

**Bitcoin Well Inc.**

**Unaudited Condensed Consolidated Interim Financial Statements**

**For the three and nine months ended September 30, 2021 and 2020**

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**Bitcoin Well Inc.**  
**Condensed Consolidated Interim Statements of Financial Position**  
**(Unaudited - Expressed in Canadian dollars)**

As at	Note	September 30, 2021	December 31, 2020
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 6,073,891	\$ 4,054,551
Accounts receivable		148,571	89,651
Current income tax receivable		66,033	-
Digital assets	6	10,797,153	-
Inventory	12	212,759	4,926,528
Due from related parties	10	139,085	607,217
Deposits and prepaid expenses	7	891,639	174,997
		<b>18,329,131</b>	<b>9,852,944</b>
<b>Non-current assets</b>			
Property and equipment	8	2,131,656	1,121,806
Right of use assets	16	160,315	141,434
Intangible assets	9	5,418,252	807,966
Note receivable	10	-	200,000
Investments	5	190,000	-
Goodwill	4	4,029,165	-
<b>Total assets</b>		<b>\$ 30,258,519</b>	<b>\$ 12,124,150</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 1,252,845	\$ 968,230
Current income tax payable		-	230,698
Lease liability	16	125,058	94,828
Convertible debenture		-	190,000
Contingent consideration - current	4	1,185,567	-
Line of credit	13	7,300,000	5,000,000
Loans payable - cryptocurrency	11	8,460,849	5,456,667
Related party loan	10	-	750,000
Obligation to issue shares		-	98,718
		<b>18,324,319</b>	<b>12,789,141</b>
<b>Non-current liabilities</b>			
Contingent consideration - long term	4	2,456,989	-
Lease liability - long term	16	55,543	72,375
Deferred income tax payable		211,203	94,832
Loans payable		100,000	40,000
<b>Total liabilities</b>		<b>21,148,054</b>	<b>12,996,348</b>
<b>Shareholders' equity</b>			
Share capital	17	11,751,148	1,924,168
Contributed surplus	17	1,930,560	303,095
Warrants	17	1,636,581	-
Accumulated deficit		(11,330,081)	(3,099,461)
Accumulated other comprehensive income		5,122,257	-
<b>Total shareholders' equity (deficit)</b>		<b>9,110,465</b>	<b>(872,198)</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 30,258,519</b>	<b>\$ 12,124,150</b>

Commitments & Contingencies (Note 20)

**Bitcoin Well Inc.**
**Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)  
(Unaudited - Expressed in Canadian dollars, except for number of and earnings per share)**

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>Revenue</b>				
Sales revenue	18 \$	15,942,597 \$	14,615,193 \$	85,201,287 \$
<b>Cost of coins</b>		15,198,086	12,789,566	80,996,788
<b>Gross profit</b>		744,511	1,825,627	4,204,499
<b>Expenses</b>				
Salaries and wages		1,451,020	319,000	2,762,097
General and administration	19	767,002	858,020	2,134,133
Depreciation and accretion	8,916	262,009	172,395	804,414
Professional fees		445,765	405,037	1,306,064
Marketing and advertising		228,487	87,620	531,369
Consulting fees		107,315	33,309	219,574
Rent and lease payments		20,233	23,364	49,026
Software		30,581	37,642	89,556
		(3,312,412)	(1,936,387)	(7,896,233)
<b>Loss before other items</b>		(2,567,901)	(110,760)	(3,691,734)
<b>Other items</b>				
Fair value change - cryptocurrency inventory	12	54,114	37,423	62,921
Fair value change - cryptocurrency loans	11	(1,899,934)	(253,174)	(3,845,856)
Listing expense	3	-	-	(1,476,742)
Foreign exchange		6,764	332	9,245
Share based compensation	17	(289,972)	(303,095)	(572,432)
Gain (loss) on debt settlement	11	8,730	(128,254)	14,713
<b>Loss before income taxes</b>		(4,688,199)	(757,528)	(9,499,885)
<b>Income tax expense (recovery)</b>				
Current		(154,732)	-	(154,732)
Deferred		(636,243)	-	(1,114,533)
<b>Net loss</b>		(3,897,224)	(757,528)	(8,230,620)
<b>Other comprehensive income</b>				
Revaluation gain on digital assets, net of tax	6	2,150,636	-	5,127,030
Unrealized exchange loss on foreign subsidiaries	4	(6,086)	-	(4,773)
<b>Total comprehensive loss</b>	\$	(1,752,674)	(757,528)	(3,108,363)
<b>Net loss per common share</b>				
Basic	\$	(0.02)	(0.01)	(0.06)
Diluted	\$	(0.02)	(0.01)	(0.06)
<b>Weighted average number of common shares outstanding:</b>				
Basic		165,948,916	112,074,100	138,014,541
Diluted		165,948,916	112,074,100	138,014,541

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

**Bitcoin Well Inc.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**(Unaudited - Expressed in Canadian dollars)**

Nine months ended September 30	2021	2020
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net loss	\$ (8,230,620)	\$ (902,983)
Adjustments for:		
Depreciation and accretion	804,414	384,250
Loss on revaluation of cryptocurrency loans	3,845,856	388,588
Gain on revaluation of cryptocurrency inventory	(62,921)	(5,220)
Deferred income tax	(1,114,533)	-
Listing expense	1,476,742	-
Share based compensation	572,432	303,095
(Gain) loss on debt settlement	(14,713)	185,399
	<b>(2,723,343)</b>	<b>353,129</b>
Changes in non-cash working capital items:		
Accounts receivable	181,307	(296,226)
Deposits and prepaid expenses	(714,879)	(92,179)
Inventory	4,800,681	(2,637,678)
Digital assets	(5,003,899)	-
Obligation to issue shares	-	76,394
Current income tax receivable/payable	(451,590)	-
Accounts payable and accrued liabilities	226,017	(34,667)
<b>Cash used in operating activities</b>	<b>(3,685,706)</b>	<b>(2,631,227)</b>
<b>Investing activities</b>		
Purchase of property and equipment	(1,124,155)	(376,968)
Purchase of intangible assets	(429,043)	(768,032)
Business combinations, net of cash acquired	435,849	-
Purchase of investments	(190,000)	-
Issuance of note receivable	-	(180,000)
Issuance of convertible debentures	-	190,000
<b>Cash used in investing activities</b>	<b>(1,307,349)</b>	<b>(1,135,000)</b>
<b>Financing activities</b>		
Dividends paid	-	(210,334)
Repayments of shareholder loans	-	(520,113)
(Repayment) proceeds of cryptocurrency loans	(326,961)	1,414,615
Payments of contingent consideration	(72,184)	-
Proceeds received from loans	20,000	40,000
Repayment of lease liability	(88,037)	(38,733)
Cash paid to related parties	(1,243,859)	(261,559)
Proceeds received from line of credit	2,300,000	2,999,999
Proceeds received from issuance of shares, net of costs	6,403,436	1,689,245
Proceeds received from exercise of stock options	20,000	-
<b>Cash provided by financing activities</b>	<b>7,012,395</b>	<b>5,113,120</b>
<b>Change in cash</b>	<b>2,019,340</b>	<b>1,346,893</b>
<b>Cash, beginning of period</b>	<b>4,054,551</b>	<b>1,173,950</b>
<b>Cash, end of period</b>	<b>\$ 6,073,891</b>	<b>\$ 2,520,843</b>

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

**Bitcoin Well Inc.**  
**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**  
**(Unaudited - Expressed in Canadian dollars, except for number of shares)**

