

Bitcoin Well Inc.

Unaudited Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2022 and 2021

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

As at	Note	September 30, 2022	December 31, 2021
Assets			
Current assets			
Cash		\$ 4,778,193	\$ 4,799,849
Accounts receivable		58,877	364,090
Current income tax receivable		1,159,241	20,692
Digital assets	5	6,828,071	8,596,949
Inventory	10	214,965	375,857
Due from related parties	8	10,458	99,770
Deposits and prepaid expenses		85,221	555,361
		13,135,026	14,812,568
Non-current assets			
Property and equipment	6	1,517,986	2,228,737
Right of use assets	15	58,397	134,835
Intangible assets	7	1,281,614	4,633,565
Goodwill		105,427	408,769
Deferred income tax receivable		688,073	413,087
Investments	4	935,066	929,000
Total assets		\$ 17,721,589	\$ 23,560,561
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 859,040	\$ 1,244,680
Lease liability	15	69,202	125,058
Contingent consideration - current	3	147,696	203,712
Line of credit	12	7,300,000	7,300,000
Loans payable - cryptocurrency	9	6,732,245	8,351,268
		15,108,183	17,224,718
Non-current liabilities			
Contingent consideration - long term	3	186,394	217,433
Lease liability - long term	15	-	28,771
Convertible debt	11	5,000,000	-
Loans payable		100,000	100,000
Total liabilities		20,394,577	17,570,922
Shareholders' equity			
Share capital	16	12,095,172	11,935,399
Contributed surplus	16	1,374,126	1,804,137
Warrants	16	1,636,581	1,636,581
Accumulated deficit		(20,841,820)	(16,702,268)
Accumulated other comprehensive income		3,062,953	7,315,790
Total shareholders' equity (deficit)		(2,672,988)	5,989,639
Total liabilities and shareholders' equity		\$ 17,721,589	\$ 23,560,561

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

Bitcoin Well Inc.

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss) (Unaudited - Expressed in Canadian dollars)

	Three months ended		Nine months ended		
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021	
Revenue					
Sales revenue	17	\$ 14,354,002	\$ 15,942,597	\$ 48,469,160	\$ 85,201,287
Cost of coins		(13,176,222)	(15,198,086)	(45,260,831)	(80,996,788)
Gross profit		1,177,780	744,511	3,208,329	4,204,499
Expenses					
Salaries and wages		650,301	1,451,020	3,108,810	2,762,097
General and administration	18	894,310	767,002	3,058,313	2,134,133
Depreciation and accretion	6,7,15	403,269	262,009	1,798,267	804,414
Professional fees		153,994	445,765	457,658	1,306,064
Marketing and advertising		126,479	228,487	615,870	531,369
Consulting fees		483	107,315	48,665	219,574
Rent and lease payments		21,074	20,233	136,183	49,026
Software		52,839	30,581	141,022	89,556
		(2,302,749)	(3,312,412)	(9,364,788)	(7,896,233)
Loss before other items		(1,124,969)	(2,567,901)	(6,156,459)	(3,691,734)
Other items					
Fair value change - cryptocurrency inventory	10	(434)	54,114	(46,597)	62,921
Fair value change - cryptocurrency loans	9	(222,795)	(1,899,934)	4,738,510	(3,845,856)
Listing expense		-	-	-	(1,476,742)
Foreign exchange		(582)	6,764	(1,750)	9,245
Share based compensation	16	(92,843)	(289,972)	(203,686)	(572,432)
Gain on debt settlement	9	36,534	8,730	123,298	14,713
Restructuring	19	120,000	-	(3,188,022)	-
Loss before income taxes		(1,285,089)	(4,688,199)	(4,734,706)	(9,499,885)
Income tax expense (recovery)					
Current		(275,516)	(154,732)	(1,149,796)	(154,732)
Deferred		(26,078)	(636,243)	554,642	(1,114,533)
Net loss		(983,495)	(3,897,224)	(4,139,552)	(8,230,620)
Other comprehensive income					
Revaluation gain (loss) on digital assets, net of tax	5	207,899	2,150,636	(4,271,778)	5,127,030
Unrealized exchange gain (loss) on foreign subsidiaries		3,078	(6,086)	18,941	(4,773)
Total comprehensive loss		\$ (772,518)	\$ (1,752,674)	\$ (8,392,389)	\$ (3,108,363)
Net loss per common share					
Basic		\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.06)
Diluted		\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.06)
Weighted average number of common shares outstanding:					
Basic		174,382,887	165,948,916	174,143,706	138,014,541
Diluted		174,382,887	165,948,916	174,143,706	138,014,541

