

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

Fortress Technologies Inc.
320-638 Broughton Street
Vancouver, British Columbia
V6G 3K3

Item 2 Date of Material Change

May 28, 2019

Item 3 News Release

The press release attached as Schedule "A" was released over GlobeNewswire on May 28, 2019.

Item 4 Summary of Material Change

The material change is described in the press release attached as Schedule "A".

Item 5 Full Description of Material Change

The material change is fully described in the press release attached hereto.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

Aydin Kilic
Chief Executive Officer
Fortress Blockchain Corp.
Ph: 604 477 9997
E: a@fortressblockchain.io

Item 9 Date of Report

May 29, 2019

Schedule “A”



Fortress Technologies Inc. Provides Business Update

VANCOUVER, British Columbia, May 28, 2019 (GLOBE NEWSWIRE) -- Fortress Technologies Inc. (“**Fortress**” or the “**Company**”) (TSXV:FORT) announces that it has revised the terms of the sub-lease arrangement for its Bitcoin mining facility (the “**Mining Facility**”) in Washington State.

“We are delighted to see the resurgence of the Bitcoin market and mining economics while we have retained ownership of our high-efficiency Bitcoin mining facility in Washington State” said CEO and Co-Founder Aydin Kilic.

The Company is pleased to have renegotiated the sub-lease of its Mining Facility, allowing the Company to participate in the upside of rising Bitcoin prices. Replacing the flat-fee US \$25,000 monthly rent (the “**Rent**”), the Company will now be paid the revenue from all Bitcoin mined at the Mining Facility, while paying the sub-lessee, WeHash Technology LLP (“**WeHash**”), a 10% fee of monthly net profit, up to a maximum of US \$10,000, payable monthly (the “**Consulting Fee**”). As part of the Consulting Fee, WeHash will be responsible for the custody and sale of mined Bitcoin and for transferring the proceeds of the sale of Bitcoin to the Company.

“The revised terms of the sub-lease effectively allow Fortress and it’s shareholders to enjoy the upside from the improvement in Bitcoin mining economics, while insulating the Company from responsibilities of custody of any crypto-currency or selling crypto-currency on exchanges. Effectively, we operate as business that realizes revenue only as USD fiat currency, with no digital currencies on our balance sheet, which we have accomplished through delegating this responsibility to WeHash for a nominal Consulting Fee, up to a maximum of US\$10,000 per month” continued Mr. Kilic.

Since revising the sub-lease effective May 17th 2019, WeHash has mined over 7.8 BTC, which will be sold through their exchange account. More importantly, WeHash sold 5.0 BTC today at US\$8,724 through Coinsquare, for total gross proceeds of \$43,620 USD, to be remitted to Fortress.

Following the amendment to the sub-lease, the Mining Facility currently operates on the following terms:

- Electrical cost is US\$0.034 per kWh;
- Electrical cost, staff, lease payments on the Mining Facility, internet and insurance is approximately US\$70,000 per month (the “**Monthly Cash Operating Expenses**”);
- At the end of each 30 day period, the total revenue from Bitcoin mined less Monthly Cash Operating Expenses, will determine the net profit from the sub-lease (the “**Net Profit**”). The Consulting Fee will represent 10% of the Net Profit, up to a maximum of US\$10,000 for the 30 day period;
- There is no upper bound in the amended sub-lease for the potential income earned by Fortress from mining revenue. At the recent difficulty levels, WeHash is mining approximately 0.75 BTC per day for Fortress;
- As an illustrative example, on a run-rate basis of quantity of coins mined since the amended sub-lease was executed on May 17th, and price of Bitcoins sold today (US\$8,724), the Company notes that the monthly revenue would be approximately US\$195,000. Based on a potential US\$195,000 monthly revenue, with US\$70,000 of Monthly Cash Operating Expenses, the net profit from the sub-lease would be US\$125,000, of which WeHash would be paid US\$10,000 (in BTC equivalent) and Fortress would be retain US\$115,000 in fiat currency, without Fortress taking custody of any BTC or Fortress having to sell BTC on any exchange. As a result, the average cash cost to Fortress per Bitcoin based on the Monthly Cash Operating Expenses and the Consulting Fee is approximately US \$3,555.

At 2 MW of operating capacity, the Company’s Washington State Mining Facility has capacity for 1,500 Bitmain S9 Miners with ASIC Boost. The Company notes that due to the quality of it’s Mining Facility and low-cost of operations, Fortress was able to generate a profitable gross-mining margin (defined as monthly revenue from digital currency mining less monthly cash operating expenses) during the sustained digital currency downturn in 2018 and early 2019.

About Fortress Technologies

Fortress Technologies Inc. (TSX-V: FORT) is a well-capitalized company currently evaluating emerging opportunities in technology sectors. Fortress is focused on developing projects where access to growth capital is highly valued. For further information, please contact:

Aydin Kilic
Chief Executive Officer
604 477 9997

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Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this press release.

Forward Looking Statements:

This news release contains certain “forward-looking information” within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about future plans and objectives of the Company, are forward-looking information. Other forward-looking information includes but is not limited to information concerning: the intentions, plans and future actions of the Company, the status and impact of new electrical power rates and the status of deliberations by the Grant County Public Utility District, as well as the Company’s ability to successfully mine digital currency, revenue increasing as currently anticipated, the ability to profitably liquidate current and future digital currency inventory, volatility in digital currency prices and the resulting significant negative impact on the Company’s operations, the construction and operation of expanded blockchain infrastructure, and the regulatory environment of cryptocurrency in the United States and other jurisdictions where the Company may operate.

Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as “expects”, or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “budget”, “scheduled”, “forecasts”, “estimates”, “believes” or “intends” or variations of such words and phrases or stating that certain actions, events or results “may” or “could”, “would”, “might” or “will” be taken to occur or be achieved) are not statements of historical fact and may be forward-looking information and are intended to identify forward-looking information.

This forward-looking information is based on reasonable assumptions and estimates of management of the Company at the time it was made, and involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Such factors include, among others: the status and impact of new electrical power rates and the status of deliberations by the Grant County Public Utility District, risks relating to the global economic climate; dilution; the Company’s limited operating history; future capital needs and uncertainty of additional financing; the competitive nature of the industry; currency exchange risks; the need for the Company to manage its planned growth and expansion; the effects of product development and need for continued technology change; protection of proprietary rights; the effect of government regulation and compliance on the Company and the industry; network security risks; the ability of the Company to maintain properly working systems; reliance on key personnel; global economic and financial market deterioration impeding access to capital or increasing the cost of capital; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of the Company include but are not limited to: the impact of new electrical power rates which could impair profitably and operating performance; deliberations by the Grant County Public Utility District which could limit the ability of the Company to carry on business on a profitable basis or at all; the construction and operation of blockchain infrastructure may not occur as currently planned, or at all; expansion may not materialize as currently anticipated, or at all; the digital currency market; the ability to successfully mine digital currency; revenue may not increase as currently anticipated, or at all; it may not be possible to profitably liquidate the current digital currency inventory, or at all; a decline in digital currency prices may have a significant negative impact on operations; the volatility of digital currency prices; the anticipated growth and sustainability of hydroelectricity for the purposes of cryptocurrency mining in the Grant County of the State of Washington, the ability to complete current and future financings, any regulations or laws that will prevent the Company from operating its business; historical prices of digital currencies and the ability to mine digital currencies that will be consistent with historical prices; and there will be no regulation or law that will prevent the Company from operating its business. The Company has also assumed that no significant events occur outside of the Company’s normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.