	Share Capital					Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Note	Number of Common Shares	Amount	Contributed Surplus	Warrants			
<b>Balance at December 31, 2019</b>		98,332,917	\$ 10	\$ 202	\$ -	\$ (181,681)	\$ -	<b>(181,469)</b>
Income tax refund		-	-	-	-	36,584	-	<b>36,584</b>
Dividends paid		-	-	-	-	(210,853)	-	<b>(210,853)</b>
Share based compensation		-	-	303,095	-	-	-	<b>303,095</b>
Fair value change in shareholder loan		-	-	(202)	-	-	-	<b>(202)</b>
Shares issued		17,981,643	1,924,158	-	-	-	-	<b>1,924,158</b>
Net loss for the period		-	-	-	-	(2,743,511)	-	<b>(2,743,511)</b>
<b>Balance at December 31, 2020</b>		<b>116,314,560</b>	<b>\$ 1,924,168</b>	<b>\$ 303,095</b>	<b>\$ -</b>	<b>\$ (3,099,461)</b>	<b>\$ -</b>	<b>(872,198)</b>
Shares issued - QT	17	5,775,000	1,443,750	47,324	-	-	-	<b>1,491,074</b>
Shares issued - private placement	17	29,138,000	4,342,298	424,557	1,636,581	-	-	<b>6,403,436</b>
Shares issued - business acquisition (AlphaVend)	17	6,000,000	1,494,369	-	-	-	-	<b>1,494,369</b>
Shares issued - business acquisition (Ghostlab)	17	2,758,621	800,000	600,000	-	-	-	<b>1,400,000</b>
Shares issued - business acquisition (Equibytes)	17	397,059	135,000	-	-	-	-	<b>135,000</b>
Shares issued - debt conversions	17	5,443,330	766,394	-	-	-	-	<b>766,394</b>
Shares issued - services received	17	208,610	22,321	-	-	-	-	<b>22,321</b>
Shares issued - shareholder loan conversion	17	6,250,000	750,000	-	-	-	-	<b>750,000</b>
Shares issued - employment services received	17	124,136	36,000	-	-	-	-	<b>36,000</b>
Share based compensation	17	-	-	572,432	-	-	-	<b>572,432</b>
Stock options exercised	17	186,920	36,848	(16,848)	-	-	-	<b>20,000</b>
Net loss for the period		-	-	-	-	(8,230,620)	-	<b>(8,230,620)</b>
Revaluation gain on digital assets, net of tax		-	-	-	-	-	5,127,030	<b>5,127,030</b>
Unrealized exchange loss on foreign subsidiaries		-	-	-	-	-	(4,773)	<b>(4,773)</b>
<b>Balance at September 30, 2021</b>		<b>172,596,236</b>	<b>\$ 11,751,148</b>	<b>\$ 1,930,560</b>	<b>\$ 1,636,581</b>	<b>\$ (11,330,081)</b>	<b>\$ 5,122,257</b>	<b>9,110,465</b>

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

## **Bitcoin Well Inc.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**For the three and nine months ended September 30, 2021**

**(Unaudited - Expressed in Canadian dollars, except where otherwise stated)**

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#### **1. NATURE OF OPERATIONS**

Bitcoin Well Inc. ("Bitcoin Well" or the "Company") was originally incorporated as Red River Capital Corp. ("Red River") under the laws of the Province of Alberta on December 20, 2017. The Company was classified as a Capital Pool Corporation as defined in Policy 2.4 of the TSX Venture Exchange (the "TSXV"). The principal business of the Company was to identify and evaluate assets or businesses with a view to completing a Qualifying Transaction ("QT" or the "Transaction").

On June 11, 2021, the Company completed its QT with 1739001 Alberta Ltd. ("Old Bitcoin Well"). The Transaction constituted the Company's "Qualifying Transaction" (as such term is defined in Policy 2.4 of the TSX Venture Exchange (the "TSXV") Corporate Finance Manual). The Transaction was completed by way of a three-cornered amalgamation, pursuant to which 2283971 Alberta Ltd., a wholly owned subsidiary of Red River, amalgamated with Old Bitcoin Well to form a newly amalgamated company, which now holds the assets of Bitcoin Well, as a wholly-owned subsidiary. Contemporaneous with the Transaction, Red River also changed its name to Bitcoin Well Inc.

The Transaction is a reverse take-over acquisition under which Old Bitcoin Well was identified as the accounting acquirer. As a result, these consolidated financial statements represent the continuation of Old Bitcoin Well.

The principal business of the Company is to acquire, own and operate cryptocurrency ATM machines throughout Canada and the United Kingdom. The address of the Company's registered office is 2500 Stantec Tower, 10220 – 103 Avenue NW, Edmonton, Alberta. The Company's common shares are traded on the TSXV under the ticker symbol "**BTCW**".

#### **2. BASIS OF PRESENTATION**

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretation Committee ("IFRIC").

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Old Bitcoin Well's audited consolidated financial statements for the year ended December 31, 2020. These condensed interim consolidated financial statements should be read in conjunction with Old Bitcoin Well's annual financial statements for the year ended December 31, 2020.

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**Bitcoin Well Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three and nine months ended September 30, 2021**  
**(Unaudited - Expressed in Canadian dollars, except where otherwise stated)**

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The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and effective as of September 30, 2021.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

### **3. QUALIFYING TRANSACTION**

On June 11, 2021, the Company completed its QT with Old Bitcoin Well. The Transaction was completed by way of a three-cornered amalgamation, pursuant to which 2283971 Alberta Ltd., a wholly owned subsidiary of Red River, amalgamated with Old Bitcoin Well to form a newly amalgamated company, which now holds the assets of Bitcoin Well, as a wholly-owned subsidiary. Contemporaneous with the Transaction, Red River also changed its name to Bitcoin Well Inc.

Upon completion of the Transaction, Bitcoin Well Inc. had 162,879,500 shares issued and outstanding on a non-diluted basis, with approximately 96% held by former Old Bitcoin Well shareholders and approximately 4% held by Red River shareholders. Therefore, in substance, the Transaction involved Old Bitcoin Well shareholders obtaining control of the Company. Accordingly, the Transaction is a reverse take-over acquisition under which Old Bitcoin Well was identified as the accounting acquirer. As a result, these consolidated financial statements represent the continuation of Old Bitcoin Well.

Red River did not meet the definition of a business under IFRS 3 Business Combinations prior to the Transaction. The Transaction is therefore accounted for in accordance with IFRS 2 Share-based Payments, whereby Old Bitcoin Well is deemed to have issued shares in exchange for the net assets of Red River at the fair value of the consideration paid by Old Bitcoin Well.

As a result of this asset acquisition, the excess of the consideration given over the fair value of the net assets acquired in the amount of \$1,476,742 was recognized as a listing expense in the consolidated statements of income (loss) and comprehensive income (loss).

**Bitcoin Well Inc.****Notes to the Condensed Consolidated Interim Financial Statements****For the three and nine months ended September 30, 2021****(Unaudited - Expressed in Canadian dollars, except where otherwise stated)**

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The fair value of the net assets acquired and consideration given was as follows:

	<b>Red River</b>
<b>Net assets acquired</b>	
Cash	\$ 21,635
Accounts payable and accrued liabilities	(7,303)
Listing expense	1,476,742
	<b>\$ 1,491,074</b>
<b>Fair value of consideration given</b>	
Common shares	\$ 1,443,750
Stock options	47,324
	<b>\$ 1,491,074</b>

The common share consideration consisted of 5,775,000 common shares deemed to have been issued to the shareholders of Red River in conjunction with the Transaction. The stock options consideration consisted of 275,000 stock options deemed to have been issued to the officers and directors of Red River in conjunction with the Transaction. These stock options consisted of the outstanding stock options of Red River as of the date of the Transaction and were remeasured at their fair value on the Transaction date using the Black-Scholes option pricing model, see Note 17.

