



**BITCOIN WELL**

TSX.V:**BTCW** OTCQB:**BCNWF**

Unaudited Condensed Consolidated Interim Financial Statements

For the Three and Six Months ended June 30, 2024 and 2023

As at	Note	June 30, 2024	December 31, 2023
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 1,660,292	\$ 1,668,922
Accounts receivable	11	597,515	570,689
Digital assets	3	13,929,897	10,224,666
Inventory	6	928,862	593,846
Deposits and prepaid expenses		361,963	600,984
		<b>17,478,529</b>	13,659,107
<b>Non-current assets</b>			
Property and equipment		553,599	731,195
Right of use assets		54,141	58,404
Intangible assets		114,808	339,698
Goodwill		105,427	105,427
Investments		-	12,365
		<b>18,306,504</b>	14,906,196
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 849,191	\$ 752,696
Lease liability		30,075	57,208
Acquisition consideration payable		175,380	186,027
Line of credit	8	6,240,172	5,914,146
Loans payable – cryptocurrency	5	6,426,327	-
Loans payable		-	100,000
		<b>13,721,145</b>	7,010,077
<b>Non-current liabilities</b>			
Lease liability – long term		25,689	5,163
Convertible debt	7	6,121,316	6,121,316
Loans payable – cryptocurrency	5	8,482,752	10,920,226
Loans payable – long term		40,000	-
		<b>28,390,902</b>	24,056,782
<b>Shareholders' deficit</b>			
Share capital	12	14,971,329	13,246,686
Contributed surplus	12	3,727,460	3,332,772
Warrants	12	827,399	620,948
Accumulated deficit		(41,717,832)	(34,718,093)
Accumulated other comprehensive income		12,107,246	8,367,101
		<b>(10,084,398)</b>	(9,150,586)
		<b>18,306,504</b>	14,906,196
<b>Total liabilities and shareholders' equity</b>		<b>\$ 18,306,504</b>	<b>\$ 14,906,196</b>

The accompanying notes are an integral part of these consolidated financial statement

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Loss  
(Expressed in Canadian dollars, except for number of and earnings per share)

	Three months ended		Six months ended		
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	
<b>Revenue</b>					
Sales revenue	13 \$	23,262,793 \$	15,112,693 \$	39,443,913 \$	27,529,453
<b>Cost of coins</b>		<b>(22,220,684)</b>	<b>(13,910,407)</b>	<b>(37,598,993)</b>	<b>(25,241,413)</b>
<b>Gross profit</b>		<b>1,042,109</b>	<b>1,202,286</b>	<b>1,844,920</b>	<b>2,288,040</b>
<b>Expenses</b>					
General and administration	14	815,752	773,065	1,552,162	1,323,314
Salaries and wages		266,169	598,789	460,529	1,163,881
Depreciation and accretion		158,012	384,529	420,465	769,662
Financing fees	5, 7	677,033	525,699	1,321,180	975,500
Marketing and advertising		314,002	123,834	463,817	174,200
Professional fees		221,439	(26,477)	326,633	53,060
Software		64,863	65,380	112,975	120,998
		<b>2,517,270</b>	<b>2,444,821</b>	<b>4,656,761</b>	<b>4,580,615</b>
<b>Loss before other items</b>		<b>(1,475,161)</b>	<b>(1,242,535)</b>	<b>(2,811,841)</b>	<b>(2,292,575)</b>
<b>Other items</b>					
Fair value change - cryptocurrency loans	5	1,959,171	(418,811)	(5,916,941)	(3,872,736)
Share based compensation		(195,830)	(90,053)	(263,413)	(170,733)
Foreign exchange loss		(64,347)	619	(185,859)	(18,512)
Gain (loss) on debt settlement		-	-	20,000	(5,178)
Gain (loss) on disposal of property and equipment		3,697	(26,896)	3,697	(26,896)
Fair value change - cryptocurrency inventory		(107,783)	(13)	296,832	12,943
Realized gain (loss) on digital assets		1,005,207	(30,544)	1,857,786	374,959
<b>Income (loss) before income taxes</b>		<b>1,124,954</b>	<b>(1,808,233)</b>	<b>(6,999,739)</b>	<b>(5,998,728)</b>
<b>Income tax expense (recovery)</b>					
Current		-	(305,177)	-	(585,080)
Deferred		-	(49,797)	-	(437,021)
<b>Net income (loss)</b>		<b>1,124,954</b>	<b>(1,453,259)</b>	<b>(6,999,739)</b>	<b>(4,976,627)</b>
<b>Other comprehensive income</b>					
Revaluation (loss) gain on digital assets, net of tax	3	(2,842,810)	629,430	3,740,145	3,127,605
Unrealized exchange gain on foreign subsidiaries		-	-	-	19,113
<b>Total comprehensive loss</b>		<b>\$ (1,717,856)</b>	<b>\$ (823,829)</b>	<b>\$ (3,259,594)</b>	<b>\$ (1,829,909)</b>
<b>Net income (loss) per common share</b>					
Basic		\$ 0.01	\$ (0.01)	\$ (0.03)	\$ (0.03)
Diluted		\$ 0.01	\$ (0.01)	\$ (0.03)	\$ (0.03)
<b>Weighted average number of common shares outstanding:</b>					
Basic		214,530,625	174,395,549	208,146,750	174,389,253
Diluted		221,544,953	174,395,549	208,146,750	174,389,253

*The accompanying notes are an integral part of these consolidated financial statement*

