



**BITCOIN WELL**

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

Unaudited Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended June 30, 2023 and 2022

| As at   | Note      | June 30, 2023        | December 31, 2022  |
|---|-----------|----------------------|--------------------|
| <b>Assets</b>                                     |           |                      |                    |
| <b>Current assets</b>                             |           |                      |                    |
| Cash  | \$        | 2,377,872 \$         | 3,946,525          |
| Accounts receivable                               |           | -                    | 102,001            |
| Current income tax receivable                     |           | 826,895              | 266,238            |
| Digital assets                                    | 6, 16     | 8,853,552            | 5,999,847          |
| Inventory   | 11        | 473,475              | 710,693            |
| Deposits and prepaid expenses                     |           | 121,360              | 55,124             |
|   |           | <b>12,653,154</b>    | <b>11,080,428</b>  |
| <b>Non-current assets</b>                         |           |                      |                    |
| Property and equipment                            | 7         | 1,012,879            | 1,390,999          |
| Right of use assets                               | 16        | 202,902              | 32,917             |
| Intangible assets                                 | 8         | 662,918              | 1,064,705          |
| Goodwill  |           | 105,427              | 105,427            |
| Investments                                       | 5         | 350,000              | 350,000            |
| <b>Total assets</b>                               | <b>\$</b> | <b>14,987,280 \$</b> | <b>14,024,476</b>  |
| <b>Liabilities</b>                                |           |                      |                    |
| <b>Current liabilities</b>                        |           |                      |                    |
| Accounts payable and accrued liabilities          | \$        | 534,074 \$           | 681,393            |
| Lease liability - current                         | 17        | 91,834               | 39,489             |
| Contingent consideration - current                | 4         | 86,870               | 102,313            |
| Line of credit                                    | 14        | 5,151,093            | 7,300,000          |
| Loans payable                                     |           | 100,000              | -                  |
|   |           | <b>5,963,871</b>     | <b>8,123,195</b>   |
| <b>Non-current liabilities</b>                    |           |                      |                    |
| Contingent consideration - long term              | 4         | 108,966              | 216,519            |
| Loans payable - cryptocurrency                    | 10        | 9,571,130            | 6,416,495          |
| Lease liability - long term                       | 17        | 114,392              | -                  |
| Convertible debt                                  | 12        | 6,621,316            | 5,000,000          |
| Deferred income tax payable                       |           | 35,139               | -                  |
| Loans payable                                     |           | -                    | 100,000            |
| <b>Total liabilities</b>                          |           | <b>22,414,814</b>    | <b>19,856,209</b>  |
| <b>Shareholders' equity</b>                       |           |                      |                    |
| Share capital                                     | 18        | 12,158,547           | 12,095,172         |
| Contributed surplus                               | 18        | 3,291,643            | 1,484,329          |
| Warrants  | 18        | -                    | 1,636,581          |
| Accumulated deficit                               |           | (27,670,396)         | (22,693,769)       |
| Accumulated other comprehensive income            |           | 4,792,672            | 1,645,954          |
| <b>Total shareholders' equity (deficit)</b>       |           | <b>(7,427,534)</b>   | <b>(5,831,733)</b> |
| <b>Total liabilities and shareholders' equity</b> | <b>\$</b> | <b>14,987,280 \$</b> | <b>14,024,476</b>  |

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

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

|   |            | Three months ended  |                | Six months ended      |                |
|---|------------|---------------------|----------------|-----------------------|----------------|
|   |            | June 30, 2023       | June 30, 2022  | June 30, 2023         | June 30, 2022  |
| <b>Revenue</b>  |            |                     |                |                       |                |
| Sales revenue   | 19         | \$ 15,112,693       | \$ 20,586,354  | \$ 27,529,453         | \$ 34,115,158  |
| <b>Cost of coins</b>                                  |            | <b>(13,910,407)</b> | (19,520,595)   | <b>(25,241,413)</b>   | (32,084,609)   |
| <b>Gross profit</b>                                   |            | <b>1,202,286</b>    | 1,065,759      | <b>2,288,040</b>      | 2,030,549      |
| <b>Expenses</b>                                       |            |                     |                |                       |                |
| General and administration                            | 20         | 744,355             | 696,167        | 1,322,130             | 1,858,959      |
| Salaries and wages                                    | 9          | 598,789             | 1,322,663      | 1,163,881             | 2,458,509      |
| Financing fees  | 12, 13, 14 | 525,058             | 244,184        | 933,338               | 420,153        |
| Depreciation and accretion                            | 7, 8, 17   | 384,529             | 713,700        | 769,662               | 1,394,998      |
| Marketing and advertising                             |            | 123,834             | 242,367        | 174,200               | 489,391        |
| Software  |            | 65,380              | 48,394         | 120,998               | 88,183         |
| Professional fees                                     |            | 2,876               | 98,760         | 97,659                | 351,846        |
|   |            | <b>2,444,821</b>    | 3,366,235      | <b>4,581,868</b>      | 7,062,039      |
| <b>Loss before other items</b>                        |            | <b>(1,242,535)</b>  | (2,300,476)    | <b>(2,293,828)</b>    | (5,031,490)    |
| <b>Other items</b>                                    |            |                     |                |                       |                |
| Fair value change - cryptocurrency loans              | 10         | (418,811)           | 4,780,602      | (3,872,736)           | 4,961,305      |
| Realized gain (loss) on digital assets, net of tax    | 6          | (30,544)            | -              | 374,958               | -              |
| Share based compensation                              | 18         | (90,053)            | (38,287)       | (170,733)             | (110,843)      |
| Foreign exchange gain (loss)                          |            | 619                 | 416            | (18,511)              | (1,168)        |
| Loss on the sale of fixed assets                      |            | (26,896)            | -              | (26,896)              | -              |
| Fair value change - cryptocurrency inventory          | 11         | (13)                | (3,863)        | 12,942                | (46,163)       |
| Gain (loss) on debt settlement                        |            | -                   | 58,487         | (3,924)               | 86,764         |
| Restructuring   |            | -                   | (3,308,022)    | -                     | (3,308,022)    |
| <b>Loss before income taxes</b>                       |            | <b>(1,808,233)</b>  | (811,143)      | <b>(5,998,728)</b>    | (3,449,617)    |
| <b>Income tax expense (recovery)</b>                  |            |                     |                |                       |                |
| Current   |            | (305,177)           | (275,988)      | (585,080)             | (874,280)      |
| Deferred  |            | (49,797)            | 559,569        | (437,021)             | 580,720        |
| <b>Net loss</b>                                       |            | <b>(1,453,259)</b>  | (1,094,724)    | <b>(4,976,627)</b>    | (3,156,057)    |
| <b>Other comprehensive income</b>                     |            |                     |                |                       |                |
| Revaluation gain (loss) on digital assets, net of tax | 6          | 629,430             | (4,348,780)    | 3,127,605             | (4,479,677)    |
| Unrealized exchange gain on foreign subsidiaries      |            | -                   | 8,548          | 19,113                | 15,863         |
| <b>Total comprehensive loss</b>                       |            | <b>\$ (823,829)</b> | \$ (5,434,956) | <b>\$ (1,829,909)</b> | \$ (7,619,871) |
| <b>Net loss per common share</b>                      |            |                     |                |                       |                |
| Basic   |            | \$ (0.01)           | \$ (0.01)      | \$ (0.03)             | \$ (0.02)      |
| Diluted   |            | \$ (0.01)           | \$ (0.01)      | \$ (0.03)             | \$ (0.02)      |
| <b>Weighted average common shares outstanding:</b>    |            |                     |                |                       |                |
| Basic   |            | 174,395,549         | 174,382,887    | 174,389,253           | 174,022,133    |
| Diluted   |            | 174,395,549         | 174,382,887    | 174,389,253           | 174,022,133    |