**Bitcoin Well Inc.****Notes to the Condensed Consolidated Interim Financial Statements****For the three and nine months ended September 30, 2021****(Unaudited - Expressed in Canadian dollars, except where otherwise stated)****4. BUSINESS ACQUISITIONS**

During the nine months ended September 30, 2021, the Company completed four business acquisitions, as described below. The preliminary fair value of the net assets acquired, and consideration given was as follows:

	AlphaVend	CryptoKiosk	Equibytes	Ghostlab	Total
<b>Fair value of net assets acquired</b>					
Cash	\$ 509,773	\$ 33,754	\$ 35,903	\$ 149,525	\$ 728,955
Accounts receivable	-	-	-	240,228	240,228
Inventory	-	-	12,420	-	12,420
Prepaid expenses	-	-	1,763	-	1,763
Property and equipment	144,157	27,500	25,000	4,043	200,700
Intangible assets	968,145	403,528	171,334	3,054,729	4,597,736
Goodwill	3,622,251	19,674	85,754	303,342	4,031,021
<b>Total assets</b>	<b>5,244,326</b>	<b>484,456</b>	<b>332,174</b>	<b>3,751,867</b>	<b>9,812,823</b>
Accounts payable	8,545	-	86	78,661	87,292
Current income tax payable	154,859	-	-	-	154,859
Deferred income tax payable	206,538	-	32,088	321,215	559,841
Loans payable	-	-	-	40,000	40,000
<b>Total liabilities</b>	<b>369,942</b>	<b>-</b>	<b>32,174</b>	<b>439,876</b>	<b>841,992</b>
<b>Net assets acquired</b>	<b>\$ 4,874,384</b>	<b>\$ 484,456</b>	<b>\$ 300,000</b>	<b>\$ 3,311,991</b>	<b>\$ 8,970,831</b>
<b>Consideration given</b>					
Cash	169,850	114,881	30,000	-	314,731
Debt assumed	-	-	-	1,911,991	1,911,991
Common shares issued	1,494,369	-	135,000	800,000	2,429,369
Contingent consideration payable	3,210,165	369,575	135,000	-	3,714,740
Contingent consideration - shares	-	-	-	600,000	600,000
<b>Total consideration</b>	<b>\$ 4,874,384</b>	<b>\$ 484,456</b>	<b>\$ 300,000</b>	<b>\$ 3,311,991</b>	<b>\$ 8,970,831</b>

**Paradime Ltd.**

On May 7, 2021, the Company acquired 100% of the issued and outstanding shares of Paradime Ltd o/a AlphaVend (“AlphaVend”), a cryptocurrency ATM operator in the United Kingdom. AlphaVend’s assets included 26 Bitcoin ATM machines located across England, Scotland and Wales.

The aggregate consideration paid at closing consisted of (i) a cash payment of £100,000 (CAD \$169,850) and the issuance of 6,000,000 common shares valued at £879,817 (CAD \$1,494,369) (collectively the “Completion Consideration”). The aggregate purchase price also included contingent consideration, which is payable as follows:

**Bitcoin Well Inc.**

**Notes to the Condensed Consolidated Interim Financial Statements**

**For the three and nine months ended September 30, 2021**

**(Unaudited - Expressed in Canadian dollars, except where otherwise stated)**

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- i. A cash payment of £711,000 (CAD \$1,207,634 at May 7, 2021), payable upon the satisfaction of the following conditions:
  - a. Receipt by the Company of a confirmation that AlphaVend has received a full FCA Registration from the Financial Conduct Authority (“FCA”) of the United Kingdom provided that such registration is not subject to any conditions or terms, which are, in the sole discretion of the Company, onerous; and
  - b. Receipt by the Company of a confirmation of approval by the FCA of any applications required in relation to the change of control of AlphaVend.
- ii. Cash payments up to the aggregate value of £3,000,000 (CAD \$5,095,500 at May 7, 2021), payable in monthly instalments equal to 35% of the aggregate gross margin of AlphaVend in each relevant month.

Payments of contingent consideration shall cease and be no longer payable as of May 7, 2024.

AlphaVend is currently conducting its operations under a temporary registration from the FCA. AlphaVend’s operations will cease should any licensing changes occur that would result in a deemed non-compliance with FCA regulations. If the Company, in its sole discretion, determines that compliance with any pre-condition to obtain the full FCA Registration, or any condition or term of the Full FCA Registration, individually or taken in the aggregate with other pre-conditions or conditions, is onerous, then the Company may elect, at its option, to serve a notice of this determination to the sellers (the “Buyer Option”). Should this option be undertaken, the Company shall then provide the sellers the exclusive option to purchase all of the issued and outstanding shares of AlphaVend (the “Seller Option”). The purchase price of the shares pursuant to the Seller Option shall be an amount in cash equal to 80% of (i) the Completion Consideration and (ii) the aggregate contingent consideration paid by the Company up to the date the Buyer Option was exercised. No further payments of contingent consideration shall be payable to the sellers if the Company exercises the Buyer Option.

Included in the consideration above was contingent consideration payable valued at \$3,210,165 which represents the estimated fair value of the contingent consideration on the acquisition date. The maximum contingent consideration payable is £3,711,000 (CAD \$6,303,134 at May 7, 2021) should all of the conditions for the payment of the contingent consideration be met in the future. As at September 30, 2021, contingent consideration of £24,894 (CAD \$42,739) has been paid pursuant to this acquisition.

Goodwill acquired with the AlphaVend acquisition was comprised of the value of expected synergies arising from the acquisition and the geographical location of the acquiree. None of the goodwill acquired is deductible for income tax purposes. Since the acquisition on May 7, 2021, AlphaVend generated revenue of \$778,634 and a net loss before taxes of \$389,295 which are included in the Company’s consolidated statement of income (loss) and comprehensive income (loss).

**Bitcoin Well Inc.****Notes to the Condensed Consolidated Interim Financial Statements****For the three and nine months ended September 30, 2021****(Unaudited - Expressed in Canadian dollars, except where otherwise stated)**

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With respect to the temporary license and the process to obtain a full FCA Registration an oral representations meeting is scheduled to be held in December 2021. In advance, we have elected to exercise the Buyer Option. As a result, there is uncertainty as the ultimate outcome of this process and the potential impact that this process could have on the consolidated financial statements.

**CryptoKiosk Inc.**

On July 29, 2021, the Company acquired the business and assets of Crypto Kiosk Inc. (“Crypto Kiosk”), a cryptocurrency ATM operator in northern Ontario. The assets acquired consisted of 11 cryptocurrency ATMs plus associated proprietary accounts and all social media and other digital representations. The aggregate consideration paid at closing consisted of (i) a cash payment of \$114,881 and (ii) deferred cash consideration of \$369,575, which is payable on a monthly basis in an amount equal to 4% of gross revenues generated from Crypto Kiosk’s ATM machines with the balance, if any, payable in July 2024. As of September 30, 2021, deferred consideration of \$25,041 had been paid to the vendors.