Condensed Consolidated Interim Statements of Cash Flows  
(Expressed in Canadian dollars)

Six months ended June 30	2024	2023
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net loss	\$ (6,999,739)	\$ (4,976,627)
Adjustments for:		
Depreciation and accretion	420,465	769,662
Fair value change - cryptocurrency loans	5,916,941	3,872,736
Fair value change - cryptocurrency inventory	(296,832)	(12,943)
Realized gain on digital assets	(1,857,786)	(374,959)
Deferred income tax	-	472,160
Foreign exchange loss	185,859	18,512
Share based compensation	263,413	170,733
(Gain) loss on the sale of fixed assets	(3,697)	26,896
(Gain) loss on debt settlement	(20,000)	3,924
	<b>(2,391,376)</b>	<b>(29,906)</b>
Changes in non-cash working capital items:		
Accounts receivable	(26,828)	102,002
Deposits and prepaid expenses	239,021	(66,236)
Inventory	(38,183)	237,218
Digital assets	1,892,700	(4,442,174)
Current income tax receivable	-	(560,657)
Accounts payable and accrued liabilities	152,485	(147,319)
<b>Cash used in operating activities</b>	<b>(172,181)</b>	<b>(4,907,072)</b>
<b>Investing activities</b>		
Proceeds from the disposal of property and equipment	5,528	36,173
Proceeds from disposal of investments	12,365	-
<b>Cash provided by investing activities</b>	<b>17,893</b>	<b>36,173</b>
<b>Financing activities</b>		
Repayment of cryptocurrency loans	(1,928,088)	(799,566)
Payments of acquisition consideration payable	(10,647)	(122,996)
Proceeds received from convertible debt	-	1,621,316
Repayment of loans	(40,000)	-
Proceeds from (repayments of) line of credit	140,167	(2,148,907)
Proceeds received from digital assets sold	-	4,738,068
Repayment of lease liability	(18,144)	(49,044)
Shares issued pursuant to exercise of options and warrants	19,000	-
Shares issued pursuant to private placement	1,983,370	63,375
<b>Cash provided by financing activities</b>	<b>145,658</b>	<b>3,302,246</b>
<b>Change in cash</b>	<b>(8,630)</b>	<b>(1,568,653)</b>
Cash, beginning of period	1,668,922	3,946,525
<b>Cash, end of period</b>	<b>\$ 1,660,292</b>	<b>\$ 2,377,872</b>

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

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity  
(Expressed in Canadian dollars, except for number of shares)

	<u>Share Capital</u>					Accumulated Other Comprehensive Income	Total	
	Note	Number of Common Shares	Amount	Contributed Surplus	Warrants			Accumulated Deficit
<b>Balance at December 31, 2022</b>		<b>174,382,887</b>	<b>\$ 12,095,172</b>	<b>\$ 1,484,329</b>	<b>\$ 1,636,581</b>	<b>\$ (22,693,769)</b>	<b>\$ 1,645,954</b>	<b>\$ (5,831,733)</b>
Shares issued - employment services received		1,333,333	40,000	-	-	-	-	<b>40,000</b>
Shares issued - Equibytes earn out		1,152,273	63,375	-	-	-	-	<b>63,375</b>
Shares and warrants issued - private placement		23,291,985	1,048,139	-	349,380	-	-	<b>1,397,519</b>
Share based compensation		-	-	211,862	271,568	-	-	<b>483,430</b>
Expired warrants		-	-	1,636,581	(1,636,581)	-	-	-
Net loss for the period		-	-	-	-	(12,024,324)	-	<b>(12,024,324)</b>
Revaluation gain on digital assets, net of tax		-	-	-	-	-	6,702,036	<b>6,702,036</b>
Unrealized exchange gain on foreign subsidiaries		-	-	-	-	-	19,111	<b>19,111</b>
<b>Balance at December 31, 2023</b>		<b>200,160,478</b>	<b>\$ 13,246,686</b>	<b>\$ 3,332,772</b>	<b>\$ 620,948</b>	<b>\$ (34,718,093)</b>	<b>\$ 8,367,101</b>	<b>\$ (9,150,586)</b>
Shares and warrants issued - private placement	12	13,781,368	1,618,035	156,556	208,779	-	-	<b>1,983,370</b>
Shares issued - services received	12	571,428	60,000	-	-	-	-	<b>60,000</b>
Shares issued - warrants exercised	12	60,000	5,328	-	(2,328)	-	-	<b>3,000</b>
Shares issued - options exercised	12	320,000	41,280	(25,280)	-	-	-	<b>16,000</b>
Share based compensation	12	-	-	263,412	-	-	-	<b>263,412</b>
Net loss for the period		-	-	-	-	(6,999,739)	-	<b>(6,999,739)</b>
Revaluation gain on digital assets, net of tax		-	-	-	-	-	3,740,145	<b>3,740,145</b>
<b>Balance at June 30, 2024</b>		<b>214,893,274</b>	<b>\$ 14,971,329</b>	<b>\$ 3,727,460</b>	<b>\$ 827,399</b>	<b>\$ (41,717,832)</b>	<b>\$ 12,107,246</b>	<b>\$ (10,084,398)</b>

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

## **1. NATURE OF OPERATIONS**

### **Operating businesses**

Bitcoin Well Inc. (“Bitcoin Well” or the “Company”) is on a mission to enable independence. The Company does this by making bitcoin useful to everyday people to give them the convenience of modern banking and the benefits of bitcoin.