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

Consolidated Statements of Cash Flows  
(Expressed in Canadian dollars)

| Six months ended June 30                               | 2023                | 2022                |
|--|---------------------|---------------------|
| <b>Cash provided by (used in):</b>                     |                     |                     |
| <b>Operating activities</b>                            |                     |                     |
| Net loss   | \$ (4,976,627)      | \$ (3,156,057)      |
| Adjustments for:                                       |                     |                     |
| Fair value change - cryptocurrency loans               | 3,872,736           | (4,961,305)         |
| Depreciation and accretion                             | 769,662             | 1,394,998           |
| Deferred income tax                                    | 472,160             | 4,216               |
| Realized gain on digital assets, net of tax            | (374,958)           | -                   |
| Share based compensation                               | 170,733             | 110,843             |
| Loss on the sale of fixed assets                       | 26,896              | -                   |
| Foreign exchange loss                                  | 18,511              | -                   |
| Fair value change - cryptocurrency inventory           | (12,942)            | 46,163              |
| Loss (gain) on debt settlement                         | 3,924               | (86,764)            |
| Restructuring  | -                   | 2,571,868           |
|  | <b>(29,905)</b>     | <b>(4,076,038)</b>  |
| Changes in non-cash working capital items:             |                     |                     |
| Digital assets   | (4,442,174)         | (217,942)           |
| Current income tax receivable                          | (560,657)           | (874,280)           |
| Inventory  | 237,218             | 229,053             |
| Accounts payable and accrued liabilities               | (147,319)           | 246                 |
| Accounts receivable                                    | 102,001             | 128,167             |
| Deposits and prepaid expenses                          | (66,236)            | 439,652             |
| <b>Cash used in operating activities</b>               | <b>(4,907,072)</b>  | <b>(4,371,142)</b>  |
| <b>Investing activities</b>                            |                     |                     |
| Sale (purchase) of property and equipment              | 36,173              | (127,358)           |
| Purchase of intangible assets                          | -                   | (535,169)           |
| Purchase of investments                                | -                   | (71,000)            |
| <b>Cash provided by (used in) investing activities</b> | <b>36,173</b>       | <b>(733,527)</b>    |
| <b>Financing activities</b>                            |                     |                     |
| Proceeds of cryptocurrency loans                       | 4,310,764           | 850,915             |
| Repayment of cryptocurrency loans                      | (5,110,330)         | -                   |
| Repayment of line of credit                            | (2,148,907)         | -                   |
| Proceeds received from convertible debt                | 1,621,316           | 3,500,000           |
| Proceeds received from digital assets sold             | 4,738,068           | -                   |
| Repayment of lease liability                           | (49,044)            | (62,528)            |
| Payments of contingent consideration                   | (122,996)           | (67,776)            |
| Shares issued for debt payment                         | 63,375              | -                   |
| Proceeds received from exercise of stock options       | -                   | 40,000              |
| <b>Cash provided by financing activities</b>           | <b>3,302,246</b>    | <b>4,260,611</b>    |
| <b>Change in cash</b>                                  | <b>(1,568,653)</b>  | <b>(844,058)</b>    |
| Cash, beginning of period                              | 3,946,525           | 4,799,849           |
| <b>Cash, end of period</b>                             | <b>\$ 2,377,872</b> | <b>\$ 3,955,791</b> |

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

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

|  | Note | <u>Share Capital</u>          |                      |                        |                     | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Income | Total                 |
|--|------|-------------------------------|----------------------|------------------------|---------------------|------------------------|---|-----------------------|
|  |      | Number of<br>Common<br>Shares | Amount               | Contributed<br>Surplus | Warrants            |                        |   |                       |
| <b>Balance at December 31, 2021</b>              |      | <b>173,530,813</b>            | <b>\$ 11,935,399</b> | <b>\$ 1,804,137</b>    | <b>\$ 1,636,581</b> | <b>\$ (16,702,268)</b> | <b>\$ 7,315,790</b>                             | <b>\$ 5,989,639</b>   |
| Shares issued - employment services received     | 18   | 478,244                       | 86,076               | -                      | -                   | -                      | -   | <b>86,076</b>         |
| Contingent share consideration restructuring     |      | -                             | -                    | (600,000)              | -                   | -                      | -   | <b>(600,000)</b>      |
| Share based compensation                         | 18   | -                             | -                    | 313,889                | -                   | -                      | -   | <b>313,889</b>        |
| Stock options exercised                          | 18   | 373,830                       | 73,697               | (33,697)               | -                   | -                      | -   | <b>40,000</b>         |
| Net loss for the period                          |      | -                             | -                    | -                      | -                   | (5,991,501)            | -   | <b>(5,991,501)</b>    |
| Revaluation gain on digital assets, net of tax   |      | -                             | -                    | -                      | -                   | -                      | (5,682,094)                                     | <b>(5,682,094)</b>    |
| Unrealized exchange gain on foreign subsidiaries |      | -                             | -                    | -                      | -                   | -                      | 12,258  | <b>12,258</b>         |
| <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> |
| Share based compensation                         | 18   | -                             | -                    | 170,733                | -                   | -                      | -   | <b>170,733</b>        |
| Shares issued - Equibytes earn-out               | 18   | 1,152,273                     | 63,375               | -                      | -                   | -                      | -   | <b>63,375</b>         |
| Expired warrants                                 | 18   | -                             | -                    | 1,636,581              | (1,636,581)         | -                      | -   | <b>-</b>              |
| Net loss for the period                          |      | -                             | -                    | -                      | -                   | (4,976,627)            | -   | <b>(4,976,627)</b>    |
| Revaluation loss on digital assets, net of tax   |      | -                             | -                    | -                      | -                   | -                      | 3,127,605                                       | <b>3,127,605</b>      |
| Unrealized exchange gain on foreign subsidiaries |      | -                             | -                    | -                      | -                   | -                      | 19,113  | <b>19,113</b>         |
| <b>Balance at June 30, 2023</b>                  |      | <b>175,535,160</b>            | <b>\$ 12,158,547</b> | <b>\$ 3,291,643</b>    | <b>\$ -</b>         | <b>\$ (27,670,396)</b> | <b>\$ 4,792,672</b>                             | <b>\$ (7,427,534)</b> |