Goodwill acquired with the Crypto Kiosk acquisition was comprised of the value of expected synergies arising from the acquisition and the geographical location of the acquiree. The goodwill acquired is deductible for income tax purposes. Due to the integration of Crypto Kiosk’s operations into Bitcoin Well, it was impractical to provide revenue and net income figures related to Crypto Kiosk subsequent to the date of acquisition.

**Enterprises Equibytes Inc.**

On September 8, 2021, the Company acquired 100% of the issued and outstanding shares of Enterprises Equibytes Inc. (“Equibytes”), a bitcoin ATM operator based in Montreal, Quebec.

The aggregate consideration paid at closing consisted of (i) a cash payment of \$30,000 and (ii) the issuance of 397,059 common shares valued at \$135,000 or \$0.34 per share. The aggregate purchase price also included contingent consideration of up to \$135,000 in cash, which is payable on a monthly basis in an amount equal to 25% of the gross profits earned from ATM machines that are operated in the Province of Quebec. As of September 30, 2021, contingent consideration of \$4,405 had been earned and was subsequently paid to the vendors in October 2021.

Goodwill acquired with the Equibytes acquisition was comprised of the value of expected synergies arising from the acquisition, the expertise and reputation of the assembled workforce acquired, and the geographical location of the acquiree. None of the goodwill acquired is deductible for income tax purposes. Due to the integration of Equibytes’ operations into Bitcoin Well, it was impractical to provide revenue and net income figures related to Equibytes subsequent to the date of acquisition.

**Bitcoin Well Inc.****Notes to the Condensed Consolidated Interim Financial Statements****For the three and nine months ended September 30, 2021****(Unaudited - Expressed in Canadian dollars, except where otherwise stated)**

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**Ghostlab Inc.**

Effective September 1, 2021, the Company acquired 100% of the issued and outstanding shares of Ghostlab Inc. ("Ghostlab"), a software development company that designs and develops software to improve the functionality and accessibility of modern financial technology and services, including Bitcoin ATM machines.

The aggregate consideration paid at closing consisted of the issuance of 2,758,621 common shares valued at \$800,000 or \$0.29 per share plus the assumption of all debt obligations owing to the Company. These debt obligations totaled \$1,911,991 at the time of acquisition.

The aggregate purchase price also included contingent consideration of up to \$600,000, which is payable in common shares of the Company at a deemed value of \$0.29 per share (the "Earnout"). The Earnout is payable in equal installments of \$150,000 predicated on achieving Net Revenue (as defined in the agreement) of \$600,000, \$1.5 million, \$3.6 million, and \$8.0 million, respectively within a 12-month period, prior to August 31, 2025. As at September 30, 2021, no contingent consideration has been paid pursuant to this acquisition.

Each of Adam O'Brien, Chief Executive Officer of the Company and Dave Bradley, Chief Revenue Officer of the Company, previously owned 100% of the common shares of Ghostlab. As such, the acquisition was a related party transaction under Multilateral Instrument 61-101. Bitcoin Well relied on the exemptions contained in sections 5.5(a) and 5.7(a), respectively, of Multilateral Instrument 61-101 from the valuation and minority shareholder requirements of that instrument as they apply to related party transactions, since the fair market value of the acquisition was significantly less than 25% of the market capitalization of Bitcoin Well. The acquisition was approved by the board upon recommendation of an independent special committee in accordance with the Company's related-party transaction policy.

At the time of the acquisition, Ghostlab did not generate significant revenue from third parties other than from Bitcoin Well. Please see Note 10 for additional discussion regarding transactions with Ghostlab prior to the date of acquisition. Since the acquisition on September 13, 2021, Ghostlab generated a net loss before taxes of \$92,668, which is included in the Company's consolidated statement of income (loss) and comprehensive income (loss).

Goodwill acquired with the Ghostlab acquisition was comprised of the value of expected synergies arising from the acquisition and the expertise and reputation of the assembled workforce acquired. None of the goodwill acquired is deductible for income tax purposes.

**Overall Disclosure**

The above purchase price allocations are preliminary and have been conducted based on a preliminary evaluation of the fair value of the assets and liabilities acquired. The purchase price allocations will remain preliminary until the Company completes its final evaluations.

**Bitcoin Well Inc.****Notes to the Condensed Consolidated Interim Financial Statements****For the three and nine months ended September 30, 2021****(Unaudited - Expressed in Canadian dollars, except where otherwise stated)**

If all of the above business acquisitions had taken place effective January 1, 2021, consolidated revenue for the nine months ended September 30, 2021 would have approximated \$89,466,785 and the Company's consolidated net loss before taxes would have approximated \$8,999,534. During the nine months ended September 30, 2021, business acquisition-related costs of \$337,211 were included in professional fees.

**Contingent Consideration**

The Company's contingent consideration payable that arose from the above business acquisitions consisted of the following components as at September 30, 2021:

	AlphaVend		CryptoKiosk		Equibytes		Total	
Balance at December 31, 2020	\$	-	\$	-	\$	-	\$	-
Business acquisitions		3,210,165		369,575		135,000		3,714,740
Payments made		(42,739)		(25,040)		(4,405)		(72,184)
<b>Balance at September 30, 2021</b>	<b>\$</b>	<b>3,167,426</b>	<b>\$</b>	<b>344,535</b>	<b>\$</b>	<b>130,595</b>	<b>\$</b>	<b>3,642,556</b>
Current liability		968,799		144,684		72,084		1,185,567
Non-current liability		2,198,627		199,851		58,511		2,456,989
<b>Total contingent consideration payable</b>	<b>\$</b>	<b>3,167,426</b>	<b>\$</b>	<b>344,535</b>	<b>\$</b>	<b>130,595</b>	<b>\$</b>	<b>3,642,556</b>

**Additional Accounting Policies:**

The Company adopted the following additional accounting policies in conjunction with the above business acquisitions:

**Business Acquisitions**

Business acquisitions are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the aggregate consideration transferred, measured at the acquisition date. All acquisition costs are expensed as incurred. Any contingent consideration to be paid is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognized in accordance with IFRS 9 – Financial Instruments.

**Goodwill**

Goodwill is initially measured at cost, being the excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed in a business combination. If this consideration is lower than the fair value of the net assets acquired, the difference is recognized as a gain for the period. After initial recognition, goodwill is recognized at cost less any

**Bitcoin Well Inc.****Notes to the Condensed Consolidated Interim Financial Statements****For the three and nine months ended September 30, 2021****(Unaudited - Expressed in Canadian dollars, except where otherwise stated)**

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accumulated impairment losses. Goodwill is allocated as of the business combination date to the Company's cash-generating units (CGUs) expected to benefit from the business combination, irrespective of whether the assets and liabilities of the acquired business are assigned to the same CGUs. If a business unit is disposed of, associated goodwill is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Goodwill is tested for impairment annually or more frequently when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each operating segment to which the goodwill relates. Where the recoverable amount of the operating segment (including the carrying value of the allocated goodwill) is less than the carrying value, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

**Foreign Currency Translation**

The Company's consolidated financial statements are presented in Canadian dollars, the parent Company's functional currency. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The Company's foreign operations are translated into its reporting currency (Canadian dollars) as follows: assets and liabilities are translated at the rate of exchange in effect at the consolidated statement of financial position date, and revenue and expense items (including depreciation and amortization) are translated at the average rate of exchange for the month. The resulting unrealized exchange gains and losses on foreign subsidiaries are recognized in accumulated other comprehensive income.