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

Bitcoin Well Inc.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - Expressed in Canadian dollars)

Nine months ended September 30	2022	2021
Cash provided by (used in):		
Operating activities		
Net loss	\$ (4,139,552)	\$ (8,230,620)
Adjustments for:		
Depreciation and accretion	1,798,267	804,414
Loss (gain) on revaluation of cryptocurrency loans	(4,738,510)	3,845,856
Loss (gain) on revaluation of cryptocurrency inventory	46,597	(62,921)
Deferred income tax	(11,655)	(1,114,533)
Restructuring	2,571,868	-
Listing expense	-	1,476,742
Share based compensation	203,686	572,432
Gain on debt settlement	(123,298)	(14,713)
	(4,392,597)	(2,723,343)
Changes in non-cash working capital items:		
Accounts receivable	305,213	181,307
Deposits and prepaid expenses	470,140	(714,879)
Inventory	207,489	4,800,681
Digital assets	(2,502,900)	(5,003,899)
Current income tax receivable	(1,149,796)	(451,590)
Accounts payable and accrued liabilities	(385,640)	226,017
Cash used in operating activities	(7,448,091)	(3,685,706)
Investing activities		
Purchase of property and equipment	(146,539)	(1,124,155)
Purchase of intangible assets	(425,413)	(429,043)
Business combinations, net of cash acquired	-	435,849
Purchase of investments	(6,066)	(190,000)
Cash used in investing activities	(578,018)	(1,307,349)
Financing activities		
Proceeds (repayment) of cryptocurrency loans	3,145,302	(326,961)
Payments of contingent consideration	(87,055)	(72,184)
Proceeds received from convertible debt	5,000,000	-
Proceeds received from loans	-	20,000
Repayment of lease liability	(93,794)	(88,037)
Proceeds received from exercise of stock options	40,000	20,000
Payments to related parties	-	(1,243,859)
Proceeds received from line of credit	-	2,300,000
Proceeds received from issuance of shares, net of costs	-	6,403,436
Cash provided by financing activities	8,004,453	7,012,395
Change in cash	(21,656)	2,019,340
Cash, beginning of period	4,799,849	4,054,551
Cash, end of period	\$ 4,778,193	\$ 6,073,891

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 Other Comprehensive Income	Total
	Note	Number of Common Shares	Amount	Contributed Surplus	Warrants	Accumulated Deficit		
Balance at December 31, 2020		116,314,560	\$ 1,924,168	\$ 303,095	\$ -	\$ (3,099,461)	\$ -	(872,198)
Shares issued - qualifying transaction		5,775,000	1,443,750	47,324	-	-	-	1,491,074
Shares issued - private placement		29,138,000	4,342,298	424,557	1,636,581	-	-	6,403,436
Shares issued - business acquisition (AlphaVend)		6,000,000	1,494,369	-	-	-	-	1,494,369
Shares issued - business acquisition (Ghostlab)		2,758,621	800,000	600,000	-	-	-	1,400,000
Shares issued - business acquisition (Equibytes)		397,059	135,000	-	-	-	-	135,000
Shares issued - debt conversions		5,443,330	766,394	-	-	-	-	766,394
Shares issued - services received		208,610	22,321	-	-	-	-	22,321
Shares issued - shareholder loan conversion		6,250,000	750,000	-	-	-	-	750,000
Shares issued - employment services received		124,136	36,000	-	-	-	-	36,000
Share based compensation		-	-	530,259	-	-	-	530,259
Stock options exercised		1,121,497	221,099	(101,098)	-	-	-	120,001
Net loss for the period		-	-	-	-	(13,602,807)	-	(13,602,807)
Revaluation gain on digital assets, net of tax		-	-	-	-	-	7,222,335	7,222,335
Unrealized exchange loss on foreign subsidiaries		-	-	-	-	-	93,455	93,455
Balance at December 31, 2021		173,530,813	\$ 11,935,399	\$ 1,804,137	\$ 1,636,581	\$ (16,702,268)	\$ 7,315,790	\$ 5,989,639
Shares issued - employment services received		478,244	86,076	-	-	-	-	86,076
Contingent share consideration restructuring	19	-	-	(600,000)	-	-	-	(600,000)
Share based compensation	16	-	-	203,686	-	-	-	203,686
Stock options exercised	16	373,830	73,697	(33,697)	-	-	-	40,000
Net loss for the period		-	-	-	-	(4,139,552)	-	(4,139,552)
Revaluation loss on digital assets, net of tax		-	-	-	-	-	(4,271,778)	(4,271,778)
Unrealized exchange gain on foreign subsidiaries		-	-	-	-	-	18,941	18,941
Balance at September 30, 2022		174,382,887	\$ 12,095,172	\$ 1,374,126	\$ 1,636,581	\$ (20,841,820)	\$ 3,062,953	\$ (2,672,988)