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

## 1. NATURE OF OPERATIONS

### Operating businesses

Bitcoin Well Inc. ("Bitcoin Well" or the "Company") is a three business unit organization that offers the convenience of modern banking with the benefits of bitcoin.

The first business unit is a fleet of over 280 Bitcoin ATM machines placed and operating throughout Canada.

The second business unit is an over-the-counter (OTC) brokerage ("Bitcoin Well Infinite"). Bitcoin Well Infinite is available to Canadians (and in Q2 2023, Americans) convenient and safe access to bitcoin through a personalized service. Operations from ATMs and Bitcoin Well Infinite (together "In Person") have been segregated in Note 3.

The third business unit is a non-custodial Online Portal. Launched in Q4 2022 this platform offers Canadians the fastest and safest way to buy, sell and use bitcoin online. 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 2500 Stantec Tower, 10220 – 103 Avenue NW, Edmonton, Alberta. The Company's common shares are traded on the TSX Venture Exchange (the "TSXV") under the ticker symbol "BTCW".

Bitcoin Well 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 TSXV. The principal business of the Company was to identify and evaluate assets or businesses with a view to completing a Qualifying Transaction (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 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.

## **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"). The policies applied in these consolidated financial statements are based on IFRS issued and effective as of June 30, 2023.

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, 2022. These condensed interim consolidated financial statements should be read in conjunction with Company's annual financial statements for the year ended December 31, 2022. These consolidated financial statements have been prepared using the accrual basis of accounting, and fair value accounting where appropriate, except for cash flow information.

These consolidated 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, 2023, the Company incurred comprehensive losses of \$823,829 and \$1,829,909, respectively (June 30, 2022 -

losses of \$5,434,956 and \$7,619,871, respectively) and accumulated deficit and other comprehensive losses of \$22,877,724 (December 31, 2022 - deficit of \$21,047,815). Operations have been financed using a combination of cryptocurrency loans (Note 10) and convertible debt (Note 12) which had balances of \$9,571,130 and \$6,621,316 as at June 30, 2023, respectively, with no financial covenants attached. 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 the expected operating expenses, which are based on these demands.

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 interim financial statements on a going concern basis may not be appropriate.

As an update to the Company's December 31, 2022 audited financial statements, significant accounting policy relating to its cash is as follows. Cash is comprised of cash held in ATMs, credit unions, cryptocurrency exchanges, and safes.

### **3. SEGMENTED INFORMATION**

The Company operates three reportable segments: in-person, online, and a head office segment. These segments have been identified by management based on components of the segment containing similar economic characteristics.

The in-person segment comprises sales and expenses related to the Company's Bitcoin ATMs and Bitcoin Well Infinite, while the Online Portal segment includes sales and expenses related to the Company's bitcoin platform. The head office segment encompasses other administrative expenses and salaries which are attributable to both of the other segments. Management reviews the financial information for each of these segments separately when making business decisions.



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

| Three months ended June 30, 2023 | In person     | Online       | Head office   | Total         |
|----------------------------------|---------------|--------------|---------------|---------------|
| Sales                            | \$ 13,097,998 | \$ 2,014,695 | \$ -          | \$ 15,112,693 |
| Cost of coins                    | (11,901,465)  | (2,008,943)  | -             | (13,910,407)  |
| Gross profit                     | 1,196,534     | 5,752        | -             | 1,202,286     |
| Gross profit margin %            | 9.14%         | 0.29%        |               | 7.96%         |
| <b>Expenses</b>                  |               |              |               |               |
| General and administration       | 531,054       | 23,195       | 190,106       | 744,355       |
| Salaries and wages               | 147,044       | 164,526      | 287,219       | 598,789       |
| Financing fees                   | -             | -            | 525,058       | 525,058       |
| Depreciation and accretion       | -             | -            | 384,529       | 384,529       |
| Marketing and advertising        | -             | 14,371       | 109,464       | 123,835       |
| Professional fees                | -             | -            | 65,380        | 65,380        |
| Software                         | 26,152        | 6,538        | (29,814)      | 2,876         |
| Other items                      | -             | -            | 565,697       | 565,697       |
| <b>Segment income (loss)</b>     | 492,284       | (202,877)    | (2,097,639)   | (1,808,233)   |
| Total assets                     | \$ 1,930,186  | \$ 689,089   | \$ 12,368,005 | \$ 14,987,280 |
| Total liabilities                | \$ -          | \$ 6,500,000 | \$ 8,487,280  | \$ 14,987,280 |

| Three months ended June 30, 2022 | In person     | Online        | Head office   | Total         |
|----------------------------------|---------------|---------------|---------------|---------------|
| Sales                            | \$ 20,303,146 | \$ 283,208    | \$ -          | \$ 20,586,354 |
| Cost of coins                    | (19,250,873)  | (269,722)     | -             | (19,520,595)  |
| Gross profit                     | 1,052,272     | 13,486        | -             | 1,065,759     |
| Gross profit margin %            | 5.18%         | 4.76%         |               | 5.18%         |
| <b>Expenses</b>                  |               |               |               |               |
| General and administration       | 405,696       | 6,583         | 283,888       | 696,167       |
| Salaries and wages               | 337,732       | 377,885       | 607,046       | 1,322,663     |
| Financing fees                   | -             | -             | 244,184       | 244,184       |
| Depreciation and accretion       | -             | -             | 713,700       | 713,700       |
| Marketing and advertising        | -             | -             | 242,367       | 242,367       |
| Professional fees                | -             | 5,468         | 93,292        | 98,760        |
| Software                         | 19,358        | 4,839         | 24,197        | 48,394        |
| Other items                      | -             | -             | (1,489,333)   | (1,489,333)   |
| <b>Segment income (loss)</b>     | 289,488       | (381,289)     | (719,341)     | (811,143)     |
| Total assets                     | \$ 2,114,198  | \$ 170,526    | \$ 10,916,679 | \$ 13,201,403 |
| Total liabilities                | \$ -          | \$ 10,800,000 | \$ 2,401,403  | \$ 13,201,403 |