**Additional Significant Judgements and Estimates - Business Combinations**

In a business combination, the Company may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property, plant and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of intangible assets acquired and the measurement of contingent consideration, the Company may rely on independent third-party valuers. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and earnings multiples.

**5. INVESTMENTS**

The Company is invested in private entities that are accounted for at fair value through profit or loss. During the nine months ended September 30, 2021, the Company purchased investments in private entities of \$190,000. At September 30, 2021, the carrying value of these investments was \$190,000 (December 31, 2020 - \$nil).

**Bitcoin Well Inc.**

**Notes to the Condensed Consolidated Interim Financial Statements**

**For the three and nine months ended September 30, 2021**

**(Unaudited - Expressed in Canadian dollars, except where otherwise stated)**

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**6. DIGITAL ASSETS**

The Company's digital assets consist of bitcoin. Digital assets meet the definition of intangible assets in IAS 38 Intangible Assets as they are identifiable non-monetary assets without physical substance. They are initially recorded at cost and the revaluation method is used to measure the digital assets subsequently. Under the revaluation method, increases in fair value are recorded in other comprehensive income, while decreases are recorded in profit or loss. The Company revalues its digital assets at the end of each month. There is no recycling of gains from other comprehensive income to profit or loss. However, to the extent that an increase in fair value reverses a previous decrease in fair value that has been recorded in profit or loss, that increase is recorded in profit or loss. Decreases in fair value that reverse gains previously recorded in other comprehensive income are recorded in other comprehensive income.

Due to operational developments, during the quarter ended March 31, 2021, the Company reassessed the amount of bitcoin required to be held for sale within its normal business operations. This change in estimate resulted in a reclassification of the Company's excess bitcoin holdings from inventory to digital assets and was accounted for on a prospective basis. The Company classifies its excess bitcoin holdings as digital assets as it expects to hold bitcoin as an investment for the foreseeable future.

Digital assets are measured at fair value using the quoted price on Coinmarketcap. Coinmarketcap is a pricing aggregator, as the principal market or most advantageous market is not always known. The Company believes any price difference amongst the principal market and an aggregated price to be immaterial. Management considers this fair value to be a Level 2 input under IFRS 13 Fair Value Measurement fair value hierarchy as the price on this source represents an average of quoted prices on multiple digital currency exchanges.

As at September 30, 2021, the fair value of bitcoin was \$55,847 which reflected an increase from its fair value of \$43,438 at June 30, 2021. Overall, the fair value of bitcoin at September 30, 2021 increased from its fair value of \$37,103 at December 31, 2020. The Company recognized a revaluation gain, net of tax, of \$2,150,636 during the three months ended September 30, 2021 and \$5,127,030 for the nine months ended September 30, 2021.

Subsequent to September 30, 2021, the Company sold 26 bitcoins held within digital assets for net proceeds of \$1,788,945.

**Bitcoin Well Inc.**

**Notes to the Condensed Consolidated Interim Financial Statements**

**For the three and nine months ended September 30, 2021**

**(Unaudited - Expressed in Canadian dollars, except where otherwise stated)**

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**7. DEPOSITS AND PREPAID EXPENSES**

<b>As at</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>
<b>Current</b>		
Deposit on ATM machines	\$ 315,065	\$ -
Prepaid expenses	435,545	136,010
Office lease deposit	141,029	38,987
<b>Total current deposits and prepaid expenses</b>	<b>\$ 891,639</b>	<b>\$ 174,997</b>

**Bitcoin Well Inc.**

**Notes to the Condensed Consolidated Interim Financial Statements**

**For the three and nine months ended September 30, 2021**

**(Unaudited - Expressed in Canadian dollars, except where otherwise stated)**

**8. PROPERTY AND EQUIPMENT**

	ATM		Computer equipment		Furniture & Equipment		Leasehold improvements		Total	
<b>Costs</b>										
Balance at December 31, 2019	\$	551,124	\$	59,612	\$	27,782	\$	333,507	\$	972,025
Additions		669,647		-		8,400		6,336		684,383
Disposals		(8,247)		-		-		-		(8,247)
Balance at December 31, 2020		1,212,524		59,612		36,182		339,843		1,648,161
Additions		637,497		-		99,933		386,725		1,124,155
Business acquisitions (note 4)		198,144		2,556		-		-		200,700
Disposals		(28,355)		-		-		-		(28,355)
<b>Balance at September 30, 2021</b>	<b>\$</b>	<b>2,019,810</b>	<b>\$</b>	<b>62,168</b>	<b>\$</b>	<b>136,115</b>	<b>\$</b>	<b>726,568</b>	<b>\$</b>	<b>2,944,661</b>
<b>Accumulated Amortization</b>										
Balance at December 31, 2019	\$	136,422	\$	48,129	\$	9,260	\$	104,999	\$	298,810
Amortization		146,151		6,316		6,502		73,048		232,017
Disposals		(4,472)		-		-		-		(4,472)
Balance at December 31, 2020		278,101		54,445		15,762		178,047		526,355
Amortization		206,822		6,072		15,842		60,857		289,593
Disposals		(2,943)		-		-		-		(2,943)
<b>Balance at September 30, 2021</b>	<b>\$</b>	<b>481,980</b>	<b>\$</b>	<b>60,517</b>	<b>\$</b>	<b>31,604</b>	<b>\$</b>	<b>238,904</b>	<b>\$</b>	<b>813,005</b>
<b>Net Book Value</b>										
Balance at December 31, 2020	\$	934,423	\$	5,167	\$	20,420	\$	161,796	\$	1,121,806
<b>Balance at September 30, 2021</b>	<b>\$</b>	<b>1,537,830</b>	<b>\$</b>	<b>1,651</b>	<b>\$</b>	<b>104,511</b>	<b>\$</b>	<b>487,664</b>	<b>\$</b>	<b>2,131,656</b>

**Bitcoin Well Inc.****Notes to the Condensed Consolidated Interim Financial Statements****For the three and nine months ended September 30, 2021****(Unaudited - Expressed in Canadian dollars, except where otherwise stated)****9. INTANGIBLE ASSETS**

	Host Agreements (i)	Software Applications	Internally generated Software (ii)	Total
<b>Costs</b>				
Balance at December 31, 2019	\$ -	\$ -	\$ -	-
Additions	768,032	253,935	-	1,021,967
Disposals	-	-	-	-
Balance at December 31, 2020	768,032	253,935	-	1,021,967
Additions	-	291,201	137,842	429,043
Business acquisitions (note 4)	1,543,007	-	3,054,729	4,597,736
Disposals	-	-	-	-
<b>Balance at September 30, 2021</b>	<b>\$ 2,311,039</b>	<b>\$ 545,136</b>	<b>\$ 3,192,571</b>	<b>\$ 6,048,746</b>
<b>Accumulated Amortization</b>				
Balance at December 31, 2019	\$ -	\$ -	\$ -	-
Amortization	214,001	-	-	214,001
Disposals	-	-	-	-
Balance at December 31, 2020	214,001	-	-	214,001
Amortization	380,000	36,493	-	416,493
Disposals	-	-	-	-
<b>Balance at September 30, 2021</b>	<b>594,001</b>	<b>36,493</b>	-	630,494
<b>Net Book Value</b>				
Balance at December 31, 2020	554,031	253,935	-	807,966
<b>Balance at September 30, 2021</b>	<b>\$ 1,717,038</b>	<b>\$ 508,643</b>	<b>\$ 3,192,571</b>	<b>\$ 5,418,252</b>

- i) As at September 30, 2021, intangible assets consist of \$1,717,038 invested in contracts purchased in order to allow the Company to operate ATM machines at specific locations (December 31, 2020 – \$554,031).
- ii) Internally generated software includes the fair value of the software technology acquired in the acquisition of Ghostlab, see Note 4. Internally generated software additions consist of expenditures incurred to develop new software applications to enhance bitcoin transaction capabilities. These expenditures have met the criteria in IAS 38 to be capitalized as internally generated intangibles.