The company operates two business units, consisting of (i) Bitcoin ATMs and (ii) the Online Bitcoin Portal. The Bitcoin ATM business unit operates a fleet of approximately 190 Bitcoin ATM machines placed and operating throughout Canada. The Online Bitcoin Portal platform offers customers the fastest and safest way to buy, sell and use bitcoin online in Canada and the USA. This business unit is designed to offer bank-like functionality coupled with the benefits of bitcoin.

### **Corporate administration**

The address of the Company’s registered office is 1700 Enbridge Centre, 10175 – 101 Street NW, Edmonton, Alberta. The Company’s common shares are traded on the TSX Venture Exchange (the “TSXV”) under the ticker symbol “**BTCW**” and on the OTCQB under the ticker symbol “**BCNWF**”.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 12, 2024.

## **2. BASIS OF PRESENTATION**

### **a) Statement of compliance and basis of presentation**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2024 and 2023  
(Unaudited - Expressed in Canadian dollars, except where otherwise stated)

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, 2023 and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2023. These consolidated financial statements have been prepared using the accrual basis of accounting, and fair value accounting where appropriate, except for cash flow information. The policies applied in these condensed interim consolidated financial statements are based on IFRS issued as of June 30, 2024.

The preparation of these condensed consolidated interim financial statements in compliance with IAS 34 requires management to make certain accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas where significant judgement and estimates have been made in preparing the financial statements are disclosed in note 2 of the Company's 2023 consolidated annual financial statements.

The functional currency for the Company and its subsidiaries is the Canadian dollar. The presentation currency for the Company is the Canadian dollar.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes the realization of assets and satisfaction of liabilities in the normal course of business for the foreseeable future. For the three months and six months ended June 30, 2024, the Company incurred a comprehensive loss of \$1,717,856 and \$3,259,594, respectively (June 30, 2023 - losses of \$823,829 and \$1,829,909, respectively) and reported a shareholders' deficit of \$10,084,398 at June 30, 2024 (December 31, 2023 - deficit of \$9,150,586).

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2024 and 2023  
*(Unaudited - Expressed in Canadian dollars, except where otherwise stated)*

Operations have been financed using a combination of cryptocurrency loans (Note 5) and convertible debt (Note 7) which had balances of \$14,909,079 and \$6,121,316, respectively, at June 30, 2024 with no financial covenants attached. In addition, the Company has raised capital through equity raises including a private placement for gross proceeds of \$2.3 million completed in March 2024 (Note 12). Management applied judgements in preparing forecasts to support the going concern assumption, including the expected demand for the Company's current and future products, as well as expected operating expenses.

These estimations may raise doubt about whether the Company will continue to operate as a going concern, and therefore, whether it will realize its assets and settle its liabilities in the normal course of business and at the amounts stated in the financial statements. Should the Company be unable to meet its obligations as they become due, the preparation of these consolidated financial statements on a going concern basis may not be appropriate.

**b) Basis of consolidation**

These consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiaries, the Company's current active subsidiaries include Bitcoin Well Canada Ltd. and Ghostlab Inc. All intercompany transactions and balances have been eliminated on consolidation.

**c) Reclassifications**

Certain amounts in prior periods have been reclassified to better reflect the nature of the expenditures reported. This included the reclassification of \$29,351 of professional fees into general and administrative expenses, financing fees, and loss on debt settlement for the three months ended June 30, 2023 (six months ended June 30, 2023 - \$44,600).



Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2024 and 2023  
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In addition, for the six months ended June 30, 2024, there was a \$404,615 reclassification related to the change in fair value of cryptocurrency inventory into a separate line that was previously included in cost of coins in the previous quarter ended March 31, 2024 to better reflect and separately report the nature of this income (expense).

### 3. DIGITAL ASSETS

The Company classifies bitcoin holdings in excess of the inventory required for operations as digital assets. As at June 30, 2024, the price of bitcoin was \$85,684 which reflected an increase from its price of \$56,001 on December 31, 2023. The Company recognized an unrealized revaluation loss of \$2,842,810 during the three months ended June 30, 2024 and an unrealized gain of \$3,740,145 for the six months ended June 30, 2024 (three and six months ended June 30, 2023 - losses of \$629,430 and \$3,127,605, respectively).

	<b>Bitcoin</b>	<b>CAD \$ Value</b>
Balance at December 31, 2022	267 \$	5,999,847
Additions	261	9,446,816
Transfers out	(345)	(11,924,033)
Revaluation	-	6,702,036
Balance at December 31, 2023	183 \$	10,224,666
Additions	6	495,784
Transfers out	(26)	(2,388,484)
Realized gain on disposal	-	1,857,786
Revaluation	-	3,740,145
Balance at June 30, 2024	163 \$	13,929,897

The Company recognizes realized gains and losses arising from the disposal of digital assets. Accordingly, for the three and six months ended June 30, 2024, a realized gain of \$1,005,207 and \$1,857,786 respectively (2023 - loss of \$30,544 and gain of \$374,958 respectively) was recognized.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2024 and 2023  
(Unaudited - Expressed in Canadian dollars, except where otherwise stated)

#### 4. RELATED PARTY TRANSACTIONS

##### Key Management Compensation

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

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Salary, fees, and other				
short-term benefits	\$ 143,877	\$ 112,357	\$ 302,139	\$ 265,527
Share based payments (Note 12)	24,146	63,835	41,994	123,852
<b>Total</b>	<b>\$ 168,023</b>	<b>\$ 176,192</b>	<b>\$ 344,133</b>	<b>\$ 389,379</b>

##### Other related party transactions

During the three and six months ended June 30, 2024, the Company incurred \$284,036 and \$549,790 (2023 - \$260,442 and \$475,459), respectively, of interest on crypto currency loans and convertible debentures owing to directors and officers of the company (see Notes 5 and 7 for additional information related to these loans).