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

| Six months ended June 30, 2023 | In person     | Online       | Head office   | Total         |
|--------------------------------|---------------|--------------|---------------|---------------|
| Sales                          | \$ 24,579,526 | \$ 2,949,927 | \$ -          | \$ 27,529,453 |
| Cost of coins                  | (22,304,747)  | (2,936,666)  | -             | (25,241,413)  |
| Gross profit                   | 2,274,779     | 13,261       | -             | 2,288,040     |
| Gross profit margin %          | 9.25%         | 0.45%        |               | 8.31%         |
| <b>Expenses</b>                |               |              |               |               |
| General and administration     | 946,573       | 31,894       | 343,663       | 1,322,130     |
| Salaries and wages             | 275,913       | 308,716      | 579,253       | 1,163,882     |
| Financing fees                 | -             | -            | 933,338       | 933,338       |
| Depreciation and accretion     | -             | -            | 769,662       | 769,662       |
| Marketing and advertising      | -             | 14,371       | 159,830       | 174,201       |
| Professional fees              | 669           | 3,132        | 117,197       | 120,998       |
| Software                       | 33,771        | 42,534       | 21,353        | 97,658        |
| Other items                    | -             | -            | 3,704,899     | 3,704,899     |
| <b>Segment income (loss)</b>   | 1,017,853     | (387,385)    | (6,629,195)   | (5,998,728)   |
| Total assets                   | \$ 1,930,186  | \$ 689,089   | \$ 11,541,134 | \$ 14,160,409 |
| Total liabilities              | \$ -          | \$ 6,500,000 | \$ 7,660,409  | \$ 14,160,409 |

  

| Six months ended June 30, 2022 | In person     | Online        | Head office   | Total         |
|--------------------------------|---------------|---------------|---------------|---------------|
| Sales                          | \$ 33,369,572 | \$ 745,586    | \$ -          | \$ 34,115,158 |
| Cost of coins                  | (31,373,581)  | (711,028)     | -             | (32,084,610)  |
| Gross profit                   | 1,995,991     | 34,558        | -             | 2,030,549     |
| Gross profit margin %          | 5.98%         | 4.64%         |               | 5.95%         |
| <b>Expenses</b>                |               |               |               |               |
| General and administration     | 783,330       | 6,583         | 649,302       | 1,439,215     |
| Salaries and wages             | 623,083       | 697,161       | 1,138,265     | 2,458,509     |
| Financing fees                 | 110,860       | 4,254         | 724,784       | 839,898       |
| Depreciation and accretion     | -             | -             | 1,394,998     | 1,394,998     |
| Marketing and advertising      | -             | -             | 489,391       | 489,391       |
| Professional fees              | -             | 41,340        | 310,505       | 351,845       |
| Software                       | 35,873        | 8,718         | 43,591        | 88,183        |
| Other items                    | -             | -             | (1,581,873)   | (1,581,873)   |
| <b>Segment income (loss)</b>   | 442,845       | (723,499)     | (3,168,963)   | (3,449,617)   |
| Total assets                   | \$ 2,114,198  | \$ 170,526    | \$ 10,916,679 | \$ 13,201,403 |
| Total liabilities              | \$ -          | \$ 10,800,000 | \$ 2,401,403  | \$ 13,201,403 |

#### 4. BUSINESS ACQUISITIONS

##### Contingent consideration

The Company's contingent consideration payable that arose from its business acquisitions consisted of the following components as at June 30, 2023:

|   | CryptoKiosk       | Equibytes         | Ghostlab    | Total             |
|---|-------------------|-------------------|-------------|-------------------|
| Balance at December 31, 2021                  | \$ 303,012        | \$ 118,133        | \$ 600,000  | \$ 1,021,145      |
| Current liability                             | 153,864           | 49,848            | -           | 203,712           |
| Non-current liability                         | 149,148           | 68,285            | -           | 217,433           |
| <b>Total contingent consideration payable</b> | <b>\$ 303,012</b> | <b>\$ 118,133</b> | <b>\$ -</b> | <b>\$ 421,145</b> |
| Payments made                                 | (89,019)          | (13,294)          | -           | (102,313)         |
| Expired contingent consideration              | -                 | -                 | (600,000)   | (600,000)         |
| <b>Balance at December 31, 2022</b>           | <b>\$ 213,993</b> | <b>\$ 104,839</b> | <b>\$ -</b> | <b>\$ 318,832</b> |
| Payments made                                 | (18,157)          | (104,839)         | -           | (122,996)         |
| <b>Balance at June 30, 2023</b>               | <b>\$ 195,836</b> | <b>\$ -</b>       | <b>\$ -</b> | <b>\$ 195,836</b> |
| Current liability                             | 86,870            | -                 | -           | 86,870            |
| Non-current liability                         | 108,966           | -                 | -           | 108,967           |
| <b>Total contingent consideration payable</b> | <b>\$ 195,836</b> | <b>\$ -</b>       | <b>\$ -</b> | <b>\$ 195,836</b> |

#### 5. INVESTMENTS

The Company is invested in private entities that are accounted for at fair value through profit or loss. As at June 30, 2023, the Company holds a 16% ownership in Veriself, a 5% ownership in Imperium Digital, and has no ownership of JustCash. The Company has no significant influence in any of these entities. At March 31, 2023, the fair value of these investments was \$350,000 (December 31, 2022 - \$350,000).

The Company performed a valuation analysis of Veriself by calculating a present value analysis of cost savings that could be obtained by using Veriself's next generation customer verification software in the future. Significant unobservable inputs used in the valuation included when Veriself's software

would be operational, and the estimated savings the verification would save on the Company's future customers.

The Company performed a valuation analysis of Imperium Digital by calculating the present value of Imperium Digital's expected earnings. Significant unobservable inputs used in the valuation included expected earnings, which were based on a number of conservative assumptions about the bitcoin mining industry in which Imperium Digital operates, and the future price of bitcoin over the coming years.

Sensitivity analysis was performed for both of the above valuations separately, to ensure an accurate valuation for each investment was calculated. A 10% increase or decrease in the forecasted cost savings of Veriself's verification software would result in a \$101,574 increase or decrease, respectively, of the fair value of the investment reported. A 10% increase or decrease in the forecasted earnings of Imperium Digital would result in a \$4,317 increase or decrease, respectively, of the fair value of the investment reported.