**Bitcoin Well Inc.****Notes to the Condensed Consolidated Interim Financial Statements****For the three and nine months ended September 30, 2021****(Unaudited - Expressed in Canadian dollars, except where otherwise stated)****10. RELATED PARTY TRANSACTIONS****Key Management Compensation**

Key management includes members of the Board of Directors and its corporate officers. The aggregate value of transactions relating to key management personnel and entities over which they have control or significant influence were as follows.

During the nine months ended September 30, 2021 and 2020, the Company had the following related party transactions with key management:

<b>For the nine months ended September</b>	<b>2021</b>	<b>2020</b>
Salary, fees, and other short term benefits	\$ 804,061	\$ 77,034
Share based payments (note 17)	524,549	80,000
Termination benefits	380,000	-
<b>Total</b>	<b>\$ 1,708,610</b>	<b>\$ 157,034</b>

**Ghostlab**

The Company entered into a Software License Agreement with Ghostlab in 2020, a company previously controlled by the Chief Executive Officer and Chief Revenue Officer of the Company. In September 2021, the Company acquired 100% of the issued and outstanding shares of Ghostlab, see Note 4.

Prior to the acquisition of Ghostlab, the related party transactions with Ghostlab for the nine months ended September 30, 2021 and 2020 were as follows:

<b>For the nine months ended September 30</b>	<b>2021</b>	<b>2020</b>
Opening balance	\$ 749,189	\$ -
Expenses paid on behalf of Ghostlab	895,866	699,194
Support & licensing fees provided by Ghostlab	(84,351)	(115,621)
Capitalized software costs provided by Ghostlab	(263,412)	-
Prepaid software retainer	614,699	-
Debt assumed upon acquisition (Note 4)	(1,911,991)	-
<b>Balance outstanding at September 30, 2021</b>	<b>\$ -</b>	<b>\$ 583,573</b>

The above balances included a non-interest-bearing \$200,000 note receivable (December 31, 2020 - \$200,000) with Ghostlab that was also assumed by the Company at acquisition.

**Due from Related Parties - Other**

At September 30, 2021 a related company owned by the Chief Executive Officer of the Company, owed the Company \$139,085 (December 31, 2020 - \$58,028).

**Bitcoin Well Inc.****Notes to the Condensed Consolidated Interim Financial Statements****For the three and nine months ended September 30, 2021****(Unaudited - Expressed in Canadian dollars, except where otherwise stated)**

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**Due to Related Parties**

The Company had a \$750,000 shareholder loan due to the Chief Executive Officer of the Company. During the nine months ended September 30, 2021, the shareholder loan was converted into common shares, see note 17.

**11. LOAN PAYABLE – CRYPTOCURRENCY**

The Company has entered into agreements (“Use of Coin Agreements”) whereby the Chief Executive Officer and a number of other arm’s length parties have loaned the Company bitcoin. These Use of Coin Agreements were entered into to help meet new customer demand for bitcoin. As per the terms of the agreements, the loans are repayable in bitcoin by October 31, 2022 to the lenders.

The Company pays a fixed monthly fee for the use of these bitcoins. At the time the loans were issued, the fees were approximately 8%-10% of the principal value of the coins loaned to the Company. The total amount paid under these agreements for the three and nine months ended September 30, 2021 was \$109,596 and \$185,868, respectively (three and nine months ended September 30, 2020 - \$29,292) of which \$14,190 and \$47,816, respectively (three and nine months ended September 30, 2020 - \$19,142) was paid to the Chief Executive Officer.

As at September 30, 2021, the total fair value of the bitcoin loaned to the Company was \$8,460,849, of which \$3,071,595 represents the amount owed to the Chief Executive Officer of the Company. The amount owed to the Chief Executive Officer represents a reduction from \$3,717,081 as at December 31, 2020, as a result of a repayment of a Use of Coin Agreement of \$3,059,614, as well as changes in the price of bitcoin during the nine months ended September 30, 2021.

At period end, the Company revalues the outstanding loans based on current market price of bitcoin, using CoinMarketCap.com. For the three months ended September 30, 2021, the Company recognized an unrealized fair value loss of \$1,899,934 (September 30, 2020 - loss of \$253,174), as a result of the increase in the price of bitcoin from July 1, 2021 to September 30, 2021. For the nine months ended September 30, 2021, the Company recognized an unrealized loss of \$3,845,856 (September 30, 2020 - \$388,588).

The Company recognizes realized gains and losses arising from the settlement of loan advances from the Use of Coin Agreements. Accordingly, for the three and nine months ended September 30, 2021, a gain of \$8,730 and \$14,713 (three and nine months ended September 30, 2020 – loss of \$128,254 and \$185,399), respectively, has been realized due to settlement of loan advances.

**Bitcoin Well Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three and nine months ended September 30, 2021**  
**(Unaudited - Expressed in Canadian dollars, except where otherwise stated)**

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**12. INVENTORY**

As at	September 30, 2021	December 31, 2020
Bitcoin	\$ 169,012	\$ 4,845,197
Ethereum	25,455	40,552
Litecoin	-	7,031
Bitcoin Cash	-	30,683
In office sales inventory	18,292	3,065
<b>Total</b>	<b>\$ 212,759</b>	<b>\$ 4,926,528</b>

At period end, the Company revalues its cryptocurrency inventory balances at the lower of cost or net realizable value. Any reversal of amounts previously written down are recognized on the income statement in the period in which the reversal occurs. Reversals are limited to cost of the inventory, as previously stated. For the three and nine months ended September 30, 2021, the Company recognized a fair value gain of \$54,114 and \$62,921 (three and nine months ended September 30, 2020 - gain of \$37,423 and \$5,220), respectively.

The significant decline in inventory during the nine months ended September 30, 2021, was due to the reclassification of the Company's excess bitcoin holdings from inventory to digital assets, see Note 6.

**13. LINE OF CREDIT**

During the year ended December 31, 2020, the Company secured a line of credit with a trading and technology firm. The line of credit effectively allows the Company to purchase and fulfill orders prior to funding its exchange account. The line of credit is non-interest bearing. The agreement requires the Company to hold the balance of debt extended as a mix of cryptocurrency assets and cash on the lender's exchange platform. If the value of the assets held with the lender is less than the debt owed, the Company will be required to fund the exchange with additional cryptocurrency assets to bring the exchange asset balance back in line with the line of credit balance.

On June 21, 2021, the Company increased its line of credit with the trading and technology firm described above, to \$7,300,000. This increase allowed the Company to facilitate larger customer transactions.

**14. MANAGEMENT OF CAPITAL**

The Company defines the capital that it manages as its shareholders' equity, loans payable - cryptocurrency, and line of credit. This includes share capital, which was \$11,751,148 as at September 30, 2021 (December 31, 2020 - \$1,924,168).

