instruments (continued)

Liquidity risk (continued)

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 arm's length parties. As at December 31, 2022, the Company had a cash balance of \$13,880 (December 31, 2021 – \$99,016) to settle current liabilities of \$265,415 (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 December 31, 2022:

	Carrying amount	Contractual maturities		
		Year 1	Year 2 to 3	Year 4 to 5
	\$	\$	\$	\$
Accounts payable	205,415	205,415	-	-
Long-term debt – current portion	60,000	60,000	-	-

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecasts 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.

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 includes 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, December 31, 2022	13,880	-	-	13,880
Cash, December 31, 2021	99,016	-	-	99,016

As at December 31, 2022 and 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 reporting period.