Changes in the unobservable inputs may result in significantly higher or lower fair value of these investments.

|                                    | <b>JustCash</b> | <b>Veriself</b>   | <b>Imperium<br/>Digital</b> | <b>Total</b>      |
|------------------------------------|-----------------|-------------------|-----------------------------|-------------------|
| Balance at December 31, 2021       | \$ 650,000      | 179,000           | 100,000                     | 929,000           |
| Additions                          | -               | 71,000            | -                           | 71,000            |
| Payments                           | (64,934)        | -                 | -                           | (63,934)          |
| Fair value adjustments             | (585,066)       | -                 | -                           | (585,066)         |
| Fair value at December 31, 2022    | \$ -            | \$ 250,000        | \$ 100,000                  | \$ 350,000        |
| Additions                          | -               | -                 | -                           | -                 |
| Fair value adjustments             | -               | -                 | -                           | -                 |
| <b>Fair value at June 30, 2023</b> | <b>\$ -</b>     | <b>\$ 250,000</b> | <b>\$ 100,000</b>           | <b>\$ 350,000</b> |

## 6. DIGITAL ASSETS

The Company classifies bitcoin holdings in excess of inventory required for operations as digital assets. As at June 30, 2023, the price of bitcoin was \$40,377 which reflected an increase from its price of \$22,454 on December 31, 2022. The

Company recognized an unrealized revaluation gain, net of tax, of \$629,430 and \$3,127,605 respectively, during three and six months ended June 30, 2023 (three and six months ended June 30, 2022 - unrealized loss of \$4,348,780 and \$4,479,677, respectively). These unrealized gains or losses related to digital assets are offset by the unrealized gains or losses related to the cryptocurrency loans (Note 10).

Digital assets held are made up of bitcoin held as an investment, bitcoin held with liquidity partners in order to maintain the required minimum asset balance extended under the Line of Credit (Note 14), as well as bitcoin used in operations to settle financial obligations from time to time. As at June 30, 2023, the Company held 219 bitcoins (\$8,853,552) with its liquidity partners (December 31, 2022 - 267 bitcoins - \$5,995,247), and 10 bitcoins in a combination of Company controlled wallets (December 31, 2022 - 12 bitcoins). As at June 30, 2023, 219 of these bitcoins were classified as Digital Assets (December 31, 2022 - 267), with the balance classified as inventory (Note 11).

The Company increased the balance of digital assets held in the six months ended June 30, 2023 due to new cryptocurrency denominated loans (Note 10).

|                                  | <b>Bitcoin</b>       | <b>CAD \$ Value</b>     |
|----------------------------------|----------------------|-------------------------|
| Balance at December 31, 2021     | 146 \$               | 8,596,949               |
| Additions                        | 147                  | 4,769,098               |
| Transfers out                    | (26)                 | (1,351,192)             |
| Revaluation - pretax             | -                    | (6,015,008)             |
| Balance at December 31, 2022     | <u>267 \$</u>        | <u>5,999,847</u>        |
| Additions                        | 261                  | 9,242,922               |
| Transfers out                    | (309)                | (9,996,381)             |
| Revaluation - pretax             | -                    | 3,607,164               |
| <b>Balance at March 31, 2023</b> | <b><u>219 \$</u></b> | <b><u>8,853,552</u></b> |

The carrying value of digital assets, if they were measured using the cost model, was \$7,187,743 as of June 30, 2023.

## 7. PROPERTY AND EQUIPMENT

|                                 | ATM                 | Furniture &<br>Equipment | Leasehold<br>Improvements | Total               |
|---------------------------------|---------------------|--------------------------|---------------------------|---------------------|
| <b>Costs</b>                    |                     |                          |                           |                     |
| Balance at December 31, 2021    | \$ 2,320,555        | \$ 198,283               | \$ 759,573                | \$ 3,278,411        |
| Additions                       | 112,581             | 12,705                   | 22,005                    | 147,291             |
| Disposals                       | (173,656)           | (15,262)                 | -                         | (188,918)           |
| Impairment                      | -                   | -                        | (420,803)                 | (420,803)           |
| Balance at December 31, 2022    | \$ 2,259,480        | \$ 195,726               | \$ 360,775                | \$ 2,815,981        |
| Additions                       | -                   | -                        | -                         | -                   |
| Disposals                       | (143,229)           | -                        | -                         | (143,229)           |
| <b>Balance at June 30, 2023</b> | <b>\$ 2,116,251</b> | <b>\$ 195,726</b>        | <b>\$ 360,775</b>         | <b>\$ 2,672,752</b> |
| <b>Accumulated Amortization</b> |                     |                          |                           |                     |
| Balance at December 31, 2021    | \$ 692,873          | \$ 96,784                | \$ 260,017                | \$ 1,049,674        |
| Amortization                    | 434,792             | 18,935                   | 76,140                    | 529,867             |
| Disposals                       | (152,465)           | (2,094)                  | -                         | (154,559)           |
| Balance at December 31, 2022    | \$ 975,200          | \$ 113,625               | \$ 336,157                | \$ 1,424,982        |
| Amortization                    | 248,748             | 27,508                   | 24,618                    | 300,874             |
| Disposals                       | (65,983)            | -                        | -                         | (65,983)            |
| <b>Balance at June 30, 2023</b> | <b>\$ 1,157,965</b> | <b>\$ 141,133</b>        | <b>\$ 360,775</b>         | <b>\$ 1,659,873</b> |
| <b>Net Book Value</b>           |                     |                          |                           |                     |
| Balance at December 31, 2022    | \$ 1,284,280        | \$ 82,101                | \$ 24,618                 | \$ 1,390,999        |
| <b>Balance at June 30, 2023</b> | <b>\$ 958,286</b>   | <b>\$ 54,593</b>         | <b>\$ -</b>               | <b>\$ 1,012,879</b> |