**Bitcoin Well Inc.**

**Notes to the Condensed Consolidated Interim Financial Statements**

**For the three and nine months ended September 30, 2021**

**(Unaudited - Expressed in Canadian dollars, except where otherwise stated)**

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The Company's objectives when managing capital are:

- Maintaining adequate liquidity reserves and access to capital
- Ensuring sufficient liquidity to support its corporate and administrative functions as well as being able to execute on strategic initiatives.
- Minimizing the impact of the current market and economic conditions through active capital management

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of working capital deficits.

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

**15. RISK MANAGEMENT**

**15.1 Financial Risk Management**

The Company may be exposed to various financial risks, which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management strategy is to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

**a) Credit Risk**

Credit risk is the risk that a counterparty will be unable to pay any amounts owed to the Company. Assets that potentially subject the Company to a concentration of credit risk consist primarily of cash and digital assets. The Company limits its exposure to credit loss by placing its cash with high quality financial institutions. In addition, the Company holds only a small amount of bitcoin with a counterparty, as to avoid any counterparty risk. Instead, the Company has implemented rigorous levels of internal controls to ensure the safety and security of its digital assets, including but not limited to multi-signature wallets, the use of cold storage wallets, and signing authority limitations.

**b) Liquidity Risk**

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they come due. As at September 30, 2021 the Company had a working capital surplus of \$4,812 (December 31, 2020 – deficit of \$2,936,197). The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2021, the Company had cash of \$6,073,891 (December 31, 2020 –

**Bitcoin Well Inc.**

**Notes to the Condensed Consolidated Interim Financial Statements**

**For the three and nine months ended September 30, 2021**

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\$4,054,551) and accounts payable and accrued liabilities of \$1,252,845 (December 31, 2020 - \$968,230), indicating sufficient short-term liquidity to satisfy short-term obligations.

**c) Market Risk**

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is exposed to market risk on cryptocurrency held as digital assets, inventory, loans, and its line of credit. Cryptocurrency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation, and global political and economic conditions. A decline in the market prices for cryptocurrencies could negatively impact the Company's future operations. However, the Company holds loans denominated in bitcoin, which reduces the impact of changes in the market price of the bitcoin held as digital assets. The Company has not hedged the conversion of its inventory into sales. Cryptocurrencies have a limited history and the fair value historically has been volatile. Historical performance of cryptocurrencies is not indicative of their future price performance. The Company's inventory consists primarily of bitcoin.

**15.2 Fair Values**

The carrying values of accounts receivable, notes receivable, related party loans, convertible debentures, accounts payable and accrued liabilities, and obligation to issue shares approximate their fair values due to their short-term nature.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

**Level 1** – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

**Level 2** – Quoted prices in markets that are not active, or inputs that are not observable, either directly or indirectly, for substantially the full term of the asset or liability.

**Level 3** – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

**Bitcoin Well Inc.****Notes to the Condensed Consolidated Interim Financial Statements****For the three and nine months ended September 30, 2021****(Unaudited - Expressed in Canadian dollars, except where otherwise stated)**

The Company's financial instruments and digital assets have been classified as follows:

<b>December 31, 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Fair value through profit and loss</b>				
Cash	\$ 4,054,551	\$ -	\$ -	\$ 4,054,551
Loans payable - cryptocurrency	-	5,456,667	-	5,456,667
<b>September 30, 2021</b>				
<b>Fair value through profit and loss</b>				
Cash	\$ 6,073,891	\$ -	\$ -	\$ 6,073,891
Loans payable - cryptocurrency	-	8,460,849	-	8,460,849
Investments	-	-	190,000	190,000
<b>Fair value through other comprehensive income</b>				
Digital assets	\$ -	\$ 10,797,153	\$ -	\$ 10,797,153

**16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

The Company has entered into lease agreements for its offices, corporate vehicle, and signage. The minimum rent payable under the leases are as follows:

<b>Due within one year:</b>	<b>\$</b>	<b>125,058</b>
<b>Due within 2-5 years:</b>		<b>55,543</b>
<b>Total</b>	<b>\$</b>	<b>180,601</b>

As a result of entering into these leases, the Company has recorded a right-of-use asset and lease liability in accordance with IFRS 16, summarized below:

**Right-of-Use Assets**

Right-of-use assets consist of lease of offices, a company vehicle used for machine installations, and a pylon sign at the central office location. Depreciation of right-of-use assets is calculated using the straight-line method over the remaining lease term.

**Bitcoin Well Inc.****Notes to the Condensed Consolidated Interim Financial Statements****For the three and nine months ended September 30, 2021****(Unaudited - Expressed in Canadian dollars, except where otherwise stated)**

		<b>Right-of-Use Assets</b>
<b>Cost:</b>		
At December 31, 2019 and 2020		276,021
Additions		86,231
At September 30, 2021	\$	362,252
<b>Depreciation:</b>		
At December 31, 2019	\$	65,595
Charge for the period		68,992
At December 31, 2020		134,587
Charge for the period		67,350
At September 30, 2021	\$	201,937
<b>Net Book Value:</b>		
At December 31, 2020		141,434
<b>At September 30, 2021</b>		<b>160,315</b>
<b>Lease Liabilities</b>		
At December 31, 2019	\$	228,855
Lease payments made		(84,841)
Interest expense on lease liabilities		23,189
		167,203
Less: current portion		(94,828)
At December 31, 2020		72,375
Additions		86,231
Lease payments made		(88,037)
Interest expense on lease liabilities		15,204
		180,601
Less: current portion		(125,058)
<b>At September 30, 2021</b>	<b>\$</b>	<b>55,543</b>

**17. EQUITY****17.1 Authorized Share Capital**

The Company is authorized to issue the following:

Unlimited number of voting common shares, without nominal or par value.

Unlimited number of non-voting preferred shares, without nominal or par value.

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**17.2 Shares Issued**

As a result of the Transaction, all of the issued and outstanding shares of Old Bitcoin Well were exchanged for common shares of the Company on the basis of between 8.33 and 10.00 common shares for each issued and outstanding common and preferred share of Old Bitcoin Well. All share figures presented in these consolidated financial statements have been adjusted to reflect this share exchange as if it occurred effective December 31, 2019.

**Private Placement**

On June 8, 2021, the Company completed a brokered equity financing (the “Financing”) for gross proceeds of \$7,000,000 and issued 28,000,000 subscription receipts (“Units”) at a price of \$0.25 per Unit. Each Unit entitled the holder thereof to receive, without payment of any additional consideration or further action on the part of the holder, one common share of the Company and one half of one common share purchase warrant (“Warrant”). Each Warrant is exercisable at an exercise price of \$0.375 per Warrant for a period of 2 years from the date of issuance. The Units converted into common shares and Warrants of the Company upon the completion of the Transaction.

In connection with the financing, the agent received selling commissions and corporate finance fees consisting of \$290,000 in cash, 1,138,000 in Units and 1,960,000 agent options to acquire the equivalent of 1,960,000 Units at an exercise price of \$0.25 per Unit for a term of 2 years from the date of issue (the “Agent Options”).

The gross proceeds have been allocated between share capital and Warrants in the amounts of \$4,342,298 (net of share issue costs of \$754,121), and \$1,636,581 (net of issue costs of \$267,000). The net proceeds allocated to Warrants represents the fair value of the Warrants issued in connection with the Financing, calculated using the Black-Scholes option pricing model.