## 5. LOANS PAYABLE – CRYPTOCURRENCY

The Company has entered into agreements (“Use of Coin Agreements”) whereby various parties have loaned their bitcoin and ethereum to the Company. These Use of Coin Agreements were entered into to help meet customer demand for cryptocurrency, allowing the Company to secure its Line of Credit (Note 8) to help facilitate this demand.

	Ethereum	Bitcoin	CAD \$ Value
Balance at December 31, 2022	211	271	\$ 6,416,495
Additions	-	60	2,252,300
Repayments	(211)	(136)	(5,169,658)
Revaluation	-	-	7,421,089
Balance at December 31, 2023	-	195	\$ 10,920,226
Repayments	-	(21)	(1,928,088)
Revaluation	-	-	5,916,941
Balance at June 30, 2024	-	174	\$ 14,909,079
Less: Current portion			\$ 6,426,327
Non-current portion			\$ 8,482,752

As at June 30, 2024, the Company’s cryptocurrency loans consisted of 174 bitcoins with a fair value of \$14,909,079 (December 31, 2023 – 195 bitcoins valued at \$10,920,226).

Of this amount, 49 bitcoins, valued at \$4,198,534 (December 2023 – 50 bitcoins at \$2,800,058) was owing to the Chief Executive Officer of the Company and 10 bitcoins, valued at \$856,844 (December 2023 – \$560,012) was owing to a director of the Company. The changes in fair value were a result of the fluctuating prices of cryptocurrency.

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The loans are unsecured and bear interest at fixed annual rates ranging from 6.0% to 10.0% per annum or at a variable rate equal to bank prime plus 5% per annum, based on the value of the loans at the time of issuance. Of the 174 bitcoins owing, 75 bitcoins, valued at \$6,426,327 are currently redeemable by the holders in March 2025. The remaining 99 bitcoins, valued at \$8,482,752, are redeemable by the holder with 12 months advance notice and, therefore, have been classified as long-term liabilities.

The total interest paid under these agreements for the three and six months ended June 30, 2024 was \$179,990 and \$404,376 (three and six months ended June 30, 2023 - \$228,145 and \$446,950), respectively, of which \$53,640 and \$107,640 (three and six months ended June 30, 2023 - \$54,000 and \$108,000) was paid to the Chief Executive Officer and \$39,622 and \$64,573 (three and six months ended June 30, 2023 - \$27,967 and \$64,225), respectively, was paid to a director of the Company. This expense has been recorded within Finance Fees. At June 30, 2024, included in deposits and prepaid expenses was \$29,088 in prepaid interest (December 31, 2023 - \$160,412) on the Use of Coin Agreements with the Chief Executive Officer and director of the Company.

At each reporting period, the Company revalues the outstanding loans based on current market price of the cryptocurrencies, using CoinMarketCap. For the three months ended June 30, 2024, the Company recognized a fair value gain of \$1,959,171 and for the six months ended June 30, 2024 a fair value loss of \$5,916,941 (three and six months ended June 30, 2023 - losses of \$4,780,602 and \$4,961,305, respectively), as a result of changes in the price of the cryptocurrencies.

Whenever any borrowed cryptocurrencies are used in operations, an equal amount of cryptocurrency is purchased, which effectively allows the Company to eliminate any price exposure to those borrowed coins once they have been used. Therefore, the \$5,916,941 in fair value loss year-to-date in 2024 was mostly offset by a \$1,857,786 realized gain and a \$3,740,145 unrealized gain recorded in Other Comprehensive Income, that were recognized related to cryptocurrencies held by the Company in digital assets.

## 6. INVENTORY

As at	June 30, 2024		December 31, 2023	
	Value	Units	Value	Units
Bitcoin	\$ 856,844	10	\$ 560,012	10
Ethereum	63,645	14	26,276	9
Other	8,373		7,558	
<b>Total</b>	<b>\$ 928,862</b>		<b>\$ 593,846</b>	

At each reporting period, 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.

## 7. CONVERTIBLE DEBT

The Company has an outstanding secured convertible debenture (the "Convertible Debenture") in the principal amount of \$5,000,000 owing to Beyond the Rhode Corp ("BTR"), a company controlled by a director of Bitcoin Well. The convertible Debenture incurs interest at Prime + 6.2% per annum, matures on May 1, 2028, and is convertible into common shares of the Company at a price of \$0.25 per share at the election of the holder at any time.

The Company has the right to force conversion of the principal amount if the volume weighted average trading price of the common shares for ten trading days equals or exceeds \$0.50 per common share. The Company also has the option to repay any amounts of the Convertible Debenture with no penalty, at any time.

The Convertible Debenture also provides for the payment of a monthly royalty to the holder equal to between 12% and 20% of the gross profit, defined as revenue less the cost of coins, generated from the Online Bitcoin Portal, until the latter of three months after the most recent conversion date or the maturity date. No royalty payments shall be made if the aggregate amount of all interest payments, future interest payments and royalty payments would exceed 24% per annum.

During the three and six months ended June 30, 2024, the Company paid \$167,500 and \$335,000 (2023 - \$160,455 and \$283,473), respectively, in interest and \$24,754 and \$34,653 (2023 - \$640 and \$2,112), respectively, in royalties related to the Convertible Debenture.