Bitcoin Well Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022

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

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. 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 Company’s audited consolidated financial statements for the year ended December 31, 2021. These condensed interim consolidated financial statements should be read in conjunction with Company’s annual financial statements for the year ended December 31, 2021.

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.

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

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and effective as of September 30, 2022.

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. ACQUISITIONS

Contingent consideration

The Company's contingent consideration payable that arose from its business acquisitions consisted of the following components as at September 30, 2022:

	AlphaVend	CryptoKiosk	Equibytes	Total
Balance at December 31, 2020	\$ -	\$ -	\$ -	\$ -
Initial contingent consideration	3,210,165	369,575	135,000	3,714,740
Payments made	(42,739)	(66,563)	(16,867)	(126,169)
Expired contingent consideration	(3,167,426)	-	-	(3,167,426)
Balance at December 31, 2021	\$ -	\$ 303,012	\$ 118,133	\$ 421,145
Payments made	-	(76,713)	(10,342)	(87,055)
Balance at September 30, 2022	\$ -	\$ 226,299	\$ 107,791	\$ 334,090
Current liability	-	131,388	16,308	147,696
Non-current liability	-	94,911	91,483	186,394
Total contingent consideration payable	\$ -	\$ 226,299	\$ 107,791	\$ 334,090

4. INVESTMENTS

The Company is invested in multiple private entities that are accounted for at fair value through profit or loss. The Company's total investment in these private entities is \$1,000,000, of which the Company had no significant influence in the investees. As at September 30, 2022, the carrying value of these investments was \$935,066 (September 30, 2021 - \$190,000), with the decrease reflecting a payment received from one of the investments, in the three months ending September 30, 2022.

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

5. DIGITAL ASSETS

During the quarter ended June 30, 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. The Company holds bitcoin as an investment for the foreseeable future, and also holds bitcoin with its trading and technology firm in order to maintain the required minimum asset balance extended under the Line of Credit (Note 12). As at September 30, 2022, the Company held 245 bitcoins with the trading and technology firm (December 31, 2021 - 120 bitcoins), and 13 bitcoins in a combination of Company controlled hot and cold wallets (December 30, 2021 - 31 bitcoins). As at September 30, 2022, 254 of these bitcoins were classified as Digital Assets (December 31, 2021 - 146), with the balance classified as inventory (Note 10).

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, 2022, the fair value of bitcoin was \$26,875 which reflected a decrease from its fair value of \$59,019 at December 31, 2021. The Company recognized revaluation gains and losses, net of tax, of \$207,899 gain and \$4,271,778 loss for the three and nine months ended September 30, 2022, respectively (\$2,150,636 gain and \$5,127,030 gain for the three and nine months ended September 30, 2021).