## 8. INTANGIBLE ASSETS

|                                 | <b>Host<br/>Agreements (i)</b> | <b>Software<br/>Applications</b> | <b>Internally generated<br/>Software (ii)</b> | <b>Total</b>        |
|---------------------------------|--------------------------------|----------------------------------|---|---------------------|
| <b>Costs</b>                    |                                |                                  |   |                     |
| Balance at December 31, 2021    | \$ 1,342,894                   | \$ 274,586                       | \$ 4,071,058                                  | \$ 5,688,538        |
| Additions                       | -                              | 25,366                           | 400,047                                       | 425,413             |
| Impairment                      | -                              | -                                | -   | -                   |
| Balance at December 31, 2022    | \$ 1,342,894                   | \$ 299,952                       | \$ 4,471,105                                  | \$ 6,113,951        |
| Additions                       | -                              | -                                | -   | -                   |
| Disposals                       | -                              | -                                | -   | -                   |
| <b>Balance at June 30, 2023</b> | <b>\$ 1,342,894</b>            | <b>\$ 299,952</b>                | <b>\$ 4,471,105</b>                           | <b>\$ 6,113,951</b> |
| <b>Accumulated Amortization</b> |                                |                                  |   |                     |
| Balance at December 31, 2021    | \$ 658,558                     | \$ 36,951                        | \$ 359,464                                    | \$ 1,054,973        |
| Amortization                    | 393,569                        | 33,109                           | 1,137,821                                     | 1,564,499           |
| Disposals                       | -                              | (18,201)                         | (123,893)                                     | (142,094)           |
| Impairment                      | -                              | 93,292                           | 2,478,576                                     | 2,571,868           |
| Balance at December 31, 2022    | \$ 1,052,127                   | \$ 145,151                       | \$ 3,851,968                                  | \$ 5,049,246        |
| Amortization                    | 96,948                         | 92,182                           | 208,614                                       | 397,744             |
| Disposals                       | -                              | 4,043                            | -   | 4,043               |
| <b>Balance at June 30, 2023</b> | <b>\$ 1,149,075</b>            | <b>\$ 241,376</b>                | <b>\$ 4,060,582</b>                           | <b>\$ 5,451,033</b> |
| <b>Net Book Value</b>           |                                |                                  |   |                     |
| Balance at December 31, 2022    | \$ 290,767                     | \$ 154,801                       | \$ 619,137                                    | \$ 1,064,705        |
| <b>Balance at June 30, 2023</b> | <b>\$ 193,819</b>              | <b>\$ 58,576</b>                 | <b>\$ 410,523</b>                             | <b>\$ 662,918</b>   |

- i) Host agreements includes 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 in 2021. 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.

## 9. RELATED PARTY TRANSACTIONS

### Key Management Compensation

Key management includes members of the Board of Directors and its executive officers. The aggregate value of transactions, other than those disclosed elsewhere in these consolidated financial statements, relating to key management personnel and entities over which they have control or significant influence were as follows.

During the three and six months ended June 30, 2023 and 2022, the Company had the following related party transactions with key management:

|   | Three months ended |                   | Six months ended  |                   |
|---|--------------------|-------------------|-------------------|-------------------|
|   | June 30, 2023      | June 30, 2022     | June 30, 2023     | June 30, 2022     |
| Salary, fees, and other short term benefits | \$ 112,357         | \$ 238,495        | \$ 265,527        | \$ 446,672        |
| Share based payments (Note 18)              | 63,835             | 26,471            | 123,852           | 52,943            |
| <b>Total</b>                                | <b>\$ 176,192</b>  | <b>\$ 264,966</b> | <b>\$ 389,379</b> | <b>\$ 499,615</b> |

## 10. LOAN PAYABLE – CRYPTOCURRENCY

The Company has entered into agreements whereby the Chief Executive Officer and a number of other arm's length parties have loaned their bitcoin and ethereum to the Company. These cryptocurrency loans were entered into to help meet new customer demand for cryptocurrency, and allowed the Company to secure its Line of Credit (Note 14). As per the terms of the agreements, the loans are repayable in bitcoin or ethereum, cancellable with 12 months notice, and are extendible at the option of the Company. During the three months ended March 31, 2023, these loans were amended and only become due after 12 months of written request of the holder. As such, these loans have been reclassified as non-current liabilities, as the Company has the unconditional right to defer settlement for at least 12 months after this reporting date, in accordance with IAS 1.



The Company pays a fixed monthly fee for the use of these cryptocurrencies. The total amount paid under these agreements for the three and six months ended June 30, 2023 was \$228,145 and \$446,950, respectively (three and six months ended June 30, 2022 - \$156,924 and \$309,467, respectively) of which \$54,000 and \$108,000 (three and six months ended June 30, 2022 - \$54,000 and \$108,000) was paid to the Chief Executive Officer, and \$27,967 and \$64,225 was paid to a director of the Company (three and six months ended June 30, 2022 - nil).

As at June 30 2023, the total fair value of the cryptocurrency loaned to the Company was \$9,571,130, (December 31, 2022 - \$6,416,495), of which \$2,018,859 represents the amount owed to the Chief Executive Officer of the Company.

At each reporting period, the Company revalues the outstanding cryptocurrency loans based on current market price of the cryptocurrencies, using CoinMarketCap. For the three and six months ended June 30, 2023, the Company recognized an unrealized fair value loss of \$418,811 and \$3,872,736, respectively (three and six months ended June 30, 2022 - unrealized gains of \$4,780,602 and \$4,961,305, respectively), as a result of the increase in the price of the cryptocurrencies. The unrealized loss was largely offset by the realized and unrealized gains on digital assets (Note 6), with the difference largely attributable to taxes.

The Company recognizes realized gains and losses arising from the settlement of cryptocurrency loans. Accordingly, for the three and six months ended June 30 2023, the company recorded nil, and a loss of \$3,924, respectively, (three and six months ended June 30, 2022 - gains of \$58,487 and \$86,764, respectively) due to settlement of cryptocurrency loans. Gains or losses arising from settlement of the above loans are largely offset by gains or losses realized on the digital assets used to extinguish these loans.

## 11. INVENTORY

| As at        | June 30, 2023     |       | December 31, 2022 |       |
|--------------|-------------------|-------|-------------------|-------|
|              | Amount (\$)       | Units | Amount (\$)       | Units |
| Bitcoin      | \$ 402,122        | 10    | \$ 310,710        | 12    |
| Ethereum     | 40,080            | 17    | 370,791           | 229   |
| Other        | 31,273            |       | 29,192            | -     |
| <b>Total</b> | <b>\$ 473,475</b> |       | <b>\$ 710,693</b> |       |

At period end, the Company revalues its cryptocurrency inventory balances at the lower of cost or net realizable value. Any reversal of amounts previously written down are recognized on the income statement in the period in which the reversal occurs. Write-downs are limited to the cost of the inventory, as previously stated.

## 12. 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 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 Company has the right to force conversion of the principal amount if the volume weighted average trading price for the common shares for ten trading days equals or exceeds \$0.60 per common share. The Company also has the option to repay any amounts of the Convertible Debenture with no penalty, at any time after February 23, 2023.

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 (Online Portal) 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%. During the three and six months ended June 30, 2023, the Company paid \$160,455 and \$283,473 in interest and \$640 and \$2,112 in royalties, respectively (three and six months ended June 30, 2022 - \$79,452 and \$81,918 in interest and \$169 in royalties). The Convertible Debenture is being used to fund the enhancement of the existing Bitcoin Well online product, for user acquisition and general working capital. The Company assessed whether an embedded derivative was in the royalty, but concluded that any impacts would be immaterial to the Company's financial statements.