In addition, the Company has outstanding secured convertible debentures in the principal amount of \$1,121,613 owing to various arm's length parties. The convertible debentures incur interest at the Bank of Canada policy interest rate + 8% per annum and mature between February 16, 2026 and March 28, 2026, subject to two automatic one year extensions. The debentures are convertible into common shares of the Company at a price of \$0.15 per share at the election of the holder at any time.

The Company has the right to force conversion of the principal amount of these debentures if the volume weighted average trading price of the common shares for ten trading days equals or exceeds \$0.30 per common share. The Company also has the option to repay any amounts of these debentures with no penalty, with 30 days notice.

During the three and six months ended June 30, 2024, the Company paid \$29,955 and \$59,816, respectively, (2023 - \$nil) in interest related to these debentures.

## **8. LINE OF CREDIT**

The Company has a line of credit with Ledn, a lending firm that provides bitcoin-backed loans. The line of credit incurs interest ranging from 14.0% to 14.9% per annum and matures in tranches expiring in November 2024 and March 2025.

The line of credit requires the Company to hold a mix of cryptocurrency assets and cash (collectively the "Collateral") with the lender such that the debt outstanding will not exceed 70% of the Collateral (the "Loan to Value").

If the Loan to Value exceeds 70%, the lender may require the Company to deposit additional collateral with the lender to reduce the Loan to Value to 50%. If the Loan to Value exceeds 80%, the Company will be in default and the lender will be able to immediately demand repayment of the line of credit and exercise all of its rights and remedies available to collect on the outstanding balance, including liquidating the collateral held.

On June 30, 2024, the lender held 140 Bitcoin as security over the line of credit, with a fair value of \$12.0 million, representing a Loan to Value of 52%.

## **9. SEGMENTED INFORMATION**

The Company reports two operating business segments: Bitcoin ATMs and Online (relating directly to the Online Bitcoin Portal), as well as a head office segment that includes overhead and administrative expenditures applicable to the whole business. These segments have been identified by management based on components of the business containing similar economic characteristics.

The Bitcoin ATMs segment comprises sales and expenses related to the Company's Bitcoin ATMs, while the Online Bitcoin Portal segment includes sales and expenses related to the Company's bitcoin platform and prior to Q4 2023 OTC sales revenue. OTC services were integrated into the Online Bitcoin Portal in Q3 2023. Management reviews the financial information for each of these segments separately when making business decisions.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2024 and 2023  
(Unaudited - Expressed in Canadian dollars, except where otherwise stated)

<b>Three months ended June 30, 2024</b>	<b>ATMs</b>		<b>Online</b>		<b>Head office</b>		<b>Total</b>
Sales	\$	6,632,046	\$	16,630,747	\$	-	\$ 23,262,793
Cost of coins		(5,821,755)		(16,398,929)		-	(22,220,684)
Gross profit		810,291		231,818		-	1,042,109
Gross profit margin %		12.2%		1.4%			4.5%
<b>Expenses</b>							
General and administration		484,843		32,545		298,364	815,752
Salaries and wages		68,059		76,151		121,959	266,169
Depreciation and accretion		85,996		-		72,016	158,012
Financing fees		-		-		677,033	677,033
Marketing and advertising		-		-		314,002	314,002
Professional fees		-		-		221,439	221,439
Software		-		-		64,863	64,863
Other items		-		-		(2,600,115)	(2,600,115)
<b>Segment income (loss)</b>		<b>171,393</b>		<b>123,122</b>		<b>830,440</b>	<b>1,124,954</b>
<hr/>							
Total assets	\$	2,522,391	\$	388,065	\$	15,396,048	\$ 18,306,504
Total liabilities	\$	-	\$	-	\$	28,390,902	\$ 28,390,902
<hr/>							
<b>Three months ended June 30, 2023</b>	<b>ATMs</b>		<b>Online</b>		<b>Head office</b>		<b>Total</b>
Sales	\$	8,622,926	\$	6,489,767	\$	-	\$ 15,112,693
Cost of coins		(7,494,161)		(6,416,246)		-	(13,910,407)
Gross profit		1,128,765		73,521		-	1,202,286
Gross profit margin %		13.1%		1.1%			8.0%
<b>Expenses</b>							
General and administration		523,096		45,301		204,668	773,065
Salaries and wages		151,193		169,168		278,428	598,789
Depreciation and accretion		50,103		-		334,427	384,530
Financing fees		-		-		525,699	525,699
Marketing and advertising		-		-		123,834	123,834
Professional fees		-		-		(26,476)	(26,476)
Software		-		-		65,380	65,380
Other items		-		-		565,698	565,698
<b>Segment income (loss)</b>		<b>404,373</b>		<b>(140,948)</b>		<b>(2,071,658)</b>	<b>(1,808,233)</b>
<hr/>							
Total assets	\$	3,332,232	\$	434,944	\$	11,220,104	\$ 14,987,280
Total liabilities	\$	-	\$	-	\$	22,414,814	\$ 22,414,814



Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2024 and 2023  
(Unaudited - Expressed in Canadian dollars, except where otherwise stated)