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Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022

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

6. PROPERTY AND EQUIPMENT

	ATM	Computer Equipment	Furniture & Equipment	Leasehold Improvements	Total
Costs					
Balance at December 31, 2020	\$ 1,212,524	\$ 59,612	\$ 36,182	339,843	1,648,161
Additions	1,076,915	-	99,933	419,730	1,596,578
Business acquisitions	198,144	2,556	-	-	200,700
Disposals	(167,028)	-	-	-	(167,028)
Balance at December 31, 2021	\$ 2,320,555	\$ 62,168	\$ 136,115	759,573	3,278,411
Additions	112,581	-	12,705	22,005	147,291
Disposals	(173,656)	(2,556)	(8,400)	-	(184,612)
Impairment	-	-	-	(420,803)	(420,803)
Balance at September 30, 2022	\$ 2,259,480	\$ 59,612	\$ 140,420	360,775	2,820,287
Accumulated Amortization					
Balance at December 31, 2020	\$ 278,101	\$ 54,445	\$ 15,762	178,047	526,355
Amortization	418,991	6,236	20,341	81,970	527,538
Disposals	(4,219)	-	-	-	(4,219)
Balance at December 31, 2021	\$ 692,873	\$ 60,681	\$ 36,103	260,017	1,049,674
Amortization	331,446	109	14,349	61,282	407,186
Disposals	(152,465)	(1,178)	(916)	-	(154,559)
Balance at September 30, 2022	\$ 871,854	\$ 59,612	\$ 49,536	321,299	1,302,301
Net Book Value					
Balance at December 31, 2021	\$ 1,627,682	\$ 1,487	\$ 100,012	499,556	2,228,737
Balance at September 30, 2022	\$ 1,387,626	\$ -	\$ 90,884	39,476	1,517,986

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

7. INTANGIBLE ASSETS

	Host Agreements (i)		Software Applications		Internally generated Software (ii)		Total	
Costs								
Balance at December 31, 2020	\$	768,032	\$	253,935	\$	-		1,021,967
Additions		-		20,651		1,016,329		1,036,980
Business acquisitions		1,543,007		-		3,054,729		4,597,736
Disposals		(968,145)		-		-		(968,145)
Balance at December 31, 2021	\$	1,342,894	\$	274,586	\$	4,071,058		5,688,538
Additions		-		25,366		400,047		425,413
Disposals		-		-		-		-
Balance at September 30, 2022	\$	1,342,894	\$	299,952	\$	4,471,105		6,113,951
Accumulated Amortization								
Balance at December 31, 2020	\$	214,001	\$	-	\$	-		214,001
Amortization		444,557		36,951		359,464		840,972
Disposals		-		-		-		-
Balance at December 31, 2021		658,558		36,951		359,464		1,054,973
Amortization		314,421		68,973		964,196		1,347,590
Disposals		-		(18,201)		(123,893)		(142,094)
Impairment (Note 19)		-		93,292		2,478,576		2,571,868
Balance at September 30, 2022	\$	972,979	\$	181,015	\$	3,678,343		4,832,337
Net Book Value								
Balance at December 31, 2021		684,336		237,635		3,711,594		4,633,565
Balance at September 30, 2022	\$	369,915	\$	118,937	\$	792,762		1,281,614

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

- i) Host agreements include contracts purchased in order for the Company to operate ATM machines at specific locations.
- ii) Internally generated software includes the fair value of the software technology acquired in the acquisition of Ghostlab Inc. 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 intangible assets, and were capitalized up until the Company's restructuring that took place (see Note 19).

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Notes to the Condensed Consolidated Interim Financial Statements

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

8. 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, 2022 and 2021, the Company had the following related party transactions with key management:

For the nine months ended September 30	2022		2021	
Salary, fees, and other short term benefits	\$	587,425	\$	804,061
Share based payments (Note 15)		103,440		524,549
Termination benefits		-		380,000
Total	\$	690,865	\$	1,708,610

Due from Related Parties - Other

At September 30, 2022 a related company owned by the Chief Executive Officer of the Company, owed the Company \$10,458 (September 30, 2021 - \$139,085). Repayment of this entire obligation to the Company is expected in 2022. In addition, see Note 9 below for details on the Chief Executive Officer's cryptocurrency loan to the Company

9. 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 their bitcoin to the Company. These Use of Coin Agreements were entered into to help meet new customer demand for bitcoin, allowing the company to secure its Line of Credit (Note 12) to help facilitate this demand. As per the terms of the agreements, the loans are repayable in bitcoin, cancellable with 45 days notice, mature between 2023 and 2024, and extendible at the option of the Company.