In May 2023, the Company amended the above Convertible Debenture, which included an adjustment to the conversion price, which is now \$0.25 (from \$0.30), an amended interest rate of Prime + 6.2% (formerly 10% per annum), and an amendment to the term of the loan, which now extends to five (5) years from the issue date (formerly three (3) years from the issue date).

In addition to the above, in 2023, the Company entered into an agreement to issue \$1.1 million in secured convertible debentures, convertible into common shares of the Company at a conversion price of \$0.15. The Convertible Debentures were issued to arms length parties to the Company. The proceeds of this Convertible Debenture were used to repay prior cryptocurrency denominated loans (Note 10). The Convertible Debentures bear interest at a rate of Prime + 8% per annum and mature between February 16, and March 28, 2026, subject to two automatic one year extensions. The Company has the right to force conversion of the principal amount if the volume weighted average trading price for 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 the Convertible Debentures with 30 days notice.

### **13. BRIDGE LOAN**

On January 6, 2023, the Company received a \$1.05 million bridge loan from an arm's length party for a period of four (4) months (the "Bridge Loan"). The loan

bears interest at a rate of 12.5%. The proceeds of this Bridge Loan were used to repay a portion of cryptocurrency denominated loans (Note 10) in the short term. This bridge loan was repaid in full on May 10, 2023.

#### **14. LINE OF CREDIT**

Whenever any borrowed cryptocurrencies (Note 10) are used in operations, an equal amount of cryptocurrency is purchased and held with the liquidity partner, which effectively allows the Company to eliminate any price exposure to those borrowed coins once they have been used. The line of credit bears interest between 7% and 14% per annum and has no repayment terms. The agreement requires the Company to hold at least 125% of the balance of debt extended as a mix of cryptocurrency assets and cash on the lender's platform.

During the six months ended June 30, 2023, the Company's line of credit was reduced from \$7.3 million to \$5.15 million. The reduction was a direct result of the Company reducing its cryptocurrency loan balances (Note 10) in the period, requiring less bitcoin price exposure to be held on the Line of Credit. As a result of this, the Company recorded a realized gain, net of tax, of \$374,958 for the six months ended June 30, 2023 (Note 6).

#### **15. MANAGEMENT OF CAPITAL**

The Company defines the capital that it manages as its shareholders' equity, 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 14.

## **16. RISK MANAGEMENT**

### **16.1 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. 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 partners.

#### **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, 2023 the Company had a working capital surplus of \$6,689,284 (December 31, 2022 – surplus of \$2,957,233). 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 available 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 June 30, 2023, the Company had cash of \$2,377,872 (December 31, 2022 - \$3,946,525).

**c) Foreign Currency Risk**

Periodically the Company incurs charges on its operations 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.

**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, 2023 would increase to \$9,738,907 (December 31, 2022 - \$6,599,832) and a 10% reduction in the price of bitcoin would cause the Company's digital assets to reduce to \$7,968,197 (December 31, 2022 - \$5,399,862).

## 16.2 Fair Values

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

| <b>Year ended December 31,<br/>2022</b>              | <b>Level 1</b>      | <b>Level 2</b>      | <b>Level 3</b>       | <b>Total</b>         |
|--|---------------------|---------------------|----------------------|----------------------|
| <b>Fair value through profit and loss</b>            |                     |                     |                      |                      |
| Cash   | \$ 3,946,525        | \$ -                | \$ -                 | \$ 3,946,525         |
| Cryptocurrency loans                                 | -                   | -                   | 6,416,495            | 6,416,495            |
| Investments  | -                   | -                   | 350,000              | 350,000              |
| Convertible Debentures                               | -                   | -                   | 5,000,000            | 5,000,000            |
| <b>Fair value through other comprehensive income</b> |                     |                     |                      |                      |
| Digital assets                                       | \$ -                | \$ 5,999,847        | \$ -                 | \$ 5,999,847         |
| <b>Total</b>   | <b>\$ 3,946,525</b> | <b>\$ 5,999,847</b> | <b>\$ 11,766,495</b> | <b>\$ 21,712,867</b> |

| <b>Six months ended June<br/>30, 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>            |                     |                     |                      |                      |
| Cash   | \$ 2,377,872        | \$ -                | \$ -                 | \$ 2,377,872         |
| Cryptocurrency loans                                 | -                   | -                   | 9,571,130            | 9,571,130            |
| Investments  | -                   | -                   | 350,000              | 350,000              |
| Convertible debentures                               | -                   | -                   | 6,121,316            | 6,121,316            |
| <b>Fair value through other comprehensive income</b> |                     |                     |                      |                      |
| Digital assets                                       | \$ -                | \$ 8,853,552        | \$ -                 | \$ 8,853,552         |
| <b>Total</b>   | <b>\$ 2,377,872</b> | <b>\$ 8,853,552</b> | <b>\$ 16,042,446</b> | <b>\$ 27,273,870</b> |



## 17. 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:  | \$        | 91,834         |
| Due within 2-5 years: |           | 114,392        |
| <b>Total</b>          | <b>\$</b> | <b>206,226</b> |

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

### Right-of-Use Assets

Right-of-use assets consist of 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.

|                         | <b>Right-of-Use Assets</b> |                |
|-------------------------|----------------------------|----------------|
| <b>Cost:</b>            |                            |                |
| At December 31, 2022    |                            | 416,499        |
| Additions               |                            | 232,280        |
| Disposals               |                            | (416,499)      |
| At June 30, 2023        | \$                         | 232,280        |
| <b>Depreciation:</b>    |                            |                |
| At December 31, 2022    |                            | 383,582        |
| Charge for the period   |                            | (14,218)       |
| Disposals               |                            | (339,986)      |
| At June 30, 2023        | \$                         | 29,378         |
| <b>Net Book Value:</b>  |                            |                |
| At December 31, 2022    |                            | 32,917         |
| <b>At June 30, 2023</b> |                            | <b>202,902</b> |

|                                       | <b>Lease Liabilities</b> |
|---------------------------------------|--------------------------|
| At December 31, 2022                  | 39,489                   |
| Additions                             | 232,280                  |
| Lease payments made                   | (74,293)                 |
| Interest expense on lease liabilities | 8,750                    |
|                                       | 206,226                  |
| Less: current portion                 | (91,834)                 |
| <b>At June 30, 2023</b>               | <b>\$ 114,392</b>        |

## 18. EQUITY

### 18.1 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.

### 18.2 Shares issued

As a result of the 2021 Transaction, all of the issued and outstanding shares of Old Bitcoin Well were exchanged for common shares of the Company on the basis of between 8.33 and 10.00 common shares for each issued and outstanding common and preferred share of Old Bitcoin Well.