<b>Six months ended June 30, 2024</b>	<b>ATMs</b>		<b>Online</b>		<b>Head office</b>		<b>Total</b>
Sales	\$	13,144,331	\$	26,299,582	\$	-	\$ 39,443,913
Cost of coins		(11,620,124)		(25,978,869)		-	(37,598,993)
Gross profit		1,524,207		320,713		-	1,844,920
Gross profit margin %		11.6%		1.2%			4.7%
<b>Expenses</b>							
General and administration		952,474		62,352		537,336	1,552,162
Salaries and wages		117,757		131,757		211,015	460,529
Depreciation and accretion		269,465		-		151,000	420,465
Financing fees		-		-		1,321,180	1,321,180
Marketing and advertising		-		-		463,817	463,817
Professional fees		3,388		3,388		318,857	325,633
Software		-		-		112,975	112,975
Other items		-		-		4,187,898	4,187,898
<b>Segment income (loss)</b>		<b>181,123</b>		<b>123,216</b>		<b>(7,304,078)</b>	<b>(6,999,739)</b>
<hr/>							
Total assets	\$	2,522,391	\$	388,065	\$	15,396,048	\$ 18,306,504
Total liabilities	\$	-	\$	-	\$	28,390,902	\$ 28,390,902
<hr/>							
<b>Six months ended June 30, 2023</b>	<b>ATMs</b>		<b>Online</b>		<b>Head office</b>		<b>Total</b>
Sales	\$	15,778,595	\$	11,750,858	\$	-	\$ 27,529,453
Cost of coins		(13,753,343)		(11,488,070)		-	(25,241,413)
Gross profit		2,025,252		262,788		-	2,288,040
Gross profit margin %		12.8%		2.2%			8.3%
<b>Expenses</b>							
General and administration		916,996		62,773		343,545	1,323,314
Salaries and wages		291,590		326,257		546,034	1,163,881
Depreciation and accretion		374,477		-		395,185	769,662
Financing fees		-		-		975,500	975,500
Marketing and advertising		-		-		174,200	174,200
Professional fees		-		-		53,059	53,059
Software		-		-		120,998	120,998
Other items		-		-		3,706,154	3,706,154
<b>Segment income (loss)</b>		<b>442,188</b>		<b>(126,241)</b>		<b>(6,314,675)</b>	<b>(5,998,728)</b>
<hr/>							
Total assets	\$	3,332,232	\$	434,944	\$	11,220,104	\$ 14,987,280
Total liabilities	\$	-	\$	-	\$	22,414,814	\$ 22,414,814

## **10. MANAGEMENT OF CAPITAL**

The Company defines the capital that it manages as its shareholders' equity, convertible debt, loans payable, loans payable - cryptocurrency, and line of credit.

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 subject to externally imposed capital requirements, see Note 8.

## **11. RISK MANAGEMENT**

### **11.1 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 subject the Company to credit risk consist primarily of cash, digital assets, and accounts receivable.

The Company limits its exposure to credit loss related to its cash by placing its cash with high quality financial institutions. The Company is also exposed to the risk of loss from theft of its cash held in ATM machines or in transit from ATM machines to financial institutions. This risk is mitigated by having no concentration of cash in any one location, the regular collection of cash from ATM machines and by using reputable service organizations to transport cash from its ATM machines to financial institutions.

Credit risks related to the Company's digital assets include that a portion of these assets are held by third parties, including lenders and liquidity partners. The Company is also exposed to the risk of loss associated with digital assets held in its controlled wallets. To mitigate these risks, 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.

The Company may, from time to time, hold a net asset position with its liquidity partners. The Company limits its exposure to potential credit loss by ensuring it is working with liquidity partners who have a high standard of care, and that a reasonable degree of oversight and review over their internal controls has been maintained, including the requirement of a current Systems and Organization Controls 2 ("SOC 2") report in order for the Company to work with the liquidity partner.

A significant portion of the Company's digital assets are also held by its lender as collateral for the line of credit (note 8). The Company does not hold, or have rights to the potential economic benefits of the cryptocurrency assets that comprise the collateral for the duration of the line of credit. The lender is also not required to deposit the collateral with a custodial service for safekeeping, and the lender can pledge, sell, lend, or transfer the collateral to third parties.

As disclosed in the annual consolidated financial statements for the year ended December 31, 2023, in October 2023, Rapid Cash ATM Ltd. ("Rapid Cash") suddenly uninstalled and removed the Company's software from Rapid Cash's ATMs that were operating in the Company's partner program. As a result, the Company terminated its hosting agreement with Rapid Cash who previously operated approximately 100 ATM machines under the Company's partner program. The Company is vigorously pursuing its rights under the contract and has commenced an action against Rapid Cash before the Alberta Court of King's Bench.

The amount included in accounts receivable at June 30, 2024 and December 31, 2023 primarily consists of the Company's cash in ATM machines that was withheld by Rapid Cash. The Company believes it will be successful in recovering its cash from Rapid Cash, but there can be no certainty of this, and therefore, the Company's accounts receivable is also subject to credit risk.

**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 June 30, 2024 the Company had a positive working capital balance of \$3,757,384 (December 31, 2023 - \$6,649,030).

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2024 and 2023  
(Unaudited - Expressed in Canadian dollars, except where otherwise stated)

As at June 30, 2024, the Company had cash of \$1,660,292 (December 31, 2023 – \$1,668,922) and short term liabilities in the table below:

	<b>June 30,</b>	<b>December 31,</b>
	<b>2024</b>	<b>2023</b>
Accounts payable	\$ 425,874	\$ 490,218
Accrued liabilities	423,317	262,478
Lease liability - current	30,075	57,208
Acquisition consideration payable	175,380	186,027
Line of credit	6,240,172	5,914,146
Loans payable - crypto currency	6,426,327	-
Loans payable	-	100,000
<b>Total</b>	<b>\$ 13,721,145</b>	<b>\$ 7,010,077</b>

Accounts payable, accrued liabilities, lease liabilities, and contingent consideration will be paid within the next 12 months, as they become due.