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, 2022, was \$206,000 and \$515,468, respectively (three and nine months ended September 30, 2021 - \$38,174 and \$76,272) of which \$54,000 and \$162,000, respectively (three and nine months ended September 30, 2021 - \$14,190 and \$47,816) was paid to the Chief Executive Officer.

As at September 30, 2022, the total fair value of the bitcoin loaned to the Company was \$6,732,245 (December 31, 2021 - \$8,351,268), of which \$1,343,762 represents the amount owed to the Chief Executive Officer of the Company. The amount owed to the Chief Executive Officer

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represents a reduction from the balance as at December 31, 2021, due to a decrease in the price of bitcoin during the nine months ended September 30, 2022.

At period end, the Company revalues the outstanding loans based on current market price of bitcoin, using CoinMarketCap. For the three months ended September 30, 2022, the Company recognized an unrealized fair value loss of \$222,795 (September 30, 2021 - loss of \$1,899,934), as a result of the increase in the price of bitcoin. For the nine months ended September 30, 2022, the Company recognized a gain of \$4,738,510 (September 30, 2021 - loss of \$3,845,856). Whenever any borrowed bitcoins are used in operations, an equal amount of bitcoin is purchased and held on the Line of Credit (Note 12), which effectively allows the Company to eliminate any price exposure to those borrowed coins once they have been used. Therefore, the \$4,738,510 in unrealized gain was offset by a portion of the \$4,271,778 unrealized loss, net of tax, recorded in Other Comprehensive Income, with the balance of the unrealized loss being attributable to the portion of bitcoins held on which the company chooses to have price exposure to and due to the unrealized loss being net of tax.

The Company recognizes realized gains and losses arising from the settlement of loans advanced from the Use of Coin Agreements. Accordingly, for the three and nine months ended September 30, 2022, a gain of \$36,534 and \$123,298, respectively (September 30, 2021 – gain of \$8,730 and \$14,713) has been realized due to settlement of these loans. Gains or losses arising from settlement of the above loans are offset by gains or losses realized on the digital assets used to extinguish these loans.

10. INVENTORY

As at	September 30, 2022		December 31, 2021	
	\$ Value	Number of coins	\$ Value	Number of coins
Bitcoin	\$ 167,695	4	\$ 314,365	5
Ethereum	29,824	17	48,711	10
Litecoin	11,434	157	-	-
Retail sales inventory	6,012	-	12,781	-
Total	\$ 214,965		\$ 375,857	

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. Write-downs are limited to the cost of the inventory, as previously stated. For the three and nine months ended September 30, 2022, the Company recognized a fair value loss of \$434 and \$46,597, respectively (September 30, 2021 – gain of \$54,114 and \$62,921).

11. CONVERTIBLE DEBT

On February 23, 2022, the Company entered into an agreement to issue up to \$5.0 million in secured convertible debentures (the “Convertible Debenture”), convertible into common shares of

Bitcoin Well Inc.

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the Company at a conversion price of \$0.30. The Convertible Debenture may be issued in up to three tranches, the first of which was issued to Beyond The Rhode Corp. (“BTR”), a related party to the Company, on February 23, 2022 in the principal amount of \$1.5 million, the second of which was issued on March 17, 2022 in the amount of \$2.0 million, and the third of which was issued on July 4, 2022 in the amount of \$1.5 million. The Convertible Debenture bears interest at a rate of 10% per annum and matures on February 23, 2025, subject to two automatic one year extensions (the “Maturity Date”).

The Convertible Debenture provides for the payment of a monthly royalty to the holder equal to: (A) 20% of the gross profit, defined as the revenue generated less the cost of the coins generated from the new products built for the online ecosystem of the Company and affiliates from February 23, 2022, until August 23, 2023; and (B) between 12-20% of gross profit from August 23, 2023 until the latter of three months after the most recent conversion date or the Maturity Date. No royalty payment shall be made if the aggregate amount of all interest payments, future interest payments and royalty payments would exceed 24%.