During the nine months ended September 30, 2021, the Company also issued the following common shares:

- i) 5,775,000 common shares, with a value of \$1,443,750, were issued as part of the Qualifying Transaction described in Note 3;
- ii) 6,000,000 common shares, with a value of \$1,494,369, were issued as part of the consideration in the acquisition of AlphaVend described in Note 4;
- iii) 2,758,621 common shares, with a value of \$800,000, were issued as part of the consideration in the acquisition of Ghostlab described in Note 4;
- iv) 397,059 common shares, with a value of \$135,000, were issued as part of the consideration in the acquisition of Equibytes described in Note 4;
- v) 6,250,000 common shares were issued upon the conversion of a shareholder loan in the amount of \$750,000;
- vi) 2,000,000 common shares were issued upon the extinguishment of a cryptocurrency loan with a third party in the amount of \$500,000;

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- vii) 1,583,330 common shares were issued upon the conversion of a convertible debenture in the amount of \$190,000;
- viii) 208,610 common shares were issued for services received from a third party vendor in the amount of \$22,321;
- ix) 124,136 common shares were issued to an employee for services received in the amount of \$36,000;
- x) 1,860,000 common shares, with a value of \$76,394, were issued for services provided pursuant to a vendor hosting agreement; and
- xi) 186,920 common shares were issued upon the exercise of stock options.

**17.3 Incentive Plan**

In July 2020, the Company rolled out an additional component of its long-term incentive plan (“LTIP”) which included the authorization and subsequent issuance of stock options to officers, directors, and employees. These stock options will allow for the acquisition of common shares of the Company. As a result of the Transaction, all of the issued and outstanding stock options were split on a basis of 10:1. Stock options issued are summarized below:

	<b>Number of options</b>	<b>Weighted average exercise price</b>
Balance, January 1, 2020	-	\$
Granted	3,303,760	0.11
Options outstanding and exercisable, December 31, 2020	3,303,760	\$ 0.11
Granted	3,206,084	0.26
Exercised	(186,920)	0.11
<b>Options outstanding, September 30, 2021</b>	<b>6,322,924</b>	<b>\$ 0.19</b>
<b>Options exercisable, September 30, 2021</b>	<b>5,511,404</b>	<b>\$ 0.18</b>

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The Company had the following stock options outstanding and exercisable, at September 30, 2021:

<b>Outstanding</b>				<b>Exercisable</b>	
<b>Exercise Price</b>	<b>Number of options outstanding</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining life (months)</b>	<b>Weighted average exercise price</b>	<b>Number of options exercisable</b>
\$ 0.11	747,660	\$ 0.11	3	\$ 0.11	747,660
0.11	1,869,170	0.11	50	0.11	1,869,170
0.12	500,010	0.12	50	0.12	500,010
0.20	150,000	0.20	56	0.20	-
0.30	200,000	0.30	56	0.30	-
0.10	275,000	0.10	11	0.10	275,000
0.25	1,000,002	0.25	48	0.25	1,000,002
0.25	692,280	0.25	58	0.25	230,760
0.34	588,237	0.34	47	0.34	588,237
\$ 0.31	300,565	0.31	60	0.31	300,565
	<b>6,322,924</b>	<b>\$ 0.19</b>	<b>44</b>	<b>\$ 0.18</b>	<b>5,511,404</b>

During the three and nine months ended September 30, 2021, the Company recorded a total of \$289,972 and \$572,432 (three and nine months September 30, 2020 - \$303,095), respectively, as share based payments related to stock options.

The compensation expense was based on the fair value of each stock option on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

<b>Year-to-date period ending</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Expected life (years)	5	5
Expected volatility	120%	126%
Dividend rate	-	-
Risk-free interest rate	0.37%	0.31%
<b>Weighted average fair value per option granted</b>	<b>\$ 0.15</b>	<b>\$ 0.08</b>

**17.4 Agent's Options**

In connection with the Financing, the agent was granted Agent Options to acquire 1,960,000 Units of the Company. The Agent Options expire on June 11, 2023, and were valued at \$424,557 using the Black-Scholes option pricing model with the following assumptions:

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Risk-free interest rate: 0.32%

Dividend yield: nil

Volatility factor: 120%

Expected life: 2 years

At September 30, 2021, all of the Agent Options remained outstanding.

**17.5 Warrants**

In connection with the Financing, the company issued 14,569,000 Warrants. Each Warrant is exercisable at an exercise price of \$0.375 per Warrant and expires on June 11, 2023. The Warrants were valued at \$1,903,581 using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate: 0.32%

Dividend yield: nil

Volatility factor: 120%

Expected life: 2 years

At September 30, 2021, all of the Warrants remained outstanding.

**18. REVENUE**

The Company generates revenue through the sale of its inventory (cryptocurrency). These sales are transacted to customers, as well as to arms-length cryptocurrency exchanges. The below table summarizes both sources of revenue reported in the period.

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Customers	\$ 9,761,710	\$ 11,555,443	\$ 65,427,311	\$ 24,211,169
Cryptocurrency exchanges	6,180,887	3,059,750	19,773,976	4,893,356
<b>Total sales</b>	<b>\$ 15,942,597</b>	<b>\$ 14,615,193</b>	<b>\$ 85,201,287</b>	<b>\$ 29,104,525</b>

The Company recognizes revenue when customers purchase cryptocurrency and it is transferred to the customer's account. The Company's performance obligation is the confirmed transfer of the purchased cryptocurrency to the customer's wallet. The Company purchases bitcoin (and other cryptocurrencies) from cryptocurrency exchanges and applies a margin before selling it to customers. The amounts sold to and purchased from the Company's customers are recorded as revenue on a gross basis, and the inventory sold is the cost of coin, as the Company is the principal in the cryptocurrency sale transaction. The Company has been determined to be the principal because it controls the cryptocurrency before delivery to the customer, the Company is primarily responsible for the delivery of the cryptocurrency to the customer, the Company is exposed to

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risks arising from fluctuations in the market prices of cryptocurrencies before delivery to the customer,

and the Company has discretion in setting prices charged to the customer. Sales to cryptocurrency exchanges represents coins sold to exchanges as a function of managing the Company's coin inventory balance.

Cryptocurrency revenue may fluctuate as a result of changes in customer demand or the market price of the cryptocurrencies.

Revenue for the nine months ended September 30, 2021, included \$22,012,641 of revenue from one customer.

**19. GENERAL AND ADMINISTRATION**

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Finance fees	\$ 285,742	\$ 182,370	\$ 624,335	\$ 315,118
Service costs	243,024	531,926	860,319	801,889
Office expenses	204,929	106,964	508,897	214,524
Travel and meals	18,833	12,836	79,928	30,122
Automobile	7,960	8,533	20,562	21,208
Other	6,514	15,391	40,092	17,537
<b>Total</b>	<b>\$ 767,002</b>	<b>\$ 858,020</b>	<b>\$ 2,134,133</b>	<b>\$ 1,400,398</b>

**20. COMMITMENTS & CONTINGENCIES**

The Company's commitments are enforceable and legally binding obligations to make payments in the future for goods and services. These items exclude amounts recorded on the Statement of Financial Position. The Company had the following lease commitments as at September 30, 2021:

	Leases
<b>2021</b>	\$ 31,850
<b>2022</b>	459,848
<b>2023</b>	487,968
<b>2024</b>	445,811
<b>2025</b>	521,121
<b>Thereafter</b>	2,842,480
<b>Total</b>	<b>\$ 4,789,078</b>

**Bitcoin Well Inc.**

**Notes to the Condensed Consolidated Interim Financial Statements**

**For the three and nine months ended September 30, 2021**

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**21. COMPARATIVE FIGURES**

Certain of the comparative figures were reclassified from statements previously presented to conform to the current period's presentation.