All share figures presented in these consolidated financial statements have been adjusted to reflect this share exchange as if it occurred effective December 31, 2019.

During the six months ended June 30 2023, the Company issued the following common shares:

- I. 1,152,273 common shares were issued to Equibytes for the remainder of its earn-out, in the amount of \$63,375.

During the year ended December 31, 2022, the Company issued the following common shares:

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

### 18.3 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:

|   | <b>Number of<br/>options</b> | <b>Weighted average<br/>exercise price</b> |
|---|------------------------------|--|
| Balance, December 31, 2021                | 5,042,207                    |  |
| Granted                                   | 10,293,018 \$                | 0.11                                       |
| Exercised                                 | (373,830)                    | 0.11                                       |
| Forfeited                                 | (4,910,056)                  | 0.20                                       |
| Options outstanding, December 31, 2022    | 10,051,339 \$                | 0.12                                       |
| Granted                                   | 420,794                      | 0.06                                       |
| Exercised                                 | -                            | -  |
| Forfeited                                 | -                            | -  |
| <b>Options outstanding, June 30, 2023</b> | <b>10,472,133 \$</b>         | <b>0.11</b>                                |
| <b>Options exercisable, June 30, 2023</b> | <b>2,441,812 \$</b>          | <b>0.19</b>                                |

The Company had the following stock options outstanding and exercisable, at June 30, 2023:

| 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                         | 25                                       | \$ 0.11                         | 841,133                       |
| 0.20           | 150,000                       | 0.20                            | 31                                       | 0.20                            | 150,000                       |
| 0.30           | 200,000                       | 0.30                            | 31                                       | 0.30                            | 200,000                       |
| 0.34           | 294,117                       | 0.34                            | 25                                       | 0.34                            | 294,117                       |
| 0.31           | 91,553                        | 0.31                            | 39                                       | 0.31                            | 91,553                        |
| 0.18           | 2,595,027                     | 0.18                            | 42                                       | 0.18                            | 865,009                       |
| 0.07           | 4,355,757                     | 0.07                            | 49                                       | 0.07                            | -                             |
| 0.05           | 1,523,752                     | 0.05                            | 51                                       | 0.05                            | -                             |
| 0.06           | 328,201                       | 0.06                            | 57                                       | 0.05                            | -                             |
| \$ 0.05        | 92,593                        | 0.05                            | 58                                       | 0.05                            | -                             |
|                | <b>10,472,133</b>             | <b>\$ 0.11</b>                  | <b>45</b>                                | <b>\$ 0.19</b>                  | <b>2,441,812</b>              |

During the three and six months ended June 30, 2023, the Company recorded a total of \$90,053 and \$170,733, respectively (three and six months ended June 30, 2022 - \$38,287 and 110,843, respectively) as share based payments related to stock options

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

| As At   | June 30, 2023  | December 31, 2022 |
|---|----------------|-------------------|
| Expected life (years)                                 | 5              | 5                 |
| Expected volatility                                   | 199%           | 120 - 177%        |
| Dividend rate   | -              | -                 |
| Risk-free interest rate                               | 3.69%          | 3.28%             |
| <b>Weighted average fair value per option granted</b> | <b>\$ 0.09</b> | <b>\$ 0.09</b>    |

#### **18.4 Agent's Options**

In connection with the Transaction in 2021, the agent was granted Agent Options to acquire 1,960,000 Units of the Company. The Agent Options expired 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

During the period ending June 30, 2023, all of the Agent Options were expired, and no new issuances were made in fiscal year 2023.

#### **18.5 Warrants**

In connection with the Transaction in 2021, the Company issued 14,569,000 Warrants. Each Warrant is exercisable at an exercise price of \$0.375 per Warrant and expired 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

During the period ending June 30, 2023, all of the Warrants were expired, and no new issuances were made in fiscal year 2023.

### **19. 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   |                      | Six months ended     |                      |
|--------------------------|----------------------|----------------------|----------------------|----------------------|
|                          | June 30, 2023        | June 30, 2022        | June 30, 2023        | June 30, 2022        |
| Customers                | \$ 15,099,461        | \$ 18,520,515        | \$ 26,597,096        | \$ 31,938,165        |
| Cryptocurrency exchanges | 13,232               | 2,065,839            | 932,357              | 2,176,993            |
| <b>Total sales</b>       | <b>\$ 15,112,693</b> | <b>\$ 20,586,354</b> | <b>\$ 27,529,453</b> | <b>\$ 34,115,158</b> |

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 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, from its own cryptocurrency wallets, 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. The Company replenishes bitcoin and other cryptocurrencies from cryptocurrency exchanges, after the above said sale is completed. 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.

## 20. GENERAL AND ADMINISTRATION

|                 | Three month ended |                   | Six months ended    |                     |
|-----------------|-------------------|-------------------|---------------------|---------------------|
|                 | June 30, 2023     | June 30, 2022     | June 30, 2023       | June 30, 2022       |
| Service costs   | \$ 630,046        | \$ 461,068        | \$ 1,057,442        | \$ 1,281,657        |
| Office expenses | 101,479           | 216,159           | 192,137             | 444,638             |
| Travel          | 9,632             | 11,176            | 28,318              | 45,546              |
| Automobile      | 2,558             | 6,564             | 8,152               | 9,872               |
| Other           | 640               | 1,200             | 36,081              | 77,246              |
| <b>Total</b>    | <b>\$ 744,355</b> | <b>\$ 696,167</b> | <b>\$ 1,322,130</b> | <b>\$ 1,858,959</b> |

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

## **21. SUBSEQUENT EVENTS**

On July 18, 2023, the Company announced its intention to complete a non-brokered private placement offering (the "Offering") of up to 41,666,667 units of Bitcoin Well (the "Units") at a price of \$0.06 per Unit for aggregate gross proceeds of up to \$2,500,000.

On August 15, 2023, the Company announced, subject to TSX Venture Exchange approval, the issuance of 7,000,000 common share purchase warrants ("Warrants"), being exercisable into one common share of the Company at a price of \$0.05 per share for a period of five (5) years from the issuance date. Of the total issuance, 5,400,000 Warrants are being issued to David Bradley, and 1,600,000 Warrants are being issued to Tyler Tollefson (collectively, the "Holders"), in settlement of any remaining obligations of the Company to the Holders.