The Convertible Debenture is being used to fund the enhancement of the existing Bitcoin Well online product, and for user acquisition and general working capital.

12. LINE OF CREDIT

During 2020, the Company secured a line of credit with a trading and technology firm. The line of credit effectively allows the Company to purchase digital assets with delayed settlement. This allows the Company to gain exposure to the price movement of the purchased digital assets, while awaiting any funds from sales to be credited to the exchange account in order to settle the trade. The line of credit is non-interest bearing if the balance of digital assets remains above the line. 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 in order to bring the exchange asset balance back in line with the originally extended line of credit balance, within three business days or interest accrued at 20% per annum.

13. MANAGEMENT OF CAPITAL

The Company defines the capital that it manages as its shareholders’ equity, loans payable - cryptocurrency, and its line of credit. This includes share capital, which was \$12,095,172 as at September 30, 2022 (December 31, 2021 - \$11,935,399).

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

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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.

14. RISK MANAGEMENT

14.1 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. 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, 2022 the Company had a working capital deficit of \$1,973,157 (December 31, 2021 – deficit of \$2,412,150). 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, 2022 the Company had cash of \$4,778,193 (December 31, 2021 – \$4,799,849) and accounts payable and accrued liabilities of \$774,000 (December 31, 2021 - \$1,244,680), indicating sufficient short-term liquidity to satisfy short-term obligations.

c) Foreign Currency Risk

The Company's functional currency and the reporting currency is the Canadian dollar. Periodically the Company incurs charges for settlement in currencies other than its functional currency and any gain or loss arising on such transaction is recorded in operations for the period. The Company is not currently exposed to significant foreign exchange risk.

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d) Digital Asset and Market Risk

Digital asset and 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.

14.2 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. Investments are measured at fair value through profit and loss, using level 3 valuation techniques.

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).

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

December 31, 2021	Level 1	Level 2	Level 3	Total
Fair value through profit and loss				
Cash	\$ 4,799,849	\$ -	\$ -	\$ 4,799,849
September 30, 2022	Level 1	Level 2	Level 3	Total
Fair value through profit and loss				
Cash	\$ 4,778,193	\$ -	\$ -	\$ 4,778,193
Investments	-	-	935,066	935,066
Total	\$ 4,778,193	\$ -	\$ 935,066	\$ 5,713,259

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15. 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:

Due within one year:	\$	69,202
Due within 2-5 years:		-
Total	\$	69,202

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 leases 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.

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	Right-of-Use Assets
Cost:	
At December 31, 2021	416,499
Additions	-
At September 30, 2022	\$ 416,499
Depreciation:	
At December 31, 2021	281,664
Charge for the period	76,438
At September 30, 2022	\$ 358,102
Net Book Value:	
At December 31, 2020	134,835
At September 30, 2022	58,397
	Lease Liabilities
At December 31, 2021	153,829
Additions	-
Lease payments made	(93,794)
Interest expense on lease liabilities	9,167
	69,202
Less: current portion	(69,202)
At September 30, 2022	\$ -

16. EQUITY

16.1 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.

16.2 Shares issued

As a result of the Transaction in 2021, 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.

During the nine months ended September 30, 2022, the Company issued the following common shares:

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- i) 478,244 common shares were issued to an employee for services received in the amount of \$86,076;
- ii) 373,830 common shares were issued upon the exercise of stock options.

16.3 Incentive Plan

Long-term Incentive Plan ("LTIP")

The Company periodically grants stock options to purchase common shares of the Company to certain officers, directors, and employees. Options vest within two to three years of the grant date, and expire after a term of 5 years.