The line of credit is expected to continue to be extended as required by the Company and agreed to by the lender. However, there is no guarantee the tranches advanced under the line of credit will be extended by the lender in the future. The Company's line of credit is also subject to minimum collateral covenants, which if insufficient, could result in default, and the requirement to immediately repay any balances outstanding. Should such an event occur, the lender may also dispose of the digital assets that it currently holds as collateral for the line of credit. See *note 8* for additional information.

The Company also anticipates that it will renew and extend any crypto currency loans that are potentially redeemable by the holder within the next 12 months. However, there is no guarantee these loans will be extended.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. During the six months ended June 30, 2024, the Company improved its liquidity further by completing an equity offering for gross proceeds of \$2.3 million, see Note 12.

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.

**c) Foreign Currency Risk**

The Company is exposed to foreign currency risk in relation to its line of credit, which is denominated in USD. Based on the balance of the line of credit denominated in USD at June 30, 2024, a 5% increase or decrease in the exchange rate would result in a gain or loss of \$312,009. The Company is not currently exposed to any other significant foreign exchange risk.

**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, cryptocurrency 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. 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 and Ethereum.

With a 10% increase to the price of bitcoin, the Company's digital assets at June 30, 2024 would increase to \$15,322,886 and a 10% reduction in the price of bitcoin would cause the Company's digital assets to reduce to \$12,536,907.

With a 10% increase to the price of bitcoin, the Company's crypto currency loans at June 30, 2024 would increase to \$16,399,987 and a 10% reduction in the price of bitcoin would cause the Company's crypto currency loans to reduce to \$13,553,708.

## 11.2 Fair Values

The carrying values of cash, accounts receivable and accounts payable and accrued liabilities, and line of credit approximate their fair values due to their short-term nature. The carrying value of the Company's convertible debt does not differ significantly from its carrying value using observable inputs as the debt bears interest at a variable rate or at fixed rates that approximate market rates for debt of similar characteristics.

Investment and cryptocurrency loans 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).

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2024 and 2023  
(Unaudited - Expressed in Canadian dollars, except where otherwise stated)

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

<b>As at December 31, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Fair value through profit and loss</b>				
Cryptocurrency loans	-	-	10,920,226	<b>\$ 10,920,226</b>
Investments	-	-	12,365	<b>12,365</b>
<b>Fair value through other comprehensive income</b>				
Digital assets	-	10,224,666	-	<b>10,224,666</b>

<b>As at June 30, 2024</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Fair value through profit and loss</b>				
Cryptocurrency loans	-	-	14,909,079	<b>\$ 14,909,079</b>
Investments	-	-	-	-
<b>Fair value through other comprehensive income</b>				
Digital assets	-	13,929,897	-	<b>13,929,897</b>

## 12. EQUITY

### 12.1 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.



## 12.2 Shares issued

On March 22, 2024, the Company completed a private placement offering of an aggregate of 13,352,797 units of the Company ("Units") at a price of \$0.175 per Unit for aggregate gross proceeds of \$2,336,740. Each Unit consisted of one common share of the Company and one-half of one common share purchase warrant of the Company (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share at a price of \$0.275 per share, subject to adjustment in certain events, at any time until March 22, 2027.

In connection with the Offering, the Company paid to the agent, Haywood Securities Inc., (i) a cash commission of \$156,556; (ii) non-transferrable compensation options of the Company exercisable at any time prior to March 22, 2027 to acquire up to 894,603 Units of the Company ("Agent Options") at a price of \$0.175 per option; and (iii) a corporate finance fee of \$100,000 (plus applicable taxes), which was paid 25% in cash and 75% by the issuance of 428,571 Units of the Company (the "Corporate Finance Fee Units"). The Agent Option Units and the Corporate Finance Fee Units have the same terms as the Units sold in the private placement.

The net proceeds have been allocated between share capital and Warrants in the amounts of \$1,618,035 (net of share issuance costs of \$451,648), and \$208,779 (net of issue costs of \$58,278), respectively. The gross proceeds allocated to share capital was based on the market value of the Company's common shares of \$0.155 at the closing of the private placement with the residual value being allocated to the value of the Warrants.

The Company is using the net proceeds of the Offering for sales and marketing, working capital and for general corporate purposes.

## 12.3 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.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2024 and 2023  
(Unaudited - Expressed in Canadian dollars, except where otherwise stated)

On February 28, 2024, the Company granted 9,650,000 stock options to officers, directors, and employees of the Company pursuant to the Company's stock option Plan. Each stock option is exercisable to acquire one common share at a price of \$0.14 per share until December 31, 2025.

On April 15, 2024, the Company granted 500,000 stock options to a consultant of the Company pursuant to the Company's stock option Plan. Each stock option is exercisable to acquire one common share at a price of \$0.12 per share until April 15, 2026.