Stock options issued are summarized below:

	Number of options	Weighted average exercise price
Balance, December 31, 2020	3,303,760	
Granted	3,206,084	\$ 0.26
Exercised	(1,121,497)	0.11
Forfeited	(346,140)	0.25
Options outstanding, December 31, 2021	5,042,207	\$ 0.21
Granted	10,293,018	0.11
Exercised	(373,830)	0.11
Forfeited	(4,830,697)	0.20
Options outstanding, September 30, 2022	10,130,698	\$ 0.12
Options exercisable, September 30, 2022	1,576,803	\$ 0.20

The Company had the following stock options outstanding and exercisable, at September 30, 2022:

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Outstanding				Exercisable	
Exercise Price	Number of options outstanding	Weighted average exercise price	Weighted average remaining life (months)	Weighted average exercise price	Number of options exercisable
\$ 0.11	841,133	\$ 0.11	34	\$ 0.11	841,133
0.20	150,000	0.20	40	0.20	150,000
0.30	200,000	0.30	40	0.30	200,000
0.34	294,117	0.34	34	0.34	294,117
0.31	91,553	0.31	48	0.31	91,553
0.18	2,674,386	0.18	51	0.18	-
0.07	4,355,757	0.07	58	0.07	-
\$ 0.05	1,523,752	0.05	60	0.05	-
	10,130,698	\$ 0.12	53	\$ 0.20	1,576,803

During the three and nine months ended September 30, 2022, the Company recorded \$92,843 and \$203,686, respectively (September 30, 2021 - \$289,972 and \$572,432) 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:

As at	September 30, 2022	December 31, 2021
Expected life (years)	5	5
Expected volatility	120%	120%
Dividend rate	-	-
Risk-free interest rate	2.19%	0.37%
Weighted average fair value per option granted	\$ 0.09	\$ 0.16

16.4 Agent's Options

In connection with the Financing, the agent was granted Agent Options to acquire 1,960,000 Units of the Company, at an exercise price of \$0.25 per Agent Option. 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:

Risk-free interest rate: 0.32%

Dividend yield: nil

Volatility factor: 120%

Expected life: 2 years

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At September 30, 2022, all of the Agent Options remained outstanding.

16.5 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 \$1,636,581 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, 2022, all of the Warrants remained outstanding.

17. REVENUE

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

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Customers	\$ 13,388,744	\$ 9,761,710	\$ 45,326,909	\$ 65,427,311
Cryptocurrency exchanges	965,258	6,180,887	3,142,251	19,773,976
Total sales	\$ 14,354,002	\$ 15,942,597	\$ 48,469,160	\$ 85,201,287

The Company recognizes revenue when customers purchase cryptocurrency and it is transferred to the customer's wallet. 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 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.

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

18. GENERAL AND ADMINISTRATION

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Finance fees	\$ 355,777	\$ 285,742	\$ 1,264,041	\$ 624,335
Service costs	396,911	243,024	1,075,348	860,319
Office expenses	125,869	204,929	570,507	508,897
Travel and meals	2,441	18,833	47,987	79,928
Automobile	3,905	7,960	13,777	20,562
Other	9,407	6,514	86,653	40,092
Total	\$ 894,310	\$ 767,002	\$ 3,058,313	\$ 2,134,133

19. RESTRUCTURING & OTHER COSTS

During the three months ended June 30, 2022, the Company has streamlined operations, and implemented cost cutting decisions, including a reduction in the number of employees. As a result of these strategic decisions, in the second quarter of 2022, the Company recorded restructuring and other costs of \$3.3 million, after tax, that were not in the normal course of business. These costs mainly relate to staff reductions and associated severance costs, costs related to decisions to cancel certain leases in Edmonton, Alberta, as well as costs associated with a pause in the ghostATM product development. As a result of pausing the ghostATM product development, the Company recognized a non-cash impairment charge related to the decrease in value of the Ghostlab investment in the amount of \$2.6 million. The Company will continue to use the ghostATM software on its fleet of over 250 ATMs, resulting in significant continued cost savings when compared to the cost of using a competitor's ATM software.

In the three months ending September 30, 2022, the Company realized a gain of \$120,000 as a result of the difference between the estimated restructuring costs recorded in the three months ended June 30, 2022, and the costs expected to be incurred to settle any outstanding liabilities related to this matter.

20. SUBSEQUENT EVENTS

On October 6, 2022, the Company received an additional \$900,000 in cryptocurrency loans. This loan was received from a related party of the Company, and bears interest and terms consistent with the Use of Coin Agreements described in Note 9.