Stock options issued are summarized below:

	Number of options	Weighted average exercise price
Options outstanding, December 31, 2022	10,051,339	0.12
Granted	966,249	0.06
Forfeited	(2,931,343)	0.09
<b>Options outstanding, December 31, 2023</b>	<b>8,086,245 \$</b>	<b>0.09</b>
Granted	10,150,000	0.14
Exercised	(320,000)	0.05
<b>Options outstanding, June 30, 2024</b>	<b>17,916,245 \$</b>	<b>0.12</b>
Options exercisable, December 31, 2023	4,819,280 \$	0.10
<b>Options exercisable, June 30, 2024</b>	<b>6,668,906 \$</b>	<b>0.10</b>

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2024 and 2023  
(Unaudited - Expressed in Canadian dollars, except where otherwise stated)

The Company had the following stock options outstanding and exercisable, at June 30, 2024:

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
\$ 0.20	150,000	\$ 0.20	19	\$ 0.20	150,000
0.30	200,000	0.30	19	0.30	200,000
0.34	294,117	0.34	13	0.34	294,117
0.31	91,553	0.31	27	0.31	91,553
0.18	896,278	0.18	30	0.18	597,519
0.07	2,929,881	0.07	37	0.07	2,563,646
0.05	2,658,961	0.05	34	0.05	2,272,071
0.06	545,455	0.06	45	0.06	-
0.14	9,650,000	0.14	18	0.14	-
0.12	500,000	0.12	21	0.12	500,000
	<b>17,916,245</b>	<b>\$ 0.12</b>	<b>25</b>	<b>\$ 0.10</b>	<b>6,668,906</b>

During the three and six months ended June 30, 2024, the Company recorded a total of \$195,829 and \$263,413, respectively (2023 - \$90,053 and \$170,733, 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. The weighted average valuation assumptions used in valuing the stock options granted were as follows:

Six months ended June 30	2024	2023
Expected life (years)	1.8	5.0
Expected volatility	162%	199%
Dividend rate	-	-
Risk-free interest rate	4.30%	3.69%
<b>Weighted average fair value per option granted</b>	<b>\$ 0.10</b>	<b>\$ 0.09</b>

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2024 and 2023  
(Unaudited - Expressed in Canadian dollars, except where otherwise stated)

## 12.4 Warrants

During the first quarter of 2024, the Company issued 6,890,684 Warrants in conjunction with the March 2024 non-brokered private placement. The Warrants are exercisable into one common share at a price of \$0.275 per share, expiring on March 22, 2027. The warrants were valued at \$208,779 (net of issue costs of \$58,278), being the residual value of the Units issued after deducting the value of the common shares issued in the private placement.

Warrants issued are summarized below:

	<b>Number of options</b>	<b>Weighted average exercise price</b>
Warrants outstanding, December 31, 2022	14,569,000	0.375
Granted	30,291,985	0.18
Expired	(14,569,000)	0.375
<b>Warrants outstanding, December 31, 2023</b>	<b>30,291,985 \$</b>	<b>0.15</b>
Granted	6,890,684	0.275
Exercise of warrants	(60,000)	0.05
<b>Warrants outstanding, June 30, 2023</b>	<b>37,122,669 \$</b>	<b>0.17</b>

The following table summarizes the warrants that were outstanding as at June 30, 2024:

<b>Exercise price</b>	<b>Number of warrants</b>	<b>Expiry Date</b>
\$ 0.05	6,940,000	September 7, 2028
\$ 0.18	23,291,985	September 1, 2026
\$ 0.275	6,890,684	March 22, 2027
<b>Warrants outstanding, June 30, 2024</b>	<b>37,122,669</b>	

## 12.5 Agent Options

In connection with the March 2024 private placement, the Company granted Agent Options to acquire 894,603 Units. The Agent Options are exercisable at a price of \$0.175 per option and expire on March 22, 2027. The Agent Options were valued at \$156,555 using the Black-scholes option pricing model with the following assumptions:

<b>Agent Options issued</b>	
Expected life (years)	3
Expected volatility	157%
Dividend rate	-
Risk-free interest rate	4.13%
<b>Fair value per Agent Option granted</b>	<b>\$ 0.175</b>

As at June 30, 2024, all of the Agent Options remained outstanding.

## 13. 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.

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Customers	\$ 17,248,757	\$ 15,099,461	\$ 28,972,962	\$ 26,597,096
Cryptocurrency exchanges	6,014,036	13,232	10,470,951	932,357
<b>Total sales</b>	<b>\$ 23,262,793</b>	<b>\$ 15,112,693</b>	<b>\$ 39,443,913</b>	<b>\$ 34,115,158</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.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2024 and 2023  
*(Unaudited - Expressed in Canadian dollars, except where otherwise stated)*

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.

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

The Company recently expanded its Online Portal to serve customers located in the United States. Transactions conducted with US based customers are currently facilitated through a third party service provider that purchases and sells the cryptocurrency directly with the customers. The Company is compensated by the third party service provider through a monthly per transaction fee based on a sliding scale dependent on quarterly volumes. During the three and six months ended June 30, 2024, the transaction fees earned from the third party service provider were nominal.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2024 and 2023  
(Unaudited - Expressed in Canadian dollars, except where otherwise stated)

**14. GENERAL AND ADMINISTRATION**

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Service costs	\$ 534,461	\$ 636,428	\$ 1,081,442	\$ 1,095,153
Office expenses	46,183	88,467	102,140	172,015
Travel and meals	26,397	6,094	38,638	8,769
Automobile	593	2,558	1,200	4,602
Rent and lease payments	12,737	11,695	19,551	3,571
Consulting fees	195,380	25,250	309,191	37,884
Other	-	2,573	-	1,320
<b>Total</b>	<b>\$ 815,752</b>	<b>\$ 773,065</b>	<b>\$ 1,552,162</b>	<b>\$ 1,323,314</b>

Service costs include cash logistics, ATM operating costs, and costs related to hosting ATMs.